Will a return to pre-pandemic retirement and job quitting levels worsen emerging labour shortages in Canada?

July 12, 2021

The Insights:

- The pandemic saw both the number of retirements and those quitting jobs due to dissatisfaction drop significantly.
- As labour markets recover, the number of job quitters is returning to pre-pandemic levels.
- We expect retirements delayed by the pandemic to also pick up in the second half of 2021 — nearing the 10+ year trend driven by an aging baby boomer cohort.
- These developments are likely to exacerbate labour shortages through the summer and fall, particularly among skilled workers.
- Canada will increasingly need to rely on immigration and other sources for labour force growth.

The Context:

Labour market uncertainty during the pandemic led to a significant decline in voluntary job departures. Retirements fell 20% compared to the pre-pandemic period (March 2019 to February 2020) while the number of people quitting jobs due to dissatisfaction dropped 40% over the same time frame. As the job market recovers, these measures are beginning to climb back to pre-crisis levels.

This revival of Canadian job markets is set to accelerate over the summer as vaccination rates ramp up and the economy re-opens. While many people are still out of work—employment remains about 340k below pre-shock levels as of June—over 80% of these remaining job losses are in the food and accommodation sectors. Employment in other hard hit industries like retail trade has nearly returned to pre-pandemic levels. And those sectors where employees were largely able to work from home (like professional, scientific, and technical services) have already surpassed their pre-crisis employment levels.
The Stakes:

- 16,700: number of recently non-employed people who left their positions due to dissatisfaction in June (nearly triple the level in June 2020);
- 125,000: expected number of retirements in second half of 2021, in line with long run trends;
- 550k: job vacancies in Q1, a return to pre-pandemic levels;
- 4.6%: vacancy rate in the professional, scientific, and technical services industry (compared to 3.6% across all industries);
- 65.2%: Canada’s current labour force participation rate (hovering near lows not since the mid-1990s, excluding pandemic lows last spring).

Our Analysis:

People are once again willing to quit if unsatisfied with their current positions—among the clearest signs that confidence in the labour market recovery is firming. Indeed, the number of recently non-employed people who left their positions due dissatisfaction lifted significantly in June. Retirements have also started to tick higher already, and we expect a return to long-term trends to be continued into the second half of the year, driven by the large cohort of aging baby boomers.

A surge in retirements will worsen Canada’s already declining labour force participation rate—which has bounced-back from pandemic declines but is still at a level not seen since the mid-90s. Coupled with a rise in demand where job vacancies are back at pre-crisis levels, we expect this increase in voluntary job turnover to exacerbate post-pandemic labour shortages.

Significant pressure may be felt in industries already back at previous employment levels. The vacancy rate in the professional, scientific, and technical services industry, for example, has already reached series highs. And the Bank of Canada’s Business Outlook Survey indicates that while we are still in a period of labour market slack, availability of skilled workers is tightening.

The Road Ahead:

The rise in job turnover may indicate other emerging factors, including an unwillingness to return to the office (57% of businesses who currently operate remotely are planning to shift back.) Amid rising demand for labour, workers may enjoy a greater ability to bargain for higher wages or more flexible working conditions. As labour markets heat up and competition for new workers increases, it will be important to track how wages respond.

As shortages grow, so will the urgency for Canada to turn to new and under-utilized sources of labour force growth, including immigration, women, and visible minorities. However, these will not provide much relief in the short-run. While the government has lifted the number of new permanent residents to pre-pandemic levels, most of this only reflects a change of status from temporary to permanent. It won’t increase the population overall. Still, with the border now open to more immigrants we can expect the flow of newcomers to reduce the pressure on labour markets. Ensuring women and visible minorities can participate at their potential will require new strategies and more time.

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