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Recent trends in Canada's labour market: A rising tide or a passing wave?

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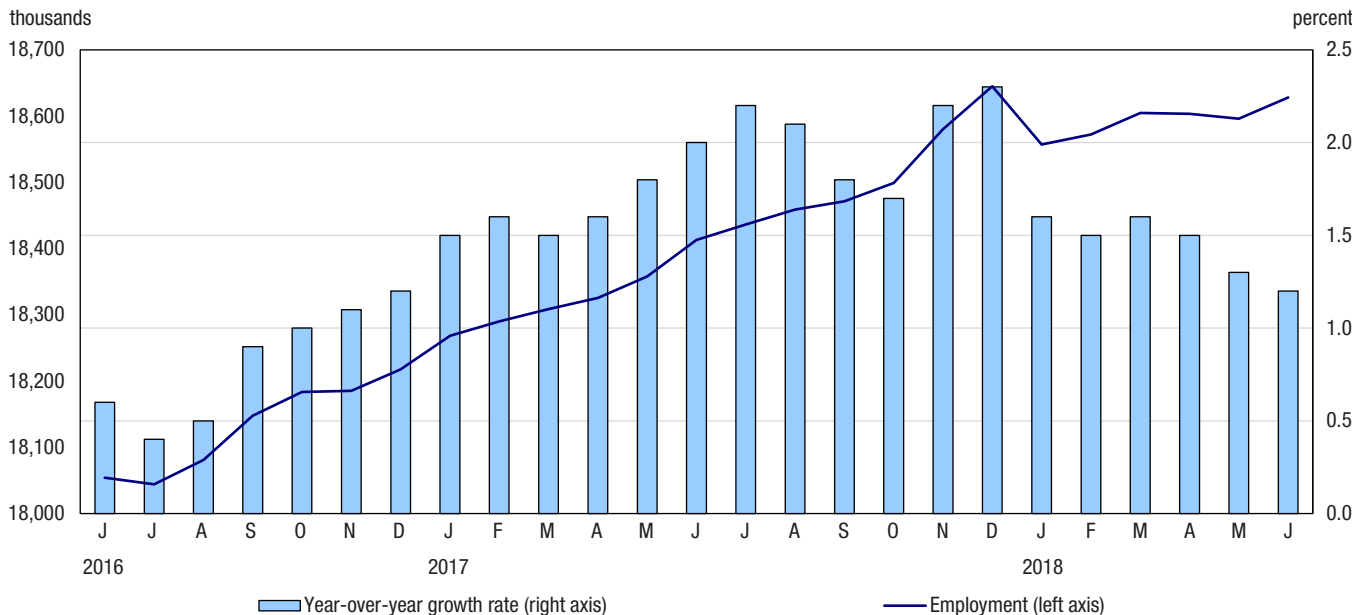
Several indicators pointed to positive trends in the Canadian labour market in 2017. As noted in the **Annual Review of the Labour Market**, employment grew at its fastest pace in a decade, and the unemployment rate matched a record low of 5.8% in December 2017.

How has the labour market fared over the first six months of 2018? Based on the latest available data from the Labour Force Survey (LFS), the Survey of Employment, Payrolls and Hours (SEPH), and the Job Vacancy and Wage Survey (JVWS) up to June 2018, this analysis takes stock of recent trends and noteworthy topics in relation to the labour market.

Overall, the number of people in employment increased by 214,900 or 1.2% from June 2017 to June 2018, while job vacancies were up 19.0% from the first quarter of 2017 to the first quarter of 2018.

However, signs of moderation are beginning to emerge. Year-over-year employment growth was slower in the first half of 2018 compared with the second half of 2017, and the number of people working was little changed between December 2017 and June 2018 (Chart 1).

Chart 1
Monthly employment level and year-over-year growth rate, June 2016 to June 2018

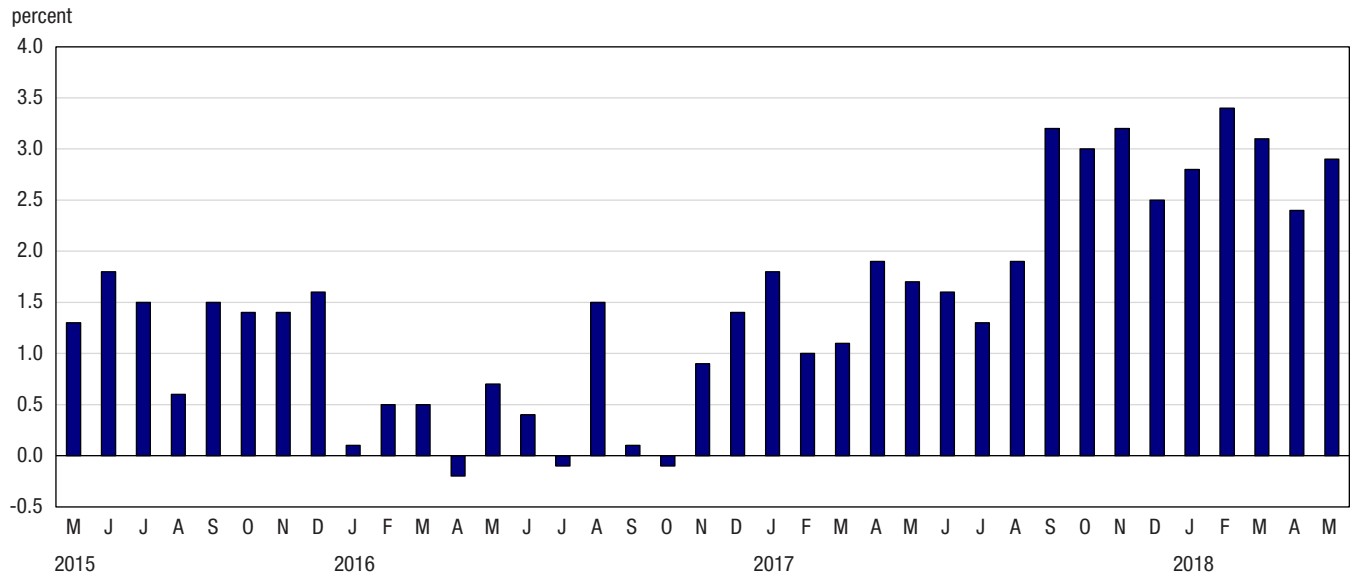


Source: Table 14-10-0287-01.

A recovery in wage growth?

Following two years of little to no growth, average weekly earnings have increased at a relatively fast pace since the fall of 2017. According to data from SEPH, from September 2017 to May 2018, the earnings of non-farm payroll employees increased by 2.4% or higher on a year-over-year basis (Chart 2).

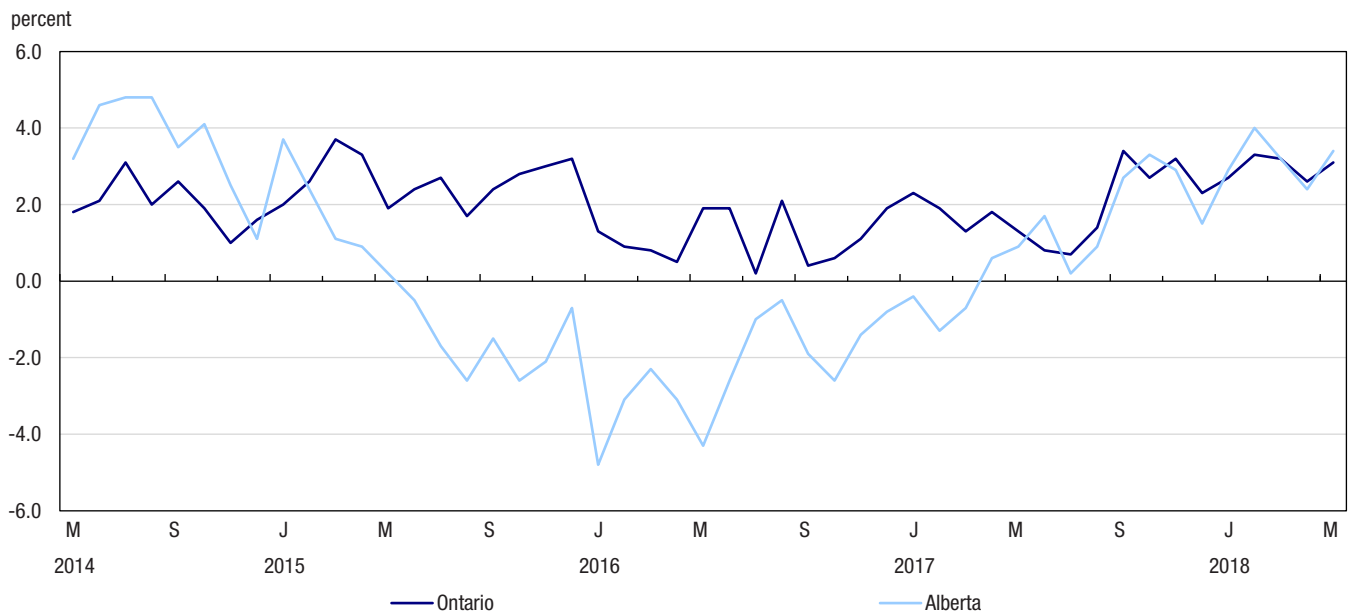
Chart 2
Year-over-year change in the average weekly earnings of payroll employees, Canada, May 2015 to May 2018



Source: Table 14-10-0223-01.

Mostly as a result of the oil price shock that began in the fall of 2014, average weekly earnings in Alberta trended down from the winter of 2015 to the spring of 2016. Although earnings in Alberta have not yet returned to their former level, the earnings growth rate in the province has followed a trend similar to that of the rate observed in Ontario since June 2017 (Chart 3).

Chart 3
Year-over-year change in the average weekly earnings of payroll employees, Ontario and Alberta, May 2014 to May 2018

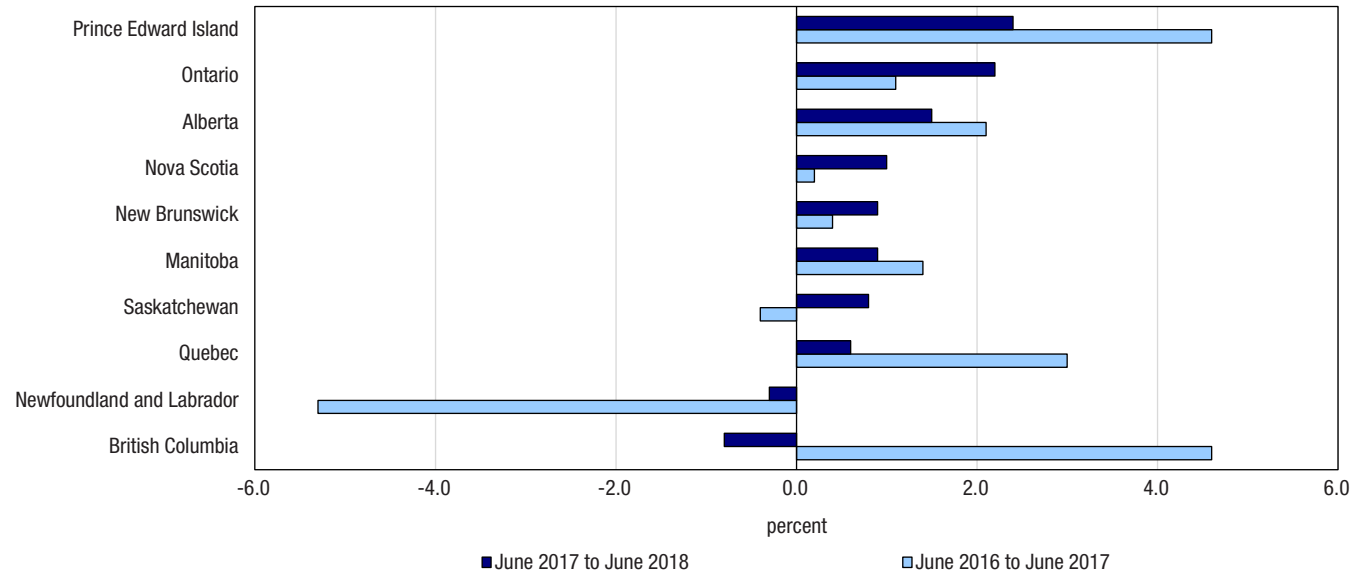


Source: Table 14-10-0223-01.

Uneven regional employment growth

National trends in employment mask differences across the provinces. From June 2017 to June 2018, employment increased in Ontario, Alberta, Manitoba, and Prince Edward Island. After driving employment growth at the national level from June 2016 to June 2017, British Columbia and Quebec recorded little change from June 2017 to June 2018. The number of people working in Nova Scotia, New Brunswick, Saskatchewan, and Newfoundland and Labrador was also little changed over the later period (Chart 4).

Chart 4
Year-over-year change in employment by province



Source: Table 14-10-0287-01.

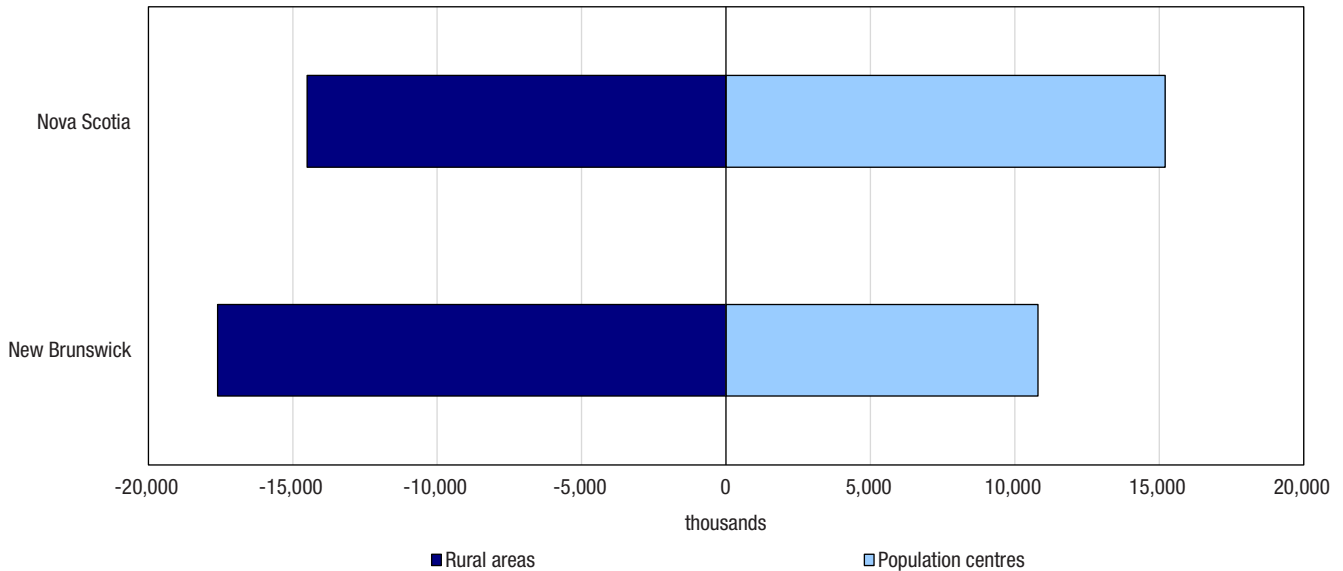
Employment trends diverged between population centres and rural regions.¹ Comparing the average of the twelve months ending in June 2018 with the same period the previous year, nearly all (98%) of employment growth at the national-level was in population centres.

Since the recession,² rural employment has edged down, while the number of employed people was up 12.6% in population centres. In Nova Scotia and New Brunswick in particular, the growth in population centres was strongly offset by declines in rural areas (Chart 5).

1. Population centres include the cores, secondary cores and fringes of census metropolitan areas (CMAs) and census agglomerations (CAs), as well as population centres outside CMAs and CAs. Rural areas include all territory lying outside population centres.

2. The 12-month average ending in June 2018 compared with the 12-month average ending in June 2009.

Chart 5
Employment change in rural areas and population centres, New Brunswick and Nova Scotia, June 2009 to June 2018



Note: Employment change was calculated using the 12-month average ending in June 2018 and the 12-month average ending in June 2009.
Source: Labour Force Survey, custom tabulations.

Matching the unemployed and job vacancies

Although the unemployment rate fell to a record low of 5.8% in December 2017, and increased only slightly to 6.0% in June, some unemployed individuals may have had difficulty finding a job that matched their skill level.

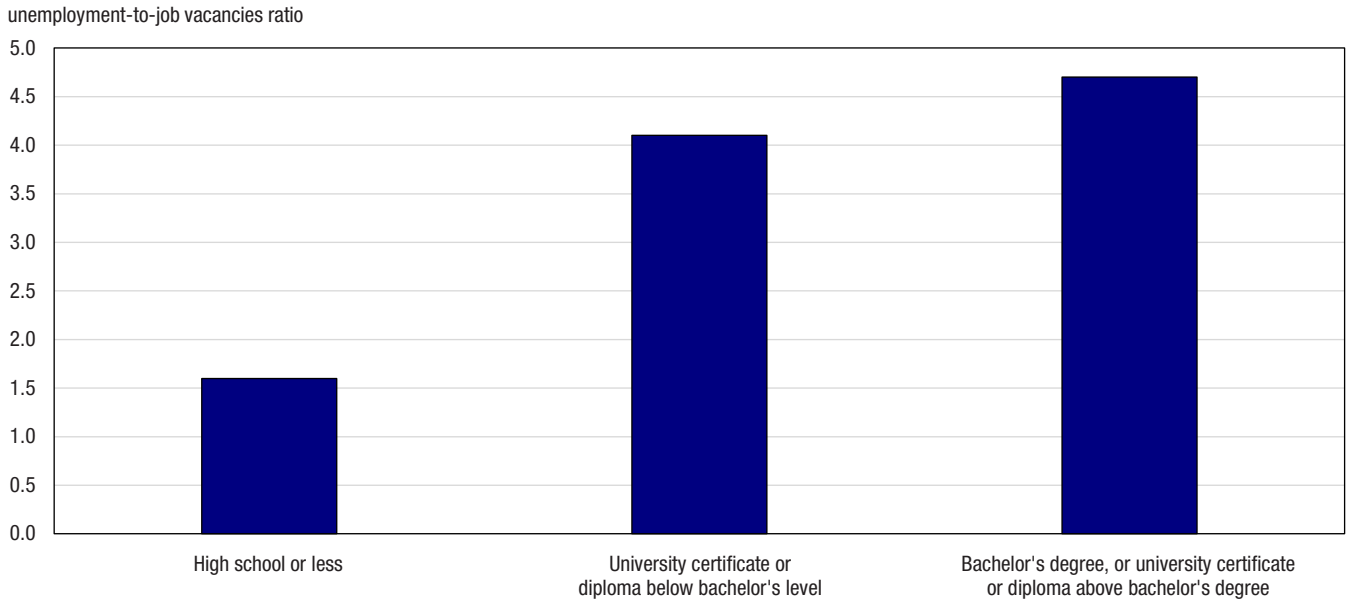
The unemployment-to-job vacancies ratio provides an indication of how well the attributes of the unemployed match the characteristics sought by employers.

Taking the average of the last three quarters of 2017 and the first quarter of 2018,³ there were 4.7 unemployed people with a bachelor's degree or higher for every vacancy that sought this level of education.⁴ In comparison, there were 1.6 unemployed people with a high school diploma or lower for each vacancy looking for a candidate with no specified level of education or with a high school diploma (Chart 6).

In other words, unemployed individuals with a bachelor's degree or higher may have found it more difficult to find work if they looked for a job that matched their skill level.

3. In the LFS, the number of unemployed people was calculated using 12-month averages ending in March, while for the JWVS, the number of vacancies represents the average of the four quarters ending in March. The estimates exclude provincial and federal public administration.
 4. The LFS measures education as the highest level of attainment of the respondent, while the JWVS categorizes job vacancies according to the minimum level of education sought by the employer.

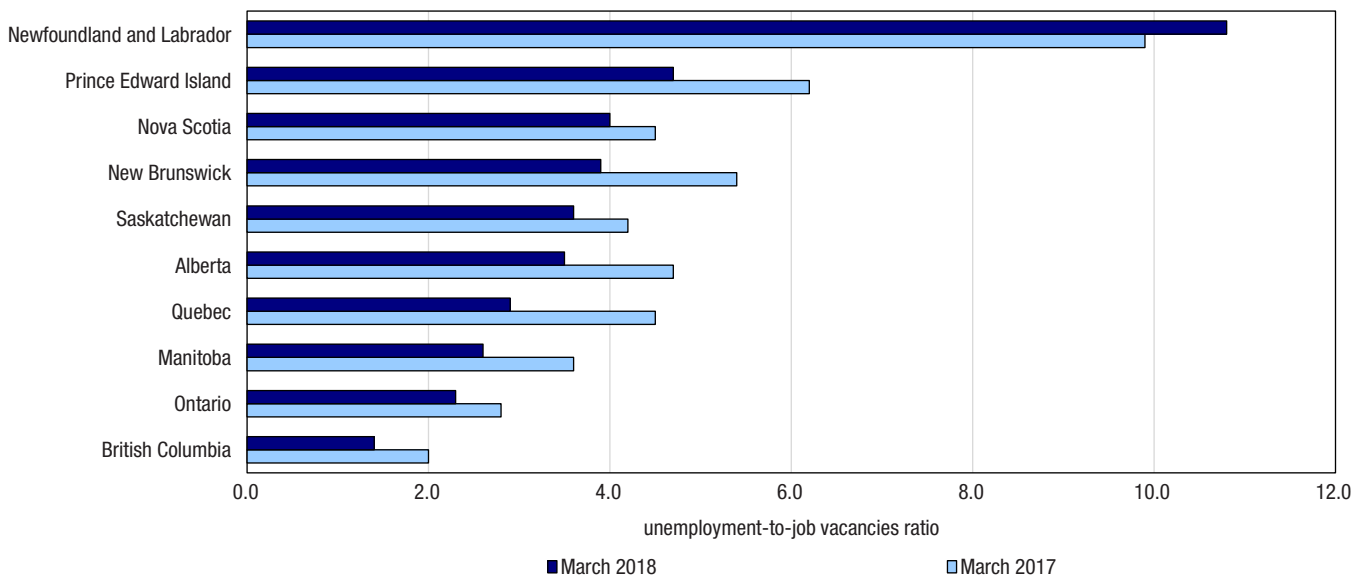
Chart 6
Unemployment-to-job vacancies ratio by education level, Canada, March 2018



Note: The unemployment-to-job vacancies ratio was calculated using the 12-month average ending in March 2018 for the number of unemployed people and the average of the four quarters ending in March 2018 for the number of vacancies. The estimates exclude provincial and federal public administration.
Source: Table 14-10-0328-01 and Labour Force Survey, custom tabulations.

Based on the average of the four quarters ending in March, Newfoundland and Labrador was the only province where the number of unemployed for every job vacancy increased between 2016/2017 and 2017/2018 (Chart 7).

Chart 7
Unemployment-to-job vacancies ratio by province



Note: The unemployment-to-job vacancies ratio was calculated using the 12-month average ending in March 2017 and 2018 for the number of unemployed people and the average of the four quarters ending in March 2017 and 2018 for the number of vacancies. The estimates exclude provincial and federal public administration.
Source: Table 14-10-0325-01 and Labour Force Survey, custom tabulations.

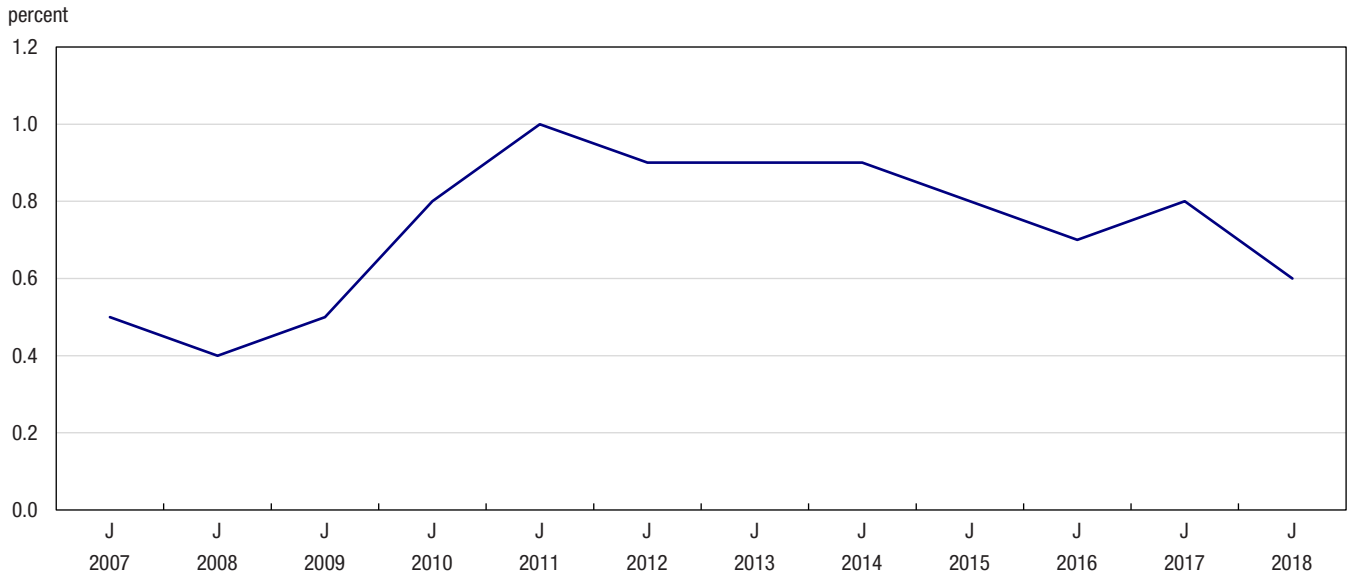
At the economic region (ER) level (excluding the territories), the unemployment-to-job vacancies ratio was highest in South–Coast Burin Peninsula and Notre Dame–Central Bonavista Bay, Newfoundland and Labrador; and lowest in Lower Mainland–Southwest, British Columbia. Lower Mainland–Southwest also had the second-largest job vacancy rate⁵ among all ERs, while South–Coast Burin Peninsula and Notre Dame–Central Bonavista Bay had the second-smallest job vacancy rate and the highest unemployment rate.

Flexibility and labour market integration

People unemployed for a year or more, and individuals potentially looking for permanent employment also faced obstacles.

In the 12 months ending in June 2018, an average of 126,500 individuals were unemployed despite having searched for work for a year or more. The overall unemployment rate fully recovered from the 2008/2009 recession in 2017/2018, but the long-term unemployment rate⁶ remained above pre-recession levels (Chart 8).

Chart 8
Long-term unemployment rate, June 2007 to June 2018



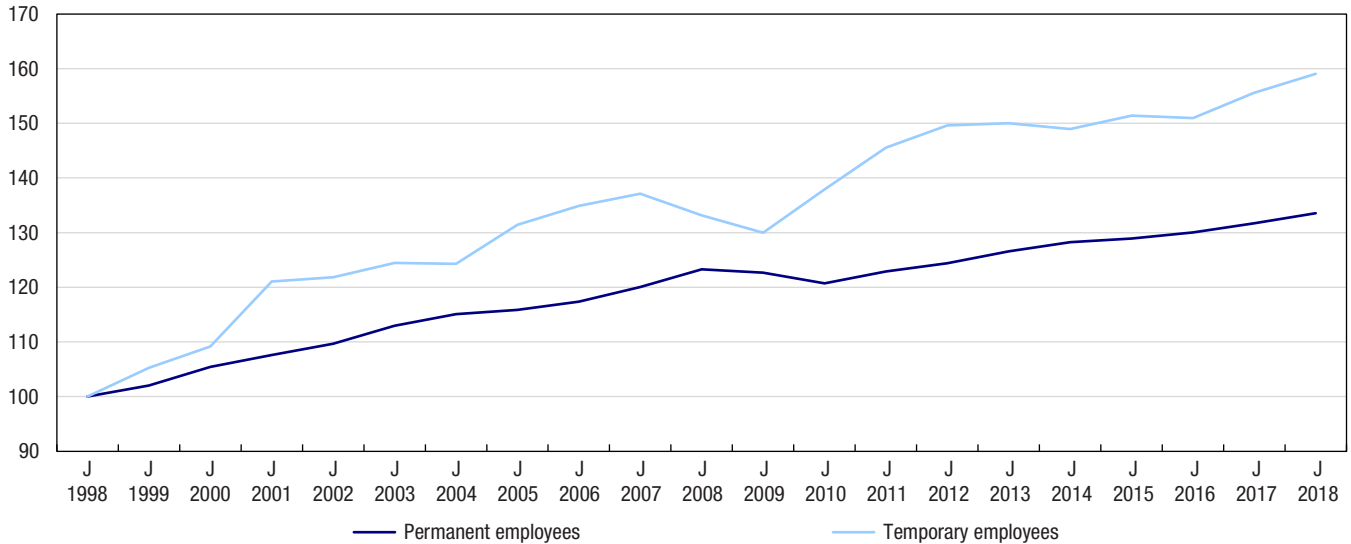
Note: The number of people unemployed for 52 weeks or more is expressed as a percentage of the labour force, calculated using the 12-month average ending in June from 2007 to 2018.
Source: Labour Force Survey, custom tabulations.

Temporary employment accounted for nearly 20% of employment gains from 2016/2017 to 2017/2018. This includes seasonal, term or contract, casual, and other forms of non-permanent employment. Growth in temporary work has outpaced permanent employment since 1998/1999 (Chart 9). The share of people employed on a temporary basis rose from 12.0% to 13.6% over this period.

5. The job vacancy rate is the number of job vacancies expressed as a percentage of labour demand; that is, all occupied and vacant jobs.
 6. The number of people unemployed for 52 weeks or more expressed as a percentage of the labour force.

Chart 9
Index of the number of employees with a permanent or temporary job, Canada, June 1998 to June 2018

June 1998 = 100

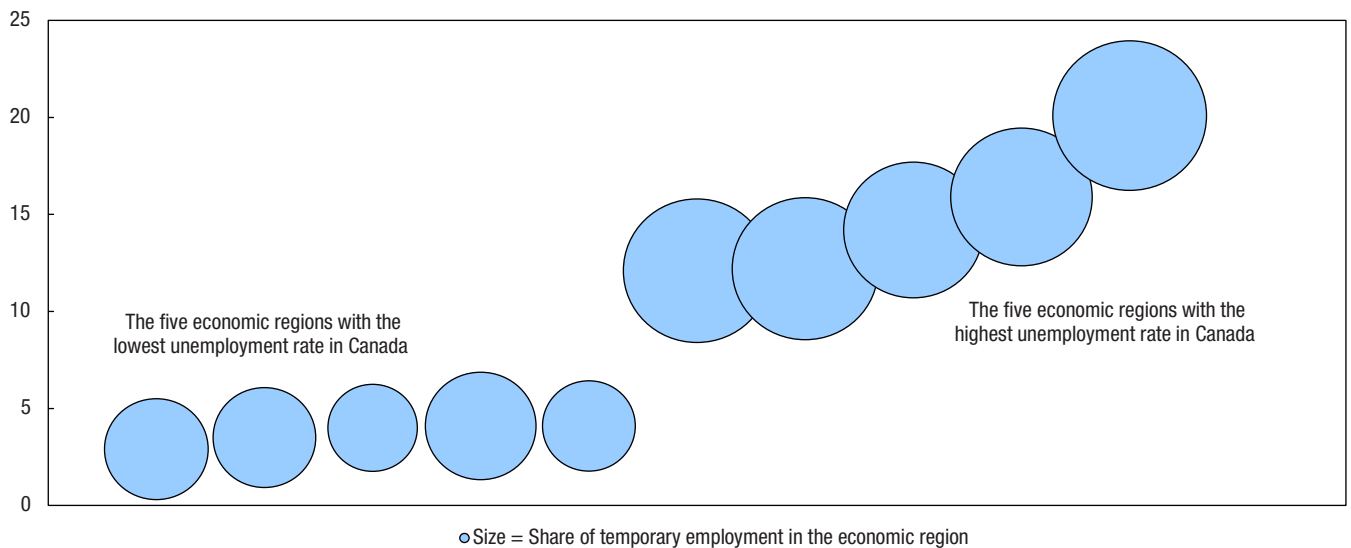


Note: The number of employees was calculated using the 12-month average ending in June from 1998 to 2018.
Source: Labour Force Survey, custom tabulations.

Compared with ERs with the lowest unemployment rates, ERs with the highest unemployment rates tended to have a larger proportion of individuals employed on a temporary basis (Chart 10). All five high-unemployment ERs were in Atlantic Canada and had among the highest shares of employees who were seasonal workers.

Chart 10
Unemployment rate and share of temporary employment by economic region, June 2018

unemployment rate (%)



Note: The unemployment rate and the share of temporary employment were calculated using the 12-month average ending in June 2018.
Source: Labour Force Survey, custom tabulations.

Data table for Chart 10

	Unemployment rate	Share of temporary employment percent
South Coast–Burin Peninsula and Notre Dame–Central Bonavista Bay, Newfoundland and Labrador	20.1	28.1
West Coast–Northern Peninsula–Labrador, Newfoundland and Labrador	15.9	23.8
Cape Breton, Nova Scotia	14.2	23.1
Campbellton–Miramichi, New Brunswick	12.2	25.3
Gaspésie–Îles-de-la-Madeleine, Quebec	12.1	25.8
Swift Current–Moose Jaw, Saskatchewan	4.1	10.2
Capitale-Nationale, Quebec	4.1	14.5
Stratford–Bruce Peninsula, Ontario	4.0	9.5
South Central and North Central, Manitoba	3.5	12.5
Chaudière-Appalaches, Quebec	2.9	12.8

Note: The unemployment rate and the share of temporary employment were calculated using the 12-month average ending in June 2018.

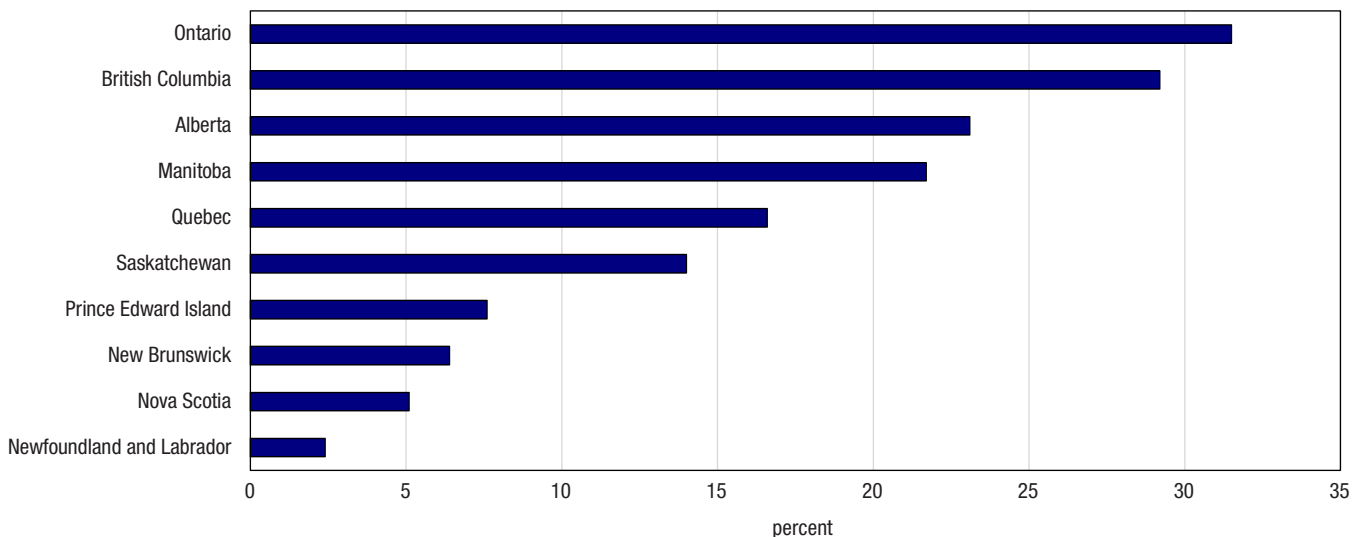
Source: Labour Force Survey, custom tabulations.

The changing face of labour supply

Key structural differences in the age composition and immigrant status of provincial and regional populations remained.

In the 12 months ending in June 2018, 2.4% of the working age population in Newfoundland and Labrador were landed immigrants on average, compared with 31.5% in Ontario (Chart 11).

Chart 11
Proportion of landed immigrants aged 15 to 64, June 2018



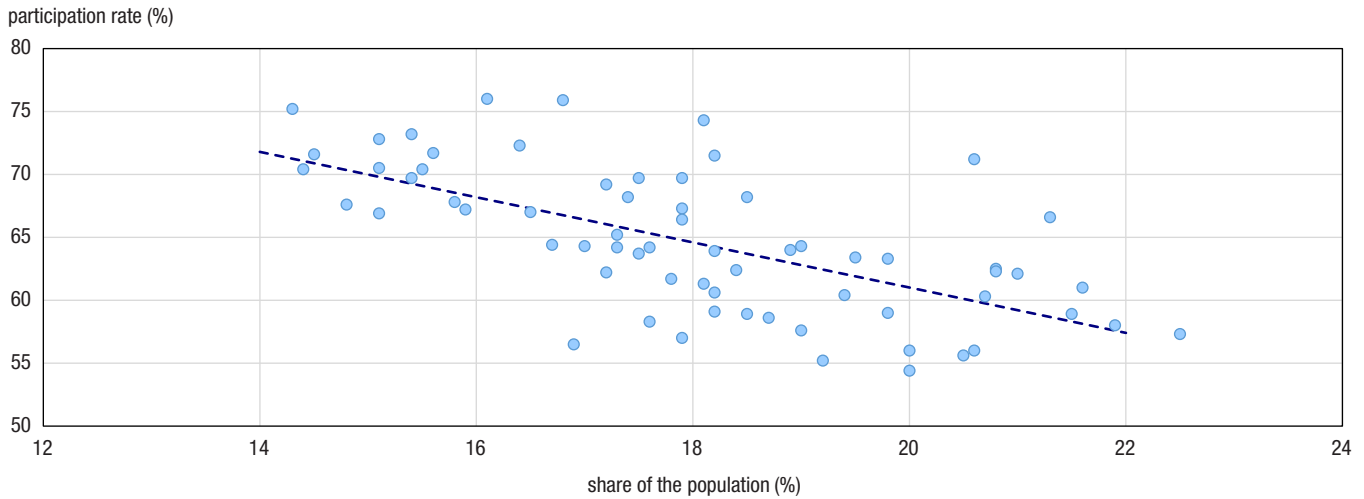
Note: The proportion was calculated using the 12-month average ending in June 2018.

Source: Labour Force Survey, custom tabulations.

With the aging of the baby-boom cohort, the share of the Canadian population who are aged 55 and older has been growing. Based on the 12-month average ending in June 2018, 45.5% of those aged 55 and older were between the ages of 55 and 64. Over the same period, 62.6% of 55- to 64-year-olds were employed. Employment for this group increased by 3.4% from 2016/2017 to 2017/2018, outpacing its population growth rate (2.0%).

The extent to which 55- to 64-year-olds participated in the labour market varied considerably on a regional basis. At the ER level, there was a negative relationship between the share of 55- to 64-year-olds in the population and their participation rate. In other words, this group tended to be less active in the labour market in areas where they represented a larger proportion of the population (Chart 12).

Chart 12
Participation rate of 55- to 64-year-olds and their share of the population by economic region, June 2018



Note: The participation rate and the share of the population were calculated using the 12-month average ending in June 2018. The dashed line represents the line of best fit based on the linear regression of the y-axis variable onto the x-axis variable.

Source: Labour Force Survey, custom tabulations.

In Gaspésie–Îles-de-la-Madeleine, Québec, the ER with the highest proportion of 55- to 64-year-olds, the participation rate for the group was 57.3%. In contrast, the participation rate of 55- to 64-year-olds was 75.2% in Wood Buffalo–Cold Lake, the ER where their share of the population was smallest.

Conclusion

The analysis presented in this short article used recent Statistics Canada data to evaluate how the labour market fared over the first six months of 2018.

The second half of 2017 was the six-month period with the largest employment gains since 2010. Furthermore, in September 2017, year-over-over growth in average weekly earnings exceeded 2.0% for the first time since 2015.

Although earnings continued to grow steadily in the first half of 2018, employment was little changed overall and some regions and groups had less favourable labour market outcomes than others. There is evidence to suggest the ratio of unemployment-to-job vacancies was greater at higher levels of education. In addition, the distribution of employment gains, the proportion of workers employed on a permanent basis, and the demographics of the working-age population continued to vary across the country.