

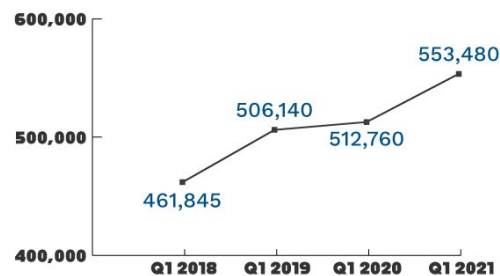
Help Wanted: Labour Market in Crisis

Despite High Unemployment Rate, Job Vacancies Growing to New Highs

TORONTO, Aug. 25, 2021 – The Canadian economy is rebounding as COVID-19 lockdowns ease and businesses everywhere are putting out "help wanted" signs. But businesses aren't getting enough applicants which has led to what many business owners are calling the most severe labour shortages they have ever seen.

According to the most recent data from Statistics Canada, there were 553,500 job vacancies in the first quarter of 2021. This was up by 40,700 (7.9%) from the same quarter in 2020, and up by 47,300 (9.4%) compared with 2019, the year before the pandemic began. In fact, the job vacancy rate increased 0.5 percentage points to 3.6% in the first quarter of 2021, the highest rate since comparable data became available in 2015.

NUMBER OF JOB VACANCIES

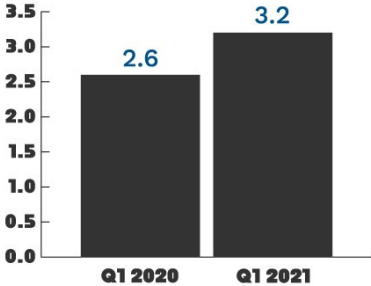


Despite the growing job vacancies across Canada, the unemployment rate remains high at

7.5%. The number of unemployed Canadians rose from 1,145,700 in February 2020 before the pandemic caused lockdowns, to 1,521,400 in July 2021, an increase of 375,700.

As a result, the ratio of unemployed people per job vacancy increased from 2.6 in the first quarter of 2020 to 3.2 in the first quarter of 2021.

RATIO OF UNEMPLOYED PEOPLE PER JOB VACANCY



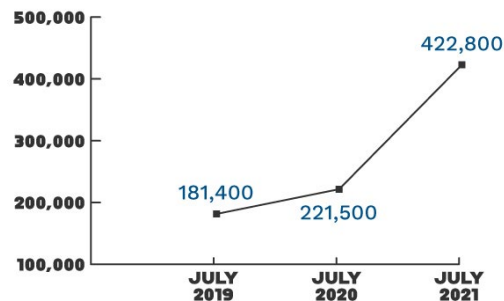
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Source: Statistics Canada, Job vacancies, first quarter 2021
<https://www150.statcan.gc.ca/n1/daily-quotidien/210622/eq210622a-eng.htm>

But those unemployment numbers don't tell the whole story.

Long-term unemployment (out of work for 27 weeks or more) has spiked and was 244,000 persons (135.9%) higher in July 2021 than in February 2020. In total, long-term unemployment accounted for more than one-quarter (27.8%) of total unemployment in July. The number of people unemployed for a year or more accounted for more than two-thirds (68.8%) of the long-term unemployed, the highest proportion on record since comparable data became available in 1976.

NUMBER OF LONG-TERM UNEMPLOYED



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Source: Statistics Canada, Table 14-10-0342-01
Duration of unemployment, monthly, seasonally adjusted

In addition, the labour market underutilization rate—which captures a broader range of people who are available and want to work but did not search for work, as well as those who worked less than half their usual hours—remains higher than before the pandemic. Compared with February 2020, there were 225,000 (27.2%) more people who were employed but worked less than half their usual hours; 369,000 (35.5%) more job searchers; and 55,000 (14%) more people who wanted a job but did not look for one.

So, if there are more than three unemployed people for every vacant job, why are labour shortages across the country becoming so severe?

Jobs are plentiful, but available workers are unable or unwilling to take them. As a result, many businesses have had to reduce hours or days of operation, refuse projects and orders, and in some cases even close temporarily.

"The economy is hot, but unemployment remains high, and businesses are having trouble finding workers for open positions," Express Employment Professionals CEO Bill Stoller said. "It is important for Canada's economic recovery that unemployed Canadians return to the workforce so that businesses can operate at full capacity."

Express is witnessing the trend in its own numbers. Express had an almost 60% increase in open positions in July of this year compared to July of 2020. Even with so many job openings, Express experts across the country say they aren't seeing the same increase in job applicants.

"With more jobs and higher pay due to market demand, the only thing we're not seeing more of is applicants," Stoller said.

Is this a post-pandemic bump in the road? Or is it a roadblock to recovery?

Express has some ideas about how we got here and what can be done to help alleviate this growing problem.

Why is this happening?

So why are people turning down jobs or not looking for jobs at all?

It's difficult to single out one factor. A number of forces, including baby boomer retirement as well as skills mismatches, were already putting pressures on the labour market before the pandemic. The pandemic accelerated some of those issues. But it is still expected that for decades into the future there will be more work to do than people to do it. One tool employers are increasingly adopting is robots or other automated solutions to fill the gap. But this can only alleviate some of the problem.

“With unemployment being as high as it is, we could not have anticipated the recruitment and retention challenges that most employers are experiencing,” said Edmonton, Alberta, Express franchise owner Jessica Culo. “It’s been at least a decade since we have seen labour shortages this severe. We are getting 100 new job postings to fill from companies *per day*, but nowhere near that number of job seekers.”

There are factors unique to the current labour shortages that contribute to this situation:

1. There are lingering fears of COVID-19.

Many of the unfilled jobs require contact with other people. The most recent job vacancy data shows the highest number of vacant jobs are in the health care and construction sectors. These are not work-from-home jobs.

Job seekers (especially those who are not yet vaccinated, partially vaccinated, immunocompromised, or have small children at home who cannot get vaccinated) may be wary of being in environments where COVID-19 could still spread, especially where they do not know who has been vaccinated. With the Delta variant and talk of a fourth wave as case rates increase again, many unemployed Canadians who have been trying to return to work may delay their job search.

2. Government COVID-19 income support payments and unemployment benefits allow job seekers to delay returning to work or hold out for more attractive job offers.

Since the start of the COVID-19 pandemic, the Government of Canada has introduced the Canada Emergency Response Benefit (CERB) and then its replacement, the Canada Recovery Benefit (CRB), to provide income support to Canadians whose employment was impacted by the COVID-19 pandemic. Despite opening the economy in 2021, the federal government has repeatedly extended this support, with the CRB now running until late October 2021 (with

further extensions a possibility). Some provinces introduced their own benefits on top of the federal assistance provided.

In addition, the federal government introduced temporary changes to Employment Insurance to make benefits easier to access and more generous for qualified unemployed Canadians.

Proponents of the extra benefits say they give people the time to find a job that matches their skillsets or previous career paths. Opponents say the benefits are giving people an incentive to not accept available jobs.

3. Those caring for children and the elderly may not yet have access to the previous childcare or eldercare resources.

As a result of the pandemic, daycares may have space limitations, some home daycares chose to shut down, and summer camps that parents typically rely on may not be available.

What's more, the worker shortage has also hit childcare providers. Childcare centers are typically required to follow specific adult-to-child ratios. If they are understaffed, they can't accept more children. In that way, the childcare worker shortage further exacerbates the broader worker shortage.

Those caring for parents or older loved ones also may not have access to the eldercare they depended on previously, or they may have been reluctant to let the elderly, who are more vulnerable to COVID-19, be exposed to non-family members.

4. Those who lost jobs in one field may not have the skills required for jobs that are open.

Some sectors of the economy have been hit much harder than others by COVID-19, and some of the companies and jobs in those sectors have disappeared. Indeed, the pandemic accelerated automation in some sectors and shifted many services from in-person to online. Retail workers and those in the service industry were among the hardest hit, and some of these shifts could be permanent. As a result, workers in those sectors will need to find jobs in other fields, but those may be fields for which they have not received the necessary training or education.

Job seekers may not know the training options available to them, provided either by companies or by governments, and as a result, do not look at jobs outside their previous sectors.

Others in higher paying fields, such as the oil and gas industry, lost jobs and now can only find opportunities that pay significantly less than their previous jobs.

5. Some workers who lost their jobs due to the pandemic found jobs in new industries and do not plan to return.

Some of the workers who lost their jobs during the pandemic found new positions in a different industry and, for various reasons (such as higher pay, ability to work from home, and/or less contact with public), do not plan to return to their previous job.

As a result, the available labour pool for some industries is smaller than before the pandemic. In addition, finding highly trained and experienced staff has become more difficult in some sectors.

What Do We Do About It?

When there are many factors at play in a rapidly changing environment, there is no easy solution.

But there are some actions that should be considered.

1. Enforce requirements that those receiving unemployment benefits accept job offers.

Both the Canada Recovery Benefit and the enhancements to Employment Insurance benefits require that claimants actively seek employment while on claim, but enforcement of this requirement is difficult as verification is a challenging and time-consuming task.

Governments need to ensure unemployed Canadians are meeting all of the requirements of various pandemic-related supports.

In addition, governments and businesses need to do a better job of connecting unemployed Canadians with available jobs, rather than leaving the sometimes daunting task of finding a new job solely to those trying to return to the workforce.

2. Incentivize returning to work.

While federal and some provincial governments have introduced programs, such as the Canada Recovery Hiring Program (which provide subsidies to businesses to help them with the cost of wages so they can either keep or re-hire employees), more can be done to provide incentives directly to those who re-enter the workforce.

Many businesses are offering bonuses and increased wages to entice unemployed Canadians to take jobs. Supporters argue this will give an extra "push" to those who can find work but are hesitant to accept a job, wondering if it is in their best financial interest.

3. Expand training opportunities.

One of the biggest problems employers have been complaining about for years is the skills mismatch. The unemployed Canadians looking for work don't have the skillset for the jobs available.

One of the most effective ways to address high unemployment combined with labour shortages is to help unemployed Canadians get new skills they need to either transition to new jobs in different industries or update their skills to get new jobs in the same industry they worked in previously.

In order for skills training to be effective, business and government leaders need to ensure that unemployed Canadians are informed about training currently available and that information is easy to find. It's also imperative that the training being offered matches with the skillset needed for the jobs available.

Opportunities for training and upskilling were in demand before the pandemic, an issue Express has highlighted over the years. Now the need is even greater. This will require partnerships among federal, provincial and municipal governments, employers, educators, non-profits and other stakeholders.

"A large part of the cause of current labour shortages is both a skills mismatch and not enough employers willing to train," said Bruce Hein, Express franchise owner in Sarnia, Ontario. "For example, there is a shortage of skilled tradespeople, but there are companies who miss out on good hires in certain fields because they do not want to take the time to train."

"However, in the long run, it generally costs more to leave a position unfilled for an extended period instead of hiring for attitude and aptitude and providing training," added Hein.

4. Recognize new wage and benefit realities.

With so many open jobs, workers can afford to be picky. What was considered standard before the pandemic has shifted and job searchers are expecting higher wages, better benefits, and more flexibility.

Employers must recognize that to get people off the sidelines, they may need to adjust their wage expectations to be competitive. While some provinces have minimum wages of upward of \$15, large employers in many regions, such as Amazon, provide starting wages of \$17-\$20.

But wages aren't the only thing job seekers take into account. Increasingly, employees want better work-life balance and want more flexibility with their work schedule and time off.

"Many employers are offering higher wages and better benefits, but it can become a vicious cycle as other companies will then offer more accordingly, making it too costly for some companies to compete," according to Niven Lee, Express franchise owner in Delta, British Columbia. "However, companies who don't offer higher wages and better benefits will not only experience more difficulty attracting new staff, but they will also lose existing staff to other companies."

5. Be patient.

Due to the COVID-19 pandemic, the labour shortages companies are experiencing now are unlike previous labour shortages. Mass vaccination has slowed the spread of COVID-19, meaning that the reopening of businesses is happening nationwide in a short period of time.

Neither employers nor prospective employees have been in such a situation before, so naturally there's a learning curve. Many Canadians are just trying to keep up with which health precautions still apply. Eventually, school operations, work schedules, government financial support and other factors will move to something resembling "normal." That may be what it takes for the labour market to feel more "normal," too.

What Have We Learned?

In the short term, employers will need to stay nimble, recognize the forces at play in their local job markets and adapt to new realities accordingly—if they want to win the competition for talent.

Thinking long term, all leaders in business and in government will need to evaluate how we incentivize work without hurting those who truly need a lifeline. The pandemic did not just disrupt the job market—it transformed it. So we cannot depend on the old hiring practices, old education models, old wage and benefit assumptions and old recruitment tools to work the same way in a new economy.

As enhanced benefits are discontinued, we will get a better idea of how much those benefits were driving a worker shortage. And as COVID-19 caseloads decline, we will be able to see how much health concerns were an issue.

There will never be one clear answer, but understanding the factors at play is how we begin to solve this crisis.

If you would like to arrange for an interview to discuss this topic, please contact Ana Curic at (613) 858-2622 or email ana@mapleleafstrategies.com.

About Bill Stoller

William H. "Bill" Stoller is chairman and chief executive officer of Express Employment Professionals. Headquartered in Oklahoma City, Oklahoma, the international staffing company has more than 830 franchises in the U.S., Canada, South Africa, Australia and New Zealand. Since inception, Express has put more than 9 million people to work worldwide.

About Express Employment Professionals

At Express Employment Professionals, we're in the business of people. From job seekers to

client companies, Express helps people thrive and businesses grow. Our international network of franchises offers localized staffing solutions to the communities they serve across the U.S., Canada, South Africa, Australia and New Zealand, employing 526,000 people globally in 2020. For more information, visit www.ExpressPros.com.