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Where a recession will hurt the most

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If a recession hits Canada, as many think is already the case, will its turbulence affect all of us in the same way? Not if past history is a guide.

The good news is that it's likely that the continuing shift in our economy from traditional blue-collar, working-class jobs to creative and service jobs will dampen the effects of job losses – over all. But those in the working class will feel the pain much more.

Our economy is composed of four classes, defined by the kinds of work people do. The first is the working class, consisting of workers who use physical skills and carry out repetitive tasks (for example, tradespersons, mechanics, crane operators and assembly line workers). Next is the service class, where workers engage in relatively low-autonomy occupations providing services, for example, food-service workers, janitors and clerks. Then there are those in farming, forestry and fishing. Finally, there is the creative class – the growing number of workers who are paid to think. These include scientists and technologists, artists and entertainers, and managers and analysts.

Defining our economy by the work people do is different than the conventional way of defining it by industries. Somebody may be working in the automotive industry but is not necessarily working on the assembly line in a working-class occupation. Actually, about a third of employees in Canada's manufacturing industries are in the creative or service class. Manufacturing firms like General Motors and Research In Motion have many of their employees in creative occupations like design, accounting and research.

Our economy has experienced the dramatic growth of some occupational classes alongside the significant decline of others. Employment in the creative and service classes is growing most quickly in Canada. Over the past 25 years, the creative class has grown from 24 per cent of the work force to 34 per cent; the service class has been steady at 41 per cent. In the meantime, the working-class percentage has fallen from 29 per cent to 22 per cent. Only 3 per cent of workers are in the remaining class of farming, fishing and forestry occupations.

In both Canada and the United States, the share of workers in the working class peaked in the early 1950s and has fallen to about 25 per cent. At the same time, the percentage of employment in our manufacturing industries has also been falling. Yet, manufacturing output continues to grow – manufacturing is truly a productivity miracle.

What we're witnessing is a replay of the employment decline in the farming, forestry and fishing class in the first half of the 20th century. Around 1900, fully 45 per cent of Canadian workers were tilling the soil, cutting trees, or hunting and fishing for our food. Because of massive productivity improvements in the agricultural and resource sectors, we're able to meet greater consumption demands of Canadians and untold numbers around the world with only 3 per cent of our work force today.

With the growth of the service and creative classes, wage inequality takes on a new face. Creative-class occupations in Canada pay considerably more than the other three – on average 39-per-cent more than all occupations. The service class earns 22-per-cent less than average. Working-class occupations pay 13-per-cent less than average annually. Service-class occupations are dominated by women and are much more likely to be part-time jobs, while the working class tends to be a male preserve. People in the creative class are much more likely to be university educated while those in the working class and service class are less likely to be university graduates.

But perhaps the biggest and scariest difference is in the impact of unemployment.

Unemployment rates among the working class have been more than triple the rate of those in the creative class and about double the rate of those in the service class over the past decade. Service-class unemployment has been about double the creative-class rate and has not diverged from it in the past 20 years.

And look at the last recession in Canada. Unemployment rates among the working class rose to nearly 16 per cent in 1991, while the creative class and service class experienced much more modest increases.

As many observers see Canada heading into another recession, will the working class be as vulnerable?

Our work at the Martin Prosperity Institute, in collaboration with public and private partners, will focus on the effects of this shift on our industries and occupations. Our goal is to help policy makers, businesses, regions and people adjust to changes – ensuring that we make an effective transition to having more jobs that possess the right mix of skills, pay as much as possible, and add real innovative value and productivity to our economy.

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