

Measuring Labour Markets in Canada and the United States

2018 Edition

by Charles Lammam, Hugh MacIntyre, Sazid Hasan, and Milagros Palacios

Labour markets are critical components of an economy. They are the mechanism through which we allocate one of our most valuable and productive resources: human work, effort, creativity, and ingenuity. Labour markets match human skills, supplied by individuals seeking to earn a living, with the demand for labour by firms, governments, and households. Because labour markets are important, the public is often inundated with news stories, usually about changes in employment levels or unemployment rates. However, such stories do not generally provide a clear picture of how a jurisdiction's labour market is performing. There is a need for a comprehensive measure of the performance of labour markets to allow comparisons, which is the first step toward understanding differences in labour market conditions and addressing possible problems.

Measuring Labour Markets in Canada and the United States: 2018 Edition is the latest installment in ongoing research to assess the performance of labour markets. Indicators such as job creation, unemployment, and labour output are used to assess the performance of labour markets in the Canadian provinces and US states over the three-year period from 2015 to 2017. The study calculates an Index of Labour Market Performance, which is a composite measure of labour market performance based on eight equally weighted indicators: [1] average annual total employment growth, [2] average annual private-sector employment growth, [3] average total employment rate, [4] average private-sector employment rate, [5] average unemployment rate, [6] average long-term unemployment, [7] average share of involuntary part-time workers, and [8] average output per worker. The index scores range from zero to 100. A higher score means a jurisdiction has a stronger performing labour market while a lower index score indicates a labour market with weaker performance.

Overall, Canada performed poorly on the Index of Labour Market Performance. All Canadian provinces are ranked in the

bottom half of the 60 jurisdictions, including the traditional economic engines of Canada, Alberta (ranked 48th, with an index score of 48.1 out of 100) and Ontario (ranked 52nd, with a score of 44.5 out of 100).

British Columbia (ranked 35th, score of 53.6) and Saskatchewan (41st, 52.3) are the highest performing Canadian provinces, but neither is in the top half of jurisdictions on the overall index. Nine out of 10 Canadian provinces are in the bottom third (lowest 20 out of 60) of the index and four of the five lowest-ranked jurisdictions are Canadian provinces: Prince Edward Island (ranked 56th, score of 36.6), New Brunswick (57th, 35.4), Nova Scotia (59th, 31.3), and Newfoundland & Labrador (60th, 16.6).

The results for Canada's four most populous provinces (Ontario, Quebec, Alberta, and British Columbia) are not encouraging. Ontario and Quebec both ranked around the middle or in the bottom half of jurisdictions on all indicators with the exception of average long-term unemployment. British Columbia fared better, ranking in the top 10 of jurisdictions

for total and private-sector employment growth, but ranking near the bottom on several measures including private-sector employment rate and output per worker. A notable result for Alberta is its low private-sector employment growth: Alberta ranked 58th out of 60 jurisdictions on this measure with average annual private-sector employment growth of negative 1.1%.

North Dakota topped the list of US states and Canadian provinces for overall labour market performance over the three-year period. The state's strong performance in total employment rate (1st out of 60 jurisdictions), private-sector employment rate (1st), unemployment rate (1st), and share of involuntary part-time workers (2nd) enabled it to achieve the highest overall index score of 80.4 out of 100. The US states in the Midwest dominated the top of the rankings. Six states

from the Midwest—North Dakota, Minnesota, South Dakota, Iowa, Nebraska, and Wisconsin—are among the top 10. All of the 10 top performing jurisdictions are US states.



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