

Help Wanted

Private sector job vacancies in Canada: Q4 2013

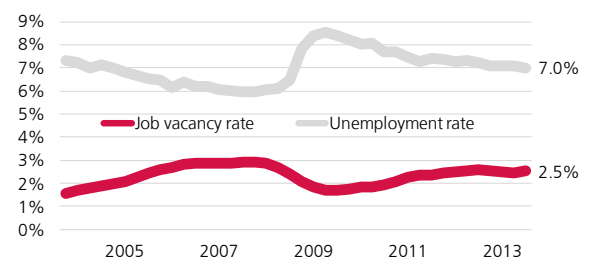
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Canada's job vacancy rate remained stable in the fourth quarter of 2013. Private sector employers reported 2.5 per cent per cent of jobs were vacant in the October-to-December period, no change from the quarter before. In total, the vacancy rate represents 295,700 unfilled private sector jobs, up a narrow 5,000 or so from the revised Q3 estimate.

In the past three years, the vacancy rate¹ had been climbing—from a low of 1.7 per cent in late 2009 and early 2010, rising to 2.6 per cent by the end of 2012. Prior to the recession, the rate of private sector job vacancies topped out at 2.9 per cent through late 2007 and early 2008. Overall, the profile of job vacancies continues to show a clear inverse relationship with the unemployment rate (see Figure 1).

Figure 1

Job vacancies and unemployment, (seasonally adjusted)



Source: CFIB Economics, Statistics Canada CANSIM Table 282-0087

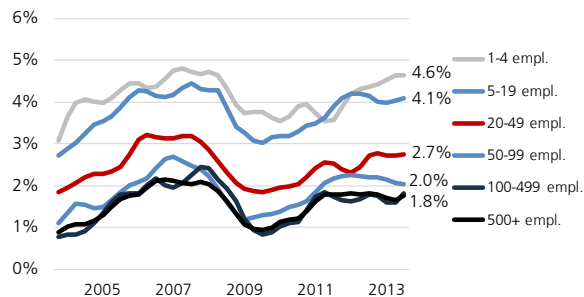
Vacancies by size of business

The frequency of vacancies varies significantly by size of business. Smaller businesses have the highest average unfilled job rates. Firms with fewer than 19 employees have vacancy rates averaging 4.6 per cent in the latest quarter. Large enterprises have the lowest vacancy rates; those with 500 or more employees are short about 1.8 per cent of their total potential workforce (see Figure 2).

¹ Vacancies as a percentage of total filled and unfilled jobs. Job vacancies are defined as openings that have been vacant for at least four months because business owners have been unable to find suitable employees. The data are based on regular surveys of CFIB members on economic and business conditions—the same surveys that collect information for CFIB's monthly Business Barometer® Index. The current results are based on 3,088 responses from the latest quarter. The series is based on 89,446 responses going back to 2004. Use of weighting and seasonal adjustment techniques will result in slight revisions of historical figures over time. For more details on how vacancy rates are constructed, consult the Methodology section on the back page.

Figure 2

Job vacancy rates by size of business (seasonally adjusted)

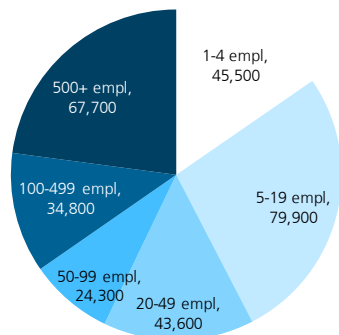


Source: CFIB Economics

Of the 295,700 or so vacancies, just over half are in small businesses currently employing fewer than 50 people (see Figure 3). About one-in-five vacancies are in mid-sized firms and a similar proportion are currently in large enterprises with employment above 500.

Figure 3

Job vacancies by size of business, Q4 2013 (seasonally adjusted)



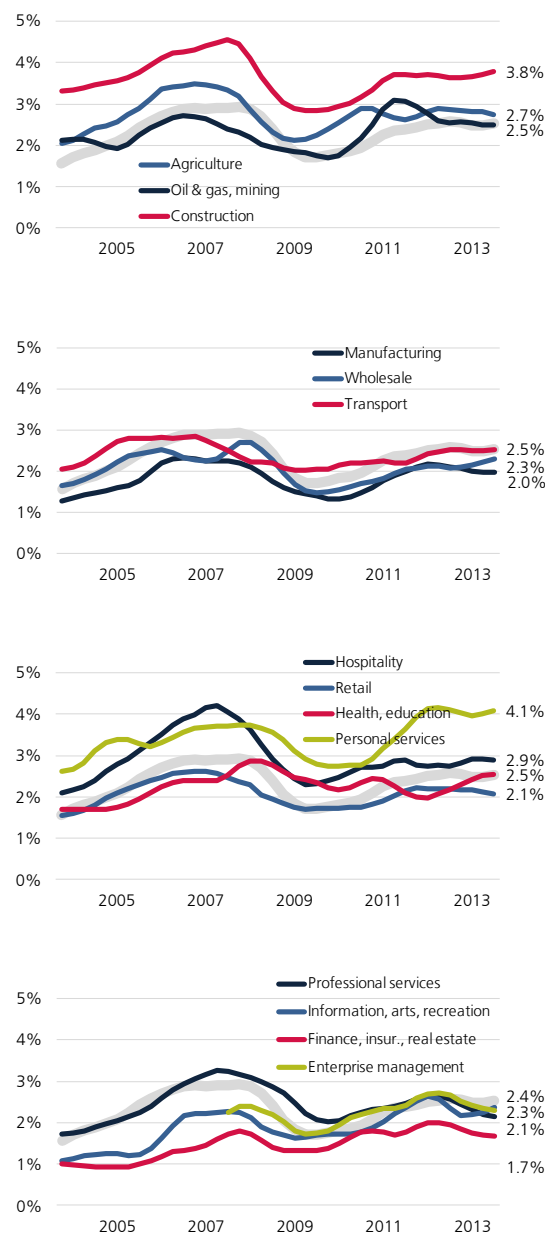
Industry detail

Vacancy rates by sector are in part dependent on the mix of employment among small, mid-sized and large enterprises. More than half of total employment in the oil and gas, information, and financial sectors, for example, are among businesses employing 500 or more—which puts a downward influence on vacancy rates relative to sectors with higher concentrations of employment in small firms, like construction and personal services.

Most sectors have seen steady vacancy rates for the past few quarters. There has been a fractional uptick in the transportation-related industries (to 2.6 per cent). Offsetting that has been a slight decline in vacancies among oil and gas sector businesses (to 2.3 per cent) (see Figure 4).

Figure 4

Job vacancy rates, industry detail (seasonally adjusted)



Light grey line = average for all industries

Source: CFIB Economics

In terms of sheer numbers, the retail, hospitality, retail and construction sectors have the most potential job openings—each with between 35,000 or more openings throughout the country (see Table 1).

Table 1

Private sector job vacancies by industry, Q4 2013

	Rate*	Chg**	Number
Aggregate	2.5%		295,700
Agric., forestry, fishing	2.7%	-0.1	4,500
Oil & gas, mining	2.5%	0.2	6,000
Construction	3.8%	0.2	35,600
Manufacturing	2.0%		29,600
Wholesale	2.3%	0.1	18,200
Retail	2.1%	-0.1	39,900
Transportation	2.5%		14,700
Info., arts, recreation	2.4%	0.1	11,600
Finance, insur., real est.	1.7%		16,300
Prof. services	2.1%	-0.1	18,200
Enterprise mgmt	2.3%		20,900
Health, educ.	2.5%		21,400
Hospitality	2.9%		35,300
Personal services	4.1%	0.1	23,300

* Vacancies as a percentage of total filled and unfilled jobs

**Change in rate from the previous quarter

Provincial detail

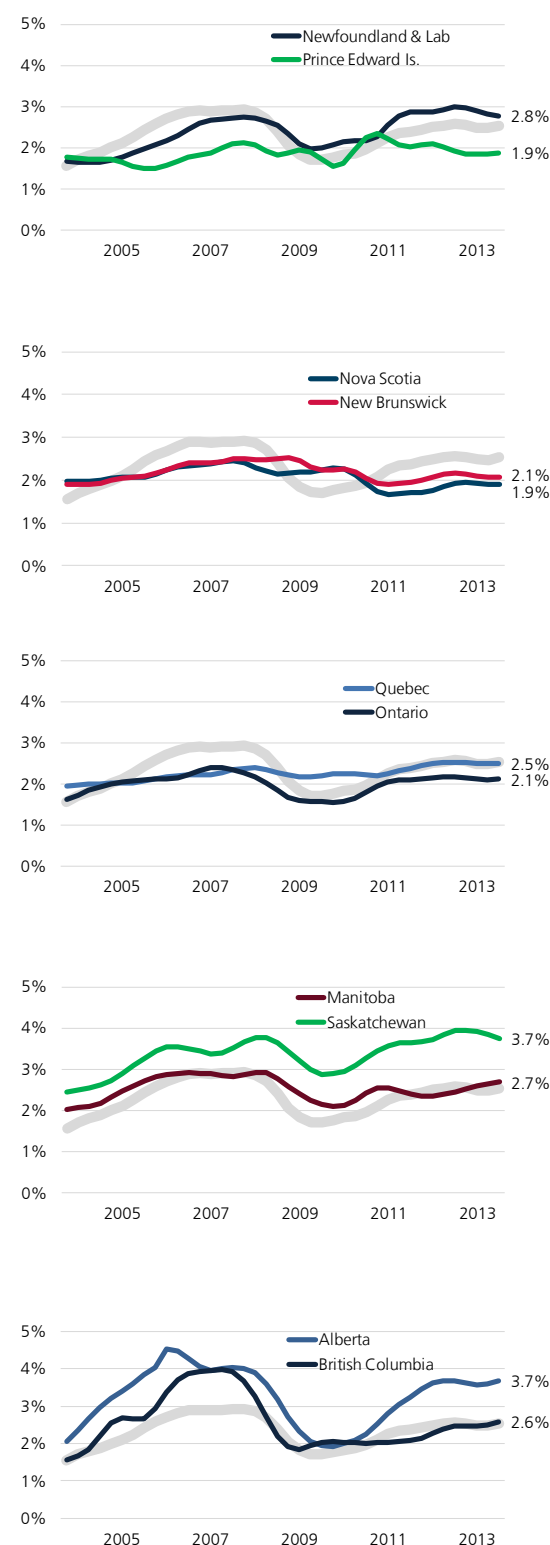
Saskatchewan and Alberta again have the highest vacancy rates in the country—3.7 per cent in Q4 2013 (see Figure 5). Newfoundland and Labrador also has an above-average vacancy rate—although trending down slightly to 2.8 per cent, or about 4,100 unfilled positions (see Table 2).

Quebec's job vacancy rate (constant at 2.5 per cent) is generally very near the national average, having shown relatively little variation through the recession and recovery. Ontario, with a higher proportion of larger businesses has a stable, but lower vacancy rate at 2.1 per cent. Manitoba and British Columbia saw their vacancy rates rise to 2.7 and 2.6 per cent respectively in the final quarter of 2013.

Relatively weak labour markets in the Maritimes translate to below-average vacancy rates there—hovering near only 2 per cent.

Figure 5

Job vacancy rates, provincial detail (seasonally adjusted)



Light grey lines represent the Canadian average

Source: CFIB Economics

Table 2

Private sector job vacancies by province, Q4 2013

	Rate*	Chg**	Number
Canada	2.5%		295,700
Newfoundland & Lab.	2.8%		4,100
Prince Edward Island	1.9%	+0.1	800
Nova Scotia	1.9%		5,300
New Brunswick	2.1%		4,600
Quebec	2.5%		64,500
Ontario	2.1%		94,100
Manitoba	2.7%	+0.1	11,100
Saskatchewan	3.7%	-0.1	12,400
Alberta	3.7%	+0.1	59,000
British Columbia	2.6%	+0.1	39,900

* Vacancies as a percentage of total filled and unfilled jobs

** Change in rate from the revised previous quarter

What a 'vacancy' really means

This survey is based on the views of business owners on the sufficiency of skills and numbers in their workforce to fulfil their business' goals. If there is a vacancy, there can be many reasons why—some of which may be quite subjective. Some owners may be requiring specific skills that are hard to find in their area. Others may require generalists that can perform in a range of functions. Beyond raw skills, some may also be looking for qualities in potential employees to ensure the best fit within their organizations. Others may have a need for specific or irregular working hours and conditions that fewer potential employees are willing to take on.

When an owner is reporting an unfilled position in their business, they may well be including not just the defined roles they have, but also an aspiration for the ideal next employee under ideal circumstances. As such, it is no real surprise that the smallest businesses have the greatest vacancy rates. The combination of a relative lack of financial resources and strong growth intentions would explain the vacancy differences compared to larger enterprises. Large firms would also have an easier time making their openings more visible to potential applicants.

Markets for the demand and supply for labour ultimately hinge on compensation levels. When

labour supply gets tight, wages rise as employers compete for fewer available potential employees. Identifying a market-clearing wage rate, however, is not an exact science, with gaps in information, the costs of acquiring that knowledge and the often large differences in individual employee preferences and job characteristics get in the way of clear wage level adjustments needs.

While in the long run, wage adjustments are one outcome of tight labour markets, so too are other shifts that can take place. For example, a business owner may opt to adjust the amount of labour required by shifting toward more labour-saving business practices. Owners may also shift resources toward training and skills development of more readily available labour. Both these other approaches have costs, but they would be weighed in relation to wage adjustments.

Vacancy rates, therefore, do not mean an absence of these wage and workforce adjustments. They do, however, represent a measure of the frictional forces and rigidities present in the real-world marketplace—much like unemployment, which represents the opposite side of the employer-employee matching issue.

Notes: methodology and data quality

The data come from CFIB surveys conducted with members on their economic and business outlooks. Questions on employment plans and job vacancies have been part of these surveys since 2004. The survey is conducted electronically each month with a grouped random sampling of ID-validated CFIB members. Each member is sent invitations to respond via the Web twice a year at six-month intervals.

From the survey, respondents provide the total number of full-time and part-time people currently employed at their business. They are also asked "How many jobs in your firm currently have been vacant for at least 4 months because you have been unable to find suitable employees?" Non-responses are treated as zero vacancies. Vacancy rates are defined as total vacancies, divided by the sum of total employment and vacancies. Data outliers are identified using regression analysis, and then dealt with by capping those vacancies at the 90th percentile level in each business size class.

We assume a fixed proportional relationship between vacancy rates in large enterprises compared to smaller size groupings. To account for small sample sizes, quarterly data for the 500+ employment size group are distributed by using the aggregate historical ratios relative to the other business size categories from 2004 to 2013.

Aggregated employment and vacancies are then reweighted by province and by industry based on quarterly data from Statistics Canada's Survey of Employment, Payrolls and Hours (SEPH), subtracting out public sector employment based on CFIB's custom tabulations from Statistics Canada's Labour Force Survey (LFS).

National quarterly data are seasonally adjusted and trended using x-12 methodology. To deal with occasional missing data points, provincial and industry sector data are further smoothed before seasonal adjustment, and then re-adjusted afterwards to ensure their totals add up to national figures.

Weighting has a large effect on the final calculations, so results from small sample-size provinces and industries may be variable. Because of the use of centralized moving averages, new quarterly data may result in revisions of past estimates. For that reason, simple rule-of-thumb statistical margins of error usually reported on surveys do not apply.

Comparison with Statistics Canada's job vacancy estimates.

Statistics Canada started producing estimates of job vacancies in 2011 based on their Survey of Employment Payrolls and Hours. They produce three-month moving averages that are not seasonally adjusted. Their latest November 2013 findings put the job vacancy rate at 1.5 per cent²--somewhat smaller than CFIB's estimate, but more variable from period to period. A number of factors may explain the differences in estimates, including,

- ▶ Inclusion of public sector employers in the Statistics Canada sample which likely have comparatively low levels of job vacancies.
- ▶ Absence of the agriculture sector from Statistics Canada estimates. Absence of the utilities sector from CFIB estimates.
- ▶ A more restrictive definition of job vacancies by Statistics Canada. Under their definition, a position is considered "vacant" if it meets all three of the following conditions: a specific position exists, work could start within 30 days, and the employer is actively seeking employees from outside the organization to fill the position. CFIB's definition, while similar in intent, does not require that a specific position exists, only a need. CFIB's definition allows for a passive search rather than only an active one.

² <http://www.statcan.gc.ca/daily-quotidien/140218/dq140218e-eng.htm>