Canadian wages lag the annual inflation rate: survey

By Rachelle Younglai
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Canadians' paycheques are not keeping pace with the rising cost of living, according to new government data.

Average weekly wages rose 0.9 per cent to $966 over March of last year, according to the Survey of Employment, Payrolls and Hours released on Thursday, providing further proof that wage growth has stalled. That lagged the annual inflation rate of 1.6 per cent in March, according to Statistics Canada data.

The earnings data come about two months after the government's other jobs report, the Labour Force Survey, showed average weekly earnings up 1.1 per cent.

"It's pretty strong evidence, when you have got both surveys essentially sending the same signal that wage growth is around 1 per cent," said Douglas Porter, chief economist with Bank of Montreal.

The payrolls survey, known as SEPH, is considered more reliable as it is based on payroll data from Canada Revenue Agency. Whereas, the Labour Force Survey is based on people providing information about their wages and job status to data collectors.

Sometimes the two government employment reports diverge, but the latest SEPH shows similar findings to the labour force survey.

Since oil prices plunged, the elimination of well-paying natural resources jobs has depressed the average wage across the country. The payrolls survey showed average weekly earnings dropped 3.25 per cent year over year for workers in mining, quarrying and oil and gas extraction. Likewise, wages fell 0.8 per cent year over year in oil-producing Alberta, a decline Statscan characterized as flat.

The loss of energy jobs combined with more employment in lower-paid jobs such as food services has altered the composition of the labour market. Average weekly earnings in accommodation and food services was $379 in March, while average weekly wages for oil and gas was $2,015.

Statistics Canada said a "large employment increase in this low-earning sector moderated the year-over-year growth of national average weekly earnings."

The data showed that workers paid by the hour were the ones receiving meagre pay increases. Average hourly earnings for them increased 0.9 per cent year-over-year compared with 2 per cent for a salaried employee.

"Subdued" wage growth was cited in the Bank of Canada's decision this week to keep interest rates at the rock-bottom low of 0.5 per cent.

"It is one of the reasons why I think the Bank of Canada believes it can take its sweet time in terms of beginning to raise interest rates even though a lot of other signals are flash warning that rates are too low," Mr. Porter said. "The reality is that wages and broader price pressures remain contained at this point."

Although wage growth has slowed, the country's employers have been on a hiring spree. Employment increased by 265,400 jobs over the year earlier, with the biggest gains in health care, social assistance, accommodation and food services.