



International
Labour
Office

G20 Statistical Update

→ Canada

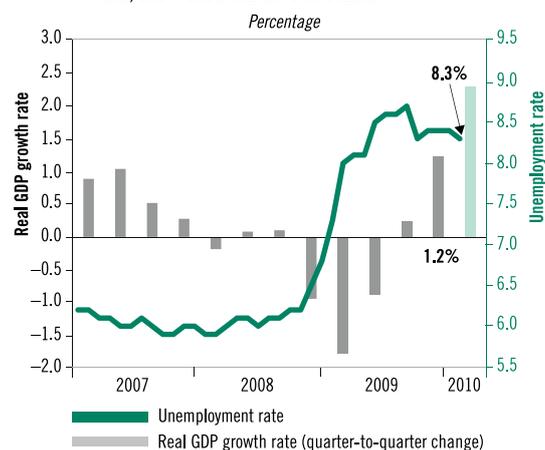
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CANADA: CRISIS LED TO RISING UNEMPLOYMENT AND DECLINING HOURS OF WORK

Economic contraction has driven up the unemployment rate

- Real GDP growth suffered a sharp downturn in the last quarter of 2008 and the first half of 2009. Overall, growth declined 2.6 per cent in 2009 (compared with 0.4 per cent in 2008).
- Following a steep increase in the number of unemployed at the end of 2008 and beginning of 2009, the unemployment stabilized at about 1.6 million.
- The unemployment rate rose from a recent low of 5.9 per cent to a high of 8.7 per cent between February 2008 and August 2009. The rate has since declined to 8.3 per cent in January 2010.

Figure 1. Monthly unemployment rate and quarterly real GDP growth rate, 2007–2009 and 2010 forecasts



Source: Statistics Canada: *Labour Force Survey* and Bank of Canada for 2010 forecasts. Seasonally adjusted data. Forecast for 2010 shows annual growth.

Canada's stimulus programme has key components that target the labour market

In March 2009, Canada announced its Economic Action Plan which, in terms of federal stimulus, totals CAD47.3 billion.

The stimulus programme consists of public spending on goods and services (including stimulating housing and infrastructure spending), consumer targeted measures, (such as income tax cuts and improved access to finance), and business-focused measures (which include protecting jobs and supporting adjustment in the automotive, forestry and manufacturing sectors as well as improved access to financing).

Over 13 per cent of Canada's federal stimulus is directly aimed at labour market initiatives, while other components of the package are also likely to support employment (especially infrastructure spending and green investments). The main labour market initiatives include:

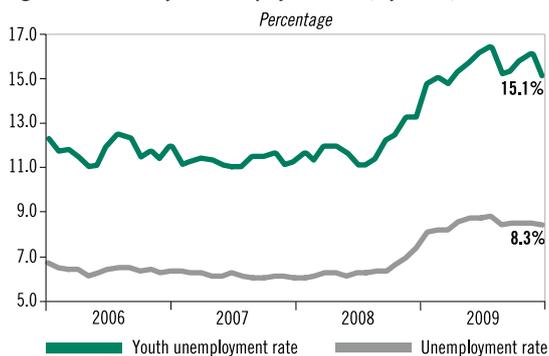
- expanded benefits for unemployed workers – an extra five weeks, work-sharing, and wage earner protection;
- additional funding for enhanced training for unemployed Canadians;
- greater support for long-tenured workers and older workers in vulnerable communities;
- measures to provide more opportunities for youth employment;
- five aboriginal training and employment projects.

The youth unemployment rate recorded sharp increases

- The youth unemployment rate increased by 5.3 percentage points to 16.3 per cent between the most recent low (August 2008) and the most recent peak (August 2009). The rate then declined to 15.1 per cent in January 2010.
- The increase between the minimum and maximum youth unemployment rate nearly doubled the total unemployment rate increase from its low to high (which was 2.8 percentage points), indicating that youth have been particularly vulnerable to the shock.

G20 Meeting of Labour and Employment Ministers
20–21 April Washington, DC

Figure 2. Total and youth unemployment rates, by month, 2006–2009

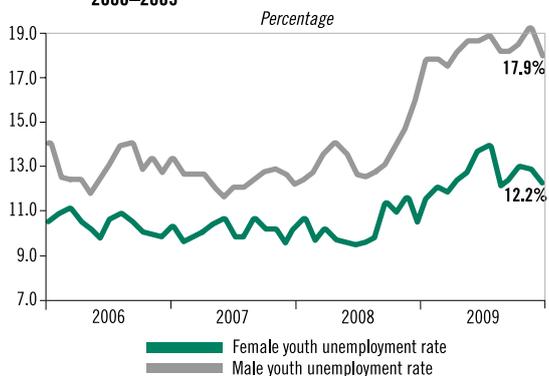


Source: Statistics Canada, *Labour Force Survey*. Seasonally adjusted data.

The increase in the youth unemployment rate was mainly due to the rise of unemployment among males

- The gap between male and female youth unemployment rates widened during the crisis as male youth unemployment rate rose more rapidly.
- In January 2010, the male youth unemployment rate stood at 17.9 per cent and the female rate at 12.2 per cent.

Figure 3. Male and female youth unemployment rates, by month, 2006–2009

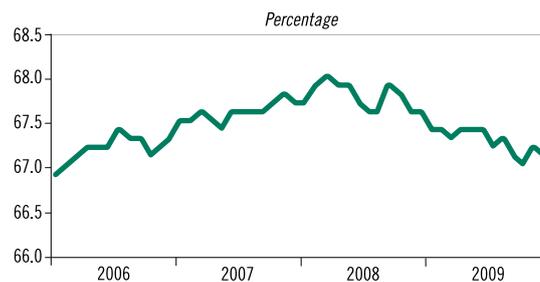


Source: Statistics Canada *Labour Force Survey*. Seasonally adjusted data.

The labour force participation rate declined during the crisis

- The labour force participation rate fell from a high of 68 per cent in March 2008 to 67.1 per cent in January 2010, as workers exited the workforce for various reasons, such as to pursue educational opportunities, take care of family, or join the ranks of discouraged workers.
- Between January 2009 and January 2010, the participation rate declined by 0.3 percentage points.

Figure 4. Labour force participation rate, by month, 2006–2009

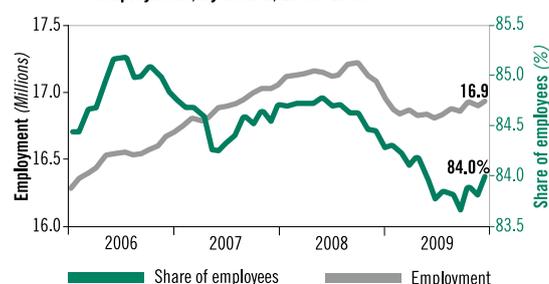


Source: Statistics Canada *Labour Force Survey*. Seasonally adjusted data.

Close to half a million employees lost their jobs year over year to October 2009

- About 0.1 million of these former employees entered into self-employment.
- The job losses among employees were mainly part-time positions.
- In January 2010, the total employment situation improved with 43,000 new jobs created from the previous month to 16.9 million. However, most of these newly created jobs (95 per cent) were part time and the employment level remains below the peak of 17.2 million in October 2008.

Figure 5. Total employment and share of employees in total employment, by month, 2006–2009

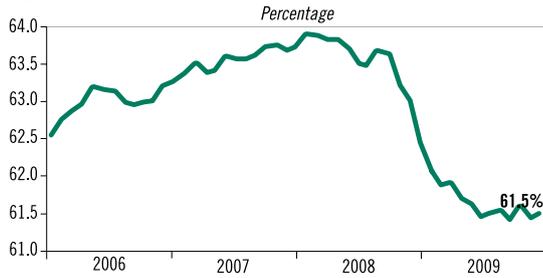


Source: Statistics Canada *Labour Force Survey*. Seasonally adjusted data.

Employment demand decreased very sharply during the crisis

- The employment-to-population ratio, a measure of employment demand, had been increasing steadily prior to the crisis.
- It fell steeply from a peak of 63.9 per cent in February 2008 to 61.5 per cent in January 2010.

Figure 6. Employment-to-population ratio, by month, 2006–2009



Source: Statistics Canada: *Labour Force Survey*, Seasonally adjusted data.

While manufacturing layoffs have begun to slow down, employment prospects in the sector remain challenging

- Job losses by sector indicate that manufacturing and wholesale and retail trade have been the hardest hit, as decreases reached 193,400 and 70,600 on average respectively during the first three quarters of 2009 compared with the same period of 2008.
- Recent monthly data suggest that job losses across sectors are beginning to slow down following a gradual recovery in domestic demand, production (adjustments in stocks) and a mild resumption of exports in the third quarter of 2009. Both household and government spending seem to be driving the recovery.

- Some fiscal measures in the Canadian Economic Action Plan to support manufacturing may explain an unexpected surge in investments in machinery and equipment. Similarly, the Building Infrastructure Component of the Plan (CAD9.6 billion) played an important role in containing job losses in the construction sector.

Declines in hours of work occurred in most economic activities

- Decreases in weekly hours of work were highest in public administration (2 hours), followed by transport, storage and communication (1.8 hours); and construction (1.6 hours).
- The implementation of work-sharing and reduced working time schemes has contributed to avoiding further layoffs in some industries. The number of job-sharing agreements significantly increased since February 2009.
- While average weekly hours of work remained below pre-crisis levels in November 2009, there are some signs of companies increasing the working time of employees as a response to positive changes in the economic environment.

Figure 7. Employment by economic activity, level and change. Average of first three quarters of 2009 compared with the same period in 2008

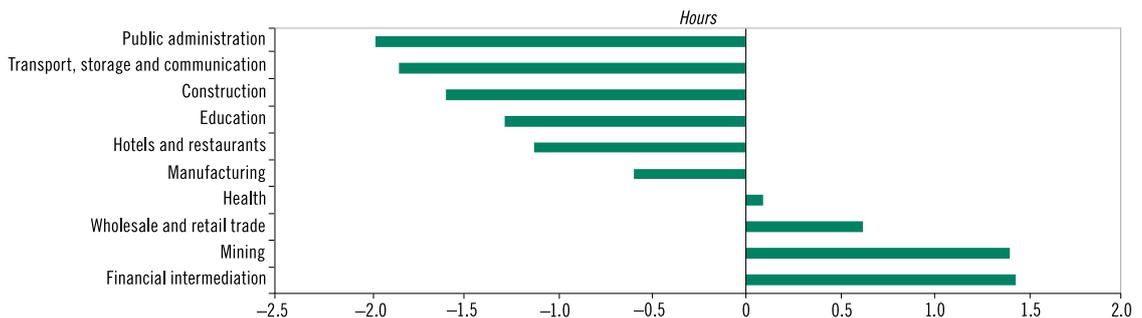


Source: ILO, based on Statistics Canada: *Survey of Employment, Payrolls and Hours*, Seasonally adjusted data.

Figures next to the bars reflect changes in employment between the two periods.



Figure 8. Change in weekly hours of work by economic activity. Average of first three quarters of 2009 compared with same period in 2008



Source: ILO, based on Statistics Canada: *Survey of Employment, Payrolls and Hours*. Seasonally adjusted data.

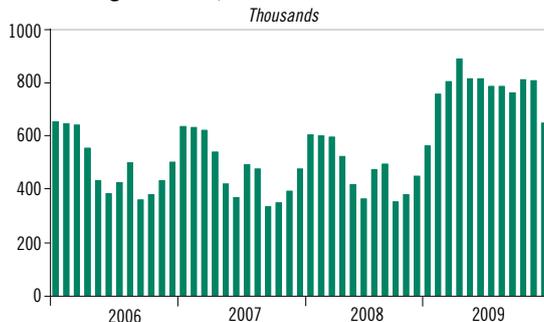
The number of unemployment insurance beneficiaries rose considerably in 2009

- A significant increase in the number of unemployment insurance beneficiaries was recorded in early 2009, reaching a peak of 891,000 in March 2009.
- The number of beneficiaries receiving regular benefits remained over 800,000 in several months of 2009. With the improving labour market scenario, the number dropped to 650,000 in November 2009, which nonetheless remains well above pre-crisis levels.

Labour market will remain weak in 2010 despite a recovery in output growth

- Despite positive economic growth of 1.2 per cent in the third quarter of 2009, the Canadian economy continued shedding jobs through December 2009.
- Following a decrease of 2.6 per cent in 2009, real GDP growth is projected to increase by about 2.3 per cent in 2010 according to the Bank of Canada. However, the unemployment rate is expected to remain stable at about 8.5 per cent.
- Higher youth unemployment rates and a declining labour force participation rate – particularly among young people – should remain a concern for policy makers. While declining labour force participation does not necessarily signal a deterioration in the labour market as some workers may decide to return to school to sharpen their skills, it may indicate a higher proportion of discouraged workers who have given up their job search. Such individuals should be given opportunities in the labour market for their well-being and to ensure an adequate labour supply is available when economic activity resumes.
- In this sense, skills training programmes and an extension of unemployment insurance to more beneficiaries may be appropriate to encourage workers to remain attached to the labour force until job openings become more readily available.

Figure 9. Unemployment insurance beneficiaries receiving regular benefits, 2006–2009



Source: Official Canadian administrative records.