

Study: Worker Reallocation in Canada Has Changed Little from '70's

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Despite numerous changes in the Canadian labour market over the last three decades, Canadian workers on average were no more likely to separate from their employers through quits, layoffs, or other reasons in the 2000s than they were in the late 1970s.

Between 1979 and 1981, about 24% of workers aged 15 to 64 left their employers as a result of quits, layoffs or separations for other reasons each year.

For the period from 2000 to 2008, this proportion was roughly 22% annually, while between 2009 and 2011, it averaged less than 20%.

Separation rates (the percentage of workers leaving firms through quits, layoffs or other reasons) tended to increase when labour market conditions improved. This was because expanding labour demand raised the propensity of workers to leave firms (as a result of quits or separations for other reasons) to a greater extent than it reduced layoff rates.

Nevertheless, separation rates exhibited no upward trend during the last three decades.

Along with separation rates, hiring rates (the percentage of workers starting jobs with new employers in a given year) increased during expansionary periods. However, they as well showed no upward trend during the last three decades.

About 26% of workers started a job each year during the late 1970s, while the hiring rate was slightly lower, at about 23% to 24%, during the expansionary period of the mid-2000s.

As a result, worker reallocation rates (the sum of workers' hiring rates and separation rates) were no higher during the 2000s than during the late 1970s.

In the aggregate, annual worker reallocation rates during the 2000s amounted to about 45% of paid employment, a proportion similar to that in the United States and the United Kingdom.

In contrast, worker reallocation rates averaged roughly 50% between 1979 and 1981.

During the 2000s, worker reallocation varied substantially across industries and firm sizes. Small firms and lower-wage industries exhibited both relatively high hiring rates and high separation rates.

Worker reallocation also varied markedly across age groups, as younger workers were hired and separated from employers much more frequently than their older counterparts.

The pace of worker reallocation varied to a lesser extent across provinces and education levels.