



Canada's Labour Market Sputtered in 2013

Policy Brief

Economic Policy Series - February 2014

Introduction

Did you know?

- Employment growth for 2013 as a whole was a mere 0.6 per cent, the slowest pace recorded since 2009.
- Employment gains were concentrated among men and women aged 55 and over.
- 95 per cent of the net jobs created were in part-time positions.
- All the net jobs created were in the services sector.
- More than 86,000 net new positions were created in one industry.
- Almost 70 per cent of the net new jobs were concentrated in one province.

These are some of the interesting labour market dynamics in what was a year of lacklustre job growth in Canada.



The Canadian Chamber is committed to fostering a strong, competitive and profitable economic environment that benefits all Canadians. This paper is one of a series of independent research reports covering key public policy issues facing Canada today.

We hope this analysis will raise public understanding and help decision-makers make informed choices. The papers are not designed to recommend specific policy solutions, but to stimulate public discussion and debate about the nation's challenges.

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A total of 99,000 net new positions were created in 2013, or 8,250 per month on average. Compare this with an overall job gain of 307,900 in 2012 or 25,658 per month.

The unemployment rate stood at 7.2 per cent in December 2013, up from 7.1 per cent a year ago.

The private sector created 120,500 net new jobs in 2013. Public sector payrolls shrank by 25,600, while 4,100 more Canadians became self-employed. Almost 2.7 million Canadians were self-employed at the end of 2013, representing 15 per cent of employed Canadians.

Almost 95 per cent of the net new jobs started last year were in part-time positions, raising concerns about the quality of jobs being created. In sharp contrast, all the net new jobs created in 2012 were full-time positions. Part-time positions made up nearly one-in-five positions in 2013.

This report highlights the considerable variation in labour market performance by demographic group, sector and region. Summary tables and charts are included to help illustrate the trends.



Demographic Snapshot – Older Workers Outperform

The segment of the **population aged 55 years and over** posted the largest increase in employment in 2013. In particular, employment among older women surged 5.5 per cent last year, by far the largest increase of all demographic groups. Older men fared well, too, with their employment levels jumping 4.0 per cent.

The unemployment rate of older workers (55 years of age and over) was 6.0 per cent in December 2013 – 6.7 per cent for men and 5.2 per cent for women. Older women had the lowest jobless rate among all groups.

“Many older workers who leave long-term jobs do not fully enter retirement. In fact, over one-half of workers aged 55 to 64 who left long-term jobs between 1994 and 2000 were re-employed within a decade.”¹

This is evident in the labour force participation rate.² Between 1994 and 2000, roughly 24 per cent of individuals over the age of 55 participated in the labour force. Since then, the participation rate of older workers has surged, reaching 37.3 per cent in 2013.

The number of employed **Canadians of prime working-age (25 to 54)** declined slightly in 2013. The unemployment rate for men and women in this age bracket sat at 6.4 per cent and 5.7 per cent, respectively, in December 2013. This age group’s labour force participation rate has

increased only slightly – from 84.6 per cent in 2000 to 86.6 per cent in 2013.

The unemployment rate among **Canada’s youth (15 to 24 years of age)** remained above pre-recession levels as 2013 came to an end. It clocked in at 14.0 per cent, up slightly from the rate registered 12 months earlier and is almost double the overall jobless rate. “Most of the gap between the unemployment rates of youths and adults is the result of higher unemployment inflows among youths. In 2012, 2.6 per cent of youths aged 15 to 24 who were working in a given month became unemployed the next month. In comparison, the corresponding proportion among workers aged 25 to 54 was 1.1 per cent. Inflows to unemployment have been higher among youths than among adults every year since 1977.”³

Canada’s situation is not unique. Youth unemployment remains high throughout the developed world. In the United States, 13.5 per cent of young people were looking for work in December 2013, and in the euro area, the youth unemployment rate was at almost 24.0 per cent.⁴

As of December 2013, the national unemployment rate among **recent immigrants in the prime working-age group (25 to 54)** was more than double that of Canadian-born individuals in their prime working years.⁵ More than half (55.8 per cent) of the

1 Statistics Canada. “Study: Employment Transitions Among Older Workers Leaving Long-Term Jobs: Evidence from Administrative Data.” *Analytical Studies Research Paper Series*. January 28, 2014.

2 The labour force participation rate is the number of labour force participants expressed as a percentage of the population 15 years of age and over. The participation rate for a particular group (age, sex and marital status) is the number of labour force participants in that group expressed as a percentage of the population for that group.

3 Statistics Canada. “Study: Unemployment Dynamics Among Canada’s Youth, 1977 to 2012.” *Economic Insights*. June 11, 2013.

4 Sources of data: United States Department of Labor and Eurostat.

5 Source of data: Statistics Canada. CANSIM. Table 282-0105. Unadjusted for seasonality. December 2013, based on a three-month moving average. Recent immigrants are those that landed in Canada in the last five years.

recent immigrants had a university degree, compared to a quarter of the Canadian-born population. Still, the unemployment rate for recent immigrants with a university degree was five times the unemployment rate for university-educated, Canadian-born

individuals. “The most significant obstacles to success in the labour market as perceived by recent immigrants are language barriers, a lack of Canadian work experience and difficulty receiving recognition for foreign credentials.”⁶

Changes in Employment by Age Group⁷ December 2013

Age Group	Employment (year-over-year change)	Employment (year-over-year per cent change)	Unemployment rate
15 years and over	99,000	0.6	7.2
men	72,400	0.8	7.7
women	26,700	0.3	6.7
15-24 years	-20,800	- 0.8	14.0
men	35,200	2.9	15.0
women	56,100	- 4.5	12.9
25-54 years	-34,000	- 0.3	6.1
men	-34,900	- 0.6	6.4
women	800	0.0	5.7
55 years and over	153,900	4.7	6.0
men	2,000	4.0	6.7
women	81,900	5.5	5.2

⁶ Rai, Vikram. “Labour Market Information for Employers and Economic Immigrants in Canada: A Country Study.” *CSLS Research Report 2013-01*. The Centre for the Study of Living Standards. May 2013.

⁷ Data derived from Statistics Canada. CANSIM. Table 282-0087. Seasonally adjusted.

Employment Changes by Major Industry Groups – Services Sector Comes Out Ahead

The majority of the jobs created in 2013 were in the services-producing sector, with the largest gains in the areas of professional, scientific and technical services (+86,500), health care and social assistance (+34,900) and accommodation and food (+17,200). Two notable areas within the services sector that experienced net job losses were educational services (-39,600 positions) and public administration (-29,600).⁸

The goods-producing sector shed 6,800 jobs in 2013, with the manufacturing sector losing 35,100 jobs. Natural resources, utilities and construction registered gains.

Seventy-eight per cent of employed Canadians worked in the services sector as of December 2013. As in other advanced countries, there has been a shift in employment toward services during the past three decades.

The sector that shone in 2013 – professional, scientific and technical services – consists of legal services, accounting, architectural, engineering, surveying and mapping, design, management, scientific and technical consulting, scientific research and development and advertising services. “The distinguishing feature of this sector is the fact that most of the industries grouped in it have production processes that are almost wholly dependent on worker skills. In most of these industries, equipment and materials are not of major importance. Thus, the establishments classified

in this sector sell expertise. Much of the expertise requires a university or college education, though not in every case.”⁹

It is no accident that, since 2000, employment has increased by roughly 44 per cent in the professional, scientific and technical services category and by less than two per cent in the goods-producing sector. Services have become increasingly tradeable. Since 2000, Canada’s exports of goods have fallen slightly, but exports of commercial services (which exclude travel, transportation and general government services) have risen by 38 per cent.¹⁰

And this does not tell the whole story. Services are more exposed to international trade than conventional statistics suggest. Services represent a significant share of the value of merchandise exports. A wide range of manufacturing industries rely on commercial services – research and development, accounting, legal and other business services – to bring their goods to market.¹¹

Finally, there is the perception that fewer manufacturing jobs and more service sector jobs have meant fewer higher-paying jobs. This is not the case. Fields like professional, scientific and technical services, health care, natural resources and utilities – where the bulk of the jobs have been created in the past 12 months – pay above-average wages.¹²

⁸ Data derived from Statistics Canada. CANSIM. Table 282-0088. Seasonally adjusted.

⁹ Industry Canada. “Definition Professional, Scientific and Technical Services (NAICS 54).”

¹⁰ Data derived from Statistics Canada. CANSIM. Table 380-0070. Seasonally adjusted.

¹¹ See Kremmidas, Tina. “Reevaluating Canada’s International Trade: The Impact of Global Supply Chains.” *Economic Policy Series*. The Canadian Chamber of Commerce. May 2013.

¹² See Statistics Canada. CANSIM. Table 282-0072.

Changes in Employment by Industry¹³

December 2013

	Year-over-year change	Year-over-year per cent change
All Industries	99,000	0.6
Goods-producing sector	- 6,800	- 0.2
Agriculture	17,900	- 5.6
Forestry, fishing, mining, quarrying, and oil and gas	20,700	5.8
Utilities	14,700	10.3
Construction	10,800	0.8
Manufacturing	- 35,100	- 2.0
Services-producing sector	105,800	0.8
Retail and wholesale trade	3,700	0.1
Transportation and warehousing	7,800	0.9
Finance, insurance, real estate and leasing	14,700	1.3
Professional, scientific and technical	86,500	6.7
Business, building and other support	14,800	2.1
Educational	- 39,600	- 3.0
Health care and social assistance	34,900	1.6
Information, culture and recreation	13,400	1.7
Accommodation and food	17,200	1.5
Other services	- 18,000	- 2.3
Public administration	- 29,600	- 3.1

¹³ Data derived from Statistics Canada. CANSIM. Table 282-0088. Seasonally adjusted.

Labour Market Conditions at the Regional Level – There is Significant Variation

Five of Canada's 10 provinces – Alberta, Saskatchewan, Ontario, Quebec and New Brunswick – registered higher employment in December 2013 compared to a year ago.¹⁴

In percentage terms, employment increased the most in Alberta (up 3.1 per cent, year-over-year). Alberta also saw the biggest increase in absolute terms with 67,900 net new jobs created. The province accounted for 68.6 per cent of the net new jobs created in Canada last year. Three industries in Alberta posted double-digit gains in employment – natural resources (+12.6 per cent, a gain of 20,700 jobs), professional, scientific and technical services (+13.5 per cent, a gain of 21,600 positions) and accommodation and food (+14.0 per cent, a gain of 18,300 jobs).

Saskatchewan and New Brunswick also experienced robust employment growth of 2.3 per cent and 1.6 per cent, respectively, far outpacing the national average growth rate of 0.6 per cent. In Saskatchewan, professional, scientific and technical services and transportation and warehousing led the way in job creation (both in absolute and in percentage terms). In New Brunswick, employment gains were concentrated in construction and wholesale and retail trade.

Employment in Ontario was up 0.3 per cent, representing an increase of 20,500 net new positions. The province registered an unemployment rate of 7.9 per cent in December 2013, one percentage point higher than at the end of 2012. The manufacturing sector



continued to struggle with more than 34,000 jobs lost last year. Employment also declined in transportation and warehousing (-20,100). Professional, scientific and technical services registered the biggest gain in employment in Ontario with 43,900 net new jobs created last year (+8.1 per cent, year-over-year), followed by business, building and other support services with a gain of 20,800 positions (+7.0 per cent, year-over-year).

Employment in Quebec was up only slightly (+0.1 per cent or by 3,900). The unemployment rate in the province edged up from 7.3 per cent in December 2012 to 7.7 per cent in December 2013. Employment creation was particularly robust in transportation and warehousing (+16.1 per cent, year-over-year, or by 26,800),

¹⁴ Data derived from Statistics Canada. CANSIM. Table 282-0088. Seasonally adjusted.

accommodation and food (+8.3 per cent, or by 19,300) and professional, scientific and technical services (+4.8 per cent, or 14,300). Job losses were particularly evident in public administration (-7.2 per cent, or -16,400), educational services (-4.2 per cent, or -12,500) and manufacturing (-2.0 per cent, or -9,900).

Saskatchewan and Alberta boasted the lowest unemployment rates in the country as 2013 came to a close, at 3.9 per cent and 4.8 per cent, respectively. Prince Edward Island registered the highest unemployment rate at 11.6 per cent.

Labour market information about the territories is only available on a three-month moving average basis. As of December 2013, the unemployment rate was 4.9 per cent in the Yukon, 8.2 per cent in the Northwest Territories and 14.6 per cent in Nunavut.¹⁵

Unemployment data is also available by census metropolitan area. Based on a three-month moving average, five cities registered an unemployment rate below five per cent in December 2013 – Quebec City (4.7 per cent), Regina (4.3 per cent), Saskatoon (4.2 per cent), Calgary (4.7 per cent) and Victoria (4.5 per cent).¹⁶

Changes in Employment by Province¹⁷ December 2013

	Employment (year-over-year change)	Employment (year-over-year per cent change)	Unemployment Rate
Canada	99,000	0.6	7.2
Newfoundland and Labrador	-1,300	-0.5	10.8
Prince Edward Island	-900	-1.2	11.6
Nova Scotia	-700	-0.1	9.2
New Brunswick	5,600	1.6	9.7
Quebec	3,900	0.1	7.7
Ontario	20,500	0.3	7.9
Manitoba	-7,800	-1.2	5.5
Saskatchewan	12,500	2.3	3.9
Alberta	67,900	3.1	4.8
British Columbia	-500	0.0	6.6

¹⁵ Source of data: Statistics Canada. CANSIM. Table 282-0100. Data is seasonally adjusted except for Nunavut where only unadjusted estimates are available.

¹⁶ Source of data: Statistics Canada. CANSIM. Table 282-0116. Seasonally adjusted.

¹⁷ Data derived from Statistics Canada. CANSIM. Table 282-0087. Seasonally adjusted.

A Number of Indicators Suggest Some Labour Underutilization

- There were approximately 1.27 million unemployed Canadians as 2013 came to a close. Roughly 70 per cent of these individuals were looking for full-time work. The unemployment rate, at 7.2 per cent in December 2013, was still higher than the 5.9 per cent pre-recession low reached in February 2008.
- The average duration of unemployment, at 20.7 consecutive weeks in December 2013, remained above its pre-recession average. The average length of unemployment was the lowest for youth aged 15 to 24 (12.9 weeks) and the highest for unemployed individuals aged 55 years and over (28.2 weeks). Residents of Alberta remained unemployed for the shortest amount of time, averaging 14.1 weeks. Workers in Ontario and New Brunswick experienced the longest duration of unemployment (22.4 and 22.1 weeks, respectively).¹⁸
- As 2013 came to a close, roughly 260,000 Canadians (or 20.4 per cent of the unemployed) were without a job for 27 weeks or more (defined as long-term unemployed). While the situation in Canada is not as bad as it is in the U.S. (the long-term unemployed accounted for 37.7 per cent of the jobless population in the U.S. in December 2013), long-term unemployment is particularly worrisome because skills can atrophy and individuals can lose their connections to the job market. Some people drop out of the workforce entirely, discouraged by their inability to find work. Indeed, overall labour force participation¹⁹ in both Canada and the U.S. has been trending lower since early 2008.
- The number of businesses reporting labour shortages remained relatively unchanged in the final quarter of 2013 compared to a year ago. According to the Bank of Canada's *Business Outlook Survey*, 26 per cent of firms responded "yes" to the question, "Does your firm face any shortages of labour that restrict your ability to meet demand?" As in the previous survey, instances of labour shortages were not widespread and were cited largely in relation to hiring for specific positions, skills sets or regions.²⁰
- As of October 2013 (the most recent data available at the time of writing), there were 231,100 job vacancies among Canadian businesses, a decline of 37,000 compared to October 2012. For every job vacancy, there were 5.7 unemployed people, up from



¹⁸ Source of data: Statistics Canada. CANSIM. Table 282-0047. Unadjusted for seasonality.

¹⁹ The labour force participation rate is the number of labour force participants expressed as a percentage of the population 15 years of age and over.

²⁰ Bank of Canada. "Business Outlook Survey." January 13, 2014. The survey was conducted from November 18, 2013 to December 12, 2013.

5.1 in October 2012.²¹ The increase in the unemployment-to-job vacancy ratio was due to job vacancies declining at a faster pace than the decline in the number of unemployed people.

- There was more slack in labour markets in Atlantic Canada compared to other regions of the country. In Newfoundland and Labrador, there were 14.3 unemployed people for every job vacancy. In Nova Scotia, the ratio was 9.4. It was 11.1 in New Brunswick and 15.0 in Prince Edward Island. In Central Canada – Ontario and Quebec – the ratio was 7.5 and 7.1, respectively.
- Labour market conditions were tighter in Western Canada. The Prairie provinces (Alberta, Saskatchewan and Manitoba) accounted for 12.8 per cent of all unemployed people in Canada but 30.1 per cent of all job vacancies. As a result, their unemployment-to-job vacancy ratio was the lowest in the country. In Alberta, there were 2.2 unemployed Canadians for every job vacancy. In Saskatchewan, there were 2.4 unemployed people per vacancy, and in Manitoba, the ratio was 3.7. The unemployment-to-job vacancy ratio in British Columbia stood at 5.1.
- While we have unemployment rate data at the sub-provincial level (by economic region and census metropolitan area), we do not have sub-provincial data on the number and rate of job vacancies. This makes it more difficult to analyze regional variations in labour requirements and to

effectively design and deliver employment and training programs. For example, a high unemployment-to-job vacancy ratio in Newfoundland and Labrador does not necessarily describe what is going in St. John's, where the unemployment rate is considerably below the average rate in the province (5.6 per cent and 11.6 per cent, respectively, based on a three-month moving average).

- On a sectoral basis, tight labour market conditions prevailed in a number of industries across Canada. Health care and social assistance had the lowest unemployment-to-job vacancies ratio (1.5); followed by information and cultural industries (1.6); professional, scientific and technical services (2.2); and finance and insurance (2.3). By comparison, in educational services there were 9.7 unemployed people for every job vacancy.
- Average hourly wages for permanent workers rose 2.0 per cent, year-over-year in 2013, following a 2.9 per cent increase in 2012. Wage pressures were particularly intense in Alberta, New Brunswick and Newfoundland and Labrador, where average hourly wages increased 4.3 per cent, 3.9 per cent and 3.1 per cent, respectively, in 2013. Average hourly wages were \$6.30 higher in Alberta than in Atlantic Canada. Wages in Alberta were also \$3.15 higher than in Ontario and \$3.65 higher than in British Columbia.²² Higher-paying work is one factor behind the migration of labour to Alberta.²³

21 Source of data: Statistics Canada. CANSIM. Table 284-0003. The estimates for October are based on an average of the estimates for October and the previous two months. Data is derived from a survey which asks businesses how many vacant positions they are looking to fill. A low unemployment-to-job vacancies ratio indicates tighter labour market conditions whereas a higher number indicates more slack in the labour market. Data for the Job Vacancy survey started to be collected in January 2011.

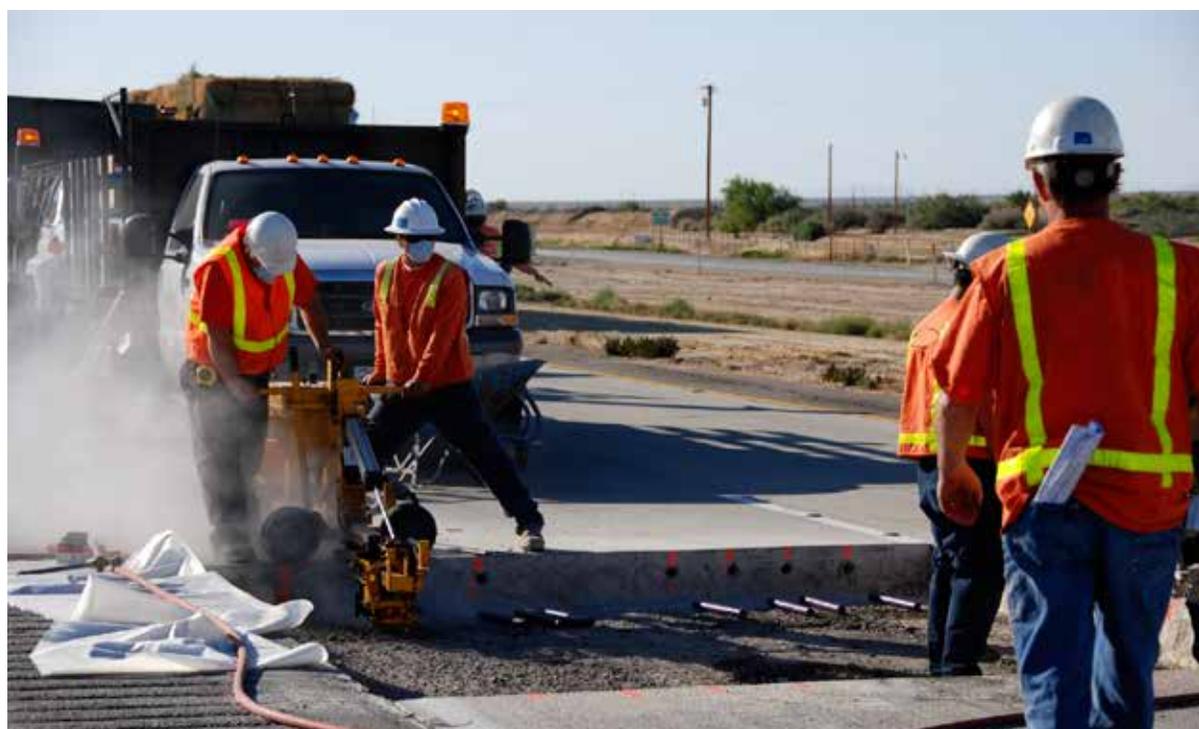
22 Data derived from Statistics Canada. CANSIM 282-0074. Annual (current dollars).

23 In the first three quarters of 2013, net inward migration to Alberta totaled 37,500. These net migrants were from: Ontario (16,670), Atlantic Canada (7,207), British Columbia (5,458), Quebec (4,048), Manitoba (2,480), Saskatchewan (1,008) and the Northwest Territories, Yukon and Nunavut (627). Data derived from Statistics Canada. CANSIM 051-0045.

2014 Job Prospects

In the Bank of Canada's winter *Business Outlook Survey* (conducted from November 18, 2013 to December 12, 2013), 53 per cent of firms said they intended to add employees over the next 12 months, 36 per cent planned to keep their firm's level of employment about the same and 11 per cent anticipated a decrease in their level of employment.²⁴

With Canada's economy projected to grow 2.3 per cent in 2014,²⁵ we anticipate Canada's economy will generate, on average, about 15,000 jobs per month in 2014. The jobless rate should ease modestly to 6.7 per cent by year-end 2014.



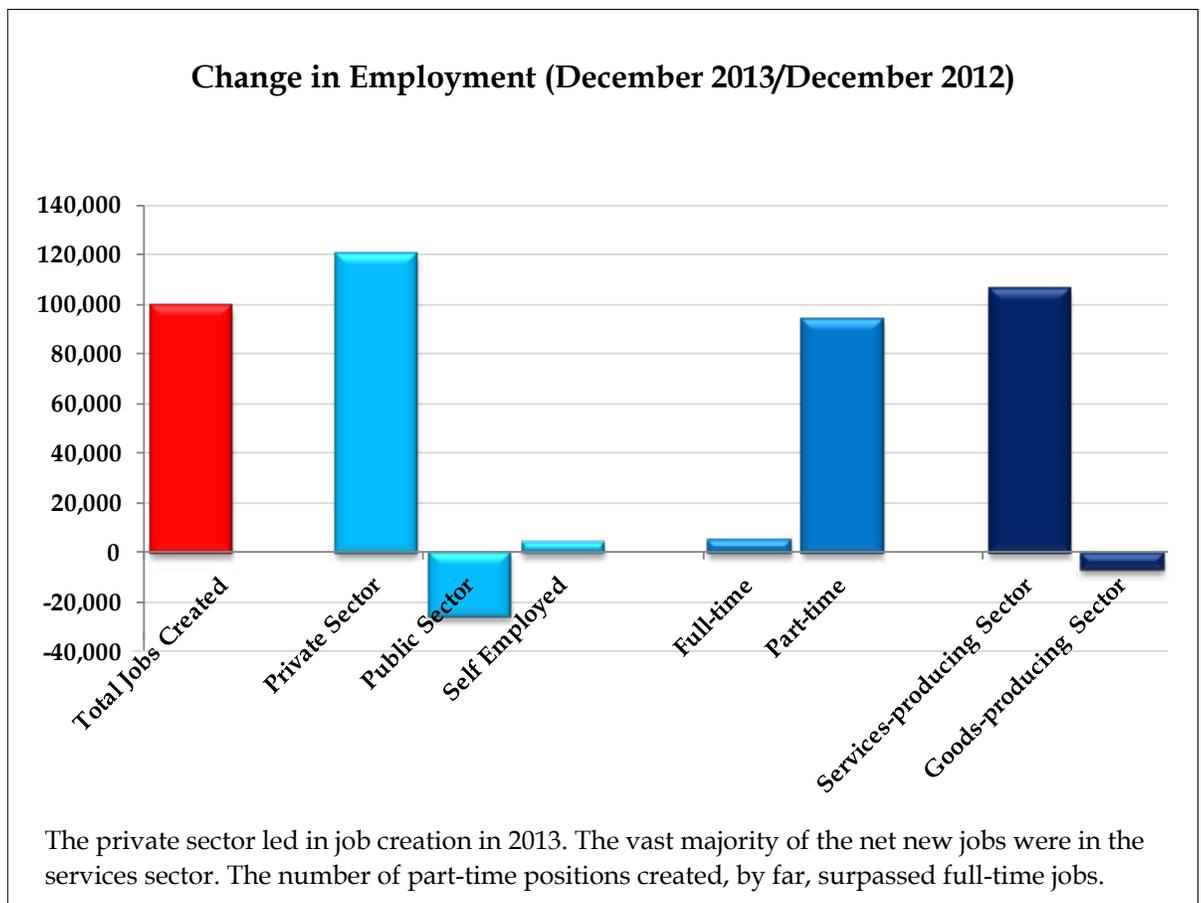
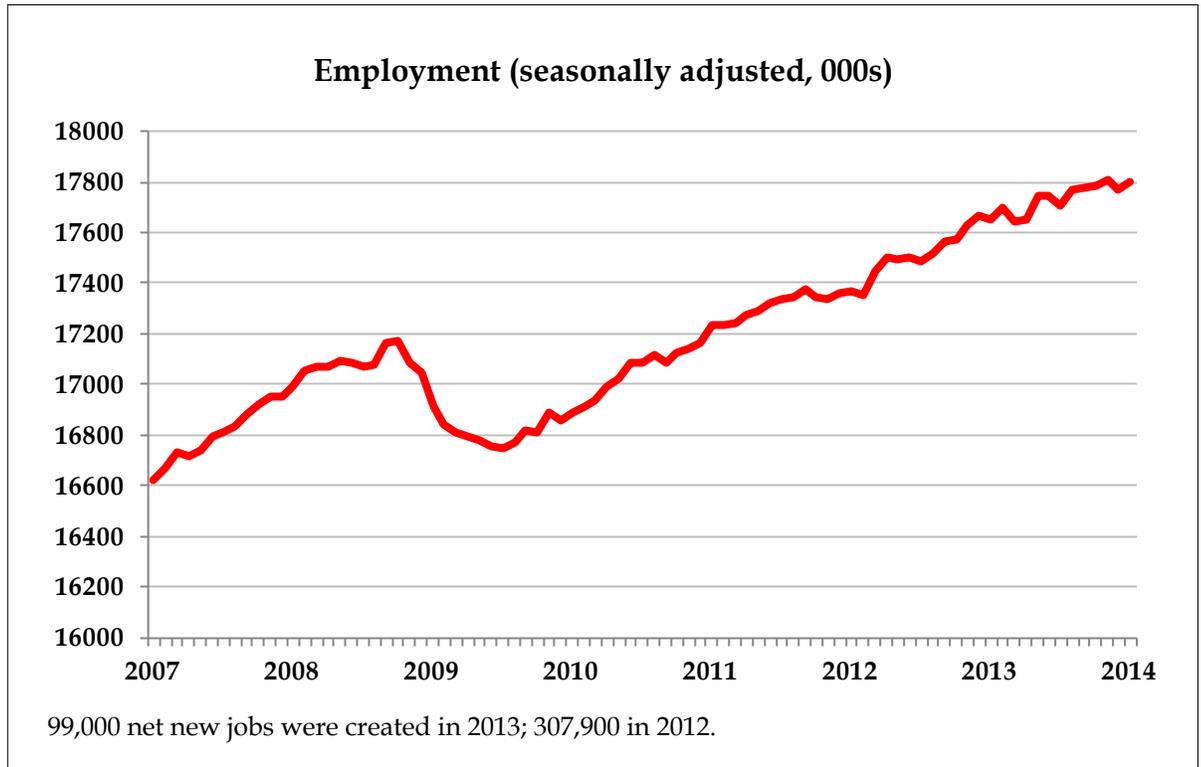
²⁴ Bank of Canada. "Business Outlook Survey." January 13, 2014.

²⁵ For more analysis on Canada's economic outlook, see Kremmidas, Tina. "2014-15 Economic Outlook." *Economic Policy Series*. Canadian Chamber of Commerce. December 2013.

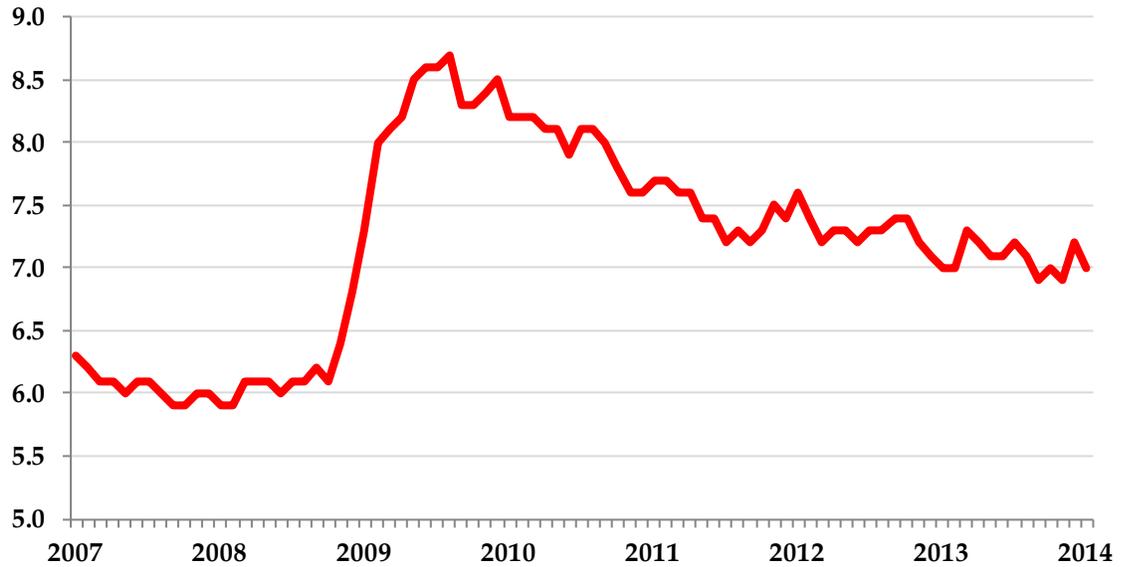
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Appendix: Labour Market Indicators



Unemployment Rate (%, seasonally adjusted)



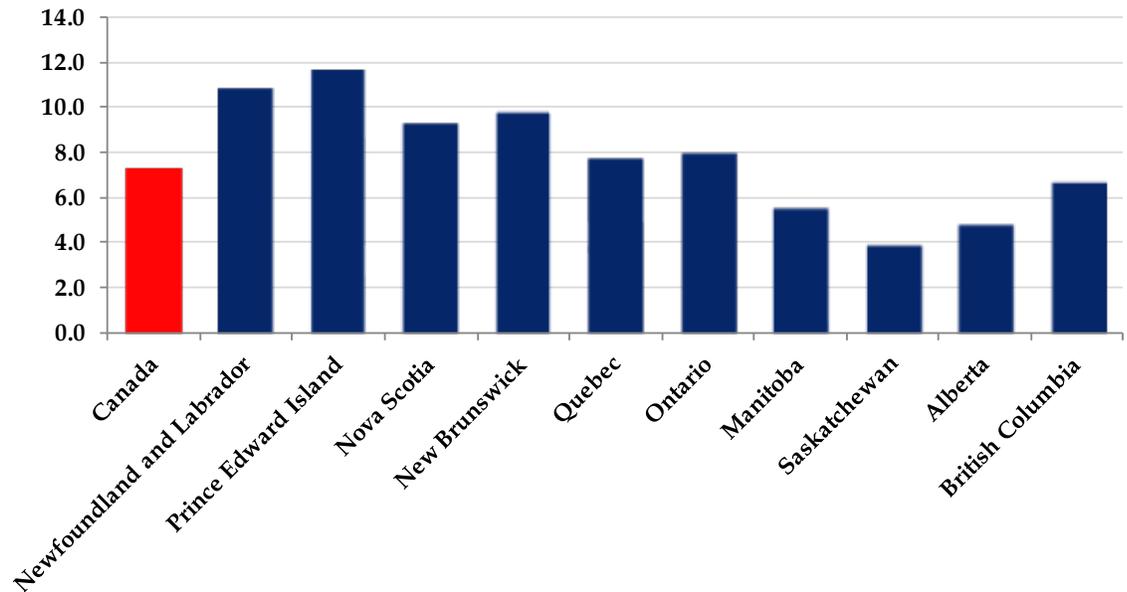
The unemployment rate stood at 7.2% in December 2013, well above the 5.9% pre-recession low reached in February 2008.

Average Unemployment Duration (weeks, unadjusted for seasonality)



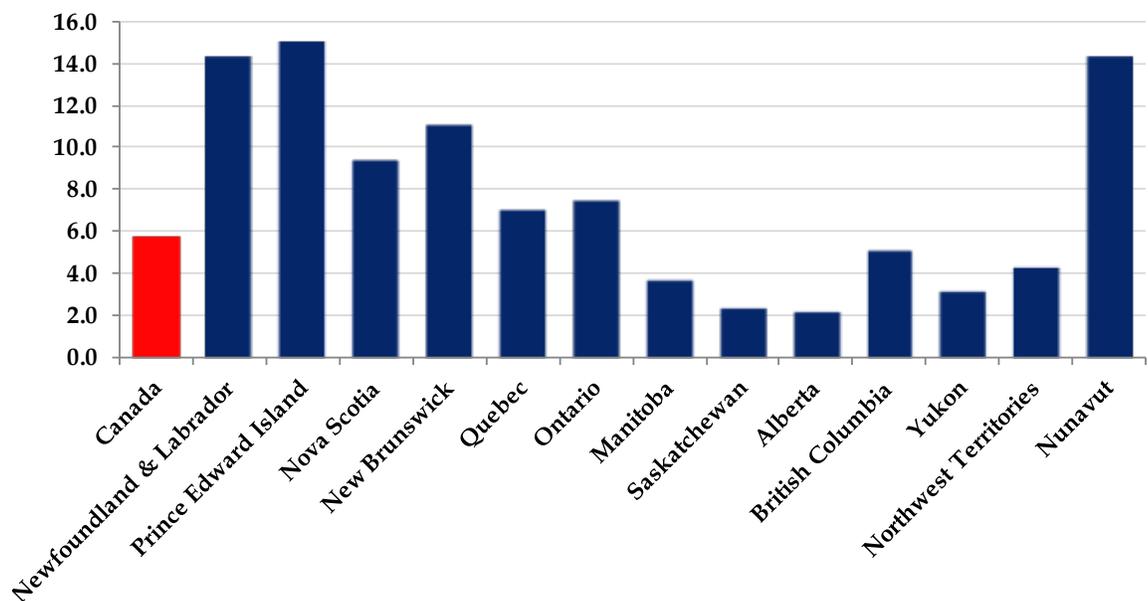
The average duration of unemployment lingered at elevated levels as 2013 came to a close and was well above its pre-recession average.

Unemployment Rate by Province (%, seasonally adjusted, December 2013)



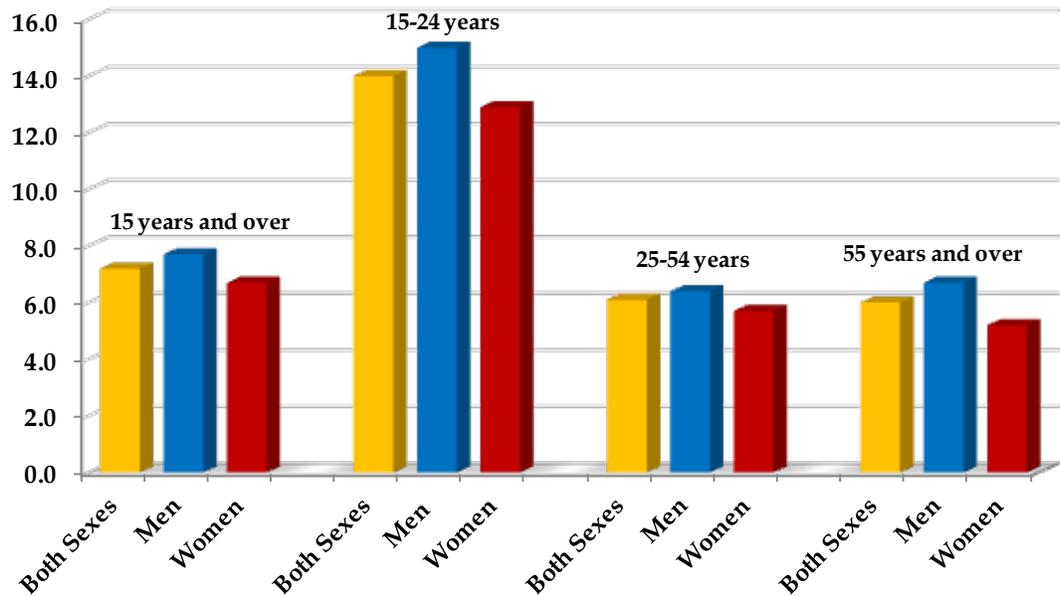
The Prairie provinces recorded the lowest unemployment rates in the country as 2013 came to a close. Jobless rates above the national average prevailed in Ontario and eastward.

Unemployment-to-job Vacancy Ratio by Province and Territory (three-month moving average ending in October 2013, unadjusted for seasonality)



In Alberta and Saskatchewan, there were 2.2 and 2.4 unemployed Canadians, respectively, for every job vacancy (October 2013). There was more slack in labour markets in Atlantic Canada.

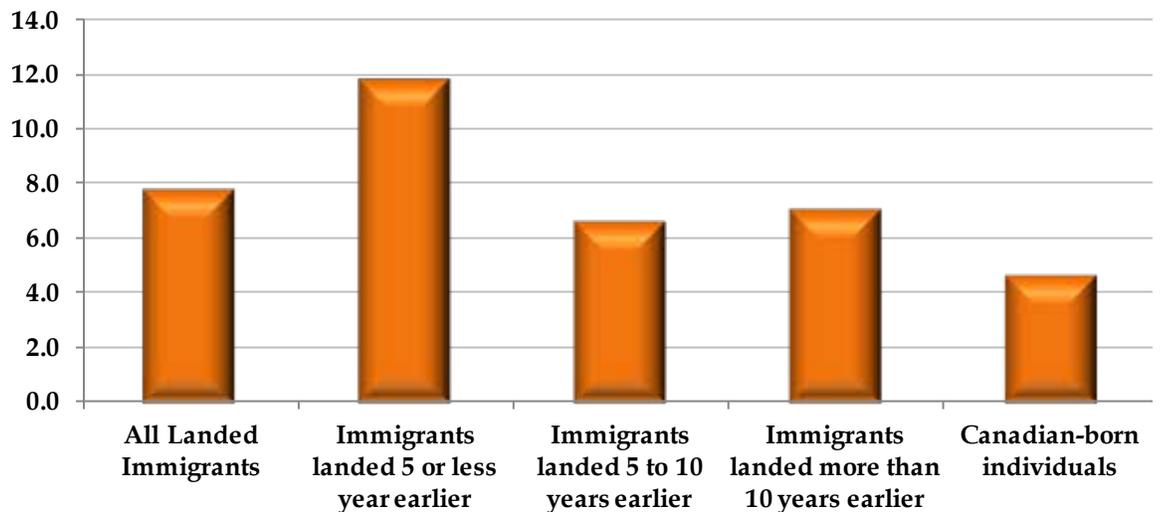
Unemployment Rate by Age Group and Gender (%, seasonally adjusted, December 2013)



The youth (age 15 to 24) jobless rate was 14.0% in December 2013, virtually unchanged from a year earlier and more than double that of prime-age individuals (25 to 54).

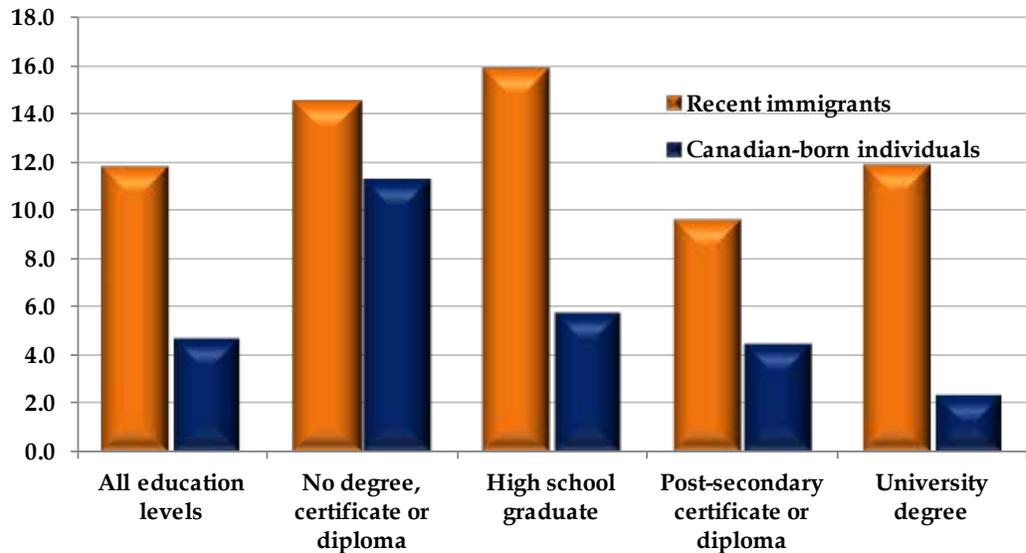
Unemployment Rate by Immigrant Status 25 to 54 Years of Age Group

(%, three-month moving average, December 2013, unadjusted for seasonality)



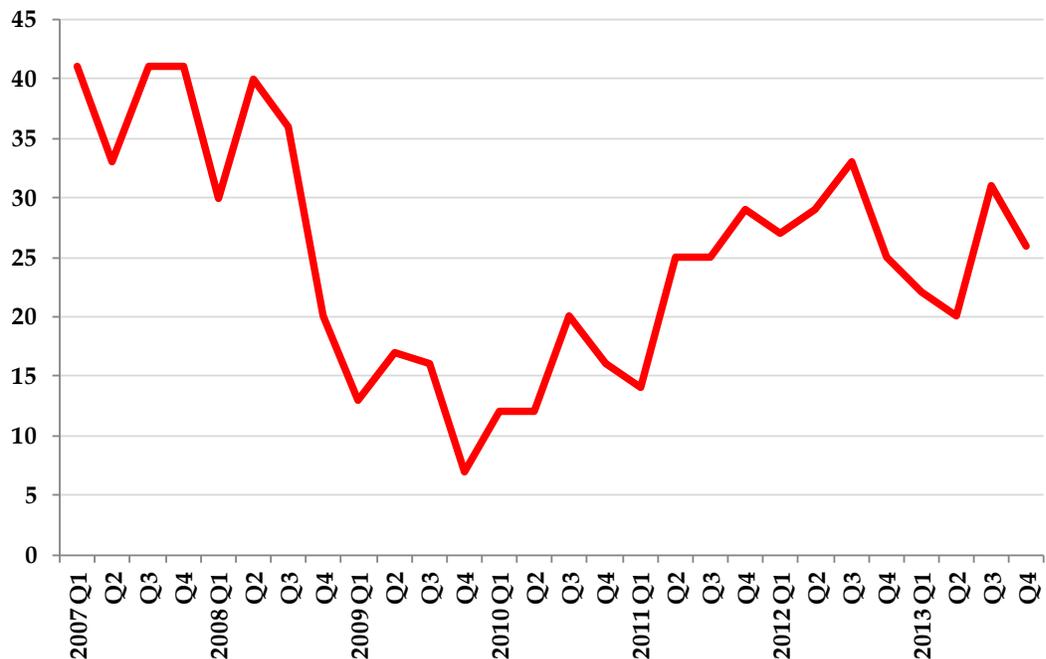
The national unemployment rate among recent immigrants in the prime working-age group (25 to 54) was more than double that of Canadian-born individuals in their prime working years in the closing months of 2013.

**Unemployment Rate for Recent Immigrants (landed five or less years earlier)
by Level of Education, 25 to 54 Years of Age Group
(%, three-month moving average, December 2013, unadjusted for seasonality)**



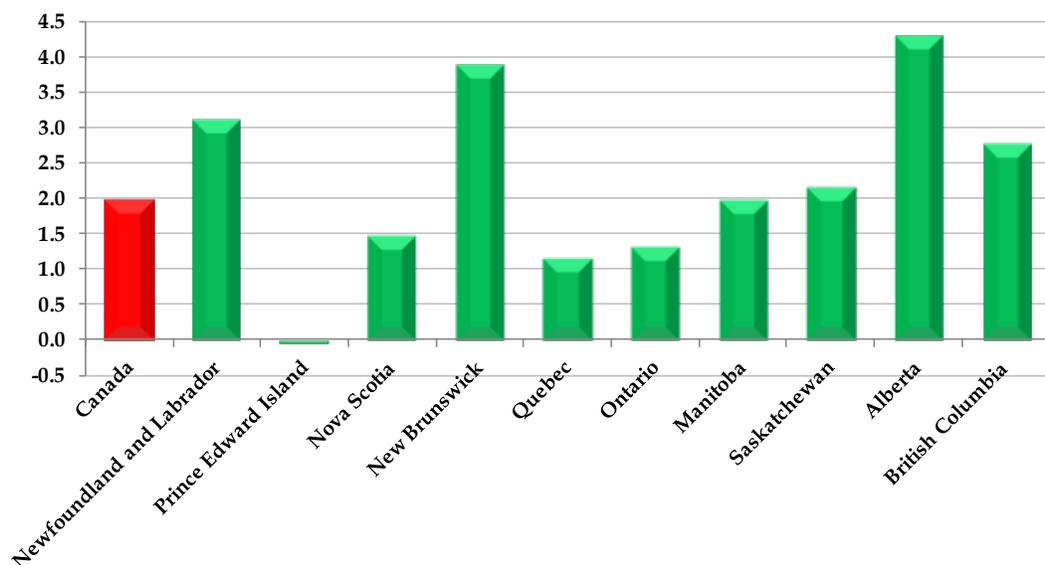
The unemployment rate for recent immigrants with a university degree was five times the unemployment rate of university-educated, Canadian-born individuals in the closing months of 2013.

**Does your firm face any shortages of labour that restrict your ability to meet demand?
(% of firms indicating "yes")**



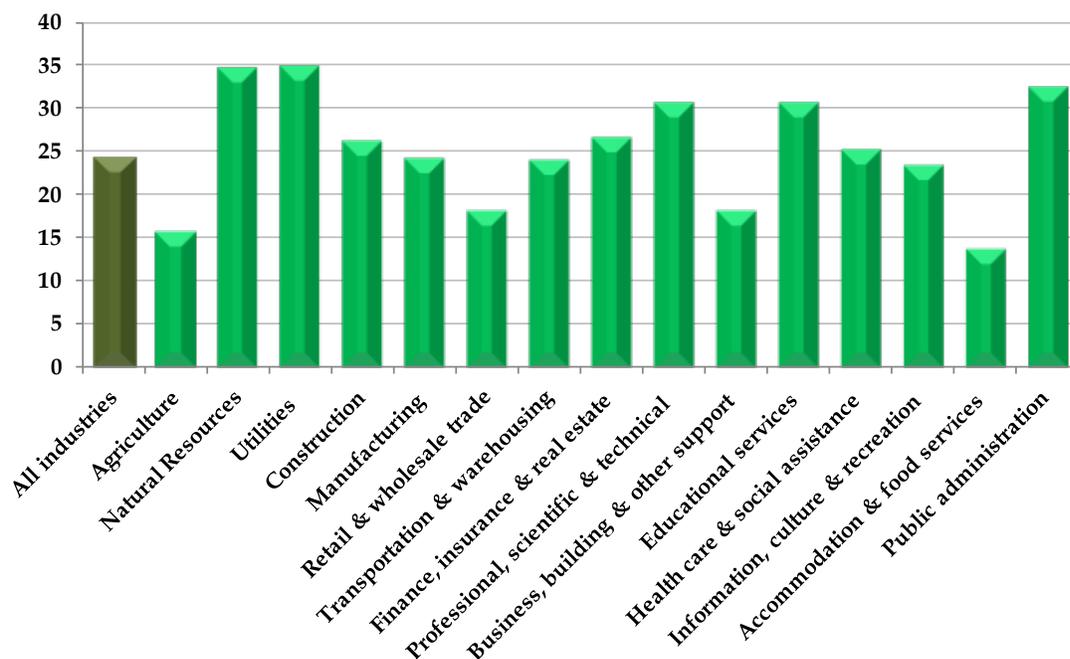
The number of businesses reporting labour shortages remained relatively unchanged in the final quarter of 2013 compared to a year ago at 26% (Bank of Canada, *Business Outlook Survey*).

Average Hourly Wages for Permanent Workers by Province (2013, year-over-year % change)



Average hourly wages for permanent workers rose 2.0% in 2013, year-over-year, following a 2.9% increase in 2012. Wage pressures were particularly intense in Alberta, New Brunswick and Newfoundland and Labrador.

Average Hourly Wage by Industry (2013, C\$)



There is the perception that fewer manufacturing jobs and more service sector jobs have meant fewer higher-paying jobs. This is not the case. Professional, scientific and technical services; health care; natural resources; construction and utilities pay above-average wages.