

POLICY PERSPECTIVES



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A REMARKABLE ROLLER COASTER RIDE FOR B.C.'S JOB MARKET IN 2020

HIGHLIGHTS

- Since February the number of people working in the province tumbled by 400,000 in two short months and then jumped significantly over the following three months.
- Most recently in August, however, re-hiring and job creation slowed to a crawl.
- Employment in the province is still 150,000 lower than in February of this year, a 6% decline.
- In the recovery, there has been a rotation toward part-time employment, especially among the harder-hit under 25 cohort.
- Job losses are widespread across most industries. And the sharp slowing in the pace of re-hiring is also evident across most sectors.
- In nine of the 15 industries reviewed covering the economy, employment is still down by 5% or more from February levels, with several still having much larger declines.
- In absolute terms, employment in many B.C. industries is still down by 20,000 or more, and several other industries have job losses of more than 10,000.
- The review of trends in demographic segments as well as the spectrum of industries confirms the re-hiring process following the end of lockdowns has slowed sharply. The slowdown in overall employment growth and outright downturn in employment in several industries in August warrants attention.
- We expect employment growth will be weak, choppy and uneven for the remainder of the year and well into 2021. Re-hiring has slowed in most industries and is a key reason for our cautious outlook.
- We do anticipate some additional re-hiring in a few parts of the economy. But any job gains will be offset to some degree by business closures and restructurings that will unfold over the next year.
- Challenges in returning to work related to daycare or transportation issues will also weigh on job creation. The overall policy environment and relatively generous income supports from the federal government will also skew the incentives to return to work and dampen job growth.

INTRODUCTION

Following precipitous and unprecedented job losses in February and March, employment in the province started to recover from the COVID related lockdowns in April. But as with a free-falling roller coaster, the upturn in employment has not matched the depth of the free fall. The early part of the rebound was strong. But coming out of the steep drop, momentum waned

and then slowed sharply in August. What is ahead for the provincial job market? Which sectors have been hardest hit? Is the slowing of the re-hiring process a sign of what is to come?

What follows is a brief review of the performance of the provincial labour market over the past six months, including a review of the impacts across different segments of the economy.

After the provincial government shuttered most non-essential consumer services, employment tumbled by an astonishing 400,000. Then, in the subsequent months, employment revived as consumer-facing services gradually re-opened. The level of employment, however, is still well below where it stood pre-pandemic, and there are indications the final leg of the job recovery process will be protracted.

JOB GROWTH SLOWS IN AUGUST

In August, the job recovery process came to a virtual halt. The 15,000 monthly increase would be a healthy gain in normal times. But considering employment is still 150,000 lower than in February, August's increase was disappointing. And it hints that the recovery is likely to be slow and uneven in the months ahead.

To better understand labour market dynamics and the near-term outlook, it is helpful to examine different aspects of the job market. Unsurprisingly, the job loss/recovery dynamics resulted in a rotation towards part-time employment. Immediately following the COVID lockdown, both full-time and part-time employment dropped sharply. But by June the number of part-time workers had almost made a full recovery. In contrast, full-time employment has only made a partial recovery and remains more than 7% below February's level. Some of the rebound in part time employment reflects the fact that many full-time workers have returned to work on a part time basis, as many companies adjust to the new (and less favourable) operating environment.

The rotation towards part-time work masks some of the underlying weaknesses in the labour market. While overall employment has regained well over half of the jobs lost earlier in the year, full-time

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employment remains over 7% lower than in February. In comparison, part-time work has almost returned to pre-crisis levels.

JOB LOSSES EVIDENT ACROSS ALL AGES...BUT YOUNG PEOPLE MOST IMPACTED

The COVID induced recession has resulted in job losses for workers of all ages, but young workers continue to be disproportionately impacted. At the low point, employment in the 15-24 age cohort had fallen a massive 36% — more than one in three jobs were lost among this age group. In line with the reopening, employment for those aged 15-24 has partly recovered, but is still 12% below February's level. Recall that total employment in B.C. is currently down "just" 6% from February. The different recovery profile between part-time and full-time re-hiring is most pronounced among younger people. Part-time employment in this age cohort has fully rebounded, whereas full-time employment has continued to slide.

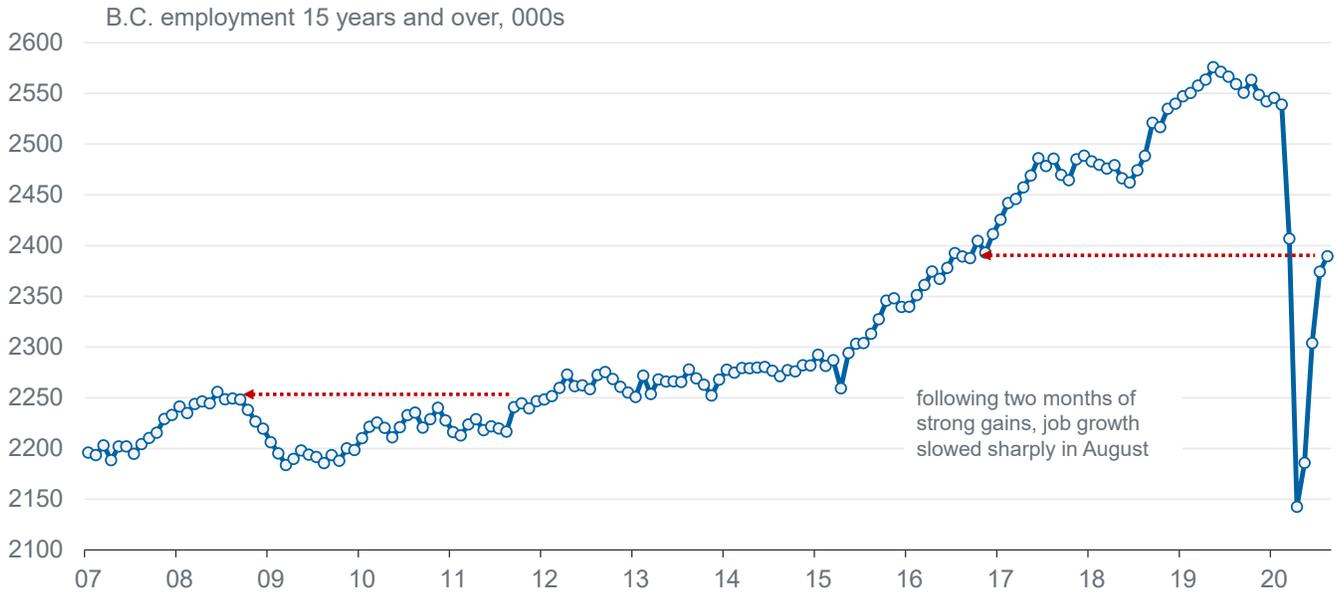
The job loss/recovery dynamics are quite different for the core working age (25-54) cohort. At its low point total employment was down by "only" 12% for this group, proportionately only one third the decline seen in the younger cohort. Mostly because the losses were not as large, employment among core working-age people is now down a comparatively small 4.6% from February. The PT/FT profiles are also different. As with the younger cohort, part-time employment has regained pre-crisis levels. But in contrast to the younger group, full-time employment has regained roughly half of the lost positions.

At the low point, employment among older workers (aged 55 and up) fell 11%, a slightly more moderate decline than among the core working age group and less than one third the drop experienced by younger workers. The jobs recovery for older workers is somewhat weaker than for the core working age group. In August employment among older workers remained 6% below February's pre-crisis level. In comparison, employment in the core working age group has made a stronger recovery, albeit from a deeper hole. Among older workers, part-time and full-time employment are still well below the February levels.

In thinking about the path forward for employment, the follow points emerge from the above review:

- The pace of job recovery and re-hiring slowed markedly in August, suggesting it will take a very long time to return to the level of employment at the start of the year.
- In this regard, a review of the above figures plotting employment by age cohort shows that in August employment growth among young people slowed to a crawl (just 2,500 jobs), while among older workers employment actually fell 13,000. Most of August's job growth was in the core working age group, and re-hiring activity for this age cohort held up. Our sense is that this pattern will continue, with the younger and older age cohorts struggling to regain traction in a tougher job market.
- The job recovery dynamic has been tilted towards part-time employment; part-time employment has regained pre-recession levels in the younger cohort as well as the core working age.

FIGURE 1: B.C. GAINED JUST 15,000 JOBS IN AUGUST AND EMPLOYMENT REMAINS 150,000 LOWER THAN IN FEBRUARY



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Latest: August 2020. Seasonally adjusted.

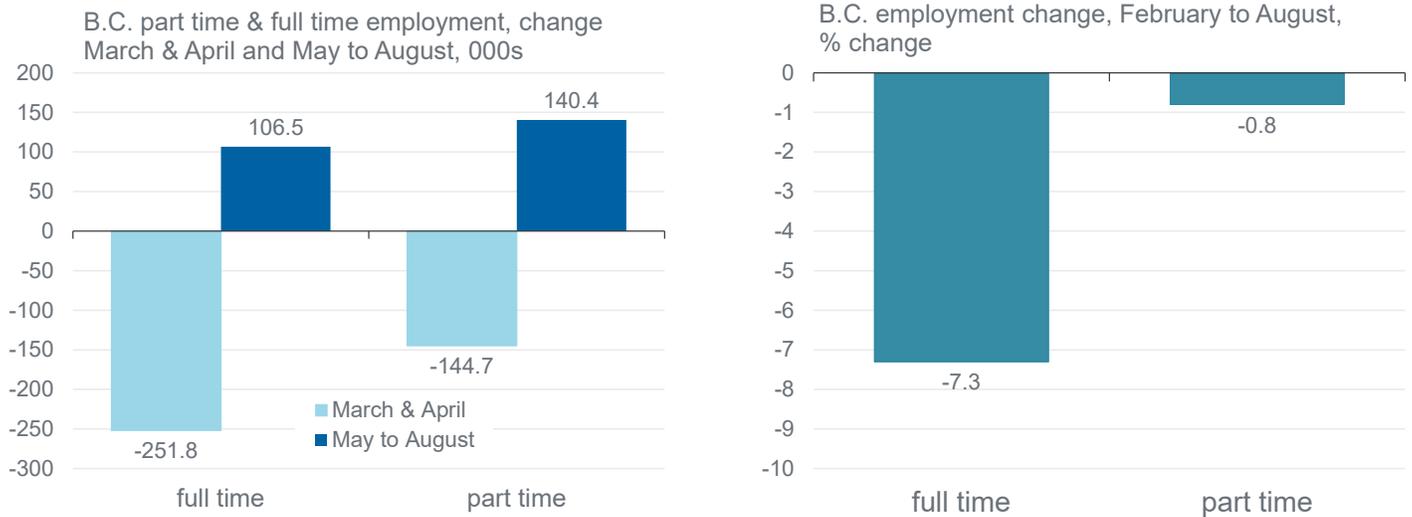
FIGURE 2: BIGGER JOBS LOSSES AN A MUCH WEAKER RECOVERY FOR FULL TIME EMPLOYMENT



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Latest: August 2020. Seasonally adjusted.

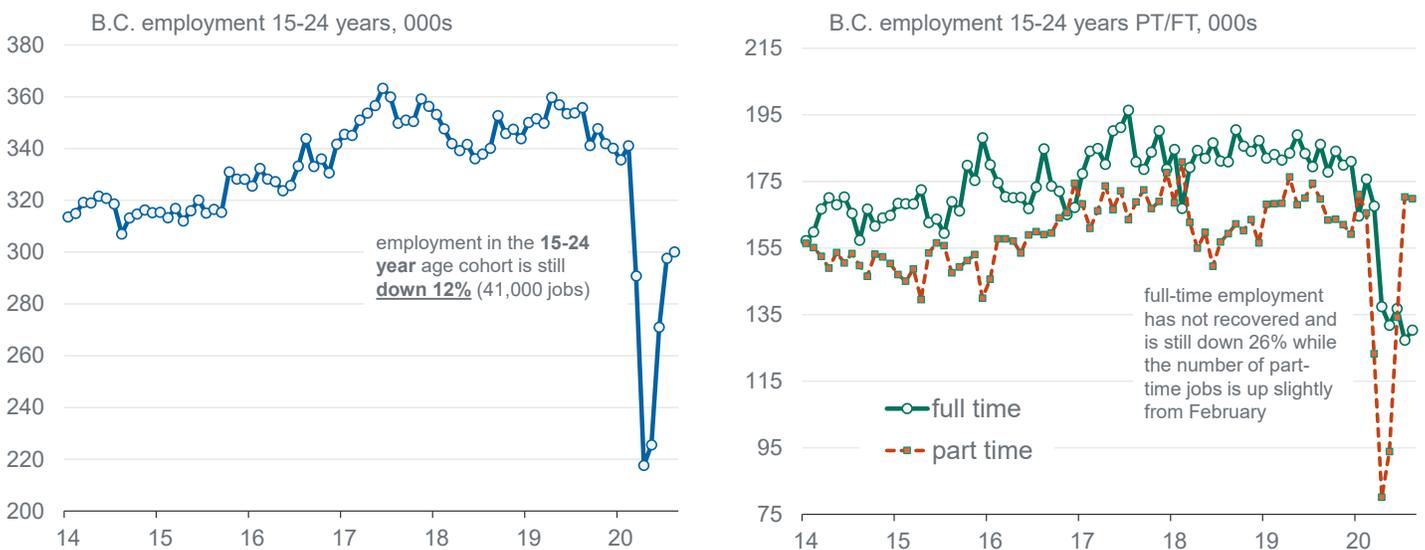
FIGURE 3: FULL TIME EMPLOYMENT STILL DOWN SHARPLY, PART TIME ALMOST RECOVERED



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Seasonally adjusted.

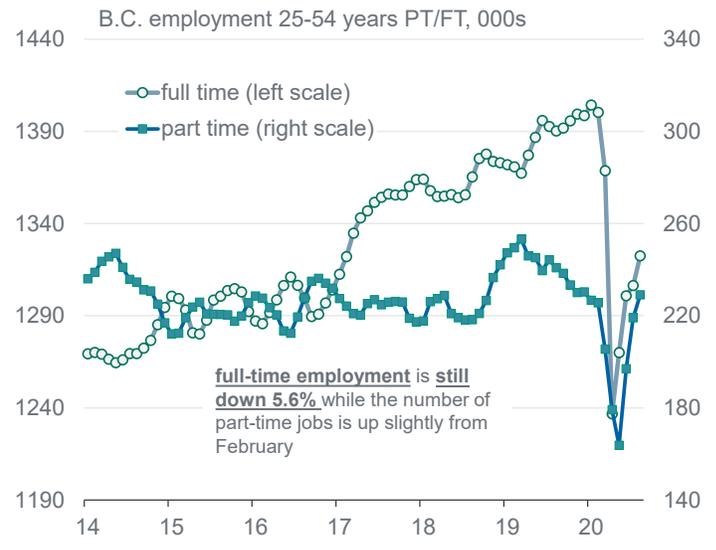
FIGURE 4: STEEP JOB LOSSES FOR YOUNGER WORKERS



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Latest: August 2020. Seasonally adjusted.

FIGURE 5: IN AUGUST, EMPLOYMENT FOR CORE WORKING AGE WAS STILL DOWN 4.6%



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Latest: August 2020. Seasonally adjusted.

FIGURE 6: PROPORTIONALLY SMALLER JOB LOSSES FOR OLDER WORKERS THAN YOUNGER WORKERS



Source: Statistics Canada, Labour Force Survey. Table 14-10-0287-01.

Latest: August 2020. Seasonally adjusted.

JOB LOSSES SPREAD ACROSS MOST INDUSTRIES

With six months of labour market data, it is possible to get a reasonably good profile of the job loss and recovery profile across the province's various industries. Below are several figures plotting employment over the past several years for different industry sectors. In each graph the level of employment is indexed to 100 as of February 2020. This permits readers to readily see the magnitude of job losses in each industry and the degree to which employment has come back. It also provides a sense of the employment path for each industry prior to the pandemic. In many industries, employment was slipping and already on a weaker footing prior to the lockdowns. To provide a framework for conceptualizing the losses/recoveries across many industries, they are grouped and presented in several different graphs based on the magnitude of the employment declines.

The first figure below shows the industries that experienced the steepest job losses – the “hardest hit” ones. The biggest loss was in the accommodation and food services industry, where employment was down by a staggering 57% in April compared to February. This sector also recorded the biggest absolute decline in employment. At the low point, 112,000 accommodation and food service workers were furloughed, and the sector accounted for more than one-quarter of all job losses in the province. When restaurants and accommodation operators were permitted to reopen, albeit in a limited way, employment rebounded strongly. But after this initial and partial rebound, re-hiring activity slowed markedly by August, likely

signalling more tough times ahead for the sector.

The other three industries depicted in the figure saw job declines in the 25% to 30% range at their low points. Employment in the information, culture and recreation industry remains 21% below February levels; this was one of four industries to see employment decline in August. This industry includes segments that are still shuttered, such as large audience-attended sporting events, casinos, and movie theaters. It also includes film and television production, which re-opened more recently and where activity is still ramping up. Other hard-hit service industries included hair and nail salons, spas and other personal services – most of which were closed. But, as with the food and accommodation sector, employment in this sector has rebounded and is now down “just” 10%.

The next figure shows what we refer to as “substantially impacted” industries, which we define as ones where employment fell 15-20%. The number of jobs in August in each of these industries also remains 8-10% lower than in February.

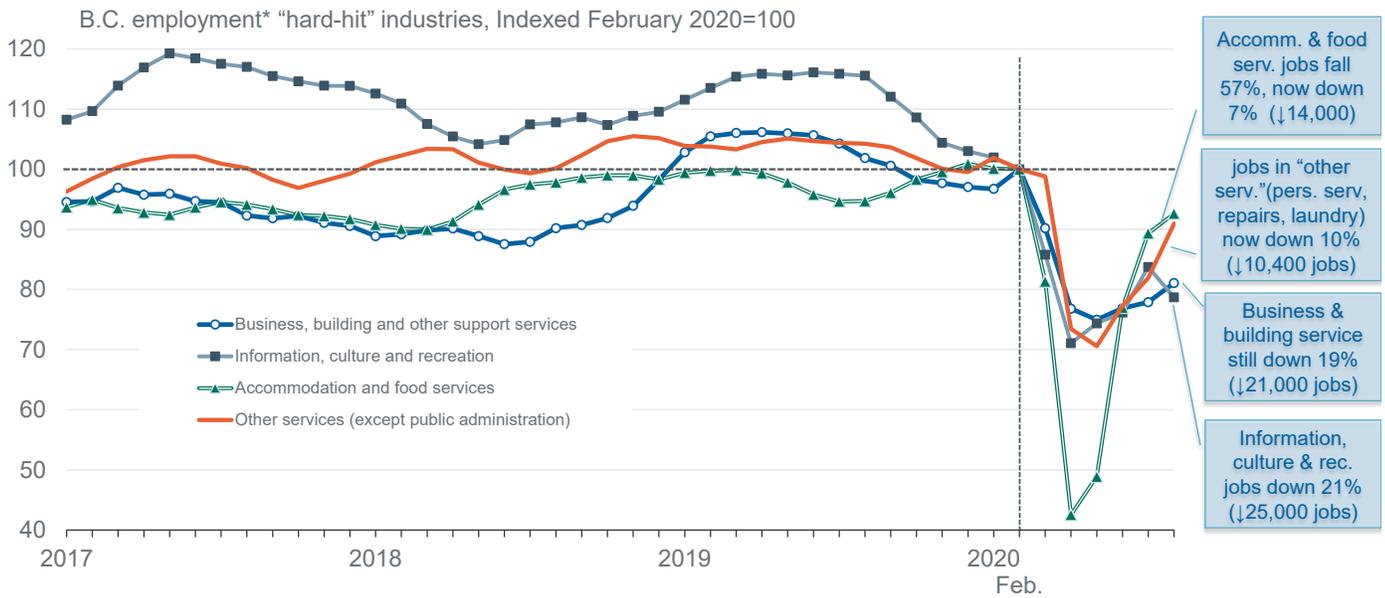
Employment in the broad wholesale/retail sector revived with the opening of most retail operations in May-June. But the fact that jobs in the sector fell by 10,000 in August is concerning. We do not want to put too much emphasis on a single month of data (especially in these unusual times). However, since the lockdown we have been [concerned about business closures](#). The recent decline in retail/wholesale employment may reflect some retrenchment as some retail operators find it impossible to remain open with new restrictions

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in place while others scale back labour requirements after the initial reopening surge.

The job loss/recovery profile is similar across the three industries, despite the fact their shutdown experiences differed significantly. The construction industry in B.C. was not shut down. A few segments of transportation were fully or largely shut (most air travel stopped, cruises, tour trains and buses ceased operations), but most parts of the sector were deemed essential and continued to operate. All of retail, on the other hand was closed except for a handful of essential services (groceries and beverage, gasoline, pharmacies, hardware and construction supplies). The similar job loss/ recovery profile reflects the fact that even partial lockdowns have large employment consequences. It may also reflect the reality that the negative economic impacts resulting from the widespread lockdown flowed through other sectors even if they stayed relatively more open. Although they continued to operate, reduced demand for sea, rail, and trucking services led to lower employment. Similarly, in the B.C. construction sector projects that were imminent or even just started may have been postponed amid the uncertainty and fear created by the virus.

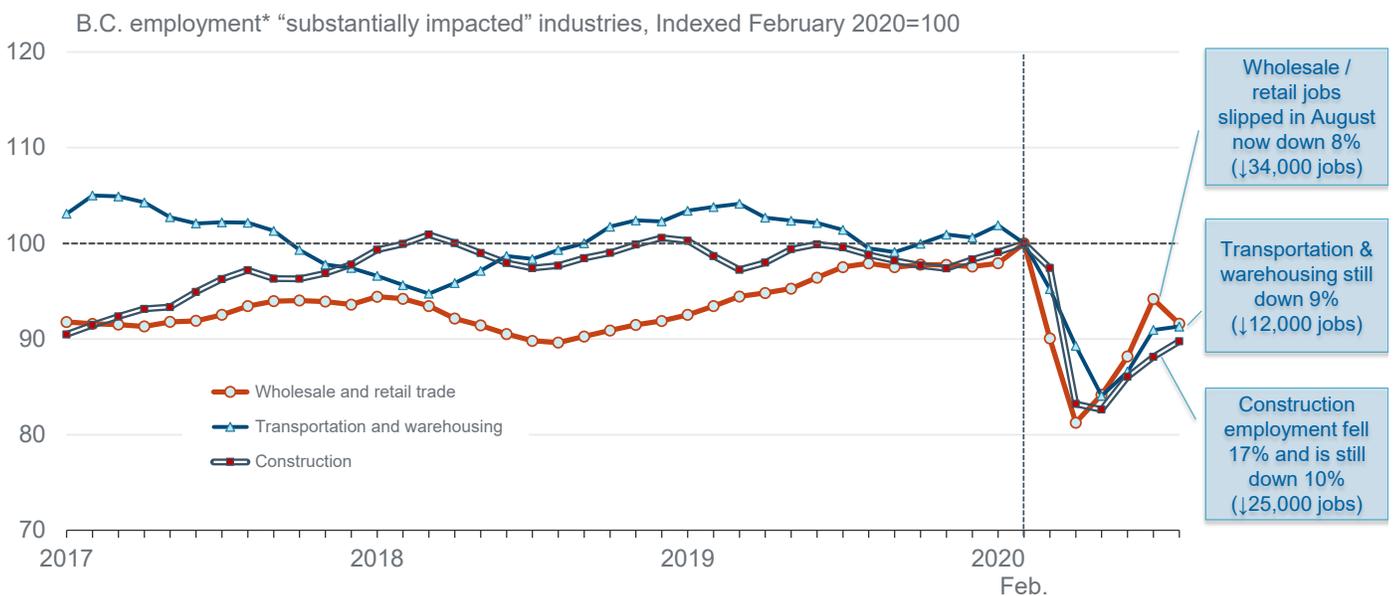
FIGURE 7: HARD-HIT INDUSTRIES (EMPLOYMENT FALLS BY 25% OR MORE) WITH MIXED RECOVERIES



Source: Statistics Canada, Labour Force Survey. Table 14-10-0355-01.

Latest: August 2020. *Aged 15 and over. Seasonally adjusted.

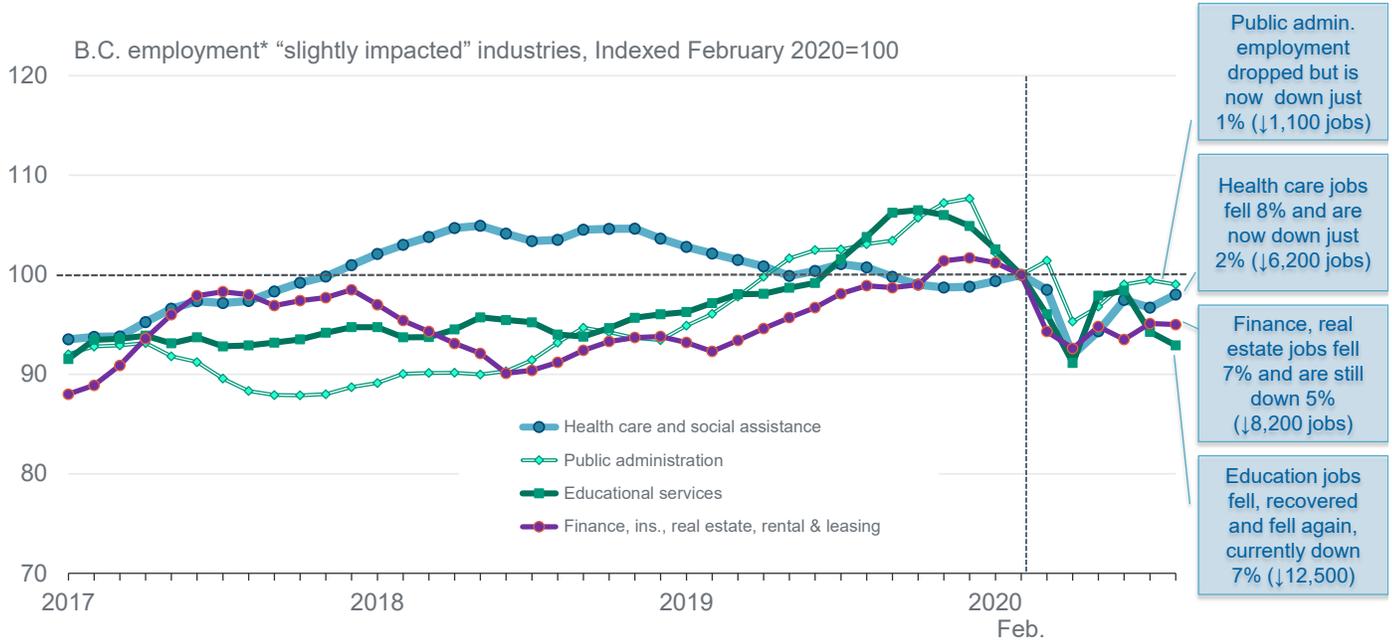
FIGURE 8: SUBSTANTIALLY IMPACTED INDUSTRIES (EMPLOYMENT FELL 15-20%) WITH PARTIAL RECOVERIES



Source: Statistics Canada, Labour Force Survey. Table 14-10-0355-01.

Latest: August 2020. *Aged 15 and over. Seasonally adjusted.

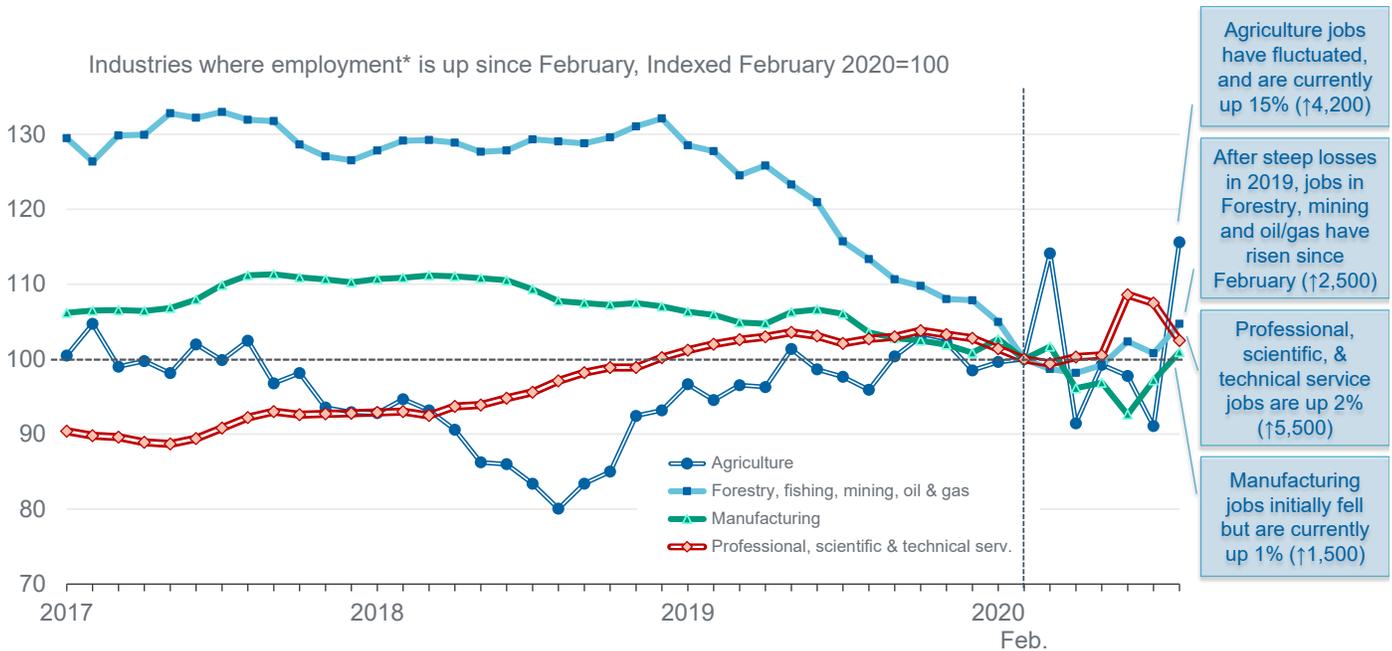
FIGURE 9: PUBLIC SECTOR ACCOUNTS FOR MOST OF "SLIGHTLY IMPACTED" INDUSTRIES



Source: Statistics Canada, Labour Force Survey. Table 14-10-0355-01.

Latest: August 2020. *Aged 15 and over. Seasonally adjusted.

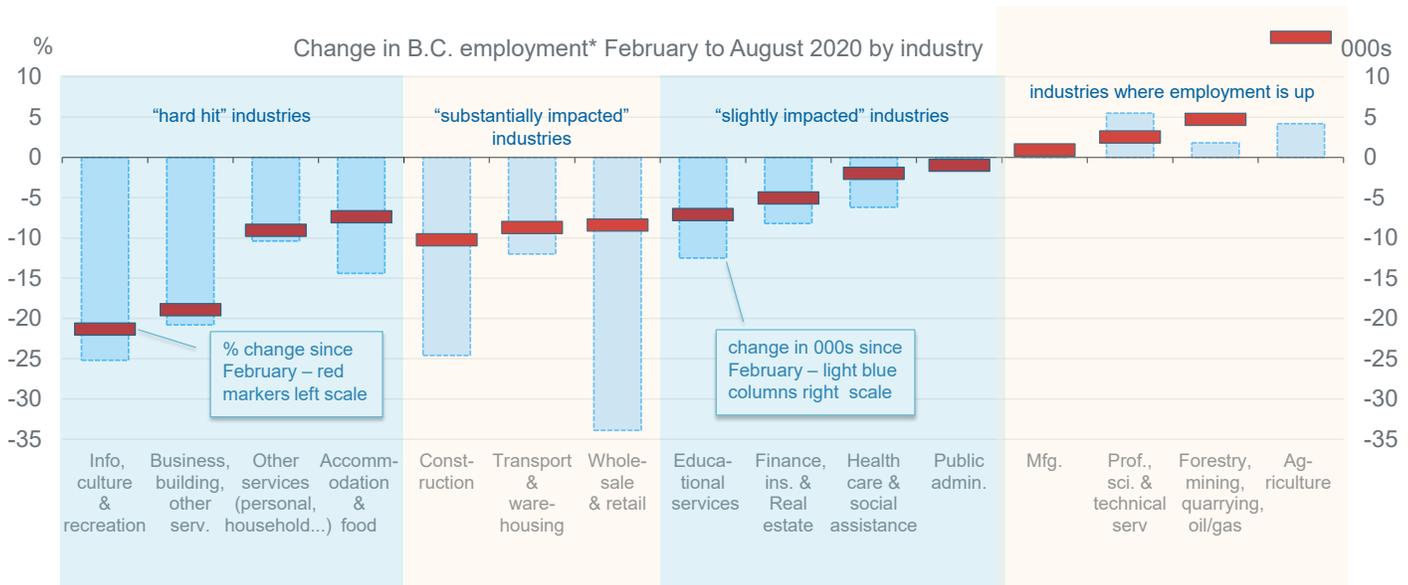
FIGURE 10: INDUSTRIES WHERE EMPLOYMENT IS UP FROM FEBRUARY



Source: Statistics Canada, Labour Force Survey. Table 14-10-0355-01.

Latest: August 2020. *Aged 15 and over. Seasonally adjusted.

FIGURE 11: EMPLOYMENT DOWN SINCE FEBRUARY IN MOST INDUSTRIES WHILE A FEW INDUSTRIES HAVE SEEN GAINS



Source: Statistics Canada, Labour Force Survey. Table 14-10-0355-01.

Latest: August 2020. *Aged 15 and over. Seasonally adjusted.

Industries that are deemed “slightly impacted” by the COVID-lockdown are shown in the next figure. For this figure, employment in each industry has fallen by less than 10%. Three of the four are public sector industries, or at least have a strong public sector orientation. The number of people working in public administration was little changed as all three levels of government continued to operate during the lockdown. If public facing government agencies were closed, the affected employees were typically not furloughed. Employment in health care fell 8%, as dentists, chiropractors, and many other privately provided services were closed and elective surgeries across the province were cancelled. With the re-opening, health care employment has mostly recovered. Education is interesting.

Here, employment first fell, then rebounded, and most recently fell again. It now sits 7% lower than in February. The recent weakness likely reflects the scaling back/closure of privately provided education services (e.g., language schools), and the reduction in staffing at some post secondary facilities where enrollment is down. The other industry of note is finance, insurance and real estate. Following what appear to be COVID related job losses, there has been limited re-hiring in this sector so far. The next figure shows industries where employment is currently up from February levels. Three of them did see employment dip after February. Professional, Scientific, and Technical services is the only broad industry where employment did not drop in or after the lockdown.

It also has seen employment rise since February. Prior to the pandemic, employment in forestry, mining and oil & gas trended steadily lower throughout 2019. But since February it has not fallen much. And with several months of job gains recently, there are now more people employed in this sector than in February. In manufacturing, the year plus downtrend in employment continued after February, with the rate of decline accelerating slightly after February even though manufacturing was not closed. But in the past two months hiring/re-hiring has lifted employment back to February levels. Agriculture employment has fluctuated. But with the boost in August, employment in this sector is up 15% since February.

The final figure in this section summarizes the changes in employment in each industry between February and August. The industries are shown in the same groupings as in the above figures. Within these groups the industries are sorted by the percentage change in employment between February and August 2020. To provide readers with a summary view of where the greatest number of job losses are, the absolute change in employment over the same period is also shown in the light blue bars.

From the above summary figure, it is evident that:

- Job losses are widespread; they go well beyond industries that were locked down;
- In proportional terms, the hardest hit industries are ones that were locked down; in particular employment in the information, culture and recreation industry and in the business, building and other service industry are both still down ~20%;
- In absolute terms, the biggest job losses are in retail and wholesale trade, reflecting the large number of people employed in the sector and the impact of technological change now accelerated by the COVID crisis;
- The pace of re-hiring and job creation slowed sharply in August; this is evident across all four industries;
- In nine of the 15 industries shown, employment is still down by 5% or more from February levels, with several still having much larger declines;
- Employment in many B.C. industries is still down by 20,000 or more, and several other industries have job losses in excess of 10,000;

Job losses are widespread; they go well beyond industries that were locked down.

- Employment is up in a few B.C. industries. The gains, however, are modest or slight in comparison to the magnitude of job losses reported in other sectors.

SUMMARY AND OUTLOOK: JOB RECOVERY WILL BE MUTED AND MIXED AS BIG MONTHLY GAINS ARE BEHIND US

The above review of recent B.C. labour market trends and the review of industry performance confirms that the re-hiring process following the end of lockdowns has slowed sharply. While we don't like to put too much emphasis on a single month of data, the August downturns in employment growth in several industries warrants attention.

Given the upturn in COVID cases across Canada, the U.S. and Europe, we do not expect international air travel to return in a meaningful way this year. The near-term prospects for international tourism are similarly dire, as is the outlook for jobs in any industry that entails large group events - e.g., most of the entertainment industry. And, it looks like most of the near-term re-hiring in the retail sector has already occurred.

Some good news in the industry review is that a few industries show employment gains between February and August. Professional, scientific and technical services jobs are up.

During the crisis people employed in this industry were able to shift to remote work. There has also been a big jump in demand for technical and computer services. The rise in employment in the forestry, mining and oil and gas industry sector is also welcome. The number of people working in this industry fell steadily over the past 18 months, but recently employment turned higher.

One of the challenges in trying to calibrate the recovery process is that skewed labour market incentives will weigh on the pace and pattern of recovery. As it prepares to end the very costly and heavily subscribed CERB program, the federal government is simultaneously relaxing requirements and enhancing EI benefits. More generous income supports tilts the need for and incentive to work. We expect a liberalized EI system will dampen job creation to some degree over the coming year. The outlook is further complicated by the fact that the global recession may also persist and bite deeper into business activity in some Canadian industries.

An additional point is that we expect thousands of B.C. businesses to close in the next year or so. The government's decision not to extend provisions permitting employers to avoid terminating furloughed staff after 24 weeks will also lead to more (permanent) job losses. Ontario is more alive to this issue than B.C., having decided to extend the temporary layoff provisions under its employment standards legislation until the end of the year. B.C. should quickly do the same to help stave off more business closures and permanent job destruction.

We are concerned about the implications of long-term unemployment and the risk of younger workers struggling to gain traction in the labour market. The patterns over the past six months suggest there is good reason to be concerned. Re-hiring in the younger cohort came to grinding halt in August. And there has been no recovery in full-time employment for persons aged 15-24 years.

Adding it all up, we expect employment growth will be weak, choppy and uneven for the remainder of the year and well into 2021. The fact that re-hiring has slowed is evident across most industries and is a key reason for our cautious outlook. We do anticipate some additional re-hiring in a few parts of the economy. But any job gains will be offset to some degree by business closures and restructurings that will unfold over the next year. Challenges in returning to work such as daycare or transportation issues will also weigh on job creation. The overall policy environment and relatively generous income supports from the federal government will also skew the incentives to return to work and dampen job growth.

Reflecting back to the roller coaster analogy, we do not believe employment in B.C. will experience another sharp dip. But we judge that the initial re-hiring surge has passed, and that future monthly job growth will be weak, and uneven across sectors. By the end of 2020, we expect there will still be between 100,000 and 125,000 fewer jobs in B.C. than was the case back in February.

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