



Customer Contact Centre (Telelink, The Call Centre Inc.)

# Special Feature Service Sector

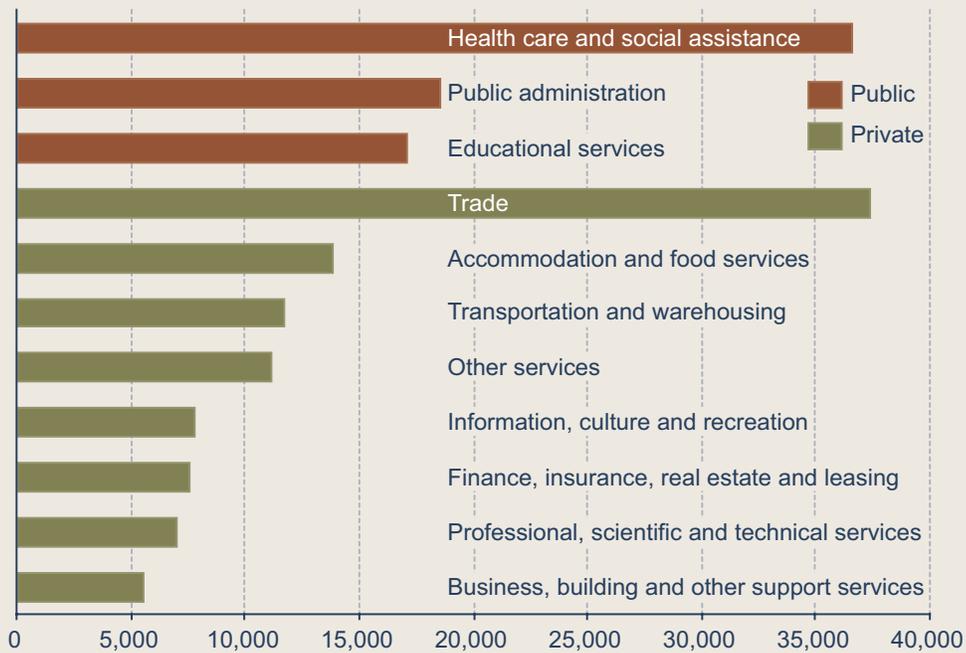
Discussions of Newfoundland and Labrador's economic performance tend to focus primarily on the goods sector. This is because the output of the goods sector is tangible and more easily measured. Despite the lack of performance data for many service industries, the service sector comprises a large share of the provincial economy and is very important to total economic output and employment.

## **Evolution of the Service Sector**

When market economies begin to develop, they tend to be dominated by primary industries such as forestry, fishing and mining. Over time, the manufacturing sector develops. As an economy matures, the service producing sector grows and eventually dominates. The United States evolved into a “service economy” in the late 1950s when more than half of the employed population was no longer involved in the production of tangible goods. In 1961, Canada's service producing sector accounted for 54% of total employment and 55% of Gross Domestic Product (GDP)—today the comparable service shares are 78% of employment and 68% of GDP.

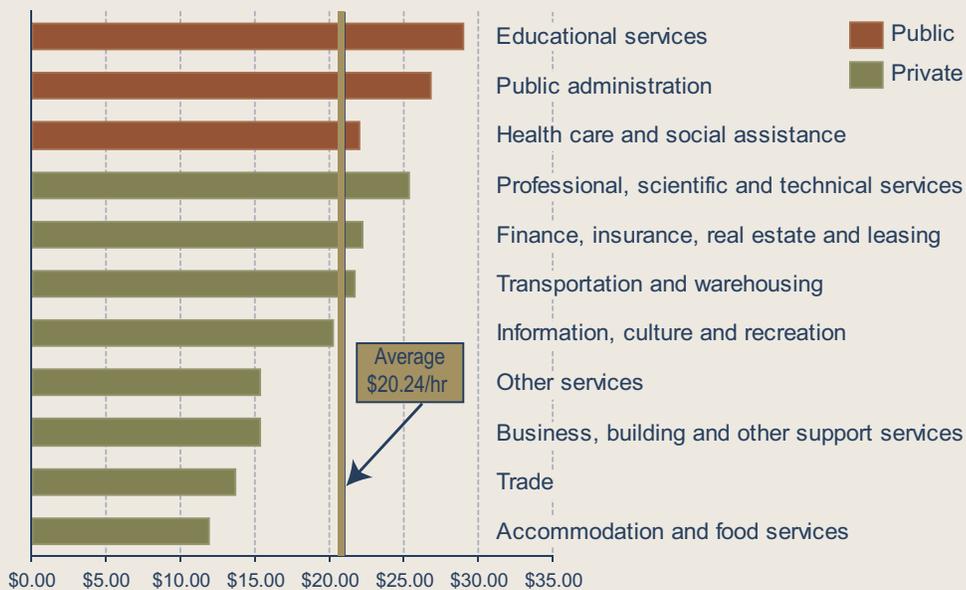
Newfoundland and Labrador's economic development has followed a similar trend. In 1976, the service sector accounted for 68% of provincial employment and 60% of provincial GDP—by 1997 the comparable shares were 77% of employment and 74% of GDP. However, over the past decade, the sector's share of GDP has declined due primarily to rapid growth in the oil and gas and mining industries. Currently the service sector accounts for approximately 80% of provincial employment but only 52% of the province's GDP. In line with its employment contribution, services account for

## Employment by Industry, 2010



Source: Statistics Canada; Department of Finance

## Average Hourly Wage\*, 2010



\* does not include self-employment  
Source: Labour Force Survey, Statistics Canada



approximately 77% of total labour income in the province. While the service sector's share of provincial GDP has decreased, the level of its GDP has been increasing. In absolute terms, the service sector provided \$12.1 billion of GDP in 2009, and \$6.8 billion of labour income and about 175,000 person years of employment in 2010. This compares to \$8.7 billion of GDP, \$4.5 billion of labour income, and about 165,000 person years of employment in 2002.

The public sector accounts for approximately 40% of overall services. The chart on page 75 outlines services employment by industry for 2010, grouped by public and private industries. For purposes of analysis, the health care and social assistance, educational services and public administration industries together are used as a proxy for the public sector. It should be noted that some of the activity within these industries is private (e.g. private schools, daycares), however, this is a relatively small portion. Conversely, there may be public sector activity in some other industries but again it is assumed to be only a small portion.

Within the private sector, the trade industry employs the greatest number of people, followed by the accommodation and food service industry. While these industries employ a large number of people, they generally offer a relatively low wage. About 57% of employees in trade and over 67% of employees in accommodation and food earn less than \$12 per hour.

The following pages contain statistics on the service sector industries and a brief discussion of some of the factors that impact activity and growth in those industries.

## Public Sector

Growth in public sector industries is dependent on a number of factors, including changes in the demographic and geographic distribution of people in the province. For example, a decline in the number of school age children would likely result in less demand for educational services. On the other hand, an increase in the number of seniors would likely result in an increase in demand for seniors' housing and health services. Other factors that impact activity in the public sector are the fiscal capacity of the province and priorities of current governments. After several years of downsizing in the public sector, employment has increased in each of the past five years, particularly in health care and social assistance.

	Level	Percent Change (previous year)
<b>Health Care and Social Assistance</b>		
GDP (Millions) – 2009	\$1,771	7.5%
Employment – 2010	36,600	6.7%
Average Hourly Wage Rate – 2010	\$22.07	7.5%
<b>Educational Services</b>		
GDP (Millions) – 2009	\$1,239	7.5%
Employment – 2010	17,100	1.8%
Average Hourly Wage Rate – 2010	\$29.07	13.3%
<b>Public Administration</b> (Federal, Provincial and Municipal)		
GDP (Millions) – 2009	\$1,655	7.9%
Employment – 2010	18,600	10.1%
Average Hourly Wage Rate – 2010	\$26.83	5.1%

## Trade

The trade industry is made up of both wholesale and retail trade, however, more people are employed in the retail sector. Retail employment accounted for 85.2% of total trade employment in 2010. The wholesale industry is dependent on the performance of the retail industry. If the retail sector is performing well, it is likely that the wholesale sector is also doing well. The trade industry is impacted by overall employment and income growth in the general economy and is a good indicator of domestic economic performance. The trade industry was buoyed last year by solid economic performance and high levels of consumer confidence. Retail sales increased by 3.7% in 2010 compared to 2009.

	Level	Percent Change (previous year)
GDP (Millions) – 2009	\$1,844	1.2%
Employment – 2010	37,400	10.3%
Average Hourly Wage Rate – 2010	\$13.78	-1.5%



## Transportation and Warehousing

The transportation and warehousing industry encompasses trucking, air transportation, marine freight and passenger carriers, taxis, couriers, warehousing services as well as services incidental to transportation such as air traffic control. This industry is key to the smooth operation of the economy. Portions of the transportation industry are dependent on the performance of the trade industry. If more goods are being bought and sold, more shipping, trucking and warehousing is required. Trucking is also dependent on the performance of some goods producing industries, such as fish processing. The shipping and storage aspects of the transportation industry have benefitted from the emergence of the oil industry and the associated high levels of machinery and equipment capital investment, which must often be imported. In addition, oil shuttle tankers, supply vessels and the province's oil transshipment facility all fall within this industrial category. Some portions of the industry, such as air transportation, ferries, taxis and sightseeing tours are dependent on tourism activity. The transportation industry has benefitted from significant infrastructure investment over the past number of years.

	<b>Level</b>	<b>Percent Change</b> (previous year)
GDP (Millions) – 2009	\$698	0.2%
Employment – 2010	11,800	2.6%
Average Hourly Wage Rate – 2010	\$21.73	2.9%

## Finance, Insurance, Real Estate and Leasing

The finance, insurance, real estate and leasing industry includes establishments, such as banks, credit unions, insurance companies, real estate companies, car rental and other rental companies. This industry provides the financial and brokerage services that keep the economy moving. The strength of the housing market in the last couple of years has positively impacted this industry as individuals buying and selling homes availed of real estate and banking services. As well, this industry has been positively affected by general business growth, with the associated requirement of banking services, and the strong growth in consumer spending.

	<b>Level</b>	<b>Percent Change</b> (previous year)
GDP (Millions) – 2009	\$2,638	5.0%
Employment – 2010	7,600	2.7%
Average Hourly Wage Rate – 2010	\$22.33	12.3%

## Professional, Scientific and Technical Services

The professional, scientific and technical services industry is comprised of a number of services where knowledge and skill are the major inputs. Individuals working in this industry include lawyers, architects, engineers, interior designers, advertisers, photographers and veterinarians. Generally, activity in this industry is tied to overall economic activity in the province. Some elements of this industry, particularly engineering and related services, are highly impacted by major project activity such as development in the oil and mining industries. The professional, scientific and technical services industry has recorded significant growth over the past several years. Despite a decline in 2010, employment in this industry is near historically high levels and is about 35% higher than it was just 10 years ago.

	<b>Level</b>	<b>Percent Change</b> (previous year)
GDP (Millions) – 2009	\$606	-1.3%
Employment – 2010	7,100	-6.6%
Average Hourly Wage Rate – 2010	\$25.46	8.2%

## Business, Building and Other Support Services

The business, building and other support services industry covers services such as call centres, travel agencies, temporary help agencies, janitorial companies, waste collection companies and security services. Between the late-1990s and 2007 this industry recorded substantial growth primarily due to the establishment and growth of call centres in the province. However, in recent years call centre employment has decreased causing overall employment in this industry group to fall.

	Level	Percent Change (previous year)
GDP (Millions) – 2009	\$258	-5.4%
Employment – 2010	5,600	-22.2%
Average Hourly Wage Rate – 2010	\$15.39	3.8%

## Information, Culture and Recreation

The information, culture and recreation industry is comprised of services including radio and television broadcasters, cable and satellite telecommunications providers, newspaper publishers, general publishing companies, dance companies, sports stadiums and museums. Tourism activity also impacts some aspects of this industry, particularly the culture and recreation components.

	Level	Percent Change (previous year)
GDP (Millions) – 2009	\$624	0.5%
Employment – 2010	7,800	-10.3%
Average Hourly Wage Rate – 2010	\$20.33	10.3%

## Accommodation and Food Services

The accommodation and food services industry is comprised of hotels, motels, campgrounds, restaurants and bars. A large portion of activity in this sector is tied to tourism activity. In fact, it is estimated that almost 80% of the employment in the accommodations industry is driven by tourism demand. As well, general growth in employment and incomes in the province impact activity in this industry.

	Level	Percent Change (previous year)
GDP (Millions) – 2009	\$386	1.5%
Employment – 2010	13,900	7.8%
Average Hourly Wage Rate – 2010	\$11.98	9.4%

## Other Services

The “other” services industry category is comprised of establishments not classified to any other service grouping. It includes industries primarily engaged in: repairing or performing general or routine maintenance on motor vehicles, machinery, equipment and other products; providing personal care services, funeral services, laundry services and other services to individuals; organizing and promoting religious activities; and supporting various causes through grant-making, advocating (promoting) various social and political causes, and promoting and defending the interests of their members.

	<b>Level</b>	<b>Percent Change</b> (previous year)
GDP (Millions) – 2009	\$424	-4.2%
Employment – 2010	11,200	10.9%
Average Hourly Wage Rate – 2010	\$15.42	-5.9%

## Summary and Outlook

2011 will likely be another good year for many industries within the service sector as performance in this sector is intrinsically tied to employment and income growth in the overall economy. In 2011, incomes are expected to increase because of wage gains in the public sector and general wage growth, and employment is also expected to increase primarily due to major project development.

Similarly, in the medium term, expansion of the service sector is expected to continue in conjunction with overall growth in the economy. Gains in disposable income and employment over the next several years should result in increased demand for consumer related services such as wholesale and retail trade, food service and transportation. High levels of capital investment, driven primarily by major project developments related to mining, oil and gas, and hydro are also expected to have significant positive impacts on demand for services.