



Canada's Labour Market Puts in a Strong Performance in 2012

Policy Brief

Economic Policy Series - February 2013

Introduction

Canada's labour market ended 2012 on a high note with almost 100,000 net new jobs created in the fourth quarter. This is impressive considering Canada's modest economic expansion and the negative sentiment and risks prevailing in the global economic landscape.

A total of 310,300 net new jobs were created in 2012 – of which, 99 per cent were full-time positions.

The private sector accounted for more than three-quarters (241,900 positions) of the newly created jobs. The public sector expanded by 97,500 jobs, and the ranks of the self-employed shrank by 29,200. Fifteen per cent of employed Canadians (approximately 2.6 million) were self-employed at the end of 2012.

Solid job gains drove the jobless rate to its lowest level in four years – 7.1 per cent in December 2012, down from 7.5 per cent a year ago. For all of 2012, the unemployment rate averaged 7.3 per cent, down 0.2 percentage points from 2011.



Average hourly wages for permanent workers rose at a faster rate in 2012 as a whole (+2.9 per cent, year-over-year) compared to 2011 (+2.1 per cent). Wage pressures were particularly intense in Alberta and Saskatchewan where labour shortages appear to be more evident.

Beneath the headlines, there is considerable variation in labour market performance by demographic group, sector and region. Summary tables and charts are included throughout this report to help illustrate the trends.

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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Demographic Snapshot – Older Workers Outperform

The segment of the population aged 55 years and over posted the largest increase in employment in 2012. Employment among older women surged 5.8 per cent last year, by far the largest increase of all demographic groups. Older men fared well, too, with their employment levels jumping 4.3 per cent. Canadians “are living longer, healthier lives than ever before. This, coupled with the availability of more flexible work arrangements, leaves many older workers with not only the mental and physical capabilities to continue working, but the desire and means to as well.”¹ They have valuable knowledge, experience and skills that employers are eager to tap into.

The unemployment rate among older workers (55 years of age and over) dropped from 6.6 per cent in December 2011 to 6.0 per cent a year later, with the unemployment rate falling to 6.3 per cent among men and 5.5 per cent among women. Older women had the lowest jobless rate among all groups.

The unemployment rate for prime-age workers – men and women 25 to 54 years of age – sat at 5.9 per cent in December 2012; the lowest in four years.

In contrast, the unemployment rate among Canada’s youth (15 to 24 years of age) remained above pre-recession levels. It clocked in at 14.1 per cent at the end of 2012, down slightly from the rate registered 12 months earlier and is almost double the overall jobless rate.

“In addition to competition within their own age group, they now must compete with older workers looking to reenter the labour market and those more experienced who lost their job during the recession. This occurs as many older Canadians are delaying retirement and preventing job vacancies from building.”²

Canada’s situation is not unique. Youth unemployment remains high throughout the developed world. For example, in the United States, 16.3 per cent of young people were looking for work in December 2012, and, in the euro area, the youth unemployment rate was at 24.0 per cent.³

As of December 2012, 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.⁴ More than half (53.1 per cent) of 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.⁵ “The top three barriers highly educated immigrants face in obtaining Canadian employment commensurate with their skills and education are the lack of official language skills, the non-transferability of their foreign credentials and a lack of Canadian work experience.”⁶

1 Jaworski, Barbara. “Return of Older Workers to the Workforce.” The Workplace Institute. <http://hiring.monster.ca/hr/hr-best-practices/recruiting-hiring-advice.aspx>

2 Fong, Francis. “The Plight of Younger Workers.” *Observation*. TD Economics. March 8, 2012.

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

4 Source of data: Statistics Canada. CANSIM. Table 282-0105. Unadjusted for seasonality. December 2012, based on a three-month moving average. Recent immigrants are those that landed in Canada in the last five years.

5 Ibid.

6 Government of Canada. “Regulations Amending the Immigration and Refugee Protection Regulations.” *Canada Gazette* Vol. 146, No. 33. August 18, 2012.

Changes in Employment by Age Group⁷ December 2012

Age Group	Employment (year-over-year change)	Employment (year-over-year per cent change)	Unemployment rate
15 years and over	310,300	1.8	7.1
men	148,100	1.6	7.5
women	162,200	2.0	6.7
15-24 years	- 8,100	- 0.3	14.1
men	- 23,400	- 1.9	16.3
women	15,300	1.3	11.9
25-54 years	163,000	1.4	5.9
men	98,500	1.6	5.9
women	64,500	1.1	5.9
55 years and over	155,400	5.0	6.0
men	72,900	4.3	6.3
women	82,400	5.8	5.5

⁷ Source of data: 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 2012 (236,100 positions or 76.0 per cent of the total) were in the services-producing sector, with the largest gains in the areas of educational services (99,100), health care and social assistance (69,600), and finance, insurance and real estate (64,500). In contrast, employment in professional, scientific and technical services shrank by 70,800 positions. Two other declining areas were public administration and accommodation and food.

Seventy-eight per cent of employed Canadians worked in the services sector as of December 2012. As in other advanced countries, there has been a shift in employment toward services during the past three decades.

The goods-producing sector created 74,200 new positions in 2012, with the manufacturing sector generating 63.7 per cent of the jobs. The pace of construction hiring slowed in 2012 to 8,800 from 34,300 in 2011.

The goods-producing sector led in terms of percentage gains – employment in the sector rose 1.9 per cent year-over-year outpacing the 1.7 per cent gain in services sector employment.

Changes in Employment by Industry⁸

December 2012

	Year-over-year change	Year-over-year per cent change
All Industries	310,300	1.8
Goods-producing Sector	74,200	1.9
Agriculture	9,100	3.0
Forestry, fishing, mining, quarrying, and oil and gas	- 1,900	- 0.5
Utilities	10,800	8.0
Construction	8,800	0.7
Manufacturing	47,300	2.7
Services-producing Sector	236,100	1.7
Retail and wholesale trade	38,400	1.4
Transportation and warehousing	13,600	1.6
Finance, insurance, real estate and leasing	64,500	6.1
Professional, scientific and technical	- 70,800	- 5.2
Business, building and other support	34,100	5.1
Educational	99,100	8.1
Health care and social assistance	69,600	3.3
Information, culture and recreation	19,000	2.4
Accommodation and food	- 3,800	- 0.3
Other services	- 9,900	- 1.3
Public administration	- 17,800	- 1.8

⁸ Source of data: Statistics Canada. CANSIM. Table 282-0088. Seasonally adjusted.

The Labour Market at the Regional Level – Employment Up in Most Provinces

Eight of Canada's 10 provinces had a higher level of employment in December 2012 than a year ago. Nova Scotia and New Brunswick were the exceptions.

In percentage terms, employment increased the most in Newfoundland and Labrador (up 3.9 per cent, year-over-year), and the province's unemployment rate dropped to a near record low of 11.6 per cent – still high by national standards. Quebec and Saskatchewan also experienced robust employment gains – up 3.5 per cent and 3.1 per cent respectively, far outpacing the national average growth rate of 1.8 per cent.

In absolute numbers, Quebec saw the biggest increase in employment in 2012 with 135,400 net new jobs created. The province accounted for 43.6 per cent of the net new jobs created in

Canada last year. Quebec's unemployment rate sat at 7.3 per cent in December, down from 8.7 per cent a year earlier.

Ontario also fared well in absolute terms, generating 102,800 net new jobs; however, at the end of 2012, the unemployment rate was at 7.9 per cent, up from 7.7 per cent at the end of 2011.

Alberta and Saskatchewan boasted the lowest unemployment rates in the country at the end of 2012, at 4.5 per cent and 4.6 per cent, respectively.

Labour market information about the territories is only available on a three-month moving average basis. As of December 2012, the unemployment rate was 6.0 per cent in the Yukon, 7.3 per cent in the Northwest Territories and 14.2 per cent in Nunavut.⁹



⁹ Source of data: Statistics Canada. CANSIM. Table 282-0100. Data is seasonally adjusted except for Nunavut where only unadjusted estimates are available.

Changes in Employment by Province¹⁰
December 2012

	Employment (year-over-year change)	Employment (year-over-year per cent change)	Unemployment Rate
Canada	310,300	1.8	7.1
Newfoundland and Labrador	8,900	3.9	11.6
Prince Edward Island	1,400	1.9	11.0
Nova Scotia	- 10,000	- 2.2	9.3
New Brunswick	- 7,200	- 2.0	10.8
Quebec	135,400	3.5	7.3
Ontario	102,800	1.5	7.9
Manitoba	12,100	1.9	5.2
Saskatchewan	16,600	3.1	4.6
Alberta	32,400	1.5	4.5
British Columbia	17,700	0.8	6.4

¹⁰ Source of data: Statistics Canada. CANSIM. Table 282-0087. Seasonally adjusted.

There Is Still a Modest Degree of Slack in the Labour Market

As of early 2011, Canada recouped all of the jobs lost through the economic downturn. With a relatively quick recovery in employment, much of the slack in the labour market has been taken up; however, a number of indicators suggest that some labour underutilization remained in the final months of 2012.

- The unemployment rate, at 7.1 per cent in December 2012, was still higher than the 5.9 per cent pre-recession low reached in February 2008.
- The average duration of unemployment, at 21.3 weeks in December 2012, remained above its pre-recession average.¹¹ The number of people working part-time who would prefer to work full-time also remained at elevated levels, while average hours worked remained relatively low.¹²
- Fewer businesses reported labour shortages in the final quarter of 2012. According to the Bank of Canada's *Business Outlook Survey*, 25 per cent of firms responded "yes" to the question, "Does your firm face any shortages of labour that restrict your ability to meet demand?" This was down from 33 per cent in the third quarter of 2012 and down from 29 per cent in the fourth quarter of 2011. Firms located in Central and Eastern Canada reported fewer labour shortages in the final months of 2012.¹³



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

12 Bank of Canada. "Monetary Policy Report." January 2013.

13 Bank of Canada. "Business Outlook Survey." January 14, 2013. The survey was conducted from November 19, 2012 to December 13, 2012.

- As of October 2012 (the most recent data available at the time of writing), there were 268,300 job vacancies among Canadian businesses. For every job vacancy, there were 5.0 unemployed people, down from 5.3 in October 2011.¹⁴ The decline in the unemployment-to-job vacancy ratio was due to the increase in job vacancies, as opposed to lower unemployment, suggesting that businesses were finding it more difficult in October 2012 than a year ago to fill new or replacement positions.
- There was more slack in labour markets in Atlantic Canada compared to other regions of the country. In Newfoundland and Labrador, there were 11.2 unemployed people for every job vacancy. In Nova Scotia, the ratio was 8.3. It was 7.6 in New Brunswick and 5.5 in Prince Edward Island. In Central Canada – Ontario and Quebec – the ratio was 7.1 and 6.2, respectively.
- Labour market conditions were tighter in western Canada. The Prairie provinces (Alberta, Saskatchewan and Manitoba) accounted for 12.1 per cent of all unemployed people in Canada but 32.5 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 1.7 unemployed Canadians for every job vacancy, down from 2.7 in October 2011. In Saskatchewan, there were 1.7 unemployed people per vacancy, and in Manitoba, the ratio was 3.1. The unemployment-to-job vacancy ratio in British Columbia stood at 5.1, which is in line with the national average.
- On a sectoral basis, tight labour market conditions prevailed in a number of industries. Health care and social assistance had the lowest unemployment-to-job vacancies ratio (1.1), followed by finance and insurance (1.6); professional, scientific and technical services (1.6); and wholesale trade (1.8). By comparison, in the forestry and logging sector, there were 11.6 unemployed people for every job vacancy, and in educational services, there were 9.2 unemployed people per vacancy.

¹⁴ Source of data: Statistics Canada. "Job vacancies, three-month average ending in October 2012." *The Daily*. January 22, 2013. 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 are you 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.

2013 Job Prospects

With Canada's economy projected to grow just 1.8 per cent in 2013,¹⁵ businesses are expected to take a cautious approach to hiring. Public sector restraint will also dampen employment gains.

The December 2012 Manpower *Employment Outlook Survey* revealed somewhat conservative hiring plans for the first quarter of 2013: 13 per cent of employers intended to increase their payrolls, seven per cent anticipated cutbacks and 78 per cent expected to maintain their current staffing levels. The most solid hiring prospects were reported in the transportation and public utilities sector.¹⁶

In the Bank of Canada's winter *Business Outlook Survey*, 42 per cent of firms said they intended to add employees over the next 12 months, 45 per cent planned to keep their firm's level of employment about the same and 14 per cent anticipated a decrease in their level of employment.¹⁷

We anticipate Canada's economy will generate, on average, about 15,000 jobs per month in 2013. For 2013 as a whole, the unemployment rate is projected to average 7.1 per cent compared to 7.3 per cent in 2012.

Despite a relatively subdued hiring outlook, many Canadian businesses are expected to face staffing challenges due to persistent skilled labour shortages. As previously noted, a quarter of firms reported difficulty in attracting suitable labour in the final quarter of 2012.¹⁸ Prime Minister Harper said that skills shortages are "the biggest challenge our country faces."¹⁹

The Canadian Chamber intends to maintain its focus on skills in 2013, particularly in addressing four key areas: upskilling the existing labour force, immigration policies, education-employment alignment, and Aboriginal education and workforce development.²⁰ More is to come in this regard in the coming months.

15 Kremmidas, Tina. "2013-14 Economic Outlook: Still Stuck in the Slow Lane." *Economic Policy Series*. The Canadian Chamber of Commerce. December 27, 2012.

16 Manpower Inc. "Manpower Employment Outlook Survey Canada: Q1/2013." December 11, 2012.

17 Bank of Canada. "Business Outlook Survey." January 14, 2013. The survey was conducted from November 19, 2012 to December 13, 2012.

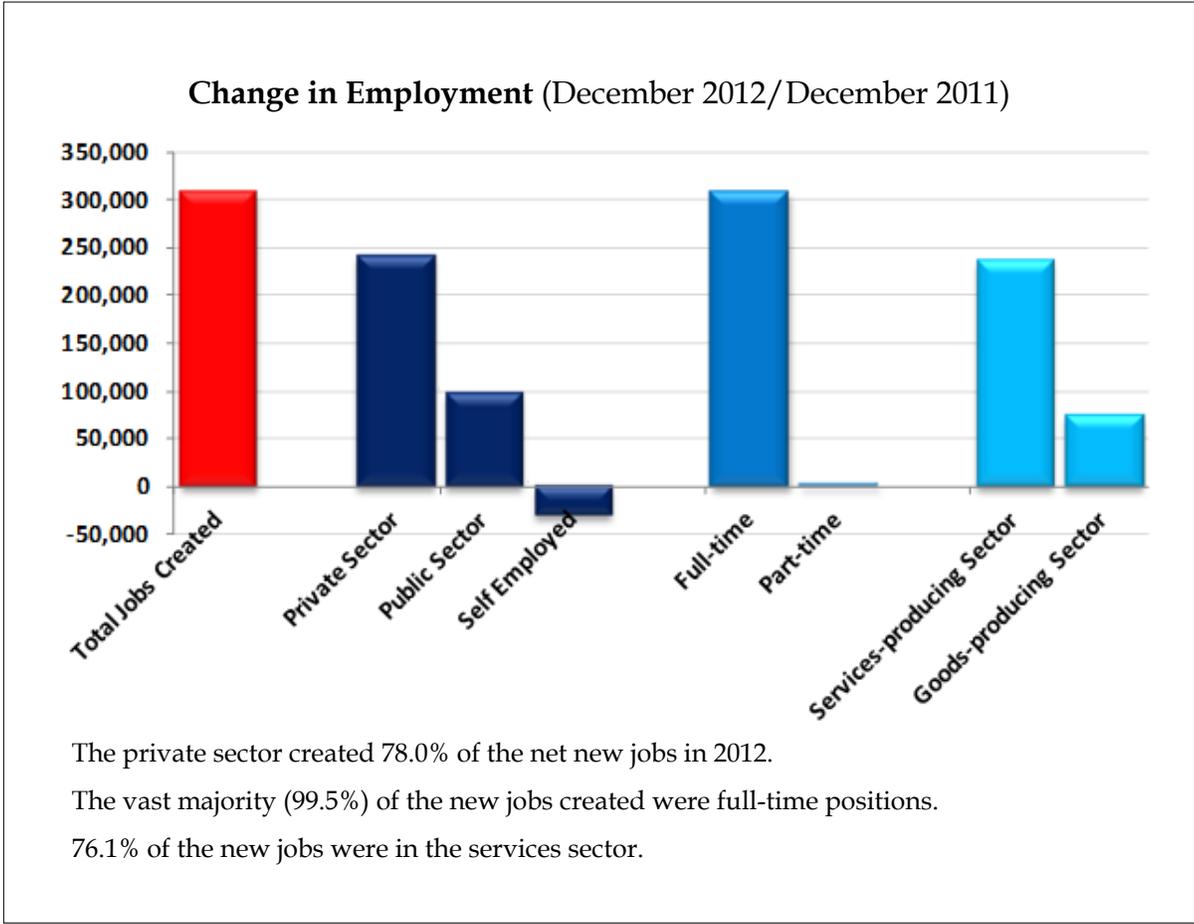
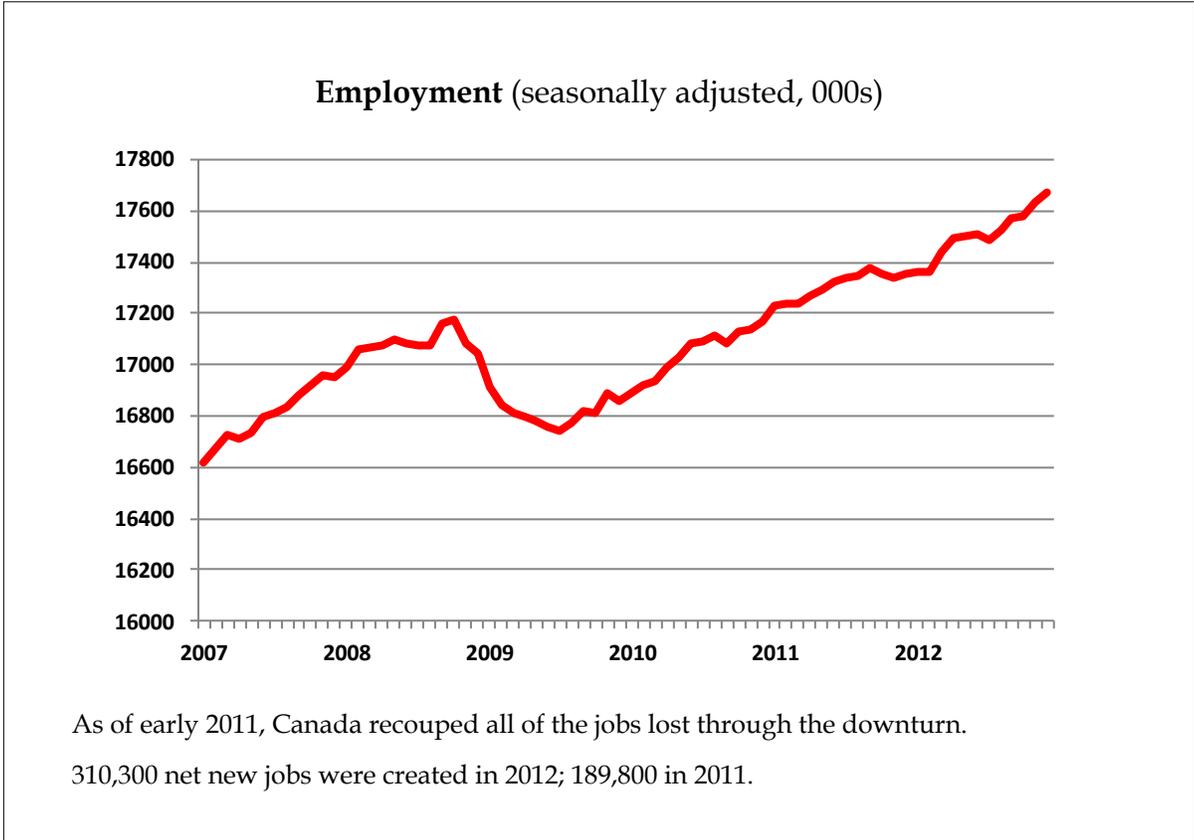
18 Ibid.

19 Prime Minister Stephen Harper's remarks at the Canadian American Business Council's 18th Annual Fall Policy Forum and Business Achievement Luncheon. November 19, 2012.

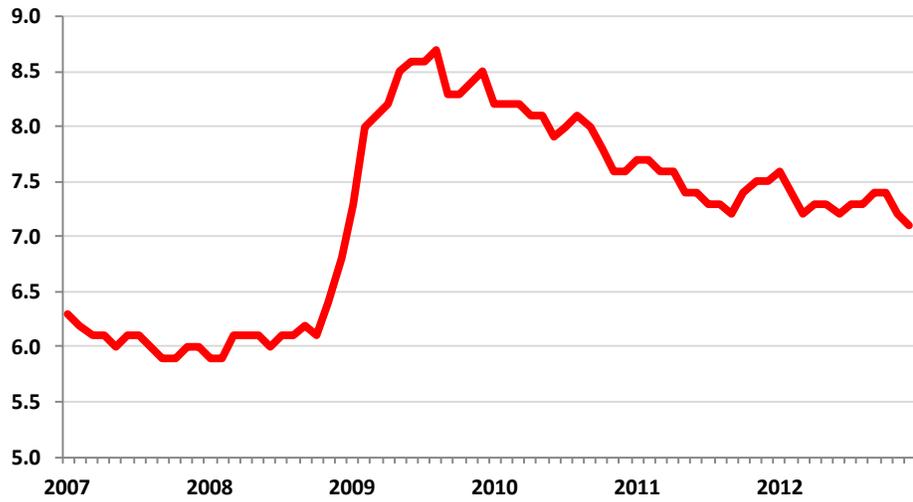
20 The Canadian Chamber of Commerce. "Top 10 Barriers to Competitiveness." February 2013.

For further information, please contact:

Tina Kremmidas, Chief Economist | tkremmidas@chamber.ca | 416.868.6415 ext 222

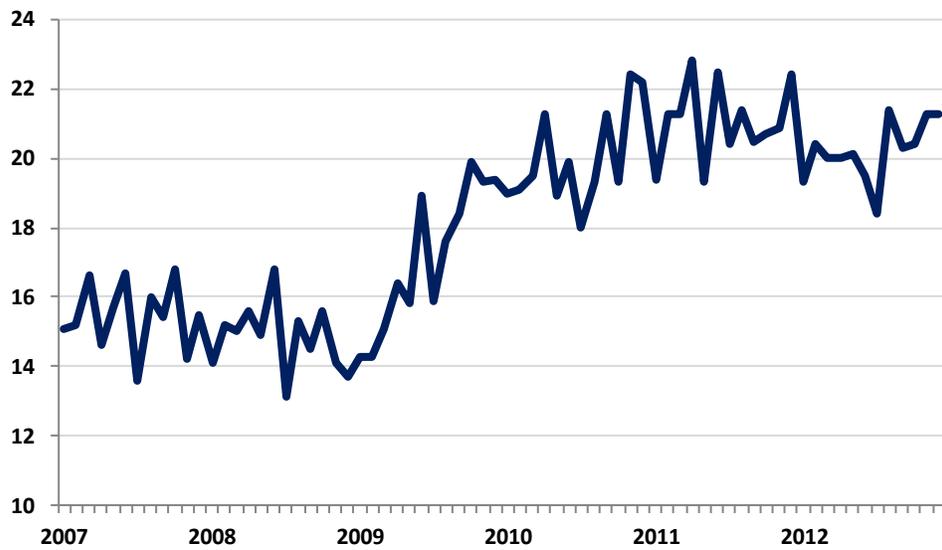


Unemployment Rate (% , seasonally adjusted)



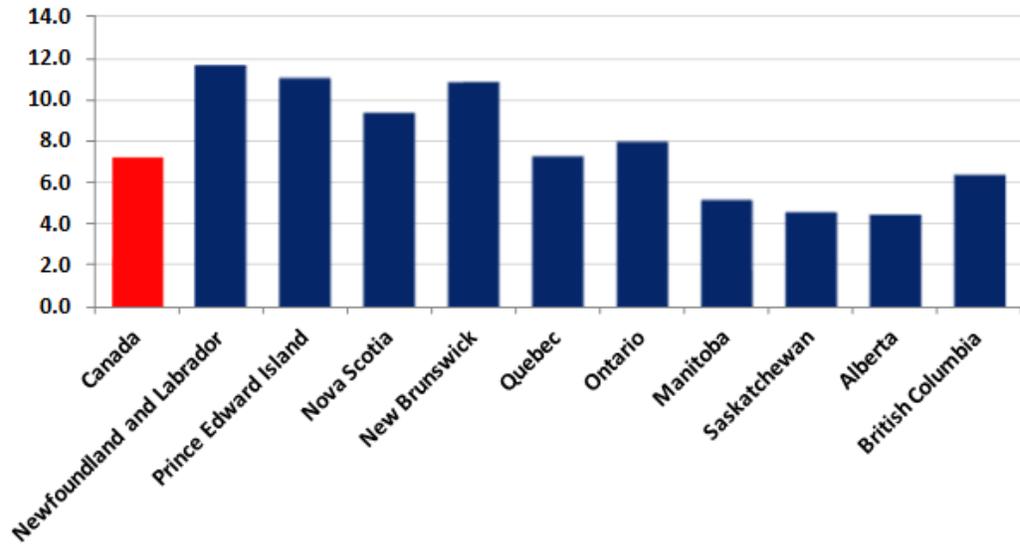
The unemployment rate stood at 7.1% in December 2012—its lowest level in four years—but it remained well above the 5.9% pre-recession low reached in February 2008.

Average Unemployment Duration (weeks, unadjusted for seasonality)



The average duration of unemployment lingered at elevated levels as 2012 came to a close and was well above its pre-recession average.

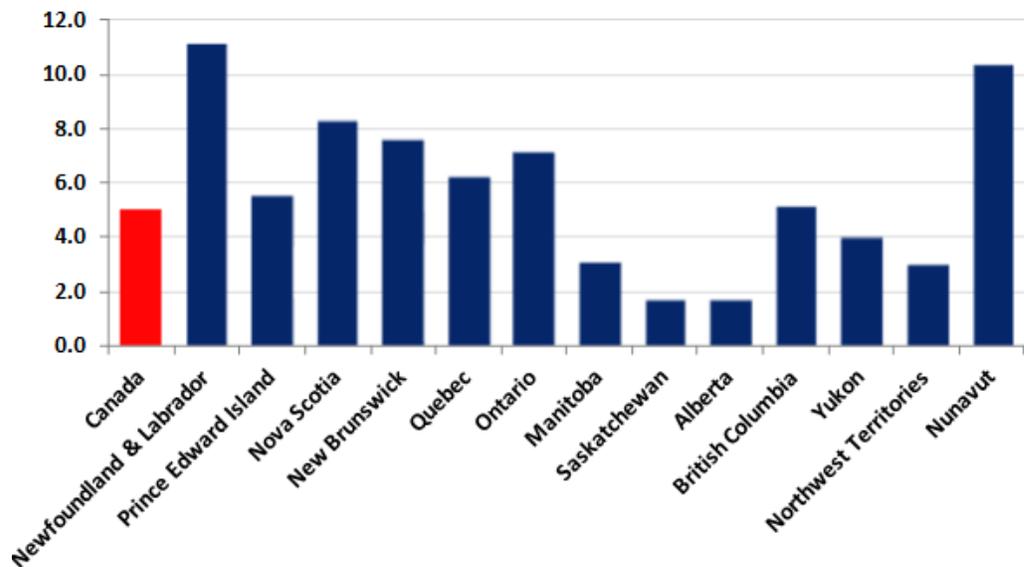
Unemployment Rate by Province (% , seasonally adjusted, December 2012)



The Prairie provinces recorded the lowest unemployment rates in the country as 2012 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 2012, unadjusted for seasonality)

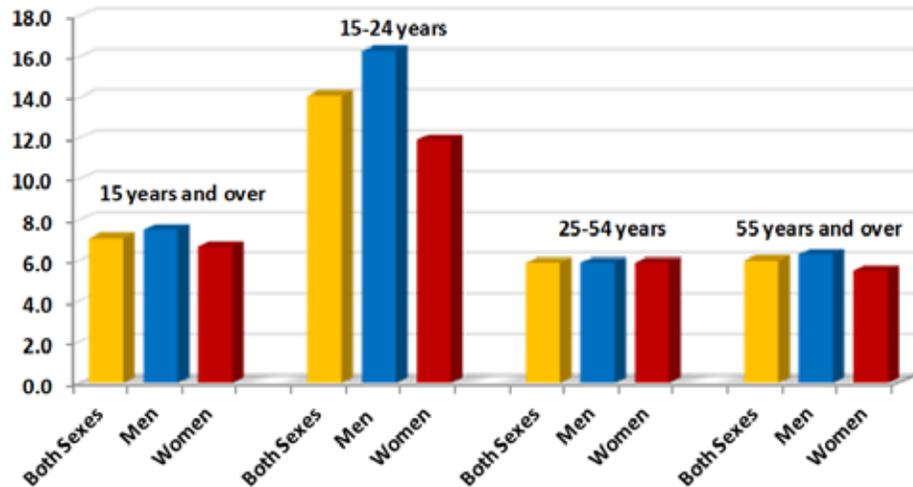


In Alberta and Saskatchewan, there were 1.7 unemployed Canadians for every job vacancy (October 2012).

There was more slack in labour markets in Atlantic Canada.

Unemployment Rate by Age Group and Gender

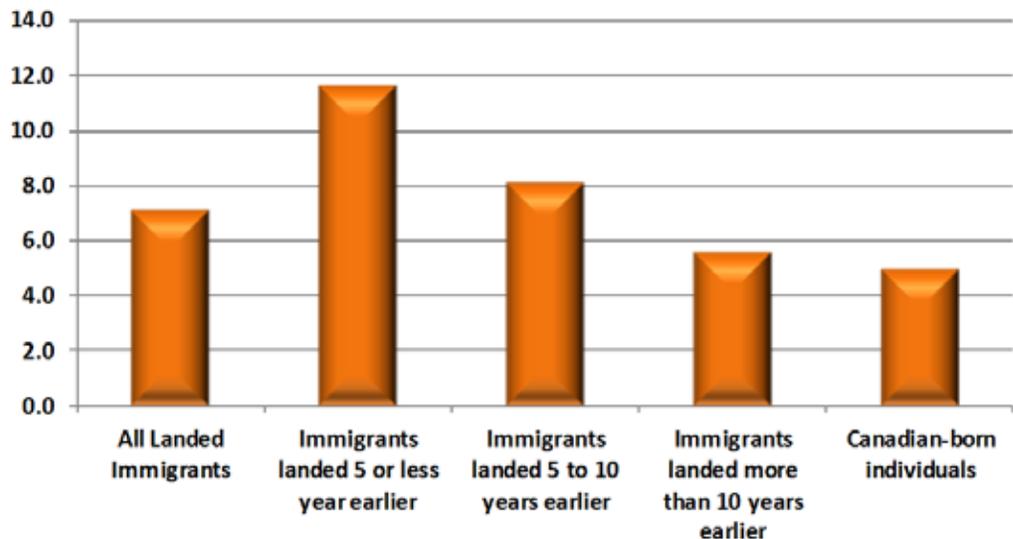
(%, seasonally adjusted, December 2012)



The youth (age 15 to 24) jobless rate was 14.1% in December 2012, virtually unchanged from a year earlier and more than double that of prime-age individuals (25 to 54).

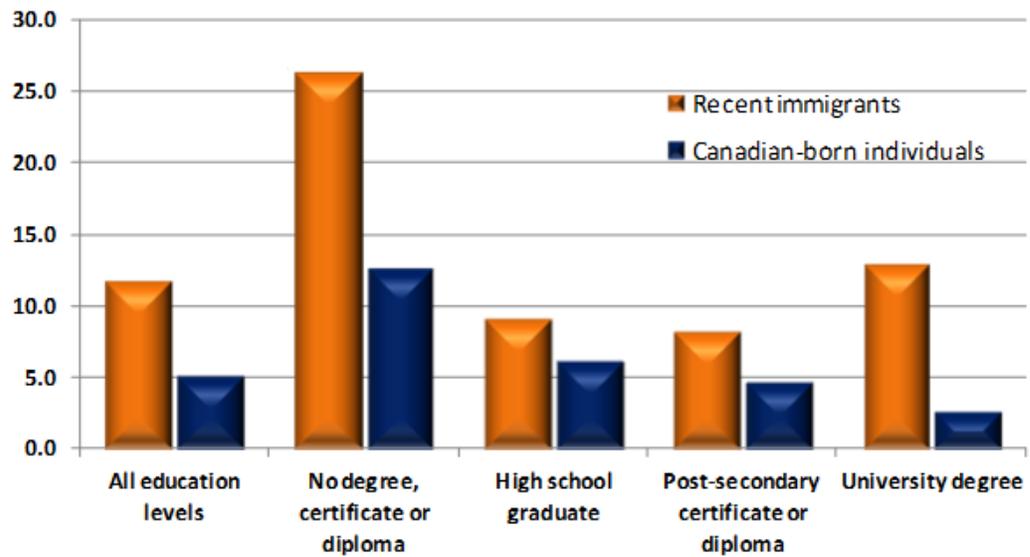
Unemployment Rate by Immigrant Status 25 to 54 years of age group

(%, three-month moving average, December 2012, unadjusted for seasonality)



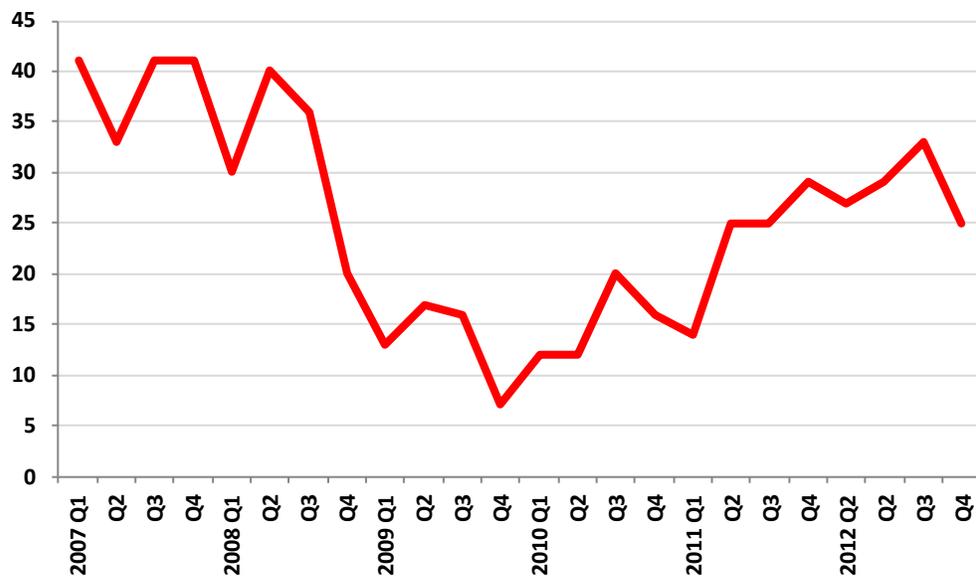
The national unemployment rate among recent immigrants in the prime working-age group (25 to 54) was more than double that of Canadian-born, prime-age individuals in the closing months of 2012.

**Unemployment Rate for Recent Immigrants (landed five or less years earlier)
by Level of Education, 25 to 54 years age group**
(%, three-month moving average, December 2012, 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 2012.

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



Fewer businesses reported labour shortages in the final quarter of 2012.

Still, one-quarter of firms reported difficulty in attracting suitable labour (Bank of Canada, Business Outlook Survey).