Canadas job market surges, but wage growth lags

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Canada's job market is on fire – even if wages are proving to be somewhat of a wet blanket.

Employers topped expectations and created a net 55,000 new jobs in May, the biggest gain since last fall, as a surge in full-time positions offset part-time losses. Both the private and public sectors beefed up hiring, and more Canadians participated in the labour force, according to Statistics Canada's monthly jobs report released on Friday.

However, wage increases remained bleak by historical standards, even though they rebounded slightly from a record low in April.

Average hourly earnings across all industries rose 1 per cent to $25.88 over May of last year. In April, the average was up 0.5 per cent.

"Even full-time jobs can be low quality," said Benjamin Tal, deputy chief economist with Canadian Imperial Bank of Commerce. "More and more of those jobs are being created in the low-quality segment of the labour market."

The loss of high-paying natural-resources jobs in Alberta has weighed on the national average.

But other factors have contributed to the recent weakness. Wage growth remains below historical standards for the majority of industries, including higher-paying areas such as manufacturing, natural resources and finance, according to National Bank of Canada data.

Also, earnings for some of the highest-paying industries have declined. For example, the average hourly wage in the finance industry fell 0.7 per cent to $29.56 over May of last year.

Education dropped 1 per cent to $31.94. Professional, scientific and technical services – the industry responsible for creating a good portion of the new jobs – declined 2.5 per cent to $32.20.Another government report showed that workers paid by the hour received meagre increases. Their average hourly earnings increased 0.9 per cent year over year, while the average earnings of salaried employees rose 2 per cent, according to Statistics Canada's Survey of Employment, Payrolls and Hours, which is considered quite accurate because it uses payroll data.

Despite the sluggish wage increases, May was a positive month for the country's labour market. The unemployment rate rose to 6.6 per cent from 6.5 per cent as more Canadians searched for work. On top of professional services, there were new hires in manufacturing, trade, transportation and health care. This helped the economy create 317,000 new jobs over the past year.

Even Alberta, which has suffered from the oil downturn, showed signs of strength. Its jobless rate eased to 7.8 per cent from 7.9 per cent. Over the year, the province has created 41,000 new jobs.

"Yes, we can conclude that Canada has recovered from the oil shock," Matthieu Arseneau, senior economist with National Bank of Canada, said in an e-mail. "However, this does not mean that oil-producing provinces are not struggling."

In fact, another oil-producing province, Newfoundland and Labrador, lost jobs and saw its unemployment rate climb to 14.8 per cent from 14 per cent.

On the flip side, regions less dependent on natural resources – Ontario, Quebec and British Columbia – boosted employment, with Quebec's unemployment rate hitting a record low of 6 per cent.

Overall, the healthy jobs report fuelled speculation that the Bank of Canada will raise interest rates at the end of this year instead of next year. The benchmark rate has stayed at 0.5 per cent since oil prices collapsed.

Statistics Canada’s website crashed shortly after the report was released early Friday, though this time the shutdown was due to a power failure instead of problems with the federal government’s centralized IT shop Shared Services Canada, which has been responsible for multiple data outages.