



Help wanted (like never before)

By Warren Lovely & Matthieu Arseneau

Did you happen to catch Wednesday’s Canadian CPI report? As far as economic releases go, it was of the ‘can’t miss’ variety and surely didn’t disappoint. It might be more appropriate to say May’s CPI data were massively disappointing/worrying in any number of respects.

Not to be a downer, but those looking for a quick/complete inflation fix could be left wanting. No question, a mounting global slowdown could bring non-trivial commodity price relief. We have seen evidence of this in recent sessions. And yes, turning Chinese factories back on after COVID-related shutdowns could ameliorate supply chain angst. Leaning the other way, however, an ultra-tight labour market could complicate the return of becalmed inflation. Consider Q1 job vacancy data presented recently.

As of Q1, Canadian job vacancies were closing in on one million! Ok, we’re rounding up a bit, the precise seasonally adjusted Q1 tally stood at 958,000. Rounded or not, the number of job vacancies appears extraordinary, the corresponding job vacancy rate (i.e., job openings as a share of total positions) likewise exceptional at 5.6% (Chart 1). We caution that there’s a risk of ‘fake’ vacancies, since it’s not particularly costly to keep listings open. Meanwhile, as StatCan reminded us Wednesday, “high levels of immigration over the near term will be critical in addressing current labour market imbalances”. But even setting aside longer-term demographic worries associated with an aging population, the scale of the worker shortage problem is striking. Here’s an admittedly simplistic stat: It would currently take the equivalent of 3.2 years to fill all reported job openings, based on recovering growth in the working age population (Chart 2). That assumes a perfect skills match and ideal geographic alignment (i.e., having the right kind of workers, with necessary qualifications, in all the right places, at the right time), which is something of a herculean leap. Another spin for purely illustrative purposes: We would need almost every available unemployed Canadian to fully redress the apparent worker shortage. Just for fun, subtract 958K from current unemployment and the resulting jobless rate would be... wait for it... 0.5% (all else equal). Never mind that at 5.1%, Canada’s unemployment rate was already a record low as of May.

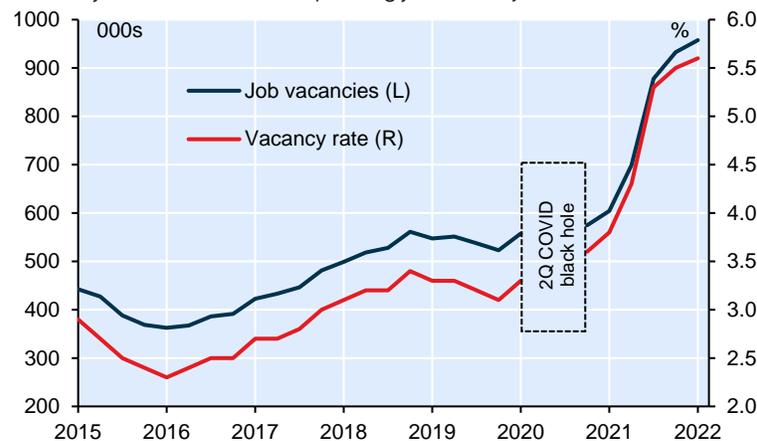
When it comes to job vacancies, plenty of attention is paid to the industry level data. After all, more and more sectors are reporting serious worker shortages, increasingly deemed a structural impediment to growth. We’re not just talking about re-opened restaurants having difficulty getting servers or cooks. We’ve gone beyond that. While hardly a perfect fit, you’ll find a connection between job vacancy rates and average offered wage growth (Chart 3). As was remarked in our [detailed inflation analysis](#): “Workers, in a tight labour market, are demanding compensation for inflation and businesses are raising prices to maintain profitability.” Not necessarily the most dovish scenario.

The regional story is likewise striking. The ‘pervasive’ label is now routinely applied to inflation developments, but it fits equally well with regional job vacancy rates, which are materially higher across the country. As a share of available workers, job openings appear most plentiful in British Columbia and Quebec (Chart 4). For a more detailed regional breakdown, refer to Chart 5. Excepting Nunavut, home to just 0.1% of total Canadian jobs, Q1 job vacancy rates were everywhere above average. In a clear majority of cases (40 of 69 regions, comprising >70% of national employment), the job vacancy rate was the highest since at least 2015 (when quarterly data start). Such a broad-based worker shortage won’t be fixed easily, even allowing for enhanced immigration quotas and labour redistribution via inter-provincial migration.

There’s a sure-fire although hardly desirable way to redress an acute worker shortage. That’s through the onset of serious job losses that tend to accompany recessions. A more desirable and to us still-plausible scenario involves central banks raising rates, calming aggregate demand and leading to a staffing re-think across corporate Canada. In this ‘soft landing’ scenario, which characterizes our [current macro forecast](#), some of today’s opened positions would be taken down, creating less need to ‘steal’ workers away from competitors. Canada would avoid widespread layoffs but still see a slight increase in joblessness given our strong population growth. Are we dreaming? Hopefully not, although it comes down to how big a policy rate stick central bankers are compelled to wield in a heretofore uncomfortable inflation environment.

Chart 1: Job vacancies close in on 1 million!

Canada job vacancies & corresponding job vacancy rate



Source: NBF, StatCan | Note: Data not available for 2020:Q2 & 2020:Q3; SA data

Chart 2: Illustrating the extent of the worker shortage

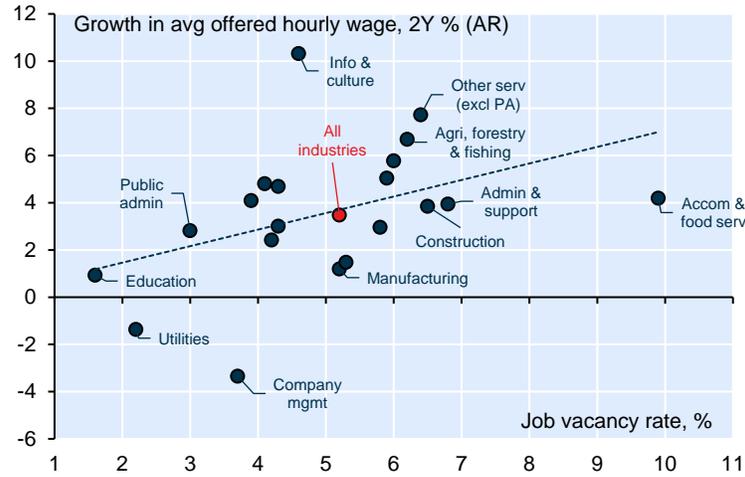
Years to fill Cdn job vacancies, based on working age population growth



Source: NBF, StatCan | Note: NBF illustration based on Q1 for each year; level of SA job vacancies divided by annualized growth in working age population for corresponding period

Chart 3: More industries bidding for scarce workers

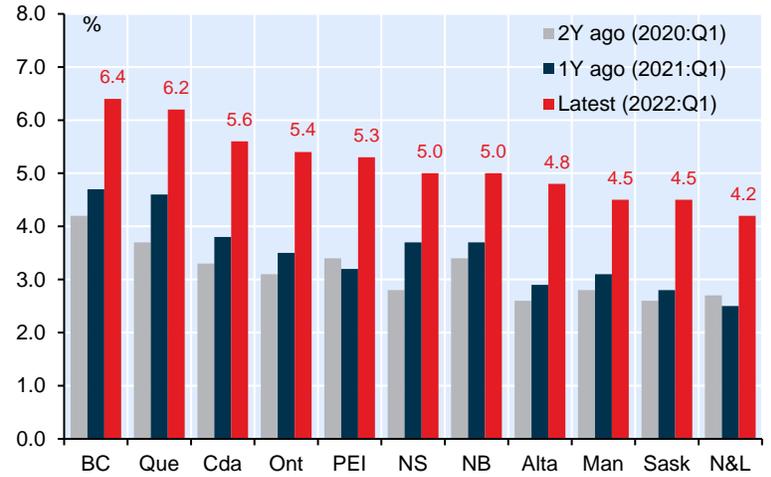
Canada job vacancy rate & wage growth by industry (as of 2022:Q1)



Source: NBF, StatCan | Note: Results for 20 industry groups, with select industries labeled; growth is average offered hourly wage is annualized change vs. 2020:Q1; NSA data

Chart 4: Job vacancies more acute all across country

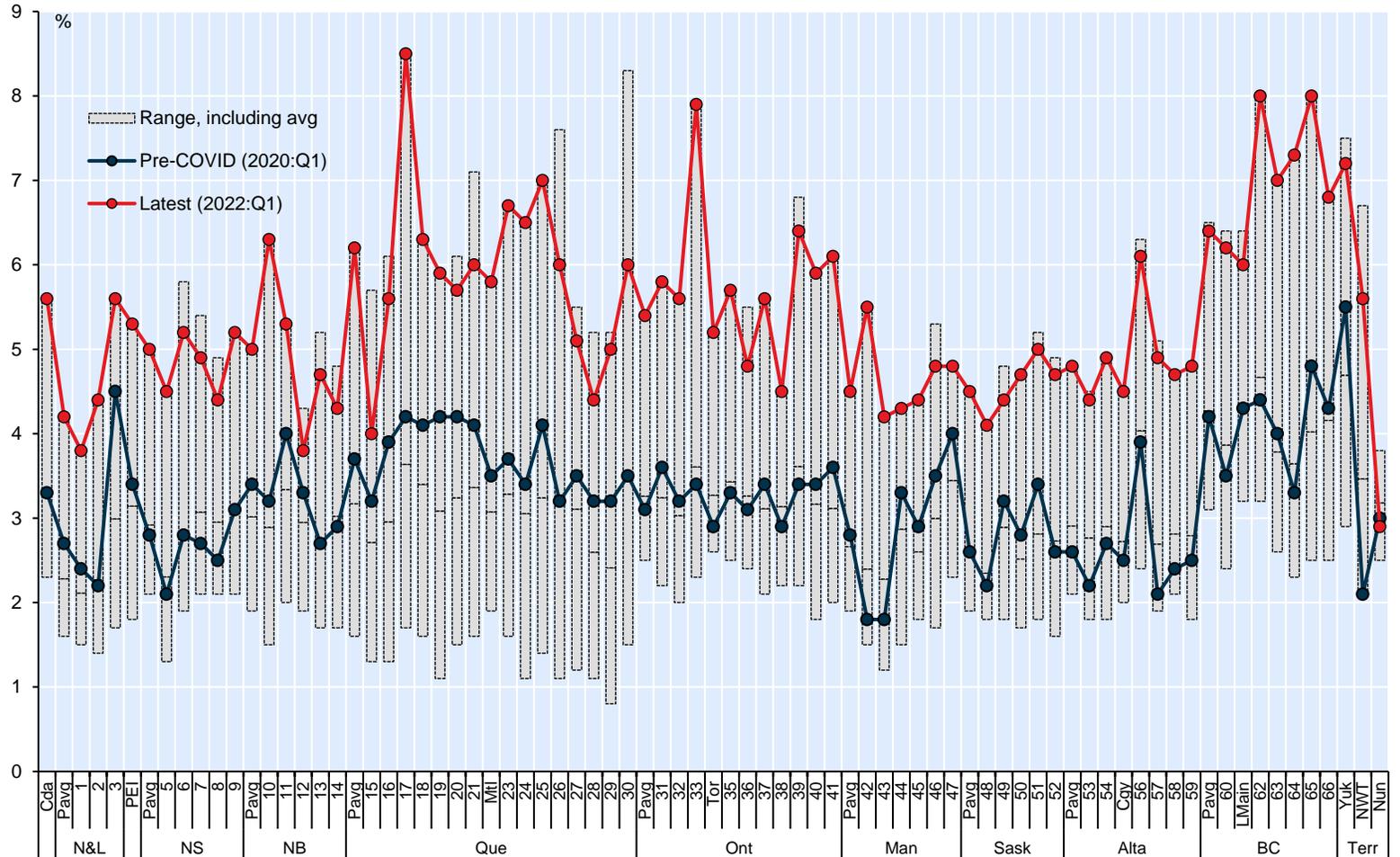
Provincial job vacancy rates: 2022:Q1 vs. 1-2 years ago



Source: NBF, StatCan | Note: SA data

Chart 5: Control shift! No easy/desirable shortcut to fix such a pervasive and broad-based worker shortage

Canada job vacancy rates across provinces & in 69 individual economic regions: 2022:Q1 vs. pre-COVID level/range/average



Source: NBF, StatCan | Note: Refers to 1-69 economic regions, which are grouped by province; 'Pavg' refers to average for province; in select cases, name of economic region is listed (e.g., Toronto, Montreal, Calgary, Lower Mainland-Southwest B.C.); grey boxes reflect quarterly range from 2015 onwards, with range separated by average level



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