WHERE HAVE QUEBEC WORKERS GONE?

Why has the labor shortage worsened since the pandemic?

December 2021

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EMPLOYMENT EVOLUTION

Quebec vs. Canada

We've all seen a restaurant or a retail business close due to lack of staff. In fact, the "we're hiring" signs are in such high demand that they must also be in short supply. While discussing with many people, the most common question that arises is: Where are the Quebec workers?

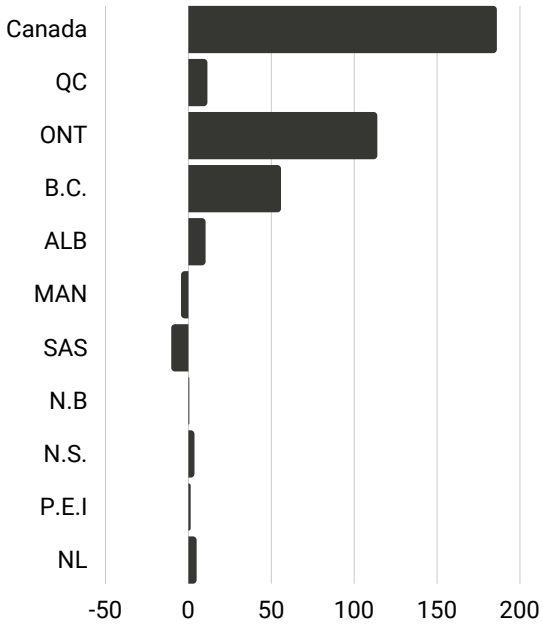
Canada is doing well in terms of employment. While the U.S. is still nearly 4 million jobs short of its pre-pandemic level, Canada has recovered all of its jobs lost during the pandemic. However, the provincial breakdown shows some discrepancies. Almost all of the jobs were created in British Columbia and Ontario (Graph 1). In fact, Quebec has taken 21 months to recover the jobs lost since the pandemic. In November 2021, Quebec had 11,200 more jobs than in February 2020, but the potential is much greater than this figure suggests. The number of job vacancies in the province reached 279,155 last September, up 118% since December 2020. There are no statistics regarding the breakdown of vacancies by industry for the provinces, but across Canada, accommodation and food services (196,100), health care and social assistance (131,200) and retail trade (121,700) make up the top 3 industries looking for staff. It is easy to believe that the situation is similar in Quebec.

Graph 1

Change in Employment Per Province

Between Feb. 2020 and Nov. 2021

(in thousands of people)



Source: Statistic Canada

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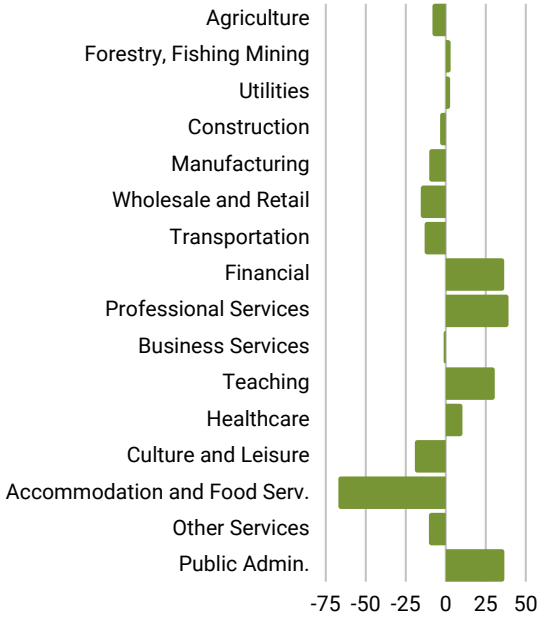
The goods-producing sector has lost 15,700 jobs in Quebec since the pandemic, including 9,700 in manufacturing and 7,700 in agriculture (Graph 2). In contrast, the service sector in Quebec has added 26,900 jobs since February 2020, but there are still losers. As we all know, hard-to-distance service industries have been slower to recover because of public health measures in place. It is therefore only natural that accommodation and food services as well as culture and leisure are lagging behind in terms of employment recovery. These industries, like retail, hire a significant proportion of young workers. An analysis of employment trends in Quebec by age group is therefore appropriate to determine which cohort is most affected.

Graph 2

Change in Employment Per Industry

Quebec Between Feb. 2020 and Oct. 2021

(in thousands of people)



Source: Statistic Canada

EMPLOYMENT PER AGE GROUP

Employment has returned to pre-pandemic levels, but not all gains are the same by age. Jobs for people aged 25 to 54 increased by 27,800 between February 2020 and November 2021, while people aged 55 and older gained 5,200 jobs during this period (graph 3). In contrast, youth aged 15 to 24 did not benefit as much from the recovery. Jobs for this age group are down by 21,800 since February 2020. I can already hear the critics, "we know that, young people wanted to benefit from the government's generosity with the CRB/CERB". Let's not be so quick to jump to conclusions. Over the same period, the number of unemployed youth decreased by 13,100, but 34,900 left the labour force. So they are unemployed, but they are not looking for a job either. In order to receive the CERB, we had to show that we were actively looking for a job, and therefore CERB recipients are included in the calculation of the labour force. In Canada, the burden of job loss during the pandemic was borne by those 55 and older (-23,300).

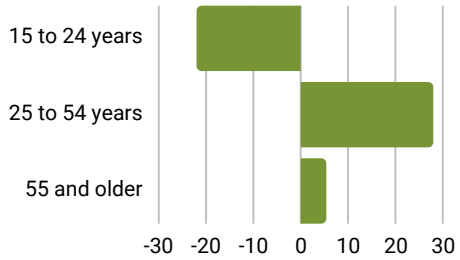
The situation in Quebec also differs from that in the United States, where the majority of job losses are among workers aged 25 to 54 (-2.5 million) and those aged 55 and over (-1.3 million). The participation rate also dropped from 63.3% to 61.6% in the U.S., while it returned to its pre-pandemic level in Canada. The decline in participation in the U.S. is explained by the decision of some Americans to accelerate their retirement while others had to leave the workforce to care for family members.

Graph 3

Change in Employment Per Age Group

Quebec Between Feb. 2020 and Oct. 2021

(in thousands of people)



Source: Statistic Canada

PARTICIPATION RATE

The percentage of the working-age population actively participating in the labor market, either by working or by looking for work.

WHERE IS OUR YOUTH?

If you have left the labour market and are under 25 years of age, there is a good chance that you have decided to go back to school. This is what young Quebecers seem to have done in the last year. School enrolment has jumped in the last school year, according to data published by Statistics Canada. In sum, 85% of young people aged 15-19 were in school in the 2020-21, an increase of 5% in one year or nearly 20,000 more students (Graph 4). While this rate is similar to that of Canada (84%), it is different for those aged 20-24. In Quebec, 52% of youth aged 20-24 were enrolled in school in 2020-21, representing a 6% jump in one year and the highest level in the country (43% in Canada). In total, there are more than 40,000 new students enrolled in school for the 2020-21 school year, and there is every reason to believe that many of them will still be pursuing their education in 2021-22, which would explain much of the decline in the youth labour force.

Graph 4

Participation Rate in Education

Quebec Between 2016 and 2021

Source: Statistic Canada

A THRIVING ECONOMY

While the Canadian economy has recovered all the jobs lost since the Covid outbreak in the country, its economy is still 1.4% below the February 2020 level. The opposite is true in Quebec. Real GDP is up 1.0% from February 2020 despite a slightly higher employment level than February 2020. Are we more productive than in Canada? Let's look at the Quebec economy by industry and the changes in the labour market. Growing industries also posted job gains, but two industries stand out. Construction grew by 3.6% with 2,900 fewer workers. Retail and wholesale trade also managed to produce more with fewer workers, a definition of productivity (Table 1).

Table 1

Change by Industry Since February 2020

INDUSTRIES	REAL GDP CANADA	REAL GDP QUEBEC	EMPLOYMENT QUEBEC
All Industries	**-1.4%**	**1.0%**	**11 200**
Agricultural, forestry, fishing and hunting	-12.7%	-0.9%	
Mining and oil and gas	-0.7%	5.7%	
Utilities	-2.2%	6.1%	2 100
Construction	-1.6%	3.6%	-2 900
Manufacturing	-4.3%	-1.6%	-9 700
Wholesale Trade	-2.1%	7.1%	-15 000
Retail Trade	4.5%	7.8%	
Transporting and warehousing	-16.2%	-17.1%	-12 600
Information and cultural industries	3.1%	0.4%	
Finance and insurance	6.0%	6.0%	35 900
Real estate and rental	2.4%	-0.4%	
Professional, scientific and technical services	1.5%	5.3%	38 600
Management of companies and enterprises	-30.0%	-33.7%	
Administrative and support	-9.1%	-11.1%	
Education services	1.0%	1.4%	30 000
Health care and social assistance	2.2%	6.7%	9 800
Arts, entertainment and recreation	-42.5%	-36.6%	-18 700
Accommodation and food services	-17.5%	-13.2%	-66 500
Other services	-6.7%	-4.3%	-9 900
Public administration	2.0%	3.7%	36 000

CONCLUSION

The pandemic has definitely changed our lives and the job market. The "everyone in the office from 9 to 5" model that we have known in recent decades is no more. The Hybrid model is as popular in the automotive industry as it is in the labor market. Nevertheless, the labor shortage has never been as present as it is today. But remember, before the pandemic, "we're hiring" signs were already plastered on storefronts. Covid just exacerbated that problem.

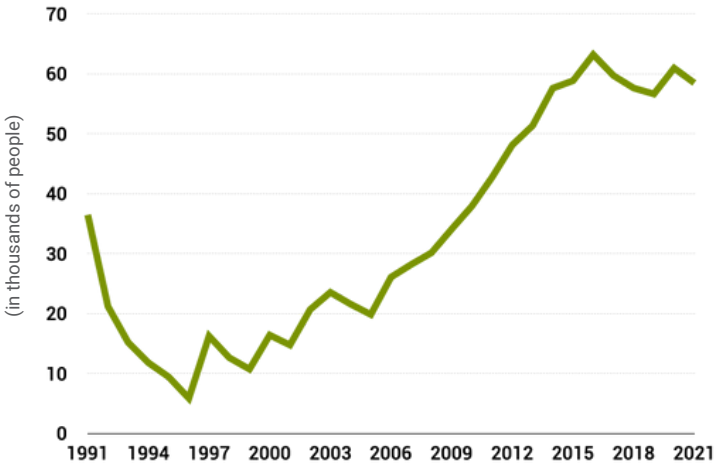
Some industries were more affected than others, particularly those with physical proximity and those with a younger workforce. The pandemic has forced a shift in the workforce. After several months of inactivity, some in-service workers have been retrained in other industries, creating an imbalance that will take some time to correct. Young people also questionned themselves during the pandemic, seeking to improve their career prospects by undertaking education. The decline in the labor force in this cohort has exacerbated the worker shortages we were experiencing even before the Covid outbreak. The labour market problem remains the same: Quebec is producing more retirees than new workers (Graph 5). Immigration is one solution to this imbalance, but again, the Covid has put a temporary stop to the entry of foreign workers.

On the other hand, the government has recently announced measures to alleviate the labour shortage through incentive grants in a few key industries. Quebec has targeted critical and forward-looking industries such as health, education, child care, engineering, information technology and construction. The approach is excellent for addressing some long-term labour market imbalances, but struggles to help businesses in the short term. In addition, incentive scholarships could raise the participation rate in education, further intensifying the shortage of young workers. Perhaps a tax incentive for retirees to return to the workforce would have been a better way to address the current situation? Many service industries not targeted by the program are also left behind in both the short and long term. Lack of manpower is forcing companies to raise wages or provide hiring bonuses to attract new workers. Some of these costs will be passed on to consumers if employees fail to deliver productivity gains to employers. In sum, the labor shortage is a problem that can have inflationary consequences and will be with us for a few more years, as will the Covid, it seems (#omicron).

Graph 5

More and More Retirees than Young People

Difference between the annual increase in the population aged 65 and over and that of young people aged 15 to 24



Source: Statistic Canada

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