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# Employment growth in Canada and the United States during the recovery from COVID-19



by Sean Clarke and Andrew Fields

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# Employment growth in Canada and the United States during the recovery from COVID-19

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## Introduction

From peak employment in January 2020 to the employment trough in May 2020,<sup>1</sup> employment in Canada declined by nearly 20%. This decline amounted to roughly 3.4 million jobs lost at the outset of the COVID-19 pandemic.<sup>2</sup> The impact of lockdowns on Canada's labour market was sharper than it was in the United States, where total employment from peak to trough fell by just over 14% (22.4 million jobs).

After the lockdowns, employment in Canada rebounded faster than in the United States despite the provinces' more cautious approach to lifting COVID-19 restrictions during subsequent waves of the pandemic.<sup>3,4</sup> This paper highlights differences in post-lockdown recovery, focusing on industry-level trends, rates of labour force participation and the amount of labour market churn over the two years following the lockdowns. This paper highlights a range of factors that have influenced the relative pace of job recovery in both countries.

## The employment rebound was stronger in Canada than in the United States

In both countries, employment in the service sector declined more than in the goods sector (Appendix Table A.1). In Canada, employment in services fell by 20.2% from peak to trough, while employment in the goods sector contracted by 17.4%. In the United States, the declines were 14.6% and 11.8%, respectively. In both countries, industries that provide close-contact services reported the largest employment losses, including accommodation services; other services (such as auto mechanics and personal home care); arts, entertainment and recreation; and food services and drinking places.

After steeper initial losses, Canada's employment sector rebounded more quickly and continued to outpace the recovery in the United States for two years after the trough. Employment in goods production in the United States rose faster in the first month after the trough, largely because of the speed with which States began to lift COVID-19 restrictions, but the pace of employment growth in Canada quickly surpassed that initial rebound.

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1. Canada's service-providing sector reached a trough in May 2020, while the goods-producing sector reached a trough one month earlier in April. Both the goods and the services sectors in the United States reached a trough in April 2020.
  2. Data for Canada are from Statistics Canada's Survey of Employment, Payrolls and Hours (SEPH). Data for the United States are from the U.S. Bureau of Labor Statistics (BLS).
  3. For a discussion about lockdown timelines and Canada's approach to reopening the economy, see Clarke, McCormack and Asghar (2020).
  4. For a review of provincial COVID-19 restrictions and their impacts on economic activity in Canada, see Clarke et al. (2022).

In the two years following the trough, Canada's employment rose by over 27%, exceeding its pre-pandemic peak by 2.8%.<sup>5</sup> In the United States, employment rose by slightly less than 16% over the same period. By the two-year mark, U.S. employment had yet to recover to pre-pandemic levels and remained 0.1% lower.

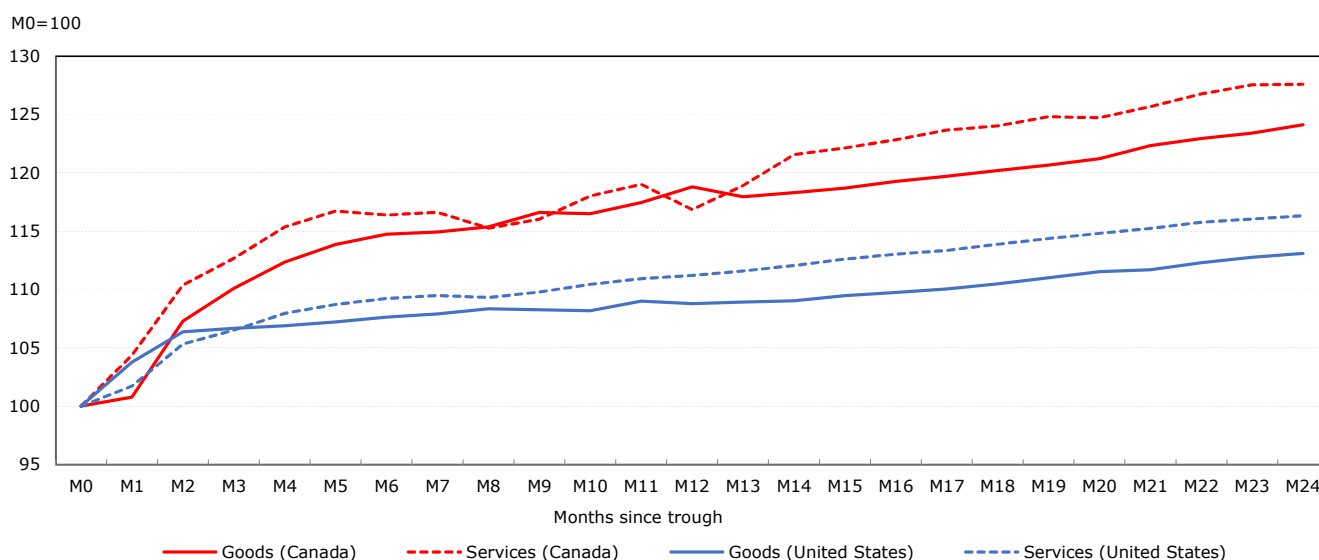
## Employment in services rebounded stronger than employment in goods production

In both countries, employment growth in service industries recovered more quickly than it did in goods production despite a period of closures and reopenings in many service industries because of COVID-19 restrictions (Chart 1). One year after the lockdowns, Canada's employment growth outpaced the growth in the United States, largely because of gains in construction, manufacturing, health care, retail trade and accommodation services.

Throughout the pandemic, because of recurring COVID-19 restrictions, service-sector employment in Canada was more volatile than that in the United States. Goods industries generally remained open, while service industries with close-contact activities—particularly restaurants and retail stores—faced restrictions throughout most provinces during the fall of 2020 and into the winter and spring of 2021.

Two years after the trough, employment in Canada's services was up 27.6%, while goods employment had rebounded 24.1%, surpassing pre-COVID-19 baselines by 1.8% and 2.5%, respectively. In the United States, employment was up 16.3% in services and 13.1% in goods, with both remaining slightly below pre-pandemic levels, by 0.6% and 0.3%, respectively. After two years of recovery, nearly every service industry in Canada—except for transportation and warehousing; social assistance; arts, entertainment and recreation; and food services and drinking places—had outgrown its U.S. counterpart.

**Chart 1**  
**Employment growth from trough, goods and services industries**



Sources: Statistics Canada, Table 14-10-0220-01; and U.S. Bureau of Labor Statistics.

5. Employment in Canada recovered to pre-pandemic levels in early 2022.

Similarly, every major goods industry in Canada—most notably forestry; mining, quarrying, and oil and gas extraction; and durable goods manufacturing—had outgrown its U.S. counterpart after two years of recovery.

Services employment surpassed pre-pandemic levels in Canada largely because of notable increases in professional, scientific and technical services (+17.7%); management of companies (+10.1%); and health care services (+7.7%). In the United States, the recovery was more muted in professional, scientific and technical services (+9.0%) and was still below pre-pandemic levels in management of companies (-1.9%) and health care services (-0.7%).

Employment in Canada's goods-producing sector was up 2.3% from early 2020 largely because of gains in construction. In the United States, goods employment was up 0.2%, also supported by increases in construction. The United States' employment in manufacturing (mainly non-durable goods production) outpaced Canada's employment over the period since early 2020, while Canada experienced more employment growth in mining and oil and gas extraction.

## Labour force participation reaches record highs for core-age Canadians

While the labour force participation rate in Canada (adjusted for U.S. concepts) has historically been higher than that in the United States (Bender, 2016),<sup>6</sup> differences have been starker since the lockdowns. Much of this has been driven by record-high participation rates among core-age Canadians (25- to 54-year-olds).

Early in the pandemic, participation rates fell dramatically in both Canada and the United States as many people lost jobs and did not search for work. The decline was much sharper in Canada, however, and was apparent for both men and women (Chart 2). In January 2020, Canada's adjusted participation rate was 65.3%, while the U.S. rate was slightly lower, at 63.4%. By April, the participation rates had dropped to 59.6% in Canada and 60.2% in the United States.

In both countries, participation rates for men declined less than for women. In Canada, the rate for men fell from 69.5% to 64.2%, while the U.S. rate fell from 69.3% to 66.1% (Appendix Table A.2). For women, the rates declined from 61.1% to 55.1% in Canada and from 57.8% to 54.6% in the United States. Early on in the pandemic, more women than men reported staying at home to look after children as schools shifted to online learning or daycares were closed (Leclerc, 2020). Women are more likely to work in the industries that were hardest hit, most notably in services requiring close contact.

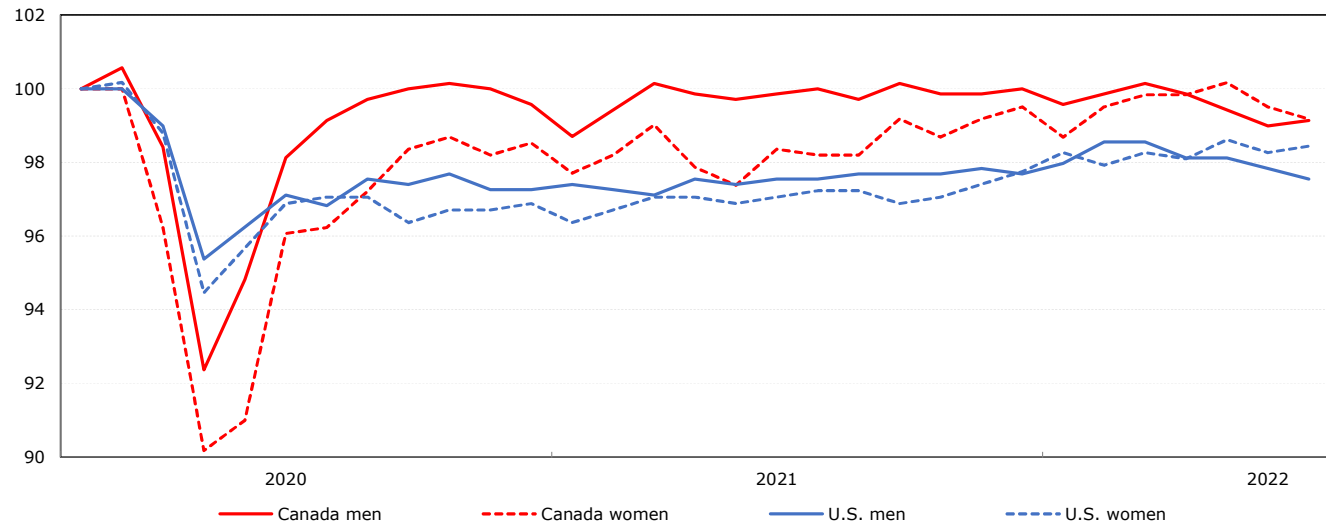
After the lockdowns, Canada's male and female participation rates rebounded faster than those in the United States. By late 2020, Canada's male participation rates had returned to pre-COVID-19 levels, while female participation rates recently recovered fully. Male and female participation rates in the United States have been much slower to respond and have yet to return to pre-COVID-19 levels. By July 2020, participation rates had risen to 64.7% in Canada and 62.1% in the United States. In Canada, both male (68.9%) and female (60.6%) participation rates were higher than the corresponding rates in the United States (67.6% and 56.9%, respectively). While the gap in participation rates between the two countries has grown over the last two years, the women's participation rate gap between the countries was larger than that for men.

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6. For more information about the conceptual differences, see Bender (2016).

**Chart 2**  
**Labour force participation by sex, January 2020 to July 2022**

index, January 2020=100

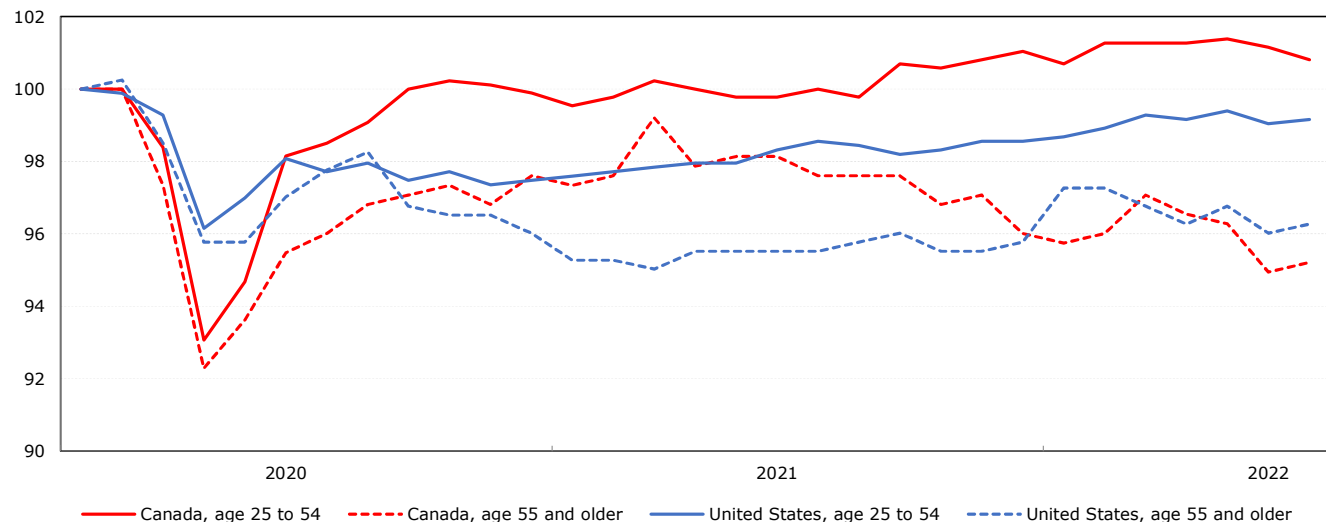


Sources: Statistics Canada, custom tabulation; and U.S. Bureau of Labor Statistics.

Record-high participation among Canadian core-age workers is one of the main reasons for the different pace of recovery between the two countries (Chart 3). In Canada, the participation rate among core-age workers returned to pre-COVID-19 levels by the second half of 2020 and reached a record high in March 2022 (87.6% in Canada compared with 82.5% in the United States) before edging lower in recent months. In the United States, after a somewhat quick and early recovery, the increase in labour force participation among core-age workers slowed and, at the two-year mark, participation has yet to return to pre-COVID-19 levels. By July 2022, the rates for men in Canada had risen from 90.1% in January 2020 to 90.9%. Within the same period, the rates had declined from 89.3% to 88.4% in the United States. A similar pattern is apparent for core-age women.

**Chart 3**  
**Labour force participation by selected age group, January 2020 to July 2022**

index, January 2020=100



Sources: Statistics Canada, custom tabulation; and U.S. Bureau of Labor Statistics.

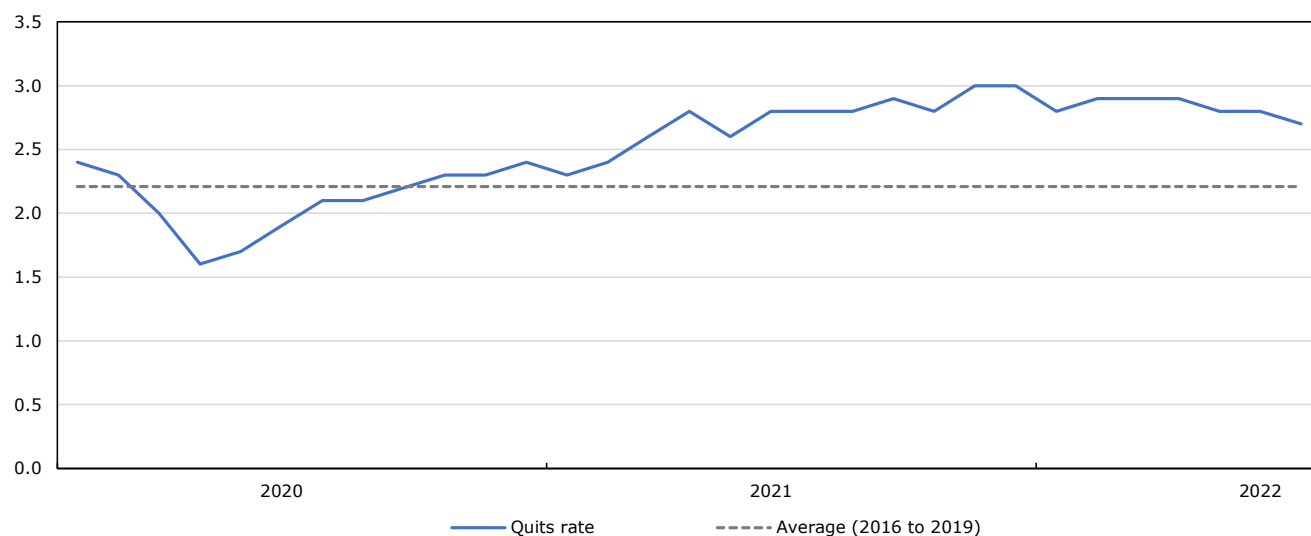
Even more striking is the decline in participation rates among those aged 55 and older. Following a brief rebound as the United States started to reopen, participation rates among older workers in the country began to decline again in the second half of 2020. The participation rate decline levelled off well below pre-lockdown levels. In Canada, participation rates among older workers were slower to fall and continued to rise well after the U.S. rate peaked. However, participation rates for older Canadian workers began to decline in the spring of 2021 and have continued to decline since. Participation rates for older workers in Canada and the United States remain well below their pre-COVID-19 levels. In Canada, most of the participation rate decline observed among older workers can be attributed to women. In the United States, most of the decline is due to older male workers.<sup>7</sup>

## Little evidence of a “great resignation” in Canada despite high rate of job turnover in the United States

Throughout 2021, trends occurring in the United States led to discussions of a possible “great resignation” (NPR, 2021)<sup>8</sup> These discussions were based on data from the U.S. Job Openings and Labor Turnover Survey, which indicated that the quits rate—the number of quits during an entire month as a percentage of total employment—reached relatively high levels throughout the pandemic. Despite falling early in the pandemic, the quits rate exceeded its four-year pre-pandemic average by the second half of 2020 and climbed until early 2022, when it levelled off (Chart 4).

**Chart 4**  
**United States quits rate, January 2020 to July 2022**

% of total employment



Source: U.S. Bureau of Labor Statistics.

7. In Canada, participation rates for men fell from 43.6% in January 2020 to 41.3% in July 2022, while the U.S. rates fell from 46.5% to 44.1%. For women, the rate declined from 32.1% to 30.7% in July 2022 in Canada and from 34.8% to 33.8% in the United States.

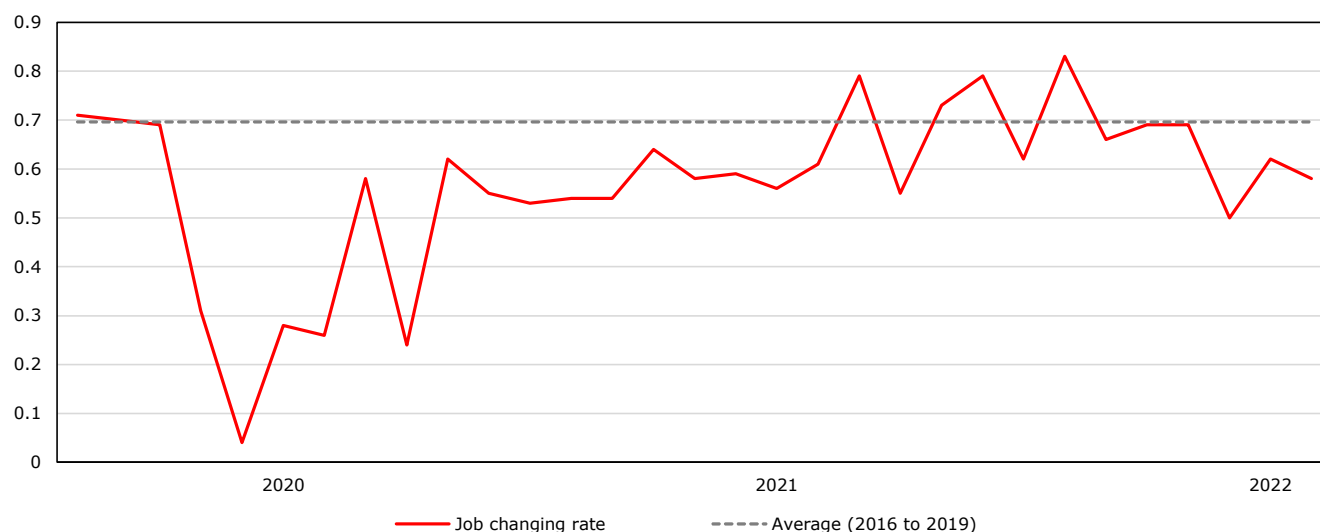
8. For a recent review of the great resignation discussion, see NPR. 2021. *As the Pandemic Recedes, Millions of Workers Are Saying 'I Quit'*.

There has so far been little evidence of a great resignation in Canada. While Canada and the United States have different measures of labour turnover, comparing the results of the two concepts can nonetheless provide interesting insights.

In Canada, the job changing rate—which measures the proportion of workers who remain employed from one month to the next but who change jobs between months—fell sharply in April 2020 before slowly recovering throughout the pandemic (Chart 5). Throughout most of the second half of 2021 and into early 2022, the rate fluctuated around its four-year pre-pandemic average. The rate has since trended down.

**Chart 5**  
**Canada job changing rate, January 2020 to July 2022**

% of all people employed



**Source:** Statistics Canada, Labour Force Survey custom tabulation.

Throughout 2021, there was an upward trend in the number of Canadians leaving their jobs voluntarily within the previous 12 months and remaining without work. As of July 2022, this group was 9% below pre-pandemic levels.

This suggests that Canadians may have been less inclined to leave their current jobs during the pandemic than were workers south of the border. This would help explain both the higher labour force participation in Canada and Canada's stronger labour market recovery.



## Conclusion

Following a sharp drop in employment during the COVID-19 lockdowns of early 2020, employment rebounded faster in Canada than it did in the United States. Canada's employment returned to pre-COVID-19 levels by February 2022. Comparatively, U.S. employment did not reach pre-pandemic levels within the first two years since the onset of the pandemic.<sup>9</sup> The employment recovery in Canada has been stronger, on balance, in both goods and service industries.

Several factors help to explain the stronger pace of recovery in Canada. Canada's rebound in labour force participation surpassed pre-pandemic levels relatively early on. By contrast, the U.S. participation rate had yet to return to pre-COVID-19 levels in the two years following the lockdowns. Rising labour market participation in Canada has been driven by record-high participation among core-age Canadians, while core-age workers in the United States were still participating at a lower rate than before the pandemic. Overall, both male and female labour force participation rates recovered faster in Canada than in the United States, though female participation has lagged behind male participation in both countries. This is mostly due to declines in participation among those aged 55 and older, which are partially attributable to population aging; in addition, retirement plans may have been affected by the pandemic.

Throughout the pandemic, workers in Canada appeared to be less inclined to leave their current employment than workers in the United States. Since October 2020, quits rates in the United States have exceeded their four-year pre-COVID-19 average and have continued to accelerate. In Canada, the job changing rate returned to its pre-COVID-19 average in the second half of 2021, reached its peak in early 2022, and has trended lower more recently.

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9. U.S. employment returned to pre-pandemic levels in July 2022.

## Appendix

**Appendix Table A.1**

**Employment growth by industry, Canada and the United States**

Industry	January 2020 to trough		Trough plus 24 months	
	Canada	United States	Canada	United States
	% change			
Total employment	-19.7	-14.2	27.2	15.9
Goods-producing industries	-17.4	-11.8	24.1	13.1
Forestry	-12.4	-4.0	20.8	-2.4
Mining, quarrying, and oil and gas extraction	-12.5	-16.5	17.1	-39.9
Construction	-23.1	-14.0	40.2	17.0
Manufacturing	-16.1	-10.6	18.2	11.6
Durable goods	-17.7	-11.7	20.3	12.0
Non-durable goods	-14.3	-8.9	15.5	10.9
Utilities	-6.0	-1.4	6.6	0.1
Services-providing industries	-20.2	-14.6	27.6	16.3
Wholesale trade	-13.7	-6.9	14.1	6.5
Retail trade	-22.8	-14.4	29.8	18.4
Transportation and warehousing	-14.2	-8.3	16.7	22.2
Information	-14.3	-10.0	23.8	14.5
Finance and insurance	-4.5	-0.3	12.1	1.9
Real estate	-20.6	-6.2	23.9	9.9
Professional, scientific and technical services	-9.1	-4.8	28.4	13.2
Management of companies	-7.4	-4.7	19.2	2.5
Education	-15.8	-13.7	26.0	14.8
Health care	-11.0	-9.6	20.7	9.2
Social assistance	-9.2	-15.7	0.5	16.1
Arts, entertainment and recreation	-42.6	-52.1	82.2	90.8
Accommodation services	-57.1	-49.0	113.9	58.8
Food services and drinking places	-29.4	-48.1	40.9	81.6
Other services	-54.7	-23.9	108.4	25.6
Government	-14.1	-6.0	20.0	3.6

**Sources:** Statistics Canada, Table 14-10-0220-01; and U.S. Bureau of Labor Statistics.

**Appendix Table A.2**  
**Labour force participation rates by age and sex**

	Canada				United States			
	Jan. 2020	Jan. 2021	Jan. 2022	July 2022	Jan. 2020	Jan. 2021	Jan. 2022	July 2022
	%							
<b>Total labour force</b>								
16 and older	65.3	64.1	64.7	64.7	63.4	61.4	62.2	62.1
16 to 24	67.0	63.8	66.8	67.7	56.7	55.1	55.6	55.2
25 to 54	86.5	86.1	87.1	87.2	83.1	81.1	82.0	82.4
55 and older	37.6	36.6	36.0	35.8	40.2	38.3	39.1	38.7
<b>Men</b>								
16 and older	69.5	68.6	69.2	68.9	69.3	67.5	67.9	67.6
16 to 24	65.6	64.0	66.2	66.3	57.6	56.5	56.8	55.9
25 to 54	90.1	89.7	91.0	90.9	89.3	89.3	87.6	88.3
55 and older	43.6	42.7	41.9	41.3	46.5	44.3	45.0	44.1
<b>Women</b>								
16 and older	61.1	59.7	60.3	60.6	57.8	55.7	56.8	56.9
16 to 24	68.6	63.6	67.5	69.3	55.9	53.7	54.4	54.6
25 to 54	82.8	82.4	83.2	83.5	76.9	74.7	76.0	76.4
55 and older	32.1	31.1	30.6	30.7	34.8	33.1	34.0	33.8

**Sources:** Statistics Canada, custom tabulation; and U.S. Bureau of Labor Statistics.

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