

Background

Services in the Canadian Economy

The service sector accounts for a large and growing portion of the Canadian economy and encompasses a diverse range of economic activities including all non-goods producing activities. There are two broad categories of services: government services and services produced in the commercial marketplace. Within the latter category, there are services purchased directly by consumers and services purchased by businesses to produce goods or other services. Services purchased by businesses are a fast growing part of the Canadian economy and of our trade. These include services such as design and testing services, management and personnel services, advertising and marketing services, communications and data processing services as well as services necessary for the sale, transportation, installation and after-sales servicing of goods.

In 1986, services accounted for 8.8 million Canadian jobs — 76 per cent of total employment and 70.5 per cent of Canada's Gross Domestic Product (GDP). Between 1976 and 1986, the service sector created over 90 per cent of all new jobs in Canada. Table 3.1 shows the service sector and the manufacturing and primary sectors in relation to employment and GDP and the growth in these sectors between 1976 and 1986. Table 3.2 illustrates GDP and employment in various categories of the service sector.

Service industries provide important employment opportunities in all regions of Canada (see Table 3.3). The nature of the service sector is such that it requires a great variety of types of workers ranging from highly trained professionals and those with specialized technical skills to relatively low-skilled workers. Employment opportunities in services are particularly significant for women, since 84 per cent of employed women work at all levels in this sector and the number of women employed in service industries increased by 1.4 million between 1976 and 1986.

The service sector is also an important market for manufactured products. Services production and distribution require a range of manufactured, often technologically advanced, equipment. Thus, increased services activity generates corresponding activity in the manufacturing sector.

How Services are Traded

In recent years, trade in services has expanded considerably, both in traditional services such as transportation and tourism, and new services like data processing and consulting. To gain a full appreciation of what is involved in trade in services, it is important to understand that services are intangible products and are traded in a variety of ways: through telecommunications, people, investment and inside goods.