Labor Force Attachment in the US and Canada

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Canada enjoys far greater labor force participation than the US.

- 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.

Sources: StatCan, BLS/Haver/Macropolicy Perspectives LLC.
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.

Source: FRBSF Economic Letter “Why Aren’t US Workers Working?” Nov 2018
Canada has more than recovered from COVID hit and upward trends continue

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<th>Issue</th>
<th>USA</th>
<th>Canada</th>
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<td><strong>Emergency Support to Workers</strong></td>
<td>Enhanced UI $600/week&lt;br&gt;PEUC&lt;br&gt;benefit extension to UI</td>
<td>Mar - Jul 20&lt;br&gt;PEUC: Mar 20 - Sep 21</td>
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<td><strong>Support for self-employed and contractors</strong></td>
<td>PUA&lt;br&gt;Up to 50 weeks of UI</td>
<td>Mar 20 - Sep 21</td>
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<td><strong>Direct Payments</strong></td>
<td>$3200 adults + $2500/dependent</td>
<td>Mar 20; Jan 21; Apr 21</td>
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<td><strong>Policy to keep employees/employers connected</strong></td>
<td>PPP forgivable loans for 2.5x payroll costs</td>
<td>Mar - Jun 20; Jan - May 21</td>
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<td><strong>Emergency Child Benefits</strong></td>
<td>Child Tax Credit increased and paid monthly&lt;br&gt;$300/child/month</td>
<td>Jul - Dec 21</td>
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<td><strong>Ongoing Support for Workers</strong></td>
<td>Standard state administered UI</td>
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<td><strong>Emergency Sickness Benefits</strong></td>
<td>EPSLA 2 weeks paid sick leave&lt;br&gt;(current is FMLA unpaid)</td>
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<td><strong>Emergency Caregiving Benefits</strong></td>
<td>EFMLEA 10 weeks paid leave if unable to work because must care for child/family&lt;br&gt;(current is FMLA unpaid)</td>
<td>Mar 20 - Sep 21</td>
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PEUC = Pandemic Emergency Unemployment Compensation<br>PUA = Pandemic Unemployment Assistance<br>PPP = Paycheck Protection Program<br>EPSLA = Emergency Paid Sick Leave Act<br>EFMLEA = Emergency Family & Medical Leave Expansion Act<br>FMLA = Family & Medical Leave Act<br>CERB = Canada Emergency Response Benefit<br>CRB = Canada Recovery Benefit<br>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.

Source: Johns Hopkins University CSSE COVID-19 Data
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

Source: BLS/Haver/Macropolicy Perspectives LLC

Source: FRBATL/Haver/Macropolicy Perspectives LLC
The US underperforms nearly all advanced economies for LFP among women and men.
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