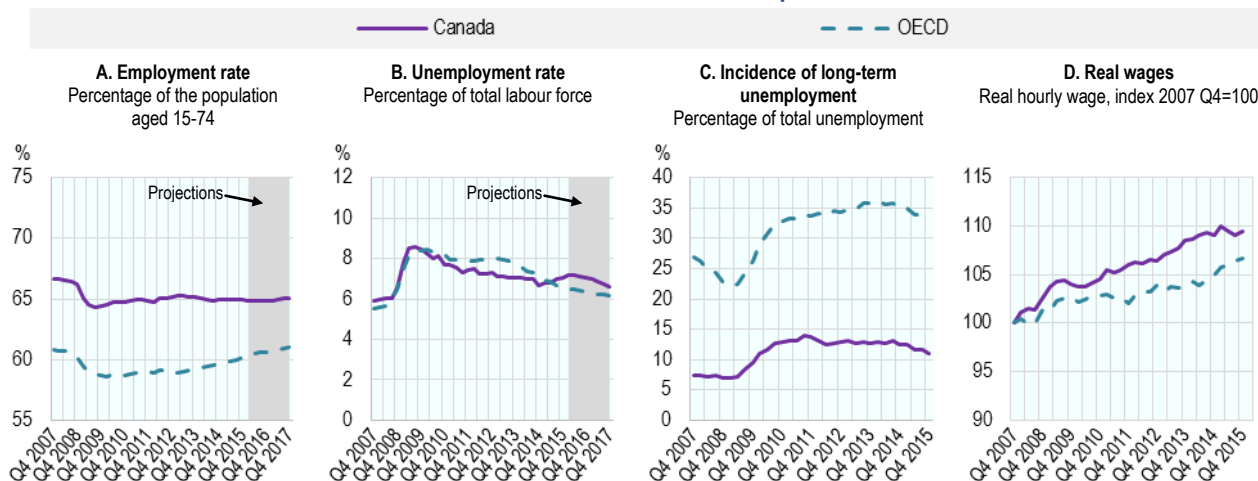


The 2016 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

[DOI: 10.1787/empl_outlook-2016-en](https://doi.org/10.1787/empl_outlook-2016-en)

Labour market developments in Canada



Note: OECD weighted average.

Source: OECD Economic Outlook No 99, June 2016, <http://dx.doi.org/10.1787/9572784d-en>; OECD Employment database (www.oecd.org/employment/database); OECD calculations based on quarterly national accounts.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

OECD labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis erupted. The recovery remains very uneven across both countries and different groups within the workforce. Real wage growth has also been relatively slow since 2007 raising concerns about a prolonged period of wage stagnation.

- While Canada has experienced a fairly solid labour market recovery since the trough of the global recession, the decline in commodity prices since mid-2014 has slowed the recovery.
- The employment rate among workers aged 15-74 was 65% in the first quarter of 2016, just under two percentage points below its pre-crisis level (Q4 2007).
- At 6.9% in May 2016, the unemployment rate was still one percentage point higher than the pre-recession low, but below its recession peak of 8.6% (Q3 2009). After falling during 2010-14,

the unemployment rate has edged back up as energy-producing provinces experienced rising unemployment due to the drop in commodity prices. However, the unemployment rate is projected to slowly continue to decrease in 2017.

- At 11.0% in the fourth quarter of 2015, Canada's incidence of long-term unemployment – the share of unemployed who have been searching for a job for more than one year – continues to be one of the lowest within the OECD, although it is still 4 percentage points above its trough of 7.0% in Q4 2008.
- While real wages in Canada have grown faster than the OECD average since the crisis, real wage growth was moderately slower during 2008-2015 than it had been during 2000-2007.

SKILLS USE AT WORK

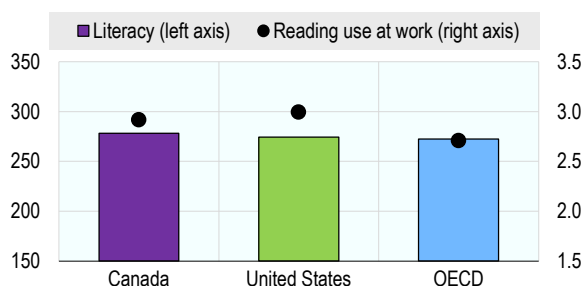
Some countries are better than others at employing workers' skills and this difference has economic consequences. Among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs.

While employers have the primary responsibility to mobilise the competencies of their workers, governments can make use of a variety of policy tools to promote improved skills use.

- The use of reading skills at work in Canada is above the average across OECD countries participating in the Survey of Adult Skills, but slightly below the US level.
- Canadians, like Americans, use reading skills more frequently than would be predicted given their average literacy proficiency.
- Canadians are equally likely as workers in other OECD countries to be in jobs that involve “High Performance Work Practices” (HPWPs), which are found to positively influence skill use. However, adoption of these practices is much higher in some other OECD countries, notably Denmark, Finland and Sweden.
- The *2016 Employment Outlook* encourages governments to promote better skills use by identifying model firms and publicising their good practices, and by developing diagnostic tools that help companies – particularly small and medium-size enterprises with growth potential – to identify skills-use bottlenecks.

Skills use can differ from skills proficiency

Working population aged 16-65, 2012



Proficiency in literacy (0-500 score points) and reading at work (1 "Never" to 5 "Everyday").

Source: *OECD Employment Outlook 2016*, Chapter 2.

VULNERABLE YOUTH SHOULD REMAIN A POLICY PRIORITY

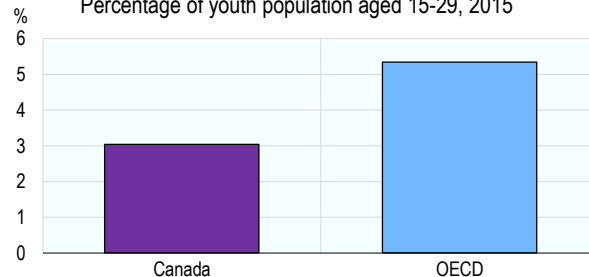
Young people who are neither employed nor in education or training (“NEETs”) risk being left permanently behind in the labour market. This risk is especially high for low-skilled NEETs (i.e. those who have not finished upper secondary schooling). Many in this group live in households without any employed adults, suggesting that they are also at risk of poverty.

Effective policies are needed to reconnect members of this group with the labour market and improve their career prospects.

- About 13% of Canadians age 15-29 are neither employed nor in education or training. This is below the OECD average NEET rate of almost 15%, but still 1 percentage point higher than Canada’s pre-recession level.
- A relatively low share of NEETs in Canada have not finished upper secondary schooling: only 3% of Canadians between the ages of 15 and 29 fall into this vulnerable group, relative to the OECD average of about 6%.
- Nevertheless, reducing the NEET rate remains a key challenge for policy makers, given that young people who are NEET are at risk of becoming socially excluded, poor and without the skills to improve their situation.
- The *2016 Employment Outlook* notes that disadvantaged youth can benefit from targeted policy interventions, including special education programmes and mentoring, as well as a coordinated package of services that allow them to surmount barriers to employment, including health problems, skills deficits and social isolation.

Low-skilled NEETs are a particularly vulnerable group

Percentage of youth population aged 15-29, 2015



Note: Low-skilled NEETs are youth neither in employment nor in education or training who have not finished upper secondary schooling.

Source: *OECD Employment Outlook 2016*, Chapter 1.

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