

given the structural shift toward services and the rise in demand for educated workers in Canada, there was no parallel increase in the earnings premium in Canada, at least since the late 1980s. The earnings premium between those with graduate training and those who did not advance beyond high school fluctuated over the course of the business cycle, but remained relatively stable in the range between 2.2 percent and 2.4 percent from the late 1980s through most of the 1990s (see Table 32). Scholars are debating the causes of a widening educational earning gap in the United States and other industrialized countries, and the reasons for a relatively stable earning premium to higher education in Canada. Murphy, Riddell and Romer believe that policies that facilitated substantial growth in post-secondary education during the past two decades in Canada may have had a major effect on wage inequality.<sup>25</sup> They conclude that, absent this expansion of educational attainment, Canada would have experienced an increase in income inequality between the more- and less-educated similar to that observed in the United States.

The evidence presented above shows that, overall, services are more knowledge-intensive than other sectors and, therefore, employ proportionately many more well-educated workers than other industries. However, the quality of jobs in services is especially diverse in terms of earnings, encompassing many of the highest-paid jobs in the economy and some of the lowest-paid. Thus, the employment shift toward services does not necessarily represent a shift from "good" to "bad" jobs, nor does it signal deterioration in overall job quality in Canada.

### Conclusions

Canada has experienced significant shifts in the structure of Canada's services trade. Services that are associated with ongoing social, economic and technological changes, and are involved in the production and distribution of knowledge-

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<sup>25</sup> Murphy, Kevin M., W. Craig Riddell and Paul M. Romer (1998). "Wages, skill and technology in the United States and Canada," NBER Working Paper 6638.