

CRUMBS

.....FROM THE.....

TABLE

RE-EVALUATING THE SO-CALLED
"ALBERTA ADVANTAGE"



A REPORT CARD ON JOBS, WAGES
AND ECONOMIC SECURITY IN ALBERTA

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Why a Report Card?

IF YOU BELIEVE what economists and business analysts have been saying, 1996 was a good year for Alberta. For the sixth time in seven years, our province's economy grew more quickly than the Canadian average. The official unemployment rate was one of the lowest in the country. And corporate profits were up for the fourth year in a row.

To top things off, the provincial government posted a \$2.2 billion dollars surplus - the third multi-million dollar surplus in as many years.

People like Conservative Premier Ralph Klein point to these developments as proof that the "Alberta Advantage" is working. They argue that, after several long years of recession and economic uncertainty, Alberta is finally back on the road to prosperity.

We at the Alberta Federation of Labour are pleased that the economy is showing significant signs of improvement. But, we do not buy the argument that things are as good as they could be — or should be.

We are concerned that our leaders — both in the political and business communities — have uncorked their champagne too soon. While they are congratulating themselves on growing GDP figures and booming business profits, they are ignoring other, more disturbing, economic trends.

Albertans have been told only half of the story. They've been told the good news about improved sales, profits and unemployment figures. But, so far, very little has been said about the

downside of the so-called "Alberta Advantage." In particular, Albertans have not been told about the troubling trends that are beginning to emerge in relation to wages, hours of work and job security.

That's why we decided to publish this Report Card. In the next 27 pages we will attempt to paint a more accurate picture of the economic situation facing Albertans as they approach the end of the 20th century. Our report card will re-visit and re-examine many of the broad economic measures that politicians and CEOs point to with pride. We will also — and more importantly — take a closer look at economic conditions for average working Albertans.

Our Report Card is divided into seven sections dealing with six major issues including: unemployment, wages, hours of work, job security, job creation and jobs in the so-called "new economy." Given that this is an election year — at both the provincial and federal levels — we have also included public policy suggestions aimed at addressing our concerns.

It is our hope that this Report Card will draw attention to some of the important and alarming changes that are taking place within the Alberta economy. We hope our findings and our suggestions for action will help stimulate a debate — a debate that will lead to improved economic conditions for all Albertans, not just those who spend their time in corporate boardrooms.



Audrey Cormack,
President,
Alberta Federation of Labour

SECTION I: Unemployment

UNEMPLOYMENT has been the scourge of the 90s in Canada. Since the beginning of the decade, national unemployment rates have remained stubbornly high. During the worst years of the recent recession, over 1.6 million Canadians were officially classified as unemployed. Thousands of others — as many as 350,000 in 1992 and 1993 — didn't appear on the official unemployment lists because they had given up looking for work entirely.

As a result of this jobs crisis, unemployment became an overriding concern for most Canadians. Poll after poll showed that Canadians were extremely worried about the future. People without jobs worried they would never work again. And people who had jobs worried they would be next to the chopping block as more and more employers slashed jobs in the name of "global competitiveness."

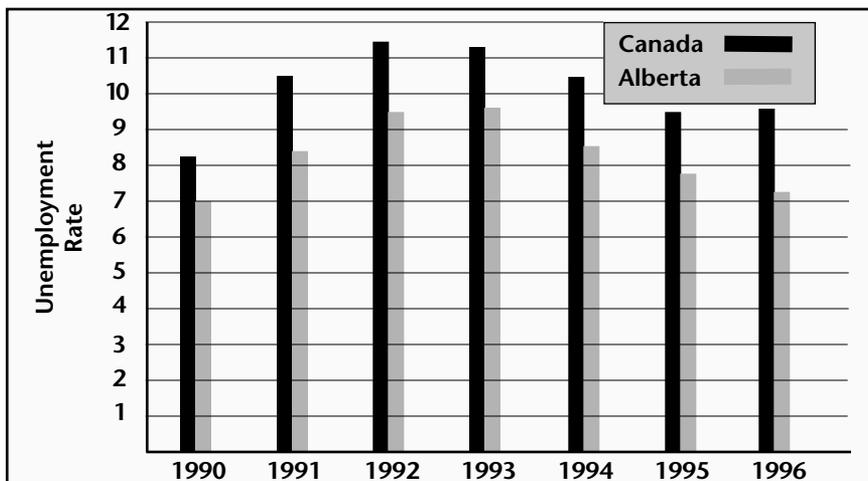
Here in Alberta, people have also

been concerned about unemployment. During the winter of 1993, Albertans watched in dismay as the ranks of the unemployed in the province swelled to over 140,000. Unemployment on this scale hadn't been seen in Alberta since the Great Depression.

Today, four years after the worst of the recession, the employment picture in Alberta has improved. Thanks primarily to soaring oil prices and a general improvement in the world economy, unemployment rates have dropped to pre-recession levels.

PROVINCIAL AND NATIONAL UNEMPLOYMENT RATES

AS ONE OF CANADA'S wealthiest provinces, Alberta has enjoyed slightly lower rates of unemployment than the national average over the past seven years. Alberta recorded its highest level of unemployment — 9.7 percent — in 1993. Even though the



national unemployment rate remains stuck near 10 percent, unemployment in Alberta has dropped significantly. Our province now has one of the lowest unemployment rates in the country — second only to Saskatchewan.

REGIONAL UNEMPLOYMENT RATES

PROVINCIAL FIGURES on unemployment in Alberta are slightly misleading. While there is no doubt that all regions of the province have benefitted from the improved jobs climate, some regions have fared better than others. Of particular concern is the disparity that exists between Alberta's two major metropolitan areas, Edmonton and Calgary. Edmonton's unemployment rate has consistently been at least one percentage point higher than both the provincial average and the rate in Calgary. The rate of unemployment in Edmonton also remained stuck between 8 and 9 percent for most of 1996, while the rate in Calgary followed a steady downward trend, dropping from slightly over 8 percent to below 7 percent. A

large part of the disparity can be explained by the massive public sector cuts imposed by the Klein government. The loss of thousands of decent-paying public service jobs — primarily in the capital region — continues to weaken the Edmonton economy.

DURATION OF UNEMPLOYMENT

IN A TRULY HEALTHY economy, unemployment is low and stints of unemployment are short. Back in the 70s and early 80s, for example, unemployed people could find work relatively easily and quickly. In Alberta today, we are not so lucky. Despite the fact that we are moving towards lower unemployment rates, many unemployed people are still experiencing difficulty finding work. Currently, about 18 percent of unemployed people in Alberta (about 20,000 people) have been without work for 6 months or more. That's more than double the rate of long-term unemployment experienced in Alberta during the early 80s. The question for policy makers is

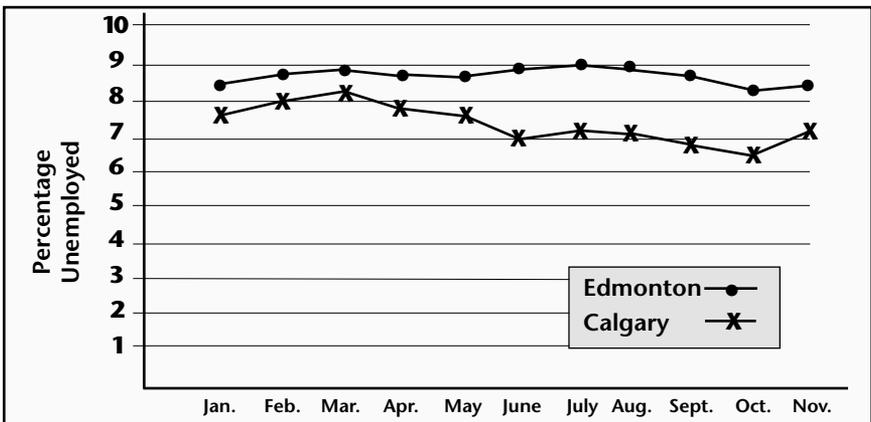


Figure 2: Unemployment rates, Edmonton and Calgary, 1996

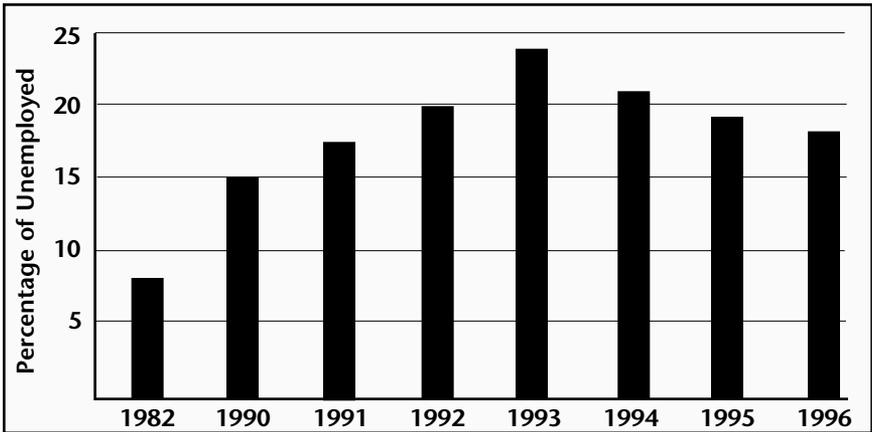


Figure 3: Percentage of unemployed without work for more than 6 months (Alberta)

clear: why are so many people still having difficulty finding work now that jobs are more plentiful? So far, our leaders have not even acknowledged the problem, let alone come up with a response.

EVALUATION:

THERE IS NO DOUBT that the jobs situation in Alberta is much better than it was three or four years ago. And Albertans have every right to be pleased by this turn of events. But, there is little reason to give our political leaders or their cheerleaders in the business community credit for improved job prospects. Declining unemployment rates in the province can be almost wholly attributed to high oil prices and improving conditions in the world economy. If anything, the Alberta government's brutal cuts to public spending have dampened the recovery, not aided it.

When evaluating Alberta's record on unemployment, it is also important

to look beyond the single dimension of falling provincial unemployment rates. Despite increased availability of jobs province-wide, disturbing disparities exist between regions. At the same time, there is still a problem with long-term unemployment and youth unemployment. As we will see in the next section, there are also many questions about the kind of jobs that are being created in post-recession Alberta.

Finally, it is important to note that, while an unemployment rate of 7 per cent may sound impressive compared to other provinces, it is still too high. More than 100,000 Albertans are currently looking for work. That's enough people to populate a good-sized city. As a society, we should strive for even lower levels of unemployment. Unemployment rates of between three and five per cent were the norm only fifteen years ago. There is no reason to assume that this kind of record can't be duplicated in the 90s.

GRADE: D

SECTION II: Job Creation

BACK IN THE 1970s and early 80s, Alberta was the favourite destination for Canadians looking for work. For years, Alberta's population grew at a rate far surpassing the national average as people from all corners of the country flocked here to take advantage of the "oil boom."

Other provinces might have been overwhelmed by all the new arrivals. But, thanks to Alberta's rapidly expanding economy, the province's unemployment rate remained near an enviable four percent. For all intents and purposes, there was a job for anybody who wanted one.

But, when the boom went bust in the mid '80s, job creation in Alberta came to a screeching halt. Things picked up slightly in 1989 and 1990, but turned ugly again as the entire country's economy fell into the brutal

recession of the early 90s.

Today, fifteen years after the end of the last economic boom, business people and politicians are starting to talk about a return to the "good old days." Spokespeople for various Chambers of Commerce are virtually bubbling with optimism. And Premier Klein takes every chance he can get to brag about the 100,000-plus jobs that have been created in the province since 1993.

But is the Alberta record on job creation really that impressive? Is it enough to offset the economic havoc caused by years of recession and brutal budget cuts? What kind of jobs are being created?

PUTTING JOB CREATION IN PERSPECTIVE

OVER THE PAST THREE years, job creation has outstripped population growth in Alberta by a fairly

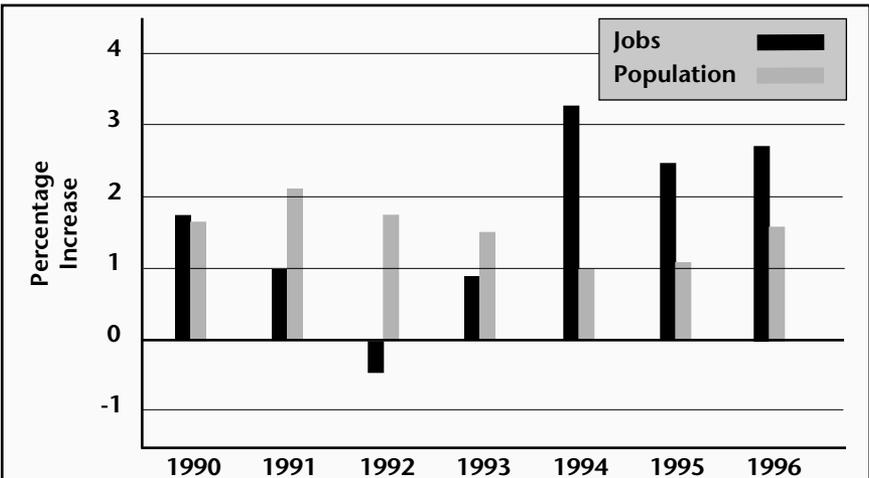


Figure 4: Percentage increase in jobs vs. percentage increase in population in Alberta, 1990-1996

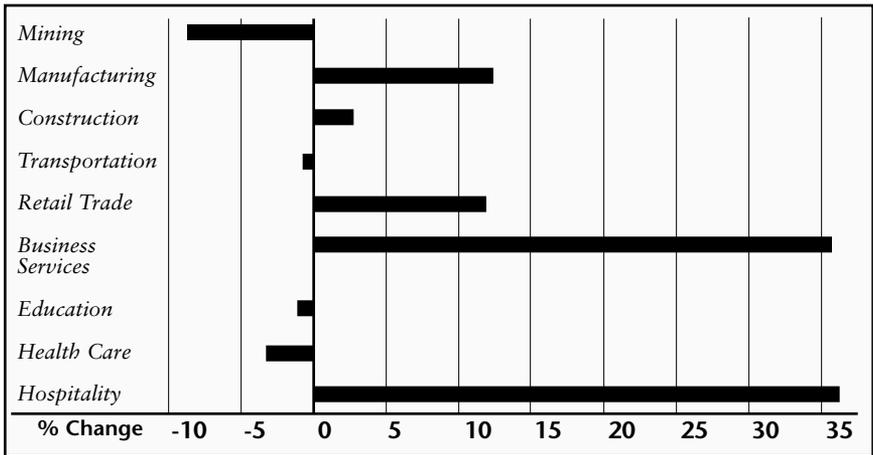


Figure 5: Percentage increase in jobs in selected sectors (Alberta, 1992-1996)

wide margin. Last year, for example, the number of jobs in the province grew by 2.8 percent, while the population grew by 1.6 percent. Similarly, in 1995 jobs were up by 2.7 percent, while the population grew by 1.1 percent. But over the longer term, the gains have been less impressive. Between 1990 and 1996, the number of jobs in Alberta grew by 10.5 percent — only slightly more than the 9.2 percent population growth recorded over the period. So, yes, there has been a positive trend in job creation. But it's hardly been the runaway freight train that Premier Klein has described.

WHAT KIND OF JOBS?

SINCE 1993, slightly over 100,000 new jobs have been created in Alberta. This is good news. But many people are starting to ask: what kind of jobs?

There are several ways to measure the quality of jobs being created in Alberta. In section four of this report we will look at average weekly and

hourly wages as a measure of job quality. Another way to find out what kind of jobs are being created is to look at which sectors of the economy are experiencing job growth and which are experiencing job loss. What this kind of analysis shows us is that the majority of new jobs are being created in sectors of the economy long associated with low pay — for example, retail trade, the hospitality industry and other service-sector job categories. At the same time, many sectors offering decent pay and benefits — for example, the health care and education sectors — are experiencing job loss.

Perhaps surprisingly, the job category taking the biggest hit in terms of lost jobs is mining — a category that includes oil field workers. This suggests that — despite booming profits — petroleum companies are employing fewer people. With the introduction of new labour-saving technologies, oil companies (some of our province's biggest employers) can extract, process and sell increasing amounts of product with a reduced workforce.

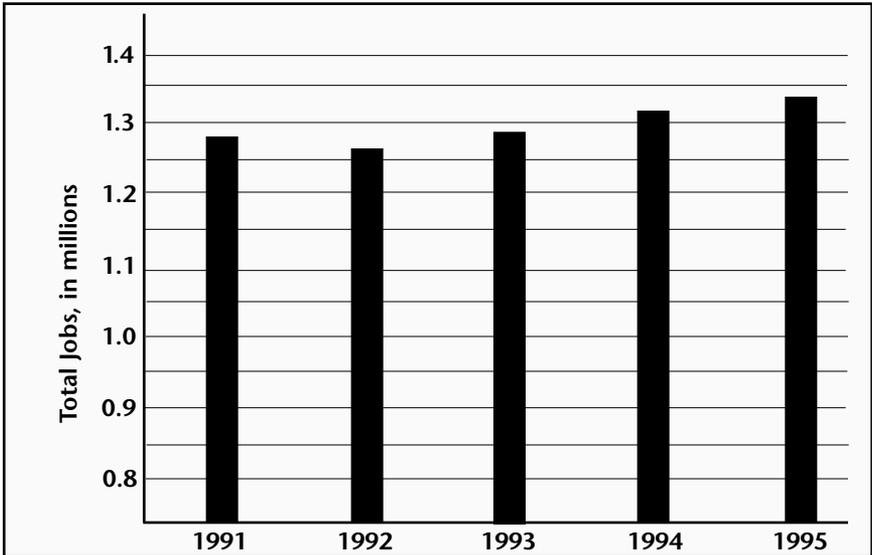


Figure 6: Total jobs, Alberta, 1991-1995

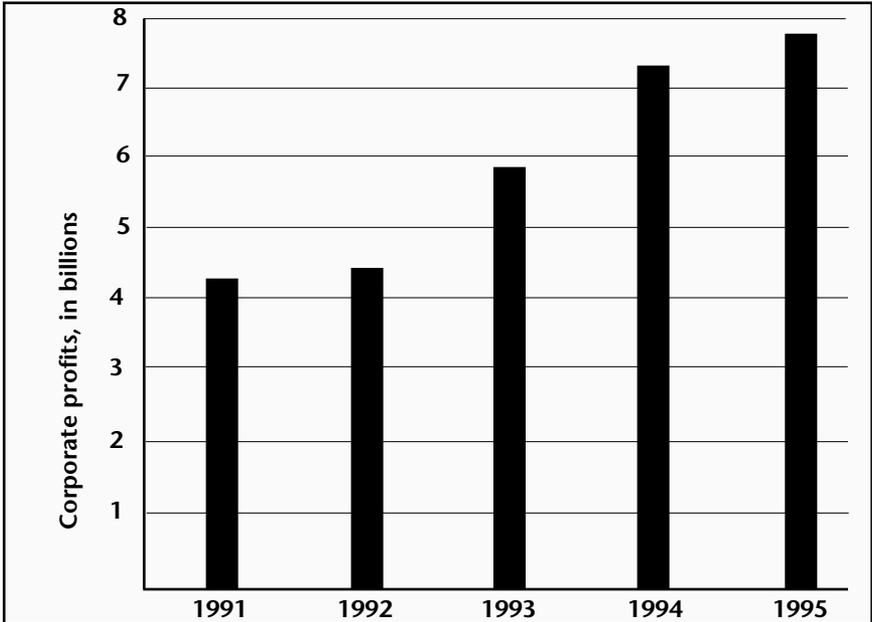


Figure 7: Corporate profits, Alberta, 1991-1995

CORPORATE PROFITS AND JOB CREATION

WHILE THERE has been a positive trend in job creation in Alberta over the past few years, job growth has not come close to matching the growth in corporate profits. Between 1992 and 1995, corporate profits in Alberta rose by an impressive 85.4 percent — but the number of jobs increased by only 6.4 percent. This suggests that the “invisible hand” of the market is not working as well as it is supposed to — soaring profit margins are not translating into soaring job growth. Alberta businesses are more profitable than they have been in more than 10 years. But, instead of creating large numbers of jobs, they’re sitting on their profits or investing them in labour saving technologies. The question for policy makers is: can anything be done to encourage profitable businesses to invest more heavily in job creation?

EVALUATION

WHEN IT COMES to job creation, Alberta seems to have a reasonably impressive record — at least on the surface. More than 100,000 jobs have been created over the past four years. Most of these jobs are full-time and many can be described as “permanent.”

But, the rate of job growth has to be put in perspective. Since 1990, job growth has only barely kept ahead of population growth. The rate of job growth has also fallen far behind the growth in corporate profits. Alberta business are making more money than

ever — but many of them are not investing their profits in jobs. Probably our most important concern has to do with the nature of the jobs being created in Alberta. The bottom line is that many of the new jobs are not “good jobs.” Jobs are being created in sectors of the economy long associated with low pay, while jobs are being lost in sectors of the economy associated with higher pay and benefits.

In many cases, the jobs that are being created are not the kind of jobs that Albertans need. Without a reasonably well-paid, financially secure population, the foundation of the Alberta economy will be weakened.

Is Alberta becoming a low-wage haven? What are the implications of declining wages for the future prosperity of the province? These are questions that will be explored in the next section of this report.

SECTION III:

Wages & Income

DURING THE LONG oil boom that laid the groundwork for explosive economic growth in Alberta during the 50s, 60s and 70s, wages in our province were usually above the national average. As recently as 1983, average weekly earnings were 7.5 percent higher in Alberta than in other provinces. But, by 1995 average weekly earnings in Alberta were 3.5 percent lower than the national average — and the gap is widening.

The problem of declining wages is the dirty little secret of the Alberta economy. Politicians and business leaders never talk about it. They brag about job creation and soaring profits. They talk reassuringly about growth rates and bright prospects for the future. But working Albertans know the truth. They know that not all Albertans are sharing in the benefits of the expanding economy. More specifically, working Albertans know that their pocketbooks are getting thinner

while corporate bank accounts are getting fatter.

Now that the Alberta deficit has been eliminated and unemployment rates have started to fall, the issue of declining wages may become the top economic concern for Albertans as they approach the end of the 20th century.

DECLINING WEEKLY EARNINGS

AFTER INFLATION has been taken into account, wages have been dropping steadily across the country for the past 15 years. This is a big concern for all Canadians — but Albertans should be particularly alarmed. That's because real wages are dropping much more rapidly in our province than they are in other parts of the country. Between 1983 and 1996, real weekly wages in Canada as a whole dropped by 2.6 percent. But, here in Alberta, they dropped by 7.9 percent — slightly more than three times the national average. As we have

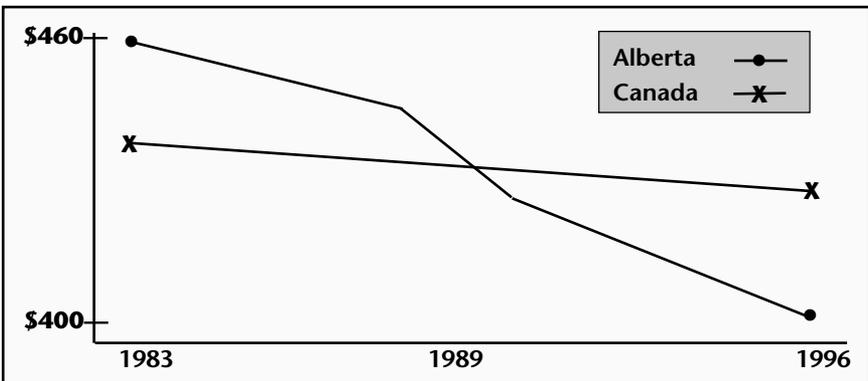


Figure 8: Declining Weekly Wages (Canada and Alberta, 1986 Constant Dollars)

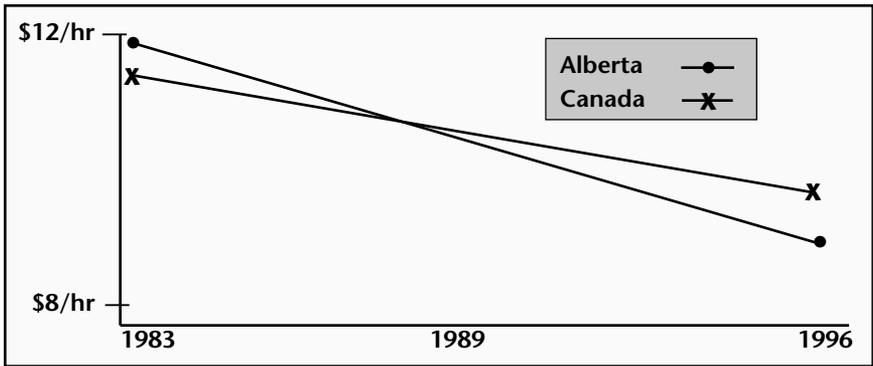


Figure 9: Declining Hourly Wages (Canada and Alberta, 1986 Constant Dollars)

seen, Albertans used to earn more than other Canadians. Now we earn less — and the wage gap is widening.

DECLINING HOURLY EARNINGS

THE DROP IN WAGES has been particularly steep for Albertans at the lower end of the income scale. In general, salaried workers earn more than those who are paid by the hour. Yet it is the lower-paid, hourly workers who have been suffering the most. Between 1983 and 1996 real wages for Canadians who are paid by the hour

dropped by 2.5 per cent. But once again, hourly wages have fallen more dramatically in Alberta. Since 1983, real hourly wages in Alberta have fallen by 13.9 per cent — more than five times the national average.

RECOVERY FAILS TO STOP SLIDE IN WAGES

SINCE EMERGING from the recession of the early 1990s, real wages in many parts of Canada have started to improve slightly. In Ontario, for example, real weekly wages increased

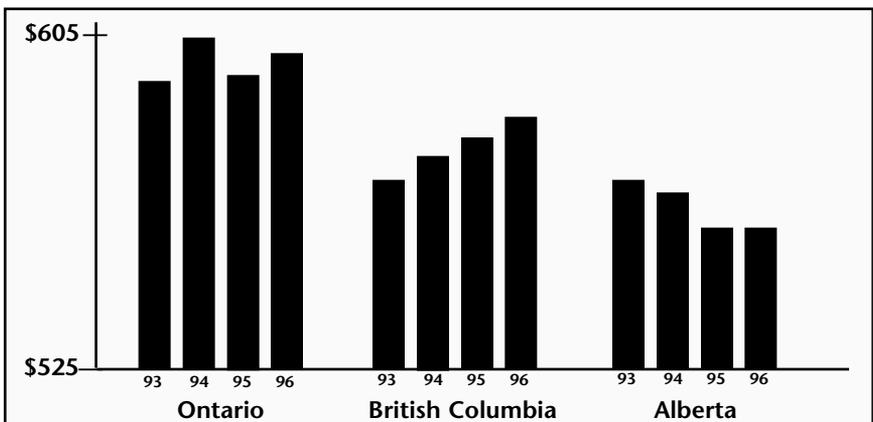


Figure 10: Weekly wages in "have" provinces, 1993-1996 (1993 Constant Dollars)

by 1.66 percent between 1993 and 1996. And in British Columbia, real weekly wages jumped by 3.18 percent. But — once again — Alberta performed much more poorly than other provinces. Despite the end of the recession — and despite the fact that average wages in other “have” provinces are showing signs of improvement — wages in Alberta have continued to decline. Between 1993 and 1996, real weekly wages in Alberta fell by 3.70 percent. Not only are wages continuing to fall in Alberta, but the rate of decline actually increased during three years of supposed economic recovery.

FALLING FAMILY INCOME

THE DECLINE IN real wages in Alberta has — not surprisingly — led to a significant drop in family incomes. Figures included in the provincial government’s own economic report card (entitled, *Measuring Up*) show that the average income for a two-parent family in Alberta with one

child dropped by 10.4 per cent between 1981 and 1993, after adjusting for inflation. Income for single-parent families dropped by an alarming 23.5 percent over the same period. And average income for individuals dropped by 22.6 per cent.

MINIMUM WAGE AND POVERTY

ALBERTA HAS the lowest minimum wage in the country. According to groups like the National Anti-Poverty Organization (NAPO), the Alberta minimum wage provides only two-thirds of the income needed to reach the Stats Can “low-income cut-off” — commonly known as the poverty line. An individual worker with no dependents in Alberta would have to earn at least \$7.60 per hour to live above the poverty line. Rough estimates suggest that as many as 20 per cent of working Albertans earn less than that amount.

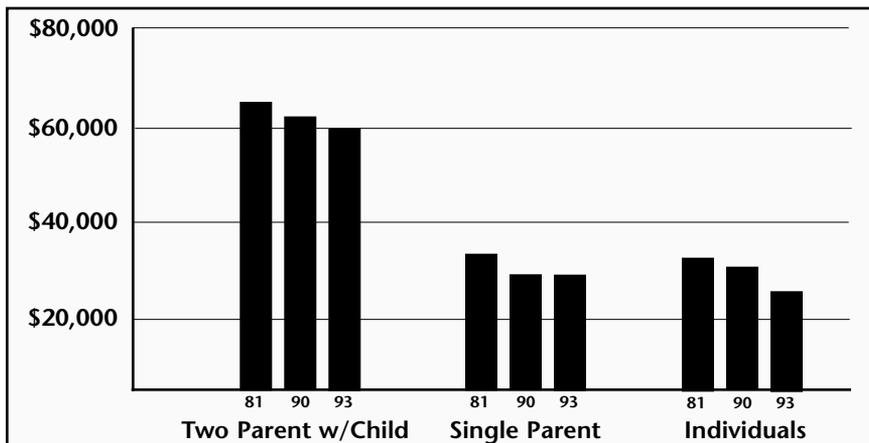


Figure 11: Annual Average Alberta Family Income by Family type, 1981-93 (1993 dollars)

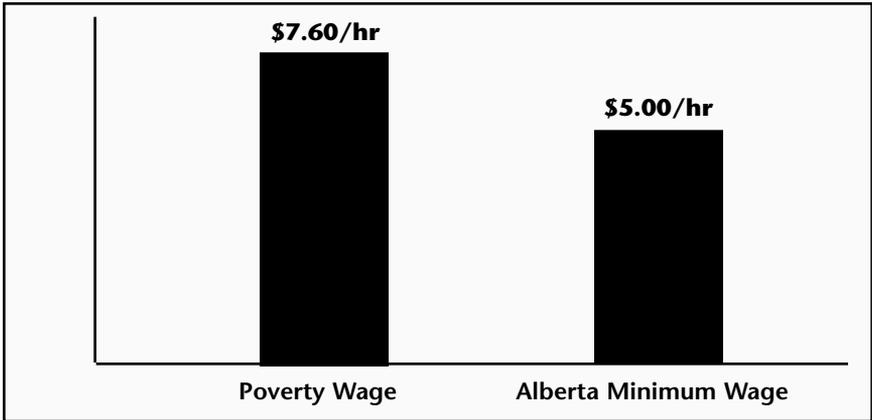


Figure 12: Alberta minimum wage vs hourly wage need to stay above poverty line

EVALUATION:

DESPITE THE FACT that Alberta is still one of Canada’s “have” provinces, there is a clear trend towards low-wage employment in the province. Real wages are falling more quickly here than in other parts of the country. And the economic recovery of the past few years hasn’t done anything to reverse this trend.

At the same time, family incomes have plummeted and thousands of Albertans continue earn wages that keep them below the poverty line.

This is the underside of the so-called Alberta Advantage. While politicians and CEOs pat each other on the back for reducing the public debt and increasing corporate profits, average Albertans have watched in dismay and increasing frustration as their incomes have continued to shrink.

The trend towards lower incomes is telling — it suggests that many of the jobs being created in “Ralph Klein’s Alberta” are not good jobs.

It is also perhaps no coincidence that Alberta has the highest rate of business bankruptcies in the country. When incomes and earnings shrink, consumers have less to spend. And when consumers have less to spend, businesses suffer.

Now that the debt and deficit are no longer the single, over-riding public concern, the time has come for our leaders to look at the issue of earnings and income. Policy makers have to start asking why wages are falling; why they have dropped so precipitously in Alberta; and what can be done to reverse the trend.

So far our leaders have ignored this problem. But wages can continue to fall for only so long before setting off a general economic crisis. Action on wages is needed — and needed soon.

SECTION IV: Hours of Work

ALBERTANS ARE HARD workers. We have the highest rates of workforce participation in the country. And we work longer hours. For the past 15 years, the number of Albertans working more than 50 hours per week has remained about 25 per cent above the national average.

These kind of statistics might alarm people living in other provinces. But most Albertans don't seem to mind. In fact, we usually take pride in our work ethic. We like to think of ourselves as hard-working and industrious.

But changes are occurring in the workforce — changes that may undermine our reputation as a province with too much work and too little time. While the proportion of people working long hours has remained high (and, indeed, has continued to climb) there is a growing number of people who have too few hours of work. This is emerging as one of the central economic problems of the 90s —

namely, that some people have too much work, while others don't have enough. Let's take a closer look at the Alberta situation.

LONGER HOURS FOR SOME

AS WE HAVE SEEN, the proportion of Albertans working more than 50 hours a week has always been about 25 per cent higher than the national average. Back in 1981, for example, only 11.9 per cent of workers across Canada worked more than 50 hours — compared to 15.2 per cent of the workforce in Alberta. Over the years, the gap between Alberta and the rest of the country has remained roughly the same. But, in both cases, the number of people working long hours has increased significantly. In 1996, 14.9 per cent of Canadians and 19.7 per cent of Albertans worked more than 50 hours a week.

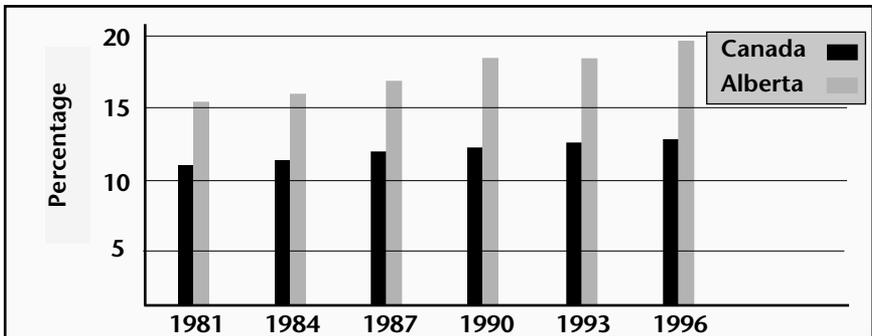


Figure 13: Proportion of workforce working more than 50 hours per week (Alberta, 1981-1996)

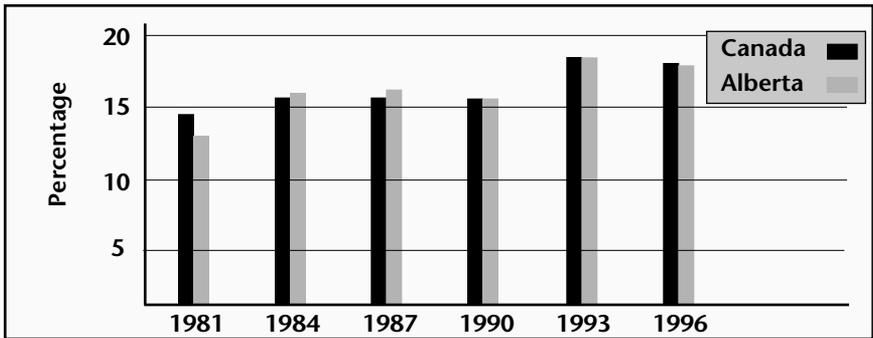


Figure 14: Proportion of workforce working less than 30 hours per week (Canada and Alberta, 1981-1996)

SHORTER HOURS FOR OTHERS

AT THE SAME TIME that more Albertans are working longer hours, more of us are also working shorter hours. The proportion of Albertans working less than 30 hours a week has jumped from 13.6 per cent in 1981 to 17.2 per cent in 1996. This suggests a growing polarization in the workforce — between those who have too much work and those who have too little.

EVALUATION:

ACROSS THE COUNTRY, there is a growing polarization in the workforce — between those who have too much work and those who have too little. Here in Alberta, more people than ever are working long hours. These hard-working people have helped increase productivity in the province. And they have made it easier for many of their employers to downsize and lay-off other employees. But the 50-hour-plus club is paying the price in terms of increased stress levels and decreased job satisfaction. Many of them are also starting to complain

about not having enough time to rest or spend time with their families.

On the other side of the fence are those Albertans who are unable to get enough work. This group includes unskilled or semi-skilled workers whose jobs are being phased out by new technologies and young workers who are finding it more difficult than ever to land entry-level positions. Women are over-represented among those workers unable to find enough work.

The polarization in hours of work, like the trend towards lower wages, is potentially quite destructive to the Alberta economy. People who are unable to find enough work will have lower incomes and reduced financial security. They will spend less and demand more from social services like welfare.

Policy makers must start looking for ways to ensure that paid work is spread around more equitably. As was the case with wages, our leaders have so far ignored this issue. It's time for that to change.

GRADE: F

SECTION V: Job Security

DURING MUCH OF THE 50s, 60s and 70s, Canadian workers enjoyed unparalleled job security. Many people stayed with the same employer for their whole careers. Those who left their jobs or were laid off, often experienced short bouts of anxiety and reduced income. But jobs were so plentiful that stints of unemployment were usually brief.

Unfortunately, job security seems to be a thing of the past in Canada. In the lean and mean 90s, only a tiny fraction of workers hold onto the same jobs for more than 10 years. Most Canadians will hold seven or eight different jobs in their lifetimes. And most people will suffer through at least one or two bouts of unemployment.

To make matters worse, many employed people don't even have short-term job security. More and more Canadians are working in part-time or temporary positions — positions that usually provide few if any

benefits. In many cases these jobs are extremely tenuous — they could disappear at any time.

It's no wonder then that — despite declining unemployment rates — Canadians continue to worry about jobs. Many people long not only for more jobs, but also for more secure jobs.

PART-TIME WORK: PERCENTAGE OF THE WORKFORCE

HERE IN ALBERTA, and across the country, more and more people are holding down part-time jobs. Since 1990, there has been a rapid and steady increase in the proportion of working people with part-time jobs. In 1990 14.8 percent of workers in Alberta and 15.3 in Canada as a whole were working part-time. By 1996 those figures had jumped to 18.6 per cent and 18.7 per cent, respectively.

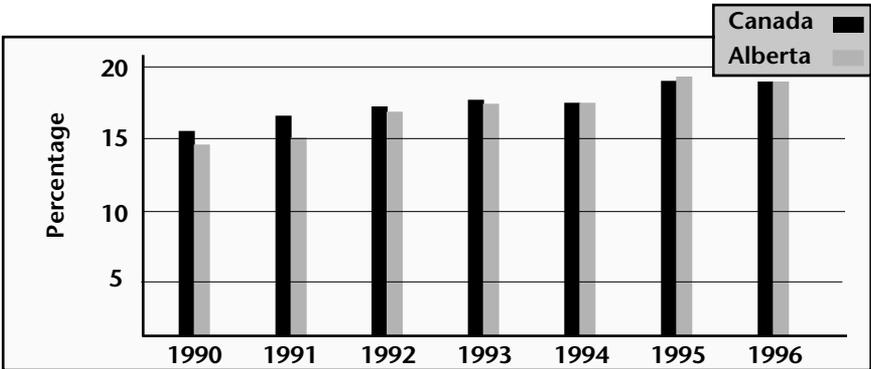


Figure 15: Part-timers as percentage of workforce (Canada & Alberta, 1990-96)

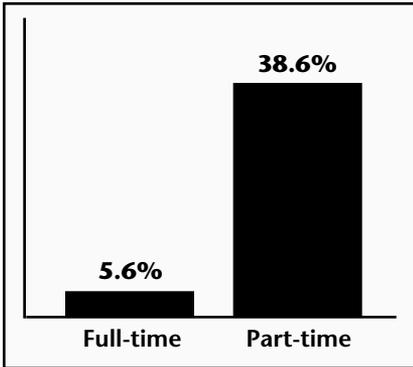


Figure 16: Percentage growth, full-time and part-time jobs in Alberta, between 1990 and 1996

PART-TIME WORK: RATE OF GROWTH

THERE ARE STILL far more full-time jobs in Alberta than part-time jobs — but the gap is narrowing. That’s because the number of new

part-time jobs is growing at a much faster rate than growth in full-time jobs. Between 1990 and 1996, the number of full-time jobs in Alberta grew by 5.6 per cent — from 1,088,000 jobs to 1,149,000 jobs. But the number of part-time jobs grew much more rapidly: from 189,000 jobs to 262,000 — an increase of 38.6 per cent. It’s clear from these figures that the growth in part-time employment is far out-pacing the growth in full-time employment.

UNDER-EMPLOYMENT

SOME PEOPLE in the business community argue that rising rates of part-time employment are nothing to be alarmed about. They say it’s simply a matter of choice — more people are choosing the flexibility that part-time employment offers. On the surface,

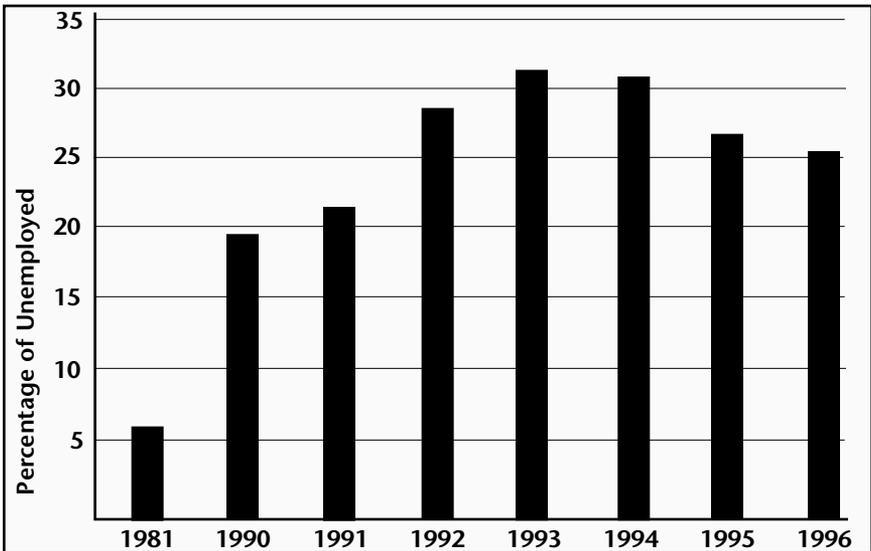


Figure 17: Percentage of part-time workers who would prefer full-time work (Alberta)

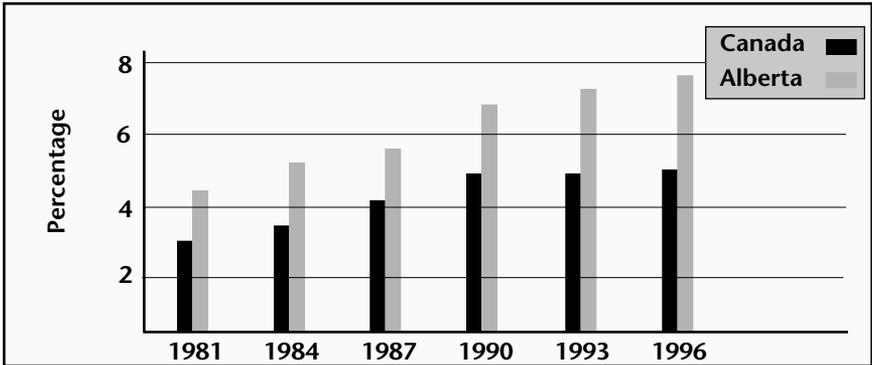


Figure 18: Multiple job holders as a percentage of the workforce (Canada and Alberta, 1981-1996)

this seems like a persuasive argument. The only problem is that it's wrong. While many part-time workers don't want full-time work — especially those who are young and attending school — many others do. In fact, the number of part-time workers who say they would prefer full-time work (but can't find any) has sky-rocketed. These workers are the “under-employed.” Since 1993, the percentage of Alberta part-time workers who want full-time work but have been unable to find any has dropped from 32.4 percent to 25.3 percent. But this is still more than three times the rate of under-employment common in the early 80s.

MULTIPLE JOB HOLDERS

ANOTHER MEASURE OF job insecurity is the number of people holding two or more jobs. Some of these people hold multiple jobs by choice. But most do it out of necessity — they simply can't make ends meet on their income from a single part-time job, so they string several together. The number of people holding mul-

iple jobs has increased across the country. But, once again, Alberta leads the pack. In 1981, 4.3 per cent of Alberta workers held two or more jobs. By 1996 that figure had increased to 7.8 per cent. The increasing number of multiple job holders indicates that the Alberta economy is not generating enough good jobs.

POLARIZED JOB TENURES

AT FIRST GLANCE, statistics tell us that the average duration of a new job in Canada has not changed significantly in the past 15 years. Between 1981 and 1985, for example, the average new job lasted 3.8 years. That's the same amount of time that the average new job lasted between 1991 and 1994. This apparent stability, however, masks some important changes in the distribution of job tenures. Most notably, the overall statistics overlook the fact that the proportion of new jobs lasting less than a year rose from 59 to 64 per cent between 1981 and 1994.

At the same time that more jobs are

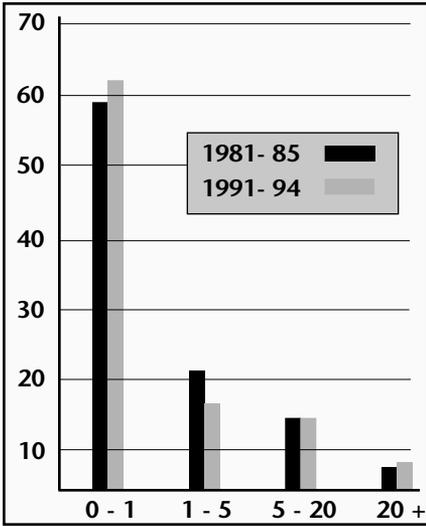


Figure 19: Distribution of job tenure in Canada, 1981-85 vs 1991-94

lasting less than one year, jobs which last longer than one year are more likely to last beyond five years now than in 1981. In other words, the workforce today is becoming increasingly polarized between a growing

group of workers with temporary, short-term jobs and a much smaller group of workers with increasingly secure jobs.

As we have seen, a small group of people at the top of the ladder are enjoying more job security than ever. But more people are having a hard time reaching the one-year milestone — which would improve their chances of joining the ranks of the secure. The problem is particularly pronounced in western Canada, where the proportion of new jobs that end up lasting more than 12 months has dropped from 40.6 per cent in 1981-85 to 36.8 per cent in 1991-94. In Ontario, the proportion of new jobs that end up lasting more than a year has remained much more stable — dropping from 46.9 per cent to 45.0 per cent. The bottom line is that — especially in western Canada — it is more difficult than ever to land a job that will last and provide a measure of security.

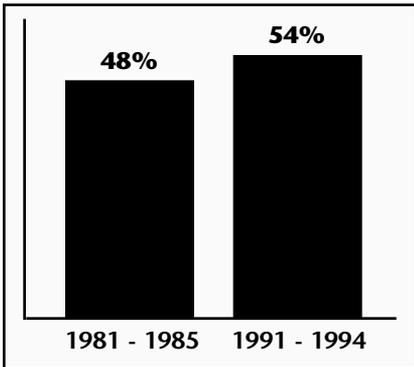


Figure 20: Proportion of year-old jobs which end up lasting longer than five years (Canada, 1981-94)

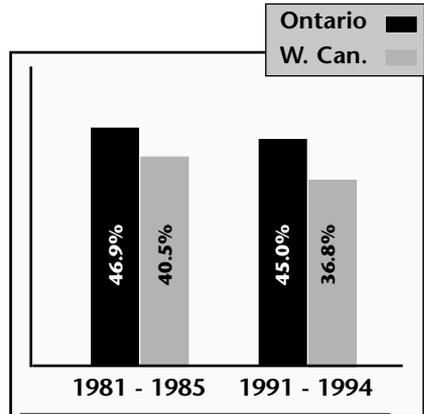


Figure 21: Proportion of new jobs that end up lasting more than twelve months, Ontario and Western Canada, 1981 - 1985 vs 1991 - 1994

EVALUATION:

FOR MANY ALBERTANS, job security has become a thing of the past. More and more people are only able to find part-time or temporary jobs, even though they would prefer full-time employment. More Albertans have also been forced to hold down two or more jobs to make ends meet. At the same time, there is a small group of workers — most of whom are at or near the top of the wage pyramid — who are enjoying more job security than ever. There is still a very sizable group of workers who fall between the extremes of security and

insecurity. But the trend is clear — we are moving towards a more polarized workforce. It's a workforce composed of a small core of well-paid, well-protected workers who work long hours and a much larger group of generally low-paid workers who don't enjoy benefits or long-term job security. This is an alarming trend. If it continues it could weaken the very foundations of Canada's middle-class society and economy. Once again, however, it's a trend that is not being given adequate attention by our leaders.

GRADE: F

SECTION VI: Jobs and the “New Economy”

SINCE THE BEGINNING of the 1990s, Canadians have been hearing more and more about jobs and opportunities in the so-called “new economy.” Whenever people complain about high unemployment and increasing job insecurity, business gurus tell them not to worry: prosperity and security are just around the corner thanks to the “new economy.”

But what exactly is the “new economy”? And what does it offer for everyday, working Albertans?

When people in the business community talk about the “new economy” they’re usually talking about two things. First, they’re talking about high technology. Information systems. Computers. Fiber-optics. These are the things that are revolutionizing the business world.

But the “new economy” is about more than just pentium chips and high-speed modems. The “new economy” is also becoming increasingly defined by new relationships and arrangements in the workplace. Business people talk about increased “flexibility” and new opportunities for “entrepreneurship.” But in many cases, what the “new economy” really offers is self-employment, contract work and lower wages. The technologies behind the “new economy” are also killing jobs — at the same time that they are increasing productivity and profit margins.

In this section we will attempt to cut through some of the hype and take

a closer look at the often-ignored down-side of the “new economy”.

HIGH TECHNOLOGY AND JOBS

SINCE THE LATE 1980s, Canada’s high tech industries have grown rapidly. Both production and exports of high tech goods have sky-rocketed. Between 1988 and 1994, for example, the value of shipments from Canadian producers of telecommunications equipment rose from \$2.4 billion to \$4.4 billion and the value of computing equipment shipments rose from \$2.7 billion to \$5.6 billion. Impressive indeed. But during the same period, employment in telecommunications fell by 1,277 (to 18,350) and the number of jobs in computing equipment increased by only 1,293 (to 13,887). Together, these two high tech sectors accounted for an increase of almost \$5 billion in annual shipments from Canadian electronic and electrical pro-

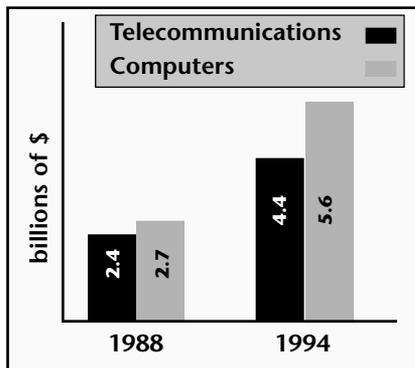


Figure 22: Increase in value of shipments of telecom and computing equipment industries, Canada, 1988-94

ducers. But that increase translated into the net creation of just 16 new jobs. High tech may be the wave for the future — but it doesn't appear to be an answer to the problem of persistently high unemployment.

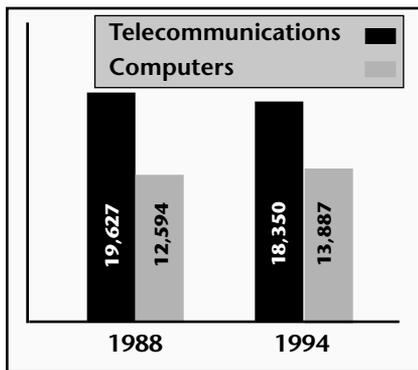


Figure 23: Change in employment of the telecom and computing industries, Canada, 1988-94

CONTRACT EMPLOYMENT AND THE "NEW ECONOMY"

AS WE HAVE SEEN, one of the defining characteristics of the "new economy" is its focus on alternative workplace arrangements. More and more, employers are laying off permanent employees and replacing them with temporary or contract workers. Between 1989 and 1994, the number of Canadians relying on temporary work grew by 21 per cent — from 799,000 to 970,000. In other words, nearly one in ten Canadian workers now hold temporary positions.

The advantages of this kind of arrangement are obvious for employers — contract employees don't usually

have to be paid benefits, they usually earn a lower wage and, most importantly, they can be quickly removed from the payroll when a project is completed or business takes a turn for the worse. Some contract employees like temporary work — primarily for the flexibility that it offers. But the majority would prefer more stable and secure work arrangements.

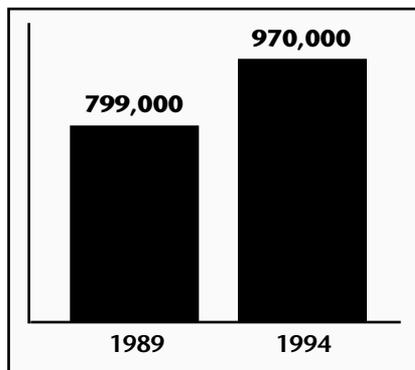


Figure 24: Increase in temporary workers, Canada, 1989-94

BUSINESS PREFERENCE FOR CONTRACT EMPLOYEES

THE USE OF CONTRACT employees is becoming increasingly popular with employers — especially in Alberta. According to a 1996 nationwide survey of businesses conducted by KPMG — one of Canada's largest management consulting firms — 88 per cent of Canadian firms, and 94 per cent of firms in Alberta, reported using contract employees either on a regular basis or occasionally. In Alberta, contract workers tended to make up a larger proportion of the total staff in

the firms surveyed (9 per cent versus 7 per cent nationwide). Interestingly, Alberta firms were much less likely to hire contract employees as permanent staff than firms in the rest of the country — only 14 per cent were asked to stay on a permanent basis in Alberta, versus an average of 32 per cent across the country. Alberta employers were also much less likely to provide their contract employees with benefits like WCB coverage — only 15 per cent of Alberta employers said they provided these minimum benefits, versus 35 per cent in other parts of the country.

CONTRACT JOBS AND WAGES

GENERALLY, WAGES in temporary jobs are lower than those in permanent positions. Men working in temporary or contract positions earn about \$2.85 per hour less on average than men holding permanent jobs. Women with temporary jobs earn on average \$2.00 per hour less than those with permanent jobs. The wage gap varies between occupational categories — with the greatest disparities for men occurring in the professional/management category and the greatest disparity for women occurring in the clerical category.

EVALUATION:

DESPITE THE HYPE, the so-called “new economy” does not offer many solutions to issues like chronic under-employment, declining wages and increasing job insecurity — in fact, it may be part of the problem. There is no doubt that many of the jobs in high

technology are good ones. But there just aren't enough of them to compensate for all the jobs that are being lost in the more traditional manufacturing sector and in the public sector. At the same time, the “new economy” is reshaping relationships in the workplace. More and more employers are shedding permanent employees in favour of contract workers. These workers earn less, receive few if any benefits and have no long-term job security. Taken together, new technologies and “contingent” workforce strategies are allowing employers to boost productivity and profits with fewer permanent employees. The result is the paradox of the 90s — wealthier businesses and more sluggish job creation. Overall, it can be said that the “new economy” is working to the benefit of those at the top of the economic ladder — owners, investors, and the most favored employees. But for most Canadians — and most Albertans — the “new economy” is bringing nothing but bad news.

SECTION VII: Conclusions

IN THIS PAPER we have attempted to shine a light on the under-side of the so-called “Alberta Advantage.” Here is a summary of some of our conclusions:

- The unemployment rate is dropping in the province. Without a doubt this is good news for Albertans. But unemployment is still a problem in certain communities (like Edmonton) and among certain groups of workers (like young workers, women and low-skilled workers).
- Jobs are being created in Alberta — but many of them are not good jobs. New jobs are springing up in sectors of the economy traditionally associated with low pay and few benefits, while jobs are disappearing in sectors of the economy long associated with decent wages and job security.
- The rate of job creation is modest compared to the growth in corporate profits. Alberta companies are making more money now than they have in more than ten years. But the explosion in corporate profits has not translated into an explosion in new jobs.
- Despite impressive gains in corporate income, income for individuals continues to fall. The average weekly income in Alberta has dropped below the national average — and there are no signs of improvement. In fact, the evidence suggests that wages in Alberta are not only continuing to fall — but they are dropping more quickly than in other provinces.
- The Alberta workforce is becoming increasingly polarized between

those who have too much work and those who have too little. Here in Alberta, there is a relatively small group of people working very long hours and another, slightly larger group, that can’t scrape together as many hours of work in a week as they would like.

- For many Albertans, job security is becoming a thing of the past. More and more people are taking part-time or temporary jobs — not because they want to, but because they can’t find anything else. These jobs usually pay less, offer few if any benefits and provide little long-term job security.
- Finally, it appears that the “new economy” is not likely to provide solutions to many of our economic troubles — in fact, it may be part of the problem. High tech seems to be eliminating at least as many jobs as it is creating. And the new focus on “contingent workforce strategies” is leaving many workers — especially in Alberta — with smaller paycheques, fewer benefits and reduced job security.

Based on the information outlined in this report, it seems clear that Albertans have only been told half the story about the health of our provincial economy. Our political and business leaders point to declining unemployment rates and soaring production and profit figures as proof that the “Alberta Advantage” is working. But, as we have seen, there is a dark side to the economic recovery in Alberta. For many, the end of the recession has not brought a return to prosperity. While the business people and professionals at the top of the income ladder enjoy rising wages and profits, many ordinary Albertans are having to content themselves with crumbs from the table.

SECTION VIII:

Policy Recommendations

THE ECONOMY of any province or country is extremely complex. On any given day in Alberta, over a million people go to work at more than 70,000 public and private-sector worksites. At the same time, countless businesses are making deals with countless customers. As a result of this kind of complexity it is difficult to come up with public policy solutions to deal with all of our many economic problems and challenges. But while it may be difficult, it is not impossible.

We at the Alberta Federation of Labour do not pretend to have all the answers. But we do have a few suggestions. All of our proposals are based on the belief that governments — at both the provincial and federal level — have a crucial role to play in creating an economy that works for all Canadians, not just the wealthy. Our proposals are also based on the belief that what's good for ordinary working people is also good for businesses and the economy in general.

Here are our suggestions:

INCENTIVES FOR JOB CREATION:

UNEMPLOYMENT in Alberta is falling. But the number of new jobs being created has not kept pace with the increase in corporate profits. Many businesses — especially those in capital-intensive areas like the oil and gas sector — are investing their profits

in new, labour-saving technologies instead of creating new jobs. We at the Alberta Federation of Labour think government policy makers should start looking for ways to encourage businesses to funnel more of their profits into job creation. In Alberta, the government has a potentially powerful tool at its disposal. That tool is the government's system of subsidies for business. At last count, the Alberta government spent twice the national average on government assistance to private sector enterprises. If the government was really concerned about job creation, they could attach a few strings to those subsidy dollars. More specifically, they could make the subsidies contingent on a company's record of job creation. If a given company is creating good jobs with decent wages, they would qualify for subsidies. But if the company is not creating jobs, or if they were creating only bad jobs, they would not be awarded any subsidies. It makes no sense to continue providing subsidies — paid for at the taxpayers expense — to businesses that are not improving conditions for working Albertans.

REDUCED WORK-TIME:

AS A RESULT OF new labour-saving technologies and employer reluctance to invest in job creation, there are fewer and fewer jobs to go around. One potential solution to this problem is reduced work-time. In Germany, several major corporations, including Volkswagen, have moved to four-day, 32 hour work weeks, with no loss in pay. The results have been impressive — increased productivity and the creation of new jobs.

Canadians should start exploring the idea of shorter workdays and work-weeks. It may be the only way to reverse the polarization between those who have too much work and those who too little.

REDUCED WORK YEARS:

RIGHT NOW, early retirement is not an option for many working Canadians. They simply don't have enough money to leave the work world behind. However, if employers and governments made it easier for people to retire early, more positions could be opened up for young workers.

MEASURES TO DISCOURAGE OVERTIME:

ONE OF THE REASONS employers can get away with hiring fewer people is because they're requiring existing staff to work longer and harder. Many employers have come to the conclusion that it's cheaper to pay overtime to existing employees than to hire new staff. Governments can deal with this problem by introducing tougher laws that discourage the abuse of overtime. For example, instead of requiring employers to pay time-and-a-half for overtime, employment laws could be rewritten to require double or even triple time. This would removed the financial incentive to use overtime as a regular business practice and encourage employers to hire new staff.

DIRECT GOVERNMENT JOB CREATION:

THE PHRASES "civil servant" and "public sector" have almost

become dirty words in the Alberta. Many people have accepted the stereotype of civil servants as lazy and public services as a drain on taxpayers. But, contrary to what politicians like Ralph Klein and Mike Harris would have us believe, there is still an extremely important role for the public sector to play in the economy. Now that our provincial government has recorded three multi-billion dollar surpluses in a row, we can afford to invest in more public sector jobs. We're not talking about "make work" projects — we're talking about investment in jobs that actually benefit the community and make the Alberta economy healthier. We should, for example, be hiring more teachers and health care workers. We should also be putting more public money into maintaining and enhancing Alberta's infrastructure — everything from sewers and roads to schools and fibre-optic networks. Investments like these can only be ignored for so long before the economy starts to suffer.

INCREASE THE MINIMUM WAGE:

WAGES IN CANADA have fallen and along with them consumer spending. We think one of the main goals of government policy-makers should be to reverse this trend. They should look for policies that would help put money in the pockets of working Canadians — money that will, in turn, be spent in local economies. An important first step in Alberta would be a substantial increase in the minimum wage — from \$5 to \$7.60. This would improve conditions for thousands of working Albertans. It would also be good for business

because more Albertans would have more money to spend.

PUBLIC PROCUREMENT POLICIES:

GOVERNMENTS at all levels could encourage local job creation by adopting procurement policies that give preference to local or provincial businesses. Why should tax dollars be spent on goods produced in the U.S. when they could go to local business people who are creating jobs and paying taxes in our own community?

BENEFITS FOR PART-TIME AND TEMPORARY WORKERS:

AS WE HAVE SEEN, more and more Albertans are working in part-time and temporary positions. The majority of these people do not receive benefits — that's one of the big reasons employers often prefer to hire them. Given that so many people are working in tenuous jobs with little protection, policy-makers should consider introducing legislation that would extend benefits to part-time or temporary workers in workplaces where the full-time employees get benefits. This kind of legislation — which was implemented successfully in Saskatchewan — would serve two purposes. First it would provide part-time and temporary workers with a measure of financial security that, in most cases, they are usually denied. It would also remove the incentive employers have to hire part-time instead of full-time employees.

HELPING YOUNG PEOPLE FIND JOBS:

ONE OF THE BIGGEST problems in the Canadian workplace today is youth unemployment. Many young people either can't find work, or can't find meaningful work. We at the AFL believe that government, labour and business should take a more active, cooperative role in building a bridge between work and school for young people. Public education systems have to be enhanced to make sure young workers have the skills they need to function effectively in an increasingly competitive economy. But education by itself is not enough. You can't eat a degree. Business, in cooperation with labour, has to do more to find places for new workers — whether it be in internships, apprenticeships or work experience programs or in real, permanent jobs.

STRONGER LABOUR LAWS:

AS WE HAVE SEEN, despite the end of the recession, wages in Alberta continue to fall and job insecurity remains high. More than ever, working Albertans need someone to stand up for them and fight for their rights in the workplace. In other words, they need unions. Contrary to all those business analysts who have been predicting the demise of the labour movement, unions are more relevant in today's new "global economy" than ever. As global competition puts downward pressure on wages, benefits and working conditions, the importance of unions is becoming increasingly apparent. Unfortunately, Alberta has some of the most backward labour legislation in the

country. If the government is really concerned about improving wages and conditions for working Albertans, they should amend the Labour Code to remove all the roadblock to union organizing.

These are just a few suggestions to deal with some of the troubling work-

place trends described in this report. There are still more questions than answers. But the time has come to at least start the debate. The future of the next generation of working Albertans depends on it.

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