



# OECD Employment Outlook 2012

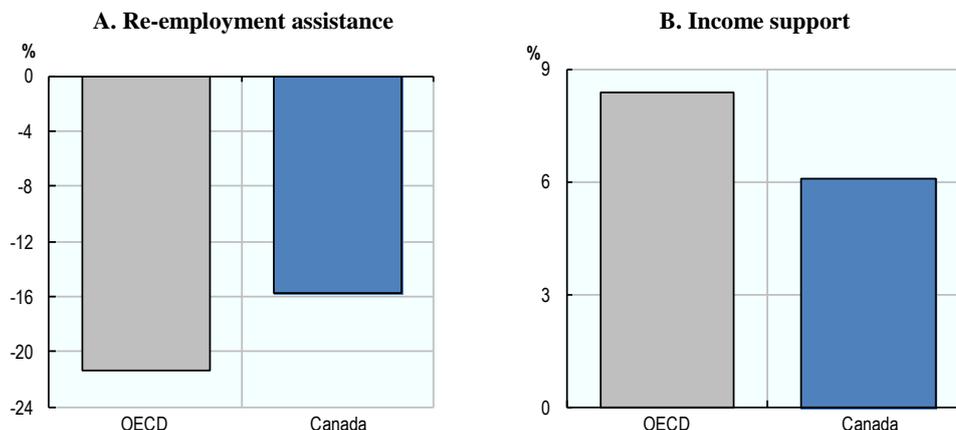
## How does Canada compare?

**The recovery of the Canadian labour market is well under way.** The unemployment rate (ILO definition) fell by more than one percentage point to 7.2% in June 2012, since peaking at 8.5% in the third quarter of 2009. In comparison, the unemployment rate for the OECD area was 7.9% in May 2012. According to the 2012 *OECD Employment Outlook*, the recovery will gain strength in Canada and its unemployment rate is expected to decline further to 6.4% by late 2013, close to its pre-crisis level. This compares to a forecast OECD average of 7.7% in late 2013.

**The Canadian system of income support responded quickly to changing labour market conditions but spending on re-employment assistance was less responsive.** Government spending on income support (mainly unemployment benefit) increased faster than the rise in unemployment. As a result, spending per unemployed increased by 6% between 2007 and 2010 in real terms, somewhat below the OECD average of 9%. But public spending on re-employment assistance per unemployed jobseeker has fallen by 15% in real terms. This fall is less acute than the 21% fall in the OECD area as a whole.

### The change in labour market spending per unemployed person, 2007-10

Percentage changes in Canada and the OECD area<sup>a</sup>



a) OECD is the weighted average of 26 countries (all OECD countries except Chile, Estonia, Iceland, Israel, Korea, Slovenia, Turkey and the United Kingdom).

Source: OECD estimates based on the *OECD Labour Market Programmes* and *OECD Main Economic Indicators Databases*.

**The labour share of national income has fallen more in Canada than in the OECD area as a whole.** According to the *Outlook*, the labour share fell by five percentage points to 60.3% in 2006 from 65.3% in 1990, one point higher than the average fall of 3.8 percentage points recorded for the OECD area. Excluding the mining and real estate industries, there was an even more pronounced fall in the labour share of seven percentage points, almost three percentage points more than the average decline of 4.3 percentage points in OECD countries. While the overall labour share declined sharply, the income share of the top 1%



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of earners increased by 20%. Consequently, the decline in the labour share would be even larger excluding the earnings of the top 1% of earners. A declining wage share may raise equity concerns, especially since the decline particularly affects the lower part of the earnings distribution. It is not clear that governments should try to reverse the decline in the labour share. New analysis by the OECD indicates that the main factors that are causing the broad trend towards a declining wage share, such as globalisation and ICT-driven technological change, are also important drivers of overall economic growth. However, well-designed tax/transfer policies and especially policies to promote human capital and employability of the low skilled can go a long way to ensure the benefits of growth are more widely distributed.

*OECD Employment Outlook 2012* is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Germany, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94; e-mail: [mark.keese@oecd.org](mailto:mark.keese@oecd.org)) or Paul Swaim (tel: +33 1 45 24 19 77; e-mail: [paul.swaim@oecd.org](mailto:paul.swaim@oecd.org)) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.