

Explaining the Canadian Job Stability Patterns

Pierre Brochu
PhD Candidate in Economics
University of British Columbia*

November, 2005

Abstract

This paper documents striking new job stability patterns in Canada and explores their causes. Using a rich source of tenure data, I find that what was previously seen as cyclical change is actually a secular increase in job stability. I use standard retention rate techniques, but show that existing approaches for estimating standard errors are biased, and I provide a consistent alternative. Within a match quality framework, I show that the much stricter eligibility requirements introduced in the early 1990s for the Employment Insurance (EI) program led to the dramatic increase in stability of newer jobs. There is now a greater probability that a future job separation will end with the worker not having met the EI eligibility requirements. As a result, the job seeker will now require greater match quality assurances before agreeing to an employment relationship; this will lead to fewer low quality matches being formed. Although not significant for newer jobs, I also find that increased labour force attachment of women and ageing of the workforce play a role in the aggregate job stability patterns that emerge.

*The statistical analysis presented in this paper was produced from Statistics Canada microdata. The interpretation and opinions expressed are my own and do not represent those of Statistics Canada. I thank Nicole Fortin, Patrick Francois, David Green, Thomas Lemieux, Kevin Milligan, and Craig Riddell for their comments.