



Actalent

Labour Market & Economy Report

Quarter One 2023

Actalent's quarterly Labour Market and Economy Report connects important dots between data and trends in Canada's engineering and sciences employment. Specifically, readers can expect to learn about job growth in engineering and sciences by industry, unemployment trends, labour force participation rates, and other factors that impact the hiring, attraction, and retention of workers.

A few key insights from the Q1 report include:

1. Several industries have unemployment rates that fell well below the overall unemployment rate of 5%: Utilities (2%), Professional, Scientific, and Technical Services (2.1%), and Manufacturing (3.1%).
2. Overall, Canada's economy added 206,500 jobs in quarter one. Among those industries hiring engineering and sciences workers, Utilities saw the greatest increases in jobs added with 9,900. Demand for architecture and engineering workers in this industry has grown 109% in the past year, with civil, electrical, and mechanical engineers appearing most in-demand.
3. Average hourly wages for all industries increased 5.07% from Q1 2022 to Q1 2023. As an industry, Utilities offers the highest average hourly earnings (\$49.18 in Q1 2023). By occupation, 'Professional occupations in engineering' offer the highest average hourly wage (\$51.47 in Q1 2023).
4. Fewer workers left their jobs in Q1 2023 (1.2M) compared to Q4 2022 average (1.56M). Approximately 50K of the Q1 2023 leavers did so due to retirement.



206.5K

Jobs Gained in Q1

Employment rose by 206,500 (+1.04%) from December 2022 to March 2023. January saw the largest job gains, adding 150,000 jobs that month.



65.7%

Labour Force Participation Rate

Labour force participation increased from 65.4% to a Q1 average of 65.7%. Though a small increase, it is nonetheless encouraging to see more people entering the labour force.



5.0%

Unemployment Rate

The unemployment rate was unchanged from December 2022 throughout the entire first quarter at 5.0%. This is hardly above the record low of 4.9% seen in June-July 2022. Few people are unemployed and actively seeking work.



1.2M

Monthly Average Job-Leavers

Job-leavers averaged 1.20M per month (3.6M total) during the first quarter, which is roughly 36K lower than the Q4 2022 average. The 'Great Resignation' that occurred in the United States was not a phenomenon experienced in Canada; in fact, more Canadians left their jobs in Q4 2018 and Q1 2019 than they did during the U.S. Great Resignation.

A Note on Comparability

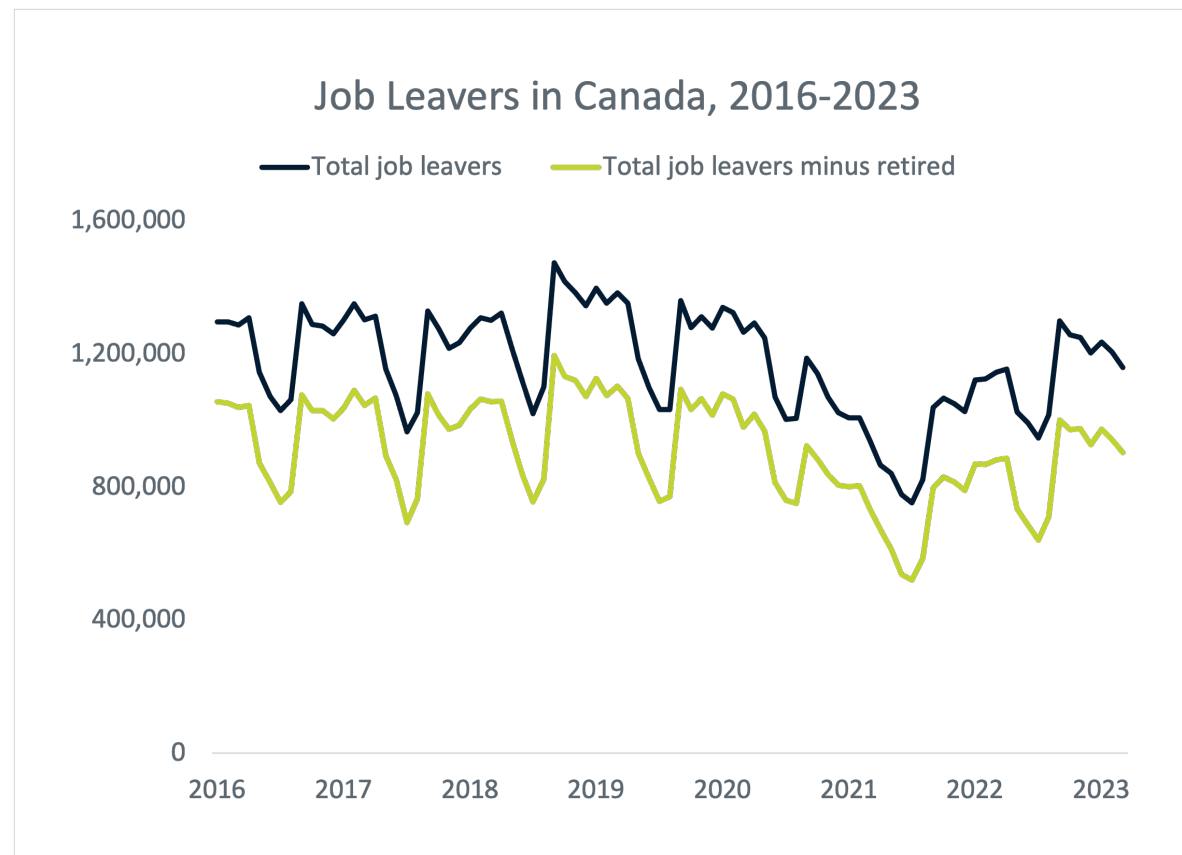
Why Canadian data should not be compared directly to United States data

Canada labour market data is collected and analysed by Statistics Canada. United States data is collected and analysed by the United States Bureau of Labor Statistics. Both agencies use different methods and concepts, so data should not be compared directly.

For example, the US unemployment rate averaged 3.5% in Q1 2023 (BLS), and the Canada unemployment rate averaged 5.0% (StatCan); however, a StatCan report states, “the Canadian unemployment rate adjusted to US concepts was unchanged at 4.0%.” This report provides Canadian statistics without adjustments to US concepts.

Canadian 'Great Resignation': Fact or Fiction?

Did Canada experience the same mass exodus due to quits as the United States did in 2021-2022?



*Job-leaver reasons excluding retirement: own illness/disability, personal/family reasons, going to school, dissatisfied, other reasons

- + Canada did not experience an out-of-the-ordinary post-pandemic mass exodus due to quits like the United States did. Quits were actually higher during Q4 2018-Q1 2019 than they were post-pandemic in Canada.
- + On the other hand, there has been an increase in retirements in Canada, as its population is aging similar to many other countries around the globe.
- + A total of nearly 50,000 more people retired during Q1 2023 compared to Q1 2016. Contrastingly, 327,400 less people left their jobs for reasons other than retirement* in Q1 2023 compared to Q1 2016.
- + So, while retirements are on the rise in Canada due to its aging workforce, the country has not seen a post-pandemic surge in quits for reasons excluding retirement.

Quarter One Market Trends

A closer look at
unemployment by industry
and labour category



Overall unemployment rate

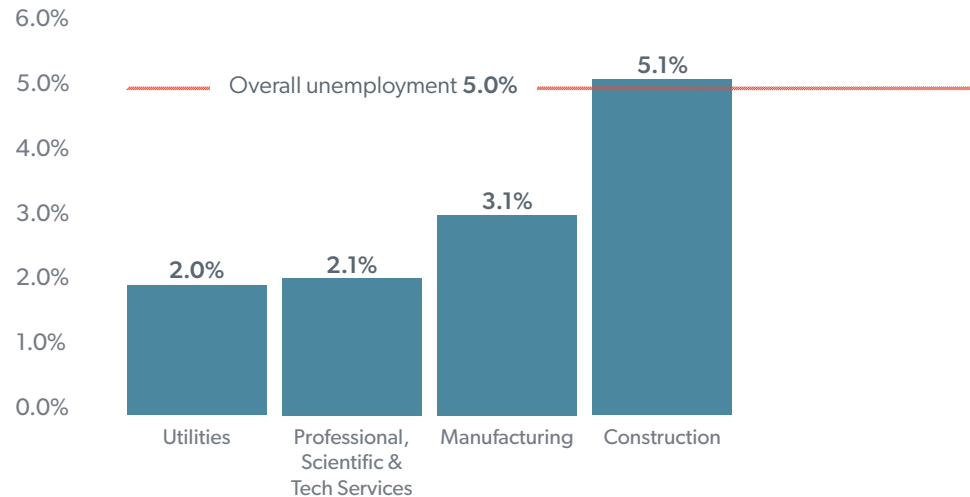


Unemployment rate for degreed
workers (bachelor's degree or
higher) in 2022

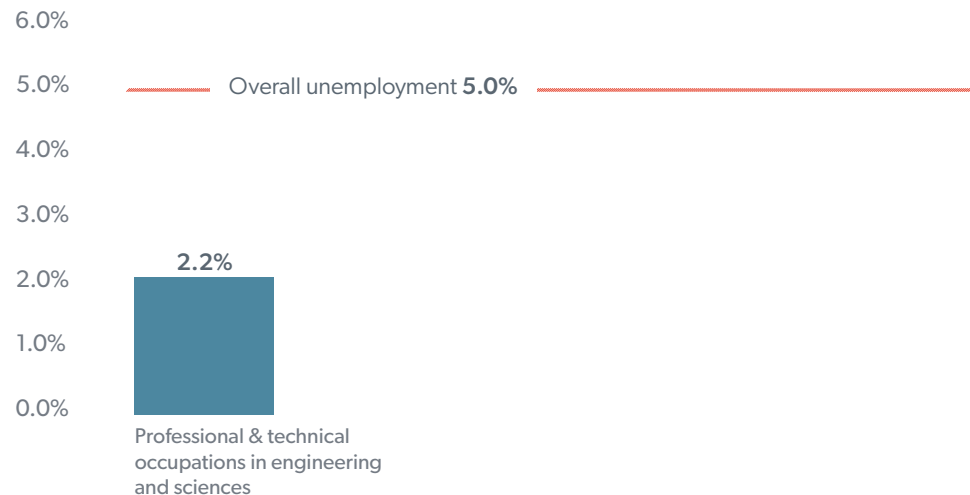


Ratio of unemployed workers
(Natural and Applied Sciences
and Related Occupations)
available per job opening
Dec 2022-Feb 2023

Unemployment rates by industry



Unemployment rates by labour category



Due to frequent data revisions and statistical noise on a month-to-month basis, Actalent employs a rolling 3-month average to best represent unemployment by labor category or industry.

Industry Trends

OVERALL ECONOMY

Deloitte's first-quarter economic outlook predicts "a mild recession followed by an easing of monetary policy that helps fuel an economic recovery in 2024." High interest rates, rising debt, and slowdowns in certain sectors like housing and manufacturing have led economists to anticipate a mild downturn in the Canadian economy in mid-2023. On the bright side, the labour market has remained strong and interest rates steadily declined throughout Q1. If a downturn does occur, it will be mild and unlikely to outlast 2023. By occupation, engineering & sciences demand was strongest for civil engineers, environmental health & safety inspectors, and mechanical engineers. By industry, E&S demand was strongest for engineering services, hospitals, and colleges/universities.



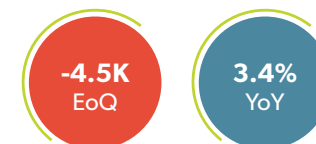
UTILITIES

Utilities employment rose by 9,900 jobs between Dec 2022 and Mar 2023. Electricity Canada reported that the main goals for the electric utilities industry are building a net-zero grid by 2035, expanding and adapting grid capacity, and keeping electricity affordable, but attraction and retention of workers will be one of the industry's biggest obstacles to achieving those goals. Demand for skilled workers and the need to re-skill and up-skill those workers will surge, as "3.1 million Canadian jobs will change in some way over the next decade due to the energy transition," according to the report. Demand for architecture & engineering workers in the utilities industry has grown 109% in the last 12 months, with civil, electrical, and mechanical engineers as the top-posted jobs.



CONSTRUCTION

Construction employment rose by 15,800 jobs in January, changed little in February, then declined by 18,800 jobs in March alone. This could reflect stagnating construction activity – housing starts were down 11.2% month-over-month in March due to higher interest rates. Still, there is construction work to be done, including ongoing projects from the 'Investing in Canada Infrastructure Program' – this year's spending plans covered by Budget 2023 are expected to benefit large corporates since the infrastructure investments are very capital intensive. Overall, CAPEX for non-residential construction is expected to be smaller in 2023 than the last two years. International competition, primarily from the U.S. Inflation Reduction Act, as well as regulatory challenges, could inhibit progress on net-zero projects. Meanwhile, the labour shortage is still an issue: construction vacancies are still close to record-high numbers.



EoQ = End of Quarter
YoY = Year over Year

Industry Trends, continued

ENGINEERING AND SCIENTIFIC R&D SERVICES

Architecture & Engineering: Engineering services demand for most engineering and drafting positions increased in Q1. Stantec, AECOM, SNC-Lavalin, and Tetra Tech were the top companies with increased demand for workers. Ontario Power Generation announced in January that it is partnering with GE Hitachi Nuclear Energy and Aecon to build the first Small Modular Reactor (SMR) in North America at the Darlington New Nuclear Project site. This will create over 2,000 jobs in project development, manufacturing, construction, operations, and decommissioning.

Scientific R&D: In February, AstraZeneca announced it will expand its Toronto R&D operations with the creation of its Rare Disease Development Hub with acquired Alexion, which will result in the addition of 500 scientific and high-tech jobs. The federal government has been investing millions of dollars into its Biomanufacturing and Life Sciences Strategy. The launch of the British Columbia Life Sciences and Biomanufacturing Strategy is expected to increase demand for Canadian biomanufacturing workers by 16,000 by 2029. The strategy also includes a \$7.2M investment into a training centre at the B.C. Institute of Technology to develop life sciences workers and address the skills shortage.



C&IP

Overall: Manufacturing new orders (an indicator of demand) in Canada are still much higher than pre-pandemic levels. Some economists have estimated a bearish outlook for the manufacturing sector, anticipating a 'mild recession' in the middle of 2023 due to impacts of high interest rates if consumer demand and the labour market both soften. Deloitte predicts air transportation should fare better in Quebec this year, but labour challenges could stymie growth. Companies' spending on machinery and equipment fell by over 25% in Q4 2022, indicating declines in business confidence. Additionally, CAPEX for construction, machinery, and equipment is expected to slow in 2023.

Automotive: Q1 announcements included the General Motors St. Catharines Propulsion Plant, which will be the first Detroit Three facility in Canada to produce electric vehicle propulsion systems, the restructuring of Ford's Oakville location (renamed Oakville Electric Vehicle Complex) to include vehicle and battery assembly, and the selection of St. Thomas, Ontario, as the first North American Volkswagen-PowerCo gigafactory for battery cell manufacturing. Creation of jobs will be delayed until these plants are up and running, but a strong engineering workforce will be needed when the time comes. Job postings were down the last three months, but the industry is showing signs of recovery, with a 12% YoY gain in production in 2022 and easing supply chain challenges.



EoQ = End of Quarter
YoY = Year over Year

Wages in Canada

How they've changed.

+4.3%



Consumer Price Index

Canada's inflation rate has been steadily decreasing since peaking at 8.1% in June 2022. It fell from 5.9% in January 2023 to 5.2% in February, then down to 4.3% in March. 4.3% is the slowest pace since 2021 but is still above the Bank of Canada's goal of 2%. Interest rates have stayed at 4.5% in 2023, and while that is considerably high, it is encouraging that inflation has slowed in the absence of interest rate hikes.

+5.07%



Wage Increases

The average hourly wage rate for all industries increased 5.07% from Q1 2022 to Q1 2023. By industry, average hourly earnings are highest in Utilities (\$49.18 in Q1 2023). Among Actalent-relevant occupations, 'Professional occupations in engineering' have the highest average hourly wage (\$51.47 in Q1 2023).



"Real" Earnings

Canadian workers' wages struggled to keep pace with inflation last year as inflation rates were elevated at record levels, so Q1's cooling inflation is good news for workers. Wage growth has slowed, which will put less pressure on inflation as well. Inflation is still higher than preferred, however, and interest rates will still impact housing and vehicle affordability, so competitive pay remains necessary for attracting and retaining workers.

References

Read more about trends in Engineering & Sciences

For a labour market snapshot of a specific province or territory, visit [JobBank.gc.ca/trend-analysis](https://jobbank.gc.ca/trend-analysis)

INDUSTRY TRENDS:

Overall: [Deloitte Canadian Economic Outlook](#)

Utilities: [Electricity Canada: Build it: The state of the Canadian electricity industry 2023](#)

Construction: [How will Canada meet housing targets when there's a construction slowdown?](#); [High interest rates are slowing homebuilding, but the worst is yet to come](#); [Investing in Canada Infrastructure Program](#); [CCA: Construction leaders advocate for urgent policy changes to rebuild Canada's construction workforce](#); [Will Budget 2023 Spark a Green Investment Wave?](#)

Engineering & Scientific R&D Services

Architecture & Engineering: [Team forms to build North America's first SMR](#)

Scientific R&D: [AstraZeneca Rare Disease R&D Expansion Adds 500 Jobs at New Hub](#); [Canada's Biomanufacturing and Life Sciences Strategy](#); [B.C. building talent pool to support life sciences, biomanufacturing](#)

C&IP: [New Orders](#); [Canadian economy unlikely to dodge a downturn despite early-2023 resilience](#); [Deloitte Canadian Economic Outlook](#)

Automotive: [Government EV investment necessary to secure jobs and prosperous future, says Unifor](#); [Volkswagen Group steps up activities in North America – Canada chosen as location for first overseas gigafactory](#); [Canada's auto industry bucks 5-year production decline, more gains than expected](#); [DesRosiers](#); [After years of decline, the auto industry in Canada is making a comeback](#)

CPI: [Bank of Canada: Consumer Price Index](#); [Canada's inflation rate slows to 4.3% in March, slowest pace since 2021](#); [Bank of Canada holds interest rates steady](#); [Why that's good for newcomers](#)

Job posting data from Lightcast