

Are sky-high job vacancies in Canada around for a while?

August 30, 2021

The Insights:

- Job vacancies in Canada grew 22% in June from May to more than 800,000.
- Canada's vacancy rate reached a record high of 5%, largely due to unfilled positions in accommodation and food services, health care, and retail services.
- The rising number of unfilled positions is hitting Quebec and British Columbia especially hard, but we expect vacancies to rise in other provinces.
- Ongoing high job-vacancy rates could have a domino effect, pushing up wages but also consumer prices, and perhaps accelerating automation in the most affected sectors.

The Stakes:

A high job-vacancy rate can act as a significant drag on economic growth. Canadian businesses unable to find enough workers may be forced to operate at a reduced capacity, missing out on the opportunity to fully recover from long months of lockdowns or curtailed operations. The tightness in the labour market may also put upward pressure on wages, which in turn could lead to higher output prices in some sectors, such as higher menu prices.

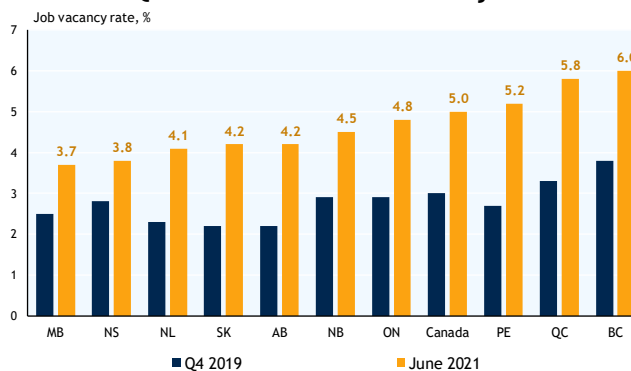
The Context:

Canada was experiencing tight labour-market conditions before the pandemic hit: the national unemployment rate hit at a historic low of 5.7% in 2019. The pandemic only exacerbated the trend, with stagnant immigration making matters worse. Job vacancies in Canada jumped 22% in June from May, and the country's overall job-vacancy rate climbed to 5%, double the level it was at five years earlier.

Employers across Canada are facing challenges, but conditions are especially tough in Quebec and British Columbia. Before the pandemic struck, Quebec boasted a generational low unemployment rate of 5.1%. As virus restrictions eased and sectors re-opened this summer, these pressures returned. Quebec recorded an overall job-vacancy rate of 5.8% in June, and the vacancy rate in accommodation and food services was 6.6%. British Columbia's overall job-vacancy rate in June was an even higher 6%, including 6.7% in accommodation and food services.

B.C. and Quebec faced retail trade vacancies above the national level. B.C. also recorded exceptional shortages in healthcare, as demand for nurses and care workers surged during the pandemic.

B.C. and Quebec have the most unfilled jobs



Source: Statistics Canada, RBC Economics

In B.C., cooks accounted for the most frequently posted positions (+ 50% y/y). In Quebec, it was retail salespersons.

We expect the number of vacancies in other provinces to rise in the coming months, as workers who held off on quitting or retiring during the pandemic make those moves. In some provinces, this is already happening. At the start of the pandemic, the vast majority (~80%) of those who were no longer working in hospitality had lost their jobs. More recently, they've been leaving voluntarily. For instance, in June 60% of B.C. hospitality workers who were no longer working in the industry had voluntarily left their positions.

Our Analysis:

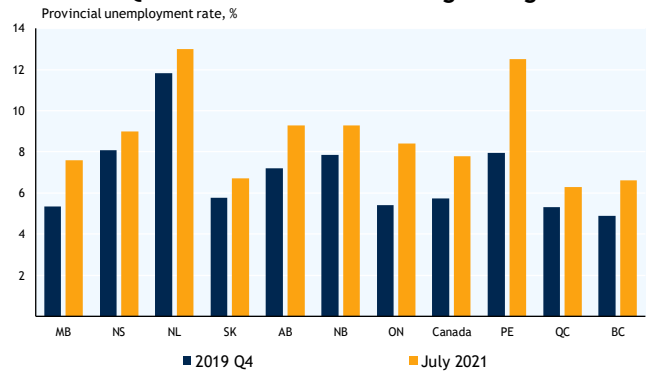
Extended shutdowns in the services sector have led many workers to leave the impacted sectors. Moving forward, in provinces with the highest job-vacancy levels, businesses looking to hire for lower-paid positions are likely to face significant challenges, even if they offer higher wages. While average weekly wages in accommodation and food services were 10% higher in June 2021 than two years earlier, average wages earned in this industry remained 57% below other service-sector jobs. The gap helps explain why many workers are exiting the sector, perhaps permanently.

Workers are now in a stronger bargaining position when it comes to negotiating higher pay or better benefits. The continuation of generous government support programs may delay this bargaining process, if prospective employees have the financial incentive to remain on the sidelines. If businesses are unable to attract workers, high job vacancies may accelerate automation in the most impacted industries.

The Road Ahead:

In the coming months, labour shortages are likely to intensify as the recovery drives firmer labour demand. We expect retirements (many held off) and quits to pick up, which may intensify pressures on businesses across a broader range of industries—though especially those offering lower wages. In the labour-starved service industry, higher pay may be necessary to attract and retain talent.

BC and QC labour markets are among the tightest



Source: Statistics Canada, RBC Economics