

G-7 Approach to Employment: Canadian Perspectives

Employment remains at the top of the international policy agenda. It was a central issue at the 1993 Tokyo Economic Summit and at the Organization for Economic Co-operation and Development (OECD) meeting of ministers in June 1994. A meeting devoted solely to the topic of employment, the G-7 Jobs Conference, was held in Detroit in March 1994.

Economic policies agreed to in 1993 and implemented by the G-7 countries have helped spur more vigorous demand growth and a revival of employment growth. Economic recovery has become well established in North America and the United Kingdom and is taking hold, albeit slowly, in continental Europe. The recession in Japan appears to have bottomed out. The OECD has just made the first upward revision to its growth forecast in three years.

Nonetheless, unemployment remains unacceptably high. While the recent rise in unemployment is cyclical, there is a growing recognition that a large portion of unemployment throughout the G-7 is structural and will remain even in the midst of robust economic growth. Governments agree with the OECD that promoting growth and employment requires mutually reinforcing macroeconomic policies based on low inflation and sound public finances; and it requires structural reforms that enhance the flexibility of economies and the capacity of firms and individuals to respond to the rapidly changing domestic and international environment.

Key Facts and Issues

The average unemployment rate among the G-7 is 7.1 per cent, up from 5.7 per cent in 1990 (Chart A). The number of unemployed is now close to 24 million. The OECD forecasts that the average unemployment rate among the G-7 countries over the next year will decline only slowly, as declines in Canada, the United Kingdom, and the United States are partially offset by further increases in continental Europe and in Japan. Canada's unemployment rate is expected to drop from 11.2 per cent in 1993 to about 10 per cent in 1995.

Much of the recent rise in unemployment throughout the G-7 has been due to the global recession. However, governments are increasingly concerned about the long-term upward trend in unemployment (Chart B), which suggests that unemployment will remain a serious problem even with economic growth unless appropriate measures are taken. This is because an important part of total unemployment is due to structural factors that prevent the efficient matching of supply and demand in labour markets. These structural impediments place a "floor" under the unemployment rate, causing it to remain unacceptably high even in an environment of strong economic growth.