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Gaping holes in our knowledge of the labour market

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In the late 1990s, Canada opened its doors to the world's best and brightest computer scientists, luring them with the promise of steady, well-paying jobs.

Then the bubble burst. Thousands of Web designers and engineers were forced into joblessness or underemployment. The knock-on effect was to dramatically widen the earnings gap between recent immigrants and Canadians – among men, new Canadians in 2005 earned 63 cents for each dollar earned by the Canadian-born, down from 85 cents in 1980.

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That miscalculation illustrates both how difficult it is to predict future labour market needs and why it's so important to get it right. It's not just skilled immigrants whose livelihoods and futures can be hurt by a mistake. It can also hit students who are lured into one area of postsecondary study, like teaching, only to see opportunities dry up by the time they graduate. It can also strike older workers who retrain for other professions but still can't land a job.

The consequences of getting it wrong can be a problem for more than just individuals. It can hurt an entire industry or sector, as well. In the 1990s, Alberta's oil patch underestimated its need for workers. A sudden pickup in demand meant projects had to be delayed because of the worker shortages and, by 2004, employers had to hire back workers at a much higher daily rate.

Currently, tech companies are reporting a shortage of software developers, while several provinces can't find enough nurses. "We don't have a great track record" of predicting labour needs, said Don Drummond, fellow at Queen's University and former chief economist at Toronto-Dominion Bank who has studied solutions to the problem.

Predicting labour trends is notoriously tricky, partly because the economy sways and shifts much more quickly than the education or immigration systems that supply many workers. Sometimes, events can change overnight – one tsunami in Japan, for example, can cause countries around the world to re-think investment in nuclear industries.

It's also hard to know just how demographic changes will play out. Economists and employers have been surprised by how many older people are delaying retirement.

Some broad trends are a fairly safe bet – skilled tradespeople like carpenters and electricians will remain in high demand. So will some types of health-care workers and any work that can't be outsourced. Meanwhile, it's safe to expect there'll be fewer cashiers and retail positions.

Job types will be split between higher-end, better-paid jobs – accountants, engineers and software developers – and lower-paying service positions, with fewer jobs in between, says Andrew Jackson, chief economist at the Canadian Labour Congress.

"The middle skills and middle-income jobs are being eliminated by technology and the international division of labour," he said. "Jobs that can't be shipped out tend to be at the top and bottom."

THE DEMAND DILEMMA

Jobs and the health of the labour market are hot political themes on both sides of the border. In the United States, the jobless rate has crept up to 9.1 per cent after the 2009 recession wiped out more than eight million jobs.

Canada's unemployment rate is 7.4 per cent, much better than that in the U.S., and down from the spike during the downturn. But it's still well above pre-recession levels of about 6 per cent. And when you add in discouraged workers and people who are working part-time but would prefer full-time, the rate is closer to 10.7 per cent, according to Statistics Canada.

All told, 1.37 million Canadians are without work, many of them in Ontario, Quebec and British Columbia.

Still, gaping holes exist in our current knowledge of the labour market. It's hard to tell whether the surge in self-employment is voluntary or forced. The numbers of people whose jobless benefits expire before they find work is also unknown – they get lost in a statistical ether. And national numbers on which students are graduating from which college and university programs aren't known.

Plenty of insights are available on who's unemployed – we know, for example, that older working women have been by far the biggest beneficiary of job gains in the past year, while youth have not.

But Canada doesn't produce much information on what employers are planning – unlike the U.S., there's no current data on job vacancies, for example.

"I can tell you to the finest little detail who's unemployed in Canada. That tells you the supply side of it. But we know virtually nothing about the demand side of it," Mr. Drummond said.

Thus, career occupational projections "are trying to project the future, but they don't even know what's happening at the moment. And things change breathtakingly fast."

In 2008, the federal government and provincial labour ministers asked Mr. Drummond to oversee a special advisory committee to examine how to improve labour-market data. The 226-page report, in 2009, recommended a central website on labour-market trends, tracking university and college graduates and more government information available for free.

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