



Labour Market News

January 05, 2013

Jobs Overview — Fourth Quarter 2012

This issue:

- *Unemployment Reaches 8% in Ontario*
- *Average weeks unemployed has declined first time in 5 years*

Special feature:

- *Teachers and Their Salaries: Some evidence from the LFS*

Labour Market News is published quarterly, providing an economist's view of labour market trends and policy issues.

Figure 1 shows that employment rate, the percent of the population between aged 15 and 64, has declined in Southwestern Ontario cities (SWO) over the last half of 2012. The employment rate in SWO has matched the Ontario rate and the Ontario rate is lower than the overall rate in Canada. A lower employment rate means there are fewer jobs for the same population. This is discouraging news in the labour market over the year.

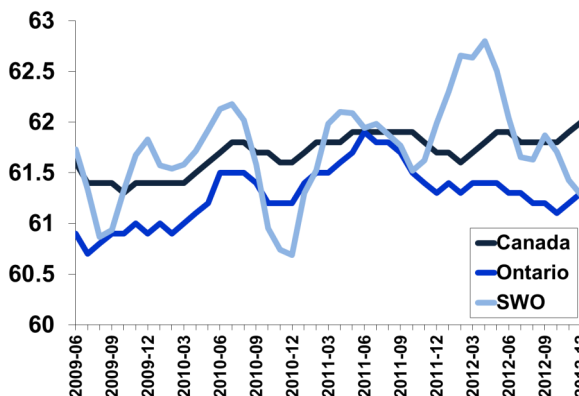


Fig 1. Employment rate trends

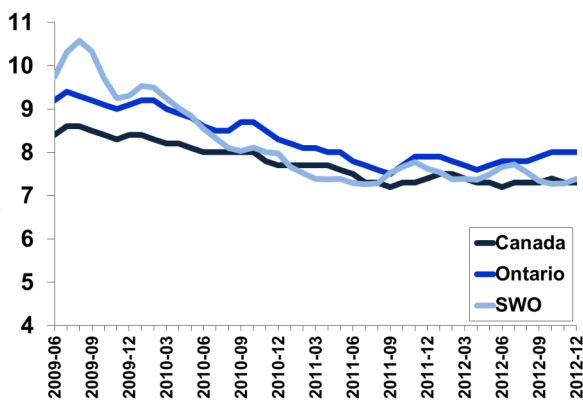


Fig 2. Unemployment rate trends

There is some better news over the last quarter in SWO as well. Figure 2 shows that the unemployment rate in SWO has fallen slightly. The unemployment rate in SWO is now very similar to the overall unemployment rate in Canada which also declined slightly. The unemployment rate in SWO is lower than in the rest of the province. In spite of the fall in the employment rate in Figure 1 the total number of jobs in SWO rose to keep up with the growth in population and the growth in the labour force. The other encouraging news in the SWO labour force was the decline in the average duration of unemployment.

Expected Amount of Time to Stay Unemployed in 2012

In view of the 2012 year end, one of the most noticeable changes on the labour force market during the year was the reduction in the average number of weeks job-seekers stay officially unemployed. The average number of weeks unemployed has declined by almost a week (0.9) during the 2012. This was the first time in past 5 years the indicator took on a negative slope. This change may indicate that it has been easier to find a job in 2012 than it was in 2011.

More than half of job-seekers remain unemployed for 13 weeks or less. This has been true for the past 5 years. When comparing the 2011 and 2012 averages, both 1-4 weeks and the 5-13 weeks categories have gained 1 percentage point each

over the 2012 mostly due to the 2% reduction in the number of people that remain unemployed for 26 week or more. The average portion of people in the 14-25 weeks category and the Unreported category remained unchanged.

Fig 3. Average amount of time unemployed (weeks)

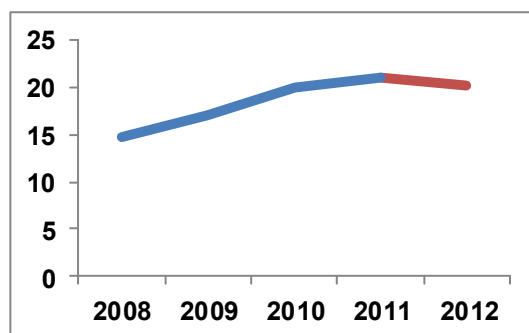
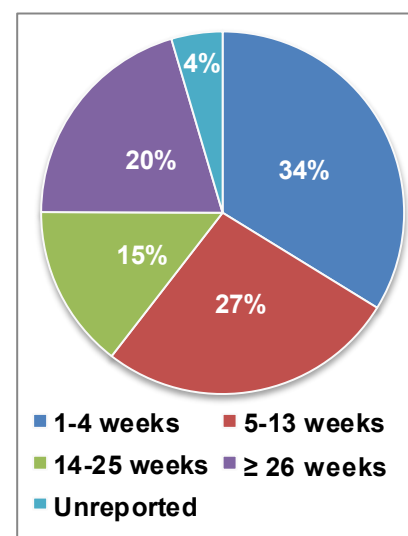


Fig 4. Number of job seekers by duration in 2012



Source: Calculations based on the Labour Force Survey data (January 04, 2013 release).



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Teachers and their Salaries Some evidence from the Labour Force Survey

The labour dispute between the public elementary teachers' union, the Elementary Teacher's Federation of Ontario (EFTO), is front and centre in Ontario. Here is a long quote from *"A message to Parents from Public Elementary Teachers: What can parents do to help?"* The EFTO writes:

"In the past, teachers accepted lower-than-average professional salaries in their first years of teaching because of the security of sick days and salary grid movement had been negotiated for them decades ago."

Later in the same document the EFTO writes:

"The government has announced that it will be seeking concessions from other public sector workers. This is not the solution to Ontario's economic challenges. It shrinks the size of the middle class."

A little closer to home, John Ryrle, former union local president of the Ontario Secondary School Teachers Federation from 1995-2009, wrote in the Waterloo Region Record (December 17, 2012)

"Significantly neither teachers nor nurses nor firefighters nor any public sector employees have received the kind of largesse that produces overarching wealth, one does not get rich in this sense, in any of these jobs."

There are two assertions from these statements that could be tested. Do teachers now accept lower than average professional salaries in their first years of teaching? Would reducing teachers' salaries also shrink the middle class or, to put it another way: Are teachers in the middle class or are they rich?

The structure of a teacher's salary in the Waterloo Region District School Board in 2011-12 is described by the EFTO: The minimum or initial salary is \$49,761. The maximum salary is \$92,833. There are 10 steps from minimum to maximum. Once at the maximum, the teacher stays at the maximum to retirement.¹

The Labour Force Survey (LFS) for October 2011 presents some evidence on earnings. The evidence is presented as an hourly wage and two different measures of hours worked per week. To make the comparison as favourable as possible to the teachers' arguments, I use the largest number of weekly hours and have the workers paid for those hours for 52 weeks. This generates the largest possible measure of annual earnings. I compare teachers only to other workers with a university degree who work full-time at a single job outside the Toronto CMA.² This is one way to implement the EFTO assertion that teachers are initially underpaid relative to other "professional" workers.

Table 1 presents by age group for those with a completed university degree, the average annual earnings of that age group, and then earnings at the 25th percentile, the 50th percentile, the 75th percentile and the 90th percentile. At the 25th percentile, you earn less than 75% of society. At the 90th percentile, only 10% of society earns more than you do. Teachers who start in Waterloo at different ages are then added to the table.

The data in Table 1 raises a lot of doubt that teachers in 2011 accepted a lower than average salary in their first years of teaching relative to other workers with a university degree.

¹ Data are from the EFTO website. <http://www.efto.ca/bargainingandagreement/comparingagreement/pages/default.aspx>. Agreements for all boards in Southern Ontario are essentially identical. Full disclosure seems necessary: salaries for professors at Wilfrid Laurier University (where I teach) follow this structure: There is an entry floor (\$70,728) and full annual increments of \$2805 up to 2.2 times the floor; then half annual increments to 2.5 times the floor; then no further annual increments). Many unionized universities would have a similar salary structure.

² Excluding the Toronto CMA is an attempt to control for potentially higher costs of living in Toronto and allow a more direct comparison to a Waterloo teacher. I get similar results if I include persons living in the Toronto CMA.



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If a teacher were to start at age 23, their salary of \$49,900 exceeds the average salary for a comparable individual by almost \$9,000. If the teacher were to start at age 27, the starting salary is roughly the average salary for that age group. There is little evidence that teachers accept lower than average starting salaries to obtain the extra benefits of sick days and rapid salary grid movement. This assertion by the EFTO appears easily refuted by the data.³

Are teachers' earnings in the middle class? If we compare teachers to all members of society, this is certainly not the case.⁴ What about an age-adjusted comparison of teachers within just the group of persons with university degrees. Are the teachers in the middle of even that select group?

While we might all agree that the middle class is partly a state-of-mind, I define the middle class as the middle 50 percent of individual earnings. With this definition, at age 20-24, 50 percent of individuals with a university degree working full-time at a single job outside the Toronto CMA earn above \$27,300 and below \$60,008. Thus our 23-year old teacher who earns \$49,400 does actually start in the middle class of the university-educated group. However the stay of that teacher in the middle class of even the university-educated within society is very brief!

³ I can also compare teachers within the LFS to a variety of 'professional' occupations at ages 25-29. This comparison reveals that teachers and professors (they are a single category in the LFS) are paid considerably more on average (\$55,199) than all managers (\$52,984) and a category labeled professional occupations in business and finance (\$47,107). They are paid slightly less than the average salary for nurses (\$58,461) aged 25-29.

⁴ If we compare teachers to all full-time workers employed at one job, teachers almost immediately earn at or above the 90th percentile of earnings. They are certainly not middle class compared to all full-time single job workers, that is, workers with and without a university degree.

By the time our teacher is aged 25-29, after 5 years of teaching, the teacher has decisively exited the middle class within the university-educated group. The salary of \$66,893 after 5 years of teaching falls well above the 75th percentile of salaries although it remains below the 90th percentile. But after 10 years of teaching, at age 33, our teacher is quite close to the 90th percentile of salaries within the university-educated group. The teacher's salary is \$88,759 and the 90th percentile is \$91,000. The last step in the salary grid would push the salary over the 90th percentile salary for a person aged 30-34.

Do the teachers get rich; receive "overarching wealth" in John Ryrie's words? It would depend on what you count as rich. The data show that the teacher earns well past the 75th percentile of individual earnings for the university educated comparison group. If we compared teachers to all full-time earners in society, those with and without a university degree, teachers would be at roughly the 90th percentile of earnings for most of the years of their working lives. You can argue about whether beyond the 75th or at the 90th percentile, depending on the comparison group, is or is not "overarching wealth" or "rich." Neither percentile, in my opinion, places teachers in the middle class.

The EFTO sees an association between preserving the rights of teachers to free collectively bargaining and the preservation of the middle class in Ontario. Their logic is not made clear. What is clear is that if the salaries of teachers were to fall to middle class levels, the number of people in the middle class in Ontario would increase, not decrease.

Finally I would note that all these comparisons of the salaries of teachers to other wage-earners ignore the very large benefit and vacation packages that are part of the compensation of teachers. Even using just salary data, it is clear teachers are very well compensated throughout their entire careers relative to similar persons in Ontario. The benefits and vacation are the whipped cream, toppings and chocolate sauce on the Haagen-Dazs ice cream.



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Table 1. The Distribution of Annual Salaries in October 2011, dollars
Individuals with a university degree working full-time at one job outside the Greater Toronto CMA who are not teachers or university professors

Age Group	Average Salary	Salary at Percentile				Teacher Salary 2011 Waterloo RDSB (starting age)		
		25	50	75	90	23	27	32
20-24	40,397	27,300	37,440	54,080	60,008	49,400		
25-29	49,166	34,963	45,500	63,003	75,010	66,893	49,400	
30-34	60,560	42,993	56,004	80,008	91,000	88,759	66,893	49,400
35-39	65,719	45,008	62,483	89,992	100,006	93,133	88,759	66,893
40-44	63,907	42,640	61,880	86,001	100,006	93,133	93,133	88,759
45-49	69,545	42,952	65,000	90,001	109,005	93,133	93,133	93,133
50-54	70,530	44,850	70,200	91,006	107,991	93,133	93,133	93,133
55-59	65,475	41,995	65,715	80,007	99,996	93,133	93,133	93,133
60-64	54,813	39,000	52,990	68,250	95,004	93,133	93,133	93,133

Source: Author's calculations from the October 2011, Labour Force Survey; Teacher Salary Grid Reported by EFTO.