

NEWS RELEASE

Despite improvements, Atlantic Canada's labour market still faces barriers to employment growth

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For immediate release

TORONTO— Atlantic Canada's labour market is catching up to the rest of the country, but still suffers higher unemployment and seasonality due to unnecessary barriers to job creation, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“A mix of high tax rates, lower productivity and an economy dominated by the government sector has hindered private-sector investment and job creation in Atlantic Canada,” said Fred McMahon, resident fellow at the Fraser Institute and co-author of *Returning to Normalcy: Unemployment and Seasonality in Atlantic Canada*.

The study finds that barriers to job creation in Atlantic Canada, which include high tax rates, a comparatively large government sector relative to the size of the economy, and a lack of private sector and investment, persist despite the region moving closer to Canadian norms in unemployment and seasonal work. Further, the study notes that reforms to Employment Insurance in 1996-97 contributed to lower regional unemployment, seasonality, and EI dependence.

Over the last 25 years, while unemployment and “seasonality” declined nationally, the declines in Atlantic Canada were larger, bringing the labour market in the region closer to the rest of the country. And yet, seasonality and unemployment in Atlantic Canada remain higher than the national average due to barriers to job creation:

- Disproportionately rewarding seasonal labour and higher levels of unemployment, especially in rural areas
- Governments in Atlantic Canada are far larger than in the rest of the country, with government spending equalling 54 per cent of the regional economy compared to 40 per cent nationally, leaving less room for private-sector job growth
- High tax rates reduce incentives for investment, entrepreneurship, job creation and skill development
- Productivity rates remain well below the national average, meaning labour costs are comparatively higher (especially in Nova Scotia)

“Ottawa's current plans to reform EI and increase access and reliability of seasonal benefits could bring back problems that plagued Atlantic Canada for decades,” McMahon said.

“Prior to the 1990 reforms, the generosity of Unemployment Insurance, as it was then called, devastated the Atlantic labour market. Dependence on UI, seasonality, and unemployment soared amid labour shortages as UI became more generous than work in many cases.”

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