February 4, 2022

Omicron put a big (temporary) dent in Canadian labour markets

- Employment plunged 200k in January, hours worked down 2.2%
- The unemployment rate rose to 6.5% from 6.0% in December
- January labour market pullback expected to be temporary, with the recovery likely to begin in February

The Omicron variant made a larger-than-expected dent in Canadian labour markets in January, although the weakening is still expected to ultimately be temporary. The 200k employment drop was (once again) concentrated among high-contact service-sector jobs, and in Quebec and Ontario where more businesses were mandated closed. But the exceptionally rapid rate of virus spread in also weighed significantly on the number of hours worked by those still employed. Hours worked plunged 2.2%, the largest drop since April last year. The number of people who worked less than half their usual hours rose by 620k and 1 in 10 employees were absent from their jobs due to illness or disability.

Canada employment summary

	Nov-21	Dec-21	Jan-22	Jan-22
	m/m change (thousands)			*change from pre-pandemic*
Employment	156	79	-200	33
Full-time	63	143	-83	162
Part-time	93	-64	-117	-129
Public	12	36	-8	305
Private	112	41	-206	-46
Self-employed	32	1	13	-227
		%		
Unemployment rate	6.1	6.0	6.5	0.8
'R8' (SA by RBC)	9.2	9.2	9.1	0.9
Participation rate	65.3	65.4	65.0	-0.6
ages 25-54	88.2	88.4	88.2	0.9
Avg hrly wages (y/y %)	2.7	2.7	2.4	

Source: Statistics Canada, RBC Economics

Although the January labour market data looks exceptionally bad, we expect the recovery to start in February with virus spread and containment measures already easing in parts of the country (including Ontario and Quebec). Government supports will help to keep a floor under household incomes in the mean-time. Businesses in the high-contact travel and hospitality services sectors continue to be disproportionately impacted by the economic impact of the pandemic. But for most other sectors, production capacity constraints, rising input costs, supply chain bottlenecks, and labour shortages are expected to remain larger challenges than shortages of orders. The Bank of Canada knew that the January labour market data was going to look bad when they updated their guidance in January to flag that interest rate hikes could come at any future meeting - and today's labour market data isn't likely to change that view.

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