

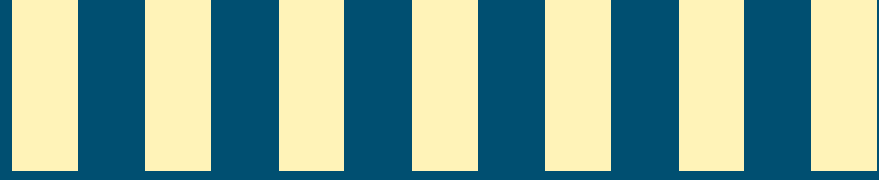


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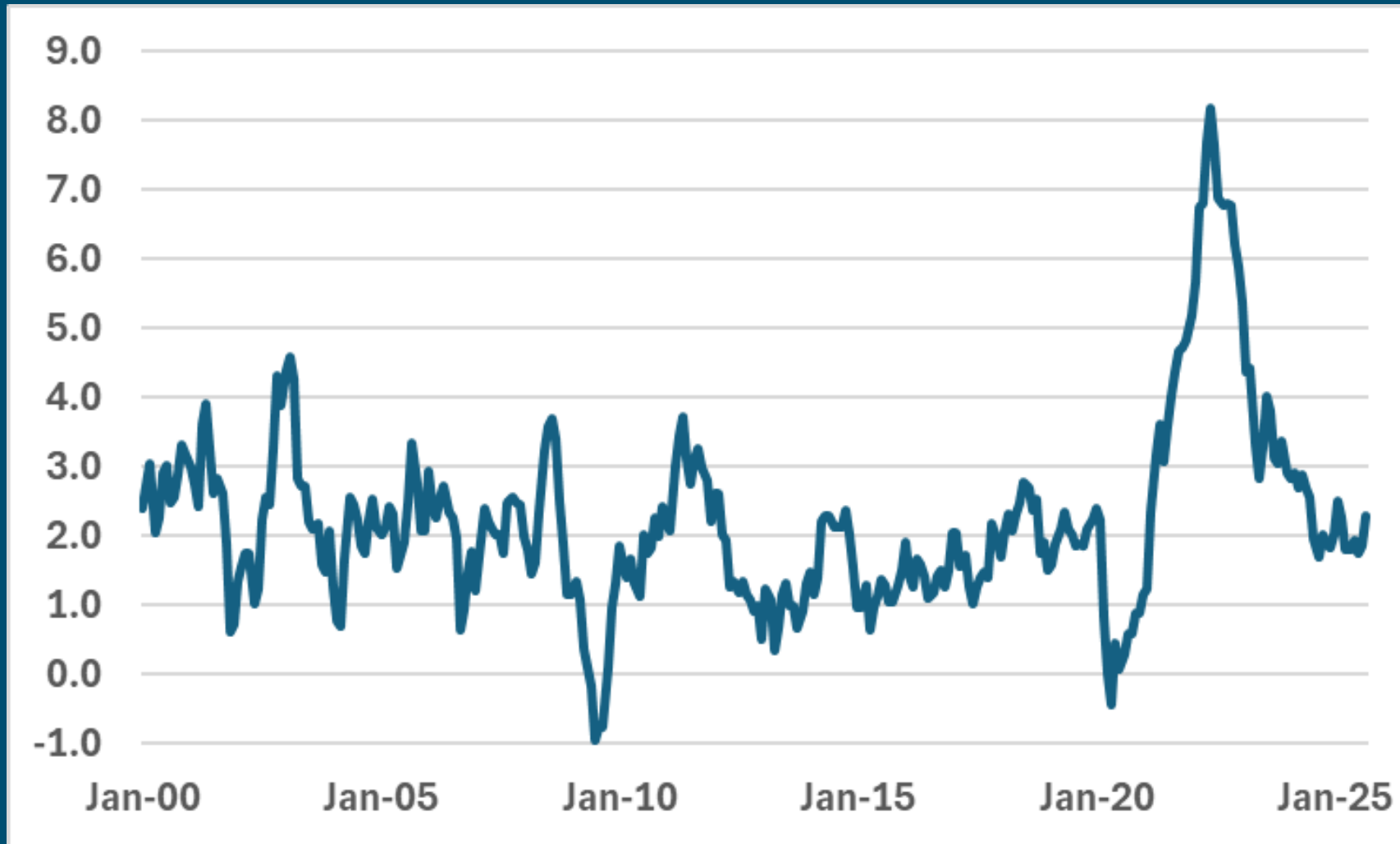
Lessons and Questions from the Pandemic for Labour Markets

The views expressed are our own and do not necessarily represent those of the Bank's Governing Council. The content is not related to the economic outlook or to the direction of monetary policy.

Jim MacGee



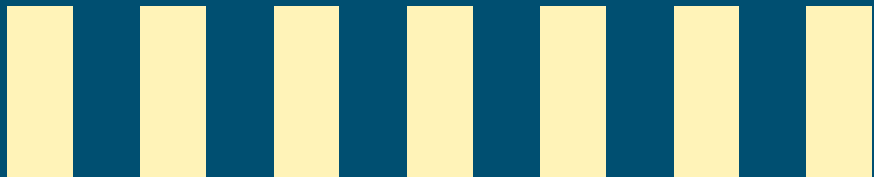
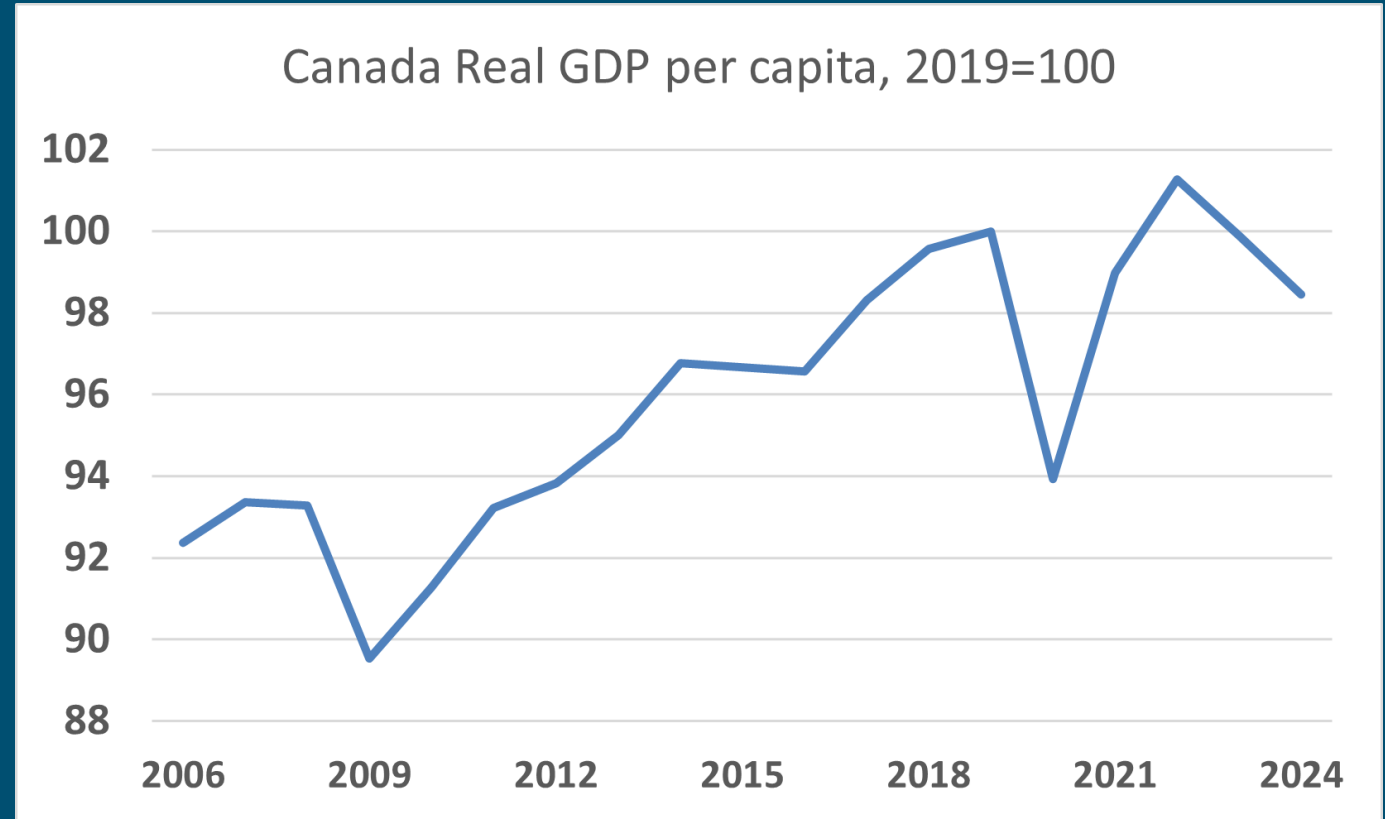
Inflation rose sharply, but near target

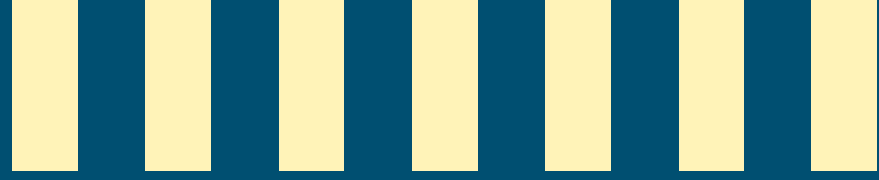


**Sharp fall in GDP
pc in 2020,
recovery by 2022**

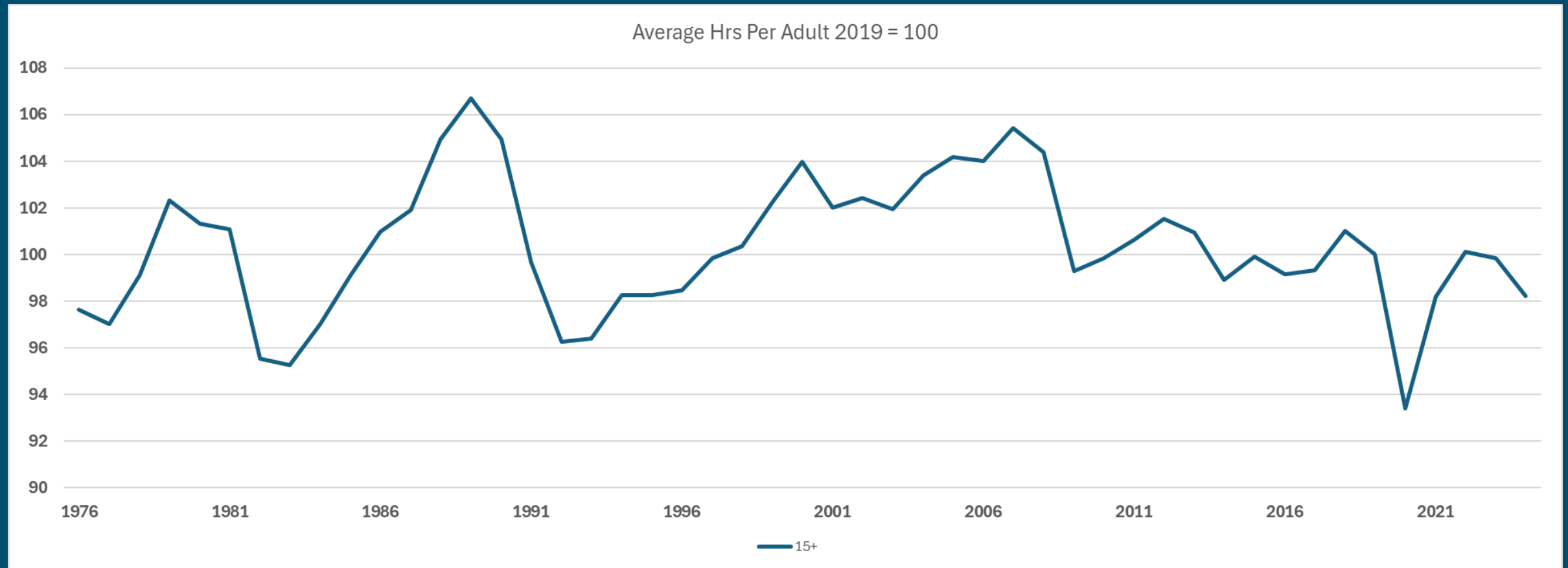
Fall over 2022-24

**Unlike US, not
recovered back to
pre-pandemic
trend**



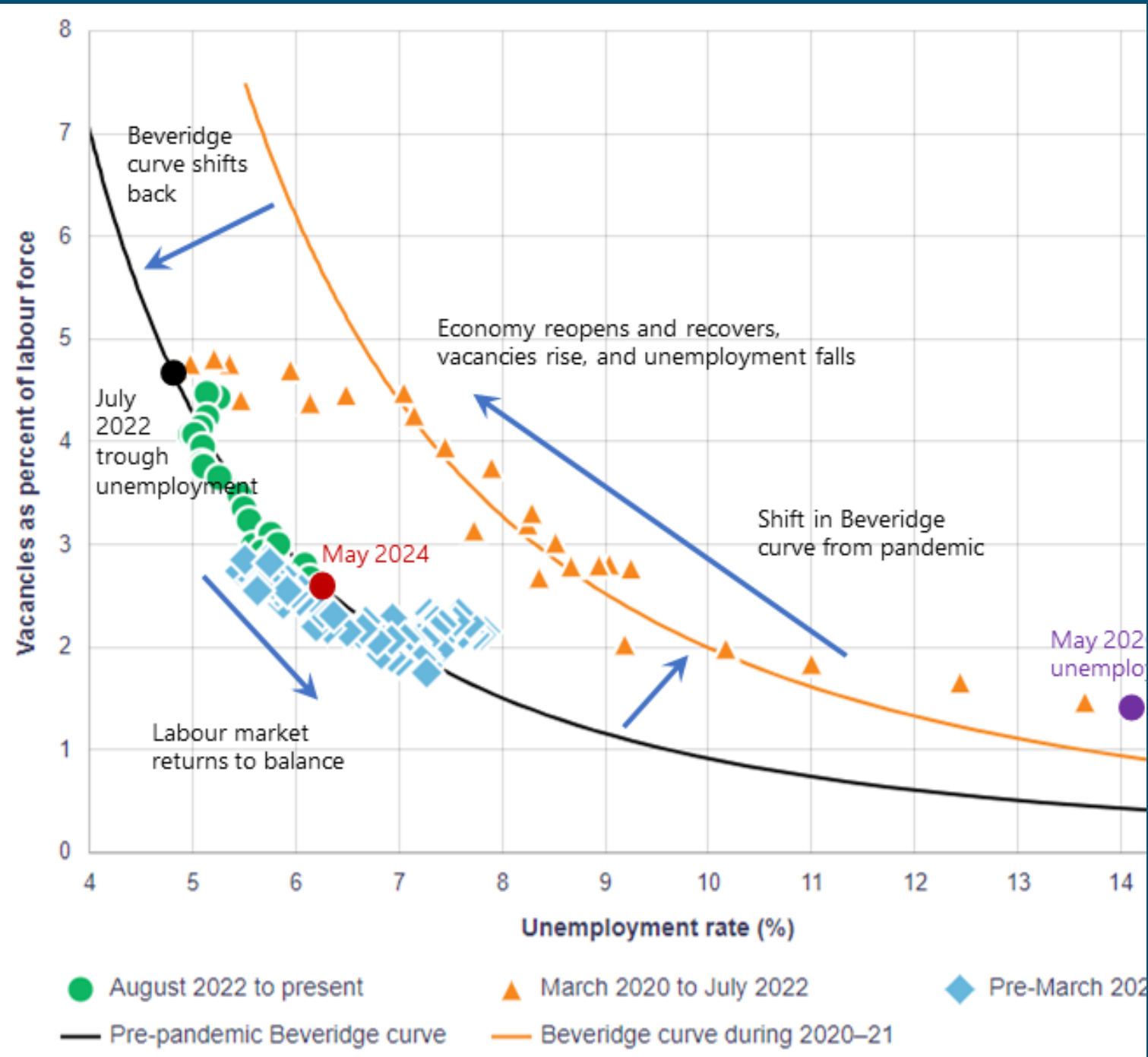


Hours per Adult fell sharply in 2020, recovered by 2022



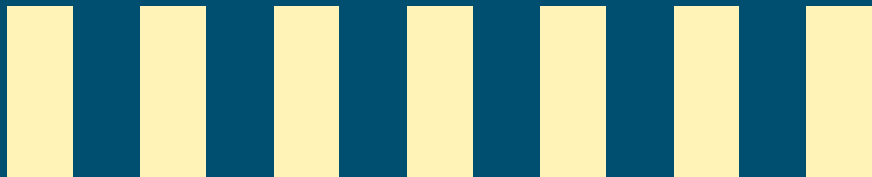
Shifting Beveridge Curve during Pandemic, but have declined substantially, and unemployment has edged up

Source: Mackelml, Tiff "Workers, jobs, growth and inflation – tomorrow and today", June 2024.



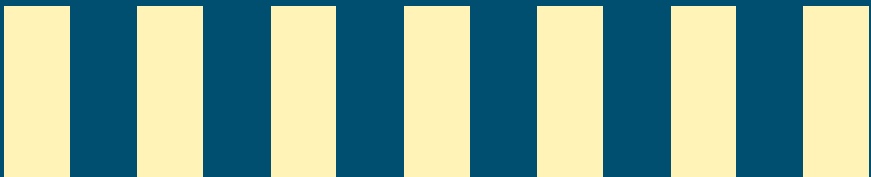
Labour market and monetary policy: 2019 vs today

- In 2019, Inflation below target in many countries
 - Framework reviews: should labour market run “hot” and tighten when inflationary pressures visible
- Pandemic inflation: labour market pressures played a role, but not main driver (Bernanke & Blanchard 2024, Bounajm et al 2024)
- Labour costs and inflation dynamics
 - When does hot labour market lead to inflationary pressures?
 - What are most informative labour market metrics for forecasting inflation?
 - Vacancies?
 - Unemployment
 - Wage Growth



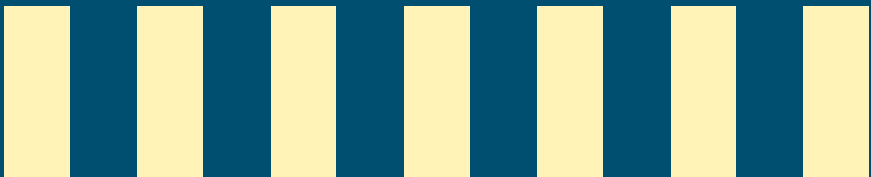
What was different about the pandemic for labour markets?

- 2020-2022: lockdowns and social distancing impacted high contact industries disproportionately
 - Steep falls in hours worked, but rapid recovery
- Did the pandemic leave scars on labour market that will impact potential output?
 - Pre-pandemic hours worked of over 55 (65) was increasing
 - Since pandemic, trend has flattened



Structural changes in labour markets?

- Impact of changes in immigration flows on labour markets?
 - Rapid growth in immigration in immigration in Canada over 2022-24 (Champagne et al 2025)
 - Reduction of immigration targets in 2025
- Impact of AI on labour market and economic growth prospects (Galassi and MacKenzie 2025)
 - Range of views on how disruptive AI will be



Summary

- Pandemic had dramatic impact on economies
 - But impact on labour market shared many features with past recessions
- What can we learn to improve forecasts inflationary pressures
- Deeper understanding of structural forces on labour markets and potential output

