

Market View – Jobs recovery: It's advantage Canada

By Warren Lovely / Taylor Schleich

In the all-important race to recoup the veritable mountain of jobs lost in the wake of COVID-19, it's turning out to be advantage Canada... at least relative to the country we constantly measure our self against: the good ol' U.S. of A.

Give the U.S. credit for a solid July headline jobs tally, which eased some of the anxiety that had built up as recent jobless claims and ADP data rolled in. But even factoring in today's better-than-expected payrolls surge (+1.763 million), America is still lagging Canada when it comes to the jobs recovery. As detailed in the table below, over the past three months, Canada has regained 55% of the total number of jobs that were hemorrhaged in March-April. As for the U.S., the recovery rate is just 42%. It's a similar story (i.e., a relatively stronger Canadian recovery) when you train your eyes on full-time employment. You'll likewise find evidence that women and young people are getting back to work and recovering lost jobs faster in Canada than they are in the U.S.

Proud Americans would no doubt wish to highlight that, when it comes to the jobless rate, it's the U.S. that appears to be doing better of late. At the peak of the crisis, the unemployment rate was actually higher south of the border than it was in Canada, but since then, the U.S. jobless rate has come down a bit faster. But that might be false comfort. America's jobless rate is being artificially held down by very tentative labour force participation. When it comes to the more important employment rate (which controls for often distortionary swings in participation), Canada's back in the lead.

We're not saying that Canada's labour market is the picture of health. Indeed, the global pandemic brought Canada's economy to its knees, as it did everywhere. And the country's economic re-start—for which there is no empirical playbook—remains something of a work in progress. Notwithstanding the relatively better employment recovery rate vs. the U.S., there are still 1.34 million more unemployed Canadians than was the case pre-virus. Despite the recovery rates cited here, the percentage drop in employment in Canada (and the U.S. for that matter) remains much worse than in the 2008-09 crisis. In Canada, employment is currently down 7.0% from its peak vs. a maximum 2.5% decline in 2008-09. That means here... as in the U.S., Europe, Asia, Latin America, Oceania and Africa... many households are going to require extraordinary policy supports for a long while yet.

All those caveats aside, whether it's in the jobs market or on the vital issue of virus containment, Canada has built something of an edge relative to the U.S. You should ultimately see this reflected in Q3 GDP data. Keep up the good work Canada, there's still a long road ahead.

Table: Canada-US labour market recovery scorecard

Key indicators of labour market performance since COVID-19 crisis began

Employment (000s)			Full-time employment (000s)			Female employment (000s)			Youth employment (000s)		
Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada
February	152,463	19,189	February	131,109	15,609	February	74,888	9,109	February	5,378	851
Peak jobs lost	22,160	3,005	Peak jobs lost	16,787	1,946	Peak jobs lost	13,401	1,537	Peak jobs lost	1,899	344
Jobs recovered	9,279	1,661	Jobs recovered	5,210	781	Jobs recovered	5,833	825	Jobs recovered	756	226
% recovery	42%	55%	% recovery	31%	40%	% recovery	44%	54%	% recovery	40%	66%
Advantage			Advantage			Advantage			Advantage		

Unemployment rate (%)			Employment rate (%)			Participation rate (%)			Labour force (000s)		
Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada
February	3.5	5.6	February	61.1	61.8	February	63.4	65.5	February	164,546	20,323
Peak UE rate	14.7	13.7	Low emp rate	51.3	52.1	Low part rate	60.2	59.8	Peak LF decline	8,065	1,720
July	10.2	10.9	July	55.1	57.3	July	61.4	64.3	LF recovered	3,389	1,426
% recovery	40%	35%	% recovery	39%	54%	% recovery	37%	79%	% recovery	42%	83%
Advantage			Advantage			Advantage			Advantage		

Source: NBF, StatCan, BLS, Bloomberg | Notes: We've focused here on the COVID-19 related hit to a number of key labour market variables and the subsequent recovery. In some cases, there are differences in data definitions between countries making comparisons not equal in the strictest sense. Labour force statistics in Canada use ages 15 years and above, while US uses 16 years and above. For youth employment, Canada figure represents ages 15-19 while US figure represents ages 16-19.

Note: For more detail on Canada's July employment rate, refer to our [Economic News report here](#).

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