

How do you count jobs? Quebec leaders can't agree

The PQ and Liberals are using different methods to measure how many jobs the province created last year. The results are quite different – but neither is wrong

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820 Words

Wednesday, April 02, 2014

Globe and Mail Update

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The ongoing election in Quebec is making a lot of noise at the national level for many reasons. As a former minister in Quebec's Liberal government (from 2009 to 2012), I am choosing not to get involved in the political debate. However, as an economist, I feel like shedding some light on one controversial and material issue that has come up throughout the campaign that relates to the recent performance of Quebec's labour market. Put simply: How many jobs were created in Quebec in 2013?

Pauline Marois, the Parti Québécois Leader, counts more than 45,000. Opposition leaders have it at below 4,000.

Sounds like a simple issue (especially since we are talking about historical numbers) but, as you will see, its implications are everything but. After all, job creation is widely considered the most pertinent economic barometer there is.

How did such a technical debate emerge? Well, Quebec's official statistics agency (Institut de la statistique du Québec, or ISQ) publishes data about the evolution of Quebec's labour market on a monthly basis, based mostly on Statistics Canada's estimates from its Labour Force Survey. But when it comes to estimating the evolution of the labour market for the year 2013 as a whole, the ISQ chooses to base its calculations on the difference between annual averages (i.e. the average of the monthly employment totals over the course of the year) instead of, as many economists would naturally do, the difference between the year's starting point and ending point (from Dec. 31, 2012, to Dec. 31, 2013). Statistics Canada, on the other hand, uses the 12-month change approach in its 2013 year-end review (refer to the January 10, 2014 edition of the Daily).

It might sound counterintuitive, but the ISQ is not the only agency using annual averages to calculate job growth. Eurostat, Europe's statistical agency, and the International Monetary Fund both use averages when computing annual levels of employment. Even Statistics Canada provides data on both methodologies. For its part, the U.S. Bureau of Labor Statistics (BLS) usually reports the difference between end-of-year levels in assessing annual job creation.

Both approaches have pros and cons.

Let's first look at the difference between end-of-year levels. Technically, if one is wondering how many jobs were actually created in a given year, a simple look at how many jobs there were entering the year and how many remained at the end paints a pretty accurate picture. It sums up the entire year in terms of how many people are working now versus one year ago.

In contrast, the difference between annual averages tells us how many people were working, on average, throughout the year. In this case, the timing of the gains and losses plays a very important role. For example, if a year ends with important losses but was mostly positive over all – as was the case for Quebec in 2013 – the average annual job count would be higher than if losses had happened in the earlier

months. This, therefore, results in a more favourable reading of the labour market. From that angle, the evolution of the job market over the course of year would be overstated.

Despite all this, the annual-averages method does have some traction in the fact that for public finances, what matters the most is how many people were paying income taxes during the year. It makes quite a difference for government revenues if jobs are created early in the year and possibly lost in the end, rather than the other way around.

(Interestingly enough, the previous Liberal government also used the annual averages method in its February, 2012, budget, in order to claim that 38,000 jobs have been created in 2011 – versus a loss of 57,000 from December to December.)

The bottom line is that both approaches have their usefulness. End-of-year levels give a more accurate snapshot of the labour market, while the difference between annual averages gives a more pertinent account of the evolution of income tax revenues for the government. Having said that, it is no surprise that any government or political party would, in an election campaign, choose the figure that most eloquently shows the strength or weakness of the labour market, whichever is to their advantage. (See chart for Quebec and chart for Canada.)

My advice to Quebec's electorate

Do not spend too much time pondering which politician is telling the truth regarding last year's job creation. From an economic angle, it may be wiser to ask yourself which party or political leader will put wealth creation first, in order to address Quebec's public debt – and its current reliance on federal equalization payments.

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