

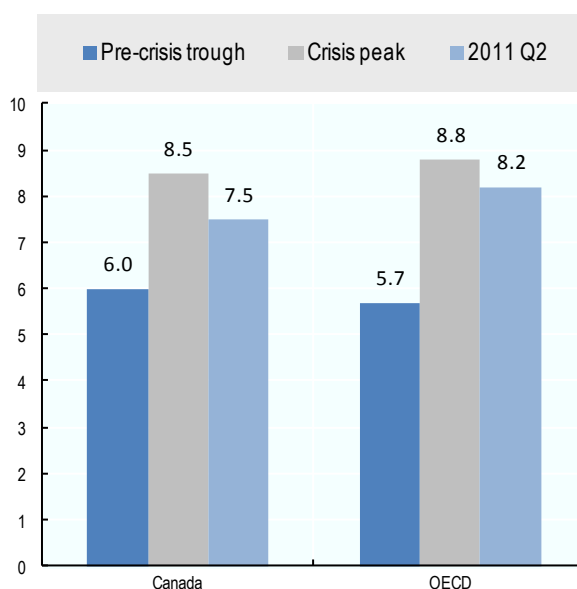


Employment Outlook 2011 – How does CANADA compare?

According to the 2011 *OECD Employment Outlook*, **the labour market is recovering faster in Canada than in many OECD countries.** Canada’s unemployment rate (ILO definition) has fallen to 7.5% for the second quarter of 2011 from its peak of 8.5% reached in the third quarter of 2009 (Figure 1). Comparatively, the average OECD unemployment rate fell to 8.2% from a peak of 8.8% over about the same period. However, there is a risk that the recent faltering of the global recovery may temporarily slow the decline in unemployment in Canada back to its pre-crisis level.

Figure 1. **Unemployment rate during the recent downturn, France and OECD average**

OECD harmonised unemployment rates as a percentage of labour force^a



a. Peaks and troughs are determined using real GDP series in levels.
 Source: OECD Main Economic Indicators and OECD Economic Outlook Database.

The new OECD report shows that **Canada is one of the few countries that automatically adjust UB programme parameters in response to changing labour market conditions.** In Canada, unemployment benefit eligibility and duration automatically increase as unemployment rises, within pre-defined bands. In addition to these automatic features of the Employment Insurance programme, temporary extensions for all eligible workers (5 weeks) and for long-tenured workers (up to 20 weeks) were introduced for claims established for most of 2009 and a good portion of 2010. While these temporary increases in unemployment benefit duration were not as significant as the ones introduced in the United States, they helped cushion the fall in income for many of the newly unemployed who lost their jobs as a result of the crisis.

However, **Canada’s social assistance programmes have shown limited responsiveness to rising unemployment during the recession.** This pattern, which was also observed in most other OECD countries, may reflect particularly stringent eligibility criteria for households to become eligible for social assistance. This could lead to financial difficulties especially for persons who have been unemployed for a long period of time and who are not or no longer eligible to receive unemployment benefits.



Canada's long-term unemployment is among the lowest in the OECD, suggesting that job prospects have remained fairly positive for the unemployed, even during the crisis. In the first quarter of 2011, about 13% of unemployed in Canada had spent more than a year looking for work, compared with close to 35% in the OECD on average.

Despite the recovery, youth and low skilled workers are lagging behind. Youth and low-skilled workers were hit hard in the recession and have yet to benefit as much from the recovery as other groups. In the first quarter of 2011, the employment rate of youth stood at about 52%, still about 4 percentage points lower than during the first quarter of 2008. While starting from a lower level, the reduction in the youth employment rate, over the same period, was similar for the OECD area as a whole. Similarly, the employment rate of the low-skilled (without a high-school diploma) was about 44% in the first quarter of 2011, and about 5 percentage points lower than during the first quarter of 2008. This decline in employment rates is about twice as large as that observed for the OECD area. Youth without a high-school diploma are particularly vulnerable. OECD analysis for the 2011 *Employment Outlook* suggests that the young unemployed in Canada are less likely to receive support from unemployment and more at risk of having to rely on alternative sources of revenue, such as social assistance, than their counterparts in other OECD countries.

In Canada, the 2008-09 recessions may also have exacerbated the wage gap between low and high skilled workers. The OECD's analysis of earnings volatility by educational attainment in the 1990's and early 2000s shows that earnings tend to become more unequal between low-educated/ workers and high-educated/ workers during a recession. Where Canada stands out, relative to most OECD countries, is that the rise in earnings inequality results from a relative decline in the wages of low-skilled workers compared with high-skilled workers, rather than a sharper fall in hours worked.

OECD Employment Outlook 2011 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on the United Kingdom, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94 or e-mail: mark.keese@oecd.org) or Paul Swaim (tel: +33 1 45 24 19 77 e-mail: paul.swaim@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: www.oecd.org/els/employment/outlook.