

From: Thomas Lemieux, Tammy Schirle, Mikal Skuterud  
To: Employment and Social Development Canada  
Date: June 12, 2020  
Re: **INITIAL IMPACTS OF COVID-19 ON THE LABOUR MARKET**

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The COVID-19 pandemic forced the Canadian economy into a medically-induced coma in March, and by mid-April about one third of the Canadian workforce had applied for the Canada Emergency Response Benefit (CERB).

While we've seen some solid employment gains in May, it's important to understand the depth of the impact on workers as we develop policy to support re-opening the economy and longer-term recovery.

In a recent [working paper](#), we describe these initial impacts on Canadian workers aged 20-64. Overall, COVID-19 drove a 32-percent decline in aggregate weekly hours worked between February and April. But not all workers were equally effected.

Nearly half the lost jobs (44 percent) belonged to people in the lowest quartile of weekly earnings. The jobs lost by these workers were mostly public-facing, and in occupations hit hardest by the emergency measures – accommodations, food services, and retail. In contrast, only four percent of the jobs lost belonged to people in the top quartile of weekly earnings.

We also found that the nature of workers' employment relationship and their demographic group mattered. For example, workers paid hourly and those not covered by a union were more likely to be laid off than those who were salaried. Aggregate work hours of women who were non-union and hourly paid fell by 44 percent, and 32 percent of them lost their jobs entirely.

We also highlight the challenges for policy makers in designing emergency income support. The self-employed were seriously affected by the COVID-19 restrictions. They reported a 51-percent reduction in aggregate work hours, but only a 3-percent reduction in employment. Clearly, supporting the self-employed in a system designed for paid employees was a necessary part of the CERB design, and policy now needs to determine how to best support them going forward.

While April appears to represent the lowest point for Canada's workforce, it also represents the starting point for a long road to economic recovery. We offer some points to consider as we travel down that road.

- COVID-19 has hit workers with the least bargaining power hardest – non-union, low-wage, hourly paid, young workers, and women. These workers rely heavily on health and safety standards set by government policy to ensure a safe work environment, so these policies are key to get people back to work.
- The impact on parents and other caregivers is substantial, as they balance finding their way back to work while searching for safe childcare options. Without support, many parents, especially women, will be left behind.
- For many workers in the bottom earnings quartile, CERB comes close or even exceeds potential wages from work. Going forward, finding a balance between income support and financial incentives to work will emerge as a difficult policy question.
- With lower incomes, and reduced savings, we can expect a reduction in consumer demand. Regenerating aggregate labour demand must be a priority.
- We need to prepare for workers needing to change jobs within industries and reduce frictions where possible. For example, as there may be reduced demand for many frontline retail workers, we expect increased demand for online retail jobs.
- We also need to help workers find their way into new industries. As health restrictions and concerns reduce demand in some industries (such as international travel or entertainment), we will need to reallocate labour to those growing. This will require support for jobs search and retraining.

Going forward, we know the impact of the pandemic on both labour supply and demand will be large. Labour market policy that responds appropriately can assist the recovery by facilitating fast and efficient matches in the changed labour market.

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