

The distribution of services is also a factor for consideration. The impact of technological changes on employment in services could have regional development as well as social implications. In particular, technological change could allow service providers, including government service, to be decentralized.

-Composition of employment

Not unrelated to technological change, an important change occurring in the labour market has been the composition of employment where, as Kutscher suggested, "the economy is expected to continue generating jobs with higher educational requirements".²⁵ This reflects the great expectation that growth in employment will occur in sectors requiring high skill education. On the specific issue of skills and technologies, the OECD (1996b) reviewed the rationale as to why highly-skilled labour, complementing new technologies, is crucial for economic development, in particular for services. The great interdependencies between skills and technologies can be explained by the fact that skilled workers are better able to incorporate new technologies and thus they are most likely to be chosen to use them.²⁶ Nevertheless, lower-paid jobs in some services sectors will not cease to exist as they reflect a demand for certain category of jobs filled by some specific groups (youth, women, etc.) and have a role to play in putting upward pressure on other workers' wages.²⁷

The growth of commercial services sectors in Canada can in large part be explained by the increase in the level of knowledge and human capital in the work force. Grubel (1987) asserted that "this application of human and knowledge capital may be due to diminishing returns to physical capital deepening".²⁸ For their part, Easton and West (1988) and the ECC report explored the impact of education systems on Canadian employment. The ECC suggested that human capital is increasingly important as the Canadian economy moves towards an information-based economy. The ECC also explored the belief that services jobs are not well paid. The report indicated that there are some highly-paid and some low-paid service sectors. Overall wages are comparable with the average manufacturing sector, and in some cases, higher.

-Impact on unemployment rate

Jaewoo Lee (1996) raised the issue of how the expanding service sector has affected the volatility of unemployment rates. He found that as the share of total employment represented by the service sector increases, the response to cyclical shocks of both unemployment and personal incomes diminishes. This result attests to the importance of the service sector for the aggregate dynamics of the economy. It also has important policy considerations since the unemployment rate will tend to fluctuate less

²⁵ Kutscher (1988) in Guile, p. 54.

²⁶ OECD (1996)

²⁷ McKenzie in Grubel (1987)

²⁸ Grubel (1987), p. 13.