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Author - Industry Canada

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## The Service Economy at a Glance

This document answers basic questions about Canada's service economy, its changing structure and its contribution to employment and productivity. The questions answered on the following document include:

What is the role of the services sector in the Canadian economy ?

How have service industries changed ?

What is the importance of the services sector in employment ?

What is the growth of employment in services ?

Where do most new jobs come from ?

What is the specific contribution of each industry to employment ?

How do wages in the services sector compare with wages in other sectors ?

What investment is occurring in new technologies ?

What is the importance of the construction sector in the Canadian economy ?



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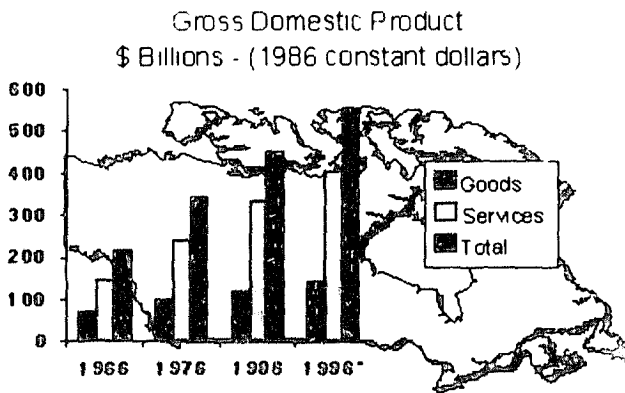
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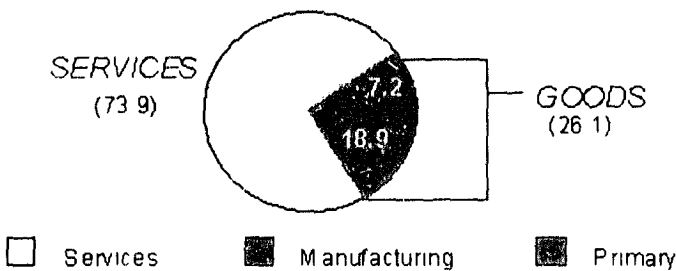
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## What is the role of the services sector in the Canadian economy ?



Source: Statistics Canada (CANSIM Matrix 4670)

Per cent share of real GDP  
(1986 constant dollars)



Source: Statistics Canada (CANSIM Matrix 4670)

The Canadian economy is fueled by both goods and services. Goods include manufacturing and the primary sector - agriculture, forestry and mines.

Service industries of one kind or another make up the rest of the economy.

Many services, such as banking, insurance and business services, are invisible. Other more concrete services include construction, transportation and utilities.

The Canadian economy today is more service-oriented than it was in the sixties or even the seventies. In 1996, service industries account for nearly three quarters of Canada's gross domestic product (GDP).

This larger share of real output of Canadian service industries might be explained by the convergence of many forces such as the demographics, longer public choices and, the expansion of technical knowledge.

Service inputs also comprise more of the embodied value of all the goods and services Canadians produce for final use.



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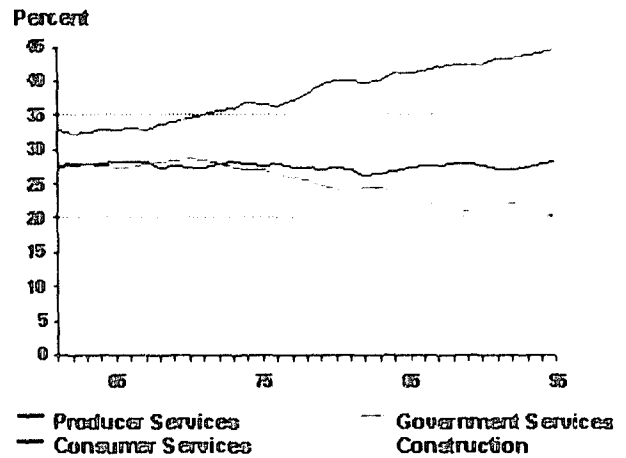
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## How have service industries changed ? \_\_\_\_\_

The service economy is made up of four major parts: producer services; consumer services; construction; and government services.

Producer services include transportation and communication services, engineering, design, consulting, accounting and legal services, marketing and computer services. They are purchased by Canadian industry to contribute to the production of goods and other services. Producer services are playing a larger and larger role in the Canadian service economy. The annual average growth for Producer services has been well above the other components, with a 3.3% average annual growth rate during the 1984-95 period.

Type of Services As a Percentage of Total Services



Source: Statistics Canada (CANSIM Matrix 4670)

Consumer services are consumed directly by Canadians. They include, for example: retailing, recreation tourism, personal services, child care, restaurants and entertainment. When seen as a proportion of the overall amount of services produced, consumer services have remained at a fairly constant level over the past thirty years.

Construction includes the building and repair of residential, industrial, commercial and institutional structures. Also included are engineering structures such as dams, oil and gas facilities and sewer and amenities.

	Percent Share of GDP	Growth Rate 1984-95
Agriculture and related services	2.2	1.5
Fishing, Trapping, logging and forestry	0.7	-2.0
Mining	4.4	3.7
Manufacturing	18.8	1.9
Construction	4.8	-3.2
Transportation and storage	4.7	1.3
Communication	4.4	5.1
Finance, insurance and real estate	16.2	2.2
Community and personal services	17.5	0.8
Business services	4.9	2.9
Trade	12.2	2.1
Utilities	3.3	2.3
Government Services	5.9	-0.3
TOTAL ECONOMY	100	2.7

Source: Statistics Canada (CANSIM Matrix 4670)

Government and social services include federal, provincial and local government as well as defence services. Non-commercial education, health and social services are also included in this category.

The relative shares of construction and government as percent of total services have both been declining over the last three decades. Both sectors have experienced negative growth rates over the 1984-period.

The general shift to services reflects rapid real growth in a variety of individual service industries and, within these general categories, the genesis of an expansion of entirely new industries. The overall shift also reflects less dramatic but steady output growth in other service industries, combined with slower than average growth in agriculture, fish and manufacturing.



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## What is the importance of the services sector in employment ? \_\_\_\_\_

Services sector employment accounts for more than seventy-five percent of jobs in all but one of Canada's ten provinces. Since 1986, Services employment has grown faster than average in nine out of ten provinces. British Columbia experienced the fastest growth in services employment, mainly fuelled by employment increases in Community, Business and Personal services.

Services Employment by Province	% of Total Employment 1996	Growth 1986-1996
Newfoundland	83.3%	10.1%
PEI	78.9%	20.0%
Nova Scotia	84.2%	14.2%
New Brunswick	81.4%	16.4%
Québec	78.5%	12.2%
Ontario	78.4%	18.5%
Manitoba	79.2%	6.6%
Saskatchewan	74.3%	1.7%
Alberta	79.2%	18.8%
British Columbia	83.9%	36.5%

Source: Statistics Canada, Catalogue no. 71-201



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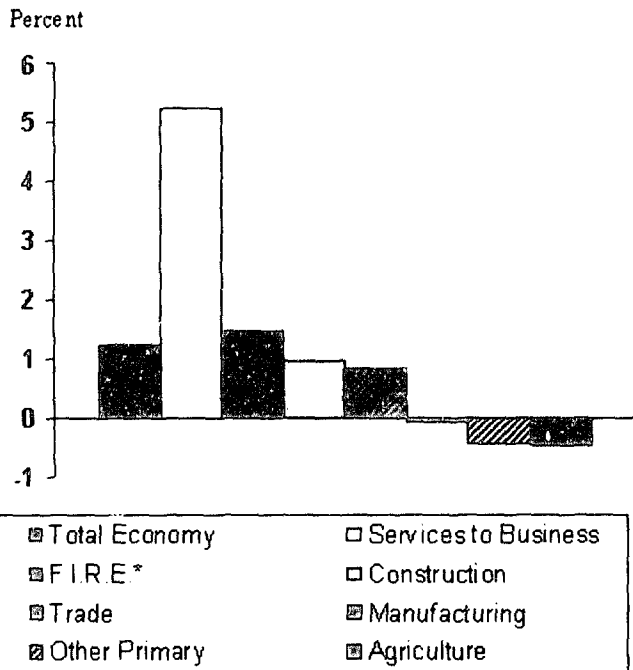
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## What is the growth of employment in services ? \_\_\_\_\_

**Average Annual Employment Growth**  
**Selected Sectors : 1986-96**



Service industries are generating well-paid, high skilled jobs at an encouraging rate. Services to business industries have shown the fastest employment growth of the Canadian economy in past decade. In 1996, the number of people empl in Management consulting and in the Computer services was almost triple what it was ten years a while jobs in the Advertising sector numbered m than twice what they did in 1986.

These numbers nonetheless do not provide a complete picture of the evolution in the number o service-type jobs, since they do not include the m workers in non-service industries who are engage service occupations. Because growth in the servic sector is driven by producer services, linkages between the service and goods-producing industr are critical to the future growth of the economy.

Source Statistics Canada, Labour Force Survey Sub-Division

\* Finance, Insurance and Real Estate



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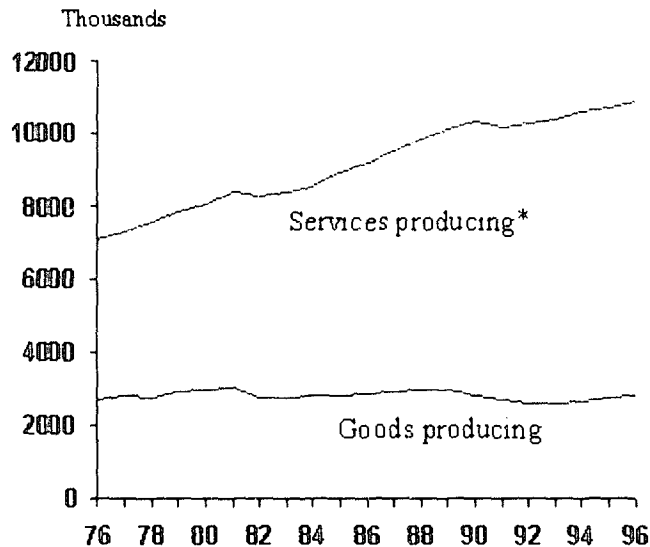
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## Where do most new jobs come from ? \_\_\_\_\_

Long-Term Employment  
 Services\* vs. Goods



Source: Statistics Canada (Cansim Matrix 2064)  
 \* Services include Construction and Utilities

Since 1976, total employment in Canada has grown by roughly 40%, which translated into a net increase of 3.9 million jobs for Canadians. Although net employment increased in most sectors of the economy, 95% of this increase was due to the service producing industries. At 59%, service employment growth was far superior to the 5.5% employment growth shown by goods producing industries over that period.

Service producing industries comprise some of the most dynamic sectors in the Canadian economy. The entrepreneurial, job-generating characteristics of the services sector have provided jobs for millions. In the largest increases in employment in Canada over the past 20 years occurred in the Trade (39.5% increase), Finance, Insurance and Real Estate (54% increase) and Community, Business and Personal Service industries (93.8% increase). Construction and manufacturing employment growth rates were modest, at 10% and 5% respectively.



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## What is the specific contribution of each industry to employment ? \_\_\_\_\_

Employment - 1996		
Industry Sector	Employment (Thousands)	Percent of Total
Agriculture	453.3	3.31%
Other Primary	279.9	2.05%
Manufacturing	2082.5	15.23%
Construction	718.6	5.25%
Utilities	147	1.07%
Trade	2361.2	17.27%
T.C.S.*	872.6	6.38%
F.I.R.E.**	799.9	5.85%
Non-Commercial Services	2354.7	17.22%
Commercial Services	2786.4	20.37%
Public Administration	820.1	6.00%
<b>Total:</b>	<b>13676.2</b>	<b>100%</b>

Services industries, including Construction and Utilities, employed close to 10.9 million people in 1996, or 79.4% of Canada's workers. The largest sectors in terms of importance for service employment are Commercial services which employ over 20% of all workers, and Trade (Retail and Wholesale) which provides employment for more than 17% of all those employed in Canada.

Source: Statistics Canada, Labour Force Survey Sub-Division

\* T.C.S.: Transportation, Communication, Storage

\*\* F.I.R.E.: Finance, Insurance and Real Estate



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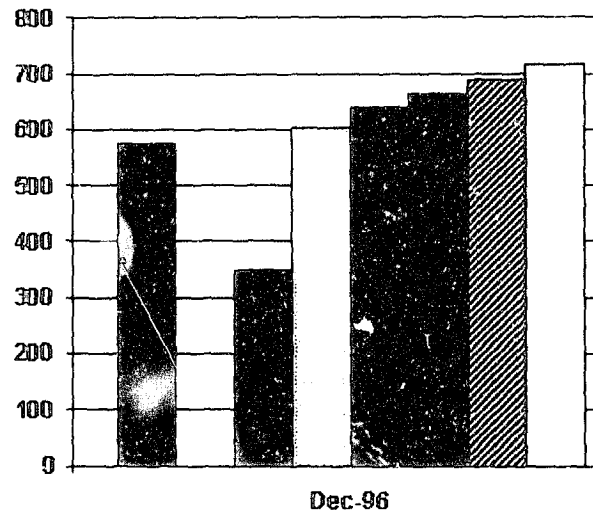
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## How do wages in the services sector compare with wages in other sectors ? \_\_\_\_\_

Many Canadians employed in the Service industries enjoy weekly earnings well above average. Of note are Utilities, which, along with the Finance, Insurance and Real Estate services and most Business Services industries, provide their employees with weekly earnings which substantially exceed the total industry average.

Between 1986 and 1996, weekly earnings in the Business Services industries group as a whole increased at a faster average annual rate than earnings in other major service categories, the manufacturing sector and the total Canadian industry.

Average Weekly Earnings  
Selected Industries



■ Industry Aggregate	■ Retail
□ Wholesale	■ Construction
■ Business Services	■ Manufacturing
□ F.I.R.E.*	

Source: Statistics Canada, Matrix 4291

\* Finance, Insurance and Real Estate



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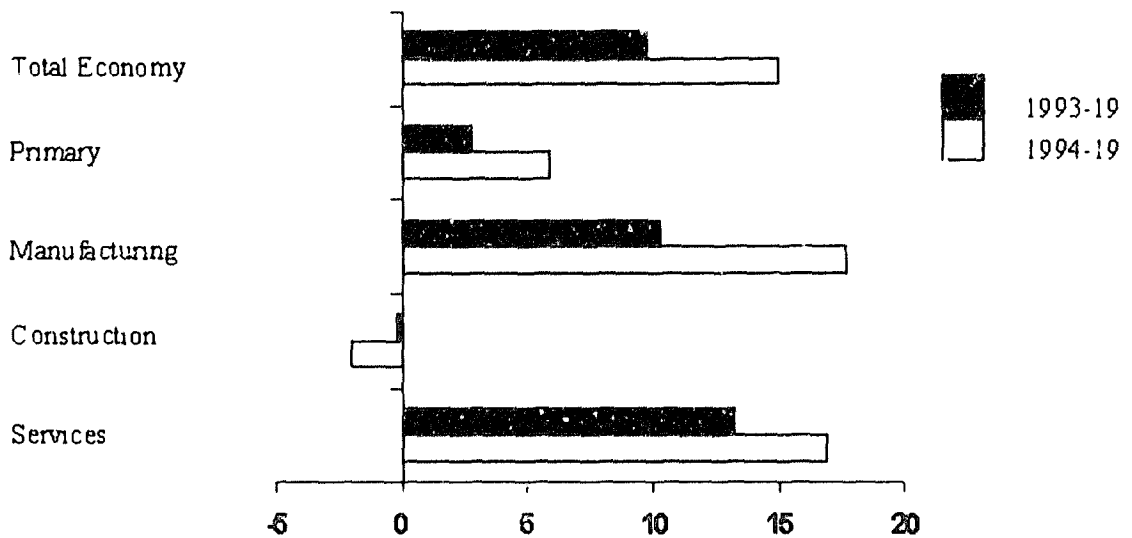
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## What investment is occurring in new technologies ? \_\_\_\_\_

**Real Machinery and Equipment Investment**  
 (Average Annual % Change)



(\*) 1995 figures based on the 1995 Investment Intention Survey Source: Statistics Canada

Service industries are becoming more dependent on communications and computer technologies. Many of the service sector have been investing heavily in machinery and equipment over the past decade. This strong rate of investment will undoubtedly contribute to the growing vitality and productivity of the service sector.

Investment in new technologies in the wholesale and retail, finance, insurance, and real estate sectors should result in increased labour productivity in the years ahead.

Machinery and equipment investment in the construction sector has declined for two years in a row.



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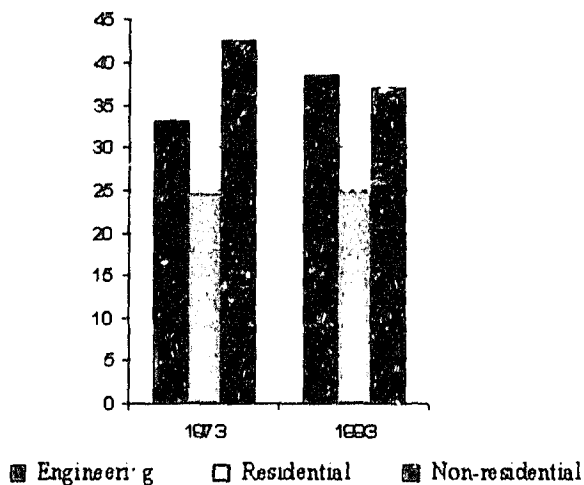
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## What is the importance of the construction sector in the Canadian economy ? \_\_\_\_\_

### Construction by Type of Structure (as a percentage of total construction)



Source Statistics Canada (Cansim Matrix 3721)

The importance of the construction sector in the Canadian economy can be seen in the high level output directly associated with construction activ

The construction industry can be divided in three broad categories: engineering construction; residential construction; and non-residential construction.

Engineering construction includes road, highway airport runways, electric power construction, and oil facilities. This type of construction has been growing in importance for the last 10 years.

Residential construction has remained stable during the 1973-1993 period while the share of non-residential construction as a percent of total construction has been declining. Non-residential construction is made up of three major parts: institutional construction, commercial construction and industrial construction.

In 1994, a total amount of \$97.0 billion was spent on construction. New construction (including major renovation) accounted for \$81.0 billion and repair construction for \$16 billion.

The contribution of the construction sector to the GDP is roughly equal to the contribution of the two largest manufacturing sectors, which are transportation equipment and electronic products.



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