LMI 101: Key concepts

Key concepts is one of three LMI 101 guides available for download from the HR Council at hrcouncil.ca.
Also available:
• Putting LMI to work in HR management
• Putting LMI to work in strategic planning

What is LMI?

Simply put, labour market information is any information that assists in making a labour market decision (Advisory Panel on Labour Market Information, 2009). As such, it has a key role to play in helping the labour market to function as smoothly as possible. LMI includes a variety of data types, including general information on current trends in the labour force, national statistics, historical data on economic conditions, and projections of future employment needs and trends for Canada as a whole and for specific regions and local areas. The data are targeted at a variety of audiences, including governments, regional economic development organizations, employers and managers, and current and future workers.

LMI can help to clarify the meaning and significance of labour market conditions and trends, both for workers and employers. For example, workers may use LMI to find career outlooks for their region or consult average wages by occupation to determine what they can expect to earn. Employers may use LMI to help in determining where and when to recruit new workers and how to plan for future workforce needs. For analysts both within and outside of government, LMI data are useful as a way to 'check the pulse' of the economy and measure Canada's economic performance.

Some examples of LMI:

- National and regional data on employment, unemployment, hours worked and industrial production;
- Forecasts of economic activity, including the supply and demand for certain groups of workers and commodities;
- Economic impact studies of industries, policies and programs;
- Formal and informal wage and benefit surveys and data on average wages by occupation;
- Job descriptions and statements of work;
- Job postings and employment advertising;
- Educational and skill requirements and comparisons between jobs.

LMI may seem technical and complex, but many individuals and organizations already use it without realizing that they are doing so. For example, the manager or director who makes informal inquiries about pay rates in other organizations is collecting LMI. Similarly, the worker who searches job listings to look for similar work with greater compensation is using LMI. While these examples may seem informal

or anecdotal, they also highlight the everyday ways that many people and organizations already integrate LMI into their lives and operations.

Key Labour Statistics

What they are: These calculations and figures, including the working age population, labour force, participation rate, and unemployment rate, underpin Canada's major labour statistics.

- **Working-age population –** all those aged 15 to 64 years, whether or not they are part of the labour force. These individuals are all considered to be part of the potential labour force.

- **Labour force –** all those aged 15 or older who are currently employed or actively looking for work. This number does not include those who are unemployed but not looking for work, those who are unable to work, or those who are retired.

- **Participation rate –** the labour force divided by the working-age population, expressed as a percentage. Variations include the participation rate by sex or for various age groups (e.g., youth, those aged 25-44; older adults, etc.).

- **Unemployment rate –** the number of unemployed workers divided by the number of workers in the labour force. The result is converted into a percentage that is used as a barometer of economic and workforce conditions. This calculation, performed and published on a monthly basis, is the most widely-known and often-cited labour statistic.

Why are these statistics important? They are considered the key measures of Canada's overall economic performance. These statistics are often referenced in media reports, official government documents, and by employment boards and funding organizations.

How to use them: Consulting macro-level economic statistics (i.e. statistics that pertain to an entire industry, province, or the nation) helps individuals and organizations understand the current economic climate. While macro-level statistics may have little bearing on the day-to-day workings of an organization, they are important for contextualizing local data and in identifying economic trends that impact employers and employees.
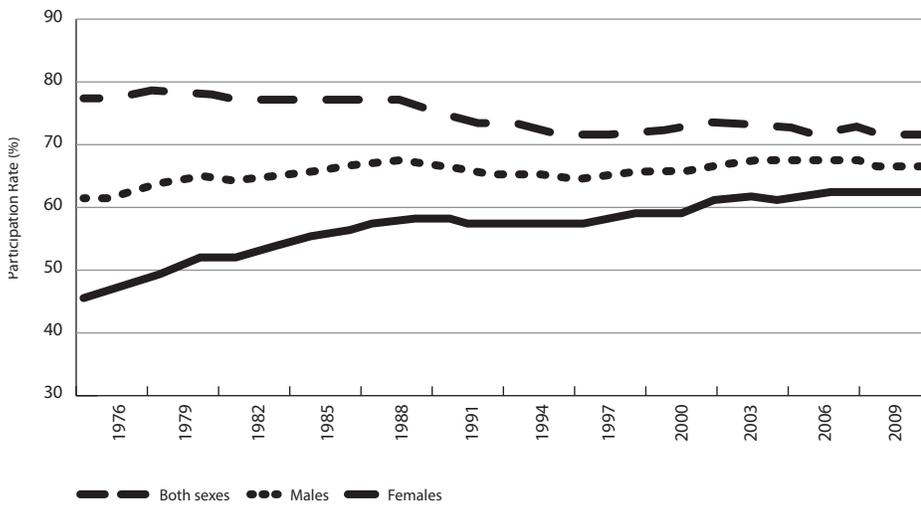
Interpreting Labour Market Statistics

While Statistics Canada's key labour statistics offer a timely picture of what is happening in the economy at a national level, the numbers are not always as straight-forward as one might think. The data that are released on a monthly basis are designed to provide a snapshot of what is happening in the national economy. Therefore, they do not necessarily reflect the economic conditions in individual provinces, regions or communities. Due to the large populations of Ontario, Quebec and British Columbia, employment trends in these provinces tend to skew employment statistics, masking trends and conditions occurring in the smaller provinces, or even in regions within the larger provinces. To get a better determination of local conditions, extra research into employment trends in individual provinces or census metropolitan areas (CMAs) may be required.

Statistics can also be misleading if one simply looks at the headline numbers instead of digging deeper to find their context. For example, a declining unemployment rate is often a sign of increased job growth and prosperity. However, it is not uncommon to see the unemployment rate decline when the economy is at its worst. An increase in discouraged workers (i.e., those who remain unemployed but stop looking for work and thus leave the labour force) can have the same effect on the unemployment rate as a surge in job growth. Similarly, unemployment may increase when the economy is at its strongest as more individuals who were not previously part of the labour force start looking for work. Thus, the trends behind the numbers can be best understood if one examines a variety of statistics, including changes in the participation rate in addition to the unemployment rate, to gain a full picture of economic activity.

While these types of analyses and insights are helpful in understanding the labour market as a whole, they generally do not meet the day-to-day LMI needs of individuals and organizations. If one simply wants to find a worker to fill a position or determine the appropriate rate of pay, other less-well-known LMI sources, generally prove more useful.

Figure 1: Participation Rate by Sex, 1976-2011

Source: *Statistics Canada, Labour Force Survey (CANSIM Table 282-0002)*

National Occupational Classification (NOC)

What is it: The system covering workers is known as the National Occupational Classification, or NOC. The system uses 4-digit codes to classify workers based on the type of occupation and the education and skills generally required to hold the position.

For example, NOC code 4212 is used to denote community and social service workers. The code works as shown in Figure 2, with numbers denoting the type of occupation, education required, and a code for the specific occupation.

LMI in Action

The statistics that underpin LMI can be very helpful in conducting staffing actions, setting policy, or long-term planning. As an example, the participation rate by sex is shown in Figure 1.

These data tell us that the workforce has changed dramatically in the last 35 years. While just 46% of women compared to 78% of men were employed in 1976, this gap narrowed to 10% by 2011, with 62% of women and 72% of men employed. The data are useful for strategic planning as they offer insight into possible future labour trends. For example, the trends tell us that the future workforce will likely include nearly equal numbers of men and women, a key fact to consider for an organization's recruitment strategies and long-term planning.

Important Acronyms

Two primary classification systems are used to organize labour market information and statistics. Knowing the meanings of these systems is helpful in finding relevant information quickly.

Figure 2: NOC 4212 – Community and Social Service Workers

4 – Occupations in education, law and social, community and government services

2 – College or apprenticeship training required

12 – Position code for Community and Social Service workers

Why is it important? This classification system is used to organize information from the Labour Force Survey and other worker surveys, as well as census data. It is also the framework used to organize data on the government's LMI portal.

How it is used: The NOC is an excellent tool for finding information on the education and skills necessary for certain jobs. The data can help employers write job descriptions and properly classify positions for the purposes of collective bargaining. As NOC codes are used in LMI statistics and portals, the NOC can also help to identify average wage and salary rates by region for staffing actions, collective bargaining and salary reviews.

North American Industry Classification System (NAICS)

What is it: Business surveys and industrial statistics are organized using the North American Industry Classification System, or NAICS. This system is used to organize business and industry statistics in a harmonized manner in Canada, the United States and Mexico. The NAICS focuses on an industry's outputs, so each industrial category includes workers from various occupations in the NOC. It is important to note that this framework does not separate nonprofit organizations from private and public organizations, making analyses of nonprofit organizations more challenging than for other industries and economic sectors. The NAICS uses 6-digit codes to identify individual industries. These codes can be aggregated upward into 4-, 3- and 2-digit codes to provide information on broader parent industry categories. The aggregation in Figure 3 is for NAICS 624210 – Community Food Services.

Figure 3: NAICS 624210 – Community Food Services

62 – Health Care and Social Assistance

624 – Social Assistance

6242 – Community Food and Housing, and Emergency and other Relief Services

624210 – Community Food Services

Why is it important? This system is used to organize data in all of Statistics Canada's business surveys, as well as in the System of National Accounts. The NAICS can also be used to find data on industries containing many nonprofits, such as grant-making and giving services (NAICS 8132), social advocacy organizations (NAICS 8133), and religious organizations (NAICS 8131).

How it is used: Data from business surveys and the NAICS help users to identify long-term trends in industry employment, as well as the number of workers employed in a given sector. This can help organizations with strategic planning and proposal writing, and may also be used to determine how much competition there is likely to be among sectors and industries that employ similar kinds of workers.

LMI Resources

Workingincanada.gc.ca

What is it: Workingincanada.gc.ca is the government's online LMI portal. It is designed to share worker-based data (using the NOC organizational system) with a broad audience, including those who are new to LMI.

Why is it important? The web portal contains a significant amount of national and local data, by occupation, in a searchable and easy-to-understand-and-use format. The information is available free of charge to all searchers.

How it is used: The site can be searched by job description and region. Once these fields are selected, one can access job descriptions, education and skill requirements, regional average wage data, employment forecasts, job postings, and other data that are useful to both employers and prospective workers. These data may be helpful to organizations that are attempting to fill a position, negotiate pay and benefits, or updating their job descriptions to match workers' skills and education.

CANSIM

What is it: CANSIM is Statistics Canada's online data portal. It provides access to a range of labour statistics free of charge. The data, organized into tables based on business and labour surveys, are not accompanied by analysis. The site is recommended for experienced LMI users who are looking for specific data.

Why is it important? CANSIM can be used to find a range of labour statistics that are helpful for planning, proposal writing, and gauging economic conditions in a given industry. The data are also very useful for those who wish to conduct labour market research.

How it is used: CANSIM can be searched by term, survey, or table number. Once the user finds relevant data, s/he can open individual tables and customize

them at various levels of aggregation to show specific industries, time periods, or regions depending on the data available within each table. The tables can also be exported in their full form for users who wish to work with the data in Microsoft Excel.

Further Information on LMI

To learn more about LMI, or to access topic-specific reports, analyses and data products, the HR Council for the Nonprofit Sector's website provides a range of LMI as well as links to other LMI sources.

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