Creating Jobs in the G-7

The broad outlines of a jobs and growth strategy in the G-7 are already in place. Fiscal policies are geared to reducing the excessive government debt that is keeping interest rates unnecessarily high and burdening the private sector. Monetary policies are geared to price stability. At the same time, governments are adopting policies and reforms that unleash the competitive and innovative potential of the private sector, that make labour markets more flexible and that help individuals upgrade their skills. Given the changing demands of the marketplace and the workplace, the key challenge is to make it easier for both companies and individuals to adapt to change. This will be a focus of attention in Lille.

Unemployment in the G-7

Over the past three years, Canada, the United States and the United Kingdom have made clear progress in reducing their rates of unemployment: each of the three has brought its rate down by about two percentage points (Chart 1). Canada's unemployment rate fell to 9.5 per cent in 1995 from 11.2 per cent in 1993. In Japan, Germany and Italy, however, unemployment rates were higher in 1995 than in 1993, while in France there was virtually no change.

The improvement in unemployment rates in Canada, the U.S. and the U.K. in part reflects cyclical factors. These economies were the first three in the G-7 to emerge from recession in the early 1990s, and each has experienced average annual real GDP growth of around 3 per cent over the past three years. In contrast, Japan and the continental European economies saw real GDP fall in 1993, and have experienced only modest growth since then.

Recent indicators suggest that growth is slowing in the G-7 economies, except in Japan, where a modest recovery is expected. In its December 1995 outlook, the Organization for Economic Co-operation and Development predicts that even with average G-7 growth of 2.8 per cent next year, the average unemployment rate in the G-7 will fall only a tenth of a percentage point, to 6.8 per cent from an estimated 6.9 per cent this year. This figure compares with a recent cyclical low of 5.8 per cent in 1990, following the seven-year economic expansion of the 1980s.

G-7 governments recognize that they cannot count on growth alone to help reduce unemployment. In the Halifax communiqué, leaders highlighted the need to supplement sound fiscal and monetary policies with "measures to upgrade the skills of our labour force, and to promote, where appropriate, greater flexibility in labour markets and elimination of unnecessary regulations."