# The complete – and uglier – picture of Canada's jobs market

By Michael Babad

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We were all agog last week when Statistics Canada reported that employment surged by 35,000 in October. And rightly so, as Canada has now created 208,000 jobs over the course of a year.

The federal agency's latest labour force survey also put unemployment at 6.3 per cent in October, up a notch from September's 6.2 per cent and with more than 1.2 million people out of work.

These are the numbers we tend to focus on, even though Statistics Canada provides a much broader look.

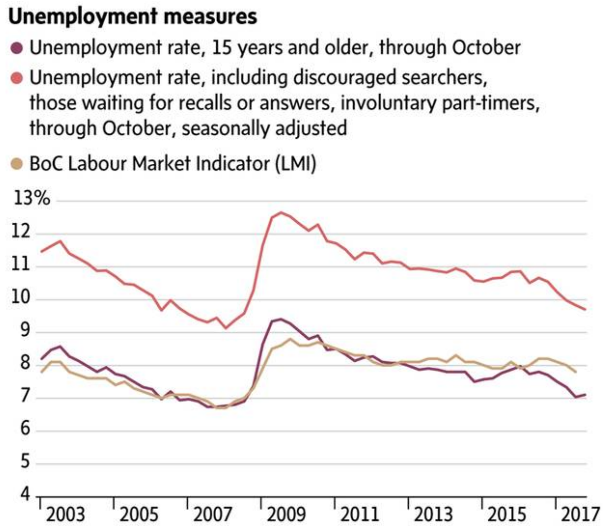
And we should never forget the other, uglier measures of employment.

The Bank of Canada certainly isn't ignoring these other measures, and *its* view of the jobs market will help determine when it raises interest rates again. It's also one of the reasons analysts believe Canada won't see a rate increase until well into next year.

"Growth in employment has remained strong at the national level and has been broad-based across sectors and regions," the central bank said in its latest monetary policy report, though it added that "the unemployment rate has continued to fall, but its decline likely overstates the degree of improvement in the labour market,"

That report was released in October, just before the latest Statistics Canada survey, which means the Bank of Canada was still looking at September's rate.

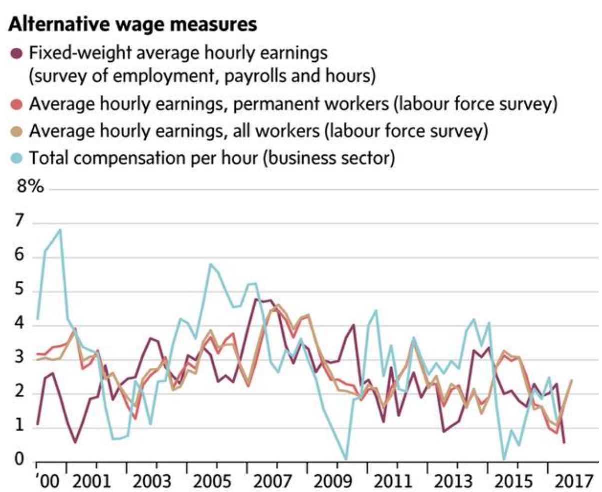
That makes little difference, though, because the central bank's labour market indicator is notably elevated.




SOURCE: RBC CAPITAL MARKETS

Thus, the official jobless rate may be too optimistic, certainly as the Bank of Canada sees it.

"In particular, the bank's labour market indicator, a composite indicator, is still relatively high. Its current level reflects the fact that the long-term unemployment rate remains elevated, average hours worked remain low and wage growth continues to be modest."




SOURCE: RBC CAPITAL MARKETS

Look, too, at Statistics Canada's broader measure, which includes people who have given up looking for a job, those waiting to be recalled or awaiting job answers, and those in part-time positions who want to work full-time.

Both the Bank of Canada and broader Statistics Canada measures are still "above the troughs seen pre-recession (about 0.5 of a percentage point higher in both cases)," said Mark Chandler, Royal Bank of Canada's head of Canadian rates strategy.

In the U.S., however, the jobless rate is 0.3 of a percentage point less than the 2007 low, and underemployment has already hit its previous cyclical low.

"These statistics lend some credence to Governor Poloz's assertion that the U.S. may be some two years ahead of Canada in its cycle," Mr. Chandler said.

"In our view, caution means the BoC may not raise rates again until April 2018."

There are also other measures of how much we earn.

Statistics Canada's last two labour force surveys showed average hourly wages rising by more than 2 per cent. Indeed, that measure perked up to 2.4 per cent in October.

"However, as shown [in the chart below], it is not clear from alternative wage measures that this updraft is firmly intact," Mr. Chandler said.

The Bank of Canada also flagged wages as an issue in its monetary policy report, with Mr. Poloz noting "continued softness" even amid an official unemployment rate now back to pre-crisis levels.

"This softness is due in part to the excess capacity in the labour market …. and the link between excess demand and higher wages also operates with a lag," Mr. Poloz said.

"But it is also possible that other factors, including globalization, may be affecting wage dynamics."