Canada: Labour market dives on coronavirus crisis
By Krishen Rangasamy

Surging employment insurance applications had warned that March would show an ugly employment report. But the jobs purge was even worse than expected. The option to work from home, because of the pandemic, is not available to a large part of the workforce and hence the largest job declines registered in March were in industries where employees had limited ability to work from home e.g. hospitality, retail, manufacturing. The historic jump in the jobless rate would have been even steeper were it not for the slump in participation rate. This is unfortunately not the end of bad news for the Canadian labour market, with further job losses in the cards. Recall that households were asked about the state of employment during the reference week (which includes the 15th of March), i.e. before mandated operational shutdowns were fully implemented. So, the next jobs report won’t be pretty either, and that despite the federal government’s best efforts to encourage the private sector to keep its workers via a range of programs including wage subsidization. As such, the record peak to trough employment decline of 5.4% registered during the 1981/82 recession could be surpassed as early as April (left chart). All told, this is by far the largest and fastest pace of jobs decline ever recorded and confirms what everybody felt (even before GDP data becomes available), i.e. Canada is now in a deep recession. Further action by the Bank of Canada and federal government are likely in the coming weeks as they attempt to diminish the amplitude of this downturn with additional stimulus.

Canada: Most brutal jobs purge ever recorded
Employment (according to Labour Force Survey) during recessions

HIGHLIGHTS:

- Employment fell by more than 1 million in March (1,010,700 to be exact) according to the Labour Force Survey. That pushed up the unemployment rate by 2.2 percentage points to 7.8%, the biggest one-month jump since 1976 (right chart).
- The participation rate fell 2 percentage points to 63.5%.
- Job cuts were driven by the private sector (-830K), although there were also sharp declines in the public sector (-145K) and in self-employment (-36K).
- Employment in the goods sector fell 47K with losses in most categories including manufacturing (-35K) and construction (-2K).
- Services-producing industries saw employment drop by 964K courtesy of declines in all categories including -294K for accommodation/food services.
- Full time employment dropped 474K while the ranks of part-timers shrank 537K. The jobs purge, not surprisingly, caused hours worked to sink 15% during the month.
- All provinces saw jobs losses with Ontario (-403K), Quebec (-264K), British Columbia (-132K) and Alberta (-117K) among the worst hit.

Canada: Coronavirus causes historic job losses in March
Employment and unemployment rate
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