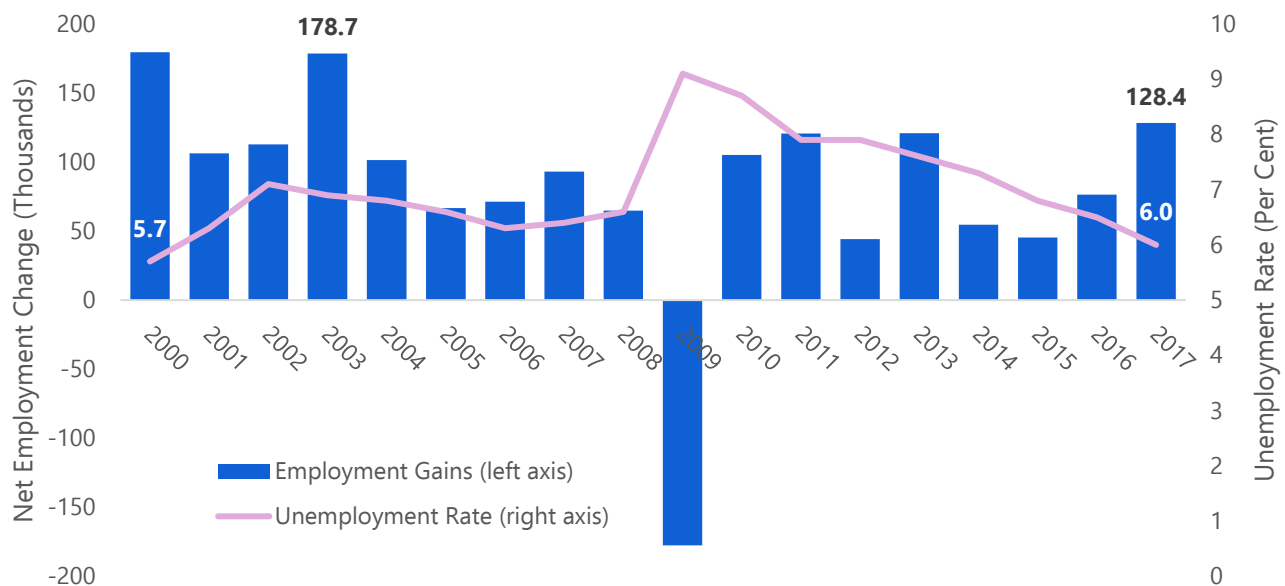


## Ontario Records Strong Labour Market Performance in 2017

The Ontario economy created 128,400 net new jobs in 2017, the largest annual job gain since 2003, while the unemployment rate dropped to 6.0 per cent, the lowest rate since 2000.<sup>1</sup>

The majority of the job gains last year were full-time, private sector positions. The service sector added 114,000 positions, accounting for 89 per cent of total job growth, while the goods sector added 14,500 new jobs, led by solid employment gains in manufacturing industries.

### Strong Job Growth in 2017 Helps Lower Unemployment Rate Below Pre-Recession Levels



Source: Statistics Canada and FAO.

### Strong Headline Results, as Labour Market Continues to Evolve

Looking behind the strong headline results reveals a changing labour market with both improvements for some workers, as well as continuing challenges for others.

- Despite broad-based employment gains in 2017, many labour market indicators such as the share of full-time and private sector employment have yet to recover to their pre-recession averages.
- The pace of job growth has been uneven across Ontario regions.<sup>2</sup> Job gains in 2017 were heavily concentrated in the GTA (+69,700 jobs) and Central Ontario (+57,200 jobs). Only 1,600 net new jobs were created in Southwestern, Eastern and Northern Ontario combined.
- The labour force participation rate of Ontario youth remains well-below its historical average.

<sup>1</sup> Unless otherwise indicated, this commentary reports labour market results based on Labour Force Survey annual values.

<sup>2</sup> The regions include: the Greater Toronto Area, Southwestern Ontario (Windsor, London and Stratford areas), Central Ontario (Kitchener, Waterloo, Barrie, Hamilton, Niagara, Muskoka and Kawartha areas), Eastern Ontario (Ottawa, Kingston and Pembroke areas) and Northern Ontario (Sudbury and Thunder Bay areas).

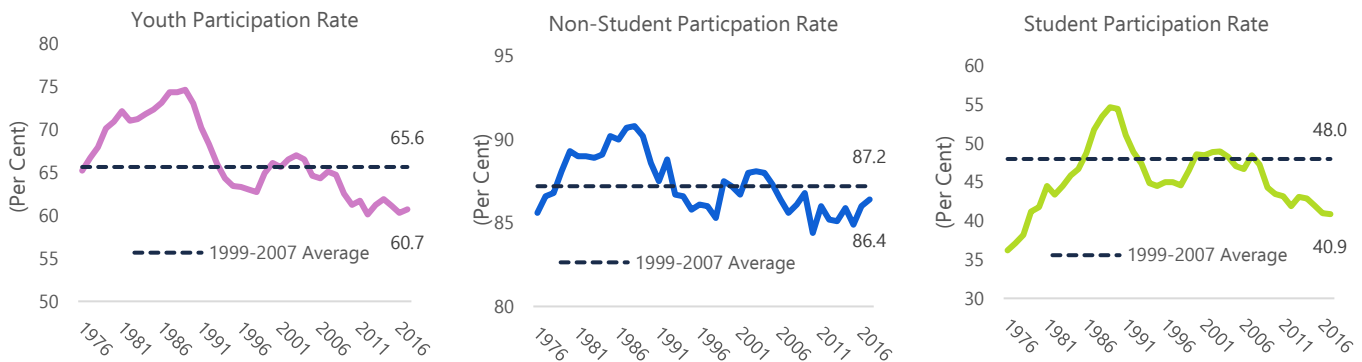
- To some extent, this is a reflection of rising school enrollment rates combined with the decision by many students not to participate in the labour market. However, over the long-term, higher educational attainment should contribute to better labour market outcomes.
- Non-standard forms of employment – sometimes referred to as ‘precarious work’ – have become more common. The share of temporary workers and multiple job holders (relative to total employment) increased in 2017, continuing a rising trend since the late 1990s. The share of involuntary part-time workers (another common measure of precarious work) has declined since the recession, but remains above its pre-recession average.
- While the official unemployment rate sharply declined, the number of Ontarians experiencing long-term unemployment remains above the pre-recession level.
- Despite strong job gains and a steady decline in the unemployment rate, wages grew very slowly in 2017, continuing the trend of weak wage growth since the 2008-2009 recession.
- Labour Force Survey results for January 2018 provided a first look at the impact of Ontario’s minimum wage increase on average wages. While wages for some workers increased significantly and part-time employment declined, it is still too early to isolate the impact of the higher minimum wage, as monthly results can be very volatile.
- On average, women earned 87 cents for every dollar earned by men in 2017. The gender pay gap (the average hourly wage earned by women as a share of that earned by men) has not improved since 2011, and is present across all industries and the vast majority of occupational classifications.

## **Youth Labour Force Participation Declining As More Youth Stay In School**

Despite posting a modest increase in 2017, the youth participation rate (the share of Ontarians aged 15 to 24 employed or looking for work) has been declining steadily since the early 1990s. The youth labour market includes both students (high-school and post-secondary) and non-students. The participation rates of both groups declined after the recession. However, while the participation rate of students has continued to decline, the participation rate of non-students has almost recovered to its pre-recession average. Since the 1990s, a rising youth enrollment rate in post-secondary education has increased the proportion of students among the youth population, which in turn has exerted downward pressure on the overall youth participation rate.<sup>3</sup>

<sup>3</sup> Statistics Canada, CANSIM Table 477-0033.

## Student Participation Rate Falls, Yet Non-Student Participation Approaches Pre-Recession Average



Source: Statistics Canada and FAO.

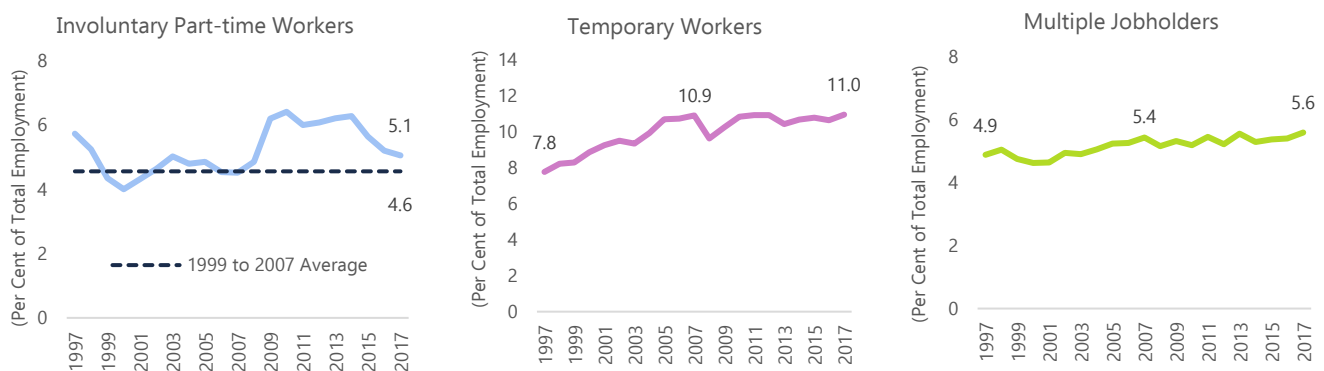
Declining labour market participation by students reflects both personal choice as well as labour market conditions. However, rising post-secondary enrollment should lead to stronger labour market outcomes in the long-term, since workers with higher educational attainment typically have higher wages and lower unemployment rates.

### Limited Signs Of Improvement For Precarious Workers

The term 'precarious employment' refers to different types of non-standard work, including part-time or temporary jobs, self-employment, or working multiple jobs. However, many people choose to work part-time, or are successfully self-employed. Focusing on the more clearly 'precarious' elements of employment - that is, involuntary part-time workers, temporary workers, and multiple job holders - reveals both good and bad news.

The share of people working involuntarily in part-time jobs (i.e. those who would rather have full-time work) has declined steadily in the past few years, falling to 5.1 per cent in 2017, but remains above the pre-recession average of 4.6 per cent.

### Involuntary Part-Time Improving Slowly, But Share of Temp Work and Multiple Jobholders Still Rising



Source: Statistics Canada and FAO.

The number of temporary workers as a share of total employment increased to 11 per cent in 2017. This is essentially unchanged from the pre-recession high of 10.9 per cent in 2007, and is up significantly from the late 1990s. While

temporary employment<sup>4</sup> may suit some workers, on average they earn 25 per cent less than permanent workers<sup>5</sup>, are generally not eligible for employment benefits and experience much lower job security.

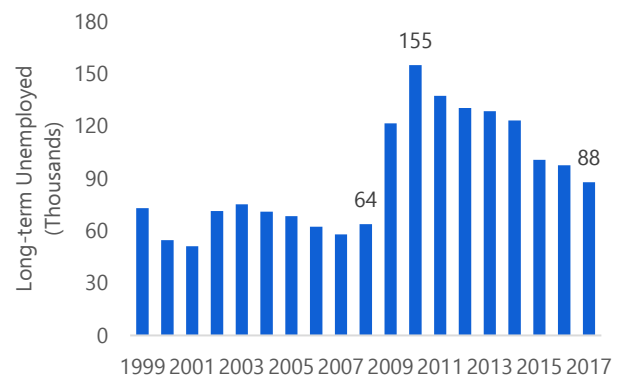
The proportion of workers with multiple jobs increased to 5.6 per cent in 2017, continuing a slowly rising trend since the late 1990s. The majority of multiple job-holders work more than 40 hours per week on average, while almost 40 per cent of multiple job-holders work 50 hours or more per week.<sup>6</sup>

## Long-Term Unemployment Improving, But Remains Somewhat Elevated

Ontario's overall unemployment rate declined to 6.0 per cent in 2017, the lowest rate since 2000. Despite this, the number of workers unemployed for longer than six months (the "long-term unemployed") is improving more slowly, and remains above pre-recession levels. Of the 451,800 Ontarians unemployed in 2017, almost 90,000 were unemployed for longer than six months.

The slow pace of improvement in the number of long-term unemployed workers, despite strong job gains, suggests a skills mismatch between some unemployed workers and potential employers.<sup>7</sup>

### Long-term Unemployment Declining Slowly



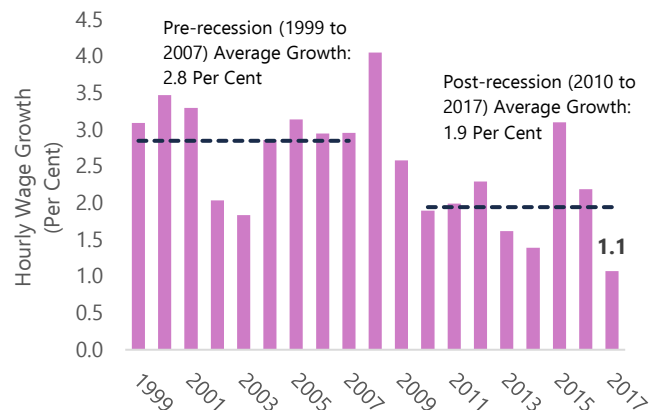
Source: Statistics Canada and FAO.

## Hourly Wage Growth Has Been Sluggish Since Recession

Despite strong job gains and a sharp drop in the unemployment rate, average wages increased by only 1.1 per cent in 2017, the weakest gain since 1998. The weak pace of wage growth last year continues a trend of modest wage gains since the 2008-2009 recession.

In real terms, after adjusting for consumer price inflation, wages declined by 0.6 per cent in 2017. The slow growth of wages is not unique to Ontario, as most developed economies have also experienced muted wage gains since the global recession.<sup>8</sup>

### Hourly Wage Growth Has Been Muted Since Recession



Source: Statistics Canada and FAO.

<sup>4</sup> Temporary employment includes seasonal jobs, term or contract jobs (including work done through a temp agency), casual jobs, and other temporary work.

<sup>5</sup> Statistics Canada, CANSIM Table 282-0074.

<sup>6</sup> Statistics Canada, CANSIM Table 282-0036.

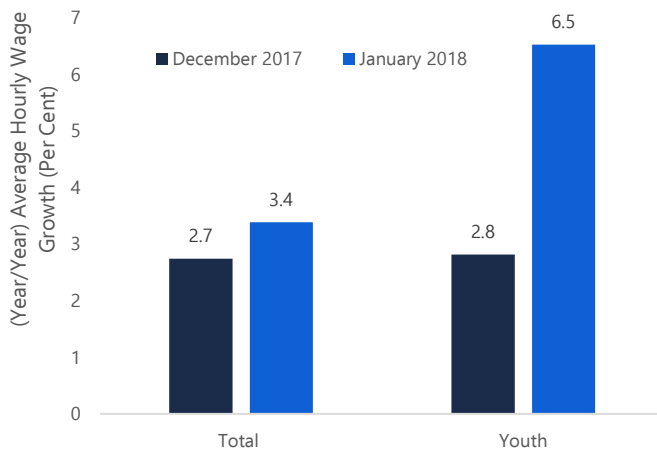
<sup>7</sup> Since the recession, unemployment levels have declined while the size of the labour force has increased. Long-term unemployment as a share of the labour force was only 0.2 percentage points above its pre-recessionary average in 2017.

<sup>8</sup> International Monetary Fund, World Economic Outlook, October 2017, Chapter 2.

## A First Look at the Impact of Ontario's Minimum Wage Increase

On January 1, 2018, Ontario's legislated minimum wage increased from \$11.60 to \$14.00 per hour. The Labour Force Survey results for January provide an early look at the initial effect of the higher minimum wage on overall wages in Ontario. However, an assessment of the impact of the minimum wage increase on employment will require many more months of data.<sup>9</sup>

### Hourly Wage Growth for Youth Jumps in January 2018



Source Statistics Canada and FAO.

In January 2018, total employment fell by 51,000 positions compared to December (on a seasonally adjusted basis), with a drop in youth employment accounting for roughly half of the overall decline. Total part-time employment fell by 59,000 jobs in January, more than offsetting a small gain in full-time employment.

Average hourly wages for Ontario workers increased by 3.4 per cent in January 2018, from a year earlier.<sup>10</sup> Youth workers (who are more likely to be paid the minimum wage) received a 6.5 per cent increase in wages in January, compared with a year ago.

Monthly labour force survey results can be very volatile and reflect many factors, including normal statistical variation. As a result, it is not possible to isolate the extent to which the minimum wage increase contributed to January's monthly results.<sup>11</sup>

<sup>9</sup> See the FAO's *Assessing the Economic Impact of Ontario's Proposed Minimum Wage Increase* for a discussion of the economic impacts of Ontario's minimum wage increases.

<sup>10</sup> The minimum wage rate was \$11.40 in January of 2017.

<sup>11</sup> As with all statistical surveys, Statistics Canada's Labour Force Survey estimates are subject to normal statistical variation. The standard error of the monthly change in Ontario employment is +/- 19,600.

## Ontario's Gender Pay Gap Did Not Improve In 2017

In 2017, women earned 87 cents for every dollar in hourly wages earned by men, on average.<sup>12</sup> Since 1997, the average hourly wage rate of women grew 0.3 percentage points faster than the equivalent average wage rate for men, moderately narrowing the gender pay gap. However, since 2011, the gender pay gap has been roughly unchanged.

Gender pay gaps are present across all industries and the vast majority of occupational classifications.<sup>13</sup> According to Statistics Canada, if all Canadian men and women received equal hourly pay in each occupation classification, the average gender pay gap would be largely eliminated.<sup>14</sup>

While the different distribution of men and women across occupations accounts for some of the gender pay gap, the majority of the gap is due to other factors.<sup>15</sup>

### Gender Pay Gap Persists, Economy-Wide



Source: Statistics Canada and FAO.

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### About the FAO

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<sup>12</sup> This measure is calculated by dividing the aggregate average hourly wage earned by women by the aggregate average hourly wage earned by men. This ratio only accounts for hourly wage earnings as reported in the Labour Force Survey and does not include other forms of income. Average hourly wages controls for the different number of hours worked by men and women.

<sup>13</sup> For wage by industry, see Statistics Canada's CANSIM Table 282-0072, for wages by occupation classification, see Statistics Canada's CANSIM Table 282-0152.

<sup>14</sup> Statistics Canada estimates that if women were paid the same wage rate as men within each occupation classification, the average gender pay gap in Canada would improve from \$0.87 to near equality at \$0.97. See [Women and Paid Work](#), Melissa Moyser, Statistics Canada, March 2017.

<sup>15</sup> For a detailed discussion of the gender pay gap in Canada, refer to [Women and Paid Work](#), Melissa Moyser, Statistics Canada, March 2017.