

ECONOMIC VIEWPOINT

Quebec: Employment by Sector during COVID-19

Quebec's economy went into shock when services deemed non-essential were closed on March 25. In February, Quebec's unemployment rate had hit a record low of 4.5%. Yet, within a few weeks, the labour market shifted from overheating to a state of partial paralysis. Not all economic sectors being equal in this kind of situation, some may take longer to recover than others. Below is an overview of the labour market and an indication of what is happening.

Jumping from One Record to the Next

Table 1 shows the employment situation in Quebec based on Statistics Canada's February Labour Force Survey (LFS), just before the authorities imposed strict measures to stem the spread of COVID-19. Quebec had never recorded so many jobs nor an unemployment rate that low (4.5%, the lowest rate since 1976). In an earlier [Economic Viewpoint](#), we noted that the major job sectors included a significant number of essential services.

TABLE 1
Employment in Quebec in February 2020 according to the LFS

SEASONALLY ADJUSTED FIGURES	NUMBER OF JOBS	RELATIVE SIZE
	In thousands	In %
Total employment	4,384.5	100.0
Goods production sector	908.0	20.7
Primary	98.7	2.3
Agriculture	58.8	1.3
Forestry, fishing, mines and other	39.9	0.9
Utilities	25.1	0.6
Construction	281.5	6.4
Manufacturing	502.7	11.5
Services sector	3,476.5	79.3
Wholesaling and retailing	663.5	15.1
Transportation and warehousing	245.3	5.6
Finance, insurance and real estate	254.9	5.8
Prof., sci. and tech. services	353.3	8.1
Business services	167.6	3.8
Educational services	318.0	7.3
Healthcare and social assistance	602.2	13.7
Information, culture and recreation	183.4	4.2
Accommodation and food services	263.7	6.0
Other services	176.1	4.0
Public administration	248.6	5.7

LFS: Labour Force Survey
Sources: Statistics Canada and Desjardins, Economic Studies

A glance at table 2 on page 2 reveals the jolt that the labour market experienced in a single month. The 264,000 jobs that disappeared in March represent another record, i.e., the biggest loss ever recorded since 1976, when the LFS as we know it was introduced. Although striking, Statistics Canada's snapshot of March didn't capture everything. In fact, it looked at the period from March 15 to 21, before the strictest directives were implemented. April's figures are expected to paint a bleaker picture.

Counting the Biggest Losses in March

March saw major differences in terms of numbers and percentages. Education recorded the largest number of losses last month (-72,600), as all schools (elementary to university) closed on March 16. While workers in the education system may not have been laid off, there were still private language, art, trade, personal development, computer and driving schools as well as noon supervision services and career counselling and test development centres that had to close their doors.

The major accommodation and food services sector shed 64,400 jobs, i.e., the biggest loss percentage-wise of the major sectors surveyed (-24.4%). It's estimated that just over 80% of the employees in this group work in food services. It's easy to argue that a significant number of the jobs are part-time, but that would mean forgetting that many workers earn a living working full-time in food services. [Restaurants Canada](#) estimated that, in March alone, Quebec lost 175,000 food service jobs.

April's numbers for the entire accommodation and food services sector are expected to be down significantly because the LFS will include all businesses deemed non-essential that closed on March 25 in Quebec. On March 28, the [Minister of Tourism](#) instructed the accommodation sector to shut down. In that

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TABLE 2
Snapshot of Quebec's labour market in March 2020 according to the LFS

SEASONALLY ADJUSTED FIGURES	NUMBER OF JOBS March 2020	JOB CREATION		
		IN THE LAST MONTH Number	In %	IN THE LAST 3 MONTHS In number
Total employment	4,120,500	-264,000	-6.0	-224,900
Goods production sector	899,000	-9,000	-1.0	9,400
Primary	94,500	-4,200	-4.3	-3,600
Agriculture	53,700	-5,100	-8.7	-5,200
Forestry, fishing, mines and other	40,800	900	2.3	1,600
Utilities	23,800	-1,300	-5.2	400
Construction	279,200	-2,300	-0.8	3,500
Manufacturing	501,500	-1,200	-0.2	9,100
Services sector	3,221,500	-255,000	-7.3	-234,300
Wholesaling and retailing	632,100	-31,400	-4.7	-32,800
Transportation and warehousing	233,100	-12,200	-5.0	-4,400
Finance, insurance and real estate	251,200	-3,700	-1.5	-300
Prof., sci. and tech. services	352,900	-400	-0.1	3,600
Business services	155,900	-11,700	-7.0	-12,700
Educational services	245,400	-72,600	-22.8	-53,000
Healthcare and social assistance	586,200	-16,000	-2.7	-30,000
Information, culture and recreation	156,800	-26,600	-14.5	-20,200
Accommodation and food services	199,300	-64,400	-24.4	-63,700
Other services	165,800	-10,300	-5.8	-13,100
Public administration	242,900	-5,700	-2.3	-7,700

LFS: Labour Force Survey

Sources: Statistics Canada and Desjardins, Economic Studies

regard, the [Conference Board](#) estimated that more than 1.3 million jobs in Canada would be affected by the shutdown of the accommodation and food services sector.

It's important to note that the Quebec government asked hotels to accommodate four types of guests: citizens who must self-isolate, citizens returning from travelling abroad, essential services employees who came into contact with individuals infected with COVID-19 and infected citizens who must go into quarantine. Accommodating these people will definitely not be enough to maintain all of the jobs in the accommodation sector, but they will help staunch the flow of losses somewhat.

Among the other sectors that have experienced significant job losses in March are wholesaling and retailing (-31,400, or 4.7% of the sector). Just over one quarter of the workers in this extremely large group, which had 663,500 jobs in February, were working in wholesaling. Like retailing, the sectors deemed essential (box on page 3), such as food products, beverages, health and personal care products, construction materials and service stations, were able to retain some of their workers to provide services to the general public. In retailing, the four sectors mentioned earlier account for approximately 50% of the employees.

The information, culture and recreation group also saw its numbers (-26,600) and percentages (-14.5%) drop noticeably. Here, too, the reduction will be considerable in April, since a significant number of activities will have been cancelled (all kinds of services, closing of recreation facilities, etc.).

According to the LFS, construction only shed 2,300 jobs in March, or less than 1.0% of all the jobs in this sector. Construction sites were ordered to shut down on March 23, i.e., after the survey data had already been collected for the month. April should provide a better idea of the job losses despite the partial recall in residential construction. In the case of the jobs in the information, culture and recreation and the construction sectors, a significant number of workers are self-employed, and government programs are their only safety net.

April's figures are expected to paint a bleaker picture. Some of the layoffs that had not yet occurred at the time of the March Survey will be captured in April's. Moreover, some workers will have resumed their employment relationship with their company thanks to the Canada Emergency Wage Subsidy (CEWS), which covers up to 75% of an employee's wages, but they may not have known about it at the time of the survey. In addition, it's possible that the earliest their employer was able to qualify was at the end of the month, so their employment status will only

BOX**The essential services according to the Government of Quebec**

- ▶ Priority health services and social services
 - Health network institutions, pharmacies, private seniors' residences, Héma-Québec, and medication wholesalers and manufacturers accredited by the Ministère de la Santé et des Services sociaux, etc.
- ▶ Public security services
 - Police, fire and correctional services, security agencies, etc.
- ▶ Government services and other priority activities
 - Quebec government departments and bodies, online higher education, waste collection, etc.
- ▶ Maintenance and operation of strategic infrastructure
 - Energy production, supply, transmission and distribution, water treatment plants, etc.
- ▶ Priority manufacturing activities
 - Food production, pulp and paper, medical instruments, chemicals, etc.
- ▶ Priority commercial enterprises
 - Grocery stores and other food retailers, pharmacies, convenience stores, funeral service businesses and cemeteries, cleaners, laundries and laundromats, etc.
- ▶ Media and telecommunications
 - Telecommunications, cable services, media, etc.
- ▶ Banking, financial and other services
 - Financial services, insurance, payroll services, etc.
- ▶ Construction sector services
 - Construction firms for emergency repairs
- ▶ Building maintenance and upkeep services
 - Household maintenance, cleaning companies, building maintenance firms (elevators, ventilation), etc.
- ▶ Priority services in the field of transportation and logistics
 - Public transit and passenger services, ports and airports, supply and distribution of foodstuffs, snow removal, etc.

Sources: Government of Quebec and Desjardins, Economic Studies

appear in May's figures. On the other hand, the easing of some government program requirements in the coming weeks may limit the number of unemployed workers. The same applies to the expanded list of essential services in Quebec released just after the Easter holiday. Even in this case, a lot remains unknown.

Focusing on a Return to Work

The closure announcements caused upheaval in the latter half of March. However, in early April, governments, industry associations and employers began to look at reopening businesses.

This is the case for garages and auto repair shops as well as gardening centres, which reopened in mid-April. In 2019, between 26,000 and 27,000 workers were employed in auto repair and maintenance businesses and around 2,000 workers in gardening equipment and supplies. The mining sector also got the green light from the authorities to resume operations, with around 16,000 workers to be recalled as early as April 15. We can assume that businesses aimed at supporting these economic activities will also be asked to restart operations. In all cases, these figures don't include owners and the self-employed.

Residential construction on dwellings promised for between now and July 31 restarted on April 20. As far as construction goes, we know that a few trades were providing specific emergency services (plumbing, heating and electricity in particular), but most workers were staying home. In February, the construction sector had roughly 280,000 jobs and approximately 207,000 employees, of which 32,000 were in the residential sector. Still, we also have to think about foundation and framework construction (26,000 employees) and finishing contractors (21,000 employees). This doesn't take into account self-employed workers, who number between 70,000 and 80,000 and work in all sectors, some of whom may head back to their job sites before the end of April.

Elsewhere in the world, plans are underway to restart the economy. The media spotlight has focused mostly on [Austria](#) as the first European country to formally announce its intentions. For example, stores smaller than 400 m² (4,300 sq. ft.) were to reopen in mid-April. If we were to use the same criterion here, we could easily imagine that a certain number of workers would be going back to work. We already know that roughly 50% of retail workers are included in essential services. By limiting the size to 400 m², department stores (aside from those offering food products), which are major employers, would be excluded from the initial wave of reopenings. Yet we could see people re-entering the labour market. At this stage, it's difficult to estimate the number of jobs that would be filled. We also don't know what percentage of these jobs would be full-time and how they would stack up against the Canada Emergency Response Benefit, which guarantees \$2,000 a month for four months.

Back in Austria, other stores are expected to reopen in early May, with accommodation and food services possibly back in business as of mid-May. If we were to proceed like this in Quebec, approximately 450,000 workers would be at work in the retail sector plus 260,000 in the restaurant and food services sector, and more than 30,000 in the accommodation sector, not to mention the owners of these establishments. Still, these numbers are not expected to suddenly surge in the first few months: it's all about demand, and there's nothing to indicate that consumers will be in any hurry. For now, these are nothing more than projections based on what's happening in Austria.

In recent days, several other European countries outlined their plans. Germany anticipates a phased-in return to be defined in the days and weeks to come. France has extended the lockdown until May 11. Italy anticipates gradually opening some businesses under strict rules and the mandatory wearing of masks. Spain has indicated a very gradual easing of the lockdown. Nowhere does there seem to be any sense of urgency. In the United States, there are concerns that restarting the economy is taking precedence over other issues surrounding the pandemic. The actions of different governments are changing daily, and this analysis is by no means an exhaustive summary.

Meanwhile, in Quebec, there's immense pressure to restart the manufacturing sector, which represented roughly 500,000 jobs in February. However, here as elsewhere, we'll have to wait and see if the physical distancing measures for workers will be maintained, if suppliers and customers are still around, and to what extent the value chains will still be operational.

Recovering after an Earthquake

What the labour market is currently experiencing could be compared to an earthquake. Once the shock has passed and the dust has settled, we'll try to understand what happened and measure the extent of the damage. For now, there are very few economic indicators. The March LFS has provided an initial overview of what is still an evolving situation and the picture it paints in April could prove to be a little darker than that of the previous month. Nonetheless, we're already seeing the initial signs of economic recovery. When will we return to the situation we had in 2019 and early 2020, when an overheated labour market had almost become the norm? For workers, it certainly won't be any time soon. Expectations are that the lockdown will ease gradually and by sector. Household confidence and consumer demand will be the indicators to watch closely as they will accelerate or moderate the speed at which employment and the economy recover.

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