

## Ontario's strong 2019 labour market performance

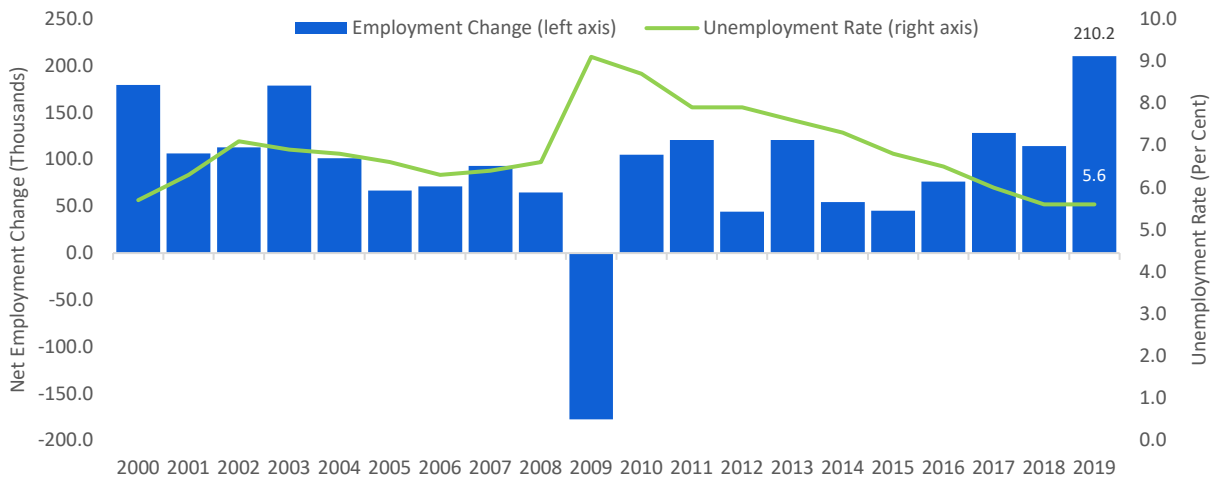
Ontario's labour market performed strongly in 2019, posting the largest increase in the level of employment on record. The annual unemployment rate remained at 5.6 per cent, unchanged from 2018, but the lowest rate since 1989. The strength in job creation was accompanied by sustained growth in average wages, and an increase in the proportion of Ontarians participating in the workforce for only the second time in the past 10 years.

However, Ontario's labour market continues to face important challenges, including an uneven distribution of labour market gains across the province's communities, a surge in self-employment which can be precarious, and a decline in average hours worked per employee, partially reflecting rising part-time employment.

### Largest annual job gain on record, led by private sector

Ontario's economy created a strong 210,000 net new jobs in 2019, the largest increase in the level of employment on record.<sup>1</sup> Despite the strong pace of job creation, the annual unemployment rate held steady at 5.6 per cent, as a relatively large number of people entered the labour market looking for work.

#### Strong employment gains, but the unemployment rate held steady in 2019



Source: Statistics Canada and FAO.

Employment gains in 2019 were driven by strong increases in both full-time jobs (157,000, +2.7 per cent) and part-time jobs (53,000, +4.0 per cent). Job creation was concentrated in the private sector (123,000, +2.6 per cent) and self-employment (78,000, +7.0 per cent), which recorded its largest increase in level of employment since 1997. In contrast, public sector employment rose by only 9,000 new jobs in 2019 (+0.7 per cent), reflecting ongoing provincial government spending restraint.

<sup>1</sup> All labour market statistics in this note are taken from Statistics Canada's Labour Force Survey (LFS) and reported on an average annual basis. The current LFS began in 1976.

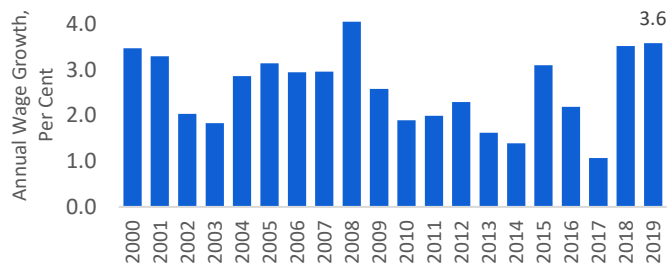
The service sector accounted for the bulk of Ontario’s job creation last year, with employment rising by 196,000, the largest annual gain on record. Within the service sector, job creation was particularly strong in health care and social assistance (54,000, +6.4 per cent) and professional, scientific and technical services (45,000, +7.1 per cent). The goods-producing sector created just 15,000 net new jobs last year, with gains concentrated in construction (18,000, +3.4 per cent) and agriculture (5,000, +7.2 per cent). Manufacturing jobs declined by 6,500 in 2019, marking the second consecutive year of lower employment.

### Highest wage growth since 2008

Average hourly wages (for all workers) increased by a solid 3.6 per cent to \$28.34 in 2019, marking the strongest wage growth since 2008. After adjusting for the impact of consumer price inflation, Ontario’s average hourly wage increased by 1.7 per cent.

Solid wage gains were recorded in professional, scientific, and technical services (+5.8 per cent), manufacturing (+5.7 per cent), and construction (+5.5 per cent). In contrast, workers in the broader public sector recorded more modest wage gains. For example, wages for health care and social assistance workers increased by just 0.5 per cent on average, while average education sector wages increased by 1.7 per cent.

#### Solid wage growth sustained for two consecutive years

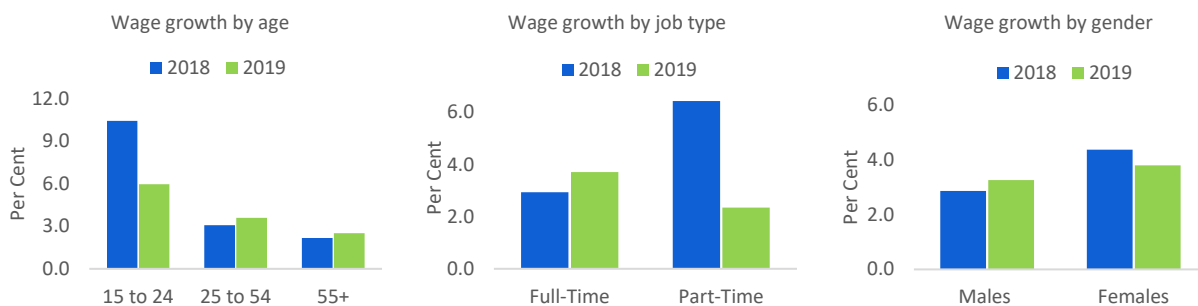


Source: Statistics Canada and FAO.

For lower-wage workers, average wage gains moderated in 2019, after strong increases in 2018 that were boosted by the significant rise in Ontario’s minimum wage. For example, young workers (ages 15-24), who are more likely to be employed in minimum wage jobs, saw an average wage gain of 6.0 per cent in 2019, following a 10.5 per cent surge in 2018. Part-time workers recorded average wage gains of 2.3 per cent in 2019, following an increase of 6.4 per cent in 2018, while accommodation and food service workers received an average wage increase of 3.0 per cent in 2019, down from 9.9 per cent in 2018.

Wages for female workers increased by 3.8 per cent in 2019, outpacing a 3.3 per cent rise for male workers, and marking the third consecutive year of a declining gender wage gap.

#### Strong demand for labour supported solid average hourly wage growth



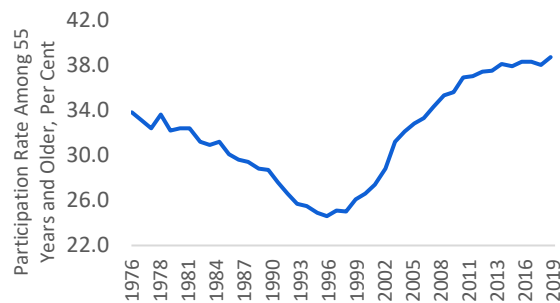
Source: Statistics Canada and FAO.

## Ontario's workforce participation rate increased in 2019

With healthy employment and wage growth, the proportion of Ontarians choosing to participate in the workforce increased to 65.1 per cent in 2019, up from 64.5 per cent in the previous year. This marked only the second increase in the overall labour force participation rate in the past 10 years. The rise in the participation rate was observed among all major age groups. For young workers (15-24 years), the participation rate increased to 61.3 per cent in 2019, up strongly from 60.2 per cent in 2018. Among core age workers (25-54 years), the participation rate increased to 86.3 per cent in 2019, up from 85.6 per cent in 2018, and the highest rate since 2013.

The most notable increase in the labour force participation rate was for older workers (55 years and over), with the rate reaching 38.7 per cent, the highest on record. The decision by an increasing proportion of older Ontarians to remain in the workforce longer has been an important trend in the Ontario labour market since the late 1990s. Research has indicated that this trend reflects several factors including the rising educational attainment of older workers, the shift of employment towards less physically demanding jobs in the service sector, economic circumstances and improvements in health outcomes.<sup>2</sup>

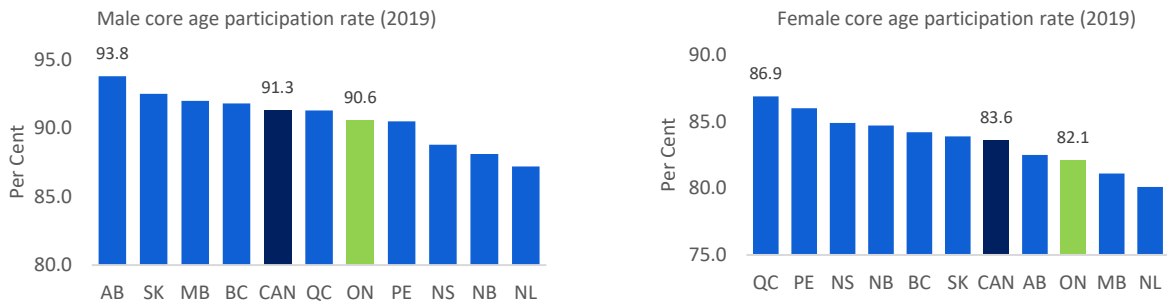
### Labour force participation rate for older workers reached historical high



Source: Statistics Canada and FAO.

Despite the improvements, Ontario still trails most other provinces in labour force participation rates, including core-age workers. In 2019, the labour force participation rate for core-age Ontario women increased to 82.1 per cent from 81.5 per cent in the previous year but was third lowest among the provinces. In sharp contrast, the participation rate of core-age Quebec women was 86.9 per cent in 2019, about five percentage points higher than in Ontario.<sup>3</sup>

### Labour force participation rates for Ontario adults among the lowest in Canada



Source: Statistics Canada and FAO.

The participation rate of core-age Ontario men was 90.6 per cent in 2019, up from 89.7 per cent in 2018. However, Ontario's core-age male participation rate was fifth lowest among the provinces.

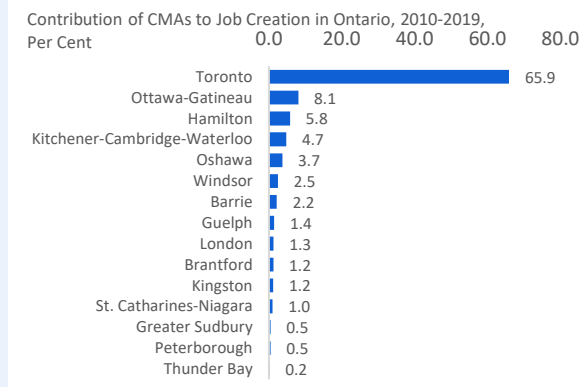
<sup>2</sup> For details, see Employment and Social Development Canada (2018), [Promoting the labour force participation of older Canadians – Promising initiatives](#).

<sup>3</sup> For a discussion on Ontario's relatively low labour force participation rate for core-age women, see the FAO report: [Child care in Ontario: A review of Ontario's new child care tax credit](#).

## Challenges remain in Ontario's labour market

Although Ontario's labour market posted significant improvements in 2019, several ongoing challenges remain.

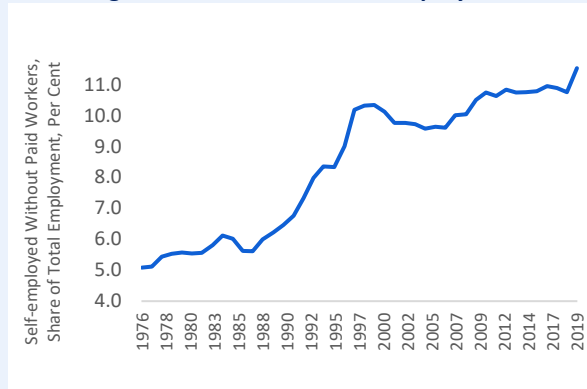
### Uneven regional distribution of job gains



Source: Statistics Canada and FAO.

- Despite the strong job gains in 2019, five out of 15 Census Metropolitan Areas (CMAs) in Ontario saw a drop in employment, with the largest declines in Peterborough, Thunder Bay, and St. Catharines-Niagara.
- Since the 2008-2009 recession, most of Ontario's job gains have been concentrated in large CMAs, in particular Toronto. From 2010 to 2019, Toronto accounted for almost two-thirds (65.9 per cent) of the job creation in Ontario, higher than its share of population.
- The concentration of job creation within the major CMAs highlights the challenge of economic diversification among Ontario's regions. Many CMAs are highly dependent on goods-producing industries such as manufacturing, which have struggled because of increasing global competition.

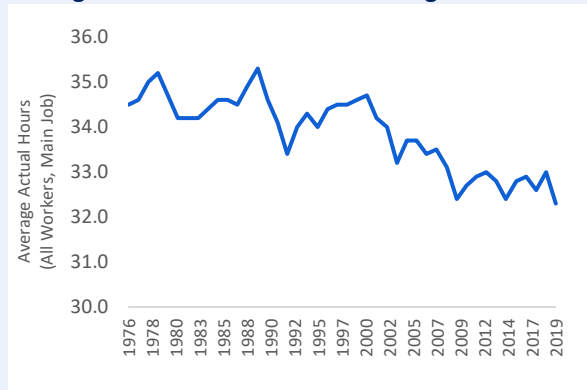
### Increasing share of individual self-employment



Source: Statistics Canada and FAO.

- Self-employed individuals without paid workers rose by 80,000 jobs (+10.3 per cent) in 2019, the largest on record and accounting for nearly two out of every five new jobs created in Ontario. As a result, the share of this category of self-employed in total employment rose to 11.5 per cent, the highest on record.
- Growth in individual self-employment was driven by workers in construction (19,400, +21.0 per cent) and transportation and warehousing (19,200, +26.2 per cent).
- Researchers view self-employed individuals without paid workers as a more precarious type of employment, lacking the security that comes with standard work arrangements.<sup>4</sup>

### Average actual hours worked declining



Source: Statistics Canada and FAO.

- In 2019, Ontarians worked 32.3 hours on average per week, the lowest on record.
- Average actual hours among paid employees declined across most industries, with the largest declines in health care and social assistance (-3.3 per cent), public administration (-3.0 per cent), and wholesale and retail trade (-2.9 per cent).
- The decline in average hours worked in 2019 partially reflects the rising share of part-time employees in the workforce. It also helps to explain why the increase in employment (+2.9 per cent) last year outpaced the estimated growth in real economic output (+1.7 per cent) by a substantial amount.<sup>5</sup>

<sup>4</sup> For a detailed discussion on self-employment, see OECD (2017), [Is self-employment quality work?](#), in *The Missing Entrepreneurs 2017: Policies for Inclusive Entrepreneurship* and Olena Kostyshyna, C. L. (2019), [The Size and Characteristics of Informal \("Gig"\) Work in Canada](#).

<sup>5</sup> See [Economic and Budget Outlook: Assessing Ontario's Medium-Term Budget Plan, Fall 2019](#).

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