



Immigration and Newfoundland and Labrador's Labour Market Dynamics

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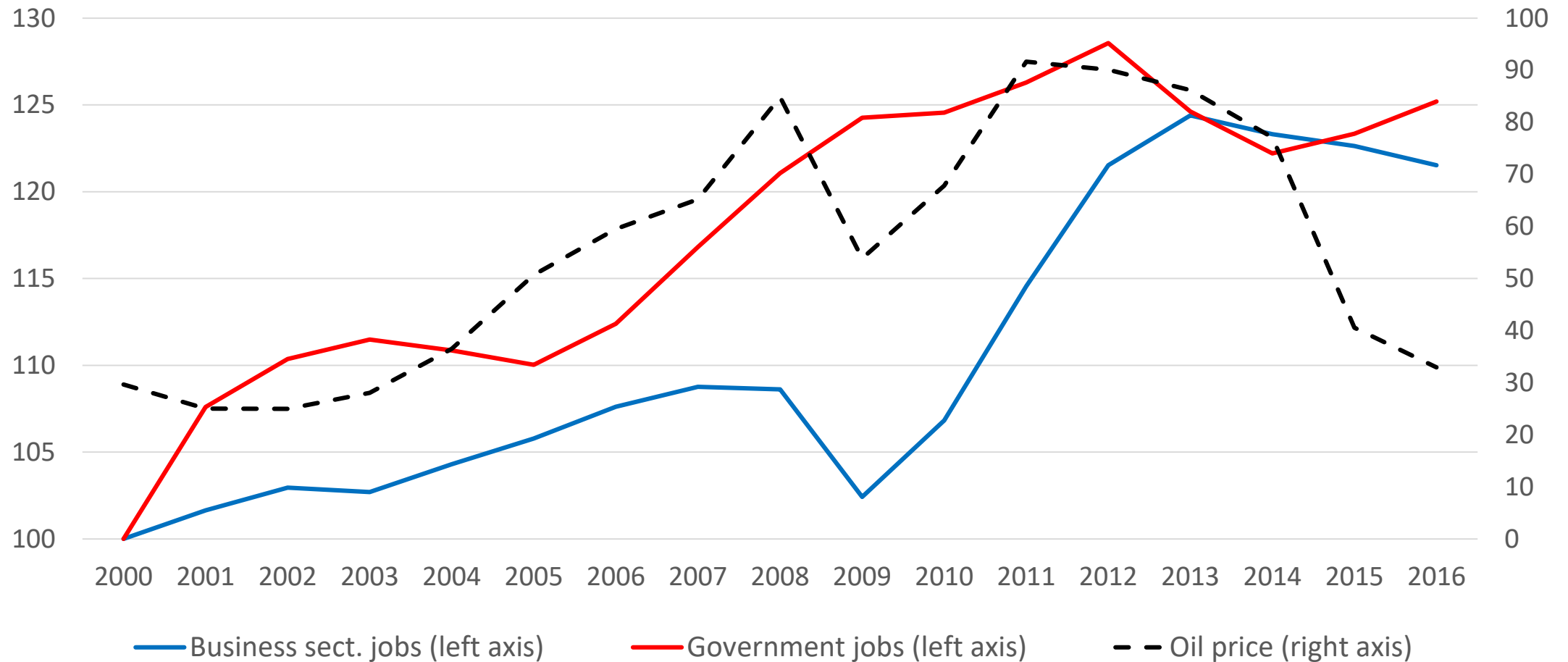
Newfoundland and Labrador Population Symposium

December 6, 2017



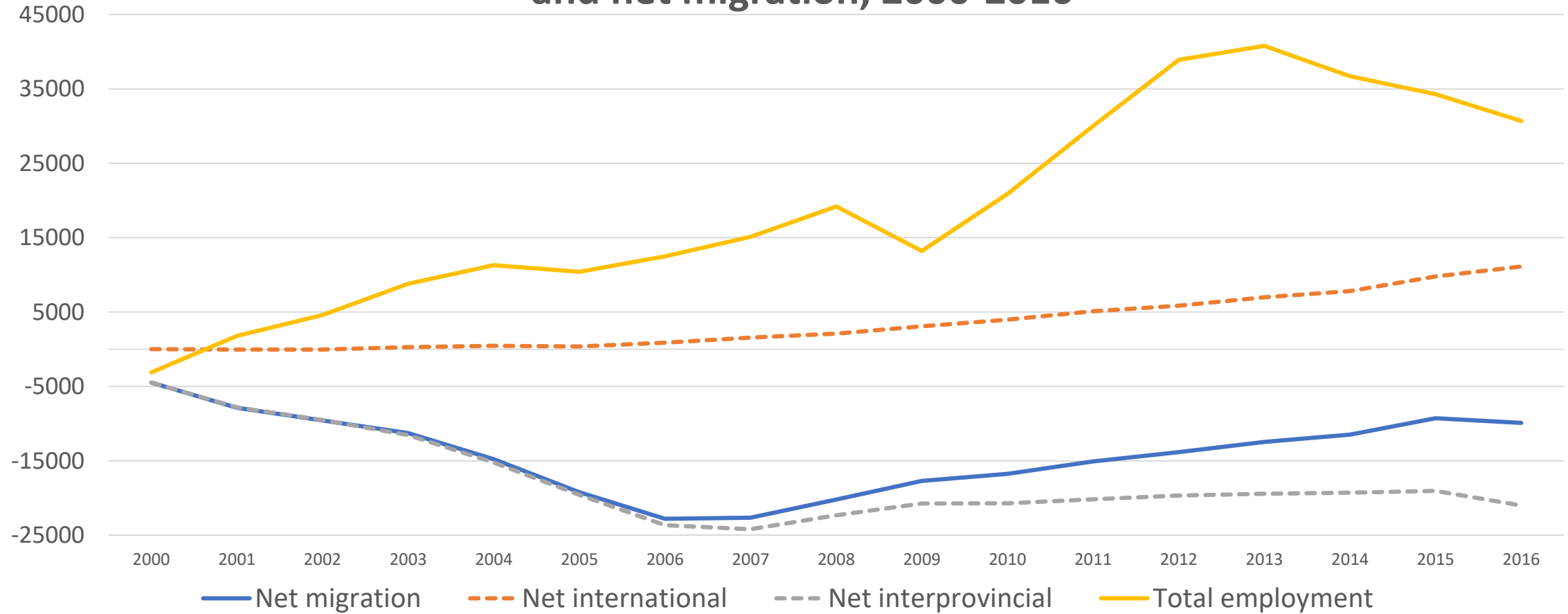
The recent past

Employment in NL (2000=100) and real (constant 2002) oil price (Brent)



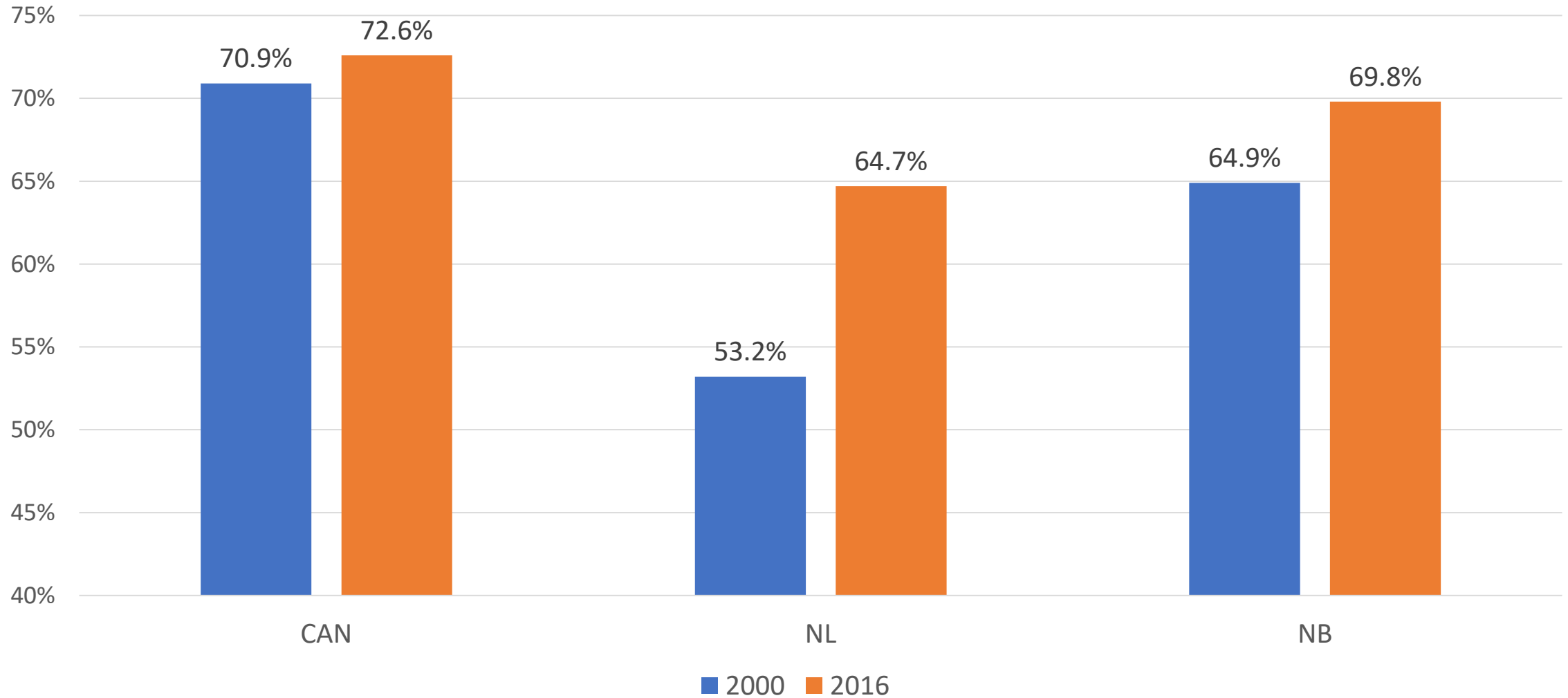
Source: Statistics Canada, CANSIM table 3830033 and U.S. Energy Information Administration.

Cumulative change in total employment and net migration, 2000-2016

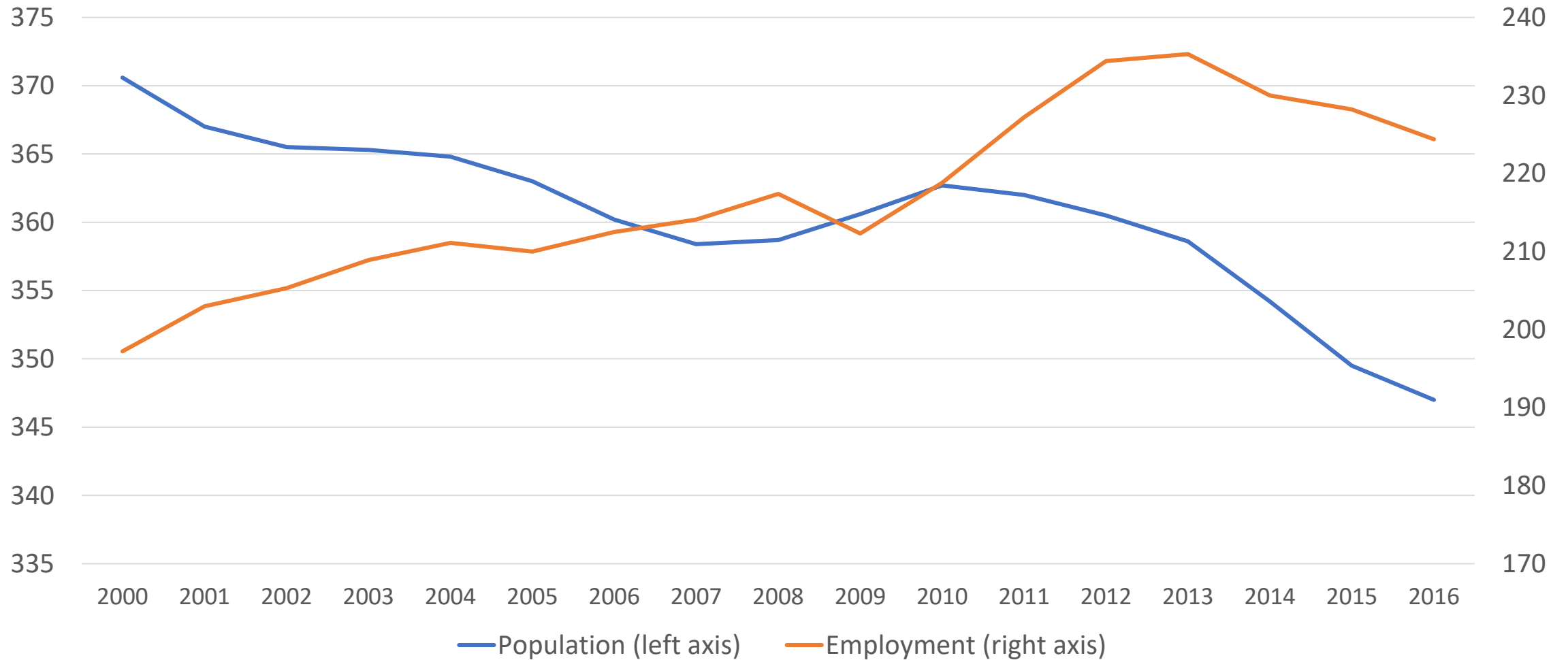


Source: Statistics Canada, CANSIM, tables 0510004 and 2820002. Annual data on migration from July 1 to June 30.

Employment rates, 15-64

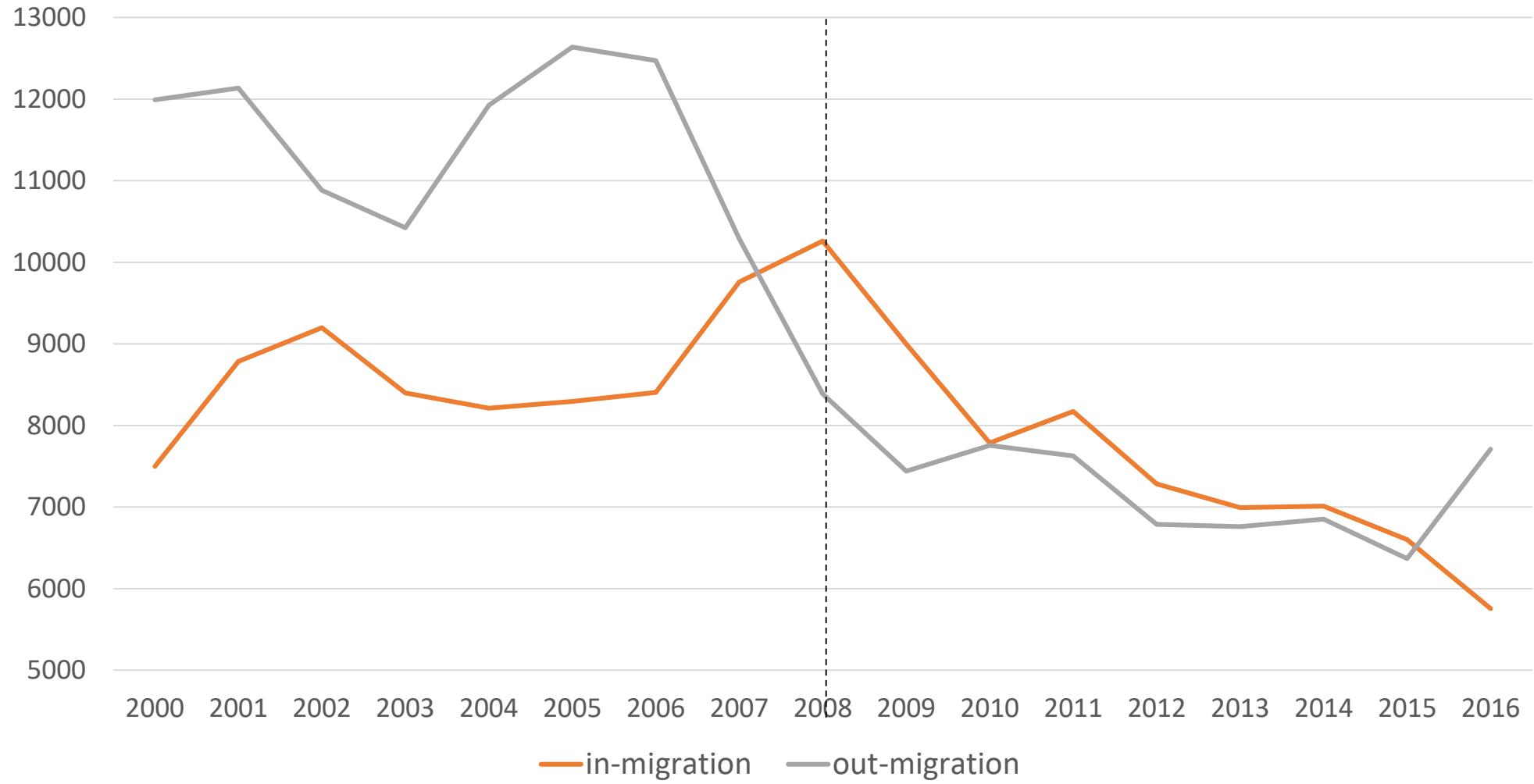


Population and employment, 15-64 ('000)



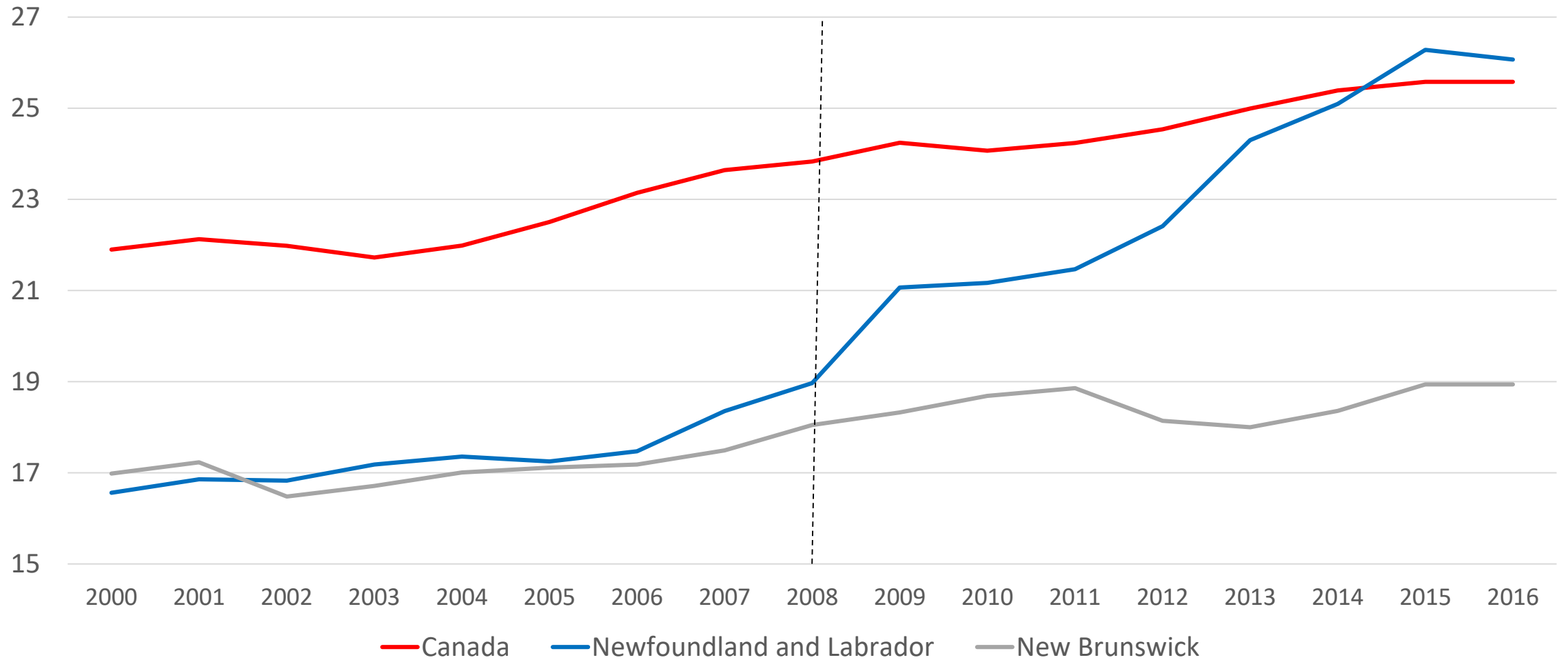
Source: Statistics Canada, CANSIM, table 2820002.

Interprovincial migration



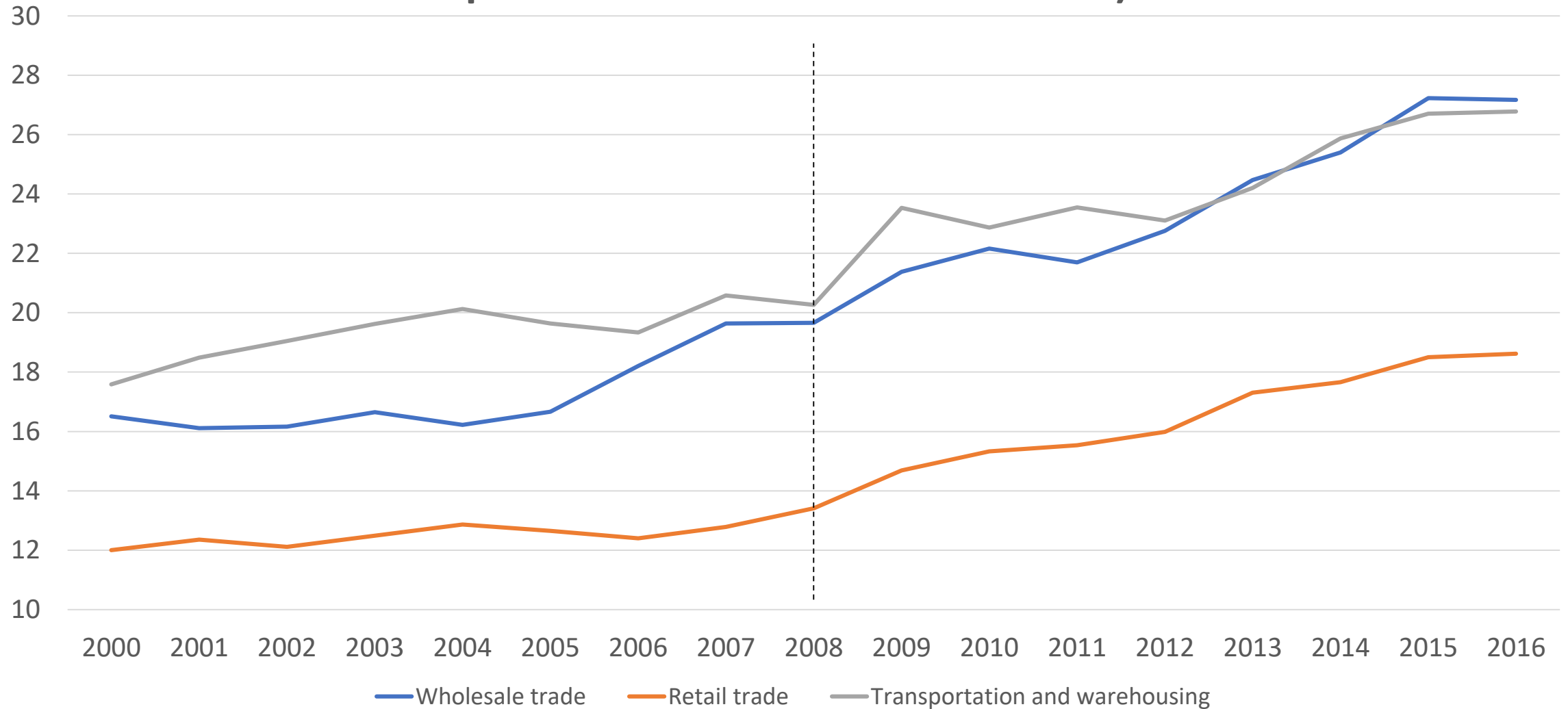
Source: Statistics Canada Demography Division, as reported by Newfoundland and Labrador Statistics Agency, Department of Finance.

Real business sector wages, constant \$ of 2002 (total compensation per hour worked)



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Real wages (total compensation per hour in constant 2002 dollars)



Source: Statistics Canada, CANSIM, table 3830033.

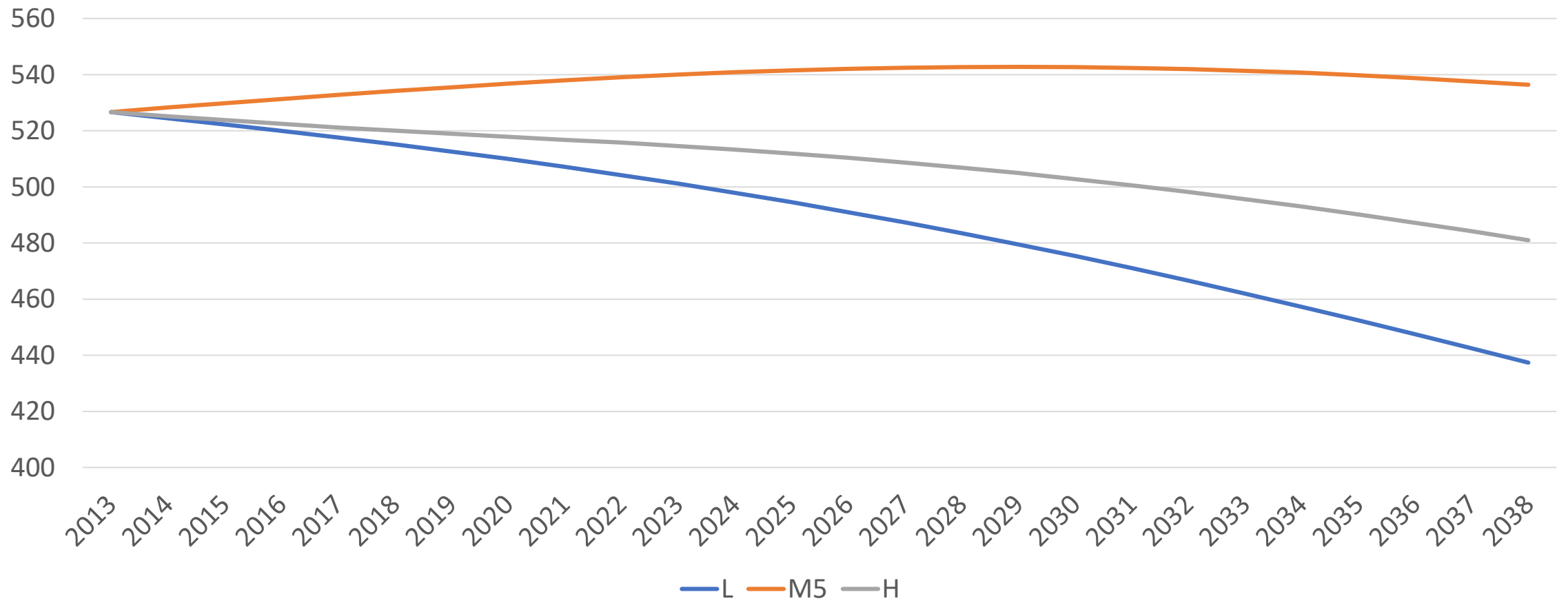
Summing up

- Labour market added up to 45,000 net new jobs despite shrinking pool of potential workers.
 - Role of immigration was minimal.
- Labour supply kept pace with demand for first half of the period (2000-2007), but real wage escalation that followed suggests supply had difficulty keeping pace.
 - Net migration stopped responding to greater demand towards turn of the decade.
 - Wage escalation suggests domestic supply was very tight. Pushing against the limits of employment rate growth?
- Labour market slack started building up quickly after the oil price drop. What would have happened had this drop not occurred?



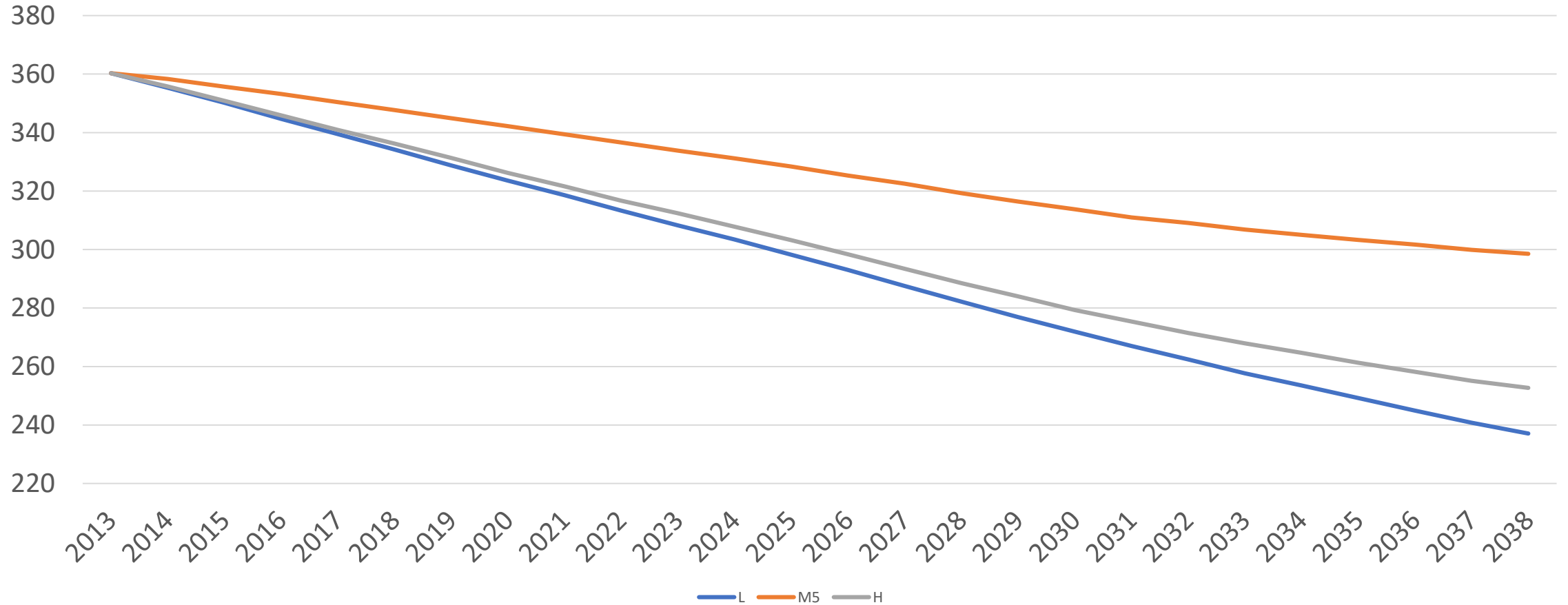
The years ahead

NL population, StatCan projection



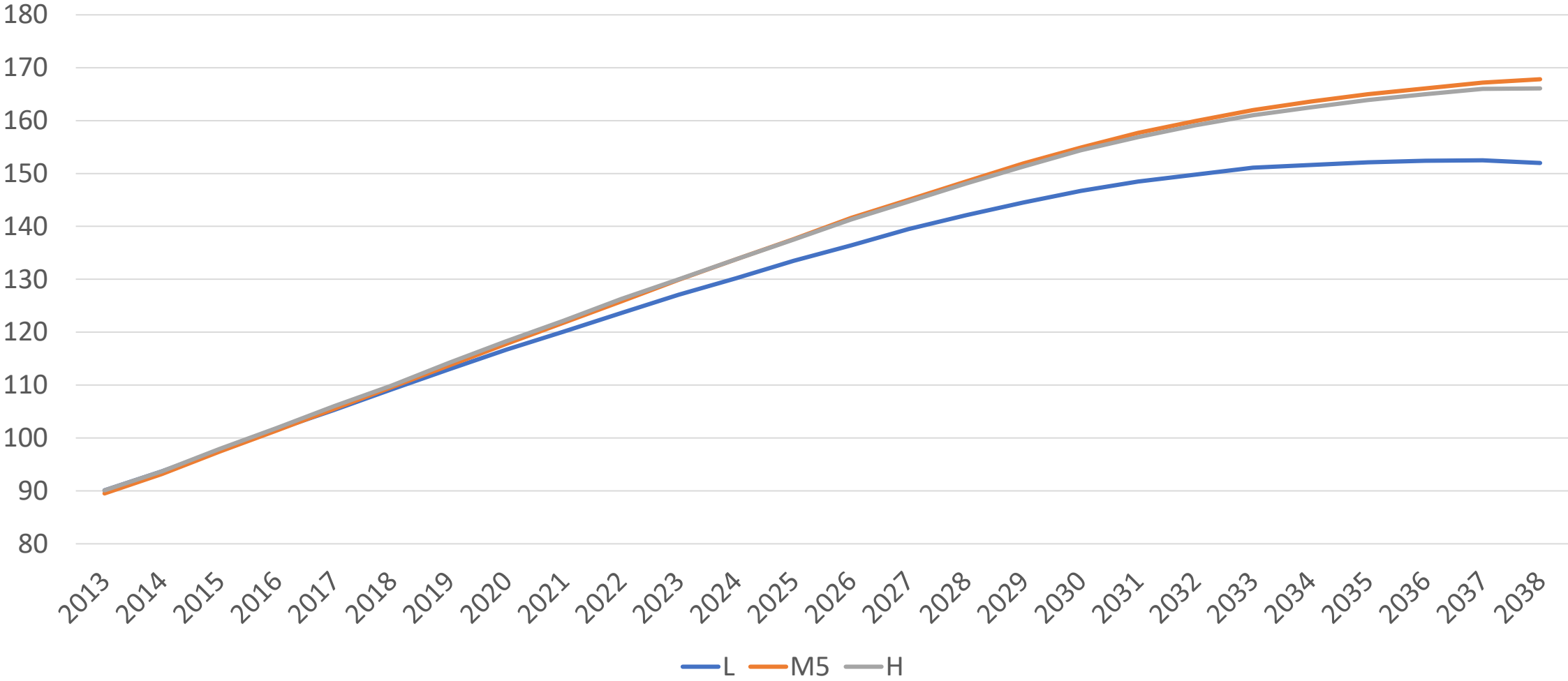
Source: Statistics Canada, CANSIM, table 0540005.

Population 15-64, StatCan projection



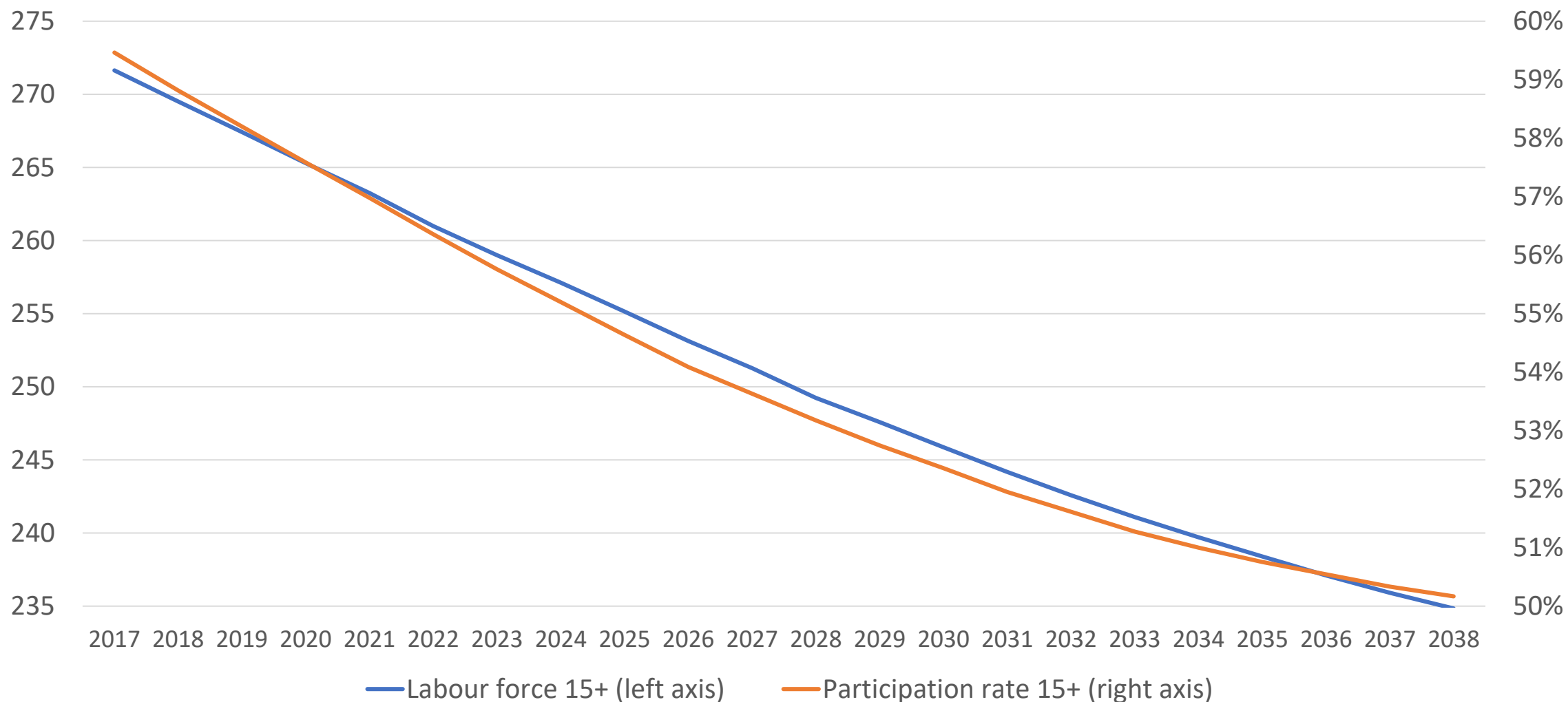
Source: Statistics Canada, CANSIM, table 0540005.

Population 65+, StatCan projection



Source: Statistics Canada, CANSIM, table 0540005.

Labour force projection, most optimistic Statcan scenario (M5) + adjustment for greater participation of older workers (ages 50 to 69)



Source: Statistics Canada, CANSIM, tables 0540005 and 2820002. Projection based on 2016 participation rates for various ages groups between 15 and 49 and for 70+. Participation rate increased by 0.1 ppt annually for age group 50 to 54, 0.2 ppt for 55-64 and 0.4 for 65 to 69.

How many immigrants does NL “need”?

- Short answer: no one knows.
- NL could lose 2,000 workers (if not more) annually as baby boomers continue to retire over next two decades or so.
- This does not mean NL will “need” 2,000 more workers each year. Future demand for labour depends on numerous variable, including
 - Technological change—will automation/AI challenge mainstream assumption of “lump of labour fallacy”?
 - Demographic change—older individuals typically consume more labour-intensive services that must be produced locally, but need \$ to purchase these services, either individually or through government
 - Provincial fiscal conditions—high (unsustainable?) debt/deficit constrains public spending
 - Fiscal federalism—federal taxation and transfers affect ability of both residents and governments to spend
 - Economic health—extractive industries (oil in particular) dominate provincial economic health and will likely continue to do so in years ahead.

Short- to medium-term outlook (next 5-7 years?)

- NL labour market has cooled down considerably since 2014. Employment down approx. 15,000 and unemployment rate up around 3 ppts.
- Demand for labour likely to remain sluggish in coming years. (note: sub-bullets below likely part of speaking points not slide)
 - End of Muskrat Falls only partly compensated by White Rose extension and other smaller projects. Impact of loss of well-paid jobs to continue to reverberate across NL economy.
 - Lower government program spending (as per Budget 2017) will lead to fewer public and private sector jobs.
 - Rise in electricity rates (and fiscal burden?) will constrain consumer demand.
 - Oil sands construction activity depressed and could fall further once existing projects completed—outlook for “fly in, fly out” not promising.
- Elevated out-migration levels (compared to post-2008) could persist, or at least downward trend could stop for several years.
- Many immigrants will be competing with domestic workers (and growing stocks of recent NL expats) for limited number of job openings.

Longer term outlook (caution: highly speculative!)

- Commodity prices likely to remain major determinant of future prosperity. Large number of scenarios possible, with different implications on demand for labour, and thus, immigration flows.

Scenario	Employment growth*	Need for new workers	Importance of domestic migrants and immigrants in service delivery	Vulnerability to federal transfer policy
High long term oil and other commodity prices	Likely neutral to small positive. Will depend on magnitude of resource activity.	High	High	Medium to low
Low to moderate prices and timely fiscal consolidation	Likely negative	Medium	Medium?	High
Low to moderate oil and insolvency	Negative	Likely low?	Likely low?	Very high

*Recall that net 2000+ workers could leave labour force annually as a result of population aging. Net employment growth in this context could be hard to achieve.