Canadian job gains beat expectations in August

By Josh O'Kane
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Younger and full-time workers were left behind last month as Canada's unemployment rate slid 0.1 points to 6.2 per cent in August, the lowest since the Great Recession knocked the wind out of the country's job market.

The addition of 22,200 jobs last month helped notch the country's unemployment rate down to the same level as October, 2008. While the results of Statistics Canada's monthly labour-force survey are volatile at best, the most recent edition found that the 110,400 part-time jobs created were weighed down by the loss of 88,100 full-time jobs.

Older Canadians were the biggest benefactors, with 48,100 workers aged 55 or older gaining jobs in August. But employment among those aged 15 to 24 fell by 32,800, as fewer young people participated in the labour force.

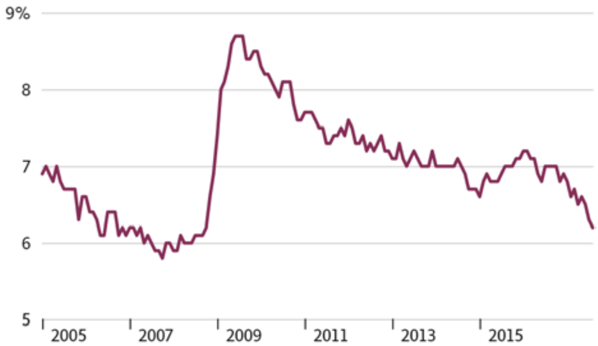
While the total job gains beat expectations, economists highlighted the weak underlying details on Friday – especially the weight of part-time jobs in the figure. And while many also suggested the jobs report is another breadcrumb on a trail to more interest-rate increases from the Bank of Canada through 2018, some economists are tempering their expectations.

"It does keep them on the tightening path, but I don't believe it accelerates the process," said Douglas Porter, Bank of Montreal Financial Group's chief economist, in an interview.

CIBC senior economist Andrew Grantham echoed that notion. "Given the softness we have started to see in trade and manufacturing data, we think that markets may now be pricing in too much [Bank of Canada] tightening before the end of 2018," he said in a research note.

The rift between full- and part-time job creation was undoubtedly large, but it was also likely a product of the labour-force survey's volatility – and therefore tends to mask more positive long-term trends, said Craig Alexander, chief economist with the Conference Board of Canada. "We've had 374,000 jobs created over the past year, and [almost] 60 per cent of those jobs have been full-time," he told The Globe and Mail.

Canada's unemployment rate



THE GLOBE AND MAIL, SOURCE: STATSCAN / SEASONALLY ADJUSTED DATA

The rise in part-time employment, Mr. Alexander suggested, could have a demographic driver, with older Canadians taking part-time jobs rather than fully leaving the labour force. Since August of last year, the number of Canadians aged 55 and over who work part-time has increased 8 per cent. For 15-to-24-year-olds, that figure was 4.8 per cent.

Young Canadians, however, still felt the pinch over full-time jobs: There were 2.9-per-cent fewer 15-to-24-year-olds with full-time work in the same period, while the 55-plus full-time cohort grew 3.1 per cent.

The number of self-employed Canadians rose in August, as it had the past three months, this time adding 32,700 to their ranks – while both the private and public sectors saw job losses. Private payrolls had 2,100 fewer workers last month, though there were 196,000 more private-sector employees than a year earlier.

"Given the super strong economic growth, I suspect workers seem secure enough to go into business for themselves," wrote Arlene Kish, director and economist with IHS Markit Economics, in an e-mail to The Globe, calling it a "great development."

Ms. Kish said that the private and public sectors' lag behind self-employment could be because organizations were holding off hiring during the summer. "However, the Bank of Canada does believe there is still some slack in the labour market. Therefore, the demand for labour or certain types of labour may not be as strong as one would suspect," she wrote.

In the service sector, 14,600 jobs were added in finance, insurance, real estate, rental and leasing, while the number of Canadian manufacturing jobs fell by 11,100.

Ontario had the best August among the provinces, adding 31,100 jobs, while Nova Scotia lost 5,600. Year-over-year, Ontario was still the big winner, adding 153,700 jobs since last August, while Newfoundland and Labrador fared worst, losing 14,700 jobs in the past year.

The average Canadian wage was boosted to $25.93, up 1.8 per cent year-over-year. Derek Holt, the Bank of Nova Scotia's head of capital markets economics, said that the wage growth rate – up half a percentage point from last month – supports his view that wage gains could reach year-over-year rates of 2.5 per cent to 3 per cent next year.

"Such expectations are fed by solid productivity gains … that merit pay gains as more bodies are producing more at an accelerated clip and with Canada standing out in terms of labour productivity gains compared to other peer group economies," Mr. Holt wrote in a research note.

The month-to-month data in the labour-force report is based on a sample of about 56,000 households.