

Labour Market Review

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Key Highlight

Today's publication of the seasonally unadjusted 3 month moving average data from Statistics Canada's December 2014 Labour Force Survey for the Calgary Economic Region (CER) showed that:

- The number of employed persons increased by 1,800 people from the previous month.
- The unemployment rate increased from 4.0 per cent the previous month to 4.3 per cent in December 2014.

Other Highlights from this month's review

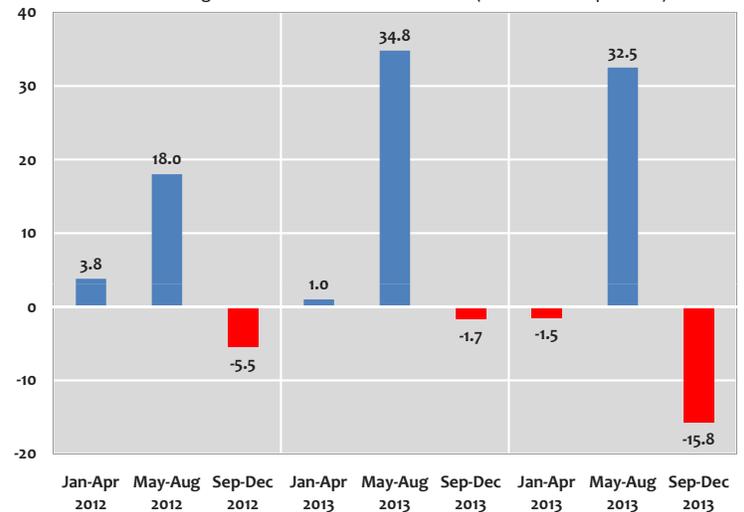
This month's review is focused on how uncertainty in the oil and gas industry, as a result of the plunge in oil prices, has been transmitted into the local labour market. The main findings are:

The labour force participation rate has dropped to its lowest level in about seventeen years. The number of individuals in the CER labour force has fallen by about 15,800 from a peak of 916,900 in August 2014 to 901,100 in December 2014. There is a seasonal component to this occurrence, but the pull back in the number of labour force participants in the final quarter of 2014 was more than the drop in the previous two years (Chart 1). The December 2014 labour force participation rate was 72.7 percent, while the moving average was 73.5 per cent. The last time the labour force participation rate was this low was in the first half of 1998. Some of the decline in the labour force participation rate is as a result of a segment of the working age population withdrawing from the labour force and returning to school after the summer and some baby-boomers departing the workforce. When only those aged 25 to 59 years are considered and seasonal variations are eliminated by using twelve month moving averages, the labour force participation rate of 86.4 per cent is at the lowest level since March 1996. This suggests that uncertainty about the pace of growth of local economic activity, associated with the recent plunge in oil prices, may have started to creep into labour market entry and exit decisions. A medium term assessment of labour force size over the last twelve months is more sanguine. Specifically, the labour force size is a healthy 2.9 per cent higher in 12 month moving average terms at 897,500 in December 2014, compared with the value of 872,100 recorded in December 2013.

Steadiness in the unemployment rate has been due to the movement of individuals (especially men) out of the labour force, but is expected to rely on slower population growth going forward. The twelve month moving average unemployment rate has remained steady between 4.8 per cent and 4.9 per cent over the last two years. The moving average unemployment rate was 4.9 per cent for the eighth consecutive month in December 2014, after a reading of 4.8 per cent in each of the preceding 8 months. The male unemployment rate has gradually improved from 5.3 per cent to 4.9 per cent in the second half of 2014. The female unemployment rate has moved in the opposite direction, rising 0.4 percentage points from 4.4 per cent in June 2014 to 4.8 per cent in December 2014. The female unemployment rate is converging toward the male unemployment rate (Chart 2). This is because men have pulled out of the labour force in larger numbers and at

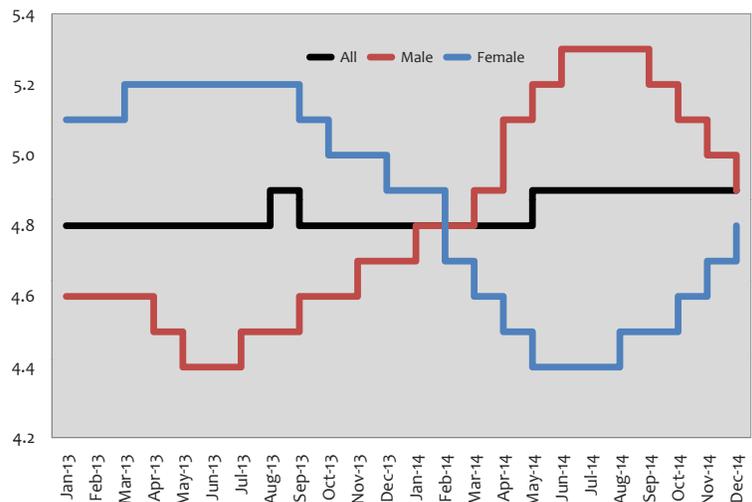
a faster rate than women. The working age population increased from 1,197,600 in December 2013 to 1,239,700 in December 2014, largely as a result of net migration to the CER. This fast-paced 3.5 per cent growth rate experienced in the last twelve months is expected to soften. A planned reduction of investment spending for 2015 announced in December 2014 by some of the oil and gas industry players headquartered in Calgary portends a fall in working age migrants to the CER from other Canadian jurisdictions. Going forward, the unemployment rate may come under pressure if those individuals currently on the sidelines can no longer afford to do so and choose to re-enter the local labour market faster than employers are ready to absorb them.

Chart 1: A large Q4 pull-back in CER labour force participants
Recent Changes in the CER Labour Force Size (thousands of persons)



Sources: Statistics Canada, Corporate Economics, January 2015

Chart 2: The male and female unemployment rates are converging
12 Month Moving Average Unemployment Rate (per cent)



Sources: Statistics Canada, Corporate Economics, January 2015

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The labour force retreat over the last four months is mostly attributable to the exit of individuals that work in three industries.

The three industries with the largest reductions in labour force participants are:

- ▶ Construction (15,900)
- ▶ Professional, scientific, and technical services (12,600); and
- ▶ Wholesale and retail trade (5,400)

Construction industry workers and those providing professional, scientific and technical services are vulnerable to declining fortunes in the oil and gas industry. Unsurprisingly, labour supply has responded very swiftly to the expectation of a reduced number of jobs in these industries (Chart 3). In contrast, three industries buck the trend and recorded increased labour supply in the four month period. These industries are:

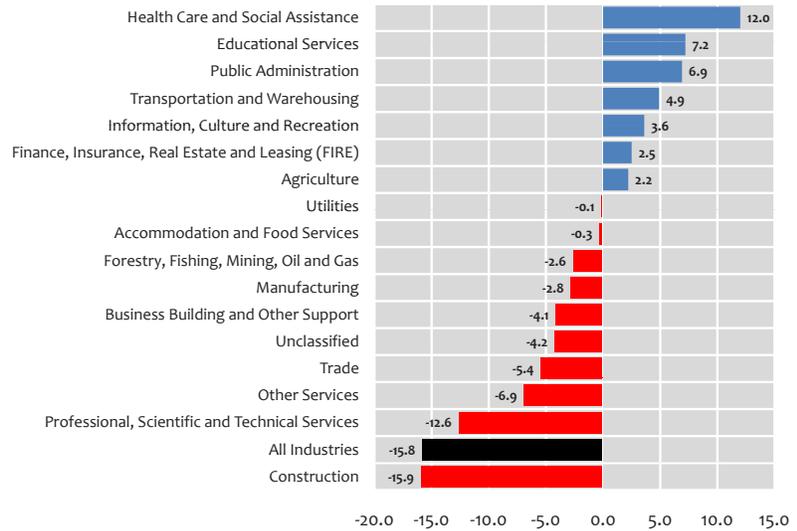
- ▶ Health care and social assistance (12,000);
- ▶ Education (7,200); and
- ▶ Public Administration (6,900).

The current uncertainty has introduced more slack into the local labour market, but overall job growth is continuing. The twelve month moving average number of employed persons in the CER reached a new high of 854,000 in December 2014. This is up 2.9 per cent from 830,000 at the same time in 2013 – higher than the comparable estimate of 0.8 per cent for Canada but lower than that (3.1 per cent) for Alberta. The moving average number of full-time employed over the last 12 months was 713,700, while the part-time employed averaged 140,300. Average full-time and part-time employment increased 2.2 per cent and 6.4 per cent year-over-year, respectively. The near term expectation is that, should job growth persist, the pace of growth of part-time positions will outstrip that for full-time positions. This is because of the uncertainty surrounding the future course of oil prices.

The number of employment insurance beneficiaries remains right around the long-run average and the number of job seekers is also stable. In the absence of better data on labour turnover and job openings, a sudden change in the number of Calgarians receiving regular employment insurance (EI) benefits is a good measure of worsening or improving labour market conditions. The drawback for the EI indicator is that it takes a while before labour market improvement or weakness is reflected in the data. In October 2014, there were 9,570 recipients in Calgary, which is right around the twelve month moving average value of 10,160 (Chart 4). It is also lower than the average (10,480) computed using the longest run of available data from December 1997. Similarly, the October 2014 Alberta estimate of initial applications for EI benefits was 15,608 compared with a twelve month average of 15,682. While the uncertain economic environment in the region and province may have made employers refrain from drawing down on the pool of existing EI recipients, there is no indication at the present time that an unusually large number of workers are losing their jobs and making first time EI claims. The twelve month moving average number of unemployed persons in the CER has remained steady at a range of 43,500 to 44,000 over the last eight months.

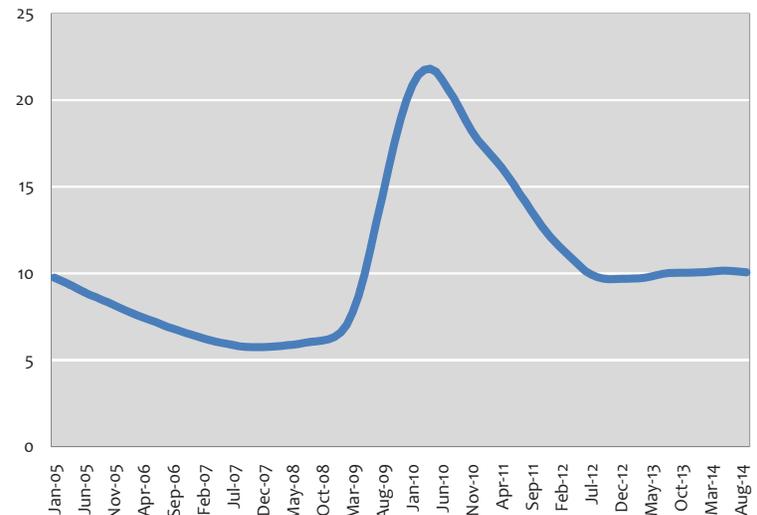
Next update: February 6, 2015

Chart 3: Labour force declines sharply in a few industries
Change in the CER Labour Force since August 2014 (thousands of persons)



Sources: Statistics Canada, Corporate Economics, January 2015

Chart 4: Number of employment insurance beneficiaries remains stable
Number of Employment Insurance Beneficiaries (thousands of persons)



Sources: Statistics Canada, Corporate Economics, January 2015

Labour Force Statistics
(Seasonally unadjusted 3 month moving average)

CALGARY ECONOMIC REGION	Description	Dec-14	Nov-14	Dec-13	Annual Change
	Working Age Population ('000)	1,239.7	1,237.6	1,197.6	42.1
Labour Force ('000)	901.1	896.4	885.9	15.2	
Labour Force Participation Rate (%)	72.7	72.4	74.0	(1.3)	
Employment ('000)	862.4	860.6	846.7	15.7	
Employment Rate (%)	69.6	69.5	70.7	(1.1)	
Unemployment	38.7	35.9	39.2	(0.5)	
Unemployment Rate (%)	4.3	4.0	4.4	(0.1)	

Sources: Statistics Canada, Corporate Economics, January 2015

