



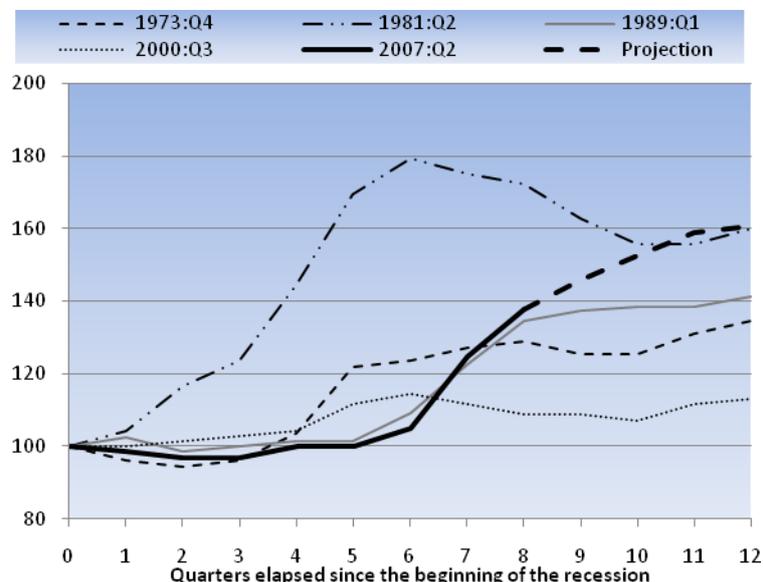
Employment Outlook 2009 – How does CANADA compare?

Canada's unemployment rate was slow to take off, but is predicted to reach almost 10% by 2010, according to the latest edition of the *OECD Employment Outlook*. Since peaking in October 2008, full-time employment has dropped by 486 000. Job cuts have been particularly severe for prime-aged men, reflecting a high concentration of job losses in traditionally male-dominated industries such as manufacturing and construction. For both men and women, the decline in full-time work has been somewhat offset by gains in part-time employment. Early signs of a recovery in employment in August were countered by higher labour force participation, pushing the unemployment rate to 8.7%.

The trajectory of unemployment over the past few years closely resembles that of the early 1990s recession. However if forecasts are correct, the labour market impact of the current downturn may be more severe. Even if the unemployment rate has already peaked, Canada's labour market typically takes a long time to recover from recessions. The unemployment rate in the early 1990s recession peaked in early 1993, but did not drop below its pre-recession level again until almost eight years later.

Unemployment rate trajectories during previous downturns and the current downturn

Index base 100 = unemployment rate at the preceding business cycle peak



Canada's fiscal stimulus package should have a relatively large effect in stemming job losses. The OECD estimates that employment will fall by 0.7%-1.1% less in 2010 than if there had been no fiscal stimulus package. This is both because the size of the fiscal package was reasonably large (fifth largest in the OECD as a percentage of GDP) and because employment in Canada is relatively responsive to fiscal stimuli such as tax cuts and public expenditure.



Young people have been particularly hard hit by the deteriorating economic conditions. Across the OECD, youth employment is more than twice as sensitive to business cycle fluctuations as that of prime-aged workers. In Canada, almost half of employment losses in the past year have affected 15-24 year-olds and the youth unemployment rate is 16.3%, more than double the adult rate. Full-time students have experienced particular difficulties finding work over the summer, and those that have jobs work lower average hours than in previous years. This comes despite the federal government allocating additional funding to create subsidised summer job opportunities for young people in non-profit or public sector enterprises and small businesses.

Escalating unemployment is of particular concern because joblessness is a major source of poverty in Canada. The *OECD Employment Outlook 2009* reports that even before the current downturn around two-thirds of jobless households were poor, the second highest rate in the OECD after the United States. One reason is that unemployment benefits are relatively short in duration. The recent extension of benefit duration to 50 weeks for the next two years is welcome in this regard, particularly because long-term unemployment is likely to increase as the overall unemployment rate grows. Strong growth in self-employment during the downturn (self-employment has grown by 3.5% since August 2008) may also pose problems in the future as most self-employed are excluded from the employment insurance scheme. Social assistance payments, while around the OECD average, leave families with children well below the poverty line.

While having a job reduces the risk of poverty, in-work poverty is also a large and growing problem in Canada. Even before the current down turn, almost 70% of Canada's working-aged poor lived in households where at least one person was working. The rate of relative in-work poverty is 9%, slightly above the OECD average of 7%. Canada's tax and transfer system reduces the risk of poverty for working households by 38%, although this is below the average reduction in OECD countries of 44%. The OECD points out that in-work benefit schemes can be a valuable policy response to deal with in-work poverty, provided they are targeted towards the most vulnerable households and generous enough to make a difference in alleviating poverty. Recent moves to increase the generosity of Canada's Working Income Tax Benefit are welcome, particularly given that the benefit is strongly targeted to the lowest-income households.

OECD Employment Outlook 2009 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 4524 19 88 or email: stefano.scarpetta@oecd.org) or Danielle Venn (tel: +33 1 45 24 75 01 or email: danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division.