Measuring Labour Markets in Canada and the United States

2019 Edition

by Milagros Palacios, Joel Emes, and Steve Lafleur

Labour markets are the mechanism through which we allocate one of our most valuable and productive resources: human work, effort, creativity, and ingenuity. Labour markets match human skills, supplied by individuals seeking to earn a living, with the demand for labour by firms, governments, and households. Because labour markets are important, the public is often inundated with news stories, usually about changes in employment levels or unemployment rates. However, such stories do not generally provide a clear picture of how a jurisdiction's labour market is performing. There is a need for a comprehensive measure of the performance of labour markets to allow comparisons, which is the first step toward understanding differences in labour market conditions and addressing possible problems.

Measuring Labour Markets in Canada and the United States: 2019 Edition is the latest installment in ongoing research to assess the performance of labour markets. Indicators such as job creation, unemployment, and labour output are used to assess the performance of labour markets in the Canadian provinces and US states over the three-year period from 2016 to 2018. The study calculates an Index of Labour Market Performance, which is a composite measure of labour market performance based on eight equally weighted indicators: [1] average annual total employment growth, [2] average annual private-sector employment growth, [3] average total employment rate, [4] average private-sector employment rate, [5] average unemployment rate, [6] average long-term unemployment, [7] average share of involuntary part-time workers, and [8] average output per worker. The index scores range from zero to 100. A

higher score means a jurisdiction has a stronger performing labour market while a lower index score indicates a labour market with weaker performance.

Overall, Canada underperformed relative to the United States on the Index of Labour Market Performance. All Canadian provinces are ranked in the bottom half of the 60 jurisdictions, including the traditional economic engines of Canada, Alberta (ranked 53rd, with an index score of 45.8 out of 100) and Ontario (ranked 50th, with a score of 48.8 out of 100).

British Columbia (ranked 31st, score of 58.8) and Quebec (48th, 50.6) are the highest performing Canadian provinces, but neither is in the top half of jurisdictions on the overall index. Nine out of 10 Canadian provinces are in the bottom third (lowest

20 out of 60) of the index and three of the four lowest-ranked jurisdictions are Canadian provinces: New Brunswick, Nova Scotia, and Newfoundland & Labrador

Colorado topped the list of US states and Canadian provinces for overall labour market performance over the three-year period. The state's strong performance in total employment, private-sector employment rate, unemployment rate, and share of involuntary part-time workers enabled it to achieve the highest overall index score of 81.0 out of 100.

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Canadian provinces in bottom half of North American labour-market ranking

(2016-2018)

Index of Labour Market Performance
(score out of 100), 2016–2018

The scores are out of 100 and are based on a comprehensive index of eight indicators