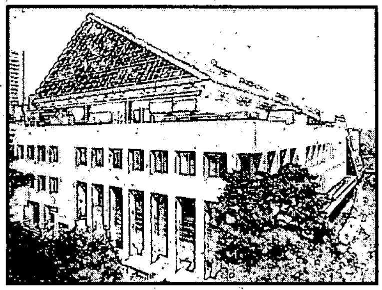
THE TOKYO ECONOMIC SUMMIT
JULY 7-9, 1993



SOMMET ÉCONOMIQUE DE TOKYO
7-9 JUILLET 1993

UNEMPLOYMENT IN G-7 COUNTRIES

Unemployment is expected to be a key issue at the 1993 economic summit in Tokyo. Governments of the seven major industrialized democracies (the G-7 countries) have already begun to put in place the key macroeconomic elements to support durable growth and job creation: deficit reduction in North America, lower interest rates in Europe and fiscal stimulus in Japan. There is a consensus that traditional macroeconomic policies need to be accompanied by structural reforms designed to make labour markets more flexible and individuals better prepared to adapt to changing economic conditions.

Over the past year, G-7 finance ministers have examined the problem of unemployment in the context of preparing a report on obstacles to growth and employment that leaders of G-7 governments requested at the Munich Summit in 1992. The report, focusing both on macroeconomic and structural policies, will be presented to leaders at this year's summit.

KEY FACTS AND ISSUES

In 1992, the average unemployment rate in the G-7 rose to 7.2 per cent, up sharply from 5.7 per cent only two years earlier (Table 1). The number of unemployed in G-7 countries was close to 24 million.

Much of the increase in unemployment over the past two years is due to the weak state of the global economy. Governments, however, are increasingly concerned that unemployment will remain a problem even when economic growth strengthens. This is because unemployment is at least partially a "structural" problem, explained by impediments to an efficient matching of supply and demand in the labour market.

One fact that suggests a structural problem is the upward trend in the G-7 unemployment rate since 1960 (Chart 1).

The Organization for Economic Co-operation and Development forecasts that the average unemployment rate in G-7 countries will peak at 7.6 per cent in the second half of this year, then start to decline slowly over the next year. For Canada, the OECD projects a gradual reduction in the unemployment rate, from 11.3 per cent in 1992 to 10.5 per cent by 1994.

The Canadian labour market is comparatively dynamic. In 1992, only 7 per cent of the unemployed in Canada were without a job for more than a year, compared with 46 per cent in the European Community. Correspondingly, the flows in and out of unemployment are relatively large in Canada. In 1988, a typical year before the onset of the last recession, 4.6 million Canadians — almost 40 per cent of our labour force — separated from their jobs, while 5 million found new jobs.

Furthermore, Canada has a solid record of job creation, having led the G-7 in employment growth over the past 30 years. Since 1960, the number of jobs in Canada has doubled. Over the same period, employment in the major European countries increased only 10 per cent (Chart 2). According to the International Monetary Fund and the OECD, Canada is expected to lead the G-7 in employment growth in 1993 and 1994.

Unemployment among youth is a subject of particular concern. In Canada, the youth unemployment rate, at 18 per cent, is considerably higher than the average rate among adults. In Germany, where apprenticeship

CANADA