

Labor Force Attachment in the US and Canada

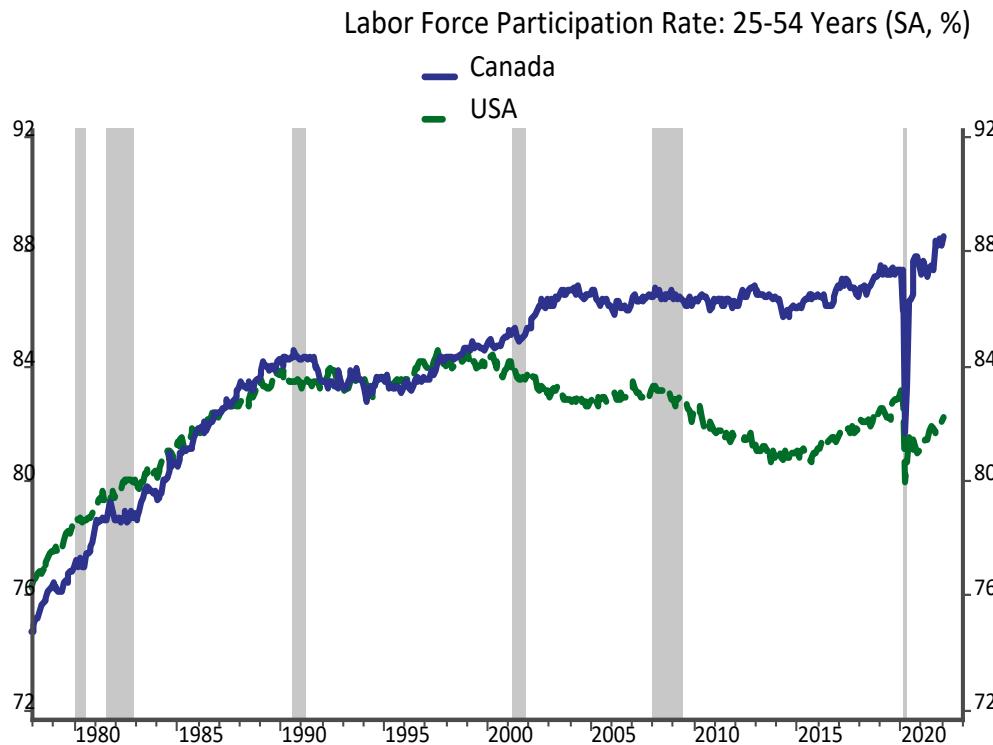
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Julia Coronado

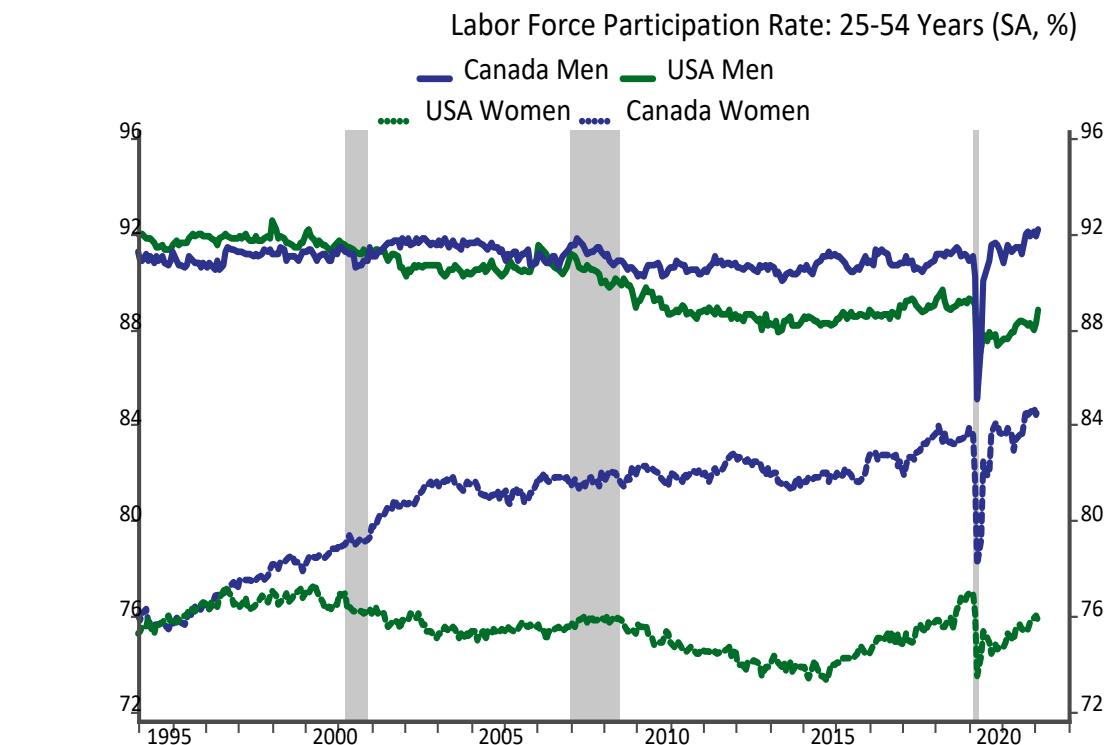


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Canada Enjoys Far Greater Labor Force Participation than the US



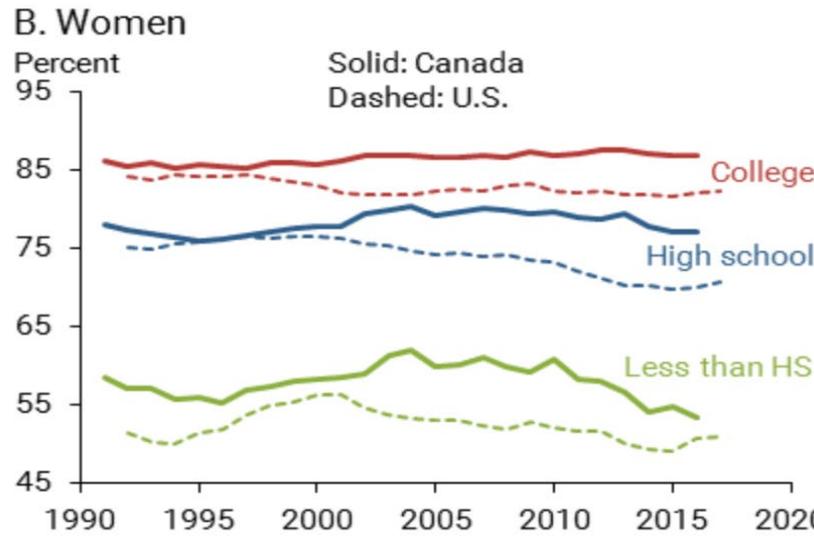
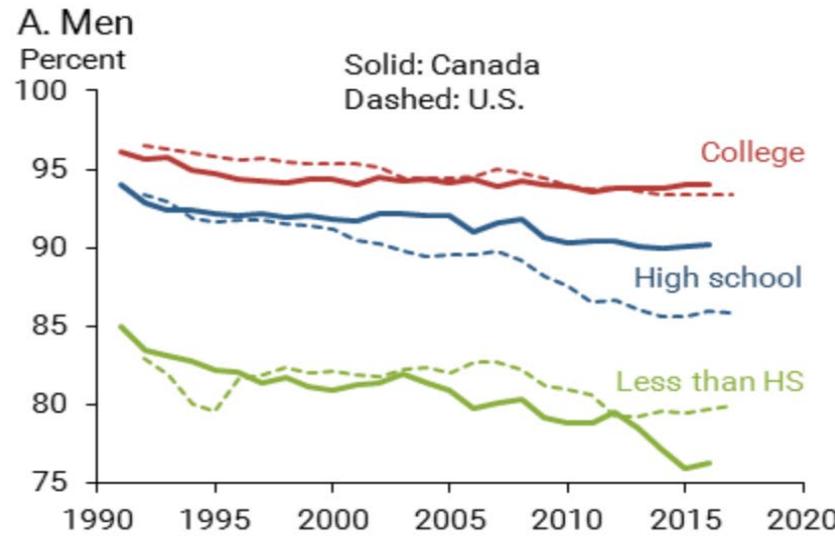
Sources: StatCan, BLS/Haver/Macropolicy Perspectives LLC



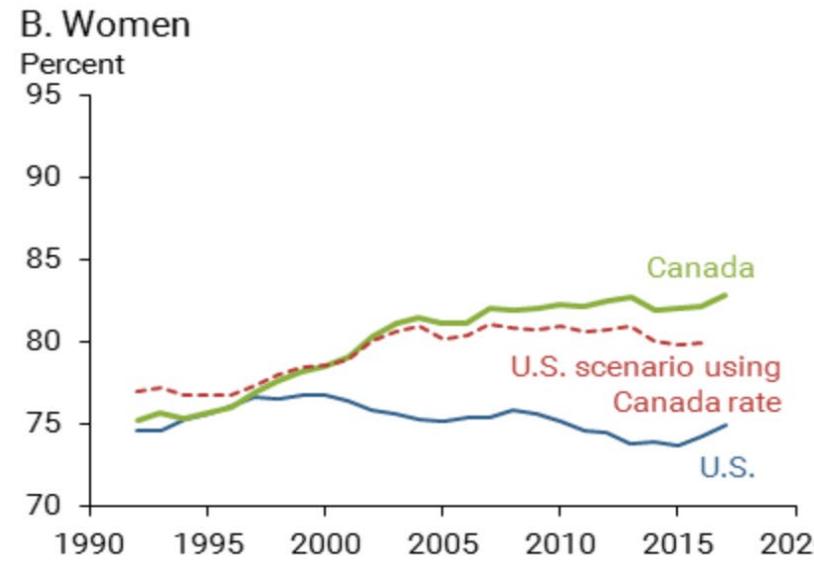
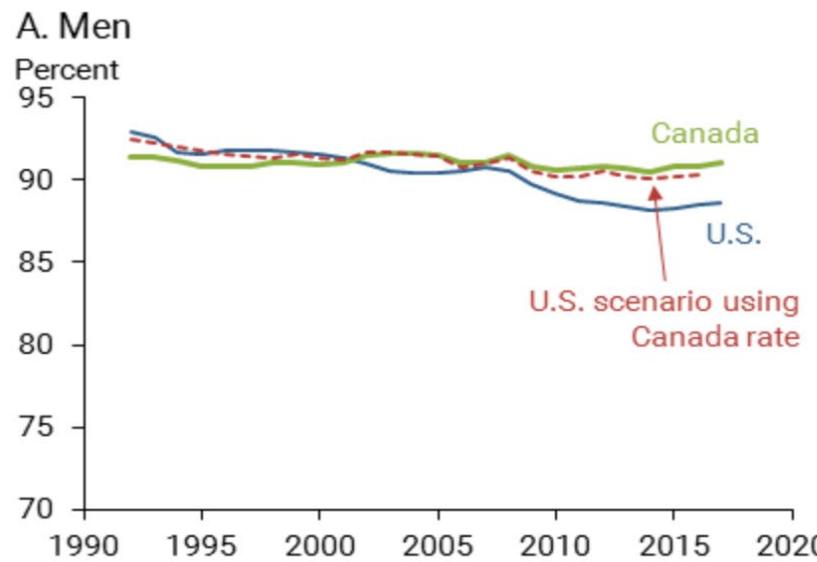
Sources: StatCan, BLS/Haver/Macropolicy Perspectives LLC

- Differences in measurement concepts account for a few tenths of higher Canadian LFP
- LFP used to be quite similar, both countries experienced a rise in female LFP in the 70s/80s
- The gap opened up for women in the late 1990s, Men in the aftermath of the housing crisis

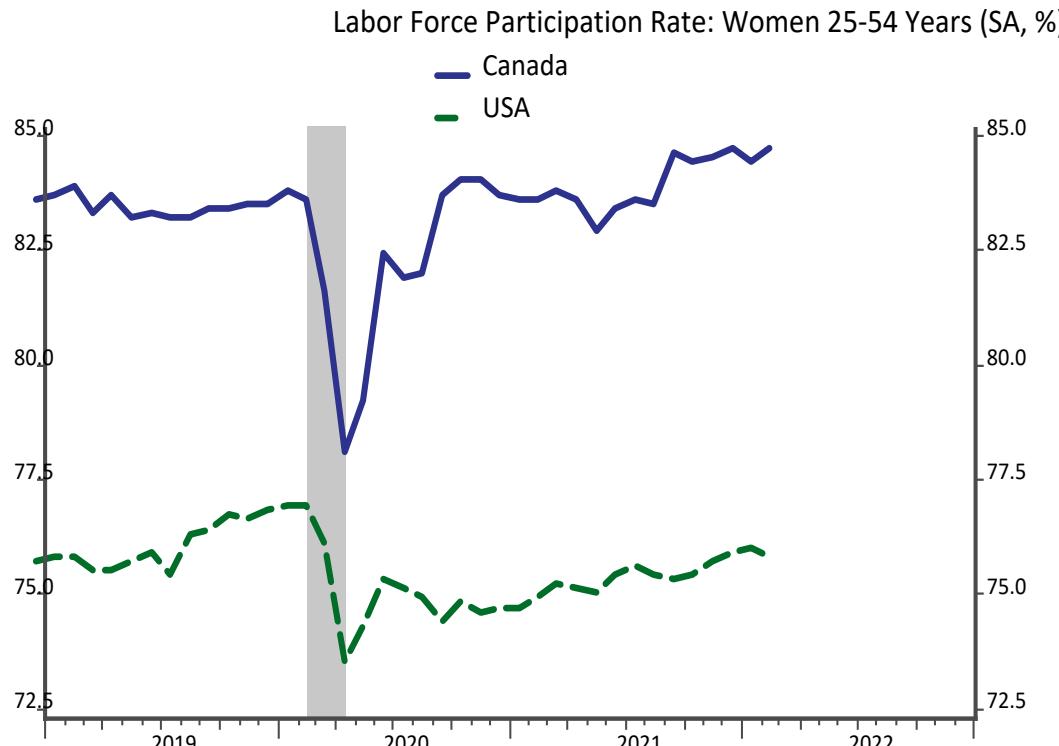
Higher education rates are an important driver of differences in participation



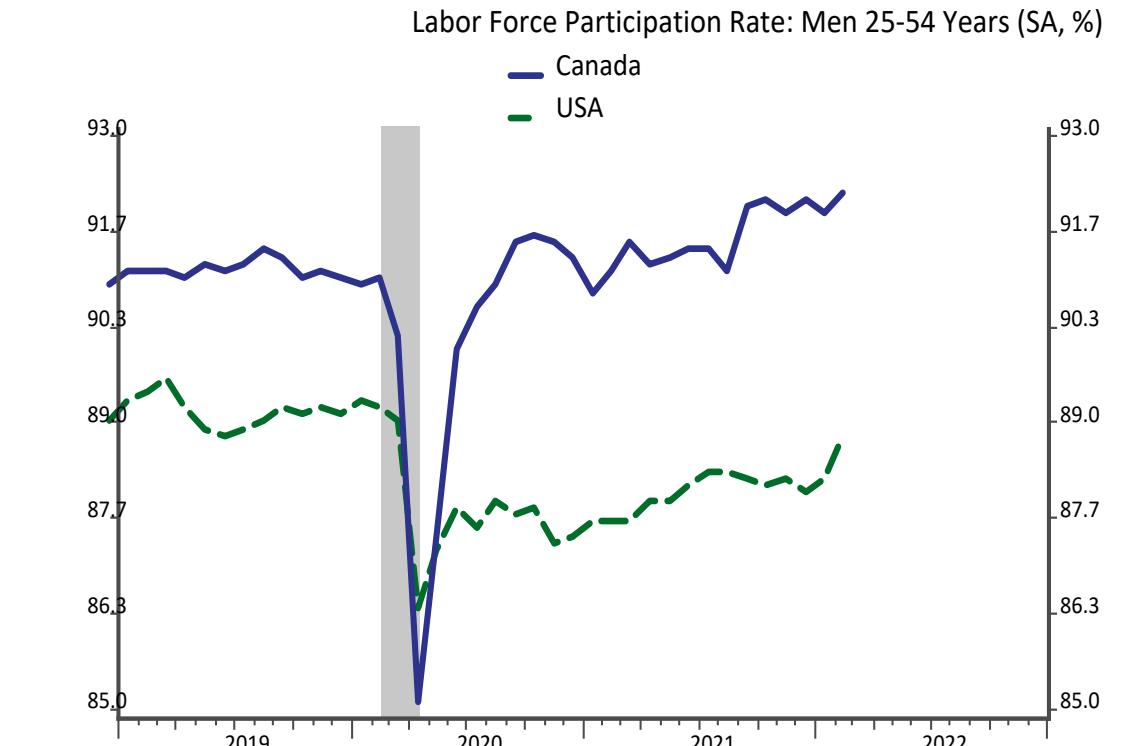
- Most of the difference in Women's Pre COVID LFP can be explained by difference in education, the rest by more generous parental leave policies in Canada (more so than childcare)
- Differences in education explain nearly all the pre COVID difference for men
- Canadians study "overeducation"—rising college graduation rates and highly educated immigrants mean the supply of workers w/ a degree is rising faster than jobs requiring one.³



Canada has more than recovered from COVID hit and upward trends continue



Sources: StatCan, BLS/Haver/Macropolicy Perspectives LLC



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	USA		Canada	
Emergency Support to Workers	Enhanced UI \$600/week PEUC benefit extension to UI	Mar - Jul 20 PEUC: Mar 20 - Sep 21	CERB \$2000/month if lost employment due to COVID	Mar - Sep 20
Support for self-employed and contractors	PUA Up to 50 weeks of UI	Mar 20 - Sep 21	CRB \$500/week up to 38 weeks	Sep 20 - Oct 21
Direct Payments	\$3200 adults + \$2500/dependent	Mar 20; Jan 21; Apr 21	\$0	
Policy to keep employees/employers connected	PPP forgivable loans for 2.5x payroll costs	Mar - Jun 20; Jan - May 21	CEWS 75% subsidy of employee wages up to \$58k	Mar 20 - Oct 21
Emergency Child Benefits	Child Tax Credit increased and paid monthly \$300/child/month	Jul - Dec 21	Extra \$300/child/month May 2020; Extra \$1200/child under 6 in 2021	May 20; 2021
Ongoing Support for Workers	Standard state administered UI		\$300/week if can't work due to local lockdowns	Oct 21 - May 22
Emergency Sickness Benefits	EPSLA 2 weeks paid sick leave (current is FMLA unpaid)	Mar 20 - Sep 21	\$500/week up to 6 weeks if unable to work COVID related	Sep 20 - May 22
Emergency Caregiving Benefits	EFMLEA 10 weeks paid leave if unable to work because must care for child/family (current is FMLA unpaid)	Mar 20- Sep 21	\$500/week for up to 44 weeks if unable to work because must care for child/family	Sep 20 - May 22

PEUC = Pandemic Emergency Unemployment Compensation

PUA = Pandemic Unemployment Assistance

PPP = Paycheck Protection Program

EPSLA = Emergency Paid Sick Leave Act

EFMLEA = Emergency Family & Medical Leave Expansion Act

FMLA = Family & Medical Leave Act

CERB = Canada Emergency Response Benefit

CRB = Canada Recovery Benefit

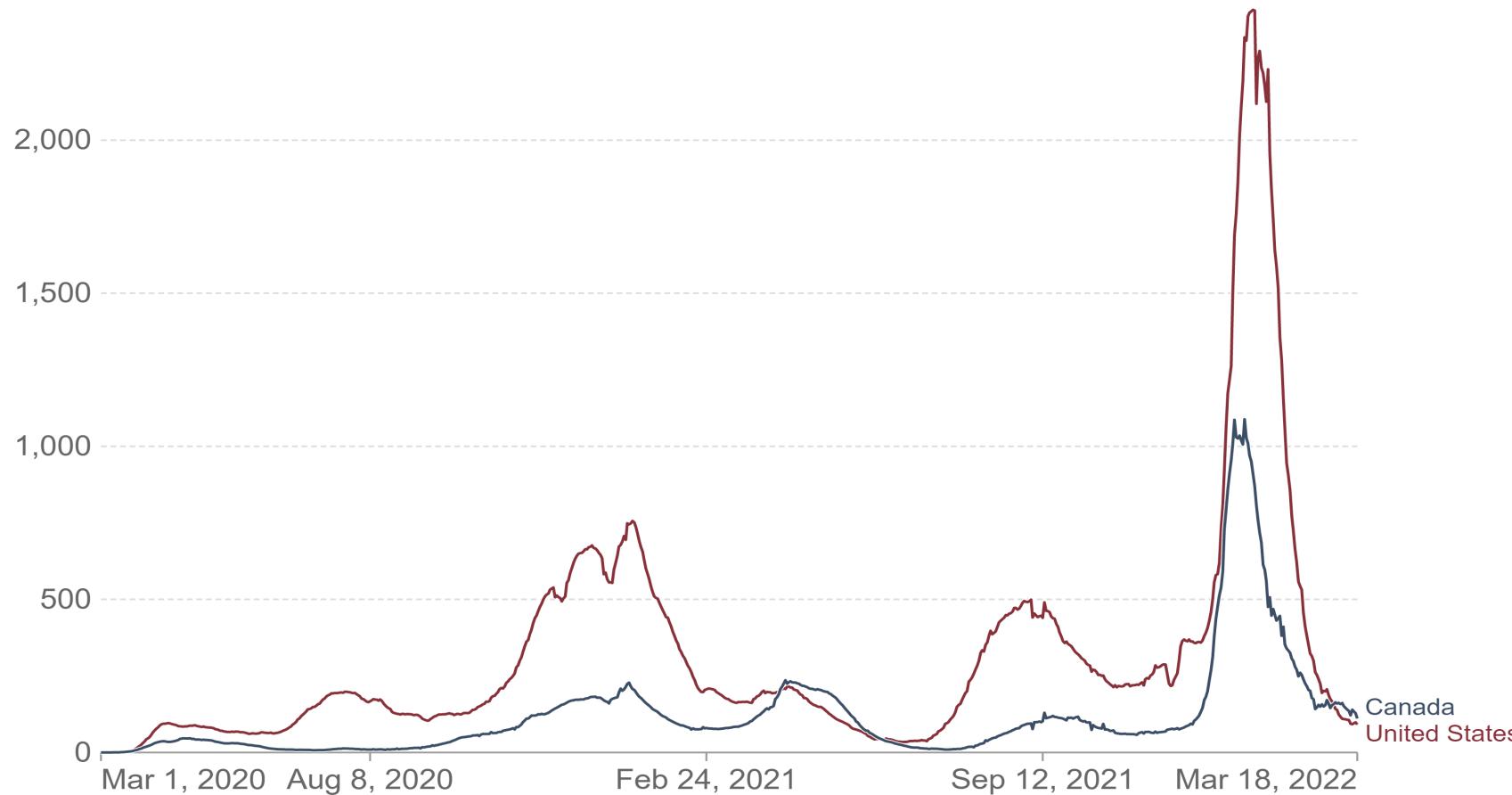
CEWS = Canada Emergency Wage Subsidy

COVID was more disruptive in the US

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

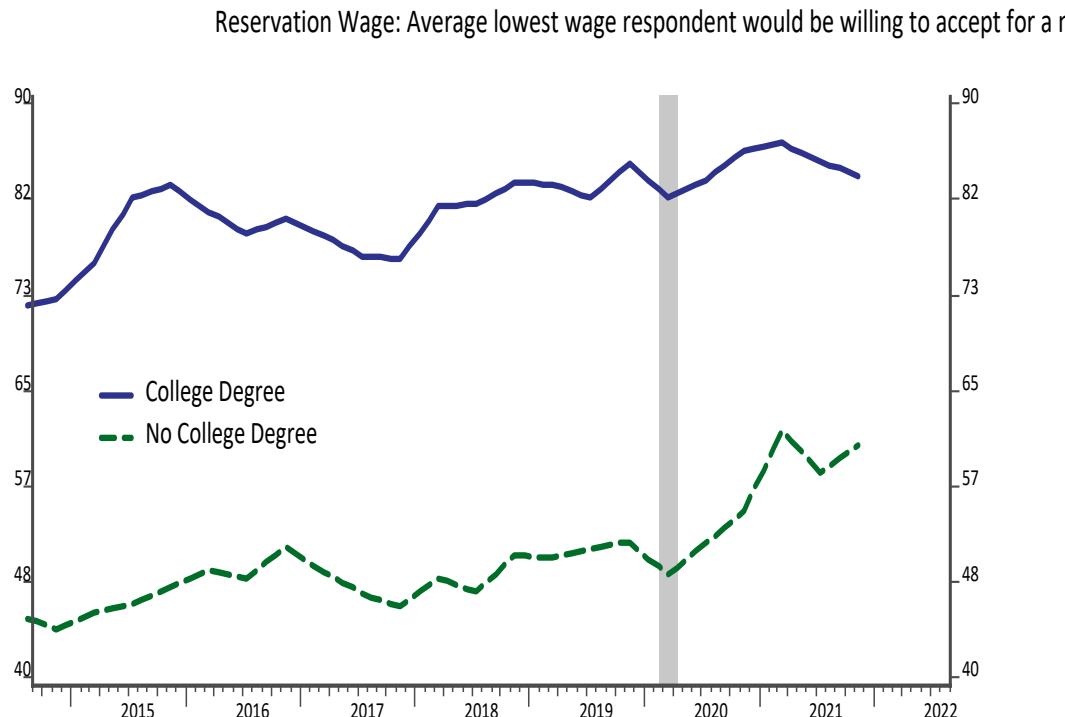
Our World
in Data



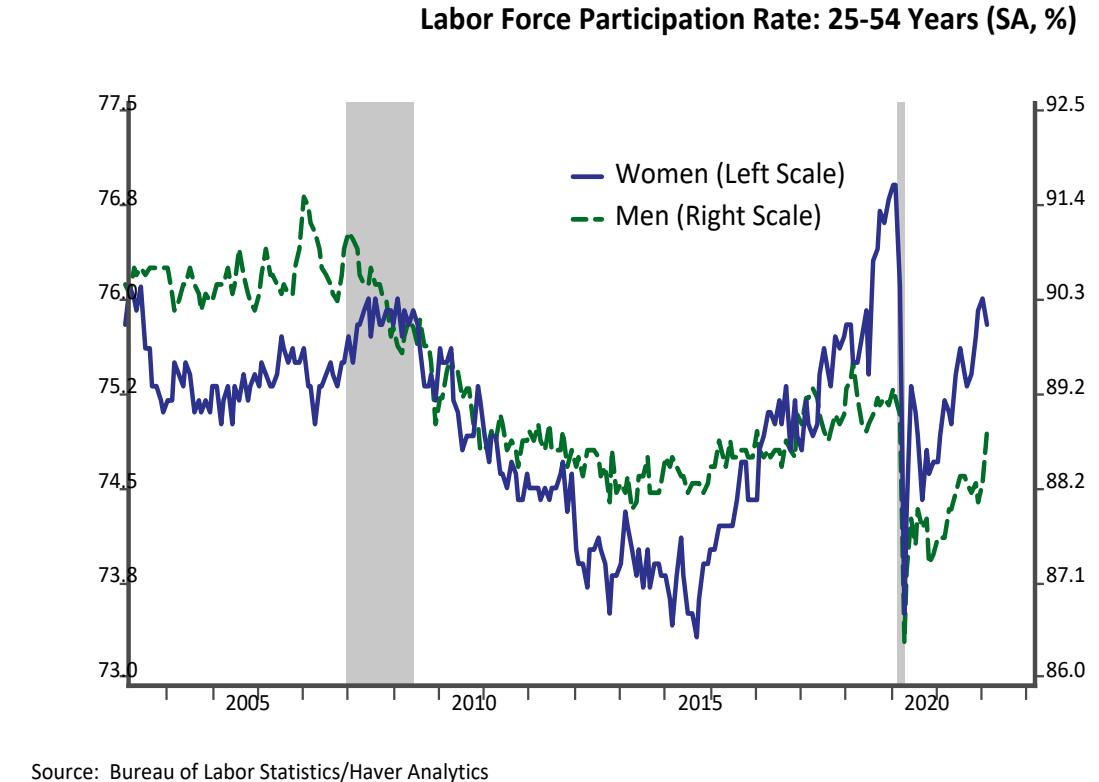
Source: Johns Hopkins University CSSE COVID-19 Data

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US reservation wages may have risen on COVID/cash support



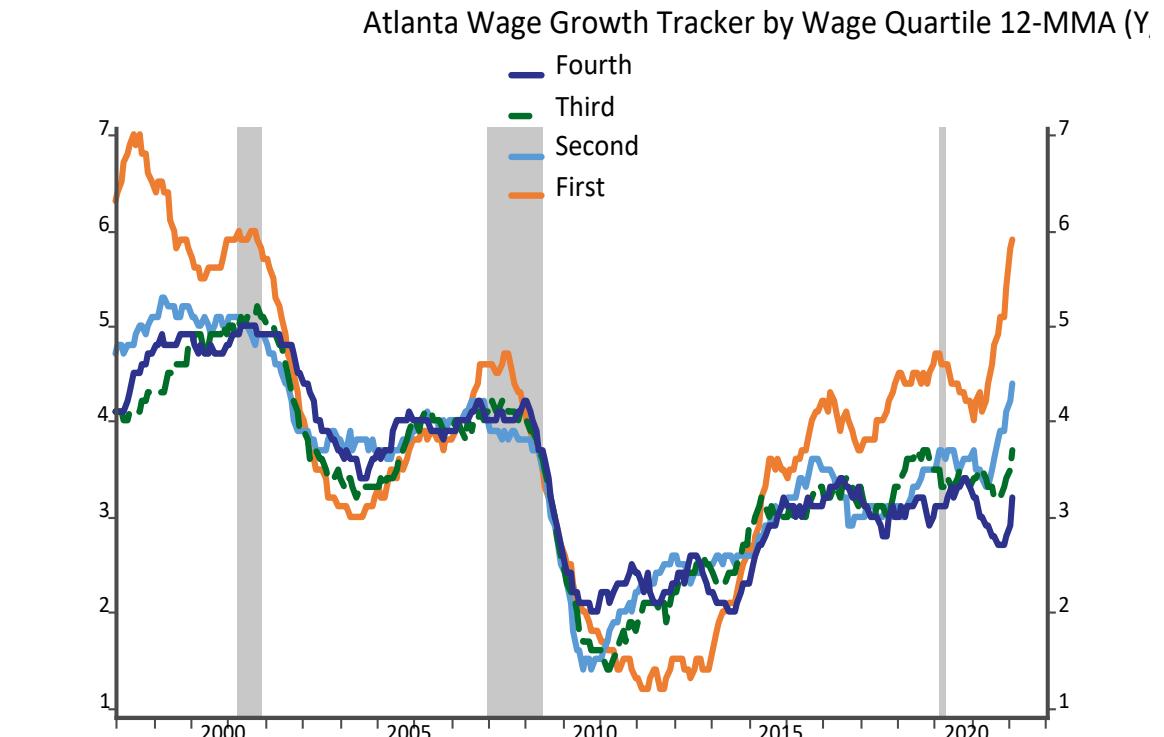
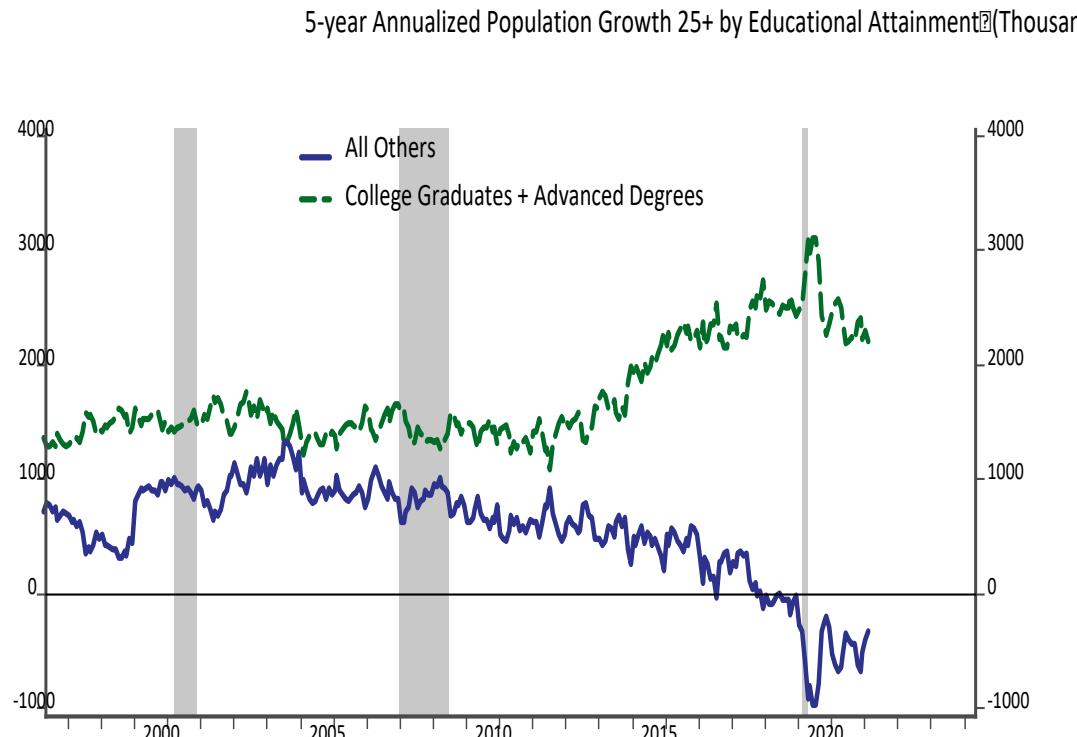
Source: Federal Reserve Bank of New York/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

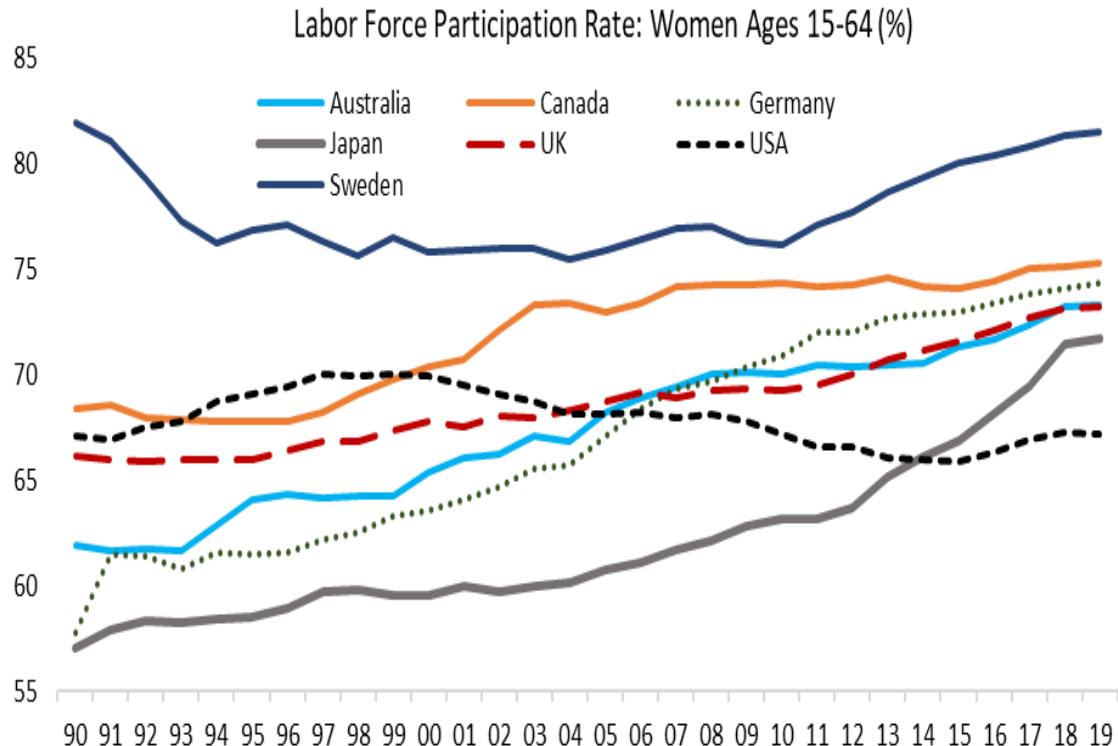
The wage workers require may have been boosted by worse disease/weaker childcare infrastructure/greater cash support, but a LFP recovery is now underway for women and men in the US

A Canadian style immigration system may bring unintended consequences

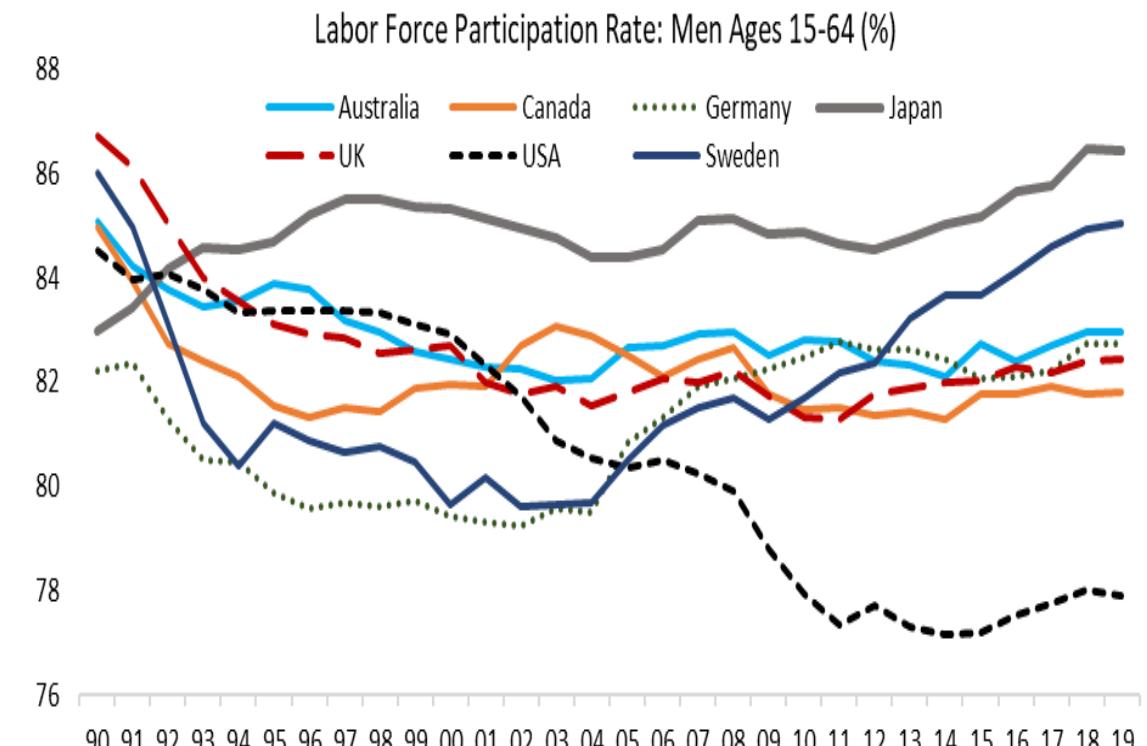


Canada struggles with overeducation and in the US scarcity is increasingly concentrated among lower wage jobs

The US underperforms nearly all advanced economies for LFP among women and men



Source: World Bank



Source: World Bank

Conclusions

- Canadian prime aged labor force participation has fully recovered its pandemic dip and continued on upward trends for men and women, likely reflecting a less severe pandemic, stronger pre COVID attachment, and policies that targeted employee/employer relationships over cash benefits
- More highly educated immigrants and rising college graduation rates in Canada have contributed to stronger labor force attachment, but also a problem with under utilization of a more highly educated workforce
- Research shows more generous family leave benefits contribute to stronger labor force attachment and better workforce dynamics, childcare infrastructure plays a supporting role
- In the US reservation wages may have been boosted by COVID/childcare challenges/cash benefits but a recovery among prime age women and men is now underway