New Labour Force Survey exposes equity gaps

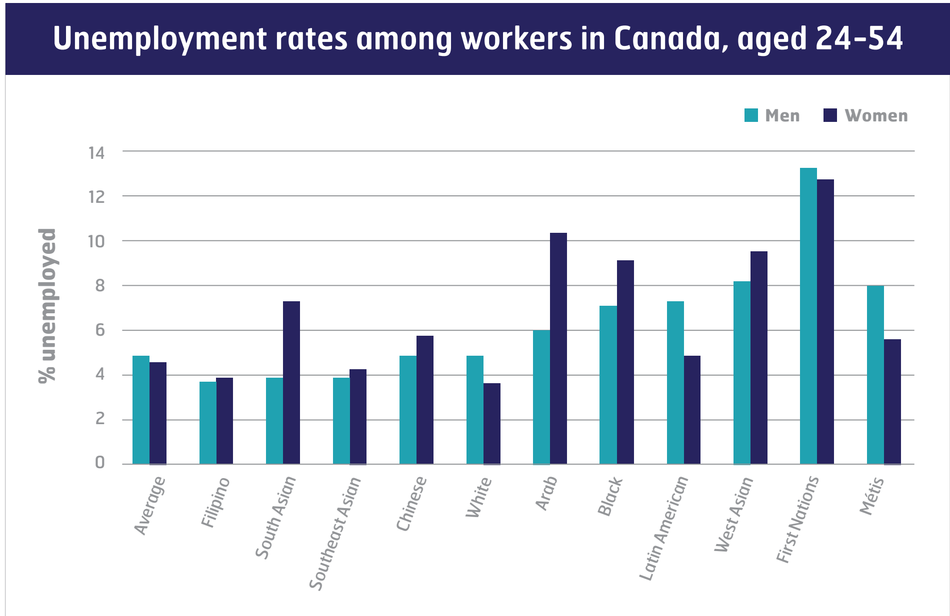
For many years, employment equity trends in Canada could only be tracked through the census. The census is conducted once every five years, and the results take a long time to be tabulated and released. For example, the employment data from the 2021 Census will not be available until September 2022.

The Labour Force Survey, carried out monthly by Statistics Canada, recently expanded the demographic data they collect to improve our understanding of employment equity, and specifically to address gaps for Black and racialized workers.

Labour market data for recent immigrants has been available since 2007, and for First Nations, Métis, and Inuit workers since 2008. Starting in January 2022, the Labour Force Survey is also asking workers to identify according to the demographic categories used by the census.

Data from January 2022 shows that there is a great deal of variation in unemployment rates between populations, and between men and women within and across populations. For example, South Asian women have a much higher unemployment rate than South Asian men or white women. First Nations men currently experience the highest unemployment rates, followed by First Nations, Arab, West Asian, and Black women.

This new demographic information will help us better understand how labour market discrimination affects workers, informing our approaches to equity at the bargaining table.



Source: Statistics Canada Table 14-10-0373-01 and 14-10-0365-01

Note: Data is not available for all groups. If the sample size is too small to be reliable, Statistics Canada does not release the data publicly.

Provincial finances improve, but spending does not

The financial situation for the provinces improved dramatically over the past year. When added together, 2021 provincial budget forecasts estimated a total deficit of $76 billion for the 2021 fiscal year. But the 2022 provincial budgets revealed that actual deficits for 2021 were only $24 billion.

Ontario saw the greatest reduction in their deficit, with a drop of nearly $20 billion. Alberta was a close second with a deficit reduction of $15 billion.

Lower government deficits might seem like good news for public services that have been struggling with austerity since the 2008 financial crisis. But this is not necessarily the case.

Deficits were reduced because provincial revenues increased at a higher-than-expected rate. Strong economic growth and higher prices for natural resources contributed to this increase. Provincial incomes were also boosted by inflation, largely through increased sales and corporate tax revenue stemming from higher prices.

Unfortunately, while inflation increases government revenue numbers, it also helps governments seem like they are spending more when they are actually spending less.

When we compare program spending plans in the 2021 and 2022 provincial budgets, three provinces – Alberta, Manitoba, and Newfoundland and Labrador – have reduced spending year over year. The other seven provinces appear to have substantial spending increases.

However, once we adjust for inflation and population growth, these apparently healthy spending increases turn out to be either negligible or non-existent. Adjusted numbers show British Columbia

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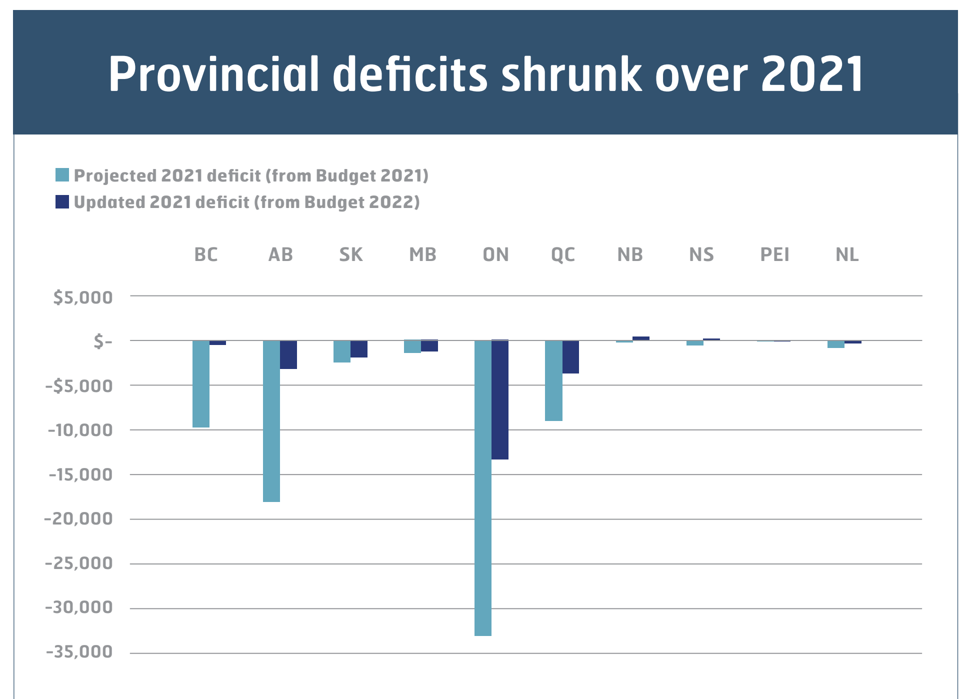

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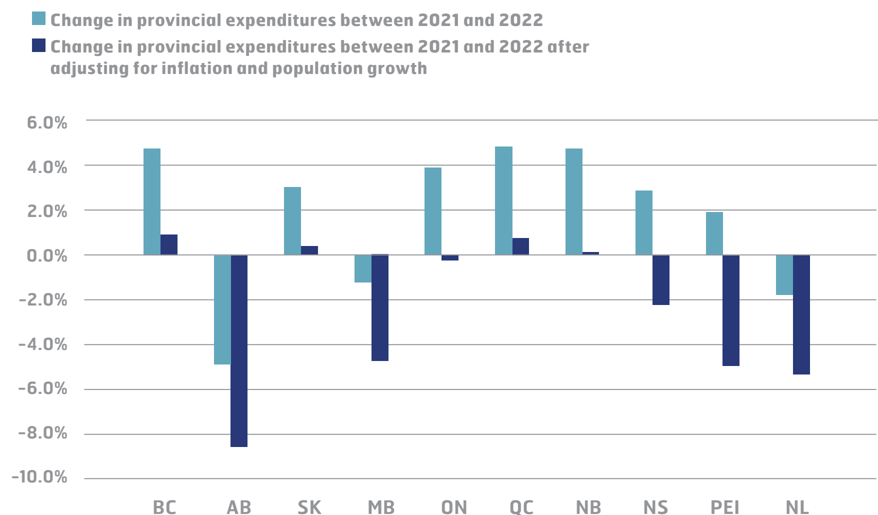
with the largest spending increase at 0.9%, followed by Quebec at 0.7%. Given that inflation in 2022 is expected to be double than it was in 2021, these increases will likely get swamped before the year is out.

Governments use smoke and mirrors to make it look like they are spending more than they really are. As workers who deliver public services, we know that underfunding and cuts to public services negatively impact marginalized communities the most. To hold governments to account, it is crucial for us to keep track of spending commitments, while making sure to adjust for inflation and population growth.

Change in provincial expenditures between 2021 and 2022 after adjusting for inflation and population growth



Understanding labour shortages

When the pandemic began, Canada was hit with a wave of job losses. The labour market recovered these jobs by the end of 2021. Very quickly, however, economists who had been concerned about pandemic-related unemployment started to raise concerns about the opposite problem – labour shortages.

In the two years prior to the pandemic, there were between 500,000 and 600,000 job vacancies across Canada. This number skyrocketed to 900,000 vacancies by the final half of 2021.

As worker advocates, it is important for us to understand what is behind the huge increase in unfilled positions. While employers and governments often claim that job vacancy numbers reflect a lack of qualified workers, this is not always the case.

For example, if we see job vacancies rising in a sector where compensation remains steady, it may be that the number of unfilled positions reflects a lack of people willing to work for the wages offered. Instead of raising wages to appropriate levels, however, many employers are recruiting migrant workers to fill the gaps.

We can see this specific scenario playing out right now in the Canadian health care sector.

The health care sector was already recording higher than average rates of unfilled positions before the pandemic. Between the start of the pandemic and the end of 2021, the number of unfilled positions nearly doubled, from 64,000 to 126,000.

These vacancies are linked to low wages. Despite the large number of openings and the desperate need for workers, wages in the health care sector have not even kept up with inflation. This slow wage growth is directly related to political interference in collective bargaining, as provincial governments across Canada have legislated annual caps to public sector wage increases as low as 1%.

In other instances, job vacancies stem from a lack of available hours. A good example of this can be seen in Canada's accommodation and food services sector.

The accommodation and food services sector has the highest number of unfilled positions in Canada. It is also the only sector over the past year in which hourly wages have increased faster than the rate of inflation.

Given the unusually high number of open positions in the sector, economists would expect current staff to be working more hours to cover the shortages. However, the average number of hours worked in the sector were lower in 2021 (26.4 hours per week) than they were in

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Change in average hourly wage offered for job vacancies between Q4 2020 and Q4 2021, adjusted for inflation

Source: Statistics Canada Table 14-10-0326-01

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2019 (28.3 hours per week). The data thus suggests that although wages in the sector have increased, employers still aren't offering enough hours per week for workers to make ends meet.

In these first two scenarios, what appears to be a labour shortage is instead a shortage of sufficient wages and hours. A true labour shortage, on the other hand, may be indicated when we see job vacancies increase despite concurrent increases in wages and hours. This is likely the case for Canada's information, culture, and recreation sector, which is seeing a high job vacancy rate despite a nearly 7% increase in wages offered for vacant positions and an increase in weekly hours (from 31.6 per week in 2019 to 34 hours per week in 2021).

Even though the data suggests that many job vacancies in Canada are tied to insufficient wages and hours rather than a lack of workers, employers are claiming that they need more "flexibility" to fill positions. Rather than ensuring fair working conditions, employers are pressuring governments to weaken labour legislation and unemployment protections. Employers are also advocating for an increase in temporary and precarious workers, including those who, under the Temporary Foreign Workers Program, are tied to a single employer.

Such an approach exploits migrant and immigrant workers and keeps all of us in a race to the bottom. The growth of low-paid, precarious work is the result of decades of Liberal and Conservative governments which have eroded worker rights. Our current job vacancy rates are rooted in these long-term attacks. We cannot fix our job vacancy problem by leaving immigrant and migrant workers at the bottom of the labour market. We must continue our fight for decent work for all.

Canada continues to lose affordable rental housing

The Canadian Mortgage and Housing Corporation (CMHC) puts out a regular report on rental housing costs and affordability across Canada.

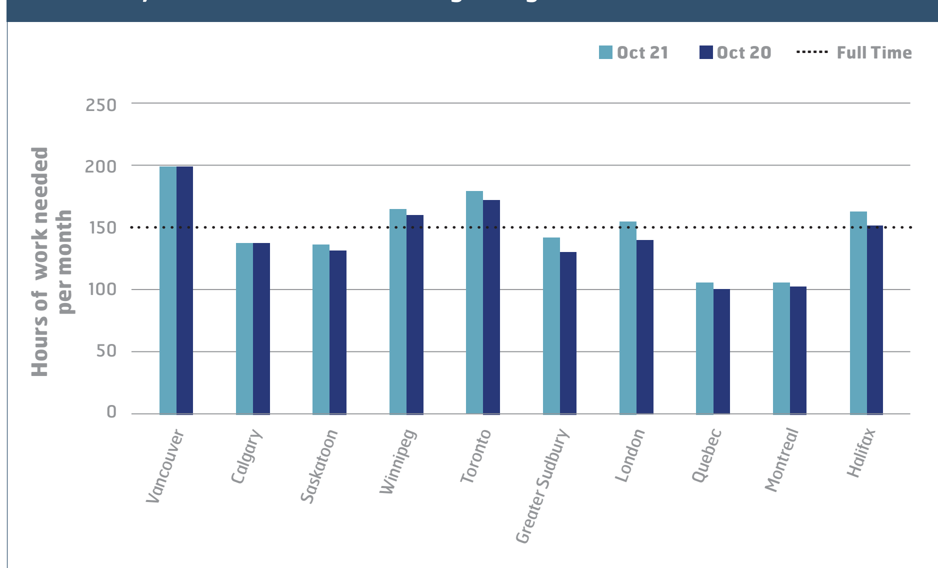
CMHC uses the price of all currently rented apartments to assess affordability. This means that it does not include prices listed for vacant apartments, which are usually higher.

A rental is considered affordable if the rent costs less than 30% of your household's monthly income before taxes.

This chart shows how many hours at the average wage in each city a person would have to work per month to afford a 2-bedroom rental apartment.

The data shows that in most cities the average 2-bedroom apartment became less affordable during the pandemic. This trend has only accelerated in 2022. More recent data from Rentals.ca shows that the average rent for all properties increased by 9% between April 2021 and April 2022.

Monthly hours needed at average wage to afford 2-bedroom rental



Source: CMHC Rental Market Report, February 2022

Canada has a shortage of purpose-built rentals that are affordable for working people. Housing is increasingly out of reach for minimum-wage workers and people who rely on social assistance.

Inflation and higher interest rates will only make things worse. The higher cost of borrowing will mean higher mortgage costs for landlords and higher costs for new buildings. All of this will get passed on to the renter.

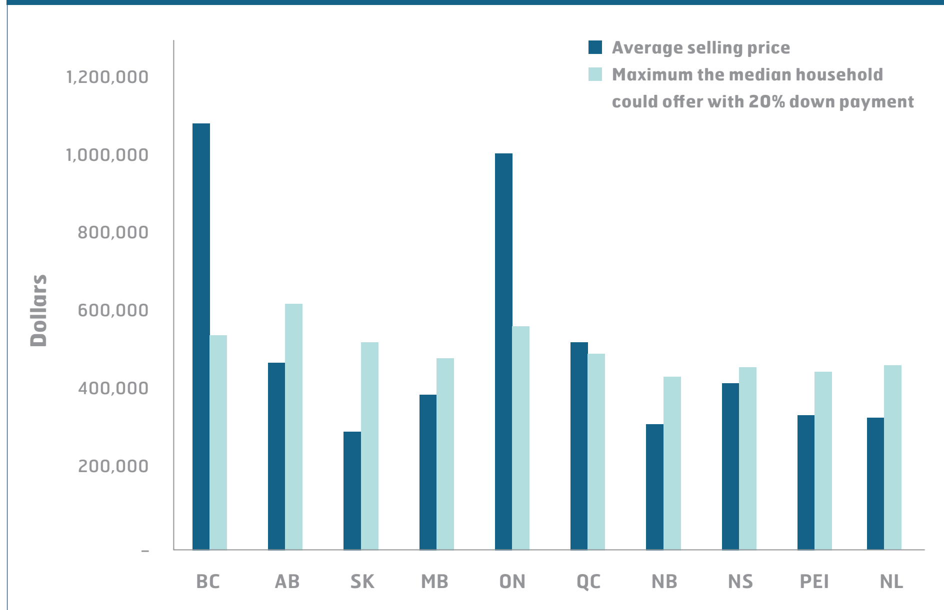
Households that lack access to affordable housing are disproportionately led by women, and feature an over-representation of Indigenous people, people with disabilities, immigrants and refugees, youth and older adults, and members of racialized communities. While the federal government has taken steps to increase the supply of affordable housing, they are nowhere near the scale needed. We need a massive and immediate investment in public and non-market housing from all levels of government to address the rental housing affordability crisis.

Home ownership and rising interest rates

Housing prices, already high across Canada, skyrocketed during the pandemic. Prices rose by more than 30% between the end of 2019 and the end of 2021.

Many are hoping that rising interest rates will help cool Canada's overheated housing market. However, this will not make home ownership more affordable for the average working family.

Out of Reach – Average House Prices



Source: CREA, Statisics Canada, Author's calculations

The amount of money that banks can lend for a mortgage is regulated by the federal government. It depends on your income and existing debt load, as well as expected heating costs and property taxes for the house you are purchasing. By law, your mortgage payments plus these other items cannot total more than 44% of your before-tax income.

Higher interest rates increase the cost of your mortgage payments, and so reduce the amount of money that a bank can offer you in a mortgage. This can add up quickly.

For a household earning the median income of $110,000, a 2% increase in interest rates would reduce their maximum mortgage by $90,000. (Median household income means that half of households make more money, and half of households make less).

This chart shows the average price of homes sold in each province in April 2022. Next to that is the maximum offer that a household with the median income could place on a house at current mortgage rates (4.6%), assuming they had saved up a 20% down payment.

In Canada's three largest provinces – British Columbia, Ontario, and Quebec – the average house price is out of reach for a household with the median income and a 20% down payment. Nova Scotia is getting very close to that line.

With rising interest rates, the majority of households will find themselves locked out of the housing market because there simply are no houses available at the amount they are allowed to borrow. Meanwhile, saving for a down payment will become even more difficult as rental costs surge above the affordability bar set for home ownership.

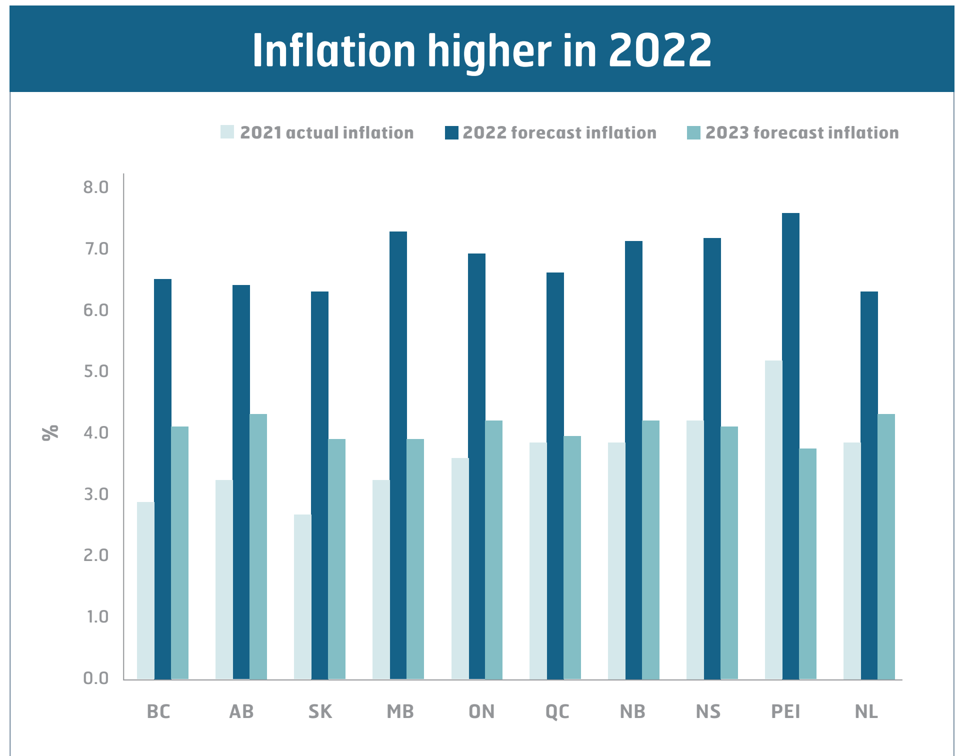
Update on inflation and interest rates

Inflation in 2022 is much higher than expected. This is due to the war in Ukraine, climate impacts on food production, and ongoing supply chain issues.

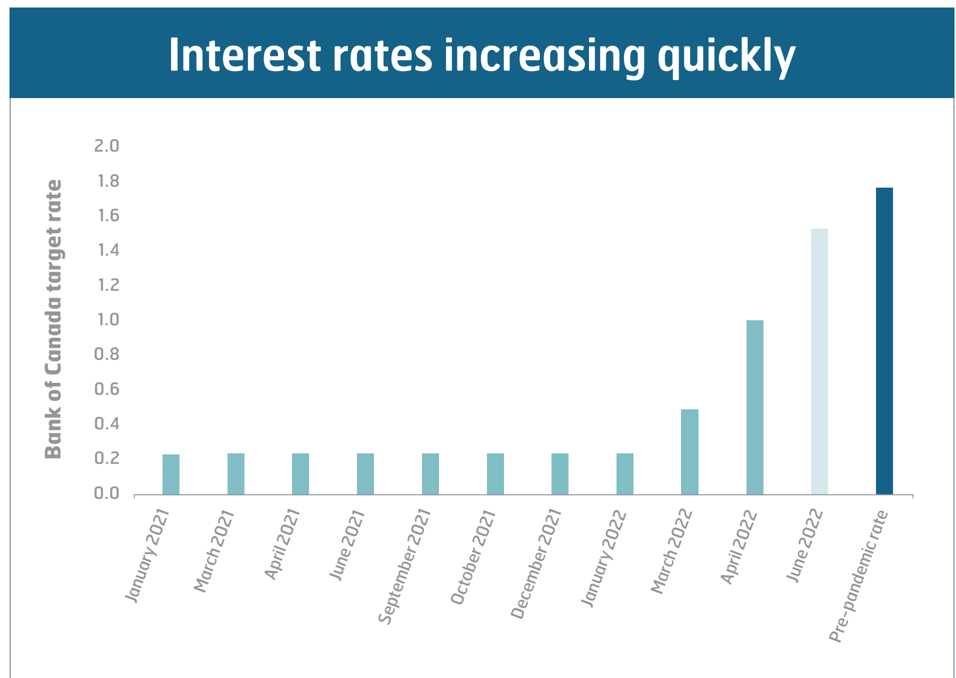
We have data for four months of 2022 and a good understanding of the immediate trends in prices. This means inflation forecasts for 2022 are more reliable now than they were in January.

Inflation forecasts for 2023 are less reliable, since they assume that prices will be dampened by a continued rise in interest rates.

In April 2022, the Bank of Canada raised interest rates to 1%, and to 1.5% in June 2022. Many forecasters expect the Bank of Canada to increase rates to 1.75% by September.



Source: Bank of Montreal, Provincial Outlook, May 20, 2022



Source: Bank of Canada

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