

This issue:

- *Little improvement in Canada's labour market in March*
- *South-West Ontario sees continuing weak recovery*
- *Manufacturing employment still very weak*

Special feature:

- *Student unemployment likely to remain high this summer*

Labour Market News is published quarterly, providing an economist's view of labour market trends and pol-

All quiet on Canada's jobs front

Canada's unemployment rate remained steady in March, on the back of modest employment gains. In trend terms, the unemployment rate continues its gradual fall from 8.7% in mid-2009 (Fig 1). The jobs recovery is weaker than expected given strength in other economic indicators. Ontario and SW Ontario have seen larger drops in their unemployment rates,

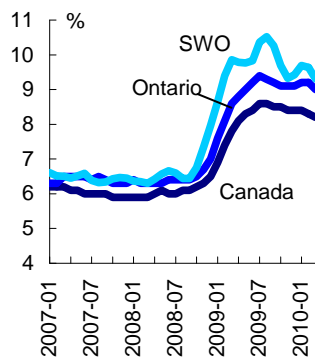
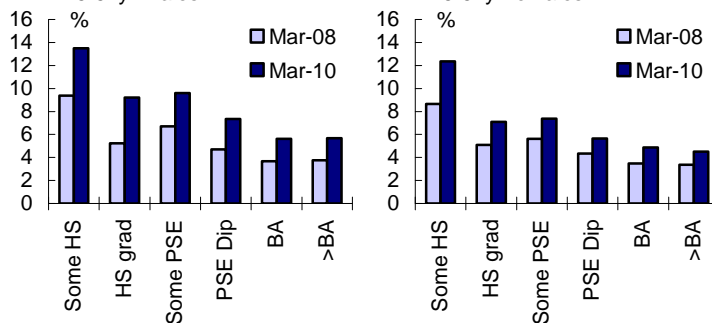


Fig 1. Trends in unemployment rates

Fig 2. Unemployment rates by education level and sex



but from a higher peak.

Since the start of the recession, Canadian unemployment rates increased the most in absolute terms among the least educated workers, but all education levels saw large relative increases in unemployment rates (Fig 2). Unemployment rates increased for men by 40% or more for all education levels; the largest proportional increase was among high school graduates (76%). For women, unemployment rates

increased by 30-40%, with the largest increase among high school drop outs (43%).

In the past decade the employment gap among more highly educated workers has narrowed. Men with a degree above a BA now have roughly the same employment rate as those with a BA. Women with a post-secondary diploma or certificate have an employment rate just below that of women with a BA.

South West Ontario's pain is starting to recede

Employment in SWO was up slightly in March in seasonally adjusted terms by 3000 (0.3%), with unemployment falling to 9.3%. Still, SWO currently has 25,200 (2.4%) fewer people in jobs than it had in March 2008, prior to the recession.

The Windsor and Kitchener metropolitan areas have seen the largest job losses. Since the start of the recession, employment has fallen in Windsor by about 11,000 (7%), and in Kitchener by 5000 (2%).

By sector, the biggest losses

have been in construction, manufacturing and trade services, which together had 37,000 job losses. Job gains occurred in public administration and 'other' services (together up 17,000).

The importance of manufacturing in Windsor and Kitchener may explain their big jump in unemployment rates relative to the rest of SWO (Fig 3). Manufacturing accounted for around 30% of jobs in 2000. This was down to 22% in 2008 and has since fallen further to 19% in March 2010. In Hamilton and London, manufacturing

was only 14% of total employment going into the recession.

Manufacturing jobs in SWO have continued to fall in recent months, but no more so than at any other time in the past 6 years.

Very recent announcements of increases in manufacturing employment, particularly in the auto sector, bode well for rising employment in coming months, though continuing strength in the \$C could pose a threat to a recovery.

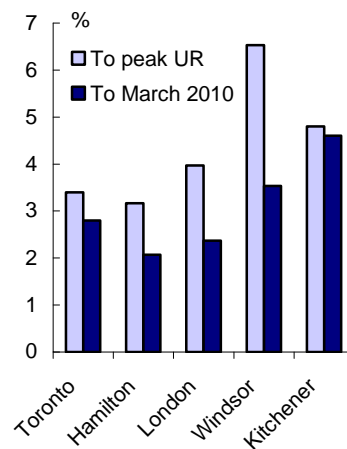


Fig 3. Change in unemployment rate, pre-recession to peak unemployment rate and to March 2010 (% pts)

Labour Market News

Student Employment

Full time students want to work more than ever ...

Student employment during the academic year has been trending up over the past three decades. Prior to the recession, 41% of all 15-24 year old full-time students were employed during any given month of the school year.

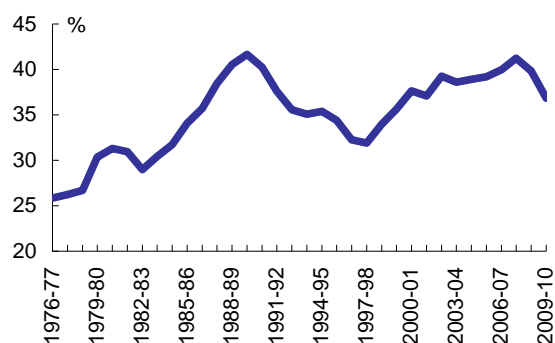


Fig 4. Employment rate, 15-24 yo full-time students, Sep-Apr (Sep-Mar for 2010)

... but the recession is making it tough ...

The recession has seen that figure drop to 36.8% in the 2009-10 academic year (Fig 4). Almost 90,000 fewer students were employed in 2009-10 compared with 2007-08, even though student numbers increased by 56,000.

... a fifth of students looking for work in their summer vacation last year were out of luck

Since 1980, around 60% of all 15-24 year old returning students—youth who were full-time students in March and plan to return to their studies in September—have either worked or been seeking work during the summer months. But this group is often particularly hard hit when unemployment increases (Fig 5). The summer-time unemployment rate among returning students hit 19.1% in 2009, the second highest on record. Ontario had the biggest increase in the returning student unemployment rate, from 15% in 2007 to 24% in 2009, by far the highest in the country.

A typical student employed at minimum wage over the summer months could make around \$4000—income lost to the 20% of students who couldn't get a job last summer. Lower employment in the 2009-10 academic year

has meant that students who couldn't find work last summer have had little chance to make up those losses. Returning student unemployment in the summer of 2010 could well remain above 18%, unless the labour market improves rapidly. Returning student unemployment rates move closely with the unemployment rate of 15-19 year olds in the first quarter of the year; this stood at 20.6% in 2010, up from 19% in 2009.

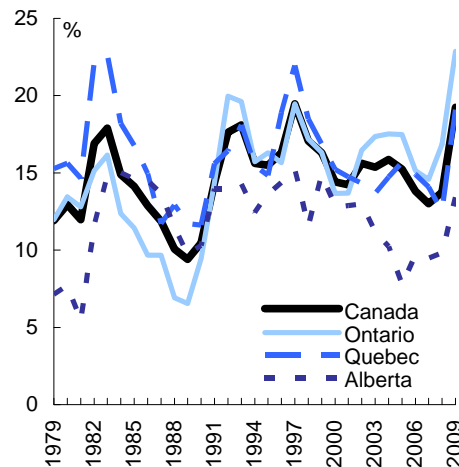


Fig 5. Unemployment rate, 15-24 yo returning students, May-Aug

Canada's student loan programs could lighten

Canada's student loan programs also make it harder for recipients to make up a loss of summer income with in-semester income. Under the CSLP, 100% of all income earned above \$50 per week is clawed back from student loans. The clawback on summer work is lower, but at 80% is still punitive.

High earned income clawback rates are justified on two grounds.

- (1) students who are employed have more money, so need less government help
 - ... but 100% clawback rates have been eliminated for other government income support programs.
- (2) more in-semester work may lead students to neglect their studies, leading to lower grades or higher dropout rates
 - ... but there is little evidence that working even 15 hours a week interferes much with studies for most students.

Some provinces have higher earnings thresholds before the clawbacks kick in — \$225 per week in Alberta and \$100 in the Ontario (since the 2010 budget). Quebec claws back only half of earned income in its loan program. Now is an opportune time for other provinces, and the federal government, to reconsider their rules on student earnings.