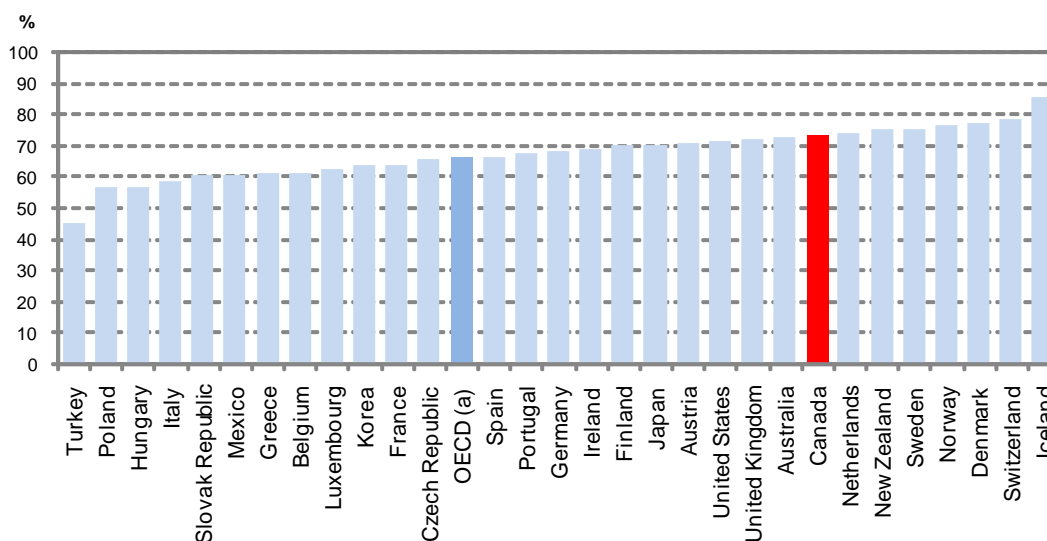


Employment Outlook 2008 -- How does CANADA compare?

Canadian unemployment will rise through 2009 according to OECD projections. The *OECD Employment Outlook 2008* projects a moderate rise in the unemployment rate in Canada as a period of slower economic growth results from difficult credit market conditions, which have spread far beyond their origins in the subprime mortgage market in the United States. The strong export earnings of extractive industries are unlikely to be sufficient to totally delink the Canadian economy from the US slowdown, but the labour market should be less adversely affected north of the border. OECD projections imply that Canada and the United States will have approximately the same unemployment rate in 2009, ending a long period in which the Canadian unemployment rate exceeded the American rate.

The share of the adult population working is at a historic high. At 74% of the adult population, the Canadian employment rate substantially exceeds the OECD average of 67% (Figure 1), up nearly 3 percentage points since 2000. The Canadian employment rate is now nearly 2 percentage points higher than that in the United States. However, OECD estimates indicate that Canadian wages in 2006 were still nearly one-quarter lower than American wages in terms of purchasing power parities.

Figure 1. **Proportion of people of working age who are employed**
Employment as a percent of population aged 15-64, 2007



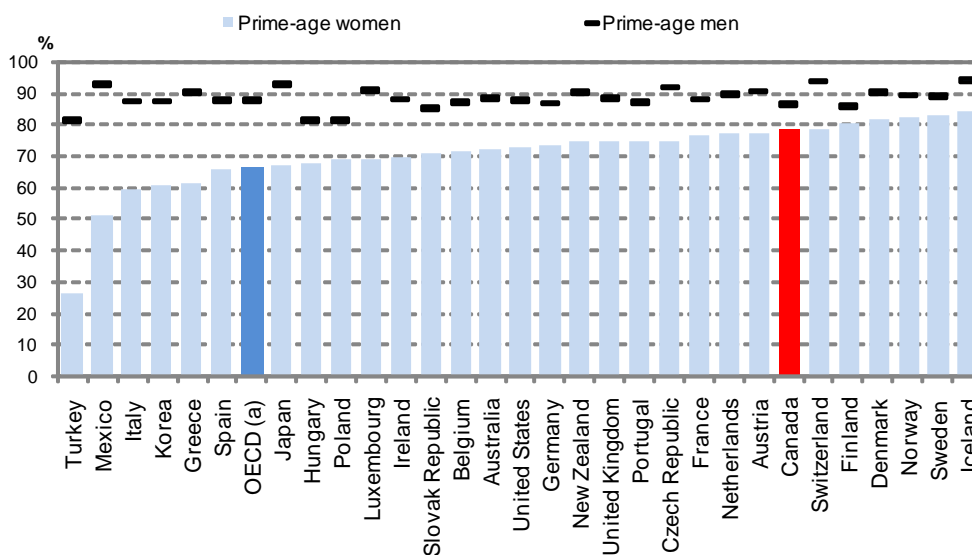
a) Weighted average of OECD countries.

Source: OECD (2008), *OECD Employment Outlook*, Paris.

A flexible labour market makes the transition from school to work relatively easy in Canada. The recent performance of the youth labour market in Canada is very good compared with most other OECD countries. Sustained economic growth and a very flexible labour market by international standards have contributed to rising employment rates and falling overall unemployment for all, including youth. The *OECD Employment Outlook* shows that Canada combines a high youth employment rate with the second highest rate of higher education completion in the OECD. One factor accounting for high youth employment rate in Canada is that it is quite common for students to hold part-time jobs. This pattern may also ease the transition from study to full-time work in Canada, since youth typically gain some familiarity with the world of work while still in school.

Employment opportunities continue to lag for women and some ethnic minorities. The employment rate for prime-age women in the Canada is 8 percentage points lower than for men, approximately one-half of the average gender employment gap in OECD countries (Figure 2). The *OECD Employment Outlook* also shows that average hourly wages for prime-age Canadian women were 19% lower than for men in 2001. This was slightly larger than the average gender pay gap in all OECD countries. The gender pay gap is much higher in Korea (34%), but significantly lower in Austria and Belgium (13% and 10%, respectively). Similarly, the employment rates and wages of non-white Canadians lag those of whites. While many factors explain why employment rates and earnings are lower for women and some ethnic minorities, new evidence presented in the *OECD Employment Outlook* suggests that discrimination in the labour market continues to play a role.

Figure 2. **The gender employment gap varies widely across OECD countries**
Employment as a percent of population, women and men aged 25-54, 2007



a) Weighted average of OECD countries.

Source: OECD Employment Outlook 2008.

The OECD report notes that there is still room for improvement in dealing with labour market discrimination. Discriminatory practices appear to be pervasive in the labour markets of all OECD countries. Field studies in a number of countries have shown that ethnic minorities typically have to search 40% to 50% longer than members of the majority group with identical resumes, before receiving a job offer. Similarly, a job applicant from a minority group needs to be substantially better qualified in order to have the same probability of receiving a call back for an interview, after submitting a written job application. Similarly, women appear to be less likely than men to find a well-paid job and this difference helps to explain why employment rates are lower for women. The *OECD Employment Outlook* shows that federal anti-discrimination legislation in Canada is among the most advanced in the OECD, but the report was not able to examine Provincial legislation in detail. Experience in a number of OECD countries indicates that repressive legislation alone cannot guarantee a level playing field for all workers. Informational and educational campaigns may also need to be reinforced in order to induce the needed cultural change.

Encouraging disability benefit recipients and others who are not working to take up work could have a positive impact on their mental health. A rising share of new recipients of disability benefits in OECD

countries report having a mental illness. The *OECD Employment Outlook* shows that certain stressful job conditions — including working long hours, an intense work pace and encountering discrimination on at the workplace — can cause work-related mental health problems. Nonetheless, work appears to be beneficial for mental health in most cases. Individuals previously out of work tend to experience a substantial improvement in their mental health when they get a job, irrespective of the type of job. The improvement is smaller, but still positive, for those moving into certain types of potentially stressful jobs, such as those involving lots of overtime hours or shift work.

OECD Employment Outlook 2008 is available to journalists on the **password protected** web site 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 Paul Swaim (tel: +33 1 45 24 19 77 or e-mail: paul.swaim@oecd.org) from the OECD Employment Analysis and Policy Division.