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## **Question: Is There Any Evidence that the "New Economy" is Taking Hold in Quebec?**

**Judith Maxwell**

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The Quebec economy has not shown the dynamism we have witnessed in the United States since the mid-1990s and more recently in Canada. We know the new information and communication technologies are a key source of this new dynamism. They account for about half of the surge in productivity growth in the United States over the past six years, as well as impressive job creation, and higher living standards – not to mention the fortunes made on the stock market.

These payoffs – productivity, jobs, and higher incomes – take time to achieve. First comes the investment in machinery and equipment – billions of dollars. Then comes the training and organizational adaptation to take advantage of the new machinery. The organizational change can be painful for the workers who are forced to change. But, both the United States and Ontario show that eventually the payoffs do happen.

Are there any signs that Quebec is moving in the right direction? Looking at the investment data and some selective employment numbers, I would answer a cautious yes.

First the good news on investment: Business spending on machinery and equipment rose by 62 percent from 1996 to 2000 (based on July plans for the year). This is much faster than the increase in Ontario or Canada. As a result, Quebec's investment as a share of Canada's rose from a meagre 18 percent in 1996 to 21 percent in 2000.

And now the cautionary note: Post-referendum investment in Quebec is still below par. Billions more in investment are needed on a sustained basis, if Quebec is to achieve a true industrial turnaround.

Now the employment news: Jobs in business services rose by 32 percent in Quebec between December 1996 and 1999, more than double the rate of growth in Ontario and in Canada. These are the professional, scientific, and technical services jobs that install, large computer systems for

industry and for governments. The industry also includes legal, accounting, communications, and other support services to the business community.

| <b>Investment in Machinery and Equipment</b> |      |      |          |
|--|------|------|----------|
| <b>\$ billion</b>                            |      |      |          |
|  | 1996 | 2000 | % change |
| <b>Quebec</b>                                | 8.6  | 14   | 62%      |
| <b>Ontario</b>                               | 20.8 | 29.1 | 40%      |
| <b>Canada</b>                                | 45.7 | 66.6 | 46%      |
| <b>Quebec/Canada (%)</b>                     | 18%  | 21%  |          |

Source : Cansim 11535

Again, however, I would offer a cautionary note. When we look at the key occupational group – natural and applied sciences – the job growth in Quebec is impressive – 20 percent over the three years, but not as robust as in Ontario, where it is 52 percent for the same period. This implies that Ontario mining, manufacturing and service companies are more advanced in using the new technologies and have more of these experts working in house.

Business services is a small sector –just over 200,000 jobs in December 1999 (about the same size as public administration). But it is one of key industry groups to watch for signs of the economic dynamism Quebec needs to meet its employment goals. If these services are humming, then we know that important changes are taking place in other industries as well, as they begin the difficult transition to the "new" economy.

The other dimension of the information and communication technologies and all the related business service companies is that they create high paying, high knowledge jobs. The kind that have big multiplier effects in purchases of housing and consumer goods, restaurants and entertainment services.

Job quality will become an increasingly important issue for Quebecers as the economy gathers momentum and unemployment declines. We can already important changes in employer behaviour in Alberta and Ontario, where labour shortages are becoming common. Employers in retail trade and in human services face challenges in recruiting new workers. This leads them to offer better working conditions – more training, more flexible hours and job design. They are striving to become employers of choice.

For the moment, Quebec is more preoccupied with the quantity of jobs than the quality. So for now, I recommend that you watch this little business services industry grow. It may be the beginning of something big.

(September 26, 2000)