

*(Check against delivery)*

**Opening Remarks by Jean-Denis Fréchette, Parliamentary Budget Officer,  
to the Standing Committee on Human Resources, Skills and Social Development  
and the Status of Persons with Disabilities  
June 5, 2014**

Good morning Chair, Vice-Chairs, and respected members of the Committee.

I would like to thank you for inviting me to speak today on the Canadian labour market in the context of the Committee's study of Labour Market Development Agreements. My remarks this morning will largely relate to the recent work of my office on the Canadian labour market, as well as our ongoing work on the Canadian labour market stemming from parliamentarians' requests.

To begin, the Canadian labour market continues to recover from the depths of the 2008-09 recession. However, many labour market indicators continue to remain below their trend levels. At the same time, unemployment remains above trend levels, particularly among youth; unemployment for those 15 to 19 remains well-above trend, while underemployment for those 20 to 24 years old is more prevalent. Together, these factors contribute to a level of real output of the Canadian economy that remains below its potential.

As would be expected in an economy that is below its potential, wage growth in Canada has remained muted relative to growth observed before the 2008-09 recession. More specifically, real average wage growth has been lower through the recovery in all sectors of the economy relative to a comparable pre-recession period.

Together, this evidence points to an excess supply of labour in Canada.

However, an argument has been extended that there is instead a labour shortage in Canada.

PBO has found no evidence in support of a national labour shortage in Canada.

That said, some provinces may be experiencing a tighter labour market than was the case prior to the 2008-09 recession. Further, labour shortages may exist in specific sub-provincial regions, sectors, or occupations.

Further, PBO found no evidence of a national skills mismatch that is any more acute than prior to the 2008-09 recession. This same conclusion holds true at the provincial level. However, as in the case of labour shortages, the aggregate data do not preclude skills mismatches in specific sub-provincial regions, sectors, or occupations.

In reaching our conclusions regarding labour shortages and skills mismatches, PBO used data from the Bank of Canada, Conference Board of Canada, Canadian Federation of Independent Business, and Statistics Canada. Job vacancy data were used from the latter three of these sources.

The differences in these data and the conclusions they lead to point to some glaring gaps in labour demand data in Canada.

First, no job vacancy data extend back further than the first quarter of 2004, and therefore do not traverse a full business cycle. As a result, it is difficult to support the assertion made in Finance Canada's February 2014 *Jobs Report* that "Canadian firms are experiencing more difficulty in hiring than the unemployment situation would normally warrant".

Second, job vacancy data are gathered, compiled, and presented very differently.

For instance, Conference Board of Canada numbers are derived from raw data on job postings from a large number of websites, less duplicates and redundant postings where these are identified. However, the number of vacancies can differ significantly depending on the treatment of anonymous postings, as evidenced by the marked difference in the job vacancy rate presented in the February 2014 *Jobs Report* and that derived from the number of vacancies presented in the *EI Monitoring and Assessment Report 2012/13*.

Further, CFIB and Statistics Canada surveys identify the sector in which the firms with vacancies fall as opposed to the occupation for which the vacancy exists. For example, a construction company looking for an administrative assistant would be classified as having a vacancy in the construction sector, as opposed to a vacancy among administrative assistants.

Third, with the exception of Statistics Canada data, none of these sources collect job vacancies in a manner that corresponds with internationally accepted definitions of employment and unemployment.

As a consequence of these gaps, the current picture of labour demand in Canada is very vague.

This was also the conclusion reached in the 2009 Final Report of the Advisory Panel on Labour Market Information, entitled *Working Together to Build a Better Labour Market Information System for Canada*. To quote from the report, "A good [Labour Market Information] LMI system will help to improve the matching of people and jobs both in times of labour shortages and high unemployment. And a good LMI system is always necessary to make sure that the right policy decisions are made to improve the economy's performance and lower unemployment. (...) it was not surprising that many stakeholders voiced the need for a job vacancy survey to assess labour demand across regions and through time. This is important to policy makers to determine the tightness of the labour market and hence for the development of the appropriate policies and programs for macroeconomic management and an efficient labour market. For example, in assessing the need for immigration to complement domestic labour supply, one needs to know which occupations are in short supply."

In 2011, Statistics Canada undertook a survey entitled *Workplace Survey: Job Vacancies and Skills Shortages – 2011*. However, following the collection of the data in 2012, Statistics Canada did not have the available resources to validate, analyse, and disseminate the results. Consequently, the data have not yet been released publicly, although Employment and Social Development Canada has stated publicly that it will be paying for the completion of the work on this survey. Nonetheless, even if it were to be released today, given the data were collected for 2011, it would no longer provide an overview of the current state of labour demand in Canada, but rather the state that existed in 2011.

In summary, parliamentarians have very little information on the current state of labour demand in Canada on which to base decisions.

As a result, it is difficult to analyse the effectiveness of programs aimed at alleviating labour market pressures associated with labour shortages and skills mismatches, such as Labour Market Development Agreements or the Temporary Foreign Worker Program (TFWP). Instead, analysis of the labour market impact of programs can only examine the impact on labour supply.

Consequently, to satisfy the request of a parliamentarian for PBO to analyse the impact of the TFWP on the Canadian labour market, we submitted an information request to obtain data on temporary foreign workers by location and occupation in order to assess whether the impact of the TFWP on the supply of labour has been statistically significant. We continue to wait for a response.

My colleague Mostafa Askari and I would be happy to respond to your questions.