

# ENVIRONMENTAL SCAN

## ALBERTA



**March 2013**

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## Acronyms

<b>GDP</b>	Gross Domestic Product
<b>HRSDC</b>	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 Alberta. 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

- Despite global challenges Alberta's economy remained strong in 2012, with growth reaching an estimated 3.4%.
- Growth is expected to slow in 2013, primarily a reflection of weaker market conditions for the province's oil industry. A lack of North American pipeline capacity to support rising oil production is forcing Alberta producers to take steep price discounts relative to international oil benchmarks<sup>1</sup>.
- Over the next two years, Alberta's economy is expected to remain one of Canada's strongest economies led by consumer spending, exports and business investment. However, there are some risks to the Alberta economy, the price of oil being chief amongst them.

### Regional, Provincial and Local Labour Market Conditions

- Employment rose 2.7% in 2012, well above the 1.5% average growth of the last five years.
- In 2012, close to half (47%) of older Albertans – individuals in the 55 years and older age group – participated in the labour force. By contrast, just over one-third (37%) of Canadians aged 55 and above were employed or were looking for work.
- Alberta's economy is attracting large numbers of inter-provincial and international migrants. The immigrant share of Alberta's total work force is now close to one in five.
- Youth unemployment stood at 8.9% in 2012 – well up from 2007, but still considerably below the corresponding Canadian rate. Post-secondary school enrollment of 18 year olds remains 8 percentage points below the Canadian average, despite some improvement in recent years.
- Alberta's key oil sector is entering uncharted waters, as advances in drilling technology threaten to undermine its familiar business model.

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<sup>1</sup> <http://www.td.com/document/PDF/economics/special/DrillingDownOnCrudeOilPriceDifferentials.pdf>

## Introduction

The purpose of the Environmental Scan is to outline the major trends and issues facing Canada and Alberta 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 appendix A.

## Section 1: General Overview / Economic Context

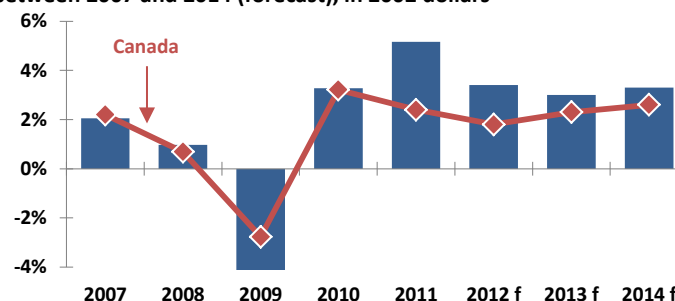
Despite global challenges, Alberta's economy remained strong in 2012. Growth was estimated at 3.4%, down from 2011's 5.2%, but still nearly double the national average. The Conference Board of Canada expects real GDP growth to slow further in 2013, dropping to 3.0%, primarily a reflection of weaker market conditions for the province's oil industry. A lack of North American pipeline capacity to support rising oil production is forcing Alberta producers to take steep price discounts relative to international oil benchmarks<sup>2</sup>.

The energy sector remains the critical driver of provincial economic activity. Energy commodities account for 70% of Alberta's exports and much of Alberta's massive capital investments are also energy related. While weak oil prices may result in some projects being lost or delayed, current and projected prices seem to be sufficient for much of the previously planned expansion in the Alberta oil sands to continue. Alberta's Ministry of Enterprise and Advanced Education lists 62 oil sands projects valued in excess of \$100 billion on its latest major projects list. These projects are either under construction or scheduled to begin construction in the next few years and include the \$8.9 billion Imperial Kearl Lake Oil Sands Phase 2 project; the \$5.0 billion Northwest Redwater Bitumen Upgrader Phase 1 project; and the \$2.5 billion Husky Energy Inc./BP PLC Sunrise Thermal project. Other major investments include pipelines, utilities and other industrial construction projects.

Alberta's other major commodity exports, agriculture and forestry, are doing well with the value of agricultural (grains, oilseeds and cattle) exports up 20% and forestry products up 9% in 2012. Alberta's lumber and pulp mills are benefiting from a gradually improving U.S. housing market. Growing demand should mean another good year for farmers as grain and oilseed prices are high. While last year's tainted

**Chart 1**

**Year-over-year percentage change in Alberta's Gross Domestic Product between 2007 and 2014 (forecast), in 2002 dollars**



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

<sup>2</sup> <http://www.td.com/document/PDF/economics/special/DrillingDownOnCrudeOilPriceDifferentials.pdf>

beef recall hurt the cattle industry, prices have remained steady. In a positive development for the industry, Japan has loosened age restrictions on imports of Canadian beef.

Alberta's economy has attracted people from other provinces and countries leading to the highest levels of net-migration since the early 1980s. A growing population and strong labour market have boosted consumer spending, with retail sales rising an estimated 8.1% and housing starts up nearly 30% in 2012.

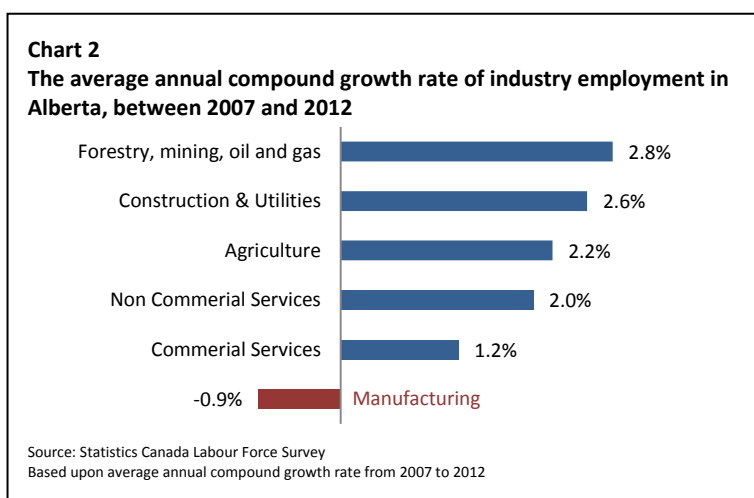
Alberta's labour market enjoyed a strong year in 2012. Employment increased by 2.7%, more than twice the increase seen Canada-wide. This strength is expected to continue, with the Conference Board of Canada forecasting that the Alberta labour market will add 44,000 jobs in 2013 and 54,000 in 2014, annual increases of 2.1% and 2.4% respectively. However, the provincial unemployment rate may rise slightly from last year's 4.6% to 4.8% in 2013, if booming population growth results in the labour force increasing more rapidly than employment.

Over the next two years, Alberta's economy is expected to remain one of Canada's strongest, led by consumer spending, exports and business investment. However there are some risks to the Alberta economy. The global economy has continued to face financial uncertainty in Europe, stalling job markets in the U.S., and questions about the strength of China's economy. Global markets are important to Alberta as exports are key to Alberta's economic prosperity. Lack of workers is another downside risk as some employers are reporting labour and/or skill shortages. The most significant risk though is the price of oil and its impact on the provincial economy and capital investments.

## Section 2: Regional, Provincial and Local Labour Market Condition

### Employment by Sector

After registering job losses in both 2009 and 2010, Alberta posted strong employment gains for the second consecutive year in 2012. From 2007 to 2012 employment averaged an annual growth rate of 1.5%. Job growth was highest in forestry, mining, oil and gas (2.8%) and in construction and utilities (2.6%). Employment in non-commercial services (education, health, and public administration) expanded by 2.0% over the same period. Employment in commercial services – which range from retail trade to business services – increased a modest 1.2%.



Alberta's goods-producing sector was held back from even stronger growth over the last five years due to a decline in non-durable manufacturing jobs. The food manufacturing industry contributed to this decline as did the petroleum and coals products subsector. Employment in food manufacturing will almost certainly rebound, as 2012's job losses can be directly attributed to last year's tainted beef recall. The outlook for the petroleum and coal products manufacturing subsector is not so clear, however. Alberta's oil and gas producers are focused on extraction activities. By comparison, refinery operations in the province are relatively limited.

**Table 1**  
**Change in employment by Industry in Alberta between 2007 and 2012**

	2012	2007	% Share 2012	Growth rate*
<b>Total, all industries</b>	<b>2,149.6</b>	<b>1,991.3</b>	<b>100.0%</b>	<b>1.5%</b>
<b>Goods-producing sector</b>	<b>619.4</b>	<b>567.3</b>	<b>28.8%</b>	<b>1.8%</b>
Agriculture	56.2	50.4	2.6%	2.2%
Forestry, fishing, mining, quarrying, oil and gas	177.4	154.3	8.3%	2.8%
Utilities	20.7	20.4	1.0%	0.3%
Construction	226.6	197.5	10.5%	2.8%
Manufacturing	138.5	144.6	6.4%	-0.9%
<b>Services-producing sector</b>	<b>1,530.2</b>	<b>1,424.0</b>	<b>71.2%</b>	<b>1.4%</b>
Trade	322.4	294.4	15.0%	1.8%
Transportation and warehousing	116.4	107.4	5.4%	1.6%
Finance, insurance, real estate and leasing	103.8	100.2	4.8%	0.7%
Professional, scientific and technical services	157.9	149.7	7.3%	1.1%
Business, building and other support services	72.9	74.9	3.4%	-0.5%
Educational services	128.9	133.9	6.0%	-0.8%
Health care and social assistance	228.6	189.0	10.6%	3.9%
Information, culture and recreation	71.1	77.4	3.3%	-1.7%
Accommodation and food services	133.3	119.3	6.2%	2.2%
Other services	106.3	96.8	4.9%	1.9%
Public administration	88.6	81.1	4.1%	1.8%

Source: Statistics Canada Labour Force Survey

\*Based upon average annual compound growth rate from 2007 to 2012

## Employment by Age

In 2012, close to half (47%) of older Albertans – individuals in the 55 years and older age group – participated in the labour force. This is the highest rate ever recorded for individuals in this group. By contrast, just over one-third (37%) of Canadians aged 55 and above were employed or were looking for work in 2012.

The strongest growth in employment since 2007 has been in the 55 and over age group (+32.2% male; +32.7 female), while the weakest growth has occurred among those under 25 years of age (-12.1% male; -6.0% female). In fact, 32,000 fewer Albertans aged 15 to 24 were employed in 2012 than five years earlier. Employment in the prime working age group (25-54) accounted for 68% of provincial employment.

Women held 44.8% of all jobs in 2012, the exact same percentage as in 2007. In fact, during 2009 and 2010, when overall employment levels fell as a result of the global recession, women's share of employment increased to 45.2%, as male-dominated occupations in the goods-producing sector were hit the hardest. By 2012, however, the identical gender-based employment patterns seen in 2007 were again in effect, with no changes in composition or growth rates observed over the full five-year period. A notable

exception occurred in protective services (e.g. security guard), in which women's share of employment increased from 14% to 23% between 2007 and 2012.

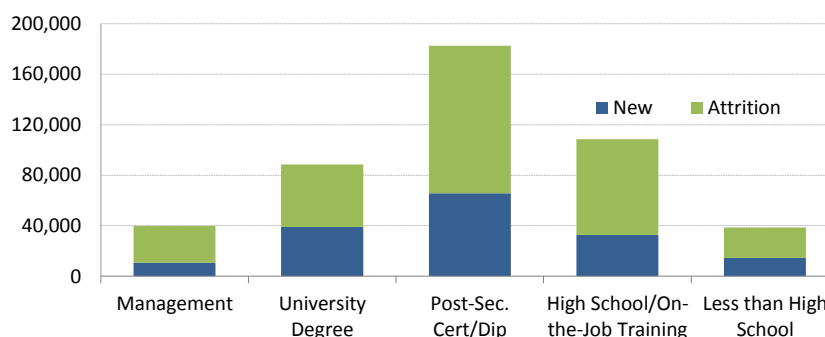
### Non-Standard Employment

Non-standard employment refers to all employment arrangements other than the traditional one of open-ended, full-time employment with a single employer. Non-standard then includes all part-time and/or part-year work, as well as fixed-term contract work and self-employment. Comprehensively, it is difficult to track, even at a national level. Canada-wide, it is believed that about one-third of the workforce aged 15 and over engages in at least one of part-time work, temporary work, own-account self-employment, or multiple jobholding in any given year.

Between 2007 and 2012, part-time positions in Alberta grew almost as rapidly as full-time ones (7.4% versus 8.0%, respectively). For men, however, growth in part-time work (8.0%) slightly outpaced that seen in full-time (7.9%). Growth in self-employment was very limited for both men and women, less than 1.0% in total over the last five years.

Despite the slight uptick seen in male part-time work noted above, females in Alberta continue to comprise the overwhelming majority of part-time workers (about 71%). While women now comprise only about one-third of all self-employed workers, the proportion of females among the self-employed has steadily increased over the past three decades.

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



Source: 2011 COPS Forecast (Adjusted)

### Job Opportunities by Skill Level

The greatest demand between 2013 and 2018 will be for workers with a post-secondary certificate or diploma. This has a lot to do with how common highly-skilled jobs have become in Alberta; currently, 40% of all jobs in the province require a post-secondary certificate or diploma.

This being said, demand remains high for jobs requiring high school graduation. Indeed, forecasted demand for these jobs remains greater than for jobs requiring a university degree. This is principally due to the large employment base, and with an aging workforce, high rates of replacement demand. There is similar demand for jobs in management as there is for jobs requiring less than high school.

### Job Opportunities by Skill Type

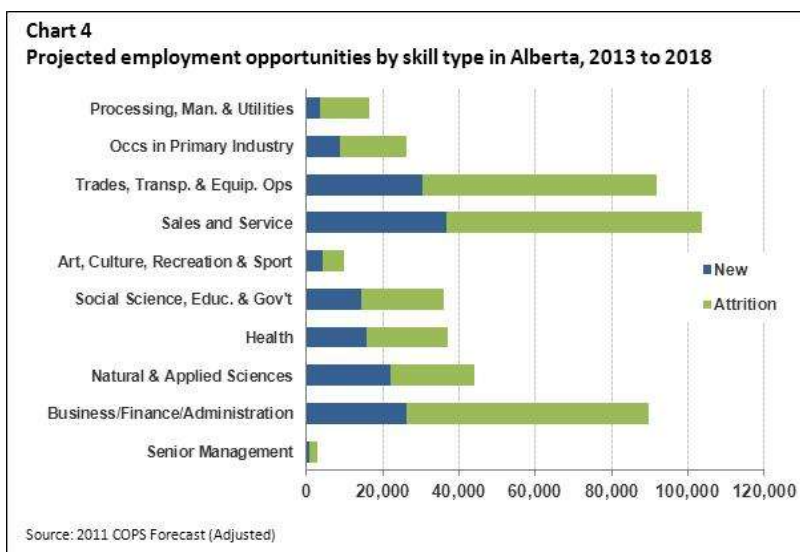
Over the next five years, over 60% of employment opportunities are projected to occur in three occupational groups: sales and service (22.6%) of openings; trades, transportation and equipment operators (20.1%); and business, finance, and administration occupations (19.6%). These are currently the largest occupational skill types in Alberta, and replacement demand will be steady as current workers retire. New job growth will also be a significant factor in Alberta over the next few years, particularly for sales and service occupations, which are expected to add 37,000 positions by 2018.



Not surprisingly, the fewest opportunities are expected in the select ranks of senior management (2,750). About 10,000 positions are expected in art, culture, recreation and sport-related occupations.

### Local Labour Market Condition

The strong Alberta economy is attracting inter-provincial and international migrants to the province, particularly to the larger centers. In 2012, Edmonton and Calgary ranked second and third respectively among Canadian cities, as measured by growth in the working age population. Employment growth was also strong in Edmonton and Calgary, measuring 2.3% and 1.6% respectively on an annual basis.

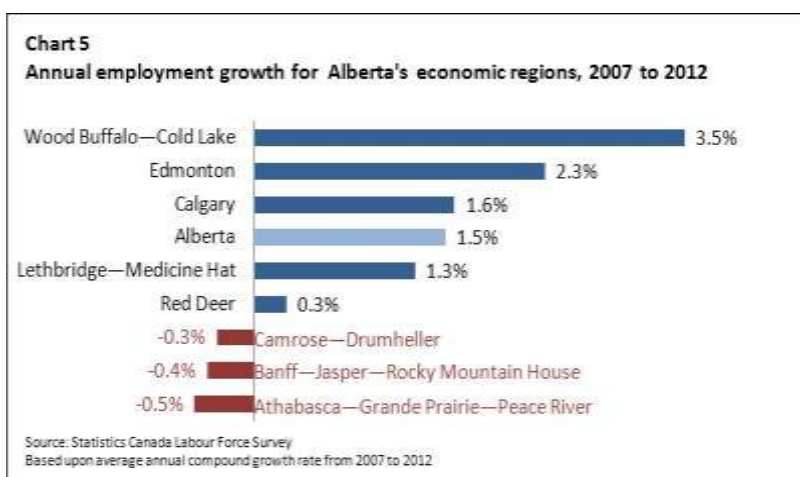


Wood Buffalo—Cold Lake, in the northeast of the province, is home to Alberta's oil sands. Centred on Fort McMurray, the region has undergone exceedingly rapid industrial development, particularly over the past decade. While some oil sands projects are modest in size, many are giant affairs, requiring billions of dollars in capital spending and thousands of person-years of employment before the first drop of oil is produced. The most recent project to enter into production was Imperial Oil's Kearl project, which in 2008 was pegged to cost \$7.9 billion. Due to cost increases, the total development cost is now \$12.9 billion<sup>3</sup>. This type of "investment at all costs" in oil sands megaprojects is widely expected to moderate in future years.

By contrast to fast-growing Wood Buffalo—Cold Lake, Athabasca—Grande Prairie—Peace River experienced average population declines of one-half percent between 2007 and 2012, principally due to the collapse of North American natural gas prices. Economic growth will return quickly, however, should extraction of Alberta's shale oil – currently in exploratory stages only – begin in earnest.

### Interprovincial Migration

Alberta's economy and labour market continue to attract people from other provinces. Interprovincial migration was particularly strong in the third quarter of 2012 with a net gain of 13,915, setting Alberta up to record its 18th consecutive year of positive net interprovincial migration. Over the third quarter, Alberta led all provinces in total net interprovincial in-migration and in every case recorded a net inflow. The largest number of newcomers came from Ontario (5,864) and British Columbia (3,965).



<sup>3</sup> Source: <http://www.theglobeandmail.com/globe-investor/imperial-bumps-up-cost-of-kearl-oil-sands-project/article8102965/>

## Labour Market Outcomes for Client Segments

### *Immigrants/Newcomers*

By 2012, Alberta's immigrant workforce was more than 400,000 strong, a number that does not include temporary foreign workers. The population of recent immigrants – those who have been in the country for less than five years – has been increasing rapidly since 2007. The labour force and employment of this group has been growing at an annual rate of almost 7%. By contrast, employment of the Canadian-born has been increasing only marginally, at 0.9%. The immigrant share of Alberta's total employment is now close to one in five.

### *Aboriginal Workers*

In Alberta, Aboriginal people are more engaged in the labour market than is generally the case in the rest of the country. In fact, the participation rate among Alberta's working age Aboriginals was higher than among Canadians in general (68% and 67%, respectively) in 2006. Within the provincial context, however, Alberta's Aboriginals continue to trail the general population on most labour force measures. In fact, on average, the Aboriginal unemployment rate is about twice that of the general population.

On a positive note, employment prospects for Alberta's Aboriginals improve dramatically with higher educational attainment. For example, in 2012 the unemployment rate for Aboriginals holding a university degree was lower than it was for degree-holders across the population as a whole. Moreover, Aboriginal education levels increased substantially between 2007 and 2012. In 2012, 47% of off-reserve Aboriginals 15 years or older had completed a post-secondary educational program, up 8 percentage points from five years prior. Even so, a gap of 11 percentage points remained between Aboriginals and non-Aboriginals (58%) on this measure of educational attainment.

### *Older Workers*

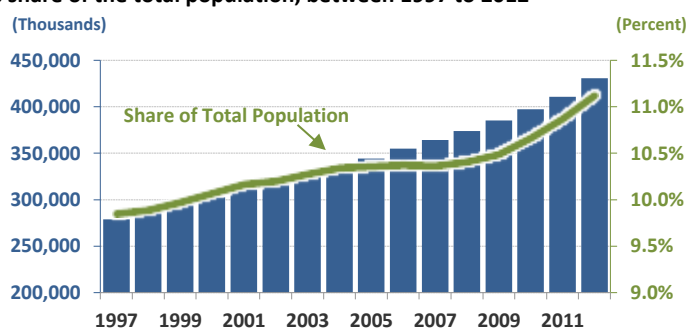
In 2012, over 78% of workers aged 50 to 64 participated in the labour force, a rate just below the all-time high recorded in 2008. This age group is a rapidly growing one, increasing at almost double the rate of the overall population. Employment has also been growing quickly, although not as quickly as the number of unemployed. The unemployment rate for this group of older workers averaged 3.9% in 2012, up from 2.6% five years earlier.

### *Seniors Workers*

The number of people aged 65 and older is rising in Alberta as is their share of total population. Still, Alberta's share is far lower than the national average (11% vs. 15% in 2012). Only the territories have a lower proportion of seniors. This is primarily a reflection of the draw of Alberta's economy on job seekers aged 25 to 54 years. Most labour force characteristics are unavailable for those 65 and

**Chart 6**

**The change in Alberta'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

older. However, the labour force participation of those 55 years and older in Alberta increased from 43% in 2007 to 47% in 2012.

### ***Workers with Disability***

In 2006, a slightly smaller proportion of Alberta's population self-identified as having a disability (13.6%) than was reported Canada-wide (14.3%). Of those, 70% participated in the labour market, a much higher rate than seen in other parts of the country. Within the 15 to 64 age group, about one-third of persons with disabilities reported severe to very severe symptoms, five percentage points below the national rate. Workplace and job redesigns were accommodated over 80% of the time by Alberta employers, compared to the national average of just 65%. Disability types (which are not mutually exclusive) were as follows: pain (69%); mobility (63%); agility (61%); hearing (33%); and sight (19%).

### ***Youth Labour Force***

Alberta's youth population, those aged 15 to 24, declined in number between 2007 and 2012, down about 0.5%. Declines in labour force and employment for this age group, however, were much steeper yet. Youth unemployment stood at 8.9% in 2012 – well up from 2007, but still considerably below the corresponding Canadian rate of 14.3%. While Canadian youth have largely responded to limited job prospects by concentrating on their studies, this is less so in Alberta. In fact, post-secondary school enrollment of 17 to 19 year olds remains 10 percentage points below the Canadian average, despite some improvements over the previous five<sup>4</sup>.

### ***Official Language Minority Communities***

In 2011, approximately 92% of Alberta's population had knowledge of English only, 6% had knowledge of both English and French, 1.4% had no knowledge of either official language and only 0.1% had knowledge of French alone.

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<sup>4</sup> Source: Statistics Canada Labour Force Survey 2012 Public Use Microdata File.

## Conclusion

Alberta's labour market enjoyed a strong year in 2012, despite a softening Canadian economy and lower benchmark prices for the province's key oil exports. Employment increased by 2.7% on the year, while the unemployment rate, at 4.6%, was the lowest in the country.

The five years between 2007 and 2012 were far from uniform, however. With about a one-year lag, the global recession of 2008-2009 hit Alberta hard, and the province experienced back-to-back annual job losses in 2009 and 2010. As a consequence, employment growth over the five-year period averaged just 1.5%.

While many of Alberta's secondary industries seem poised for growth in upcoming years, the province's key oil and gas industry stands at an uncertain crossroad. Technological advancements that led to unprecedented production of North American natural gas – and a complete collapse in its price – are now threatening to destabilize the oil business as well. How this will all play out in Alberta is far from clear. It seems prudent, however, to temper the expectations that have been sky-high in recent years.

**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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## 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.

**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