

Ontario Unemployment Rates Fall with Full-time Job Gain

This issue:

- Some further improvement in Canada's labour market in June
- Kitchener's labour market improved in June

Special feature:

- Health and the Recession

Labour Market News is published quarterly, providing an economist's view of labour market trends and policy issues.

Canada's unemployment rate has gradually yet steadily been falling since December 2009 to 7.9% in June. Ontario had a larger drop in its unemployment

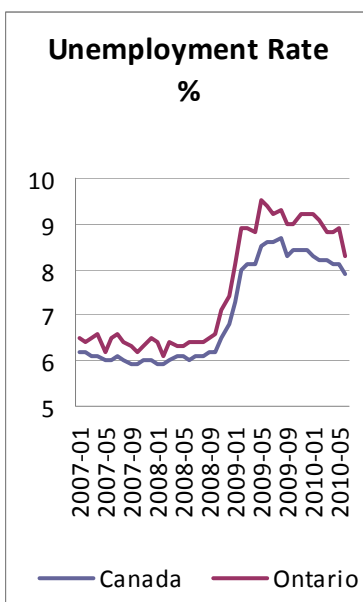


Fig 1. Trends in unemployment rates

rate, with a fall from 8.9% to 8.3% (Fig 1). 93,200 jobs were created in June across the country. Most of this job gain happened in Ontario, where 60,300 jobs were created. Of 60,300 jobs created in Ontario in June, 42,500 were full-time employment, which was accounted for 87% of the full-time job created in June across the country.

The unemployment rate among young people (aged 15-24) fell to 14.6% in Canada, although there has been relatively little movement in that rate since January (Fig 2). In contrast, in Ontario, youth un-

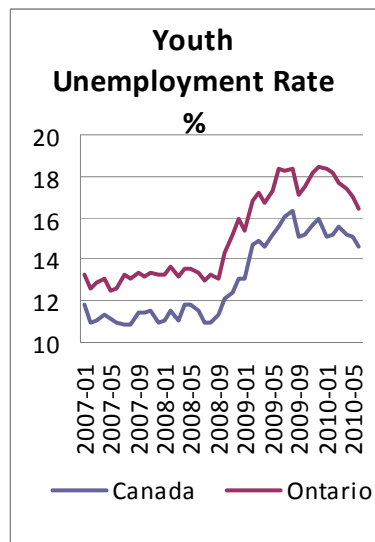


Fig 2. Youth unemployment

employment rates are steadily declining since December 2009 to 16.4% in June.

Kitchener's Labour Market improved in June

Not all Ontario cities have the same labour market experience (Fig. 3). Unemployment and employment rates were virtually unchanged in Toronto. The most notable change happened in Kitchener (CMA), where the unemployment rate declined by 1.7 percentage point and employment rate increased by 3.7 percentage point from March. The June unemployment rate in Kitchener was 7.9%, which is much higher than the city's average unemployment rate before the recession (Fig.

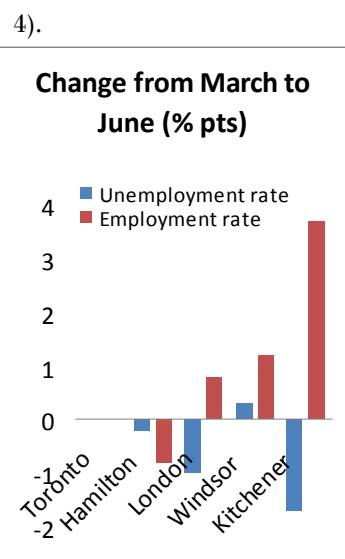


Fig 3. Changes in unemployment

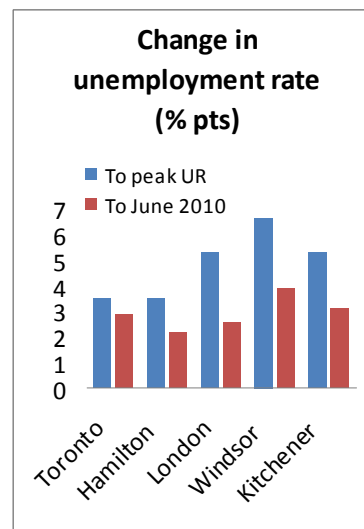


Fig 4. Changes in unemployment rate, pre-recession to peak unemployment

Similarly in London, the unemployment rate declined and the employment rate increased in June. In Windsor, both unemployment and employment rates increased partly because more people entered in the labour force. On the other hand, in Hamilton, unemployment rate slightly declined yet employment rate also declined.

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Health and the Recession

Relationship between Health and the Recession

There is a large body of research that studies the relationship between individual health status (such as self-assessed health status and mortality) and unemployment. Generally, those studies find that individuals who experienced unemployment tend to have worse health outcomes than those without unemployment experience. In the case of mortality and unemployment, the reason for this relationship seems to be that, in the short-run, unemployment causes higher stress, and in the long-run, the significant financial losses caused by unemployment that contribute higher mortality rates.

There is another strand of research, growing over the last decade, that studies the relationship between health and aggregate economic conditions. In particular, the research in this area shows that recession may be good for health. For example, Ruhm (2000) argues that during the recession, people have more time to engage in health-enhancing activities such as exercise, and shows that a one-percentage increase in the state unemployment rate in the U.S. is associated with 0.5-0.6% reduction in that state's mortality rate among prime-age workers. Indeed, subsequent studies by Ruhm (2003, 2005) and Ruhm and Black (2002) show that during recession, mortality rates decline due to fewer motor vehicle accidents and homicides, and physical health improves as people improve their exercise and diet. Nuemayer (2004) shows a similar effect occurs in Germany, and Gerdtham and Ruhm (2006) show the same pattern using country-level data for the OECD.

Health and the Recession in Canada?

There is no research examining the relationship between health and the recession based on Canadian experience at this point. Although it is beyond the scope of this news letter, we can take a quick look at this relationship. Fig. 5 plots the trend in mortality and unemployment rates since 1976 in Canada. The blue line indicates the mortality rates in ten thousands (seasonally adjusted), and the red line indicates the unemployment rates. Based on this figure, there seems no clear relationship between mortality and the recession in Canada.

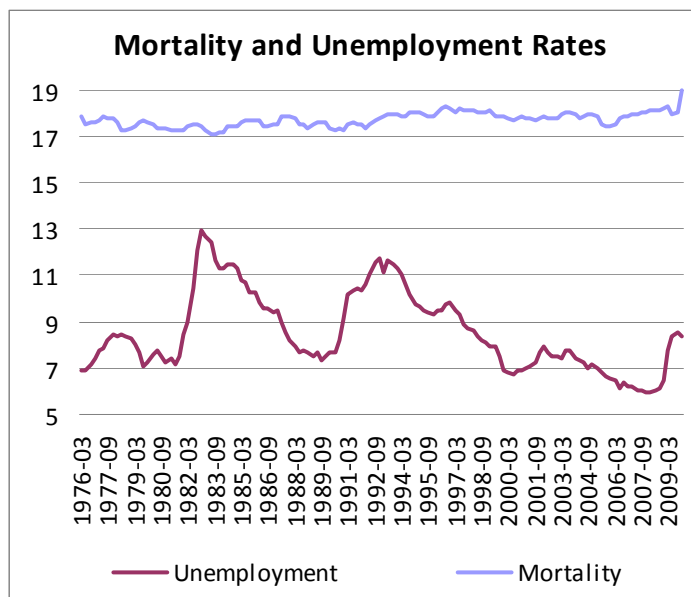


Fig 5. Mortality and Unemployment rates 1976-2009 (Canada, quarterly)

However, this does not mean that there is no relationship between health and the recession in Canada. It means the relationship may be so complicated that it requires more research design etc. as in all the above cited research.

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