



CANADIAN EMPLOYMENT QUALITY INDEX

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Economics

Quantity and Quality of Jobs Falling in Tandem

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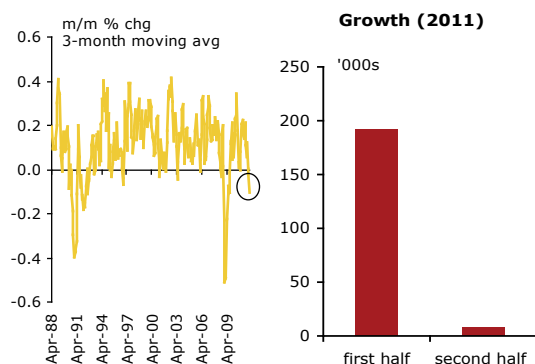
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Regardless of how you look at it, the pace of job creation in Canada is weak. In fact, on a three-month moving average basis, the job market is currently weaker than any non-recessionary period (Chart 1, left). The sharp softening in the job market in the second half of 2011 made the past year a highly asymmetrical one in terms of job creation—with the first six months accounting for almost all the jobs created during the year (Chart 1, right).

The impact of a softening pace of job creation is exacerbated by a worsening level of job quality in the Canadian labour market. Our index of employment quality focuses on three quality measures: part-time/full-time distribution, the composition of paid employment and self-employment, and the relative compensation of a given full-time paid employment job. While our index is well above the level seen during the recession, it is down by more than one point over the past year (Chart 2). By province,

Chart 1
Canadian Employment



Source: Statistics Canada, CIBC

Chart 2
Employment Quality is Softening

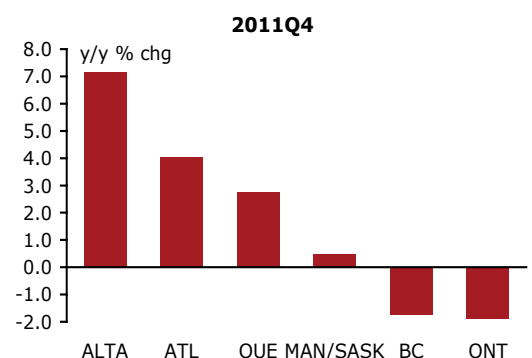


Source: Statistics Canada, CIBC

the largest drop was observed in Ontario, followed by British Columbia. In contrast, Alberta continues to generate high quality jobs at a rapid pace (Chart 3).

With both quantity and quality of employment falling in tandem, it is hardly a surprise that real disposable income was unchanged in the first three quarters of 2011—the worst showing in fifteen years.

Chart 3
% Change in EQI by Province



Source: Statistics Canada, CIBC

<http://research.cibcwm.com/res/Eco/EcoResearch.html>

Full-Time vs. Part-Time Jobs

Full-time employment rose by 1.5% in 2011, accounting for all the jobs created in the year. The number of part-time jobs fell by 0.3% (Chart 4). This composition of job creation is a positive factor in terms of overall employment quality.

Self-Employment on the Rise

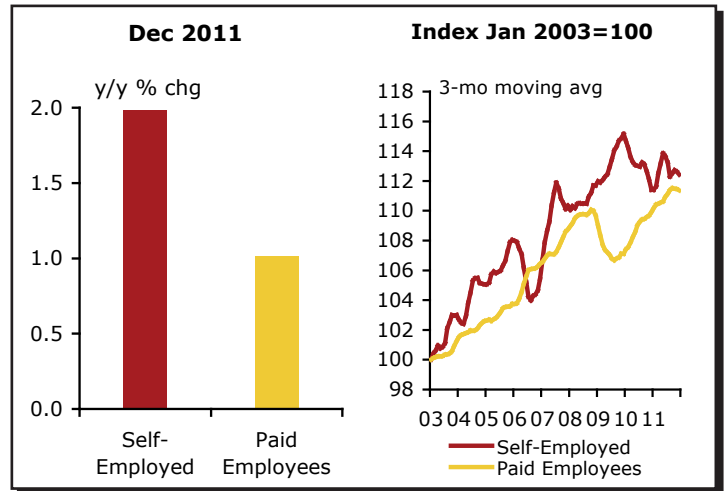
The number of self-employed Canadians rose by 2% in 2011, double the rate of growth seen in paid employment (Chart 5). Self-employment is resuming its traditional late cycle behaviour, and in many ways is now working to mask some of the softening in the Canadian labour market. From a quality perspective, the surge in self-employment reduces the overall quality of employment—largely due to the fact that, on average, a self-employed person earns 10%-15% less than a regular employee.

Compensation

Not all full-time jobs are created equal. In fact, looking at the distribution of job creation by compensation in 2011 reveals that the number of high-paying full-time jobs rose by only 0.4%—only a quarter of the pace seen among low-paying jobs (Chart 6). The worsening composition of the compensation sub-index reflects strong growth rates in relatively low-paying sectors such as Accommodation Services, Restaurants, Wood and Miscellaneous Manufacturing and Personal Care. Several higher-paying sectors, including Public Administration, Chemical Manufacturing, Computer and Electronic Manufacturing, Petroleum and Coal Manufacturing, Transportation, and Mining experienced a net job loss during the year.

Chart 5

Self-Employed vs. Paid Employees

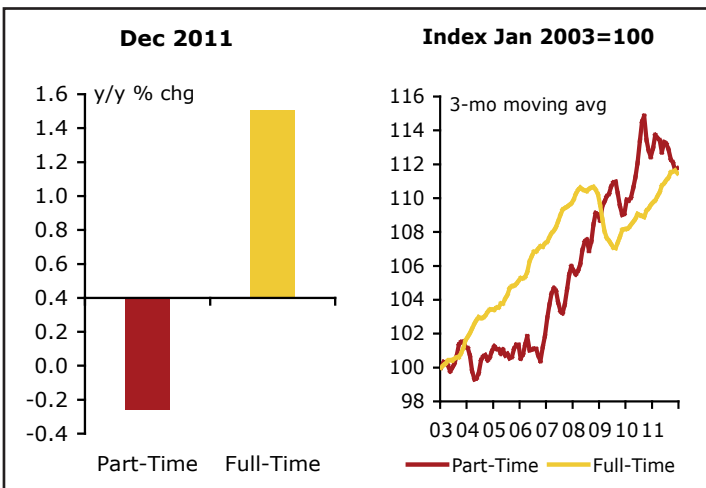


Source: Statistics Canada, CIBC

Looking ahead, the likelihood is that employment quality in the coming few quarters will remain subdued. While a housing market crash is not in the cards, it's likely that real estate activity will level off soon. But even if house prices land softly, the impact on the economy in general, and construction jobs in particular, will be far from gentle. Real estate has been an important engine of economic activity, with the number of high quality construction jobs rising by 3.5% in 2011. That is more than double the pace of employment gains seen in the economy as a whole. That momentum will be lost when the housing market levels off. Furthermore, public sector employment is already starting to fall, and the likelihood is that overall employment in that sector will continue to fall in 2012—a significant potential negative to overall employment quality.

Chart 4

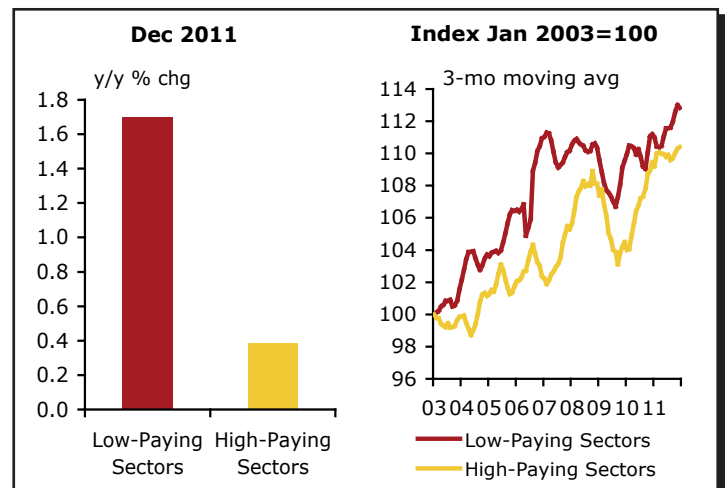
Part-Time vs. Full-Time Jobs



Source: Statistics Canada, CIBC

Chart 6

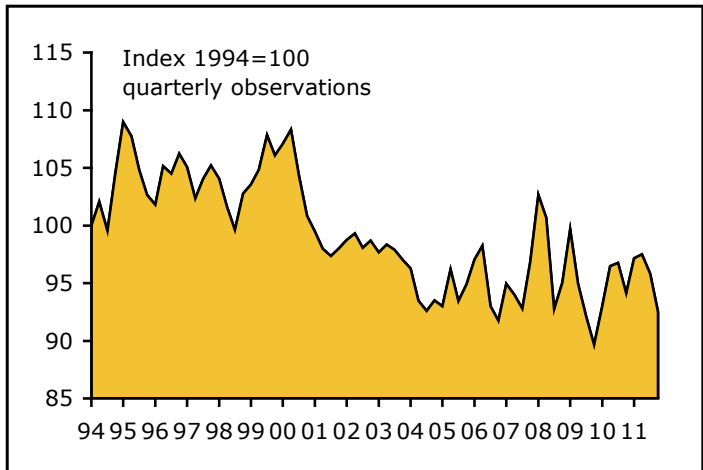
Full-Time Paid Employment



Source: Statistics Canada, CIBC

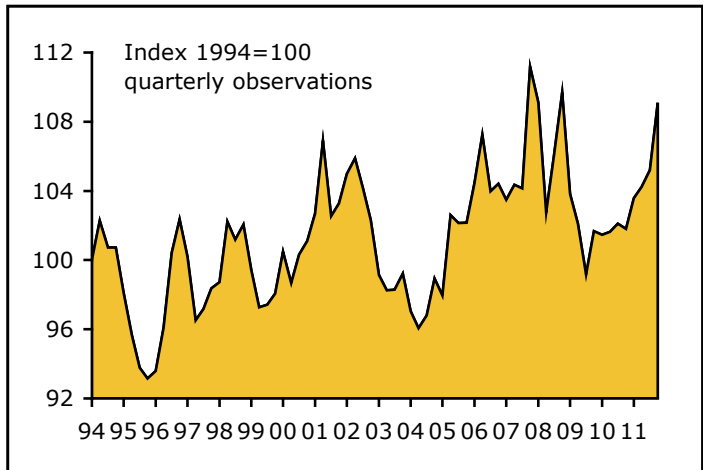
CIBC Employment Quality Index by Province

British Columbia



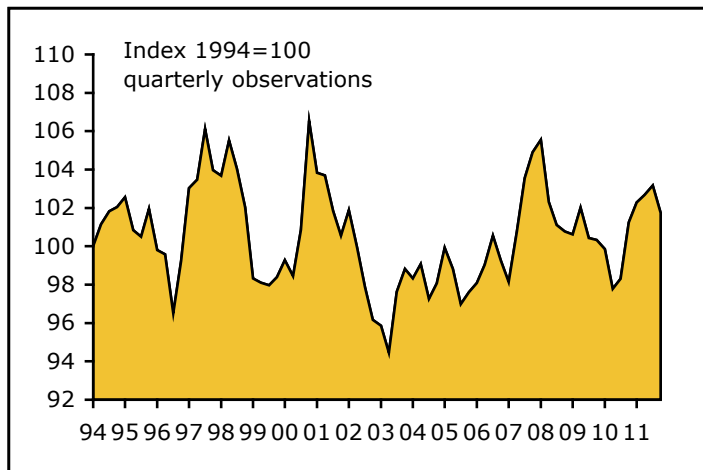
Source: Statistics Canada, CIBC

Alberta



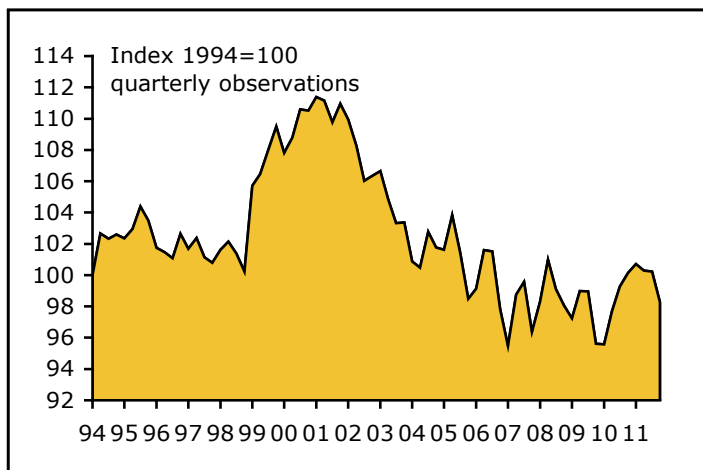
Source: Statistics Canada, CIBC

Manitoba/Saskatchewan



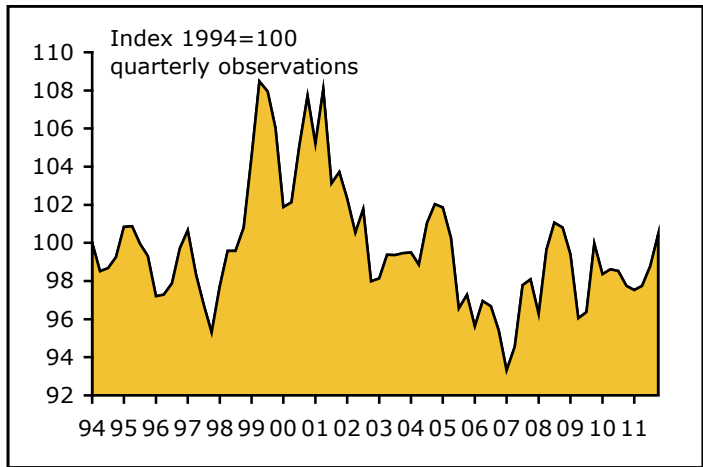
Source: Statistics Canada, CIBC

Ontario



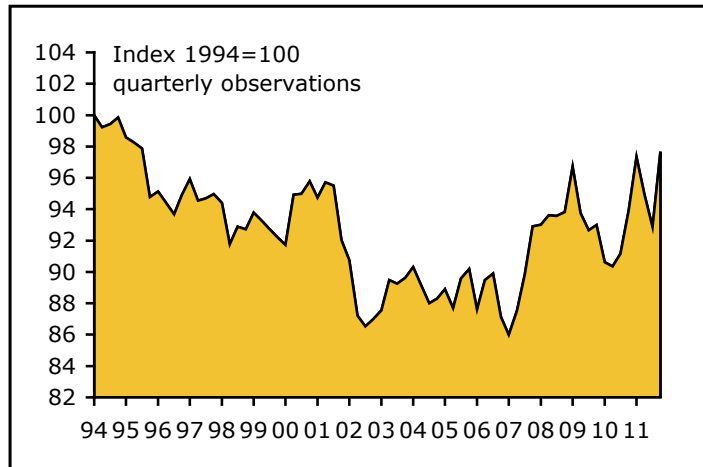
Source: Statistics Canada, CIBC

Quebec



Source: Statistics Canada, CIBC

Atlantic



Source: Statistics Canada, CIBC

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