Vulnerabilities in Canada
Before, During, and After COVID-19
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Delivering insight through data for a better Canada
Before COVID-19:

Canadian families were unequal in their ability to deal with a lockdown
In the absence of government transfers, 1 in 4 Canadians in working families would not have had enough savings to keep them out of poverty during a 2-month work stoppage.

Lone mothers, recent immigrants, Indigenous people and young less educated families were highly vulnerable.

- Without government transfers, financially vulnerable families would have needed, on average, $3,500 over 2 months to stay above low income.
- 1 in 3 Canadians did not have enough savings to handle a 3-month work stoppage.

Source: Messacar and Morissette (2020).
Other groups were vulnerable as well. Even among working families, poverty rates varied substantially. So did the exposure to industries that ended up being severely impacted.

### Poverty rates in 2015 among working families, by ethnicity of major income earner

- Korean
- West Asian
- Arab
- Chinese
- Japanese
- Black
- Southeast Asian
- Latin American
- South Asian
- Other visible minorities
- Filipino
- White


### Percentage of workers employed in accommodation and food services + arts, entertainment and recreation, 2016

- Overall
- White
- Aboriginal peoples
- Other visible minorities
- Japanese
- Korean
- West Asian
- Southeast Asian
- Arab
- Latin American
- Filipino
- Black
- Chinese
- South Asian

40% of Canadians held jobs that could plausibly be done from home. But the feasibility of working from home varied substantially across industries and groups of Canadians.

Telework capacity in selected industries, 2019

- Full labour force
- Finance, insurance
- Professional, scientific and technical services
- Information, cultural industries
- Public administration
- Real estate, rental and leasing
- Arts, entertainment, recreation
- Health care, social assistance
- Mining, quarrying, oil and gas extraction
- Retail trade
- Manufacturing
- Construction
- Accommodation, food services

Percentage of workers in jobs that can be done from home, 2016

- Chinese
- Japanese
- Arab
- Korean
- West Asian
- South Asian
- White
- Overall
- Other visible minorities
- Latin American
- Black
- Aboriginal peoples
- Southeast Asian
- Filipino

Employees and self-employed aged 15 and over.

Source: Deng, Messacar, and Morissette (2020)

Lower-income families held jobs that were not conducive to telework or that were often found in industries that ended up being hardly hit by lockdowns: these factors likely raised family earnings inequality since Mid-March 2020.

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Percentage of dual-earner couples in which both earners can work from home, by family earnings decile, 2019


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Percentage of dual-earner couples in which at least one earner is employed in accommodation and food services, or arts, entertainment and recreation, by family earnings decile, 2019

During COVID-19:
Many inequalities exacerbated
Low-wage service industries --- accommodation and food services + arts, entertainment and recreation --- were highly affected

- As of July 2020, employment at significant hours was, overall, **9.5%** lower than it was in July 2019
- In accommodation and food services, the employment gap relative to July 2019 was **30%**
- The corresponding gap was **38%** for arts, entertainment and recreation

(Indexed) Number of individuals employed and working at least half of their usual hours, 2020 relative to the same month in 2019

- **All**
- **Accommodation and food services**
- **Arts, entertainment and recreation**
- **Manufacturing**
- **Professional, scientific and technical services**
- **Finance and insurance**
As a result, low-wage workers have been affected much more than they were during the 2008-2009 recession.

- As of July 2020, paid employment at significant hours was, in the bottom wage decile, 40% lower than in July 2019.
- In contrast, paid employment at significant hours was 16% higher in the top wage decile.


Youth, less educated workers, women, recent immigrants, and temporary employees have been hit harder.

- Among temporary employees aged 25-54, employment at significant hours was 25% lower in July 2020 than in July 2019.
- Among permanent employees aged 25-54, the corresponding gap was 4%.
- Employees holding jobs that can be done from home have generally fared better.
Groups that had high poverty rates prior to COVID-19 tended to be more affected financially by the lockdowns --- Groups with an initially large presence in low-wage service industries saw their employment rates drop more.

* In late May / early June 2020.

Source: Statistics Canada, Hou et al. (2020)

\[ y = 0.44x + 27 \]
\[ R^2 = 0.21 \]


\[ y = -0.85x + 3.4 \]
\[ R^2 = 0.47 \]
The pandemic has also raised anxiety and concerns among multiple segments of the society. For example, crowdsourcing data suggest that the difficulty of meeting financial obligations or essential needs has risen to a greater extent among Indigenous participants than among non-Indigenous participants.

**Chart 1**

Self-reported employment and financial impact of COVID-19, Indigenous and non-Indigenous participants, May 26 to June 8, 2020

**Source:** Statistics Canada, Impacts of COVID-19 on Canadians • Trust in Others
After COVID-19:
Risks and opportunities
For those who have been laid-off so far, the long-term effects of COVID-19 will depend critically on the degree to which layoffs become permanent (job losses).

### Selected statistics --- current and previous labour market downturns

<table>
<thead>
<tr>
<th>Labour market downturn</th>
<th>Average monthly layoff rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>3.5</td>
</tr>
<tr>
<td>Men</td>
<td>3.9</td>
</tr>
<tr>
<td>Women</td>
<td>2.9</td>
</tr>
<tr>
<td>Educational attainment</td>
<td></td>
</tr>
<tr>
<td>Below Bachelor's degree</td>
<td>3.8</td>
</tr>
<tr>
<td>Bachelor's degree or higher</td>
<td>1.2</td>
</tr>
<tr>
<td>Age group</td>
<td></td>
</tr>
<tr>
<td>15 to 24</td>
<td>5.2</td>
</tr>
<tr>
<td>25 to 44</td>
<td>2.9</td>
</tr>
<tr>
<td>45 to 64</td>
<td>2.8</td>
</tr>
<tr>
<td>Permanently laid-off workers as a percentage of all laid-off workers</td>
<td>46.2</td>
</tr>
</tbody>
</table>

...not applicable

Notes: Paid workers aged 15 to 64. Monthly layoff rates include temporary layoffs and permanent layoffs and are computed for the first two pairs of months of each labour market downturn.


- In the 3 previous downturns, 45% of laid-off workers ended up losing their job.
- Of those who lost their job, one in five had substantial (25% or more) earnings declines 5 years after job loss, when EI benefits no longer apply.

Percentage of permanently laid-off workers whose real earnings 5 years after job loss are at least 25% lower than in the year prior to job loss, 1979 to 2011.

Note: Laid-off workers aged 25 to 44 with real annual earnings of at least $10,000 (2016 dollars) in the year prior to job loss and with positive earnings 5 years after job loss.

Source: Statistics Canada, Longitudinal Worker File.
Even within industries, post-displacement earnings trajectories and re-training needs will likely be diverse

- Even within a given industry, earnings losses are heterogeneous, with high-wage displaced workers experiencing larger absolute earnings declines.
- 1 in 8 workers displaced in 2009 used different strategies after job loss.

### Average earnings of workers* permanently laid-off in 1992 or 2009 from accommodation and food services + arts, entertainment and recreation

*Workers displaced from accommodation & food services, or arts, entertainment & recreation. Source: Statistics Canada, Longitudinal Worker File.

### Adjustment strategies used after job loss in 2009*

*Workers displaced from accommodation & food services, or arts, entertainment & recreation. Source: Statistics Canada, Longitudinal Worker File.

- 2 strategies or more
- At least one strategy
- Regional labour mobility
- Registered apprenticeship
- Post-secondary education
- Self-employment

*Workers displaced from accommodation & food services, or arts, entertainment & recreation. Source: Statistics Canada, Longitudinal Worker File.
The speed of the recovery in low-wage services will depend on the degree to which expected decreases in consumer spending reflect income effects rather than health concerns.

As the economy reopens, many Canadians expect to spend less in restaurants, for entertainment, recreation, and clothing.

The degree to which these expected decreases in consumer spending are driven by health concerns rather than reduced income will affect the speed of the recovery in low-wage services industries.

If these expected decreases in consumer spending reflect mainly income effects, recovery will be faster—as many other sectors reopen and employment income rises—than if they primarily reflect longer-term health concerns.

If the number of COVID-19 cases subsequently rises again, health concerns will likely play an important role.

*As the economy reopens, compared with before the pandemic.

Source: Statistics Canada, Canadian Perspectives Survey Series 3.
In a post-pandemic labour market, highly educated families will have two additional advantages—telework feasibility and low risk of job automation—with potential implications for family earnings inequality.

**FIVE ADVANTAGES FOR HIGHLY EDUCATED FAMILIES**

- Before the pandemic, highly educated families had 3 advantages, relative to less educated families:
  1. They had a lower risk of job loss
  2. More often, they had a significant second earner who could dampen the impact of spousal job loss
  3. They had more savings to buffer the income shock resulting from job loss

- After the pandemic, highly educated families will have 2 additional advantages:
  4. They will be more likely to hold jobs that can be done from home
  5. They will be more likely to hold jobs that have a low risk of automation

- These 2 additional advantages might put upward pressures on family earnings inequality.

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*Jobs that can be done from home and that are not automatable.

Regardless of telework feasibility, women earn more than men in a minority (25%-32%) of dual-earner couples with children and thus, are more likely than men to reduce their labour market involvement to handle child care if child care services are not fully operational.

Percentage of dual-earner couples with children where women earn more than men, by education and telework feasibility, 2019

Source: Statistics Canada, Labour Force Survey, O*NET.
(Some) Challenges and Opportunities

Women: will the pandemic bring us back after years of progress or will the natural experiments of telework and lockdown change social norms for men and lead them to get more involved in family tasks?

Disadvantaged youth: will remote learning accentuate the rich kids-poor kids difference or will proactive measures be implemented to help erase the lockdown-induced (extra) disadvantage?

Recent graduates and recent immigrants: will there be ---as was the case in previous recessions--- a scarring effect of entering the labour market in a depressed period?

Workers as (now) risky factors of production: will the pandemic accelerate the automation of codifiable tasks?

Telework and the transition to a low carbon economy: to what extent will permanent increases in telework reduce commuting and green house gas emissions? To what extent will this benefit be offset by (perhaps temporary) movements away from public transit for workers who cannot work from home and currently have health concerns?
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Other groups — e.g. kids from poorer families, families with disabled children, seniors with mental health conditions — were also at risk of being left behind.

- Parents providing care for their children with disabilities often have unmet care needs: COVID-19 may have aggravated this
- Almost half of Canadians with a disability receive help with daily activities: this proportion likely fell after Mid-March 2020
- Many Canadians with a disability live alone

*Other than laptops.
Source: Frenette, Frank, and Deng (2020)
Employees holding jobs that can be done from home have generally fared better

- Controlling for job tenure and for proximity, groups of workers whose telework capacity was 10 percentage points higher in 2019 tended to experience smaller employment losses (roughly 5 points) from May 2019 to May 2020.

- Even after controlling for employment in essential services / critical infrastructure, individuals holding jobs that can be done from home have fared better (Brodeur et al., 2020)

Source: Labour Force Survey (May 2019 and 2020) and O*NET. Employees aged 15 to 64.
The layoff-wage gradient has been more pronounced in highly educated regions.

**Difference in 2020 layoff rates in bottom and top wage quintile, and the percentage of bachelor’s degree holders in 2019, by economic region**

- **y = 0.26x + 3.32**
- **R² = 0.23**

The pandemic has also raised anxiety and concerns among multiple segments of the society. For example, crowdsourcing data suggest that mental health issues have risen to a greater extent among Indigenous participants than among non-Indigenous participants.

Chart 3
Impacts of COVID-19 on mental health, Indigenous and non-Indigenous participants, April 24 to May 11, 2020

The percentage of dual-earner couples in which both earners have protected* jobs varies substantially across regions.

*Jobs that can be done from home and that are not automatable.