

# Canada's employment may be growing, but it needs to get better, not just bigger

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After months of strong Canadian job growth, it's almost beside the point whether Friday's employment report for March will keep the winning streak going. The focus on the Canadian labour market has shifted from quantity to quality.

Economists aren't expecting much big from Statistics Canada's labour-force survey in terms of additional job growth, after the economy booked gains of 110,000 jobs in the previous three months, and more than 250,000 since last July. Most anticipate a pause in the month; the median estimate is an inconsequential 5,000 gain, and few would be surprised by a small decline. Nevertheless, with the economic data generally signalling accelerating growth, the upward trend in hiring looks pretty locked in.

But there remain nagging doubts in some quarters about the underlying health of the labour market's recovery. Questions have lingered about whether the job growth is masking a rise of a "just getting by" market, with increasingly low-value and perilous employment.

There have been signs in the past few months that the quality of the job market has, indeed, improved along with the gains in quantity. But there's still room for improvement, and it will be an important factor in Canada's economic momentum this year.

The most obvious quality issue over the past year has been the prevalence of part-time hiring. As recently as November, part-time jobs were up more than 200,000 from a year earlier, but full-time employment was showing year-over-year declines.

But even as critics continue to bemoan Canada's part-time economy, the pendulum has swung dramatically the other way. Over the past three months (December through February), the labour market added nearly 200,000 full-time jobs; the part-time segment has retreated by nearly 80,000.

Those numbers suggest that employers have been upgrading many of their part-timers to full-time positions. And, indeed, the number of so-called "involuntary part-timers" – those working part-time who say they would prefer full-time jobs, a key yardstick of labour-market quality – did fall significantly in February. But over all, the country's involuntary part-time count has shown little improvement over the past several months, despite all the job gains. Involuntary part-time sat at about 860,000 in February, down significantly from more than one million in mid-2014, but it remains elevated compared with prerecession levels.

Then there's the question of what industries have been generating these new jobs. The services-producing side of the economy has been responsible for essentially all the job growth in the past six months, while goods-producing jobs have been flat. Average hourly wages in the services sectors are nearly 10 per cent lower than in goods-producing sectors. To many observers, this implies that the economy has been cranking out a lot of low-paying jobs.

Yet the current wave of services hiring hasn't been dominated by the old stereotype of low-wage waitresses and store clerks, but rather by lucrative segments such as finance and real estate, education, and professional, scientific and technical services – where average hourly wages are well above those of construction and

manufacturing. The fact that the country's job creation has been services-centric is certainly not evidence of a quality problem.

Perhaps the most telling measure of job-market quality is Statistics Canada's "R8 unemployment" measure – essentially, a broad measure of the underemployment of Canada's labour pool. The official unemployment rate only measures people who are available for work and actively seeking a job, but can't land one. The R8 measure takes that official unemployment count and adds to it "discouraged" searchers (those who have basically given up actively looking for work); temporarily laid-off workers awaiting recall (who are considered unavailable for hire elsewhere); and involuntary part-timers.

Curiously, the R8 unemployment rate has actually climbed during the spurt in hiring in the past few months, and now sits at 10 per cent – lower than it was a year ago, but still elevated by prerecession standards. The implication is

that there is still considerable slack to be taken up in the labour market, despite the recent flurry of job gains.

That question of slack is the element of the labour-quality discussion that hits home for all Canadian workers, because it speaks to wage growth. Average weekly wages in February were up a thin 1 per cent year over year, and have lagged the pace of inflation for months, even as hiring has surged. It underlines a labour force that, even though working, is being underutilized in any one of a number of ways.

Until more of that slack is absorbed, wages will remain stagnant, posing a drag on consumer spending and, by extension, economic growth. And pure growth in job numbers, as we have already seen, will only get us partway there. That's why the closing of the employment-quality gap will be one of the most important issues for the Canadian economy in the coming months.