

# ECONOMIC VIEWPOINT



## Labour Shortages in Quebec and Ontario: Which Regions and Economic Sectors Are Most Affected?

Quebec's labour market has changed quickly in the space of a few years. Like elsewhere in the country, the North American economy's expansion cycle led to good job creation and a drop in unemployment. The 5.5% it reached in Quebec last year even proved to be the lowest since the 1960s. Available labour has become insufficient in most regions and in many economic sectors. Unfavourable demographic trends have amplified the problem in Quebec. The number of vacant positions has soared, and some regions in the province have even recorded the fastest growth in that number of any region in Canada. Ontario is also experiencing a labour crunch. Some industries are more affected than others. The picture is not the same across the board, and there are some nuances: the positions to be filled are not all full time, with high salaries and education requirements.

### Demographics at Work

The unemployment rate in Quebec has been dropping quickly over the past few years (graph 1). On the one hand, the period of sustained economic growth helped to recruit workers, considerably reducing the number of unemployed. On the other hand, the pool of potential workers, that is, those aged 15 to 64, stopped growing due to the ageing of the population. The wave of baby boomers is gradually crossing the 65-year mark in Quebec, and the number of people younger than

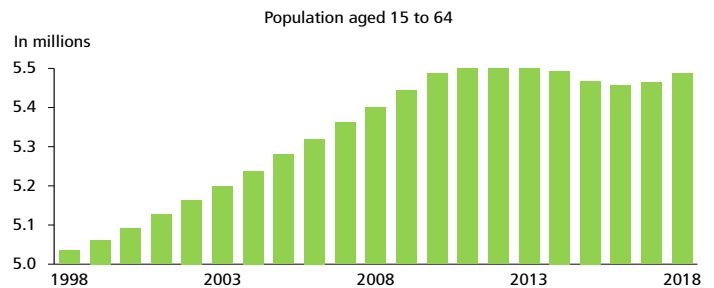
this threshold is tending to fall (graph 2). The age structure of Quebec's population is quite different from Ontario's and Canada's, where the population aged 15 to 64 is continuing to grow (graph 3 on page 2). These demographic factors, combined with the bustling economy of the past few years, have brought Quebec's unemployment rate down quickly. The 5.5% recorded in 2018 is even lower than the rates for Canada (5.8%) and Ontario (5.6%). This is a first since annual statistics began being compiled in 1946, as Quebec's unemployment rate has always

**GRAPH 1**  
Unemployment rate in Quebec: lowest since the 1960s



Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 2**  
Labour is becoming more scarce in Quebec: the number of potential workers is no longer rising like in the past

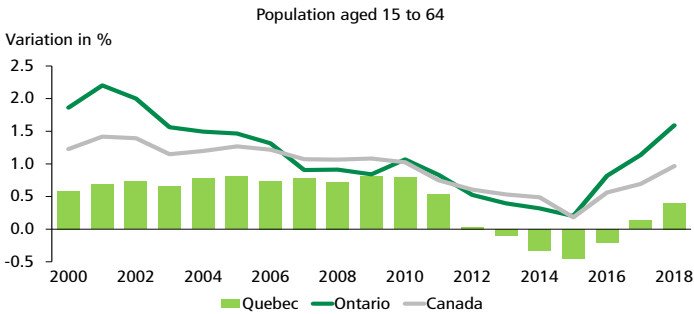


Sources: Statistics Canada and Desjardins, Economic Studies

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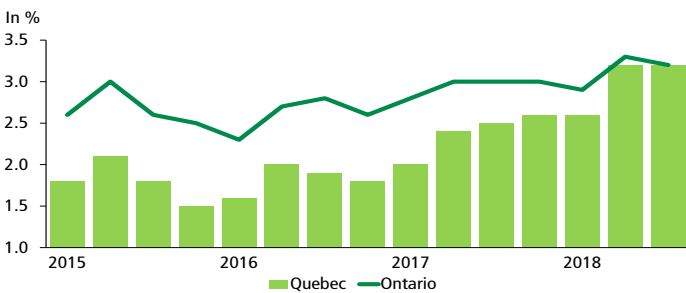
**GRAPH 3**  
**Pool of potential workers: Quebec stands apart**



Sources: Statistics Canada and Desjardins, Economic Studies

been higher. The province will continue to stand apart with a lower unemployment rate because the demographic trends are here to stay. The accelerated ageing of the population will shrink the labour pool ever further. In Ontario, even though the number of people of working age continues to grow and employment is on a steep rise, the job vacancy rate is similar to that of Quebec (graph 4). Staffing shortages therefore affect the neighbouring province’s employers just as much, even though the demographics are more favourable. Before mid-2018, Ontario had a higher part of jobs to be filled than Quebec, which is no longer the case. The job vacancy rate represents the number of job vacancies expressed as a percentage of the sum of all occupied and vacant jobs.

**GRAPH 4**  
**The job vacancy rate is now as high in Quebec as in Ontario**

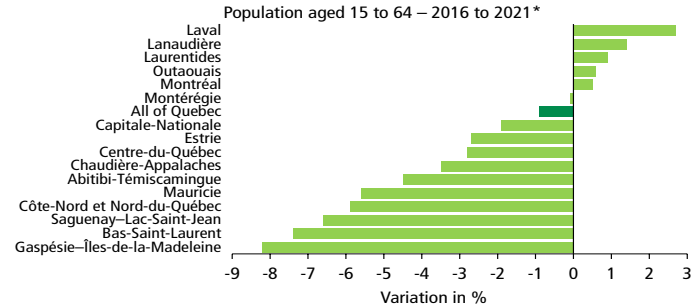


Sources: Statistics Canada and Desjardins, Economic Studies

**Some Regions More Affected**

The working age population is decreasing in most parts of Quebec and even more so in regions further away from the main urban centres (graph 5). However, demographic trends are positive in Outaouais, on the Island of Montreal and in the surrounding areas (Montréal, Laurentides, Lanaudière and Laval). This is partly due to the influx of young households settling in Greater Montreal to pursue their education or even start their careers. Many come from other parts of

**GRAPH 5**  
**The labour pool is shrinking in many regions in Quebec**

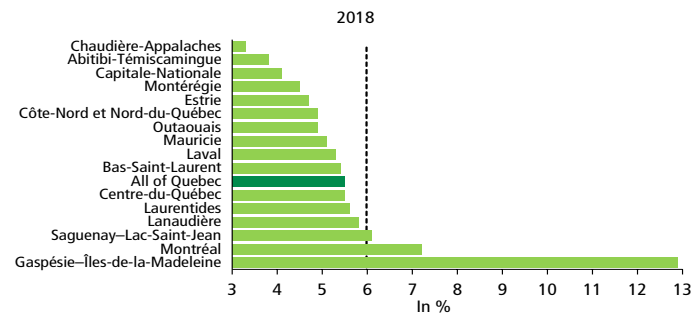


\* Institut de la statistique du Québec projections.  
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Quebec or even Canada, mainly Ontario. The magnitude of international immigrant arrivals also raises the number of people aged 15 to 64 in Greater Montreal and the surrounding areas, as well as in Outaouais.

The steeper drop in the working age population in many outlying regions, such as Bas-Saint-Laurent, Côte-Nord and Nord-du-Québec, as well as in Saguenay-Lac-Saint-Jean, contributed to the rapid decline in the unemployment rate. In addition, the wide disparities between Quebec’s various regions have greatly diminished in recent years, such that most now have an unemployment rate below 6% (graph 6).

**GRAPH 6**  
**Unemployment rate below 6% in nearly all regions in Quebec**

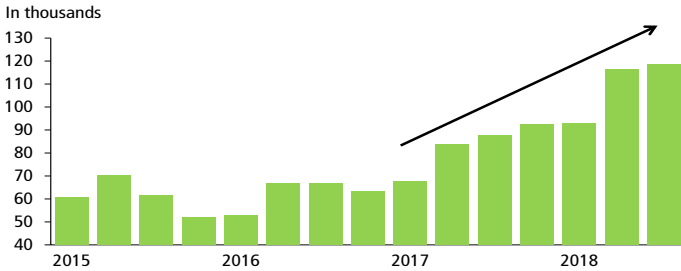


Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

**Not Enough Candidates, More than 100,000 Jobs to Fill**

Such a tight labour market gives rise to hiring problems for many of the province’s companies. The number of vacant positions, that is, for which an employer is actively seeking a new worker, has skyrocketed in the past two years (graph 7 on page 3). Economic growth of close to 3% in 2017 led to strong job creation, which emptied the pool of workers available for hiring, increasing the number of vacancies. Job creation, which was not as lively last year, is therefore attributable in part to demographic factors.

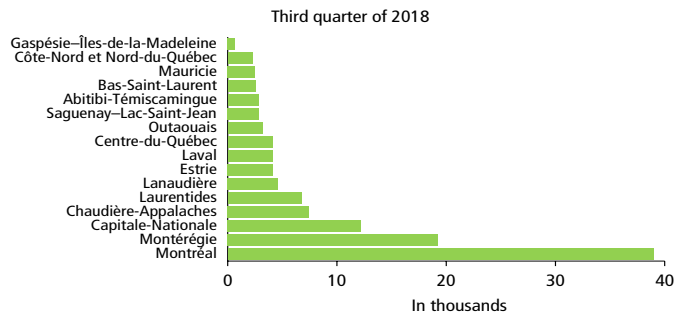
**GRAPH 7**  
Number of vacant positions in Quebec



Sources: Statistics Canada and Desjardins, Economic Studies

Close to 120,000 positions were filled in Quebec in the third quarter of 2018, nearly double the number from two years earlier. The figure is high on the Island of Montreal and in Montérégie because of the size of the population (graph 8). The Capitale-Nationale and Chaudière-Appalaches regions also have many vacant positions. The job vacancy rate is, however, more telling because it takes into account the total number of employees in each region. Generally speaking, that rate is considerably higher in regions with a low unemployment rate, namely Chaudière-Appalaches, Abitibi-Témiscamingue, Capitale-Nationale and Montérégie (graph 9).

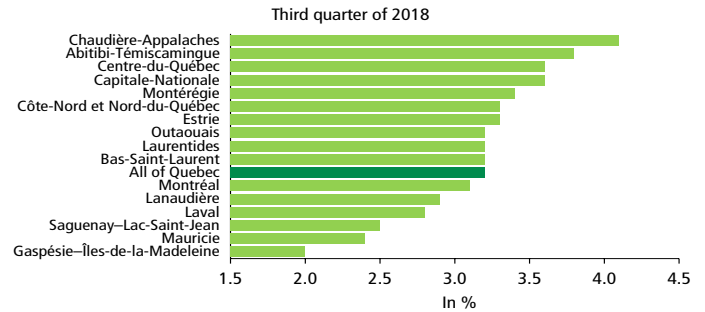
**GRAPH 8**  
Number of vacant positions by region in Quebec



Sources: Statistics Canada and Desjardins, Economic Studies

It is important to note that recruitment challenges are growing faster in many of the province's regions than anywhere else in the country. According to Statistics Canada, 7 of the 10 economic regions with the country's highest vacancy growth rates are in Quebec (table). Even though the number of vacant positions is growing at a slower pace in Ontario, it is already high in many places (graph 10).

**GRAPH 9**  
Job vacancy rate by region in Quebec



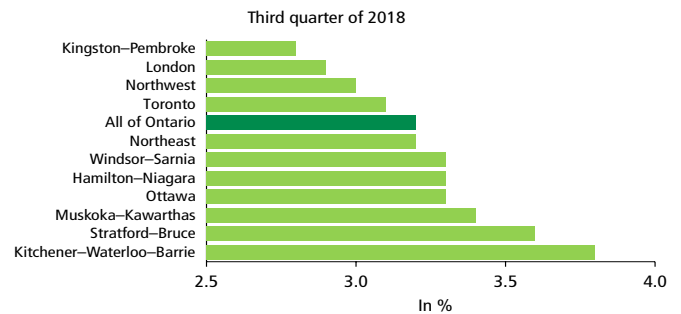
Sources: Statistics Canada and Desjardins, Economic Studies

**TABLE**  
Most economic regions with the country's strongest job vacancy growth\* are in Quebec

REGION	PROVINCE
Côte-Nord and Nord-du-Québec	Quebec
Laurentides	Quebec
Saguenay-Lac-Saint-Jean	Quebec
Cariboo	British Columbia
Lanaudière	Quebec
Bas-Saint-Laurent	Quebec
Montérégie	Quebec
Chaudière-Appalaches	Quebec
Campbellton	New Brunswick
Moncton	New Brunswick

\* Third quarter of 2018.  
Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 10**  
Job vacancy rate by economic region in Ontario



Sources: Statistics Canada and Desjardins, Economic Studies

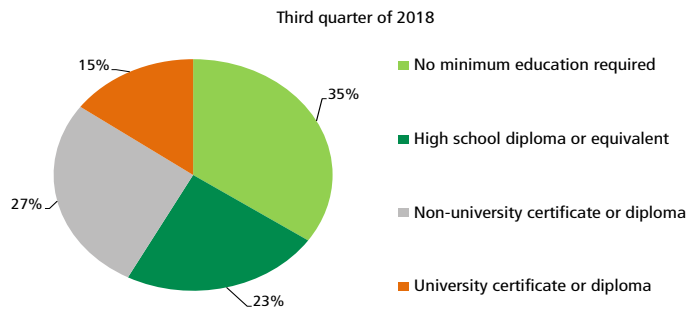
**Industries Hardest Hit**

Some industries have more pressing labour needs than others. In Quebec, the four sectors with the most vacancies are manufacturing (18,105), accommodation and food services (13,580), retail (13,430) and health care (13,240). Since some sectors employ fewer people than others, the job vacancy rate is more representative of the reality in each industry (graph 11). It corresponds to the number of employees sought relative to the total workers in that business line. According to this indicator, it would seem there are relatively more vacant positions to be filled in Quebec in accommodation and food services (4.7%), the mining sector (4.2%) and the manufacturing sector (4.0%). In Ontario, even though the overall job vacancy rate is identical to Quebec's, it differs in terms of industries. Agriculture and forestry have the highest rate, followed by accommodation and food services. Unlike Quebec, the manufacturing sector is much further down the list in Ontario, with a rate below the average for industries (graph 12).

**What Are the Desired Profiles?**

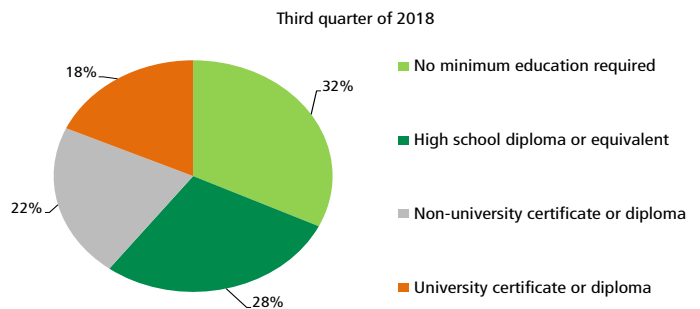
Aside from needs by industry, what education level is required to fill the available positions? In the third quarter of 2018, approximately one third of candidates sought in Quebec and Ontario needed to have no minimum education and about a quarter needed to have the equivalent of a high school diploma (graphs 13 and 14).

**GRAPH 13**  
Proportion of vacant positions in Quebec by education level



Sources: Statistics Canada and Desjardins, Economic Studies

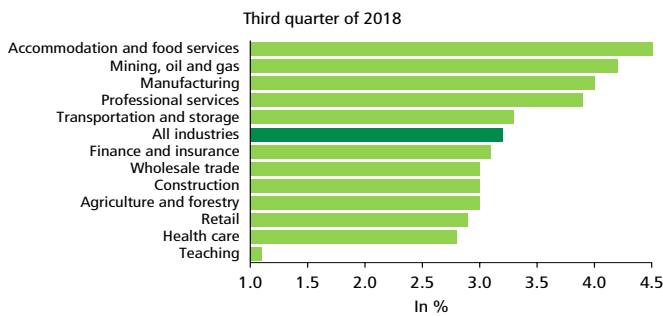
**GRAPH 14**  
Proportion of vacant positions in Ontario by education level



Sources: Statistics Canada and Desjardins, Economic Studies

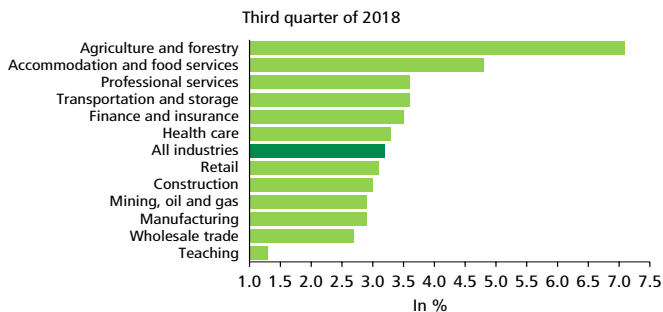
In Quebec, close to 30% of vacant positions required a non-university certificate or diploma and just 15% required completed university education. Most positions to be filled by employers currently require little education and experience (graphs 15 and 16 on page 5). In about 75% of cases, these are full-time positions. Of course, wages rise with the education level. In Quebec, the average wage for positions requiring a high school diploma is \$16.65 per hour, compared to \$32.75 per hour for those who hold a bachelor's degree. When benefits offered by employers are factored in, the gap in overall earnings is surely higher.

**GRAPH 11**  
Job vacancy rate by industry in Quebec



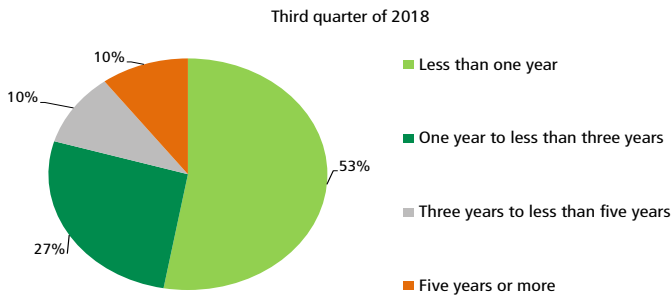
Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 12**  
Job vacancy rate by industry in Ontario



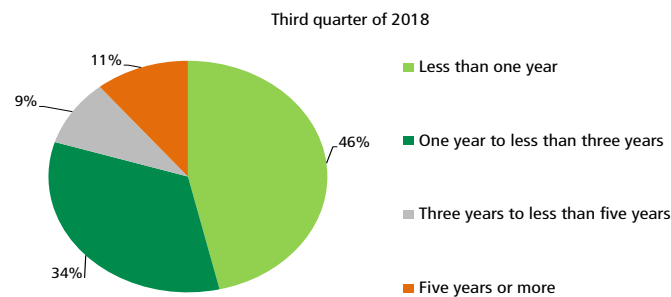
Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 15**  
**Proportion of vacant positions in Quebec by years of experience**



Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 16**  
**Proportion of vacant positions in Ontario by years of experience**



Sources: Statistics Canada and Desjardins, Economic Studies

In Ontario, the agricultural and forestry sector, followed by accommodation and food services, are most problematic. Unlike in Quebec, Ontario's manufacturing sector has a job vacancy rate lower than the average for industries. The restructuring of the auto industry in North America, leading to closures and many layoffs in Ontario, is surely partly to blame for the higher availability of manufacturing labour.

In Quebec and Ontario, about 60% of vacant positions require a high school diploma or no minimum education. Roughly half positions to be filled require less than one year of experience. This type of profile quite often entails fairly low wages and few opportunities for advancement. Those who hold a university degree and have many years of experience conversely represent just a small fraction of the candidates sought.

Even though the labour shortage affects many regions in Quebec and Ontario, the situation differs by industry, education level and number of years of experience. A significant deterioration in economic conditions could, however, reverse the trends. While such a scenario is not expected in the short term, a rise in the unemployment rate would reduce the job vacancy rate and make hiring less problematic for companies.

**Hélène Bégin**, Senior Economist

**Conclusion**

Although workforce recruitment challenges in Quebec make headlines on a regular basis, other provinces, notably Ontario, are facing a similar situation. The unemployment rate is hovering around 5.5% in both cases, and the job vacancy rate of about 3% is similar. Economic growth of close to 3% in Quebec in 2017 led to strong job creation, which emptied the pool of workers available for hiring, increasing the number of vacancies. That number reached close to 120,000 in the third quarter of 2018, nearly double that of two years earlier. In Ontario, the number of jobs to be filled increased at a considerably slower pace. The population aged 15 to 64, in other words, the pool of available labour, continues to grow, which fills some of the labour shortage. In Quebec, the number of people of working age has tended to decline in recent years, exacerbating recruitment problems. Many regions in Quebec and Ontario have a large share of positions to be filled, but the situation by economic sector is different. In Quebec, the accommodation and food services sector, the mining industry and the manufacturing sector are hardest hit considering the size of each business segment.