



## ECONOMICS

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# The Virus and The Labour Market: Uneven Pain

by Benjamin Tal and Katherine Judge

As momentum slows and job growth volatility subsides, we are in a better position to take stock and assess the nature of the recovery and where the vulnerabilities still lie. As it is well documented, if there is one word to describe the nature of the job market trajectory since February, that word is “asymmetric”. Utilizing special tabulations from Statistics Canada, we zoom in on some of those asymmetries that currently define the Canadian labour market.

### The Big Picture

With every day that passes, the Canadian labour market is becoming less hospitable to the pace of further gains. The 1.9 million jobs created since May worked to recover 63% of the jobs lost during the dark days of March and April. That means that the level of employment is still 6% or 1 million shy of its pre-recession reading, and no less than 185K Canadians are no longer part of the labour force. With the fear factor regaining

momentum in the fall and reaching zenith in the winter, future employment gains will be limited. We expect the coming six months will see an average monthly gain of only 50K jobs — notably below the average 477K pace seen since April (Chart 1, left). At that rate, it will take until 2022 to see a full job market recovery (Chart 1, right) — a pace that is consistent with what was seen during the recovery from the Great Recession.

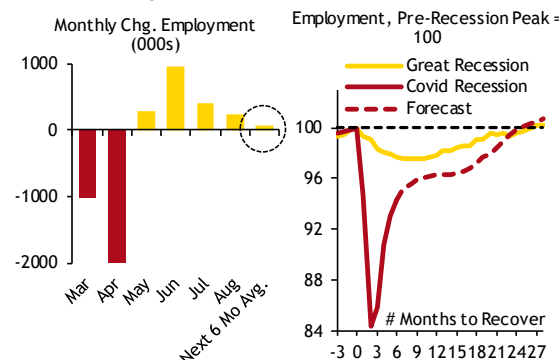
### Job Market Asymmetries

#### By Industry

As we illustrated in our September “Forecast” publication, the specific nature of the current crisis and the disproportionate pain felt by the service economy has triggered an imbalanced economic recovery, with no less than one-third of GDP still stuck in an L-shaped trajectory. That asymmetrical performance is even more evident in the labour market, with almost 45% of employment lying in industries that are still showing employment levels notably below their pre-recession readings (Chart 2).

It’s no surprise that sectors such as accommodation, food services, culture and recreation, and energy are on that list (Chart 2). However, it’s interesting that despite the V-shaped recovery seen in residential real estate activity, and the strong housing starts numbers in recent months, construction job gains are still lagging. That might be due to reduced activity in the non-residential segment of the industry, as well as fewer

Chart 1  
**Job Gains Losing Momentum (L), Full Recovery Not Until 2022 (R)**

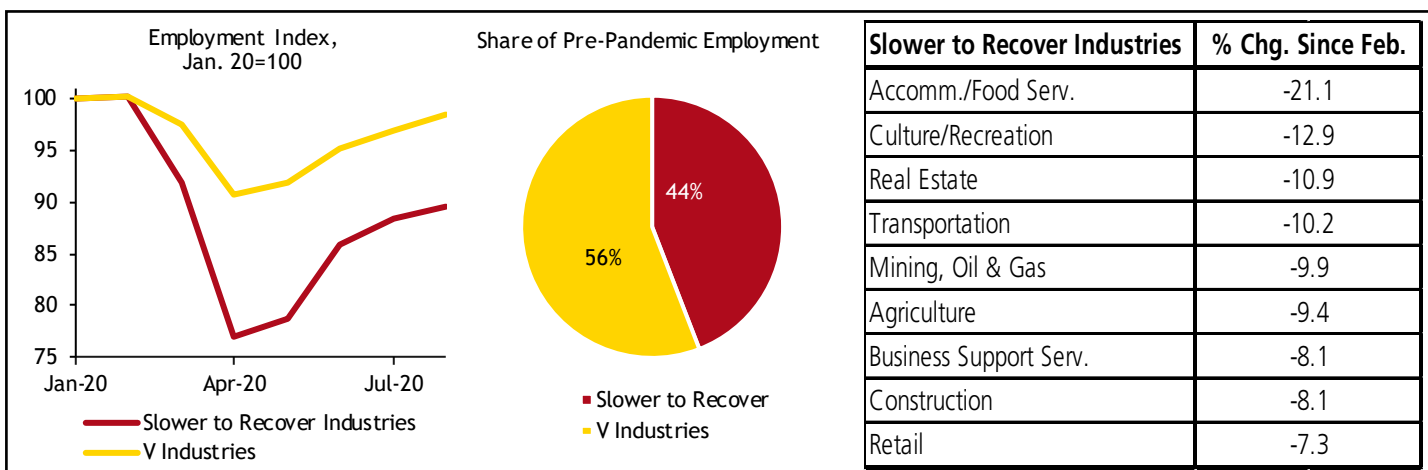


Source: Statistics Canada, CIBC

<http://economics.cibccm.com>

Chart 2

**Labour Market Performance**



Source: Statistics Canada, CIBC

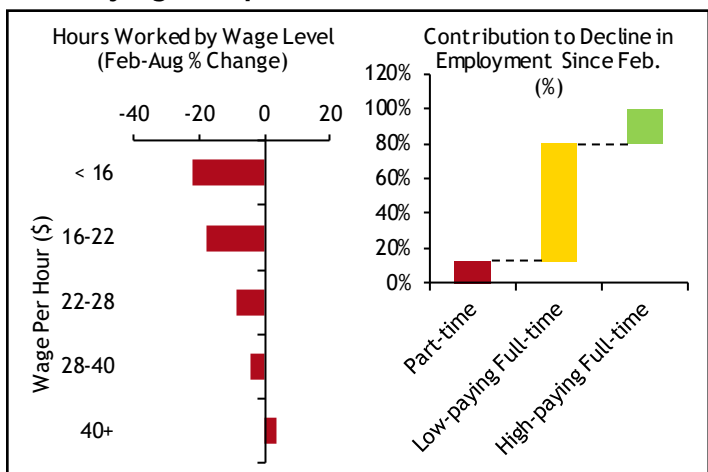
construction workers per site due to social distancing requirements.

**By Income**

Chart 3 tells the tale, the lower the wage, the more dramatic is the remaining jobs gap. Following four months of a strong recovery, hours worked for those that earn less than \$16 per hour is still 20% below its pre-recession level (Chart 3, left). And the number of those who earn over \$40 per hour, in fact, has risen since the beginning of the crisis. We estimate that low-paying occupations account for no less than 80% of total jobs lost since February (Chart 3, right). During the 2008/9 recession, that number was only 55%.

Chart 3

**Low-Paying Occupations Dominate Job Losses**



Source: Statistics Canada, CIBC

That trajectory helps to explain the strong increase in household savings and personal deposits during the pandemic, as high-income Canadians reduced discretionary spending without seeing any notable decline in income. That asymmetric performance also goes a long way in explaining the strong recovery in the housing market, since many of the low-income workers that lost their jobs were renters. In fact, in a survey conducted by CIBC in April, in the darkest hour of the crisis, no less than 25% of homeowners suggested that they might consider purchasing an investment unit in order to take advantage of the combination of a stable income and historically low interest rates.

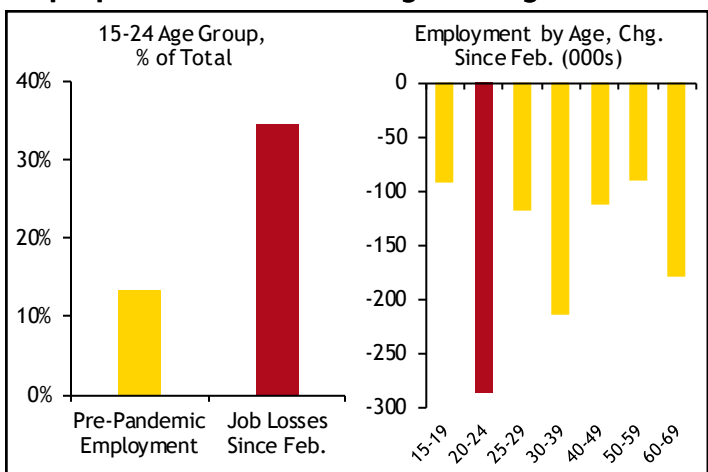
**By Age & Education**

Youth have clearly shouldered the bulk of the damage to the labour market during this recession. The job losses have been disproportionately skewed towards the 15-24 age group, which accounts for 35% of the jobs lost since February, while only representing roughly one-tenth of the pre-Covid labour market (Chart 4, left).

Job losses in that age group are consistent with lower-wage sectors experiencing the most acute pain, but narrowing in further shows that the 20-24 age group specifically accounts for the bulk of the damage (Chart 4, right). That demographic includes many new university graduates as well as those that are still attending university.

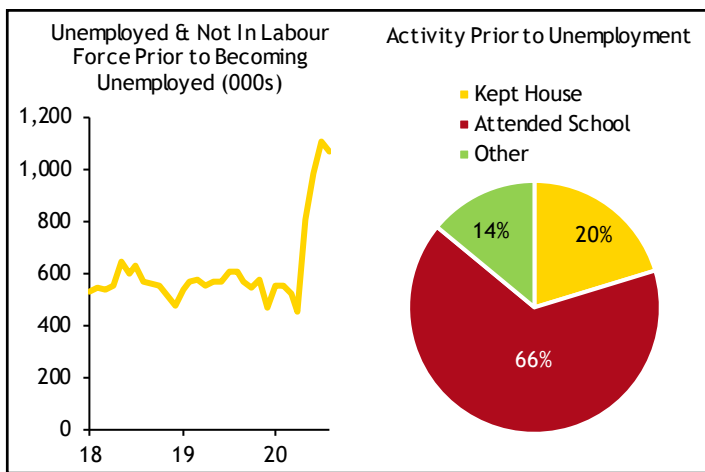
Looking at job losses by level of education shows that a slightly disproportionate burden has been shouldered by

**Chart 4**  
**Disproportionate Pain Amongst Young Workers**



Source: Statistics Canada, CIBC

**Chart 6**  
**Surge in Newly Unemployed That Were Not in Labour Force Before Crisis**



Source: Statistics Canada, CIBC

university graduates. While only accounting for around 20% of unemployment prior to the pandemic, university graduates have accounted for almost double that share in the increase in unemployment since then (Chart 5). That is evidence of a job-skills mismatch in the labour market before the Covid crisis, in which university graduates had been slotted disproportionately into lower-paying fields that have deteriorated rapidly during the crisis.

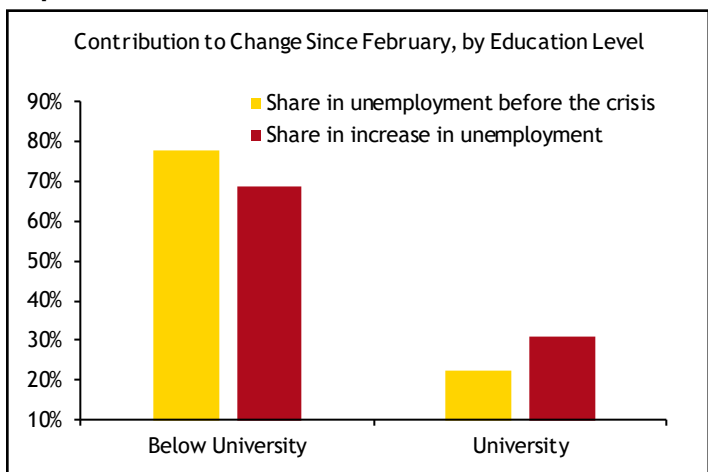
**By Activity Prior to Unemployment**

One surprise that we uncovered in the data is a surge in the number of unemployed that were not part of the workforce prior to March (Chart 6, left). While an increase

in that number should be expected, the magnitude of that increase (just over 500,000 or almost 50% of the total increase in the number of unemployed), is puzzling. What’s more, no less than 66% of the newly unemployed reported that they were in school prior to becoming unemployed (Chart 6, right). And given that most of that increase occurred prior to the summer, one cannot tie that trajectory to lack of summer jobs available to students.

These observations raise many questions. To what extent did the closing of schools provide students with the option and the time to look for employment? And to what extent did the availability of CERB money play a role in attracting those individuals to the labour market? A closer look is needed here.

**Chart 5**  
**Job Losses Amongst University Grads Higher Than Expected**



Source: Statistics Canada, CIBC

**Multiple Jobholders & The Gig Economy**

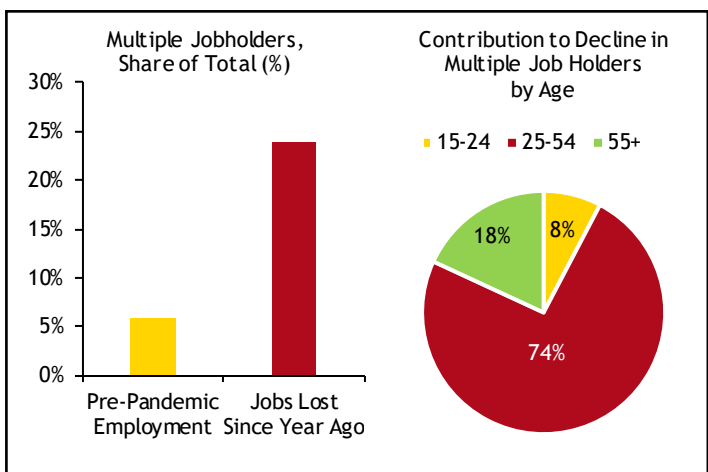
The fragility of the labour market for multiple jobholders cannot be overstated. Multiple jobholders are a small 5% of total employment, but that segment accounts for 25% of job losses seen since year-ago levels, a stark imbalance that likely reflects carnage to the gig economy (Chart 7, left). This data suggests that the gig economy is not only the domain of young people, as the vast majority of job losses were were broadly spread among the 25-54 age group (Chart 7, right).

**By Gender & Presence of Children at Home**

The Covid recession has worked to dial back some progress that was made in equalizing women and men

Chart 7

**Pain Amongst Multiple Job Holders (L), Felt by Broad 25-54 Age Group (R)**



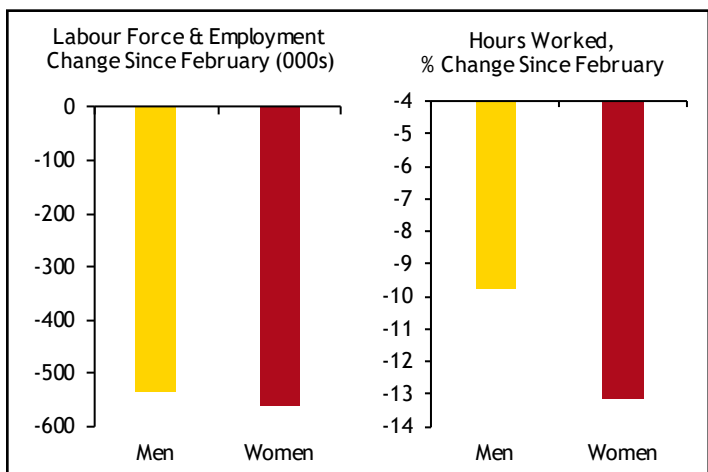
Source: Statistics Canada, CIBC

in the labour market in recent years. Women are 14 times more likely than men to have dropped out of the labour force since the onset of the pandemic. However, men have seen more jobs evaporate, leaving the total impact for women and men in absolute terms for the drop in the labour force and employment, roughly even (Chart 8, left).

Still, a departure from the labour force could carry more longer-term implications than just a rise in unemployment, as presumably the longer period of time spent outside of the workforce will lead to a depreciation of skills. In percentage terms, women have seen a larger drop in

Chart 8

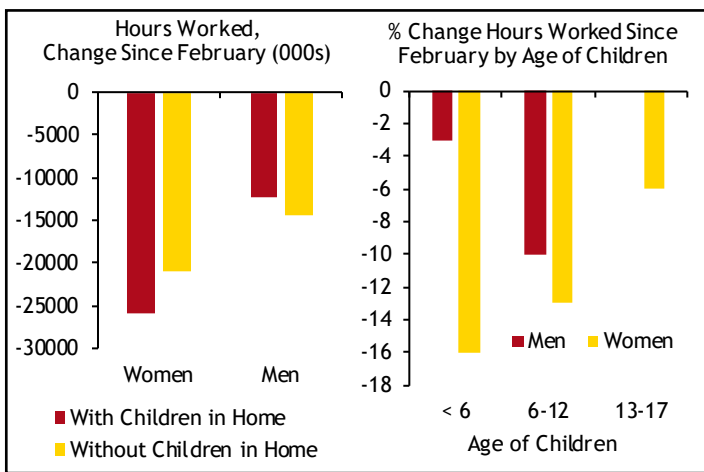
**Impact on Women More Visible in Reduction in Hours Worked**



Source: Statistics Canada, CIBC

Chart 9

**Kids at Home Have Negatively Impacted Women's Hours Worked**



Source: Statistics Canada, University of Waterloo, CIBC

hours worked, and this appears to be tied to the lack of childcare available during the pandemic (Chart 8, right). Indeed, women that have children have seen the greatest reduction in hours worked (Chart 9, left).

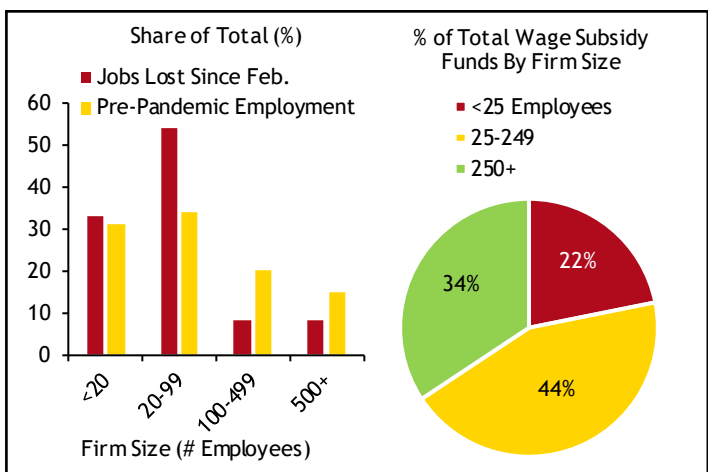
The drop in hours worked for women without children likely reflects the younger 20-24 demographic that has been impacted during the pandemic. For men, the drop in hours worked in those categories is much less pronounced. The impact is unsurprisingly tilted towards women that have children under the age of 6 (Chart 9, right), but remains skewed towards women rather than men for children of all ages. It likely won't be until there is a vaccine widely available and more daycare spaces are available that the impact on women will begin to fade and resume its pre-recession trajectory.

**By Firm Size**

The nature of the crisis also meant that the labour market pain was felt mostly by Canada's small and medium-sized enterprises (SMEs). While businesses with less than 20 employees have seen the largest percentage decline in overall employment, their overall contribution to job losses since February was in line with their share of pre-pandemic employment (Chart 10, left). The real disconnect is found amongst firms that employ 20-99 individuals, where SMEs have contributed to more than half of the decline in employment — miles above their share in overall employment. And this damage could have been much larger if it were not for the availability of wage subsidies that allowed SMEs to maintain their headcounts somewhat. Based on Revenue Canada figures, SMEs

Chart 10

**Job Losses & Wage Subsidy Concentrated Amongst SMEs**



Source: Statistics Canada, Revenue Canada, CIBC

account for two-thirds of all subsidies paid to date (Chart 10, right).

As we enter the second wave of the pandemic, governments at all levels are looking for ways to ease the pain and find the right balance between lives and livelihood. The asymmetrical job market outcome triggered by the Covid recession reveals the complexity facing policy makers, but also enables them to design targeted and less costly, yet more effective policy options. For investors tracking Canada, the details behind the remaining job market gap underscore that the road to a full labour market recovery will be slower and bumpier from here.

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