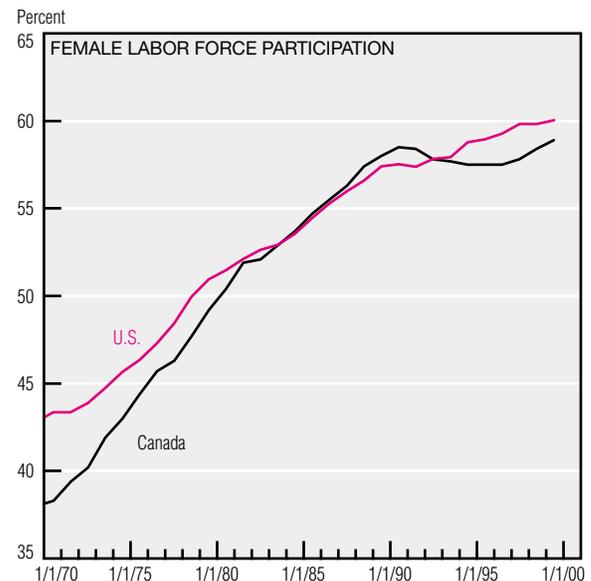
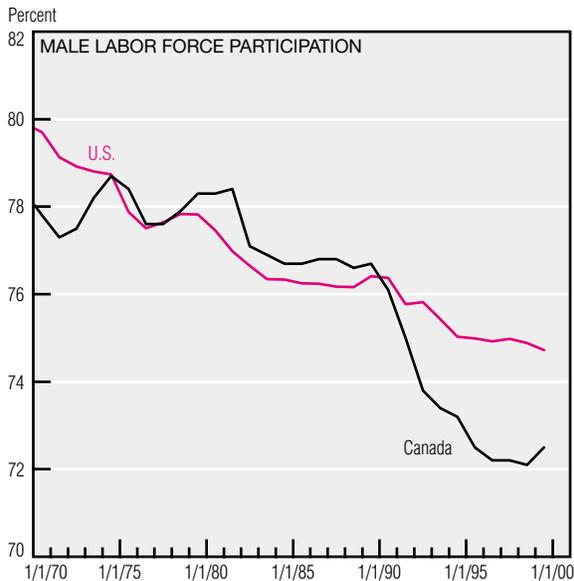
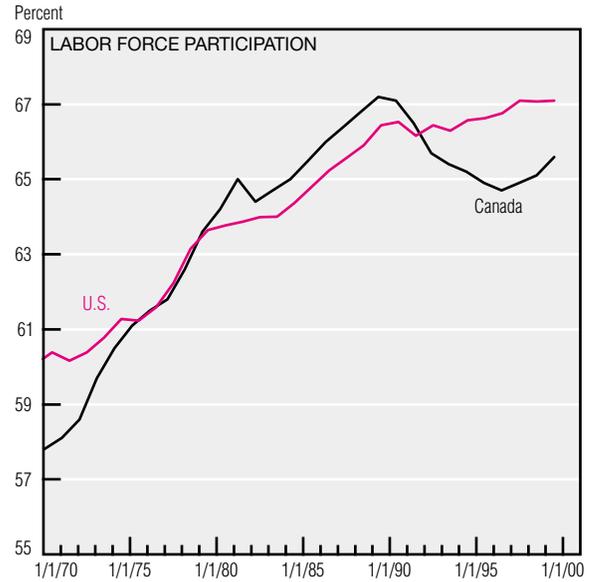
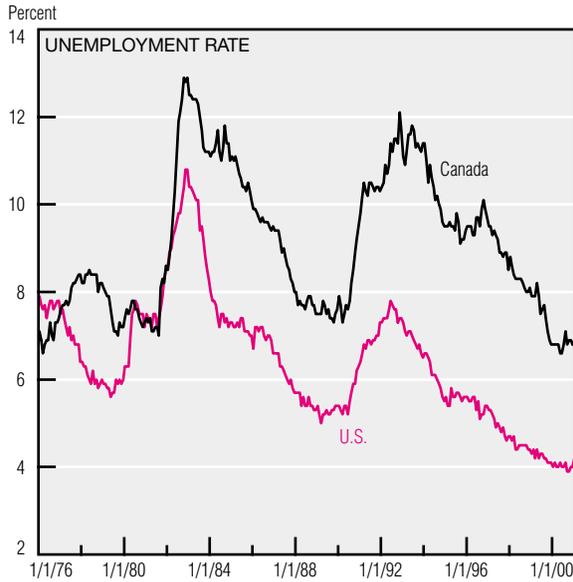


Unemployment in Canada and the U.S.



SOURCES: U.S. Department of Commerce, Bureau of Labor Statistics and Bureau of Economic Analysis; Board of Governors of the Federal Reserve System; International Monetary Fund, International Financial Statistics; Bank of Canada; and Statistics Canada.

Since the early 1980s, the U.S. unemployment rate has been about two percentage points lower than Canada's. Before that time, the two countries' unemployment rates were almost identical. The relative strength of the U.S. economy can account for its lower unemployment in the 1990s, but what might explain the differences in the previous decade?

U.S. unemployment insurance benefits became taxable in the 1980s, while eligibility requirements became tougher and benefits shrank. Over the same period, Canada's unemployment insurance system changed little, if at all. As a result,

the U.S. system became relatively less generous. A less generous system gave some unemployed U.S. workers an incentive to take jobs that were previously unacceptable, thus lowering the country's unemployment rate. But the story does not end there. Other workers had an incentive to exit the labor market in the 1980s because of changes in the U.S. system, lowering U.S. participation rates relative to Canada's.

The difference in the two countries' participation rates did, in fact, narrow. Before the 1980s, the U.S. rate was higher than Canada's but their positions reversed over the decade.

U.S. participation rates for both men and women fell relative to Canada's. Participation rates for males have generally fallen over the past 30 years. During the 1980s, however, men's rates fell to a lesser degree in Canada than in the U.S. Participation rates for females have generally risen over the past 30 years. Until the early 1980s, U.S. females' participation rates exceeded Canadian females'. During the 1980s, female participation rates were about the same for both countries, implying a relative decline for U.S. women during that decade.