

# Beyond the big numbers: What to watch for in new Canadian jobs data

By David Parkinson

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The hot streak in Canadian employment has gone large enough for long enough now that it cannot be dismissed as a blip. Adding nearly 240,000 jobs in six months of nearly uninterrupted growth will do that for you.

But just how strong is this labour market? With the headline job count now on decidedly stronger footing, the answer to that question has become more nuanced.

As we see the growth trend become more entrenched, we can expect the conversation to become less focused on quantity and more on the quality of the labour market. That is where things get interesting, in the small details beneath the big numbers: the weak links, the riddles, the longer-term policy challenges.

While you are scouring Friday's labour-force survey, consider these details:

## Part-time nation

In the past 12 months, the Canadian economy has generated 277,000 net new jobs. Pretty good. But more than two-thirds of those, 190,000, have been part-time. Not so good. Or is it?

Canadian Imperial Bank of Commerce economists Andrew Grantham and Nick Exarhos said in a research report this week that, according to Statscan data on reasons for taking part-time work, the bulk of part-time job gains over the past two months have been by choice, rather than "involuntary" – people who want full-time work but are stuck in a part-time position.

"It wouldn't be indicative of extra slack in the economy unless those people wanted full-time jobs," they said.

And, they said, this can only be partly explained by rising part-time employment among older workers who are shifting into semi-retirement.

"One recent phenomenon is a rebound in the proportion of part-timers citing caring for children or other family matters as a reason for not pursuing full-time work," they said. "It's possible that more flexible working practices give the primary caregiver in a household the ability to return to work without having to clock in the same number of hours."

## Wages and hours

Despite the employment gains of the past year, total hours worked across the entire labour force in January were actually lower than they were at the end of 2015. The average employed Canadian worked 36 hours a week in January, down from 37.1 in the middle of last year.

Meanwhile, average weekly wages have grown just 0.7 per cent over the past 12 months, well below inflation. And it is not just because of the shift toward part-time work: Average hourly wages grew just 1.2 per cent.

The Bank of Canada has cited the weaknesses in wages and hours as evidence that Canada still has "persistent economic slack" – and thus a long way to go before excess capacity is absorbed, inflationary pressures start to build, and the central bank is prompted to raise interest rates. But National Bank of Canada chief economist Stéphane Marion said in a research note this week that recent data show a pick-up in wages over the last two months of 2016, coinciding with a bounce-back in the relatively high-paying energy and construction sectors.

“It will be interesting to see how the Bank of Canada reacts to this new development,” he wrote.

And CIBC’s Mr. Grantham and Mr. Exarhos argue that if more Canadians are opting for part-time employment, then the slowdown in wages and hours may suggest “a change in the speed limit of the economy, rather than the amount of slack.”

### **Women vs. men**

The unemployment rate among women was 6.2 per cent in January – more than a full percentage point lower than that of men (7.3 per cent). It has been nearly 20 years since the last time the male unemployment rate was lower than the female.

But women’s labour-force participation rate (the percentage of working-age women who are either employed or seeking work) is 61.5 per cent, about nine percentage points below men’s participation rate. After growing dramatically from the 1970s through the 1990s, the women’s participation rate has been essentially flat for the past 15 years, stuck well below men’s participation levels.

This matters a lot in light of Canada’s fast-aging demographics, which will take a big bite out of the working-age population over the next couple of decades. If policy makers can create the right incentives to bring women’s participation closer to men’s levels, it could go a long way to offsetting a looming demographic labour-force crunch that threatens Canada’s longer-term potential for economic growth.

### **Goods vs. services**

Over the past two months, the services sector has added 110,000 jobs, part of a longer trend of solid job creation in the services side of the economy. Over the same period, the goods sector has *lost* 18,000 jobs. With goods export volumes up at an annualized rate of 12 per cent over that period, pressure may be building for hiring on the goods side to gain momentum in the coming months.

But if you look back further, goods-sector employment has not grown in five years, even as goods export volumes have risen nearly 14 per cent. Goods makers are clearly producing more with less – a long-term theme in manufacturing, as automation has supplanted human sweat in more and more of the production process.