

The Fraser Institute: Best Canadian Labour Markets Found in Alberta, Saskatchewan, and BC; Ontario and Quebec Flounder

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Alberta had the best performing labour market in North America between 2004 and 2008, the most recent years for which data are available, according to a new study released today by independent research organization the Fraser Institute. Saskatchewan was the second-best labour market in Canada, ranked eighth in North America, with British Columbia finishing third in Canada and ninth among all 10 provinces and 50 U.S. states. "During the period measured, Alberta experienced high private sector employment growth, low duration of unemployment, and high labour productivity, resulting in the best labour market performance in Canada and the United States," said Niels Veldhuis, Fraser Institute senior economist and co-author of the study.

The peer reviewed study, *Measuring Labour Markets in Canada and the United States: 2009 Edition*, assesses the performance of labour markets and examines characteristics that affect performance. The study includes an overall measure of labour market performance based on five indicators: total employment growth, private sector employment growth, unemployment rates, duration of unemployment, and labour productivity over the years 2004-2008.

The period studied is one in which most of North America experienced strong economic growth but Veldhuis notes that employment and unemployment data from the past 12 months show a deterioration in labour market performance for most provinces and U.S. states. However, he points out that even in an economic downturn, the top rated jurisdictions have continued to outperform those that are ranked poorly. "The provinces and states that performed well in the past five years have, on average, also done well in the past 12 months. For example, the top 30 jurisdictions have generally experienced much better employment growth and lower levels of unemployment than jurisdictions in the bottom half of the rankings," he said. "However, up to date data are only available for two indicators: employment growth and unemployment. An overall assessment of the impact of the recession on labour markets will need to wait until all data are available."

Overall, the top labour markets between 2004 and 2008 were found in Alberta, Nevada, Utah, Alaska, Idaho and Wyoming (tied at fifth), Arizona, Saskatchewan, and British Columbia, with New Mexico, Delaware, and Florida tied for 10th. Manitoba is the fourth ranked province, finishing 21st overall when compared to both Canadian provinces and US states. **Ontario and Quebec, Canada's most populous provinces, ranked 35th and 47th respectively.** Newfoundland & Labrador was the lowest rated province at 55th with the remainder of the Atlantic provinces all ranked in the bottom half on labour market performance.

The study also examines four aspects of labour markets that directly affect labour market performance: public sector employment, unionization, minimum wages, and labour relations laws.

Improving Labour Market Performance

"Many Canadian provinces have unfavourable labour market characteristics and regulations that lead to poor performance. This translates into fewer jobs, higher rates of unemployment, and lower productivity," Veldhuis said. "Provinces need to re-examine issues such as raising minimum wages, biased regulations that lead to high rates of unionization, and high levels of public sector employment." The study details how Canadian provinces tend to have much higher minimum wages than U.S. states, a factor that has an adverse effect on labour markets.

Seven Canadian provinces (Ontario, New Brunswick, British Columbia, Nova Scotia, Manitoba, Quebec, and Prince Edward Island) rank among the bottom 10 in the overall rankings. Other than Alberta and Newfoundland, Canada's provinces were in the bottom half of the rankings with minimum wages accounting for a higher percentage of GDP per worker. "Except for BC, every province increased its minimum wages in 2009, a move that will have adverse effects on employment just as the country appears poised to come out of recession," Veldhuis said.

Unionization is another aspect of the labour market where Canadian provinces and U.S. states diverge. From 2004 to 2008, Canada's average total unionization rate was 31.2 per cent compared with 13.7 per cent for the United States. High rates of unionization have been demonstrated to have an adverse impact on economic performance including reduced employment growth, profitability, and investment. One reason for high unionization rates in Canadian provinces is their relatively biased labour relations laws.

"Provincial labour relations laws inhibit the proper and efficient functioning of the labour market because they favour one group over another, prevent innovation and flexibility, and are overly prescriptive," Veldhuis said.

There is also a clear difference in public sector employment between Canada and the United States. From 2004 to 2008, Canadian provinces consistently maintained higher levels of public sector employment than U.S. states. Seven of the bottom 10 jurisdictions with the highest levels of public sector employment were Canadian provinces: Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Saskatchewan, Manitoba, and Newfoundland and Labrador. Research shows that different incentives in the public sector result in lower labour productivity. "As Canada emerges from recession, provinces need to consider changes to labour characteristics and regulations to encourage economic growth and boost the performance of their labour markets," Veldhuis said.

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