

## ECONOMIC VIEWPOINT

# What Will Happen to Quebec's Unemployment Rate in the Coming Months?

A recent [Economic Viewpoint](#) discussed measuring the unemployment rate and the challenge of assessing it under the circumstances. This edition of *Economic Viewpoint* aims to put the labour market into perspective. First, we'll take a look at sector-specific data, then review the unemployment rate peaks reached during the recessions that occurred in the last 40 years. Lastly, we'll examine the unemployment rate's possible trajectory in the next few quarters.

### In Business Feedback

Between now and April 9, when Statistics Canada will release its employment figures for March, the results of the surveys conducted by organizations such as the Canadian Federation of Independent Business (CFIB), the Fédération des chambres de commerce du Québec (FCCQ), and the Chamber of Commerce of Metropolitan Montreal (CCMM) will serve as points of reference. According to the [CFIB](#), 53% of the respondents in Quebec intended to lay off workers during the latter half of March compared with 44% in Ontario. The [FCCQ](#) found that nearly half of the respondents had gone ahead with temporary layoffs between March 20 and 26, and that 67% of the businesses were planning additional layoffs next month. The [CCMM](#) noted that, between March 24 and 27, 46.7% of the respondents indicated that they were continuing to operate using telecommuting and e-commerce.

### Sectoral Differences

Some sectors are talking about economic activity being on hold. Admittedly, there's been a shock, but not a complete shut down. Some businesses are still operating, and certain job classes are in extremely high demand under the circumstances. Below are a few examples.

In February 2020, Quebec had roughly 4.4 million jobs. Table 1 shows the sectors with the highest number of jobs. Ranked number one, wholesaling and retailing had 663,500 jobs according to Statistics Canada's Labour Force Survey. Subsector information is available based on employees only. If we consider employees working in the food sector and in health and personal care stores (especially pharmacies), which are deemed essential

**TABLE 1**

**Ranking of the major job classes in Quebec according to the NAICS and the LFS in February 2020**

CATEGORY	NUMBER OF JOBS
	In thousands
Total number of jobs in Quebec	4,384.5
Wholesaling and retailing	663.5
Healthcare and social assistance	602.2
Manufacturing	502.7
Professional, scientific and technical services	353.3
Educational services	318.0
Construction	281.5

NAICS: North American Industry Classification System; LFS: Labour Force Survey  
Sources: Statistics Canada and Desjardins, Economic Studies

services, we see that they accounted for 35–40% of the employees in retailing. It's estimated that at least one-third of the jobs are still filled at the present time in this major category. Moreover, buying and selling are continuing online, although the data on online shopping are not yet available for the current period.

The second biggest job class is healthcare and social assistance (602,200 jobs). Many of the people in this job class are required to work at the present time. The third largest job class is manufacturing, which had 502,700 jobs. If we take into account just a few of the manufacturing sectors that governments deem essential (food, alcohol, oil and coal, and chemicals), roughly one-quarter of the industry's employees are currently working.

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.  
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The fourth job class comprises professional, scientific and technical services, which include accounting, legal and public notary, engineering, and computer system design firms; many of their employees would be able to work remotely. Educational services represent the fifth largest job class. Without a doubt, language, dance and sports schools, to name but a few, have had to close, but Quebec’s education system has been able to retain all of its workers for now. This is also the case for public administration workers (248,600 jobs), with a few exceptions. Lastly, the construction sector, with 281,500 workers, is sitting in sixth place. It’s one of the groups, along with accommodation and food services (263,700 jobs) that may be among the hardest hit by the effects of the coronavirus.

**How High Will the Unemployment Rate Go?**

Just before the pandemic took hold in Canada, the unemployment rate had reached a new monthly low in February of 4.5% in Quebec and continued to hover near the historic low of 5.5% in Canada (graph 1). In the past, when the province and the country went through a severe recession, massive job losses caused the unemployment rate to soar. It almost doubled in the early 1980s and 1990s, peaking in 1982 at 15.8% in Quebec and 13.1% in Canada (table 2). Following the 2007–2008 financial crisis, the jump in the unemployment rate was more restrained.

**GRAPH 1**  
The unemployment rate was extremely low in February just before the major wave of COVID-19



Sources: Statistics Canada and Desjardins, Economic Studies

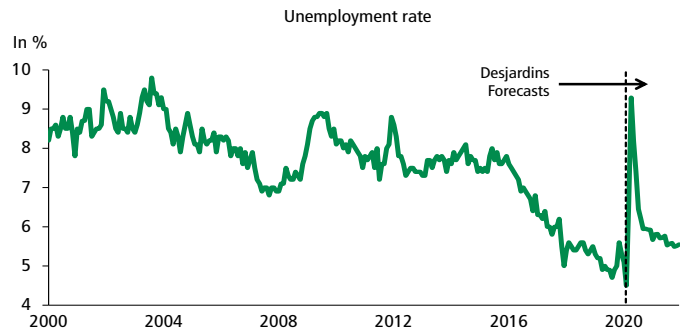
**TABLE 2**  
Unemployment rate peaks and troughs during periods of economic difficulty in Canada and Quebec

PERIODS	UNEMPLOYMENT RATE			
	QUEBEC		CANADA	
	Trough	Peak	Trough	Peak
Early 1980s	8.7	15.8	7.0	13.1
Early 1990s	9.2	14.3	7.2	12.1
Early 2000s	7.8	9.5	6.6	8.1
Late 2000s	6.9	8.9	5.8	8.7

Sources: Statistics Canada and Desjardins, Economic Studies

This time, the starting point is much lower, i.e., 4.5% in February in Quebec. Despite the program aimed at maintaining the employment relationship with workers (the federal government’s subsidy covering up to 75% of a given employee’s wages), the layoffs could be significant and cause the unemployment rate to climb to nearly 10% (graph 2). This level seems high at first glance, but it’s in keeping with the one that prevailed about 15 years ago. According to our base scenario projections, which reference the pandemic, the unemployment rate will remain high for a few months, then drop quickly but not as low as pre-crisis levels. Everything will depend on how much time will be needed before businesses and the various non-essential organizations reopen. In some cases, there will be a full recovery; in others, only a partial one.

**GRAPH 2**  
The unemployment rate will quickly—but temporarily—rise for a few months



Sources: Statistics Canada and Desjardins, Economic Studies

**Conclusion: A Look Ahead**

It’s difficult to get a clear picture of what’s going to happen, especially since the end of the confinement period is still not known. And it’s too early to tell how many businesses will qualify for and decide to take advantage federal wage subsidy program to maintain the employment relationship with their employees. Whether businesses adopt this measure or not will have an impact on the number of unemployed workers. Despite the fact that there will be major layoffs, some people are still working. In addition, it’s unclear whether computer tools and the digital economy will have helped mitigate the current employment shock. Only time and rigorous reporting will provide reliable data in this regard and help draw conclusions.

There may still be a lot of uncertainty as to the unemployment rate’s future trajectory this spring, but one thing is certain: levels above 10% in Quebec were already the norm, not the exception, as we know from past experience. This threshold may even be crossed temporarily. These are extraordinary times, and the reported unemployment rates may be, too. Still, it’s important to remember that this is a temporary situation due primarily to the temporary measures implemented to stop the spread of COVID-19.

Trying to accurately guess what Quebec's unemployment rate will be in March and in coming months is a risky game. If the shock was sudden, then expectations are that the recovery will be quick. Nevertheless, some sectors will need more time to get back up to speed. Therefore, after climbing in March and Q2, the unemployment rate should fall in Q3 and Q4, yet we can hardly expect the unemployment rate to return to below the 5% mark in 2020.

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