ENVIRONMENTAL SCAN

SASKATCHEWAN

March 2013

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Acronyms

GDP Gross Domestic Product
HRSDC Human Resources and Skills Development Canada

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About the E-Scan

At least twice a year, the Labour Market Information division of Service Canada, Western Canada and Territories Region develops an Economic/Environmental Scan (E-Scan), a report that provides a general overview of the demographic, economic and labour market condition and trends for Saskatchewan. E-Scans are mainly intended to support regional Service Canada operations by identifying potential pressures on service and program delivery in the regions. However, they may also be of interest to those who seek to know more about the state of a provincial or regional economy and labour market. They are also used by Service Canada economists to help determine outlooks for industries and occupations.

Facts and statistics presented in this document reflect information available as of February 2013.

Key Points

General Overview

- Saskatchewan is ideally positioned for strong economic growth in 2013, driven by a positive fiscal balance, record-high levels of capital investment, and increasing worldwide demand for the province's resource-sector products.
- Production gains in the agricultural sector positively impacted the provincial economy last year, as Saskatchewan farmers experienced positive gains in the wake of a drought that ravaged the U.S. and parts of Europe, resulting in successive increases to grain prices.
- Following two years of sluggish provincial job growth, employment in Saskatchewan rebounded in 2012, growing 2.1% compared to the national growth rate of 1.2%. The province attracted more than 11,000 international migrants last year. Future economic growth in the province will depend primarily on Saskatchewan's ability to attract and retain human capital, as neighbouring provinces compete for the same limited supply of skilled labour.
- Over the next two years, the Conference Board of Canada expects Saskatchewan to post the strongest economic growth nationwide. Gross domestic product (GDP) growth is forecast to rise 3.4% in 2013 and 3.5% in 2014, driven primarily by production rebounds in the potash industry, strong oil and gas activity, and unprecedented levels of non-residential business investment.

Regional, Provincial and Local Labour Market Conditions

- Between 2007 and 2012, provincial employment growth neared pre-recession levels, propelled by 6.5% growth in construction and utilities, and 3.1% growth in resource extraction (forestry, mining, oil and gas).
- It is expected that heavy investment in the uranium and potash industries, including construction of the province's first potash mine in four decades, will provide an increasing role for the goods-producing sector in the provincial economy.
- The strongest growth in employment since 2007 has been in the 55 and over age group, as many older workers opt to defer retirement, and many employers face challenges associated with the recruitment of younger workers and the loss of corporate knowledge in the workplace.
- Over the next five years, employment demand will be highest for jobs requiring completion of high school and jobs requiring a post-secondary degree or diploma. Combined, these two skill levels will account for more than 60,000 job openings in the province.
- Saskatchewan's Aboriginal unemployment rate remains more than four times higher than the unemployment rate for non-Aboriginals (18.2% compared to 4.2%). Increasing the participation rate of Aboriginals in the labour market could help reduce labour shortages.
- Despite an increase in the provincial rate of disability among adults, Saskatchewan's disabled population boasts one of the highest participation rates nationwide (65.7% provincially compared to 56.2% nationally).

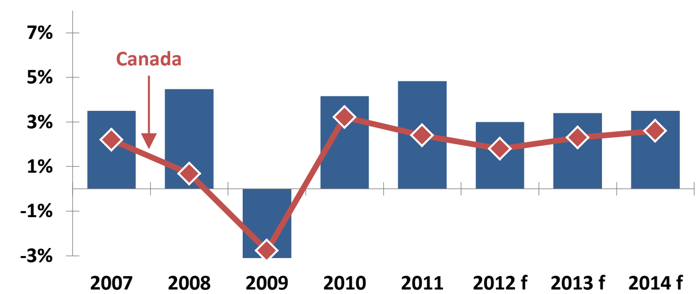
Introduction

The purpose of the Environmental Scan is to outline the major trends and issues facing Canada and Saskatchewan that will influence the economic and social environment in the current and future years. The document provides timely, evidence-based information to support the business planning process. It is divided into two main parts: the first part of the document includes a general overview of the economic context and some employment outlook information; the second part provides perspective of the regional, provincial and local labour market. Some terms and definitions are featured on page 12 in the appendices.

Section 1: General Overview / Economic Context

Saskatchewan posted strong economic growth in 2012[1]. Not surprisingly, Saskatchewan's economy is being driven by exports and capital investment. Provincial merchandise export sales were at an all-time high last year, and demand for natural resources continues to spur capital investment in the province's non-residential construction sector. As a result, Saskatchewan now boasts one of the strongest labour markets in the country and is attracting a significant number of international migrants to the province. The provincial economy added over 11,000 new jobs last year, the majority of which were for full-time positions.

Chart 1
Year-over-year percentage change in Saskatchewan's Gross Domestic Product between 2006 and 2014 (forecast), in 2002 dollars



Sources: Statistics Canada Economic Accounts; Conference Board of Canada (forecast)

Saskatchewan is a resource-based, trade-dependent province. Therefore, the province's economic fortunes are highly connected to international trade markets. And 2012 was an exceptional year for Saskatchewan trade, as the province's merchandise exports reached a record $31.4 billion – agriculture and energy products accounting for the majority of this growth. Indeed, production gains in the agricultural sector, combined with rising commodity prices are positively impacting the provincial economy. Saskatchewan producers experienced positive gains in the wake of severe drought conditions in the U.S. and parts of Europe, which has put upward pressure on grain prices. Meanwhile, provincial oil production also reached an all-time high in 2012. Oil production was up by 7% in 2012 compared to the previous record set in 2008, totalling just under 173 million barrels of oil for the year.

Strong demand for commodities has ratcheted up non-residential construction investment in Saskatchewan. Many of these new investments are taking place in mining, particularly in the potash industry. Although potash producers in the province have pulled back on production in recent months, the long-term outlook for the industry remains positive. Existing potash mines in the province are currently undergoing over $13-billion worth of expansions through 2020. Work is also underway on K + S Potash Canada's Legacy Project near Moose Jaw, the province's first new potash mine in nearly four decades.

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1 According to Statistics Canada estimates of GDP by industry, SK posted GDP of 2.2% in 2012. Nationally, real GDP rose 1.8% in 2012.

Production at the new $3.25 billion mine is anticipated to begin in 2015. Meanwhile, there are also significant investments taking place in the uranium industry. Construction is ongoing on a new uranium mine at Cigar Lake, and production at the mine is expected to start by the end of this year. Cigar Lake is the world's second largest high-grade uranium deposit.

Employment opportunities, driven by record exports and investment in Saskatchewan, are attracting new residents to the province. In fact, Saskatchewan's population reached a record high at the end of the third quarter of 2012, increasing by 2.2% since the end of the third quarter of 2011. Recent population growth is primarily being driven by international migration, and this influx of new people is having a positive impact on the provincial economy. Population growth is fuelling domestic demand through increased consumer spending and housing. Demand for new housing is stronger than it has been in over three decades, especially in the province's larger urban centers. According to the Canada Mortgage and Housing Corporation, housing starts in Saskatchewan totaled nearly 10,000 units in 2012. Not only does this figure represent a 40% jump over 2011 levels, it is also the highest number of housing starts recorded in the province since 1979.

Residential construction, combined with unprecedented levels of non-residential business investment, is having a significant impact on the province's construction industry. Employment in the construction industry was up by approximately 11% in 2012 compared to 2011. And even though the residential construction market is expected to moderate in 2013, housing starts should remain elevated in comparison to historical levels. Moreover, the provincial government has committed to spending $2.5 billion over the course of the next three years on infrastructure projects around the province. Therefore, demand for construction trade workers is anticipated to grow even more acute in the medium-term, particularly as construction activity ramps up in neighbouring provinces.

Saskatchewan's labour market rebounded in 2012, after experiencing two years of sluggish job growth. Provincial employment increased by 2.1% last year, almost doubling the national growth rate of 1.2%. Jobs gains were mostly driven by increases in full-time employment. In fact, the Saskatchewan economy added over 10,000 full-time jobs in 2012; and although part-time employment advanced by only 1,000 positions, the gain is significant when compared to the 3,300 part-time positions lost in 2011. This positive employment trend is expected to accelerate in 2013. The Conference Board of Canada is forecasting the province to add approximately 14,000 new jobs this year. The Board also expects the provinces unemployment rate to remain relatively flat in the near-term, as labour force expansion keeps pace with employment.

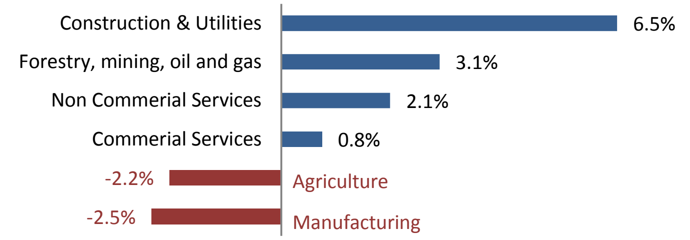
Saskatchewan's economy appears poised for significant growth over the next couple of years. The Conference Board of Canada expects Saskatchewan to lead all other provinces in economic growth both this year and next; 3.4% GDP growth in 2013 and 3.5% in 2014. However, there are several factors that could hinder economic expansion in the province. No doubt, Saskatchewan's export-driven economy is vulnerable to volatility in world markets. Prolonged production cuts in the potash industry pose a down-side risk to growth, while the current price discrepancy between Saskatchewan crude oil and West Texas Intermediate (WTI) oil is also cause for concern. Furthermore, tightening labour market conditions would create challenges for the province. Ongoing recruitment of skilled labour from outside of the province may be necessary; however, Saskatchewan employers would be competing with their provincial counterparts for this labour, which would undoubtedly put upward pressure on wages.

Section 2: Regional, Provincial and Local Labour Market Condition

Employment by Sector

Employment growth in Saskatchewan has approached pre-recession levels over the past year. The province's goods-producing and services-producing sectors both exhibited a similar growth pattern, rising 1.3% annually between 2007 and 2012. Over this time period, employment expansion in construction and utilities led all other industries, posting an average annual growth rate of 6.5%. Resource extraction also added jobs, averaging 3.1% employment growth per annum. Despite these job gains, some producers, particularly in the potash industry, curtailed production late in 2012 due to declining market prices in recent years. However, this is expected to change in the near term, as stronger demand from China and India should allow producers to ramp up production once again.

Chart 2
The average annual compound growth rate of industry employment in Saskatchewan, between 2007 and 2012



Source: Statistics Canada Labour Force Survey
Based upon average annual compound growth rate from 2007 to 2012

Meanwhile, the number of jobs in agriculture dropped between 2007 and 2012. Producers have struggled as successive drops in grain prices have adversely affected farm revenues, pushing many farmers to exit the market. Despite these challenges, agriculture's near-term outlook remains positive as global demand for food increases.

Due to a number of factors, employment has also declined in manufacturing, a significant driver of the provincial economy. Saskatchewan manufacturers have faced a slowdown in global economic conditions, unprecedented skill shortages and infrastructure deficiencies. Combined, these challenges have tempered the industry's productivity and global competitiveness.

Table 1
Change in employment by industry in Saskatchewan between 2007 and 2012

	2012	2007	% Share 2012	Growth rate*
Total, all industries	**537.1**	**504.4**	**100.0%**	**1.3%**
Goods-producing sector	**142.0**	**133.1**	**26.4%**	**1.3%**
Agriculture	38.9	43.4	7.2%	-2.2%
Forestry, fishing, mining, quarrying, oil and gas	25.7	22.1	4.8%	3.1%
Utilities	5.8	4.3	1.1%	6.2%
Construction	44.4	32.4	8.3%	6.5%
Manufacturing	27.2	30.9	5.1%	-2.5%
Services-producing sector	**395.2**	**371.3**	**73.6%**	**1.3%**
Trade	80.6	82.8	15.0%	-0.5%
Transportation and warehousing	26.0	25.2	4.8%	0.6%
Finance, insurance, real estate and leasing	30.2	26.9	5.6%	2.3%
Professional, scientific and technical services	25.0	20.9	4.7%	3.6%
Business, building and other support services	13.1	11.7	2.4%	2.3%
Educational services	43.0	40.0	8.0%	1.5%
Health care and social assistance	70.1	62.0	13.1%	2.5%
Information, culture and recreation	19.4	19.7	3.6%	-0.3%
Accommodation and food services	30.9	31.5	5.8%	-0.4%
Other services	25.6	22.5	4.8%	2.6%
Public administration	31.3	28.1	5.8%	2.2%

Source: Statistics Canada Labour Force Survey
*Based upon average annual compound growth rate from 2007 to 2012

Employment by Age

Employment in Saskatchewan has not been uniform across all age groups. Between 2007 and 2012, the fastest employment increases were for workers aged 55 years and over. Employment in this age group grew 5.5% per year over this time period, more than four times faster than the 1.3% growth averaged for the entire working age population (aged 15 and over). A larger number of older workers (55 years and over) are also opting to defer retirement. Conversely, the number of employed youth (aged 15-24 years) in 2012 was lower than it was five years earlier. The economic slowdown likely discouraged many from continuing to search for work and prompted some youth to return to school. Nevertheless, this trend is slowly reversing. After significant job losses in 2010, youth employment (aged 15-24 years) grew by 1,900 positions in 2012, to total 85,200 jobs. Meanwhile, employment in the 25-54 working age group has slowly contracted from 65.2% of provincial employment in 2007 to 63.5% in 2012.

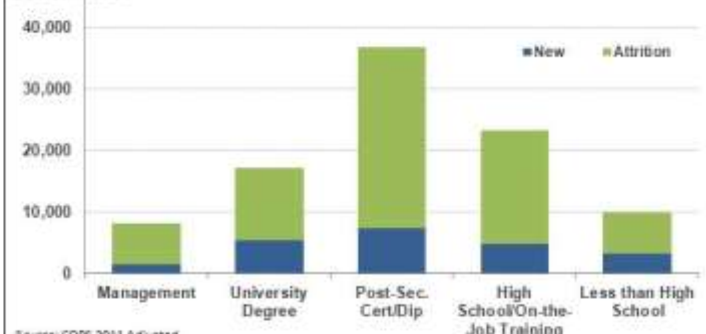
Non-Standard Employment

The strongest employment growth in Saskatchewan over the last five years has been for temporary jobs, which have increased 3.2% annually. In contrast, self-employment increased annually by just 1%, and part-time work decreased 0.3% per year over this period. This is of particular concern, given that in 2012, females comprised the overwhelming majority of part-time workers in Saskatchewan (about 70%). On a more positive note, females made up about one-third of all self-employed workers in Saskatchewan in 2012.

Job Opportunities by Skill Level

Demand is expected to be greatest for occupations that require some form of post-secondary education; high-skilled occupations represent 33% of all projected job openings between 2013 and 2018. On the other hand, demand for jobs requiring a high school diploma will remain high and will even surpass demand for jobs requiring a completed university degree. This is due to a number of factors, including the temporary nature of low-skilled jobs, the skills shortage facing many industries in Saskatchewan, and the lure of solid employment returns for youth with little educational attainment.

Chart 3
Projected employment opportunities by skill level in Saskatchewan, 2013 to 2018



Source: COPS 2011 Adjusted

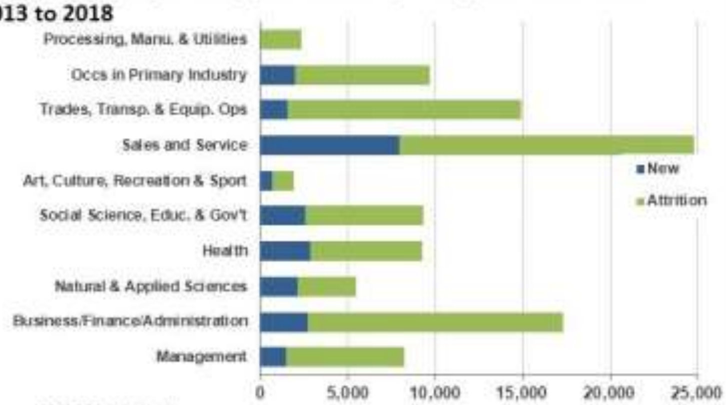
In total, jobs requiring completion of high school/on-the-job training and jobs requiring a post-secondary degree or diploma will account for more than 60,000 openings between 2013 and 2018.

Job Opportunities by Skill Type

Over the next five years, over 100,000 job openings are projected across all skill types, with 24% in sales and service, 17% in business, finance and administration, and 14% in trades and transportation. These openings will primarily result from older workers retiring, although a smaller percentage of openings will come from new job creation.

Between 2013 and 2018, only processing, manufacturing and utilities is projected to experience a loss of new and existing jobs (-53 positions). However, according to HRSDC's Canadian Occupational Projection System (COPS) data, the overall employment outlook for these three industries remains positive due to an increase in retirements. Attrition is also expected to play a significantly larger role in three other skill types: business, finance and administration; sales and services; and trades and transport.

Chart 4
Projected employment opportunities by skill type in Saskatchewan, 2013 to 2018

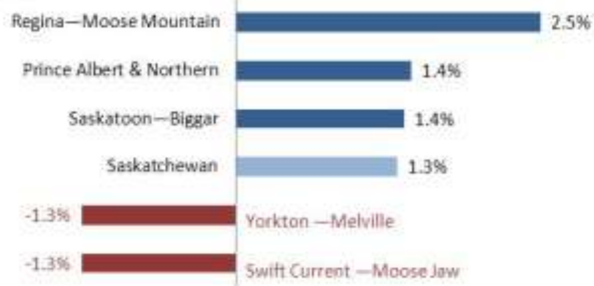


Source: COPS 2011 Adjusted

Local Labour Market Condition

Between 2007 and 2012, employment in Saskatchewan expanded at 1.3% per year; however, job growth exceeded this rate in the province's urban centres. In Regina—Moose Mountain, employment expanded more rapidly at 2.5% per annum. By comparison, employment growth in Saskatoon was 1.4% annually over the same time period, slightly above the provincial level. Expansion and development projects within the potash industry, such as Karnalyte Resources' $590 million mine near Wynyard, have resulted in rapid growth for the region.

Chart 5
Employment growth for Saskatchewan's economic regions, between 2007 and 2012



Source: Statistics Canada Labour Force Survey
Based upon average annual compound growth rate from 2007 to 2012

To the north, employment expanded 1.4% in Prince Albert and Northern. The region has some of the province's most significant uranium deposits and has potential for more rapid employment growth in the future. Only two regions suffered job losses between 2007 and 2012: Yorkton—Melville (-1.3%) and Swift Current—Moose Jaw (-1.3%). Both regions are agriculture and manufacturing-based, with low employment. However, Yorkton—Melville is the site of Mosaic's $1.7 billion potash mine expansion near Esterhazy, a project that started in 2008 and is slated for completion by 2017.

Labour Market Outcomes for Client Segments

Immigrants/Newcomers

In recent years, Saskatchewan's growing immigrant workforce has emerged as a key contributor towards the province's strong economic performance. The immigrant population represented 9.3% of Saskatchewan's labour force in 2012, expanding more than 15% annually between 2007 and 2012. By contrast, the Canadian-born labour force exhibited marginal growth, increasing at a rate of 0.2% annually between 2007 and 2012.

Aboriginal Workers

In 2006, Saskatchewan's Aboriginal unemployment rate was more than four times higher than the unemployment rate for non-Aboriginals (18.2% vs. 4.2%). And while Aboriginal unemployment is comparable to that of British Columbia and Manitoba, the province's participation rate for Aboriginal peoples remains significantly lower. This is a particularly interesting observation in light of the fact that the province is expected to face a looming skilled labour shortage in the future.

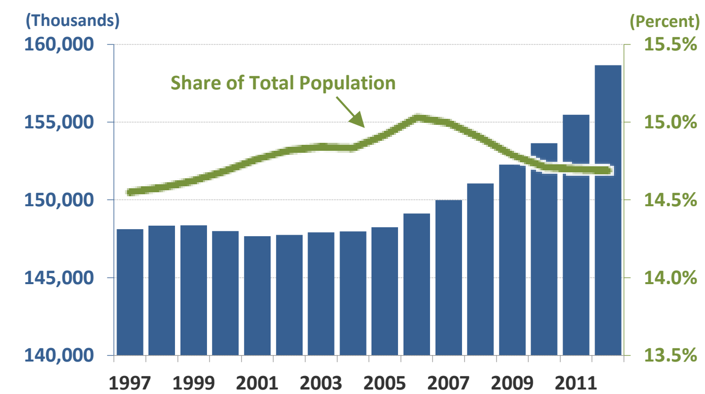
Older Workers

Comparing 2007 figures with 2012, the number of older workers (aged 55 years and over) in Saskatchewan's labour force increased by more than 30%, representing the strongest growth in labour force participation among all age groups. This employment growth for older workers is projected to continue, as the provincial population ages. The main industries employing Saskatchewan's older workers (aged 55 years and over) are agriculture, trade, and health care and social assistance.

Seniors

Saskatchewan's seniors (aged 65 and over) accounted for a smaller share of the population in 2012 than five years earlier, due in part to an influx of young job seekers. Nevertheless, the number of seniors remaining employed past the age of 65 actually increased, from 3.6% in 2007 to 4.5% in 2012. This trend is expected to continue as the provincial population ages more rapidly in the near term, and employers grapple with the loss of corporate knowledge.

Chart 6
The change in Saskatchewan's population aged 65 years and over, and change in its share of the total population, between 1997 to 2012



Source: Statistics Canada, Annual Demographics Estimates

Workers with Disability

Saskatchewan has the third highest rate of disability nationwide, with 16% of adults self-identifying as having some form of disability in 2006. While the province's disability rate is comparable to that of BC and Manitoba, it remains higher than the national rate (14.3%). The territories have the lowest rate of disability nationwide due to their large youth population.

Between 2001 and 2006, the provincial rate of disability among adults in Saskatchewan increased. This has been partly due to the aging of the population, given that most reported disabilities were related to pain, mobility and agility. In spite of this increase in disability, persons with disabilities in Saskatchewan boast a significantly higher participation rate (65.7%) compared to the national average (56.2%).

Youth Labour Force

Over the last five years, Saskatchewan experienced a net outflow of youth (aged 15-19 years). Unemployment among this age group increased from 10.9% in 2007 to 13.5% in 2012. Youth aged 15-19 years were more likely to leave the province than their older counterparts aged 20-24 yrs.

While this net outflow of 15-19 year olds could be for a number of reasons, including seeking educational opportunities in other provinces, typically, relocation is more common among groups facing high unemployment rates while searching for entry-level positions.

Official Language Minority Communities

Saskatchewan's French-speaking population decreased over the last five years. After comprising 1.6% of the province's population in 2006, the number of Francophones dropped to 1.4% in 2011. The majority of French-only speakers reside in the urban centres of Saskatoon and Regina, while smaller numbers live in the province's north-central region. Saskatchewan's growing immigrant population has also resulted in a drop in English-only speakers.

Interprovincial Migration

Saskatchewan has historically been a net out-migration province. In 2007, this trend was reversed for the first time in decades. Fuelled by lucrative job opportunities in the resource and energy sectors, Saskatchewan cities have attracted people from other provinces, particularly Ontario and British Columbia. Most migrants have settled in the larger urban centres, resulting in a surge in population. In Saskatoon, population growth jumped from 3.5% between 2001 and 2006 to 11.4% between 2006 and 2011.

Conclusion

Saskatchewan is in the midst of an impressive economic boom. Driven by capital investment and increased global demand for natural resources, the provincial economy is leading the nation in growth. And while most other provinces struggle with spending restraints, Saskatchewan's positive fiscal balance, robust resource-sector and steady population growth position the provincial economy to be the top performer nationwide in the near-term.

Drought in parts of the US and Europe has increased demand for fertilizer and, in turn, raised the price of potash. Major expansion projects in mining and utilities have bolstered the province's construction activity. This growth has rippled to other industries, resulting in strong net in-migration that has expanded the provincial labour pool. All of this activity should fuel demand for consumer goods and services, placing downward pressure on an already low unemployment rate, and upward pressure on wages. Saskatchewan's challenge will be to sustain this level of growth despite growing competition for skilled workers from other labour markets.

Note*: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.*

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For information on Statistics Canada products, *please visit the Statistics Canada Web site at: www.statcan.gc.ca*

Appendices

Appendix A: Glossary of Terms

Aboriginal Identity Population - Refers to individuals who reported identifying with at least one Aboriginal group, i.e. First Nations people, Métis or Inuit and/or who reported being a Treaty Indian or a Registered Indian as defined by the Indian Act of Canada and/or who reported they were members of an Indian Band or First Nation.

Average Annual Compound Growth Rate – The average year-on-year growth rate of a given indicator over a number of years. Although indicators seldom change at a constant rate, the compound annual return smoothes out figures by assuming constant change.

Employed - Persons who worked during the Labour Force Survey reference week.

Gross Domestic Product (GDP) – Refers to the total value of the goods and services produced in Canada or in a province or territory, often referred to as a global measure of economic activity.

Immigrant Population – Refers to persons residing in Canada who were born outside of Canada, excluding temporary foreign workers, Canadian citizens born outside Canada and those with student or working visas.

Labour force – Refers to the total number of individuals 15 years of age and over who are either employed or unemployed in the week prior to a given survey such as the Labour Force Survey or the Canadian Census.

Non-Standard Employment – Refers to employment other than permanent full-time work, including part-time, temporary, and self-employment.

Older Workers – Refers to workers aged 55 and over.

Participation Rate – The labour force expressed as percentage of the population 15 years of age and over.

Seniors Population – Refers to persons aged 65 and over.

Unemployed – Refers to persons who were without work and were available for work during the Labour Force Survey reference week.

Unemployment Rate – The unemployed expressed as a percentage of the labour force.

West Texas Intermediate (WTI) Oil − A light, sweet (low sulphur) crude oil that is used as a benchmark in North American oil pricing. WTI oil sells at higher prices than heavy sour (high sulphur) crudes which yield oil products such as gasoline and jet fuel. (Source: Natural Resources Canada)

Workers with Disability – Refers to persons who self-identify as having a physical condition, a mental condition, or a health problem, that reduces the amount or the kind of activity that they are able to do. These include difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities