

Intelligence MEMOS



From: Parisa Mahboubi and Tingting Zhang
To: Canadian Labour Force Observers
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Re: **WHERE HAVE THE JOBS GONE IN THESE FIVE SECTORS?**

Since the return to pre-pandemic employment levels in November 2021, Canada's economy has added more than 600,000 new jobs.

Even so, employment in some sectors remains below 2019 levels. Why the uneven recovery?

Overall, job recovery was swift, with total employment reaching 19,770,300 last December – 3.3 percent above its February 2020 level.

But five sectors lag: Accommodation and food services, still down 126,900 jobs; “other services” excluding public administration (52,700 short); business, building and other support services (48,500); agriculture (37,200) and transportation and warehousing (16,700). Last year these industries accounted for 19 per cent of total employment, down from 22 per cent in 2019.

Like most sectors in 2022, these five experienced elevated job vacancies and historically low unemployment rates.

Is it just a question of not being able to find workers?

In four out of five cases, no. Only “building and other support services” would have returned to pre-pandemic employment levels had it filled all its vacant positions as of last October.

Meanwhile those vacancies are real. In the second quarter of 2022, cooks, kitchen helpers and servers were among the [top 10 occupations](#) with the largest annual increases in unfilled jobs.

Lower labour force participation rates as a result of an aging population are one possible explanation, but other factors are also in play. Some workers who lost their jobs to COVID-19 shutdowns may have moved to industries less vulnerable to shutdown and job loss.

There has also been the well-recorded surge in remote work. The proportion of people working mostly from home increased from 4 percent in 2016 to [32 percent](#) at the beginning of 2021. Although the share working exclusively from home had declined to [15.8 percent](#) by last December, the proportion of employees with a hybrid work arrangement had risen to 9.6 percent.

The main attraction of hybrid work is its greater [flexibility](#), which is conspicuously lacking in sectors that rely on personal interactions – especially accommodation and food – so it is no surprise that's the sector with the highest rate of job vacancy.

Shortages of key inputs because of supply-chain issues have also affected employment growth in industries such as [agriculture](#) and [accommodation](#) and food services. So have the sharp price increases resulting from these shortages. They simultaneously raise input costs and reduce consumer demand. The negative impact of [inflation](#) can be significant. For example, while sales of food services and drinking places reached a record high of [\\$7.4 billion](#) last October – up 14 percent from February 2020 – inflation-adjusted sales were effectively flat, down \$105 million.

Finally, pandemic-related shutdowns and health measures may have accelerated [technological change](#) in many sectors. Automation can help solve labour shortages, but by boosting output and productivity, it can also lead to slower employment growth.

In the long run, however, productivity growth is key to alleviating shortages. For example, agriculture had a remarkable productivity increase (34.6 percent in real GDP per hour worked) between February 2020 and October 2022. While good weather brought bumper crops, the GDP gains can also be attributed to innovation. Despite a year-over-year reduction in overall capital expenditure of the agriculture industry in 2020, its investment in medium- and heavy-duty vehicles and industrial machinery and equipment increased.

Both the accommodation and food industry and “other services” excluding public administration, also had significant productivity gains (9 and 13 percent, respectively,) also attributable, in part, to automating tasks.

Meanwhile, governments and businesses need to be mindful that there are still more than one million unemployed Canadians who want work, one result of the mismatch between the skills people possess and those that businesses need.

Beyond more aggressive “upskilling” initiatives from government and business, employers facing labour shortages will have to examine a mix of improved working conditions, better compensation packages, productivity-enhancing investment and training to help retain their existing workers and attracting new ones.

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