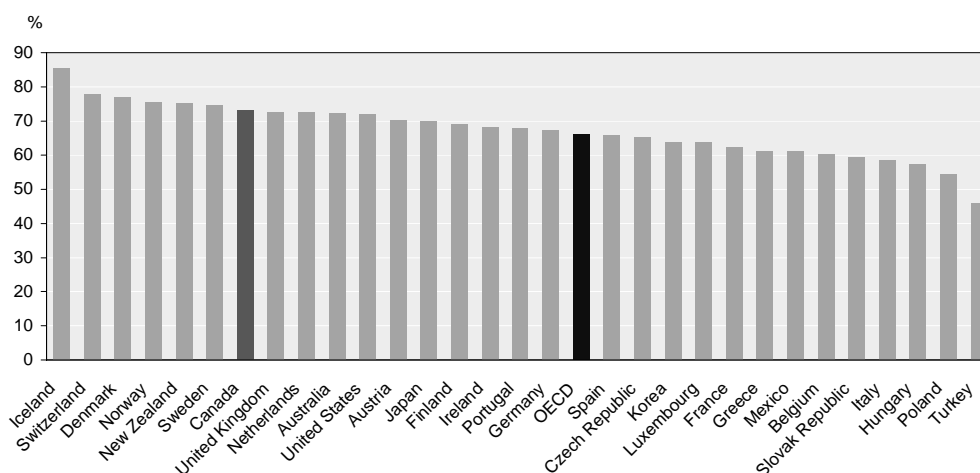


Employment Outlook 2007 -- How does CANADA compare?

Canadian employment rates are high and on an upward trend. The 2007 edition of the OECD's *Employment Outlook* reports that the employment-to-population ratio has edged up slightly and, at 72.9%, is almost seven percentage points higher than the OECD average. Employment rates are particularly high for women, with only Nordic and Swiss women more likely to be in employment than those in Canada. Young people also have high employment rates, with many combining work and study. However, work opportunities for young people vary dramatically across the country, based on local labour market conditions.

Proportion of people of working age who are employed, 2006
Employment as a percent of population aged 15-64



Source: OECD Employment Outlook 2007.

One reason for Canada's strong employment performance may be low labour taxes. Overall, moderate public social spending, funded through a large tax base, makes labour taxes relatively low: they account for 35% of labour costs in Canada, compared to 40% on average in the OECD area. At 23% of GDP in 2003, Canadian social expenditures were 2.5 percentage points above the OECD average. But compared with other member countries, *public* social expenditures alone are relatively low, at 17% of GDP, almost three percentage points lower than the OECD average. Moreover, Canada stands out for financing (public) social protection mostly through general taxation: social security contributions fund no more than 30% of public social expenditures, compared to 50% on average in the OECD area.

Canada has managed to achieve aggregate labour productivity growth of around 1.6 percentage point per year over the past decade, despite a robust increase in employment. This is remarkable because, as the employment rate grows, relatively more low-skilled workers enter the job market, reducing average labour productivity, even if the productivity of existing workers remains unchanged. As a result GDP per capita grew slightly faster, on average, in Canada than in the United States over this period.

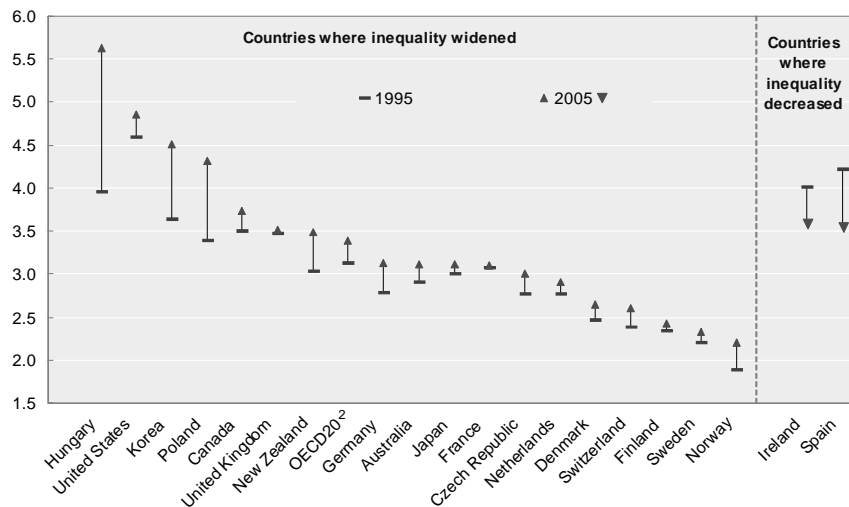
Canada may benefit from the experience of other OECD countries in adopting well-designed activation measures as part of a strategy to further reduce unemployment. *Employment Outlook* reports on the use of activation strategies that encourage jobseekers to become more active in their efforts to find work and/or improve their employability, while enforcing work-availability criteria as a condition for benefit payment. For example, in Denmark, the Netherlands and the United Kingdom, evaluations have

shown positive employment effects of activation measures, such as a higher contact density between jobseekers and placement staff, and tight verification of independent job search.

Low-wage employment is common. Around 22% of Canadian workers earn less than two-thirds of median earnings. However, the majority of low-wage workers are young people, many of whom are also studying and tend to move into better paying jobs over time. Nevertheless, there are also sizeable numbers of women, recent migrants and less-educated workers, for whom low-wage work may be less transitory. Improving access to training for low-wage workers would boost their earnings ability and increase productivity growth.

Overall, Canadian workers seem to be faring reasonably well as globalisation progresses, although wage inequality has risen slightly. There is no sign that jobs are becoming more insecure: in fact, the share of workers who have started a new job in the previous 12 months fell from 23% in 1995 to 21% in 2005. In addition, Canada is one of the few G7 countries where the wage share has remained relatively unchanged since the 1970s. However, wage inequality is higher than the OECD average, and has risen slightly over the past ten years. Low-paid workers' earnings have kept pace with those of middle-income earners, but high-income earners saw their incomes increase by slightly more than those in the middle over the same period. New evidence presented in *Employment Outlook* suggests that offshoring, which reduces demand for low-skill workers relative to medium and high-skill workers, may have contributed to rising wage inequality in Canada.

Earnings inequality trends in selected OECD countries, 1994-2005
Ratio of the 90th to 10th percentile earnings



Note: The figure shows that in all countries except Ireland and Spain, the earnings of the 10% best-paid workers increased more than the earnings of the 10% least-paid workers, over the 1995-2005 period (i.e. earnings inequality widened).

1. Full-year, full-time workers. The data shown are consistent over time, but not entirely comparable across countries owing to differences in pay reporting periods and coverage of workers.
 2. Unweighted average of countries shown in the figure.
- Source: OECD database on Earnings Distribution.

OECD Employment Outlook 2007 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 Danielle Venn (tel: +33 1 45 24 75 01 or e-mail: danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division.