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WHERE DID THE JOBS COME FROM? A QUICK LOOK BACK AT 2012

Highlights

- The Canadian job market finished on a strong note in 2012, leading to a solid performance over the four quarters of the year. This is somewhat surprising given the strong headwinds facing the Canadian economy and the modest economic growth seen in the last half the year.
- A closer look at the job creation numbers points to certain sectors fueling the employment engine – with the financial, education, health care and social services and manufacturing sectors posting notables gains. Looking across the provinces, the gains were broadly based, with only New Brunswick and Nova Scotia recording employment declines.
- Canadian employment growth not only impressed in 2012, but has shown a steady improvement since the recession, with the level of employment currently sitting comfortably above the pre-recession peak. Canada's employment record is even more impressive in comparison to other G7 nations, where only Germany recovered to its pre-recession level faster than Canada.

The December employment report pointed towards a strong finish to 2012. With the December gain, a net 272,300 new jobs were generated (Q4/Q4 basis) in Canada in 2012, all of which were in full-time positions. Although not jaw-dropping, the tally is higher than the comparable 240,000 average for the previous two years of the recovery and can hold a candle to the near 300,000 average posted over the 10-year period prior to the recession. What's more, the unemployment rate continued to drift downwards ending the year at 7.1% in December – a four-year low.

Job growth was among the top positive surprises of 2012, especially in light of the string of negative influences and risks dominating the global and domestic economic landscapes. On the foreign front, uncertainty surrounding U.S. government policy, the election and the euro zone dominated headlines. Domestically, governments in Canada focused on restraining spending while consumers began to tighten their purse strings in response to high debt-loads. Interestingly, the pace of job creation revved up just as economic growth slowed to a crawl in the second half of 2012.

In this report, we briefly examine the sources of strength in the job market in 2012 - from a regional and sectoral perspective.

Industrial analysis: a few major players

Table 1 shows who the big winners in Canada were from an industrial perspective in 2012 (Q4/Q4). Educational services (+94,600), finance, insurance, real estate and leasing (+50,800), manufacturing (+60,700) and health care and social services (+46,700) sectors threw the heavy punches in terms of job growth in 2012. For the manufacturing and financial sectors, the strong gains partially reflect rebounds from soft showings in 2011.

Other areas of the job market underperformed. Weaker consumer spending growth left a mark on employment in retail and wholesale trade (+14,400) while a softer housing market weighed on both

TABLE 1: THE CANADIAN JOB MARKET - INDUSTRIAL BREAKDOWN

	2011*		2012*		Index (2008Q3 = 100**)
	% Change Q4/Q4	Q4/Q4 Change (000s)	% Change Q4/Q4	Q4/Q4 Change (000s)	
CANADA	1.2	197.2	1.6	272.3	103.0
Primary	4.0	24.9	2.3	14.9	100.8
Utilities	-7.8	-11.4	6.8	9.2	95.9
Construction	2.3	28.4	-0.1	-1.2	101.6
Manufacturing	-2.4	-41.7	3.5	60.7	91.0
Retail and Wholesale Trade	-0.2	-6.1	0.5	14.4	99.8
Finance, Insurance, Real Estate & Leasing	-2.2	-23.5	4.8	50.8	104.1
Education	1.1	13.9	7.4	94.6	110.8
Health Care and Social Services	2.7	56.4	2.2	46.7	113.3
Public Administration	0.1	1.1	-1.1	-10.4	104.1
Other Services***	2.9	155.3	-0.1	-7.5	104.1

*Unadjusted data.
 **Seasonally-adjusted data.
 ***Includes all service sectors not listed in this table.
 Note: 2008Q3 was the pre-recession peak for Canadian employment.
 Source: Statistics Canada, Labour Force Survey and TD Economics.

construction (-1,200) and the retail sector. Professional, scientific and technical services (-34,400) registered a notable decline after posting a strong gain a year earlier. Also, not surprisingly, public administration (-10,400) was held back, dampened by the fiscal restraint adopted by federal and provincial governments. In that vein, the strong showing of the government-oriented educational services is a bit puzzling. Indeed, the Survey for Employment Payrolls and Hours (SEPH) – an alternate establishment-based estimate of employment released by Statistics Canada – points to a more muted growth for the educational services sector in 2012¹. There are clear conceptual and methodological differences between the two surveys. And, while the Labour Force Survey (LFS) is generally preferred due to its timeliness, both have their advantages and disadvantages².

Provincial breakdown: gains broad-based

Focusing on growth rates (Q4/Q4, see Table 2), Newfoundland and Labrador (4.2%), Saskatchewan (+2.8%) and Québec (+2.7%) did the heavy lifting in Canada, with Québec accounting for almost 40% of the total net employment increase in Canada. To put this in perspective, Québec represents about one-fifth of the overall job market in Canada.

Québec's strong result will likely raise a few eyebrows given the province's sub-par economic growth performance in 2012. However, a closer look shows that much of the growth appeared to reflect a bounce-back from the decline seen in 2011. Together, the two-year average performance (+0.9%) appears more in line with Québec's current modest

economic expansion. Industrially, Québec benefited from employment gains in the manufacturing, education and health care and social services sectors – which more than offset declines in transportation and warehousing, and accommodation and food services sectors.

Ontario fared reasonably well, generating 82,500 net new jobs. The main contributor to the overall gain was the educational services sector, which as previously noted, is quite curious. On the positive side, manufacturing recorded a gain after a string of consecutive declines, while the financial sector built on recent gains.

In western Canada, all provinces showed gains, buoyed by increased activities in the goods-producing sector. Primary sector activity was strong in both Saskatchewan and British Columbia, a welcomed change, as both provinces experienced employment declines in recent years in the sector. The gain in B.C. likely reflects the improved U.S. housing market and the consequent increased demand for softwood lumber. The job creation in Alberta was concentrated in the utilities, manufacturing, transportation and warehousing and financial sectors – and notably not the primary sector where employment growth moderated after being a source of strength in recent years. On the downside, both Saskatchewan and British Columbia posted declines in the accommodation and food services and professional, scientific and technical services sectors, while Alberta recorded a sharp drop in employment in the information, cultural and recreation sector.

TABLE 2: THE CANADIAN JOB MARKET - REGIONAL BREAKDOWN

	2011*		2012*		Index (2008Q3 = 100**)
	% Change Q4/Q4	Q4/Q4 Change (000s)	% Change Q4/Q4	Q4/Q4 Change (000s)	
CANADA	1.2	197.2	1.6	272.3	103.0
Newfoundland and Labrador	1.5	3.4	4.2	9.3	108.0
Prince Edward Island	3.8	2.6	1.5	1.1	105.3
Nova Scotia	1.2	5.4	-0.2	-0.9	100.3
New Brunswick	0.0	0.1	-1.5	-5.2	97.2
Québec	-0.6	-22.0	2.7	104.2	104.1
Ontario	1.3	85.5	1.2	82.5	102.1
Manitoba	0.4	2.8	1.2	7.6	104.0
Saskatchewan	0.6	3.0	2.8	14.9	105.4
Alberta	4.7	95.8	1.7	36.3	105.2
British Columbia	0.9	20.7	1.0	22.7	101.9

*Unadjusted data.
 **Seasonally-adjusted data.
 Note: 2008Q3 was the pre-recession peak for Canadian employment.
 Source: Statistics Canada, Labour Force Survey and TD Economics.

In Atlantic Canada, Newfoundland and Labrador was the clear winner generating 9,300 net new jobs. The job market in Newfoundland and Labrador was driven by the services sector as the transportation and warehousing, and health care and social services sectors provided much of the impetus for employment growth in 2012. New Brunswick and Nova Scotia were both down, as employment declines in the construction and manufacturing sectors weighed heavily on both provinces. Nova Scotia also saw a sharp drop in the trades. Prince Edward Island posted a modest 1.5% increase in 2012, reflecting gains in the services sector.

Unemployment rate and wages: west is best

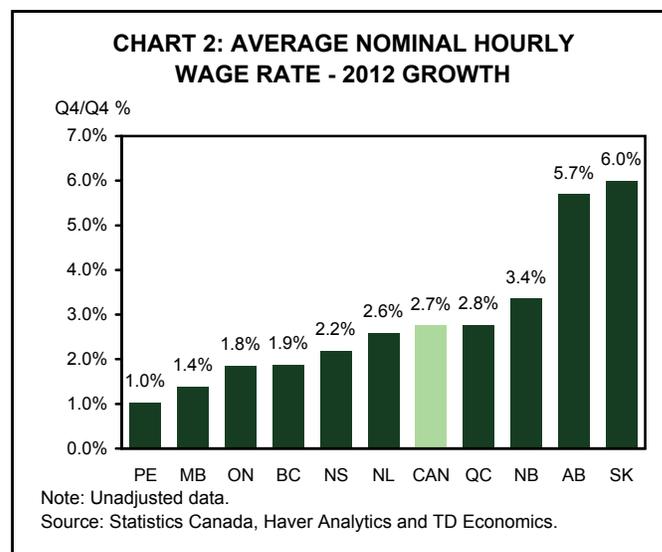
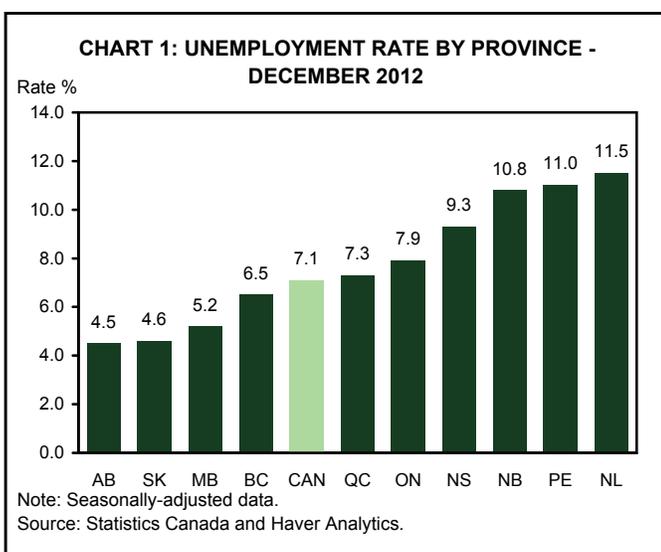
The unemployment rate in Canada was 7.1% in December (seasonally-adjusted), down 0.4 percentage points from a year earlier – and well below the recessionary high

of 8.7%. The unemployment rate varies greatly by province, with Newfoundland and Labrador posting the highest rate, followed closely by Prince Edward Island. Alberta and Saskatchewan recorded the lowest rates in December.

Although the unemployment rate has been trending downwards over the course of the recovery, it still reads higher than the sub-6.0% rates seen in early 2008, indicating that there remains some slack in the Canadian job market. As a result, wage pressures were subdued in 2012, with the exceptions being in Alberta and Saskatchewan where labour shortages appear to be more evident (see Chart 2).

A comment on recoveries

The Canadian job market performance not only improved in 2012, but has shown a steady improvement since the recession, with employment currently sitting 3.0%



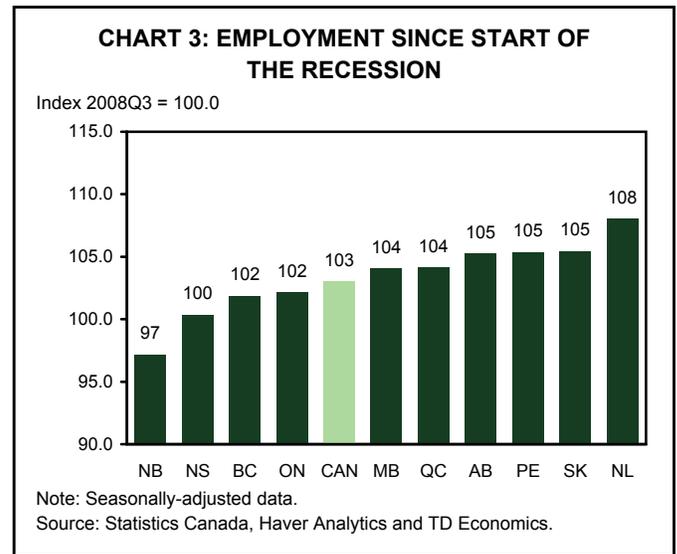
(+516,000) above the pre-recession peak recorded in the third quarter of 2008. Canada's employment record is even more impressive in comparison to other G7 nations³, where only Germany recovered to its pre-recession level faster than Canada and all other G7 nations are currently below their pre-recession levels of employment.

From an industrial perspective, the education, and health care and social services sectors have shown the most strength during the upturn, while on the opposite side of the coin, the manufacturing sector is still well below its pre-recession level despite a strong 2012 showing. This result is hardly surprising given the heavy employment burden the manufacturing sector carried during the recession.

Across Canada's provinces (see Chart 3), Newfoundland and Labrador, Saskatchewan, Prince Edward Island and Alberta have bounced back the strongest since the recession; but, this result should be taken with a grain of salt given the different depths of recessions experienced across the country. Ontario's recovery is noteworthy given its heavy reliance on the manufacturing sector. The job market in New Brunswick is still struggling to completely recover, as the current level of employment is still 2.8% below the level in the third quarter of 2008, which was the start of the recession.

Bottom line

Although the economy struggled, job creation in Canada continued to surprise on the upside in 2012. With businesses



likely to turn their attention towards securing efficiencies in a modest-growth environment and governments continuing to restrain payrolls, 2013 is unlikely to represent a repeat performance. Look for a Q4/Q4 gain of roughly 189,000 net jobs for Canada as a whole in the upcoming year, the unemployment rate to remain reasonably flat and nominal wage growth to hover in the 2.4%-3.0% range. Regionally, the west will likely enjoy the edge, albeit even there, moderation in job creation from 2013 appears in store. For more details, see TD Economics' [Provincial Economic Outlook](#).

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End Notes

1. The most recent data available for SEPH at the time of publishing is October 2012. Whether comparing year-to-date or monthly data on a year over year basis, the LFS estimate points to stronger performance in the educational services sector.
2. The LFS is a monthly household survey while SEPH is an establishment-based survey. Statistics Canada explains that some differences between the two surveys can be quantified (e.g., SEPH does not include those that are self-employed or primarily involved in agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services), while others cannot (e.g., differences in reference periods and survey procedures).
3. At the time of publishing, not all 2012Q4 employment figures were available for all G7 nations. The recoveries discussed refer to the most recent data available which for some countries was 2012Q3.

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