
(Marginally) Richer Now...

Average Weekly Earnings in BC: 1983-2012

*An update to Urban Futures' "Poorer Now" report
on Average Weekly Earnings in BC*

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U R B A N F U T U R E S
Strategic Research to Manage Change

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I Introduction

In January 1998, the Urban Futures Institute published a report titled *Poorer Now: Average Weekly Earnings and Purchasing Power in British Columbia*, the first in a series of reports that examined the past, present, and future of British Columbia's economy. As its title suggests, *Poorer Now* explored changes in average (before-tax) weekly earnings in BC between 1983 and 1996 and showed that while average weekly earnings in the province increased by 45 percent between 1983 and 1996, once adjusted for inflation they were actually lower in 1996 than they were 13 years earlier.

Considering that the early-1980s was one of the more challenging economic periods in BC's recent history, these findings were particularly intriguing, showing as they did that the average wage-earner in BC would have been able to buy less with their weekly earnings in 1996 than the average wage-earner could during the recession in 1983 (not considering changes in personal income taxes, employment insurance premiums, or Canada Pension Plan contributions).

The recovery from the global economic downturn that began in 2008 has, at best, been uncertain. As such, we thought it fitting to re-examine the paths that average weekly earnings have taken since we published the original *Poorer Now* report. Before presenting the historical and more recent data, a brief explanation of the data used in this analysis is warranted.

The Data

Data on average weekly earnings for the 1991 to 2012 period are published in Statistics Canada's Survey of Employment, Payrolls and Hours (CANSIM table 281-0026). While the data used in the original report were similar—originating from Statistics Canada's Survey of Employment, Earnings and Hours (CANSIM table 281-002), which has since been terminated—the main difference between the two data series lies in an update to the industry classification systems. Specifically, the more recent data series is based on the 2002 North American Industry Classification System (NAICS), while the terminated series was based on the 1980 Standard Industrial Classification - Establishments (SIC-E) system.

Both data series rely on monthly surveys of employers, who are asked to provide information about payroll employment during the last period of each month. The information gathered is only for employees (anyone who receives pay for services and for whom the employer remits employee income taxes, CPP/QPP, and Employment Insurance contributions). As such, "weekly payroll" includes all full-time and part-time employees, working owners, directors, partners, and other officers of incorporated businesses who receive a T4 tax form. Information for owners or partners of unincorporated businesses, the self-employed, persons working outside of Canada, military personnel, employees in the agricultural, fishing and trapping industries, or people working for private households or religious organizations are not included as part of these surveys.

Finally, annual changes in BC's Consumer Price Index (CPI) were used to account for inflation (i.e. increases in the general cost of goods and services), thereby allowing the published earnings data to be converted from their "nominal" values into "real" (inflation-adjusted) ones.

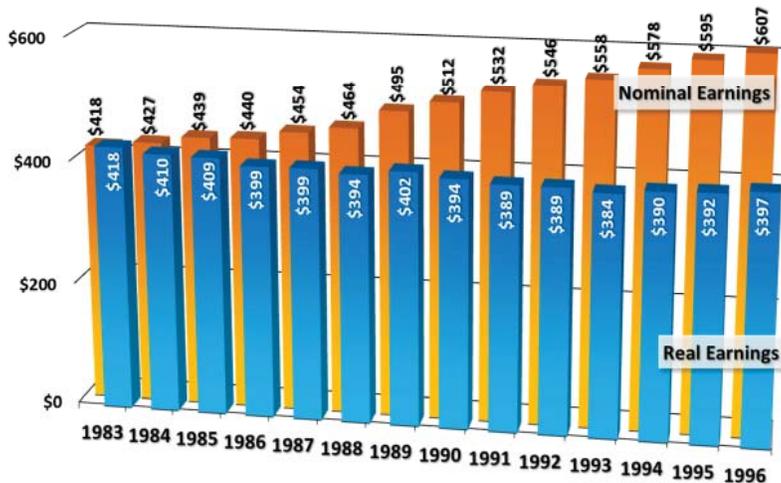
II Average Weekly Earnings, 1983 - 1996

From 1983 to 1996, nominal average weekly earnings in British Columbia grew by 45 percent, from \$419 per week in 1983 to \$608 by 1996 (a \$189 increase per week). The early-1980s period represented a relatively challenging time for BC's economy, with unemployment rates in the 14 to 15 percent range and growth in employment and Gross Domestic Product (GDP) being relatively flat. From this economic low

point, the next 13 years saw employment grow, increasing from 1.03 million in 1983 to 1.30 million by 1996.¹ Thus, the 1983 to 1996 period appeared to be a one of significant growth in economic activity, jobs, and average earnings—at least on the surface.

Figure 1

**Average Weekly Earnings, British Columbia
1983 - 1996**



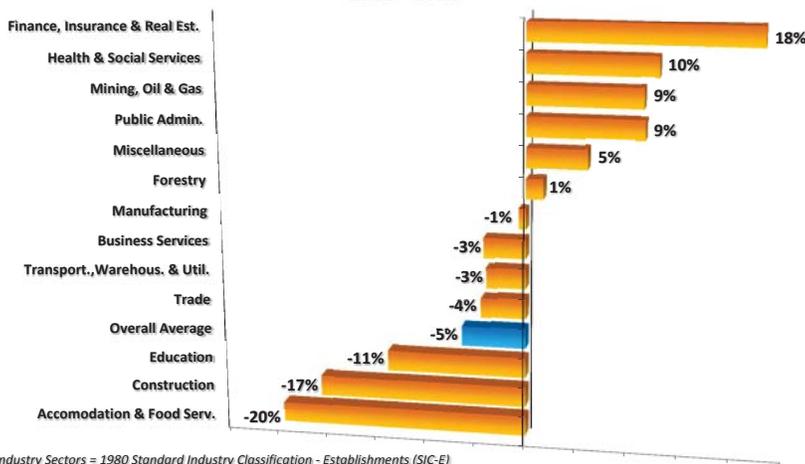
Once adjusted for inflation, average weekly earnings were actually lower in 1996 than they were during the height of the 1980s' recession. With general price increases of 53 percent between 1983 and 1996 (as measured by changes in BC's CPI), real average weekly earnings fell by five percent, from \$419 to \$397 (Figure 1). Furthermore, at no point between 1983 and 1996 were real average weekly earnings as high as they were in 1983. In fact, by 1993 slow growth in earnings coupled with high inflation for over a decade had eroded real average weekly earnings to the point where they were eight percent below 1983's level. By 1996 real earnings had recovered slightly, but they were still five percent below where they were 13 years earlier.

Average Weekly Earnings by Industry

While the Finance, Insurance and Real Estate industry experienced the largest increase in nominal average weekly earnings between 1983 and 1996 (80 percent), real wages in this sector only grew by 18 percent. People working in the Health and Social Services sector enjoyed the second-largest increase in average weekly earnings (68 percent in nominal wages; ten percent in real terms), while those in Mining, Oil and Gas, as well as Public Administration, saw their wages grow by 67 percent in nominal terms, or nine percent in real terms, over this period (Figure 2).

Figure 2

**Change in Real Average Weekly Earnings by Industry,
British Columbia
1983 - 1996**



Industry Sectors = 1980 Standard Industry Classification - Establishments (SIC-E)

Conversely, nominal average weekly earnings in the Education sector grew relatively slowly at 36 percent, thereby translating to an eleven percent decline in real terms over this period. A similar situation was seen in the Construction sector, where nominal wages rose by 28 percent but real wages fell by 17 percent. The industry with the slowest growth in nominal wages—and therefore the largest decline in real wages—was Accommodation and Food Services, with nominal wages rising by only 23 percent and real wages falling by 20 percent.

¹ Note that the employment estimates quoted throughout this report are based on data from the Labour Force Survey and does not include employment in unclassified businesses.

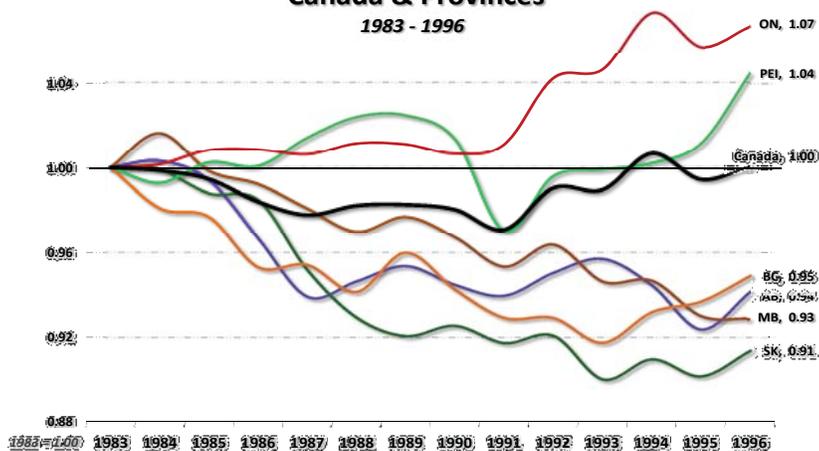
British Columbia versus Other Provinces

While Canada-wide average weekly earnings remained below 1983 levels for most of the following 13 years, wage gains after 1992 that were in excess of the rate of inflation brought Canada's real earnings back to 1983's level by 1996 (Figure 3). With a five percent decline in real average weekly wages between 1983 and 1996, BC under performed relative to Canada as a whole, while slower real wage growth after 1992 saw BC fall well below the national average.

Ontario and PEI were the only two provinces to experience gains in average weekly earnings over this period. Nominal wages in Ontario rose by 66 percent (a seven percent increase in real wages), while PEI saw average weekly earnings grow by 54 percent (a four percent rise in real wages). Gains in wages

Figure 3

**Real Increase in Average Weekly Earnings
Canada & Provinces
1983 - 1996**



in both of these provinces were, for the most part, experienced during the post-1990 period. While these two provinces seemed to buck the national trend, it is important to consider the economic context within which these increases were achieved.

In Ontario, provincial real GDP fell in both 1990 and 1991, and then grew by only one percent through the mid-1990s.² Employment followed a similar pattern, falling by six percent between 1991 and 1992, by another one percent in the following year (1992 to 1993), and by two percent between 1993 and 1994. In PEI, GDP only grew by 0.6 percent in 1990 before contracting by 0.3 percent in the following year (1991 to 1992).

Total employment in PEI also fell between 1991 and 1992 (by four percent), then increased by five percent in 1993 and declined again (by three percent) between 1993 and 1994. Employment then grew by a further 15 percent in 1995 and by one percent in 1996.

Given these patterns of change in earnings, GDP, and employment, it is likely that the short-term gains in average weekly earnings in Ontario and PEI would have in part been the result of slowly-growing economies (or highly variant ones, as was the case in PEI) shedding lower-paying jobs.

Although Alberta's average weekly earnings followed a pattern similar to BC's between 1983 and 1996, faring slightly better than BC through the early-1990s and slightly worse through the mid-1990s, Alberta's real average weekly earnings were six percent below their 1983 levels by 1996—marginally higher than the five percent decline experienced in BC over the same period. In contrast, Manitoba and Saskatchewan experienced greater declines in average real earnings over this period, with real average weekly falling by nine percent and seven percent, respectively, between 1983 and 1996.

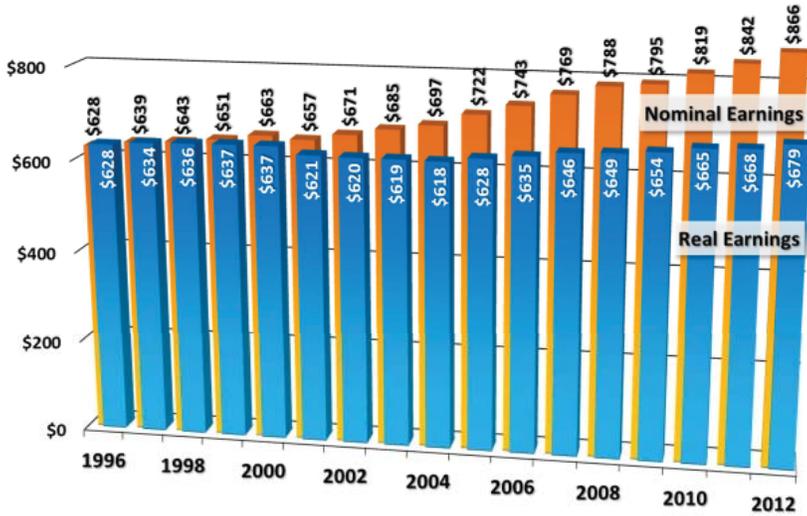
III Average Weekly Earnings, 1996-2012

Since 1996, nominal average weekly earnings in BC have grown by 38 percent, going from \$628 in that year to \$866 in 2012. On average, nominal wages rose by 2.0 percent per year over the past 16, which is below the 2.9 percent average annual gains seen between 1983 and 1996.

² Statistics Canada Catalogue no. 13-018-XWE, Vol. 4, No. 1

Figure 4

**Average Weekly Earnings, British Columbia
1996 - 2012**



Over this more recent period, however, BC's general price level rose much more slowly than it did in the past: province-wide consumer price inflation was 22 percent between 1996 and 2012 compared to 53 percent between 1983 and 1996. As such, real average weekly earnings in BC actually increased by eight percent between 1996 and 2012, going from \$628 to \$679 (Figure 4). Having said this, the gains in BC's real wages over this 16-year period were largely concentrated between 2005 to 2012, with a slight decline in real wages between 1996 and 2004 (from \$628 to \$619).

More recently, gains in real average weekly earnings in BC have occurred at a pace that is faster than anything the province has experienced in many years: between 2004 and 2012 the average annual growth in BC's real

wages was 1.1 percent, thereby increasing the dollar-value of real wages to a level not previously seen in the historical data. (Interestingly, the average annual change in BC's real average weekly earnings from 1984 to 2004 was -0.3 percent.)

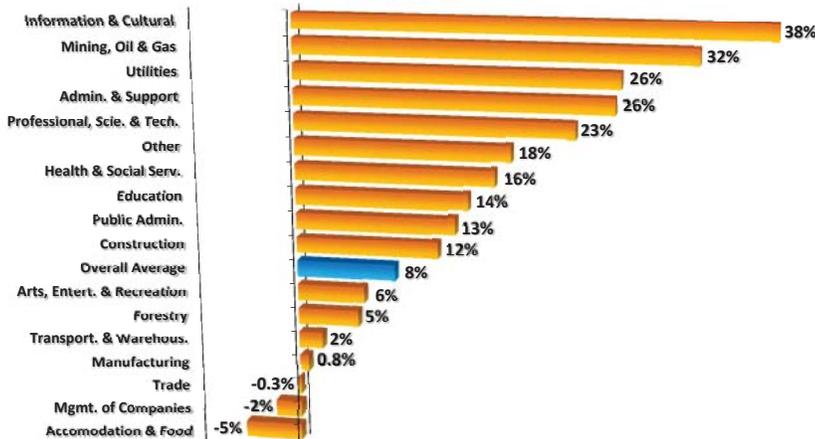
Unlike periods where slow economic growth (or decline) potentially pushed average weekly earnings up over the short-term (as was the case in Ontario and PEI in the mid- to late-1980s and early-1990s), the post-2006 period in BC has been characterized by relatively robust increases in employment, with annual growth rates above three percent between 2004 and 2008. That said, employment fell by 0.9 percent in BC during the recession of 2008/9; in Canada as a whole employment fell by 1.9 percent during the recession as almost one quarter of a million jobs were shed nationally.

Average Weekly Earnings by Industry

Figure 5

**Change in Real Average Weekly Earnings by Industry,
British Columbia**

1996 - 2012



Contrasting the pattern seen between 1983 and 1996—when more than half of the industry sectors in the province registered declines in average weekly earnings—all but three sectors have experienced increases since 1996 (Figure 5). Once adjusted for inflation, average weekly earnings increased the most in Information & Cultural Services, at 38 percent, between 1996 and 2012—almost five times the average increase seen for all sectors. The Mining, Oil & Gas sector was next, at 32 percent, followed by Utilities at 26 percent.

While these gains have been significant, it is important to note that each of these sectors represents a relatively small proportion of total employment in the province (2.0 percent, 1.2 percent, and 0.5 percent, respectively). Contrasting the pattern of growth seen in these

Industry Sectors = 2002 NAICS

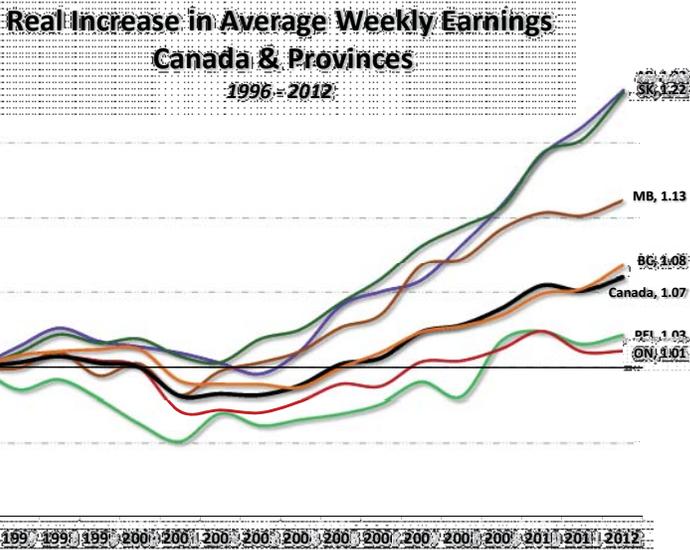
two relatively small sectors, the Trade sector (wholesale and retail), which accounted for almost one-fifth of all jobs in BC in 2012 (18 percent) saw real average weekly wages decline by 0.3 percent between 1996 and 2012. Another relatively large sector that saw declines in real wage rates was the Accommodation & Food Services sector: this industry, which represented ten percent of all jobs in the province in 2012, has seen real average weekly earnings fall by five percent since 1996.

In addition to the declines seen in a few sectors, the past 16 years have also been characterized by relatively slow growth in real wages for sectors that represent a significant share of BC's employment, such as Manufacturing, which accounts for seven percent of total employment in BC. Specifically, while real average weekly wages in Manufacturing increased between 1996 and 2012, they did so by only 0.8 percent, thereby slowing the overall rate of real wage growth for the period.

British Columbia versus Other Provinces

Despite most provinces following a similar pattern of change between 1995 and 2002—one characterized by a decline, or no growth, in real average weekly earnings—provincial trends diverged somewhat during the subsequent decade (Figure 6). Most notably, real wages in Ontario remained below their 1996 levels up until 2007, with the post-2007 period then characterized by relatively slow growth in real wages.

Figure 6



By 2012, real average weekly earnings in Ontario were only one percent above levels seen in 1996. This rate of growth is in stark contrast to the experience of 1983 to 1996, when real wages grew faster in Ontario than in any other province.

While it was Ontario who was able to run ahead of the pack in the 13 years leading up to 1996, Canada's western provinces have outpaced their eastern counterparts since then, with growth in Alberta's and Saskatchewan's real wages being the most remarkable. For example, relative to the six percent decline seen between 1983 and 1996, real average weekly earnings in Alberta increased by 22 percent between 1996 and 2012. Similarly, relative to a nine percent decline in Saskatchewan leading up to 1996, real average weekly earnings have also increased by 22 percent since 1996. Manitoba also warrants comment, with a seven percent decline up to 1996 being contrasted by 13 percent growth since.

As indicated above, gains in BC's real wages have been well below those of other western provinces, as it has been the large employment sectors in Alberta and Saskatchewan that have experienced significant growth in real earnings. For example, the Trade sector in Alberta, which represents 17 percent of all employment (similar to BC's 18 percent) has seen real average weekly earnings grow by five percent since 1996 (relative to the 0.3 percent decline seen in BC). The number of people employed in this sector in Alberta has also grown by 64 percent since 1996. Similarly, the Construction sector, which represents ten percent of Alberta's employment, saw real wages grow by 26 percent, more than double the increase seen in BC. Construction employment in Alberta has also grown significantly since 1996 with more than 80,000 new jobs created up to 2012 (188 percent growth).

IV Conclusion

The past three decades of data on wages show that while the average employee in British Columbia saw their real (inflation-adjusted) average weekly earnings fall between 1983 and 1996, the more recent period (1996 to 2012) resulted in a real wage increase—despite some sluggish years through the late-1990s and early-2000s. More specifically, while BC's real average weekly earnings fell by five percent between 1983 and 1996, they increased by eight percent between 1996 and 2012. While this was actually better than broader Canadian experience (real wages grew by seven percent nation-wide between 1996 and 2012), BC's growth in real wages was substantially behind that of other western provinces.

The provinces of Alberta, Saskatchewan and Manitoba have seen overall real average weekly wages increase significantly during the post-2003 period, a phenomenon that has largely coincided with the most recent energy boom. This in turn translated into strong growth in both real wages and employment levels in sectors that are large employers in these provinces. This situation has not characterized BC to the same extent, as our large employment sectors have seen real average wages grow more slowly than in other provinces (Health Care & Social Assistance, Manufacturing) and even decline in some instances (Trade, Accommodation & Food Services).

While employees in BC are marginally richer now than they were a decade and a half ago, a focus on growing wages in the province's largest employment sectors would help push overall average wage gains towards those being realized in Alberta, Saskatchewan and Manitoba. Similarly, a focus on growing BC's employment in sectors that have seen, and are expected to continue to see, significant wage growth would also serve to help close the gap.