



Environmental Scan

Alberta

2015



KEY HIGHLIGHTS

- In 2014, Alberta's GDP grew by 4.4%, the highest growth among the provinces. However, due to the fall in oil prices, the province's economy is expected to fall into recession in 2015 (-1.5% GDP), and then grow by only 1.2% in 2016.
- Over the past five years, Alberta accounted for 23% of all employment growth nationwide. However, no employment growth is forecast in 2015 and under one percent is expected in 2016.
- Between 2009 and 2014, Alberta's population grew by 442,600 people, making it the fastest growing province in Canada. Calgary and Edmonton ranked first and third respectively in working age population growth of Canadian cities in 2014.
- Among Alberta's economic regions, employment growth over the past five years has been strong except in the southeast, where it has been stagnant. Wood Buffalo–Cold Lake has been hit the hardest by the downturn in the energy sector.
- Alberta's population of working age youth (15 to 24 year olds) was stable between 2009 and 2014. However, both labour force participation and employment declined. In 2014, youth unemployment stood at 9.5%, considerably below the national rate of 13.4%.
- While Alberta's Aboriginal people tend to have better labour market outcomes than among those in the rest of Canada, they continue to trail the general population in Alberta on most labour market measures.
- By the end of 2016, oil prices are forecast to have regained lost ground and unemployment rates in Alberta will have dropped back below five percent.

GENERAL OVERVIEW/ECONOMIC CONTEXT

While on balance 2014 netted a positive result for Alberta's economy, the precipitous decline in the price of oil rapidly altered the short-term outlook for the province. Just as oil prices dropped from near triple digits in July to just over \$55 USD per barrel by the end of December, so too has the economic forecast for 2015 moved from continued high growth to recession.

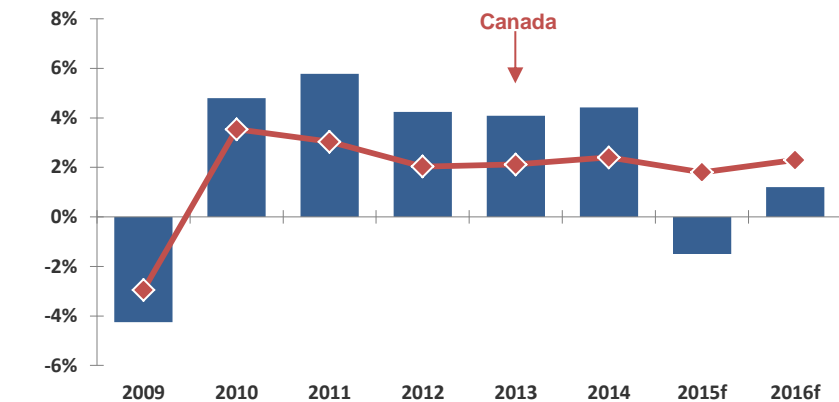
The first effects on Alberta were not immediate. The Joslyn oilsands project was put on hold earlier in the year due to projected high costs, and later the number of other projects deferred grew as it became clear the glut in oil driving prices down was not going away anytime soon. The deferral of tens of billions of dollars in capital investment did not instantly effect employment, which is still at a high level due to construction projects already under development, but the announcements signalled a steep cliff on the horizon.

No, the layoffs did not start happening until after the holidays. What started as a trickle of layoff announcements from international firms became a flood from all over the province. Oil & gas drilling and field-servicing companies were among the first to lay people off during the 2008-09 Recession, and they were among the first to demobilize this time. By February Alberta's unemployment rate hit 5.5%, and employment insurance beneficiaries spiked by almost 16%, as employees were shed from Calgary office towers and rural drill-rigs. In fact, by March 2015, the vacancy rate in Calgary's central business district had increased by three percentage points to 8.5% from the previous year, while active rig counts were down 71%. However, oil-sands operations have maintained production. In fact, Canadian crude oil and bitumen exports may be down by value, by volume exports are up.

Focusing on just 2014, Alberta's GDP grew by 4.4%, the highest growth among the provinces. Amongst all the major sectors, only agriculture, forestry, and fishing declined (-7.7%), although its output was still up 26% from five years ago. The biggest growth on the year was in transportation and warehousing (+6.6%), while the big winner between 2009 and 2014 was durable manufacturing (+39% or 6.7% per year). Looking closer, the effects of low oil prices are apparent—engineered construction saw its output drop (-0.3%) for the first time since 2009 after a rapid climb from \$8.9 billion then, to \$18.1 billion in 2013. Residential activity kept the entire construction industry in the black with 8.7% growth, but the forecast for the next two years is gloomy. With large oil & gas projects on hold and housing starts expected to drop by about 15,000, the Conference Board of Canada projects 24,400 lost jobs in the construction sector alone.

Moving forward, Alberta's economy will struggle to keep pace with the national average, with unemployment rising into the fourth quarter 2015. However, it is generally presumed that oil prices will slowly recover (WTI price broke \$60 on May 5) and stimulate the return of billions of dollars of investment.

Year-over-year percentage change in Alberta's Gross Domestic Product between 2009 and 2016 (forecast), in 2007 dollars

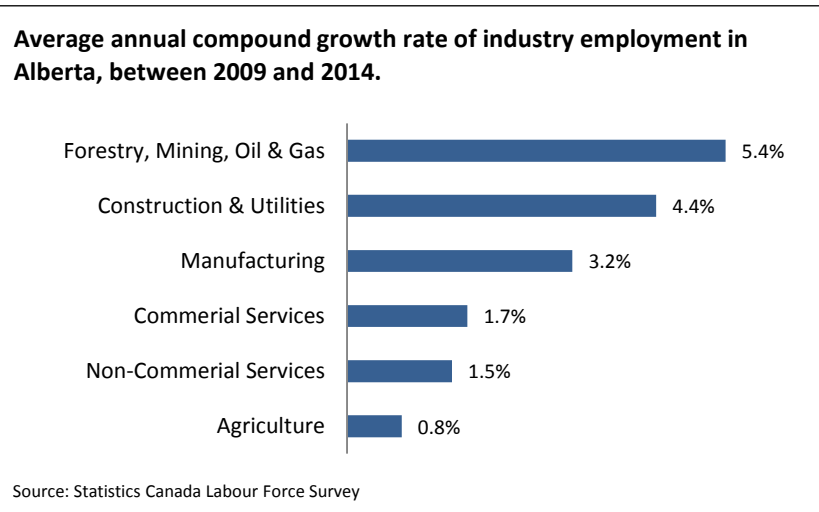


Sources: Statistics Canada Economic Accounts; Conference Board of Canada (forecast)

REGIONAL, PROVINCIAL AND LOCAL LABOUR MARKET CONDITIONS

Employment by Sector

Over the past five years, employment in Alberta increased by 244,900 people, equivalent to 23% of all gains nationwide. These gains in Alberta were split almost equally between the goods producing and services producing sectors. This is a remarkable situation, as the good producing sector makes up only 29% of the province’s workforce. Regardless, Alberta’s service sector still managed to out-perform those in the other western provinces and beat the Canadian average (1.3%).



Among the service producing industries, professional, scientific and technical services, along with healthcare services, grew rapidly, generating 57% of all services-related employment growth between 2009 and 2014. Meanwhile, the largest service industry, wholesale and retail trade, was about the same size it was at the start of the period, while educational services contracted despite Alberta having the fastest growing population in Canada.

However, employment growth has been slowing. Following a rapid post-recession recovery, yearly expansion in Alberta’s goods-producing sector has moderated and low oil prices threaten to unravel a sizable portion of these gains.

Indeed, by the end of the first quarter of 2015, employment in resource extraction industries (forestry, fishing, mining, oil and gas) had fallen 7.4% on a seasonally adjusted basis since peaking in the third quarter 2014. Overall employment growth in the goods producing sector was flat.

According to the Conference Board of Canada, there is to be no employment growth in 2015 and barely one percent growth in 2016.

Change in employment by industry in Alberta between 2009 and 2014

	2014	2009	% Share 2014	Five Year Growth Rate
Total, all industries (000’s)	2,274.6	2,029.7	100.0%	2.3%
Goods-producing sector	658.2	540.4	28.9%	4.0%
Agriculture	60.6	58.3	2.7%	0.8%
Forestry, fishing, mining, quarrying, oil and gas	178.5	137.3	7.8%	5.4%
Utilities	18.3	19.4	0.8%	-1.2%
Construction	256.4	202.1	11.3%	4.9%
Manufacturing	144.5	123.4	6.4%	3.2%
Services-producing sector	1,616.4	1,489.3	71.1%	1.7%

Change in employment by industry in Alberta between 2009 and 2014

	2014	2009	% Share 2014	Five Year Growth Rate
Trade	320.6	318.1	14.1%	0.2%
Transportation and warehousing	129.9	105.9	5.7%	4.2%
Finance, insurance, real estate and leasing	104.7	112.8	4.6%	-1.5%
Professional, scientific and technical services	184.3	149.2	8.1%	4.3%
Business, building and other support services	79.1	72.8	3.5%	1.7%
Educational services	124.7	129.8	5.5%	-0.8%
Health care and social assistance	240.6	203.4	10.6%	3.4%
Information, culture and recreation	72.5	74.8	3.2%	-0.6%
Accommodation and food services	150.0	130.3	6.6%	2.9%
Other services	122.1	104.4	5.4%	3.2%
Public administration	88.1	87.8	3.9%	0.1%

Source: Statistics Canada Labour Force Survey annual estimates by North American Industry Classification System

Employment by Age and Gender

Between 2009 and 2014, Alberta's unemployment rate improved by two percentage points, settling in at about 4.6% by the middle of the period. While prime-age workers (25 to 54 year olds) and older workers (55+) have enjoyed unemployment rates below four percent since 2012, youth (15 to 24) had a set-back in 2014. The unemployment rate for youth climbed from 8.5% to 9.5%, due in part to shake-ups in the retail sector.

The strongest growth in employment since 2009 has been for those 55 years and older, while the weakest growth was among those under 25 years of age. By 2014, just over six thousand fewer youth in Alberta were employed than in 2009. Most of these losses came from the service sector, almost all by women, while employment for youth in the goods-producing sector was relatively stable over the period. In fact, almost all the youth losses in the service sector were among 15 to 19 year olds, which was the only demographic group to drop in population over the same time frame.

Meanwhile, the number of employed older workers grew by 92,600. Since the year 2000, older workers have moved from 10% of the workforce to 18%. Most of the rapid gains were in professional, scientific and technical services; resource extraction; and construction industries.

Women made up 44.8% of the employed labour force in 2014, down from 45.5% in 2009. However, the proportion of women working in the Goods producing sector increased by one percentage point to 13%, with over 10,000 women joining the construction industry.

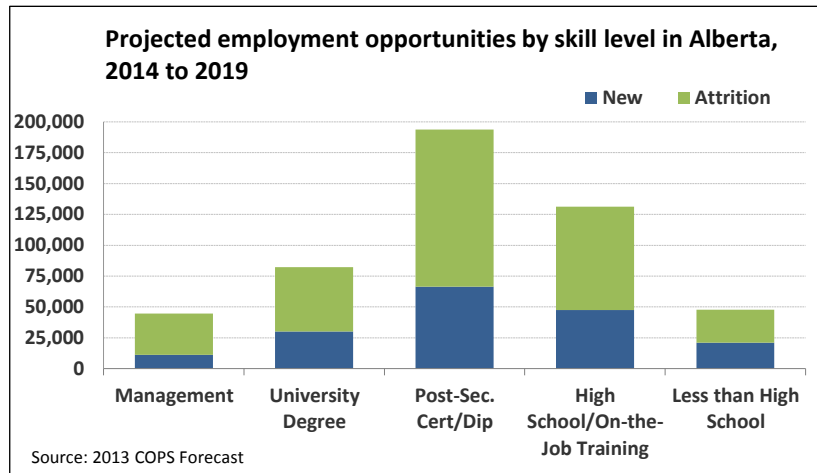
While the unemployment rates between men and women have been relative close since 2012, it is expected that the male workers will feel the brunt of the energy sector downturn, as they did during the 2008-09 recession. In the third quarter 2009, men and women had unemployment rates of 7.8 and 6.2 percent respectively.

According to the Conference Board of Canada, the unemployment rate will peak at 6.3% in the fourth quarter 2015, as reduced activity in the oil patch impacts the rest of the economy. Thereafter, anticipated increases in

the price of oil will reenergize investment in the province and the unemployment rate will slowly decline, returning to 2014 levels by the end of 2017.

Job Opportunities by Skill Level

Between 2014 and 2019, the greatest demand will be for workers with a post-secondary certificate or diploma. This forecast only makes sense, considering 63% of all jobs in the province require a post-secondary certificate/diploma or higher (including management positions). In addition to high demand, another advantage to pursuing careers with a higher skill-level is that their unemployment rates are very low, averaging 3.7 percent in 2014.

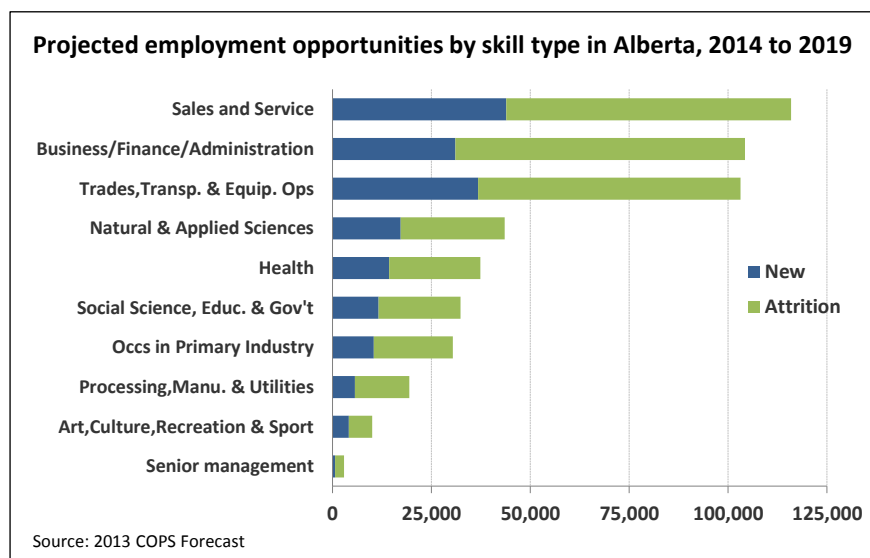


However, at least one-quarter of all job openings in Alberta will require a high school diploma only. Indeed, the number of job opportunities at this skill level remains greater than for those needing a university degree. This is principally due to the large employment base, but also an ageing workforce that will need to be replaced in the near future.

In the short term, demand for workers from the energy sector will be subdued. This will most affect workers with post-secondary credentials, such as trades-people and skilled workers unique to primary industry, along with lower-skilled labourers.

Job Opportunities by Skill Type

Between 2014 and 2019, over 60% of employment opportunities are projected to be in three occupational groups: sales and service; trades, transportation and equipment operators; and business, finance, and administration occupations. These are currently the largest occupational skill types in Alberta, and replacement demand will be steady as workers retire. Growth due to industry expansion will also be a significant factor in Alberta over the medium term, particularly for sales and service occupations, which are expected to add over 28,000 positions by 2019.



In the short term, the downturn in the provincial economy, caused by low oil prices, will see demand for workers decline, particularly for those connected with the energy sector (trades, natural & applied sciences, primary industry, manufacturing and utilities). Indeed, the number of workers unique to primary industries who collected employment insurance grew faster in the first two months of 2015 than any other group, and their unemployment rate on the quarter was 6.1%, up from 2.9% the previous year.

Local Labour Market Conditions

The strong Alberta economy attracted high numbers of interprovincial and international migrants to the province, particularly to the larger centres. In 2014, Calgary and Edmonton ranked first and third respectively in working age population growth of Canadian cities, only switching places with each other from their 2013 standings.

Average annual compound employment growth rate in Alberta's economic regions, between 2009 and 2014.

	2014	2009	Growth rate
Alberta (000's)	2,274.6	2,029.7	2.3%
Lethbridge-Medicine Hat	140.9	139.1	0.3%
Camrose-Drumheller	107.3	107.3	0.0%
Calgary	857.2	759.6	2.4%
Banff-Jasper-Rocky Mountain House and Athabasca-Grande Prairie-Peace River	197.9	184.8	1.4%
Red Deer	120.4	104.1	3.0%
Edmonton	765.3	663.0	2.9%
Wood Buffalo-Cold Lake	85.5	71.7	3.6%

Source: Statistics Canada Labour Force Survey

Among Alberta's regions, employment growth over the past five years has been strong except in the southeast, where the Camrose–Drumheller and Lethbridge–Medicine Hat economic regions have had virtually no employment growth during this time.

Wood Buffalo–Cold Lake, home to the oilsands in northeastern Alberta, has benefitted the most from rapid industrial development. Two examples of recent major projects include Imperial Oil's \$12.9 billion Kearl project, which came online in 2013, and Suncor Energy's \$13.5 billion Fort Hills projects due to be completed in 2017. Naturally, Wood Buffalo–Cold Lake has been hit the hardest by the downturn in the energy sector. Its unemployment rate reached 7.1% in Q1-2015, the region's highest rate in over a decade.

Among the major centres, Edmonton had greater employment growth than Calgary during the period, as the provincial capital's goods-producing sector grew almost twice as fast, largely due to big gains in construction and manufacturing. As of the first quarter of 2015, Calgary is holding its ground in the face of energy sector layoffs, while Edmonton saw employment stagnate and its unemployment rate rose one full percentage point.

LABOUR MARKET OUTCOMES FOR CLIENT SEGMENTS

Interprovincial Migration

Alberta's strong economy is a strong attraction for people from other provinces. In fact, between July 2013 and June 2014, Alberta had a net gain in population moving-in from each and every province and territory, except Nunavut. The largest group of newcomers arrived from Ontario (32,699) and British Columbia (27,191). Both provinces saw out-migration to Alberta increase from 2008–09 by 32% and 43% respectively.

Immigrants/Newcomers

By 2014, the landed immigrant population reached 20% of the Alberta labour force, having grown by 4.9% per year since 2009. By contrast, the Canadian-born labour force grew at only 0.6% over the period; and in fact, between 2013 and 2014 the labour force of native born citizens dropped by 11,400.

The unemployment rate of landed immigrants tends to be higher than that of Canadian-born workers, although the proportion of unemployed immigrants is weighted towards those with higher educational achievement. For example, landed immigrants with a university degree (bachelor's or higher) had unemployment rates almost twice that of Canadian-born degree holders.

Aboriginal Workers

Aboriginal people in Alberta are more engaged in the labour market compared to Aboriginal people across Canada. In fact, the participation rate for this group's working age population in Alberta was higher than across Canada (65% and 61%, respectively) in 2011. Within the provincial context, however, Alberta's Aboriginal people continue to trail the general population on most labour market measures. In fact, on average the Aboriginal unemployment rate approaches three-times that of the general population. Focusing on those living on reserve, only one in three adults held a job, and the average unemployment rate across reserves in the province was 23.6%.

On a positive note, employment prospects for Alberta's Aboriginal people improve dramatically with higher educational attainment. In 2011, over a quarter of the Aboriginal labour force had no certificate or diploma, and those affected had an unemployment rate of 20.7%. However, even having only a high school diploma bestowed improved employment prospects, bringing the unemployment rate of down to 10.8%. In fact, the unemployment rate in 2011 for Aboriginal people holding a master's degree was lower than for similar degree-holders in the non-Aboriginal population.

Aboriginal education levels have increased between 2009 and 2014. In 2014, 42% of off-reserve Aboriginal people aged 15 years or older had completed a post-secondary educational program, up five percentage points from five years prior. Even so, a gap of 12 percentage points remains between off-reserve Aboriginal people and non-Aboriginal people (54%) on this measure of educational attainment.

Youth Labour Force

Alberta's population of working age youth (15 to 24 year olds) was stable between 2009 and 2014. However, both labour force participation and employment declined for this age group by 3.8 and 1.5 percentage points respectively. In 2014, youth unemployment stood at 9.5%, a significant improvement from 2009's 12.2%, and considerably below the national rate of 13.4%. Perhaps as a result of the higher unemployment rate, and higher demand for skilled workers, post-secondary enrolments among Canadian students in Alberta have increased by 19% between 2008/09 and 2012/13.

Older Workers

Employment in this age group (55 to 64 years old) is increasing at double the annual rate of the overall working aged population. Looking at all workers aged 55 and older, the data suggests that at least some of that increase is caused by growth in job seekers past retirement age. High wages and high demand for experienced workers

may be convincing older workers to remain in Alberta’s labour market; the participation rate for 65+ workers has climbed from 16.4% in 2009 to 19.1% in 2014.

The unemployment rate for older workers averaged 4.1 % in 2014, down somewhat from five years earlier, and just above those within the prime working age group (25 to 54).

Seniors

The number of people aged 65 and older is rising in Alberta as is their share of the total population. Still, Alberta’s share of seniors is far lower than the national average (11.4% vs. 15.7% in 2014). Only the Territories have a lower proportion.

This low share reflects the draw of Alberta’s economy on younger job seekers. Regardless, the labour force participation of those 65 years and older increased from 16.4% in 2009 to 19.2% in 2014.

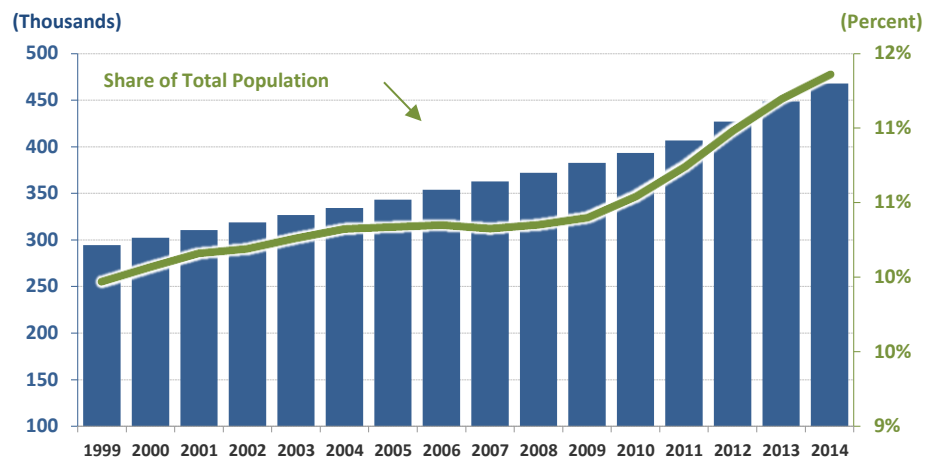
In 2011, employment was the primary source of income among 23% of Alberta’s seniors, the highest percentage among western provinces, and substantially higher than the 15% Canadian average.

Workers with a Disability

During the first week of May 2011, 12.5% of Albertans aged 15 to 64 self-identified as having a disability compared to 13.7% Canada-wide. Of Albertan’s with disabilities, 64.7% participated in the labour market, a much higher rate than the Canadian average of 55.6% (age standardized); and 8.9% were unemployed compared to 13.8% Canada-wide.

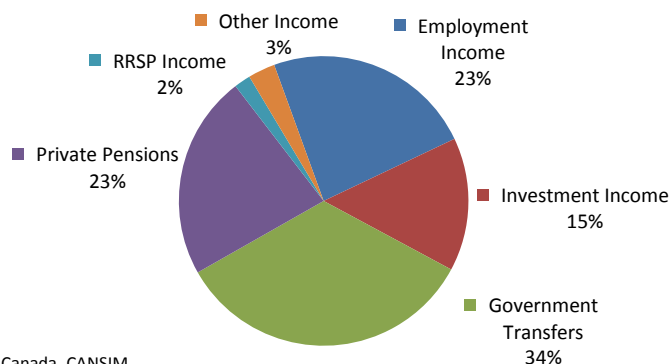
Thirty-one percent of employed persons with disabilities reported severe to very severe activity limitations. The most common disability types among the employed were as follows (not mutually exclusive): pain (71%); mobility (42%); flexibility (39%); mental and/or psychological (23%); dexterity (18%); and hearing (18%).

The change in Alberta's population aged 65 years and over, and change in its share of the total population, between 1999 to 2014.



Source: Statistics Canada, Annual Demographics Estimates

Primary sources of income among seniors in Alberta, 2012.



Source: Statistics Canada, CANSIM

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 0.1% had knowledge of French only.

CONCLUSION

Alberta fared very well following the 2008–09 recession; recovering and then exceeding record employment levels and generating 23% of all employment gains in the country. The province's energy sector, supported by a robust construction industry, was a powerful magnet that attracted skilled labour (and their families) from across the country. Between 2009 and 2014, Alberta's population grew by 442,600 people, making it the fastest growing region in Canada.

Although the next two years are expected to be challenging, oil prices are expected to regain lost ground by the end of 2016 and bring Alberta unemployment rates back to below five percent. However, even as Alberta's energy sector sheds excess costs and becomes more efficient, massive untapped US shale reserves have the potential to throttle oil prices and the rapid growth seen in the past.

***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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