

The BC Employment Conundrum

In 2014, did the BC economy create a robust 31,000 jobs or a stagnant 13,000 jobs? The answer depends on which employment data you believe.

Statistics Canada reports two primary measures of employment data: the Labour Force Survey (LFS) and the Survey of Earnings, Payrolls and Hours (SEPH). Every month, the LFS surveys the employment status of approximately 100,000 individuals across 52,000 Canadian households.

To generate estimates of job growth, the results of LFS surveys are extrapolated, while SEPH employment data is estimated based on the payroll records of non-agricultural Canadian businesses – rather than a household survey. SEPH data is gathered by similar methodology to that used in the United States; however, to avoid the constant revision that tends to plague monthly US payrolls data, Canadian SEPH data is published with a two-month lag.

The LFS household survey data is the most widely reported measure of Canadian employment for two primary reasons.

Firstly, the LFS is timely. The past month's LFS jobs data is generally available on the first Friday of the following month. Secondly – perhaps most importantly – the number is not subject to revision.

As LFS includes the self-employed while SEPH only tracks firm payroll data, it is common for these measures of employment to differ in absolute value despite normally trending in the same direction and producing similar estimates of employment growth.

For example, from 2002 to 2012, the difference in employment growth between the two surveys averaged just 0.2 per cent. In contrast, the past two years have seen a large and persistent deviation of 1.2 per cent and therefore, have presented a muddled picture of the BC labour market and economy.

According to SEPH data, employment is growing at a healthy rate of 2 per cent, while the LFS data show a labour market that is struggling to eke out minor employment gains. The deviation in the two measures reached an extreme with April's LFS data



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showing that the BC economy had lost close to 28,000 jobs, the worst month for provincial employment on record since 1976.

With such a sharp contrast in employment data, it is useful to look to other sectors of the economy for an indication of how well the labour market is performing. As higher employment growth typically drives increased consumer spending, retail sales is an economic variable that tends to be highly correlated with employment. By examining the statistical relationship between retail sales and employment growth, we can see that the current 5 to 6 per cent pace of retail sales growth normally correlates with employment growth of approximately 2 per cent – in-line with SEPH data.

In contrast, the employment growth of 0.2 per cent reported by LFS data presents as a significant outlier.

Growth in other sectors of the economy also support the narrative of “stronger-than-officially-reported” employment growth. Multi-year highs in home sales across the province and a 4 per cent annual rate of growth in employment earnings would suggest relatively little slack in the labour market.

Time will tell if measures of employment eventually converge. However, unless an unknown is causing a historical disconnect in the usual relationship between economic growth and employment, the performance of the overall BC economy supports the SEPH narrative of relatively strong job growth over the past year.

Strong Retail Sales Growth Supports SEPH Employment Data

