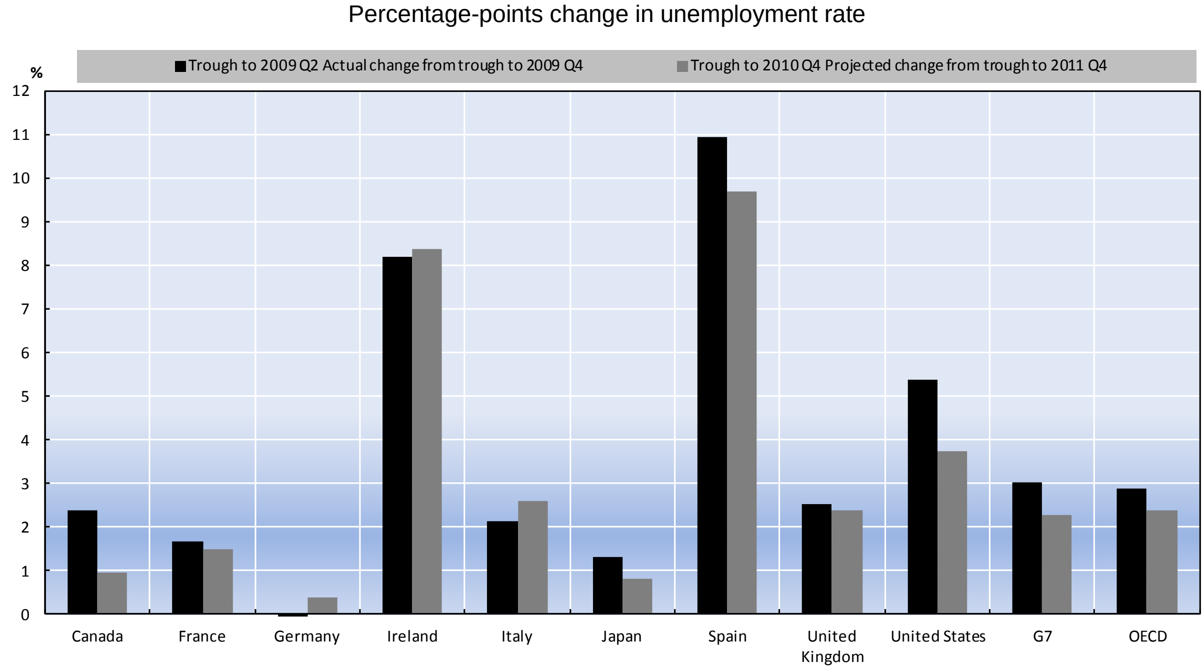
**Employment Outlook 2010 – How does CANADA compare?**

**Canada's labour market is emerging from the global recession somewhat faster than most other advanced economies** (Figure 1). The unemployment rate – currently at 8.1% – has so far followed a very similar trajectory to that experienced in the recession of the early 1990s, but the latest OECD projections suggest that unemployment will fall more quickly than in the early 1990s, reaching 7% by the end of 2011.

**Figure 1: Actual and projected change in the unemployment rate in selected OECD countries**




*Note:* Unemployment data reported in this figure are based on national definitions since that is the concept used in OECD economic projections. These may differ from OECD harmonised unemployment data.
Trough dates are defined using the preceding business-cycle peak of the output gap. The dates are the following: Canada and Spain: 2007 Q2; France, the United Kingdom, the United States, the G7 economies and OECD: 2007 Q3; Germany: 2008 Q1; Ireland and Italy: 2007 Q1; and Japan: 2007 Q4.
*Source*: OECD calculations based on *OECD Economic Outlook Database*.

**The shock to the labour market – in terms of the decline in total hours worked – was bigger than might have been expected**, given the size of the downturn in GDP and Canada's historical experience. Analysis presented in the 2010 *OECD Employment Outlook* shows that more than 80% of the reduction in labour input during the recession was achieved through declining average hours per worker rather than layoffs, resulting in a reduction in output per worker but also an increase in hourly labour productivity. Like in many other OECD countries, hours reductions were most important in the early months of the recession. Over time, job losses have played a more prominent role in labour adjustment.

**The Canadian government responded quickly by implementing a package of policy measures to ease the effects of the recession on the labour market**. These included support for labour demand through an extension of the *Work Sharing* scheme, additional job search and re-employment services and an extension to the duration of *Employment Insurance* for job losers. While the recovery is clearly underway, it will be important to maintain adequate funding for labour market programmes in the months ahead.

**As in many other OECD countries, *Work Sharing* has undoubtedly contributed to save jobs during the recession**. However, despite an extension of the maximum duration of *Work Sharing* in Canada and a slight easing of eligibility requirements, the take-up rate (estimated at 0.3% of all employees on average during 2009) was amongst the lowest in the OECD. It is not immediately clear why the take-up was so low in Canada, given that the parameters of *Work Sharing* roughly resemble those in other countries where take-up was much higher. Despite its usefulness in the early stages of the recession, recent moves by the Canadian government to begin phasing out the extended-duration of *Work Sharing* are welcome. It is important to avoid hindering productivity-enhancing labour reallocation across sectors and firms as the recovery gains momentum.

**Youth, low-skilled workers, Aboriginal people and recently-arrived migrants have been particularly hard-hit by the recession.** As the labour market situation improves, job-search assistance and re-employment services such as training and work experience opportunities should be increasingly targeted at hard-to-place job-seekers. At the same time, tight fiscal conditions in many OECD countries suggest that the focus of labour demand measures should be shifted from across-the-**board** cuts in labour costs – such as Canada's freeze on Employment Insurance contributions – to employment subsidies that target *net* employment increases, especially for employers recruiting vulnerable groups.

**Maintaining adequate income support for job losers, accompanied by appropriate activation measures, should also be a priority.** Canada's long-term unemployment rate – the proportion of unemployed who have been unemployed for at least 12 months – at about 8% in 2009 was far lower than the OECD average of almost one in four. However, as a percentage of the labour force, the number of long-term unemployed has almost doubled in the two years to the end of 2009. In this context, the temporary extension of the duration of Employment Insurance should have provided a much-needed buffer for households who lost jobs during the recession and should be maintained until the pool of long-term unemployed begins to drop significantly. But it is becoming even more important to make sure these extensions are accompanied by close monitoring of job-search efforts to avoid benefit dependency.

***OECD Employment Outlook 2010*** is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Canada, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Danielle Venn (tel: +33 1 45 24 75 01 e-mail: danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: [www.oecd.org/els/employment/outlook](http://www.oecd.org/els/employment/outlook).