LABOUR MARKET

Report and Outlook 2022 | 2023

QUÉBEC INTERNATIONAL
Développement économique

MAP OF THE QUÉBEC CITY CMA

SAINT-GABRIEL-
DE-VALCARTIER

STONEHAM-ET-
TEWKESBURY

LAC-ST-
JOSEPH

LAC-BEAUPORT

SAINTE-BRIGITTE-
DE-LAVAL

STE-CATHERINE-
DE-LA-JACQUES-
CARTIER

L'ANGE-
GARDIEN
CHÂTEAU-
RICHER

NEUVILLE

BOISCHATEL

SAINT-AUGUSTIN-
DE-DESMAURES

L'ANCIENNE-
LORETTE

QUÉBEC

ÎLE D'ORLÉANS

SAINT-ANTOINE-
DE-TILLY

LÉVIS

BEAUMONT

SAINT-
HENRI

SAINT-LAMBERT-
DE-LAUZON

THE PUBLICATION: REPORT AND OUTLOOK

Each year, Québec International's Economic Studies team sheds light on various important economic indicators in a publication called "Report and Outlook." In addition to analyzing data from the previous year, our economists consider the current context and predictions to form a solid idea of the changes to expect in the coming months. Québec International is therefore pleased to unveil the *Labour Market section* of this document.

NOTE TO READERS

This study was produced by Québec International's departments of Economic Studies and Communications. The professionals on these teams have a mandate to ensure the availability of quality economic information. They monitor changes in the economic and business environment at the regional, national and international levels and carry out various types of research and analysis to identify opportunities, guide development strategies and define actions to be taken in support of regional economic growth. To learn more about the services offered by Québec International, please visit our website at **www.quebecinternational.ca/en**.

2022 LABOUR MARKET HIGHLIGHTS

Employment registered growth for a second year in a row
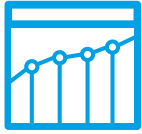
441,900
jobs
An increase of 8,300 jobs
(+1.9%)

455,100
people in the labour force
An increase of 2,800 people
(+0.6%)

+11,400
jobs in the services sector
(+3.1%)

The tightest market ever recorded

2.9%
unemployment rate
A historic record, the lowest rate in
Canada

39,700
job vacancies
A historic record (+26%)

A shortfall of
14,000 youths
to fill positions left vacant
by retirements

In good position to face an economic slowdown

An economy
that relies on stabilizing industries

+1.2%
projected growth in 2023
The strongest among major Canadian
CMAs

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Summary

The labour market performed well and remained dynamic in the Québec City census metropolitan area (CMA) in 2022, as it did the year prior. Nevertheless, job creation in Québec City was less significant than in the other major CMAs in Canada. This is explained in part by the fact that the region registered the second-lowest growth in labour force (+0.6%) among its Canadian counterparts.

Although labour shortages is a reality from coast to coast, it is especially significant in the region. The labour market has never been so tight, with a very low unemployment rate and a record number of vacant positions. Population aging continues to play a role as more people retire than youths enter the labour market. In 2022, it is estimated that there was a 14,000 shortfall of youths to fill positions left vacant by people aged 55 to 64 who retired. Although this gap will shrink gradually, demographic outlooks suggest that growth avenues for employment are limited in the medium term. Thus, the labour market's potential is mostly concentrated in value-added jobs.

In addition to drawing a picture of the employment situation in 2022, this report also provides a portrait of industrial diversity in the Québec City CMA's jobs and discusses future prospects. It shows, among other things, that the region is relatively diverse and that previsions for 2023 are favourable.

Table 1 – Summary

Overview of the labour market in major Canadian regions							
	Jobs			Unemployment rate (%)		Employment rate (%)	
	2022	Variation (NB)	Variation (%)	2022	2021	2022	2021
Québec City	**441,900**	**8,300**	**1.9**	2.9	4.1	63.8	63
Montréal	2,346,700	77,400	3.4	4.8	7.0	63.8	62.3
Ottawa	800,100	33,300	4.3	4.1	5.9	64.7	63.3
Toronto	3,569,400	160,200	4.7	6.4	9.3	63	61.2
Winnipeg	463,900	18,800	4.2	4.7	6.8	65	63.2
Calgary	878,100	56,300	6.9	6.2	9.0	67.7	64.9
Edmonton	808,500	30,500	3.9	5.9	8.7	65.6	64.7
Vancouver	1,545,800	39,500	2.6	4.7	6.9	64.6	64

Sources: Statistics Canada, Table 14-10-0385-01, and Québec International.

Graph 1 – Population aging, average age in the Québec City CMA, 2001–2041
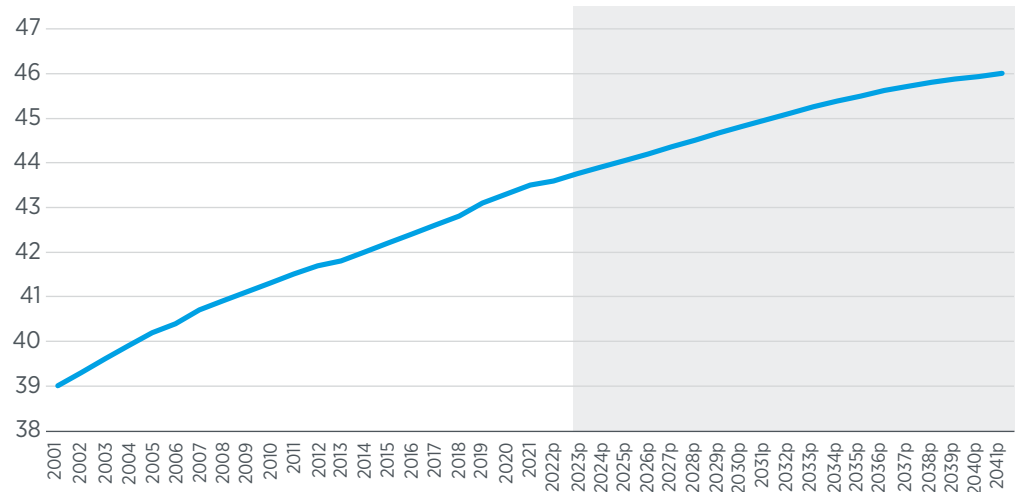
Sources: Statistics Canada, Table 17-10-0135-01, and Institut de la statistique du Québec (ISQ).

EMPLOYMENT RESULTS IN 2022

In 2022, the labour market continued the growth pattern that began in 2021 in the Québec City region. According to Statistics Canada's Labour Force Survey (LFS), there were 441,900 jobs in the region, or 8,300 more (+1.9%) than the previous year. These positive results follow the strong rebound registered in 2021. A significant part of the gains in employment in 2022 is attributable to the growth of part-time jobs.

• Part-time jobs: +6,400 (+8.8%)

• Full-time jobs: +1,900 (+0.5%)

The labour market performed well despite some public health measures still being maintained in the beginning of the year, rising inflation, and the current uncertainty surrounding the international situation. The performance registered in 2022 is higher than the annual growth usually observed in the region when not in a pandemic. For example, the average annual growth rate from 2015 to 2019 was 1.2%.

However, this was not enough to close the gap in the employment level that has persisted since the historic peak in 2019. There was a loss of 15,700 jobs compared to three years earlier. Note that Québec City is the only region among the eight major CMAs to not have regained its 2019 employment level on an annual basis.
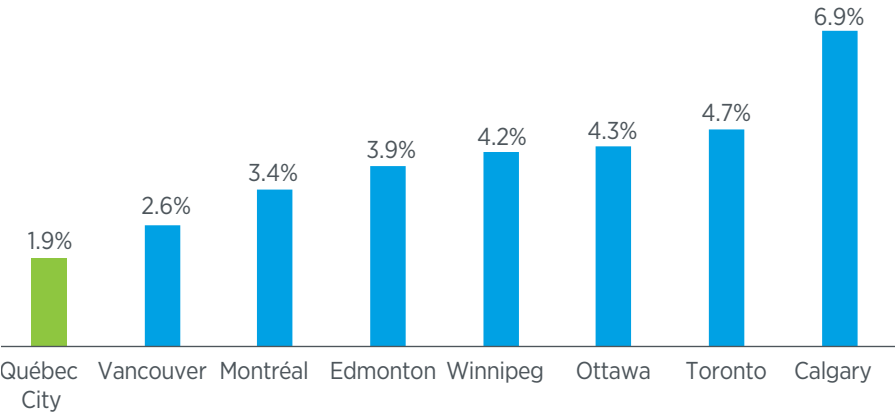
Graph 2 – Evolution of employment in the Québec City CMA
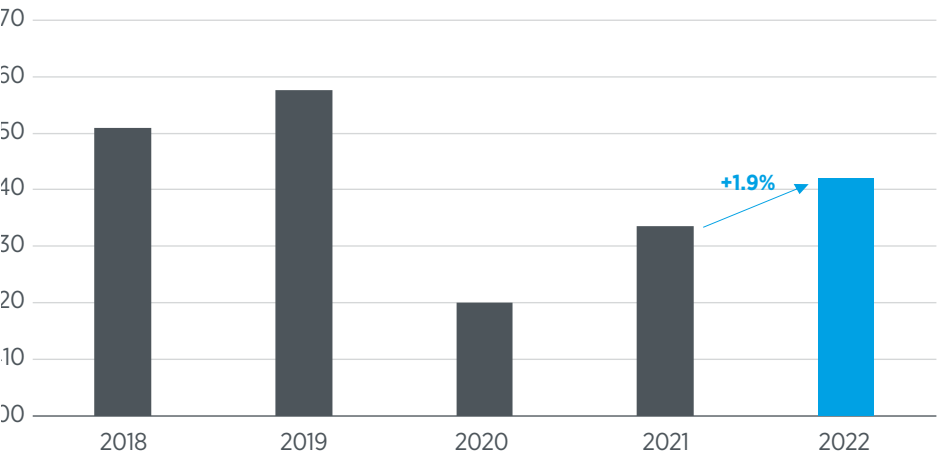
Sources: Statistics Canada, Table 14-10-0385-01 (annual data), and Québec International.

In 2022, the labour market was not as strong in the Québec City CMA as in the province (+3.0%) and Canada (+4.0%). Québec City ranked lowest among major Canadian CMAs in terms of employment growth for the second year in a row. Its performance placed the region behind Vancouver (+2.6%) and Montréal (+3.4%) and is the only one below the 2% threshold.

Graph 3 – Annual variation in employment in the major Canadian CMAs in 2022
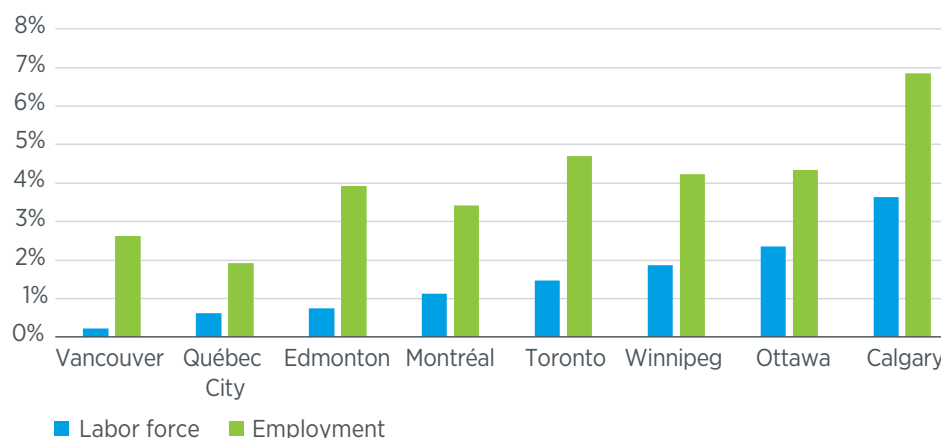

Sources: Statistics Canada, Table 14-10-0385-01 (annual data), and Québec International.

Labour force

According to Statistics Canada, there were 455,100 people in Québec City's labour force[1] in 2022. This is a 2,800-person increase (+0.6%) from the previous year. Meanwhile, the labour force in the province of Quebec and Canada experienced stronger growth, with 1.1% and 1.5%, respectively. Compared to the other major Canadian metropolitan areas, Québec City had the second-lowest increase in its labour force, behind Vancouver (+0.2%).

Graph 4 – Annual variation in labour force and employment in the major Canadian CMAs in 2022

Sources: Statistics Canada, Tables 14-10-0385-01 (annual data) and 14-10-0380-01 (three-month moving averages, seasonally adjusted data), and Québec International.

Labour force evolution have an effect on labour market variations. Although other factors also have an effect on employment, the labour force has an especially important role as it represents the number of people available for work. In that sense, in a full-employment market, where unemployment is very low like Québec City (see the section on labour scarcity), labour force increase is the main avenue for growth, at least when looking at labour market performance based on the number of jobs it creates.

Participation rate

In 2022, the participation rate, which measures the labour force among all individuals aged 15 and over, remained unchanged, at 65.7%. The region's participation rate exceeds those of the province of Quebec (64.3%) and Canada (65.4%).

In Québec City, the participation rate has remained stable since 2020 but was higher in 2019 (69.3%). In other words, labour market participation in Québec City did not recover to the same level as its historic employment high, i.e. since the pandemic.

Participation rate by age category: Low among the older population

The evolution of the participation rate by age category in the region reveals that the younger slice of the population (15 to 24 years old) was more active than during the previous survey, whereas older groups' participation in the labour market remained stable.

Table 2 – Participation rate by age category in the Québec City CMA from 2018 to 2022

|	2018	2019	2020	2021	2022
15 and over	69.4	69.3	65.8	65.7	65.7
15 to 24	76.5	78.9	76.5	74.6	76
25 to 54	93.3	93.5	92.1	93	93.2
55 and over	36.2	36.5	32.4	32.8	32.5

Sources: Statistics Canada, Table 14-10-0385-01 (annual data), and Québec International.

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1   The labour force is composed of people older than 15 who are either employed or unemployed and available for work. Those not in the labour force are the rest of the population in the same age category.

The number of people in their prime (25 to 54 years old) is especially active in the labour force, with a participation rate of 93.2%, the highest rate in Canada for this age category. Those aged 15 to 24 years old ranked fourth in Canada in terms of the participation rate (76%). Similarly to previous years, the participation rate of those aged 55 and over was low, at 32.5%. This rate places Québec City in the lower third among metropolitan areas. In Canada, the participation rate for that age category was 36.8%.

Compared to 2019, Québec City's participation rate dropped in all age categories, but especially among the older population (55 years and over). Among other factors, the pandemic seems to have encouraged a number seasoned workers to retire, which would explain the drop of four percentage points over that period in that age category.

Graph 5 – Participation rate comparison by age category in 2022
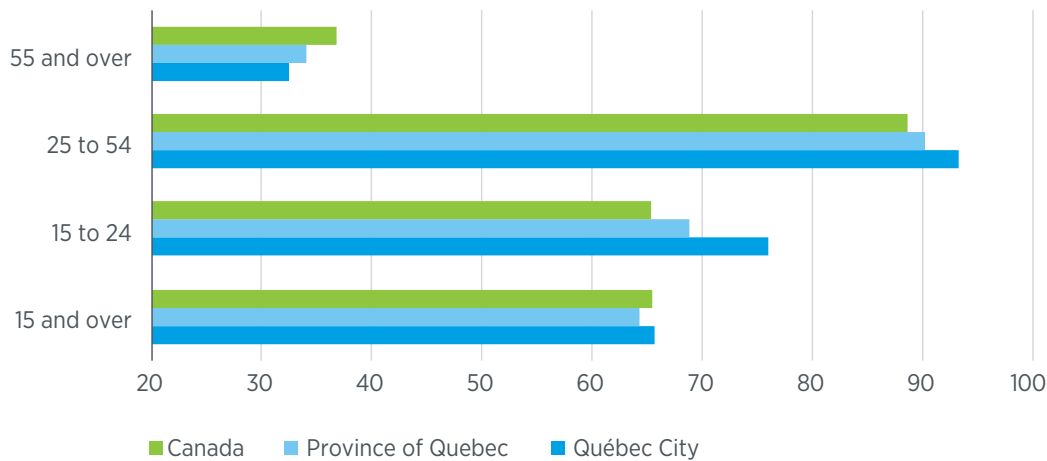
Sources: Statistics Canada, Tables 14-10-0385-01 and 14-10-0327-01 (annual data), and Québec International.

The clash between the participation rate of workers older and younger than 55 years old reveals some characteristics of employment in the region. Typically, in Québec City, more people enter the labour market at a younger age than elsewhere in Canada, but they also leave earlier when they approach retirement age.

Due to population aging, the proportion of people aged 55 years and over will increase. Because people in that age category are less likely to be working, this tends to lower the overall participation rate in the region and reduce the labour force, whose growth supports labour market growth.
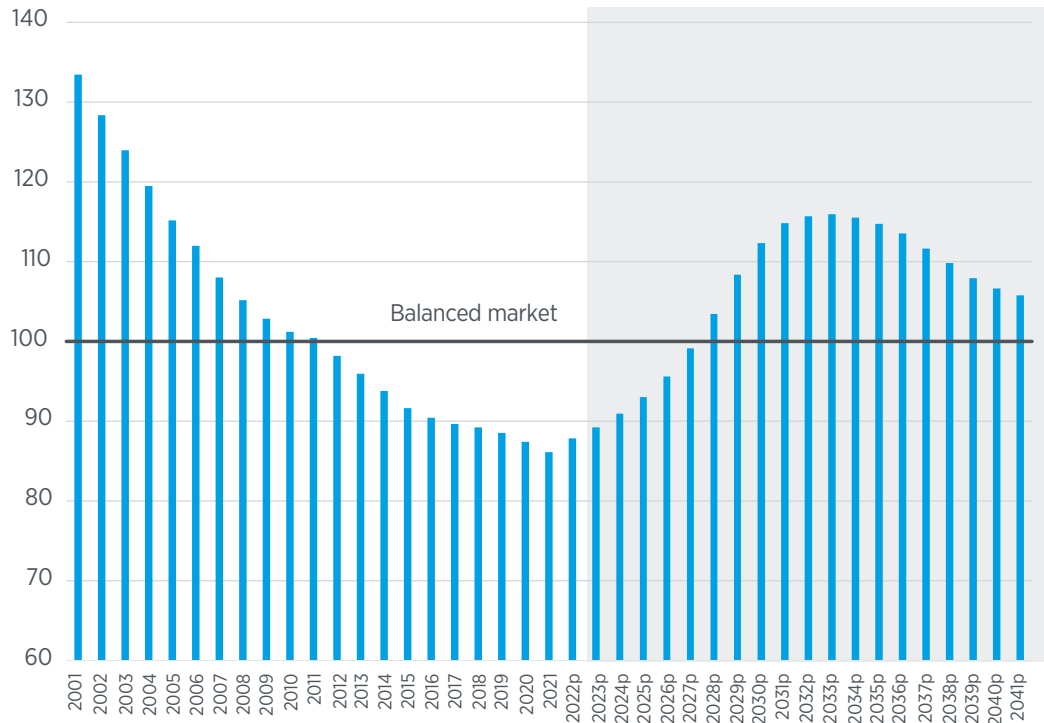
Replacement index

Population aging is a structural challenge that impacts not only the evolution of the labour force but also the replacement index. In 2022, there were around 88 young people (20 to 29 years old) potentially ready to enter the labour market for every 100 people potentially ready to retire (55 to 64 years old). There are more people leaving the labour market than entering it. It is estimated that in 2022 only, there was a shortfall of around 14,000 youths to fill positions left vacant by retirements.

However, for the first time in over twenty years, the replacement index improved in 2022. The lowest point of this wave was reached the year before (86%). Yet, demographic projections suggest that this deficit will continue for the next five years before reaching a balance. Let us keep in mind that population aging will not disappear. On the contrary: the ratio of people not in the labour force to people in the labour force will continue to increase well beyond that horizon.

Graph 6 – Replacement index* in the Québec City CMA from 2001 to 2041p

Balanced market

(Bar chart showing the replacement index from 2001 to 2041p. The y-axis ranges from 60 to 140. Values start around 133 in 2001, decline steadily to a low around 86 near 2021, then rise to a peak around 116 near 2033p before declining to about 106 in 2041p. A horizontal line marks "Balanced market" at 100. X-axis labels: 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022p, 2023p, 2024p, 2025p, 2026p, 2027p, 2028p, 2029p, 2030p, 2031p, 2032p, 2033p, 2034p, 2035p, 2036p, 2037p, 2038p, 2039p, 2040p, 2041p.)
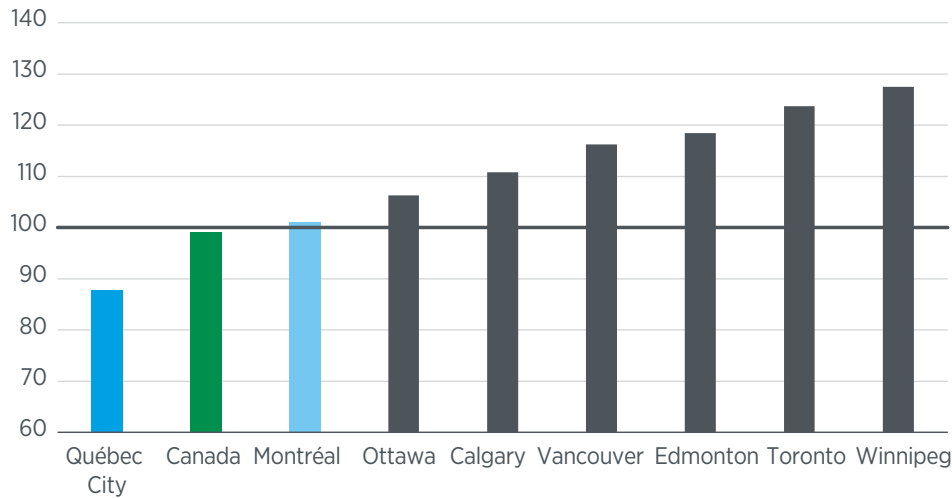
* The replacement index is the ratio of the number of young people potentially entering the labour market (20 to 29 years old) to the number of workers potentially retiring (55 to 64 years old), multiplied by 100.
Sources: Statistics Canada, Table 17-10-0135-01, and Institut de la statistique du Québec (ISQ).

Compared to the other major metropolitan areas, the Québec City CMA's labour market is the only one in a situation of deficit. This situation shows the limited growth potential in employment in the coming years compared to other major cities.

Graph 7 – Replacement index in the major Canadian CMAs in 2022

(Bar chart showing the replacement index for major Canadian CMAs in 2022. The y-axis ranges from 60 to 140. Values: Québec City ≈ 88, Canada ≈ 99, Montréal ≈ 101, Ottawa ≈ 106, Calgary ≈ 110, Vancouver ≈ 116, Edmonton ≈ 118, Toronto ≈ 124, Winnipeg ≈ 127. A horizontal line is drawn at 100.)

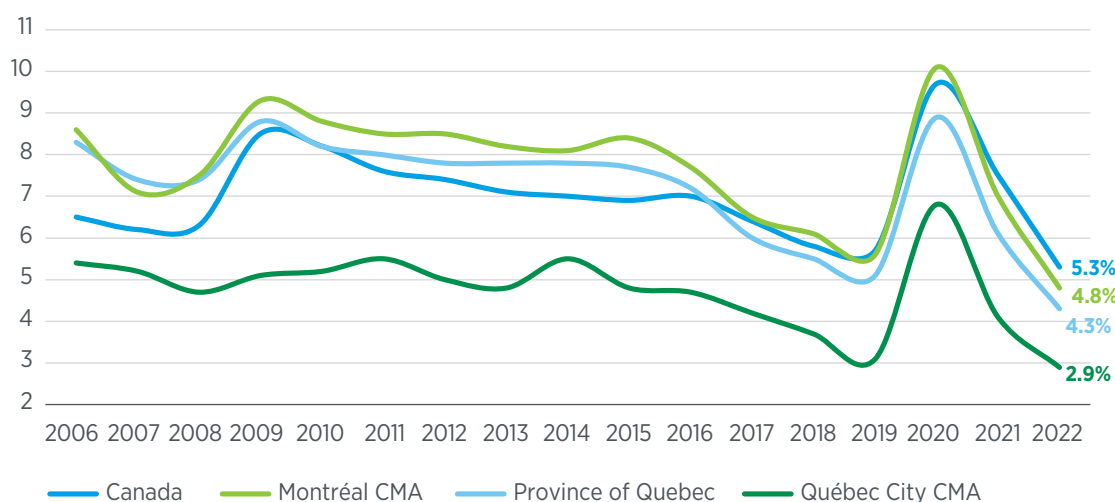Sources: Statistics Canada, Table 17-10-0135-01, and Institut de la statistique du Québec (ISQ).

LABOUR SCARCITY AND FULL EMPLOYMENT

Again this year, the Conjoncture survey conducted by Léger for Québec International and its partners (CCIGL, JCCQ[2]) showed that the majority of employers in the region (85%) found it difficult to recruit employees in 2022. This situation is also reflected in the employment data, with labour scarcity remaining a constant in Québec City. Note that labour scarcity is also a reality in other regions in Canada, which increases the tension in Québec City, as competition for talent goes beyond regional boundaries.

Unemployment rate

The labour market further tightened in the Québec City CMA in 2022. Both the number of unemployed people and the unemployment rate decreased after fluctuating over the past years due to the pandemic. The region ended 2022 with its lowest unemployment rate ever recorded and the lowest number of unemployed people, at 13,200 (-5,500).

Graph 8 – Evolution of the unemployment rate from 2006 to 2022

Legend: Canada — Montréal CMA — Province of Quebec — Québec City CMA

Values at 2022: 5.3%, 4.8%, 4.3%, 2.9%

Sources: Statistics Canada, Tables 14-10-0385-01 and 14-10-0327-01, and Québec International.

The unemployment rate reached 2.9% in Québec City, the lowest rate in Canada, before Sherbrooke (3.1%) and Trois-Rivières (3.3%). Meanwhile, all-time low unemployment rates were also recorded in the province of Quebec (4.3%) and Canada (5.3%).

Vacant positions

Labour scarcity can be seen in the number of vacant positions[3], which keeps on growing. Available data for the Capitale-Nationale and Chaudière-Appalaches administrative regions shows that hiring challenges are higher than ever in the area. In 2022, the number of vacant positions reached a historic high in the Québec City region, the province of Quebec and Canada.

In the Job Vacancy and Wage Survey (JVWS), Statistics Canada estimated that there was an average of 39,700 vacant positions during the first three quarters of 2022 in the Capitale-Nationale and Chaudière-Appalaches regions. The number of jobs that businesses are looking to fill in both regions more than tripled (+214%) over five years, from 2017 to 2022.

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2   CCIGL: Chambre de commerce et d'industrie du Grand Lévis, and JCCQ: Jeune chambre de commerce de Québec.
3   A position is considered vacant when there are tasks to be carried out during that month and the employer is actively seeking a worker outside the organization to fill the position. Note that Québec International uses Statistics Canada's data on vacant positions to analyze the situation in the region throughout the year. Publications on that subject and many more are available on our website, in our newsletter and on our social media.

Graph 9 – Evolution of job vacancies, average of the first three quarters of the year from 2015 to 2022

Legend: Capitale-Nationale, Chaudière-Appalaches
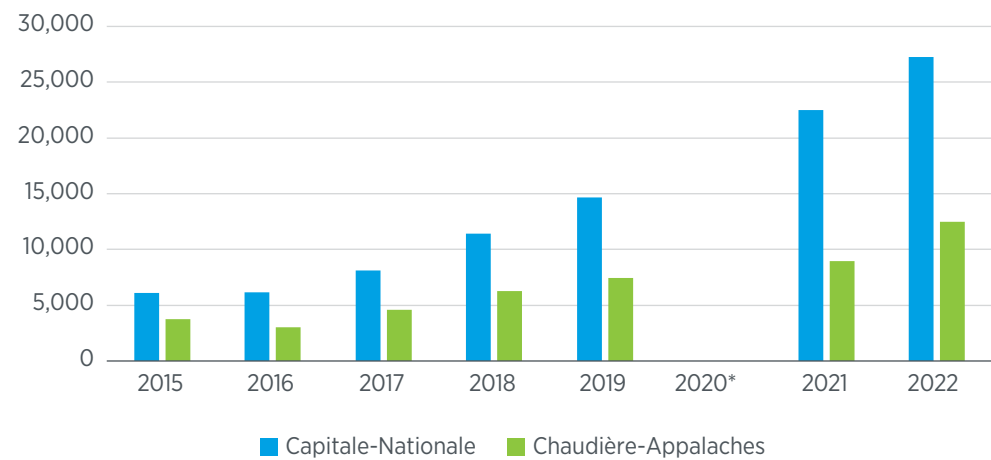
* Data for 2020 was unavailable due to the interruption of the survey during the second and third quarters.
Sources: Statistics Canada, Table 14-10-0325-01 (non-seasonally adjusted quarterly data), and Québec International.

The JVWS also provides information on the trades or occupational categories that businesses have the most difficulty to fill. These vary based on the regional economic structure, among other factors.

Graph 10 – Distribution of the number of vacant positions by occupational category, average of the first three quarters in 2022*

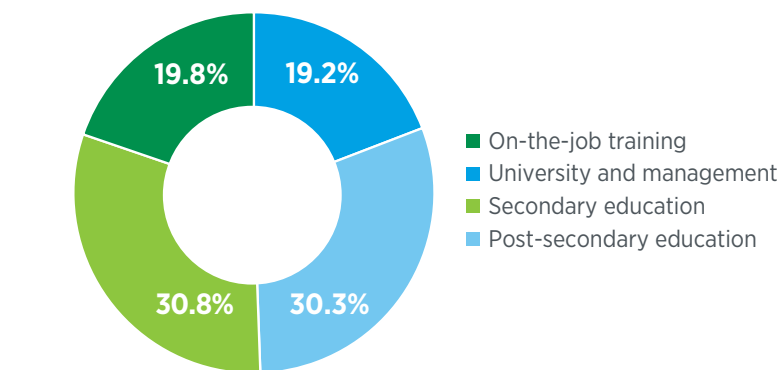Legend: Capitale-Nationale, Chaudière-Appalaches, Province of Quebec
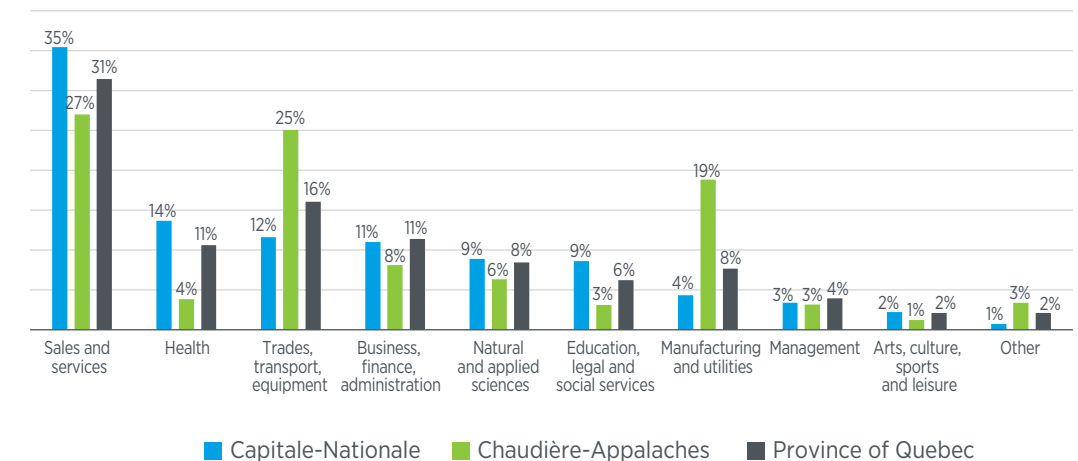
* For some data that was unavailable, approximations were used to calculate the average.
Sources: Statistics Canada, Table 14-10-0356-01 (non-seasonally adjusted quarterly data), and Québec International.

Another interesting factor to analyze regarding vacant positions is the level of qualification wanted, which provides information on businesses' labour needs. Complete data on this aspect are available for the province of Quebec as a whole.

According to Statistics Canada's estimates, more than half (50.6%) of vacant positions generally require secondary-level education or less. Considering the relatively high level of education in the Québec City region and the tendency to disregard less qualified jobs, part of the labour needs would not be satisfied by simply increasing the labour force. Let us also keep in mind that almost half of vacant positions require at least post-secondary skills.

Graph 11 – Distribution of vacant positions in the province of Quebec by skill level, average of the first three quarters in 2022*

- **On-the-job training** 19.8%
- **University and management** 19.2%
- **Secondary education** 30.8%
- **Post-secondary education** 30.3%

* Skill level based on the National Occupational Classification 2016, excluding unclassified occupations. The sum of the segments is not 100% due to rounding.
Sources: Statistics Canada, Table 14-10-0356-01 (non-seasonally adjusted quarterly data), and Québec International.

Unemployment-to-job vacancy ratio

While the number of vacant positions rises, the number of unemployed people remains very low in the region. There was less than one unemployed person for each vacant position in the Chaudière-Appalaches (0.4) and Capitale-Nationale (0.6) regions. These ratios ranked lowest and third lowest in Canada, with the Centre-du-Québec region in second position. The unemployment-to-job vacancy ratio reached 0.9 in the province of Quebec and 1.2 in Canada.

Graph 12 – Ratio of unemployed people to vacant positions in the Capitale-Nationale and Chaudière-Appalaches administrative regions, the provinces, and Canada, average of the first three quarters in 2022
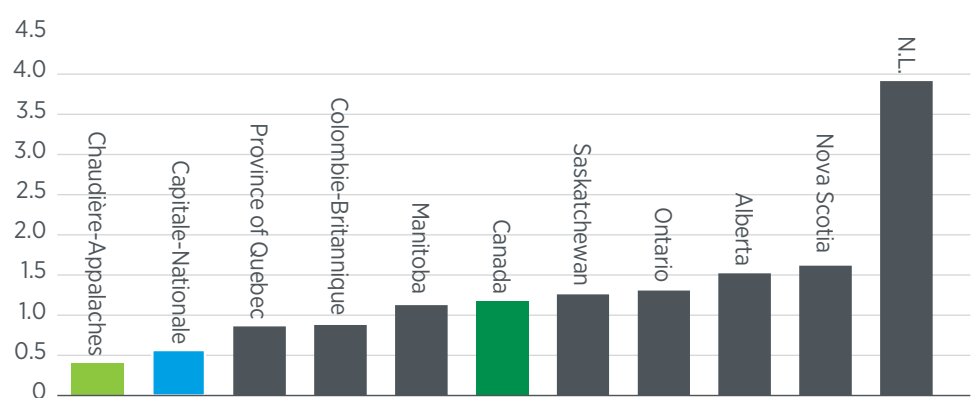
Sources: Statistics Canada, Labour Force Survey (Table 14-10-0387-01), Job Vacancy and Wage Survey (Table 14-10-0325-01), and Québec International (calculations).

Let us keep in mind that this ratio is especially low given that finding filling vacant positions is more complex than simply finding unemployed people who are available for work. The qualifications needed, the sector and the required experience are all factors that need to be taken into consideration when a company is looking to fill a position or when an unemployed person applies for a job.
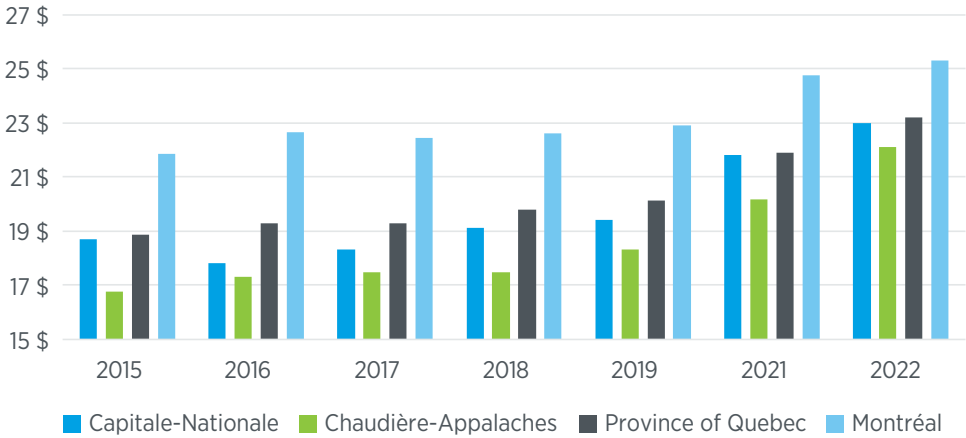
Wages

Labour scarcity has the effect of raising employee compensation due to greater demand than supply. This is observed in the increased average hourly wages offered for vacant positions over the past years. From 2017 to 2022, wages offered in Capitale-Nationale and Chaudière-Appalaches grew 25.6% and 26.7%, respectively. Over the same period, wages increased 20.4% in the province of Quebec and 21.1% in Canada.

Graph 13 – Average hourly wage for vacant positions in dollars, average of the first three quarters of the year
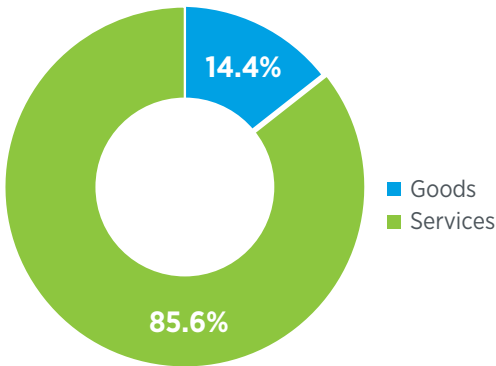

Sources: Statistics Canada, Table 14-10-0356-01, and Québec International.

Over the same period, the hourly wages offered increased faster than inflation[4]. Note that the evolution of wages can vary due to compositional effects. In other words, one type of well-compensated job that is suddenly in high-demand may increase the average wage offered in a given region, thus skewing the analysis. However, the available data for Capitale-Nationale and Chaudière-Appalaches show that the wage increases for vacant positions are higher than inflation in almost all occupational categories.

INDUSTRIES

The Labour Force Survey also provides information on the composition of the labour market based on industries. As is the case for the economy, the labour market is highly concentrated in services, this category representing 378,300 jobs (85.6% of all jobs). Meanwhile, the goods-producing sector employs 63,600 workers in the region, or 14.4% of the labour force.

Graph 14 – Distribution of jobs by economic sector in the Québec City CMA in 2022

Sources: Statistics Canada, Table 14-10-0392-01, and Québec International.

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4   For reference, the Conference Board of Canada estimates that the cost of living increased by 14.1% in the Québec City CMA, 15.8% in the province of Quebec and 16.2% in Canada.

Services sector

In 2022, market growth was driven by the services sector, with an increase of 11,400 jobs, or 3.1%. This performance was due in part to job creation in the health, finance and insurance, and accommodation and food industries. Conversely, other industries in the services sector experienced losses, including transportation and warehousing and professional and educational services.

Table 3 – Annual variation in employment by industry in the services sector in the Québec City CMA, 2021–2022

Industry		Variation
Health care		+11,600
Finance, insurance and real estate		+4,300
Accommodation and food		+4,100
Information, culture and recreation		+3,400
Public administration		+3,100
Other services		0
Wholesale and retail trade		-1,800
Business services		-2,500
Education		-3,200
Professional, scientific and technical services		-3,400
Transportation and warehousing		-4,400

Sources: Statistics Canada, Table 14-10-0384-01, and Québec International.

The services sector has yet to regain its pre-pandemic employment level (-19,900). Although several industries have recovered or surpassed their 2019 level, others are still lagging behind. It is the case for the accommodation and food (-9,200), wholesale and retail trade (-8,500) and business services (7,400) industries.

Goods-producing sector

The goods-producing sector ended 2022 with a net loss of 3,100 jobs, a 4.6% decrease compared to 2021. Losses were observed in both the manufacturing and construction industries. These were mitigated by increases in utilities and primary industries, which include agriculture, forestry and fishing.

Table 4 – Annual variation in employment by industry in the goods-producing sector in the Québec City CMA, 2021–2022

Industry		Variation
Primary		+2,600
Utilities		+1,100
Construction		-1,600
Manufacturing		-5,200

Sources: Statistics Canada, Table 14-10-0384-01, and Québec International.

Compared to the pre-pandemic situation in 2019, the goods-producing sector employs 4,100 more workers. Most industries in the sector registered gains over that period, except manufacturing.

Job diversity

The job diversity index measures the similarity between the industrial structure in the region and the province of Quebec and shows an overconcentration of certain industries. Compared to the structure in the province, the services sector is overrepresented in the Québec City region, especially in public administration, finance and insurance.

Graph 15 – Job diversity index by sector in the Québec City CMA compared to the province of Quebec (index = 100), 2022
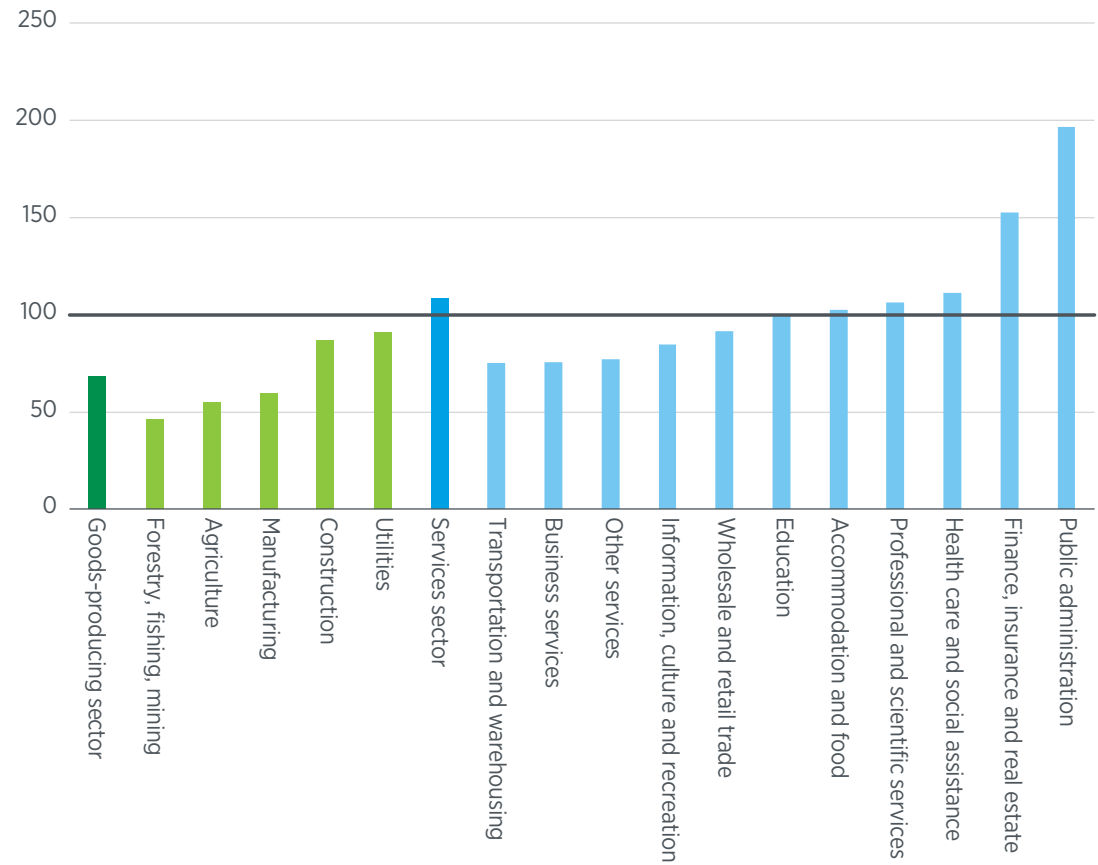
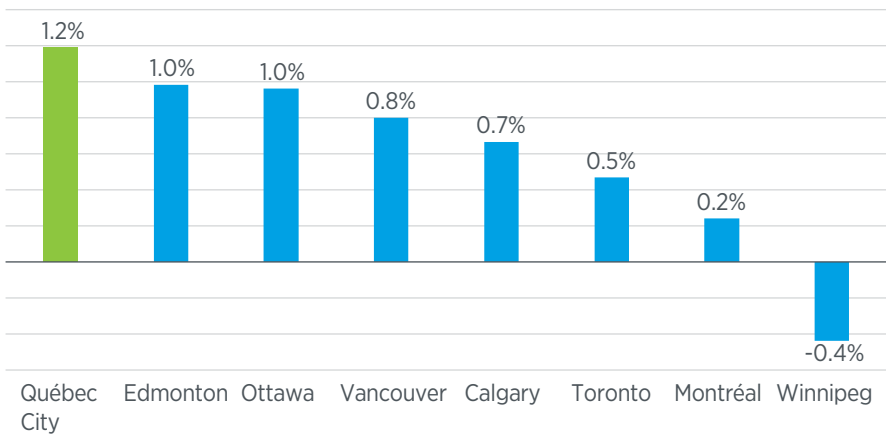Sources: Statistics Canada, Table 14-10-0384-01, and Québec International.
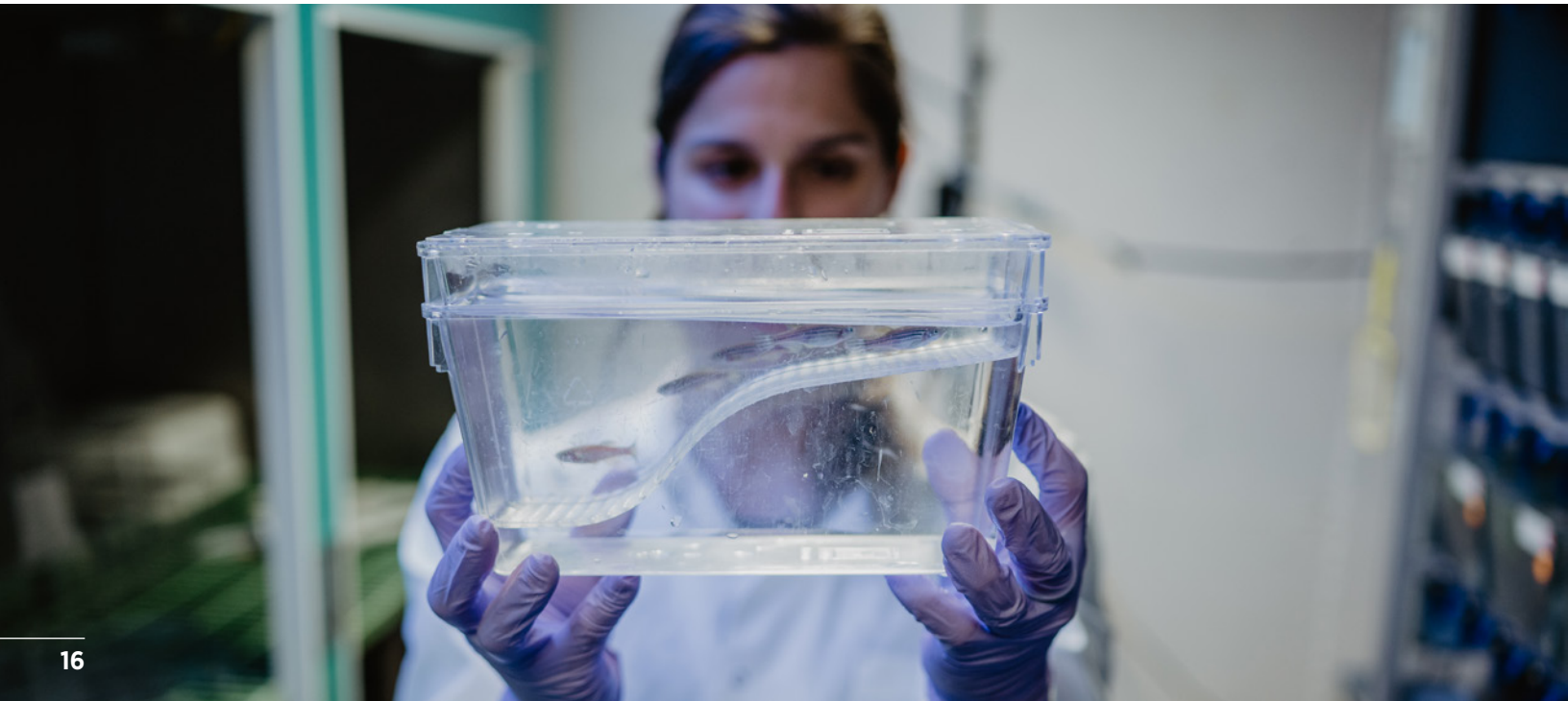
2023 OUTLOOK

Regional outlook

In 2023, expectations are divided as employment could be affected by concerns regarding inflation and a possible economic slowdown. Among the business leaders surveyed in the Québec City region as part of the Conjoncture survey, 61% expect to increase their number of employees, which is lower than the expectations for 2022 (70%). However, most respondents (82%) declared that they would hire at some point during the year. As in previous years, these hires will serve to fill the gaps due to business growth (47%) and employee turnover (41%).

Labour recruitment will remain an ongoing preoccupation in the coming years. According to the Conjoncture survey, recruitment remains the number one concern (38%) of business leaders for 2023, although this number is lower than before (56% in 2022). This is likely due to the increased concerns regarding the global economic situation, which rose to second rank of the main preoccupations.

Despite this context, the Conference Board of Canada estimates that employment will grow by 1.2% in 2023, which is equivalent to the average annual growth rate recorded in Québec City in the years before the pandemic. Nevertheless, this projection positions the region in the first rank among the major Canadian CMAs in terms of expected employment increase. Note that Québec City registered the lowest employment growth in 2021 and 2022, which, in a way, means that this prediction would serve to catch up to the other major CMAs.

Graph 16 – Estimated employment growth by the Conference Board of Canada in 2023

Québec City	Edmonton	Ottawa	Vancouver	Calgary	Toronto	Montréal	Winnipeg
1.2%	1.0%	1.0%	0.8%	0.7%	0.5%	0.2%	-0.4%

Sources: The Conference Board of Canada, and Québec International, 2022.

An economic slowdown in 2023?

The 2023 economic situation is surrounded by uncertainty. According to several observers, an economic slowdown is a tangible possibility. If this situation came to be, what would become of Québec City's labour market?

The labour market being especially tight, the region would be in a good position to withstand an economic slowdown. The surplus labour demand, including vacant positions, could decrease before employed workers felt its effects. This soft landing is the favourable scenario, but other commentators expect worse. In that sense, since a significant portion of vacant positions cannot be filled in the current context, a slowdown could mean a drop in vacant positions and employment.

CONCLUSION

Although the labour market has slowed down compared to the previous year and the other major Canadian regions, Québec City ended the year 2022 with overall positive results. In fact, this aspect of the economy has performed well in the context of uncertainty due to health restrictions and inflation.

However, labour scarcity still limits growth prospects in the labour pool. The situation is especially serious in the region as it obtained the lowest rate in Canada. The pressure on the labour market is further amplified by the continued aging of the population and the portion of retiring workers that cannot be replaced due to the lack of available workers. Demographic projections show that this trend will not disappear in the short term. Given these circumstances, growth avenues in employment lie in the quality of the available jobs rather than their quantity. On that matter, labour scarcity also has the effect of improving work conditions and increasing compensation. Nevertheless, increased wages, without a corresponding increase in productivity, risk feeding inflation and even negatively impact the economy.

In that context, the first reflex should be the automation, digitalization or reorganization of work to increase productivity. Immigration, and especially the regionalization of immigration outside of Montréal, also need improvement. This adds to the various elements included in the solutions to fight labour scarcity, like keeping older workers on the job longer and including population segments that are underrepresented on the labour market.

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