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The Economic Crisis through the Lens of Economic Wellbeing

SPECIAL REPORT

JEAN-FRANÇOIS ARSENAULT AND ANDREW SHARPE
Centre for the Study of Living Standards (CSLS)

CANADIAN Index OF WELLBEING

Measuring what matters

Abstract

This report looks at how the economic crisis has unfolded in Canada and what will be the impacts on economic wellbeing. The shortfall is estimated to be approximately $12,000 ($2007) per capita. In other words, given no economic crisis, GDP per capita in Canada would have likely been $1,736 higher on average each year over the 2008-2014 period. Between October 2008 – the month at which employment peaked in Canada – and May 2009, net employment fell by 362,500 persons. The negative effects of unemployment go well beyond loss of income. Roughly 60 percent of the newly unemployed, compared to about 40 percent in recent years, receive regular EI benefits, reflecting the concentration of employment losses among long term full-time employees (e.g. auto workers). Based on the experience of the recession of the early 1990s, we should expect an increase of about 4 percentage points in the after-tax poverty rate, which would reach 13.2 percent in 2010.

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Executive Summary

In this report, we look at how the economic crisis has unfolded in Canada and what will be the potential impacts on economic wellbeing. A number of key findings follow from our analysis:

- The current recession will impose significant costs on the economy as a whole. While the exact size of this cost will largely depend on the speed of the recovery, the shortfall is estimated to be approximately $12,000 ($2007) per capita. In other words, given no economic crisis, GDP per capita in Canada would have likely been $1,736 higher on average each year over the 2008-2014 period. The effect of the crisis on economic production is projected to last to 2015.

- At the aggregate level, despite a significant decline in the first quarter of 2009, real per-capita personal income and personal disposable income remain above their pre-recessionary level attained in 2008Q3, in large part because of a 1.0 percent decline in consumer prices. Nonetheless, they are below the peak reached in the first quarter of 2008 and are likely to decline further in coming quarters.

- Aggregate estimates of income fail to capture the fact that income losses are concentrated among a few individuals or households. In general, income losses affect households at the bottom of the distribution more than those at the top.

- The current recession has reduced wealth significantly. It is estimated that between May 2008 and February 2009 – respectively the peak and trough of the current wealth cycle – average nominal net worth per household declined 15 percent. Once again, these figures fail to capture the variety of experiences.

- Between October 2008 – the month at which employment peaked in Canada – and May 2009, net employment fell by 362,500 persons. The job losses were entirely due to decreases in full-time employment. The entire employment decline was in the employee category (down 365,900 persons). Self-employment increased slightly over the period (3,400 persons).

- As a result, the unemployment rate increased from 5.8 percent in January 2008 to 8.4 percent in May 2009. The rate will continue to increase if the economy fails to grow at or beyond potential.

- In recent years, the employment insurance (EI) system has provided benefits to only about 40 to 45 percent of the unemployed. A larger proportion of the newly unemployed, roughly 60 percent, receive regular EI benefits, reflecting the concentration of employment losses among long term full-time employees (e.g. auto workers). Nonetheless, many newly unemployed without the required hours of work remain without EI coverage.

- Based on the experience of the recession of the early 1990s, the poverty rate should increase about as much as the unemployment rate in percentage points. If the unemployment rate peaks around ten percent in 2010 as is currently projected, we should expect an increase of about 4 percentage points in the after-tax poverty rate, which would reach 13.2 percent in 2010. It will most probably take many years, possibly up to a decade, for poverty in Canada to return to its 2007 level. For example, it took 18 years for Canada to return to its 1989 poverty rate level after the recession of the early 1990s.

Since the mid-1990s economic growth in Canada has been robust, with positive effects on the standards of living of Canadians. It is now evident that the current recession will erase many of these gains and it will be many years before we return to the unemployment and poverty levels enjoyed before the recession hit.

The report concludes that from a public policy perspective, there are two priorities in dealing with the recession. First, since the costs of the recession are very unevenly distributed, hitting primarily those who lose their jobs, it is important from both an equity and efficiency perspective that these individuals be treated with particular care and that income supplement and retraining programs be designed and implemented to meet their needs. Second, it is important that governments offset as much as possible the shortfall in private spending that prevents the economy from operating at full capacity. Fortunately, Canada is currently well positioned to accomplish these objectives due to its low debt to GDP ratio.

I. Introduction

The roots of the current economic crisis are well known: reckless lending practices in the United States – primarily in the form of subprime mortgage loans – turned into colossal losses when inflated asset prices stopped increasing and then regressed in late 2007. With losses mounting, panic spread across the financial industry. The crisis deepened in September 2008 as a significant number of financial firms, from banks to mortgage lenders and insurers, failed or had to be bailed-out by governments. Stock markets worldwide crashed and a global recession ensued. In the face of mounting pressure, governments and central banks worldwide took aggressive steps to mitigate the effects of the crisis.

While the recession originated in the United States, it spread rapidly across much of the world. From a global perspective, the current crisis is the worst since the Great Depression of the 1930s (Yalnizyan, 2009). Indeed, the World Bank's most recent forecast is for a 2.9 percent decline in global output in 2009 (World Bank, 2009). In this report, we look at how the crisis unfolded in Canada and what are the impacts on measures of economic wellbeing. We first look at the magnitude of the crisis in terms of output, as well as assess the channels through which output weakened. Second, we turn our attention to the effect of the crisis on per-capita GDP, GDI, personal income and personal disposable income, as well as estimate the likely shortfall - in the form of the output gap - due to the recession. Third, we assess the effect of the crisis on wealth. Fourth, we focus on the effect of the crisis on labour markets, and discuss the potential distributional impact of recent and future changes in terms of employment. Finally, we discuss the quality of the social safety net to address concerns about the effects of the economic crisis and the potential effects on poverty in the future.

II. The Characteristics of the Current Recession

Between the peak of 2008Q3 and 2009Q1, real output has fallen 2.3 percent in Canada (Table 1). Despite its source in a deep financial crisis, the current recession, in Canada at least, displays characteristics typical of most recessions: the most volatile components of GDP, namely investment and inventories, were the first to react. A common perception is that Canada's recession was caused primarily by a fall in exports, due both to declining commodity prices and the difficulties in the automobile manufacturing sector. While exports have indeed fallen at a rapid pace (a total of 13 percent), imports have declined even more (16.9 percent), with trade thus helping cushion the fall in output over the period by adding 1.6 percentage points to GDP. Government spending also played a role in ensuring the economy did not fall into an even deeper recession, adding roughly 0.3 percentage points to GDP over the period.

Table 1: Components of the Decline in Real Output in Terms of Expenditure, 2008Q3 to 2009Q1

	Share of Nominal GDP (2008Q3)	2008Q3 to 2009Q1		
		Percent Change	Percentage Point Contribution to GDP Change	Percent Contribution to GDP Change
Gross domestic product at market prices	100.0	-2.3	-2.3	100.0
Personal expenditure	55.2	-1.2	-0.7	28.6
Government expenditure	19.3	0.9	0.2	-7.9
Government gross fixed capital formation	3.4	2.4	0.1	-3.5
Government investment in inventories	0.0	-89.5	0.0	-0.2
Business gross fixed capital formation	19.2	-11.4	-2.3	99.7
Business investment in inventories	0.8	-138.9	-1.4	59.4
Exports minus imports	2.2	-	1.6	-68.6
Exports	36.1	-13.0	-4.6	197.9
Deduct: imports	33.9	-16.9	-6.2	266.5

Source: Taken from Appendix Table 1. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Business investment (in particular machinery and equipment) and business inventories, the most volatile portions of GDP, were the first to react to the economic downturn, shaving 3.7 percentage points off GDP growth over the period. In other words, despite accounting for only one-fifth of the economy, these two components of expenditure accounted for more than one and a half times the total decline in output.[1] Lower investment levels are in line with a substantial decline in capacity utilization rate, which fell 9 percentage points between 2008Q3 and 2009Q1 in the industrial sector (Appendix Table 14). Indeed, investing makes little sense when idle capacity is on the increase.

[1] Business investment in inventories turned negative in the first quarter of 2009, most probably reflecting an earlier build-up in inventories. Within business investment (both residential and non-residential), investment in machinery and equipment was by far the biggest contributor to the decline, accounting for 60 percent of the decline despite accounting for only one-third of investment or only six percent of GDP. Growth in these two components of GDP could turn positive quite rapidly if business and consumer confidence were to increase.

Expenditure by households, which account for more than half total expenditure in Canada, was more resilient, falling only 1.2 percent and accounting for 29 percent of the decline. This pattern is typical of earlier recessions, and suggests that if business and consumer confidence increases economic growth could return quite rapidly.

Another way to analyze the first two quarters of the recession is to focus on GDP from an income perspective, that is, to examine who has suffered a decline in income rather than who has decreased expenditure. GDP on an income basis is only available in nominal terms, and has fallen 6.7 percent between 2008Q3 and 2009Q1 (Table 2). This decline was almost entirely due to falling corporate profits, which fell 41.7 percent over the two quarters, accounting for 6.1 percentage points or 90.5 percent of the total GDP decline. This finding, of course, is in line with falling business investment in capital and inventories. From a household perspective, there was basically no loss of nominal income from wages and salaries (which account for more than half of GDP), but the decline in investment income was more substantial (down 14.4 percent, accounting for 0.8 percentage points or 11.4 percent of the total decline).

Table 2: Components of the Decline in Nominal GDP in Terms of Income, 2008Q3 to 2009Q1

	Share of Nominal GDP (2008Q3)	2008 Q3 to 2009 Q1		
		Percent Change	Percentage Point Contribution to GDP change	Percent Contribution to GDP change
Gross domestic product at market prices	100.0	-6.7	-6.7	100.0
Wages, salaries and supp. labour income	50.7	-0.1	0.0	0.7
Corporation profits before taxes	14.6	-41.7	-6.1	90.5
Government business profits before taxes	0.9	-10.5	-0.1	1.4
Interest and miscellaneous investment income	5.3	-14.4	-0.8	11.4
Accrued net income of farm operators	0.2	-63.3	-0.1	2.2
Net income of non-farm unincorporated business	5.8	2.0	0.1	-1.8
Inventory valuation adjustment	-0.5	-115.6	0.5	-7.9
Taxes less subsidies, on factors of production	4.3	-2.4	-0.1	1.6
Taxes less subsidies, on products	5.9	-4.7	-0.3	4.1
Capital consumption allowances	12.8	2.4	0.3	-4.7
Statistical discrepancy	0.1	-297.9	-0.2	2.5

Source: From Appendix Table 2. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Of all the other categories (altogether accounting for 30 percent of GDP), none had an effect larger than 0.5 percentage points on nominal GDP growth over the first two quarters of the recession. As a final note, it is important to emphasize that the effect of recessions on wages and salaries tend to occur later in the cycle as workers are laid off, so these findings do not suggest that aggregate wages and salaries will not fall as a result of the current downturn.

A third way to decompose the fall in GDP since the beginning of the recession is to look at the industry composition. From Table 3, it is clear that the brunt of the recession has occurred in goods-producing industries, where production declined 6.6 percent compared to only 1.0

percent in services-producing industries since the beginning of the recession. In fact, all goods-producing industries have exhibited negative real GDP growth between 2008Q3 and 2009Q1. Moreover, with the exception of agriculture, forestry, fishing and hunting, all goods-producing declined at least as rapidly as the total economy. The goods sector as a whole accounted for about three-quarters of the decline, despite accounting for roughly only 30 percent of output in Canada. Manufacturing, which accounted for roughly 15 percent of Canada's output before the crisis, explained 55.6 percent of the GDP decline since the beginning of the recession. Construction (-4.5 percent) and mining and oil and gas (-4.4 percent) were also hit particularly hard – they accounted for 10.2 percent and 7.4 percent of the decline respectively. In the services sector, wholesale trade was by far the most hard-hit industry, with output declining 11.1 percent (accounting for almost a quarter of the total GDP decline).

Table 3: Industry Components of the Decline in Real Output, 2008Q3 to 2009Q1

	Share of Real GDP (2008Q3)	2008 Q3 to 2009 Q1		
		Percent Change	Percentage Point Contribution to GDP change	Percent Contribution to GDP change
All Industries	**100.0**	**-2.7**	**-2.7**	**100.0**
Goods-producing sector	**29.7**	**-6.6**	**-2.0**	**72.1**
Agriculture, Forestry, Fishing, and Hunting	2.1	-0.4	0.0	0.3
Mining and Oil and Gas Extraction	4.5	-4.4	-0.2	7.4
Utilities	2.5	-2.7	-0.1	2.5
Construction	6.1	-4.5	-0.3	10.2
Manufacturing	14.4	-10.6	-1.5	55.6
Services-producing sector	**70.5**	**-1.0**	**-0.7**	**24.6**
Wholesale Trade	5.8	-11.1	-0.6	23.5
Retail Trade	6.1	-2.8	-0.2	6.2
Transportation and Warehousing	4.6	-3.6	-0.2	6.2
Information and Cultural Industries	3.7	0.4	0.0	-0.5
Finance and Insurance	6.5	-0.4	0.0	1.0
Real Estate and Rental and Leasing	12.9	1.2	0.1	-5.5
Professional, Scientific, and Technical Services	4.8	-0.4	0.0	0.7
Administration and Support Services	2.5	-2.1	-0.1	1.9
Educational Services	4.9	1.3	0.1	-2.4
Health Care and Social Assistance	6.5	1.7	0.1	-3.9
Arts, Entertainment, and Recreation	1.0	1.7	0.0	-0.6
Accommodation and Food Services	2.2	-0.8	0.0	0.6
Other Services (Except Public Administration)	2.7	0.7	0.0	-0.6
Public Administration	5.7	0.9	0.0	-1.8

Source: From Appendix Table 3. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

III. The Effects of the Current Recession on the Income of Canadians

In spite of some similarities in characteristics noted above, the cause of the 2008-2009 recession in Canada is fundamentally different from those of the early 1980s and the early 1990s, both of which were engineered to restrain inflation. In the words of Pierre Fortin (2009), the current recession is 'systemic' rather than 'strategic'. The real question, however, is what will be the effect of this recession and how deep it will turn out to be. In this section, we first look at how the recession has affected different measures of income over the 2008Q3-2009Q1 period. We then estimate the potential shortfall in GDP from per capita from potential related to the economic crisis.

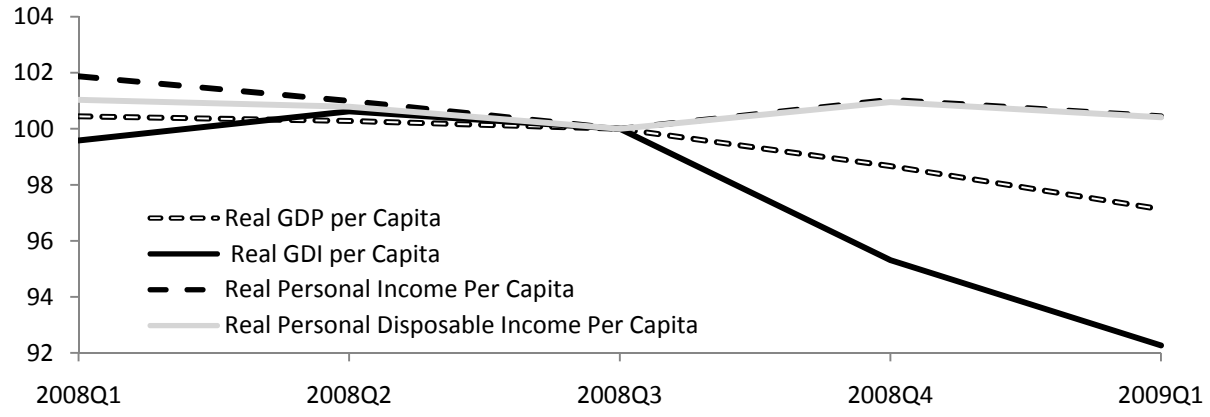
A. Income measures

The effect of the recession on wellbeing can not only be measured in terms of GDP, but also in terms of gross domestic income (GDI), personal income and personal disposable income, all of which capture slightly different elements of the crisis. Nonetheless, wellbeing is most commonly proxied using real GDP per capita. In Canada, due to a 2.3 percent decrease in output and a 0.6 percent increase in population, real GDP per capita declined 2.9 percent between 2008Q3 and 2009Q1, from $39,790 to $38,645 ($2002). Before the crisis, real GDP per capita was already falling from its peak of $40,143 reached in 2007Q3 (Chart 1).

The difference between GDP and GDI stems from changes in Canada's international terms of trade, which represent the ratio of export prices to import prices.[2] Taking changes in terms of trade into account is important for understanding growth in consumption and investment. Since 2002, with oil prices increasing rapidly, the price of Canada's exports grew much more rapidly than the price of imports, and GDI significantly outperformed GDP. This trend reversed in late 2008, with real GDI per capita falling 7.7 percent between 2008Q3 and 2009Q1. This dramatic fall reflects an important fall in Canada's terms of trade, and a realignment of trends for per-capita real GDI and GDP. It also suggests that downward pressure on the income of individuals and households may be greater than suggested by the GDP decline in the medium term.

[2] Real GDP is derived by the separate deflation of all expenditure components including exports and imports. Real GDI is derived by deflating the nominal net exports component of GDP by final domestic demand prices and the other expenditure components by the same deflator as for GDP. Deflating imports and exports separately means that only changes in 'volume' are captured. By deflating net exports only, the changing 'value' of exports and imports is incorporated in the resulting measure of income, thus reflecting Canada's command over resources.

Chart 1: Measure of Real Income per Capita, 2008Q1-2009Q1 (2008Q3 = 100)



Source: Appendix Table 5.

GDP and GDI per capita are generally not considered the most appropriate indicators of standards of living of individuals because they include corporate profits and depreciation and exclude government transfers payments to persons. For this reason, personal income and personal disposable income are better measures for tracking trends in living standards for individuals and households. Personal income includes employment earnings, interest payments, dividend payments and government transfers to persons. Direct taxes paid to government (income taxes, contributions to employment insurance and non-autonomous pension plans and other transfers to governments) are removed from personal income to obtain personal disposable income. On a per-capita basis, real personal income ($32,010 in $2002 in 2008Q3) and real personal disposable income ($24,885 in $2002 in 2008Q3) have proved more resilient than real GDP per capita since the onset of the crisis as they exclude corporate profits which, as noted earlier, has been the income component of GDP experiencing the greatest decline. In fact, between 2008Q3 and 2009Q1, both measures have actually increased 0.4 percent. Yet, since their peak in 2008Q1, they decreased 1.4 percent and 0.6 percent respectively.[3]

[3] Over the last thirty years, the number of households increased more rapidly than population in Canada. If this trend continued in 2008-2009, the per-household decline would be even larger than the per-capita decline.

Table 4: Personal Nominal Income by Component, seasonally adjusted at annual rates
(millions of dollars)

	Personal Income	Wages, salaries and supplemen-tary labour income	Unincorp-orated business net income	Interest, dividends and miscellaneous investment income	Transfers from governments, corporations and non-residents	Savings	Disposable income
	A = B + C + D + E	B	C	D	E	F	G
2008Q1	1,217,668	812,496	93,516	141,508	170,148	31,280	938,832
2008Q2	1,222,648	820,916	95,500	142,144	164,088	31,848	948,596
2008Q3	1,229,092	827,116	97,860	140,304	163,812	29,876	955,512
2008Q4	1,236,932	831,936	98,108	138,328	168,560	47,152	960,852
2009Q1	1,229,160	826,304	97,432	134,192	171,232	45,060	955,260
Nominal Change (Dollars)							
2008Q3 to 2008Q4	7,840	4,820	248	-1,976	4,748	17,276	5,340
2008Q4 to 2009Q1	-7,772	-5,632	-676	-4,136	2,672	-2,092	-5,592
2008Q3 to 2009Q1	68	-812	-428	-6,112	7,420	15,184	-252
Nominal Change (Percent)							
2008Q3 to 2008Q4	0.6	0.6	0.3	-1.4	2.9	57.8	0.6
2008Q4 to 2009Q1	-0.6	-0.7	-0.7	-3.0	1.6	-4.4	-0.6
2008Q3 to 2009Q1	0.0	-0.1	-0.4	-4.4	4.5	50.8	0.0

Source: Taken from Appendix Table 6. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

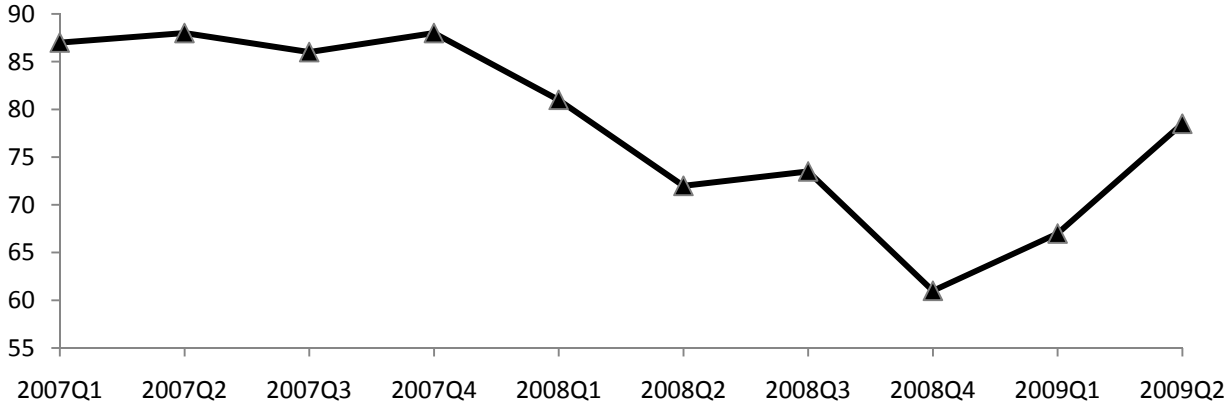
Recent trends in nominal personal income, personal disposable income and their components are shown in Table 4. Nominal personal income decreased significantly in the first quarter of 2009 ($7.8 billion). This sharp decrease completely offset the increase that took place in the last quarter of 2008, with wage, salaries and supplementary labour income (-$812 million), unincorporated business net income (-$428 million) and interest, dividends and miscellaneous investment income (-$6.1 billion) all falling between 2008Q3 and 2009Q1. An increase in transfers from governments ($7,420 million) – primarily in the form of additional employment insurance and social security benefits – offset these falls an helped maintain aggregate nominal personal income at its pre-recession level. The trend in personal disposable income, which takes into account taxes paid to governments, followed the same trend as personal income over the two quarters.

As was noted earlier, on a real per-capita basis, personal income and personal disposable income both increased 0.4 percent over the 2008Q3-2009Q1 period. The 0.4 percent increase was due to a decline of 1.0 percent in prices as measured by the CPI, which was partially offset by a 0.6 percent increase in population. Together with no changes in nominal terms, both measures thus experienced a 0.4 percent increase over the period.

Savings increased 58 percent between the third and fourth quarter of 2008, well before the fall in personal income or wages, suggesting that consumers were taking necessary precautions to protect against a potential future loss of income. The small decline in the level of savings (as

well as in the saving rate) between the fourth quarter of 2008 and the first quarter of 2009 may reflect increased confidence about the future from consumers. This evidence fits well with polling of consumer confidence, which shows a dramatic increase from its trough in December 2008 (Chart 2). The Harris/Decima-Investors Group consumer index, which is based on consumer perception of current and future economic conditions, increased from 61.0 in late 2008 to 78.5 in the second quarter of 2009, a stark reversal of trend.

Chart 2: Harris/Decima-Investors Group Consumer Confidence Index, 2007Q1 to 2008Q4



Source: Harris/Decima-Investors Group (2009)

These data suggest that from an income perspective consumers are not much worse off today that they were six months ago. Yet, a number of points must be emphasized. First, the effect of the recession on income is felt primarily through the labour market, which generally lags other macroeconomic indicators by about one quarter. Indeed, firms take time to adjust to new economic realities and it is likely that personal income will fall significantly in the coming quarters as it did in 2009Q1.

Second, aggregate changes in income do not take into account the asymmetric impact it has on different individuals. A one percent decline in aggregate personal income is never shared equally across the population. Instead, it is generally concentrated in a small proportion of individuals or households who completely lose their main source of income through unemployment, a phenomenon which is not captured by aggregate variables. Data on consumer bankruptcies, which capture this effect, provide a stark picture: Consumer bankruptcies increased 35 percent between 2008Q1 and 2009Q1, from 20,466 to 27,542 (Appendix Table 12). Consumer insolvencies, a concept that includes both bankruptcies and proposals,[4] increase even faster year-over-year (36 percent).

Finally, it is important to mention that in general the asymmetry in loss of income is highly regressive, with lower and middle income households experiencing much larger percentage losses of income than higher income households. For example, in the last two recessions in Canada, the average market income of bottom quintile family units decreased by 37.8 and 71.4 percent respectively, compared to only 3.0 and 5.1 percent for top quintile family units (Table

[4] A proposal is an offer to creditors to settle debts under conditions other than the existing terms.

5).[5] The pattern was similar, albeit much less definite, for after-tax income because of the progressivity of transfers and taxes in Canada. There is no reason to believe that the current recession will be different in terms of the distributional impact of income losses. In other words, the effects of the recession on wellbeing will go well beyond those captured by aggregate or average income measures.

Table 5: Peak-to-trough decline in average real market and after-tax income of Canadian family units in the recessions of 1982-1983 and 1990-1993, by quintile

	Market Income		After-Tax Income	
	1980 to 1983	1989 to 1993	1980 to 1983	1989 to 1993
Bottom Quintile	-37.8	-71.4	-4.1	-11.7
Second Quintile	-20.5	-36.0	-9.3	-12.7
Third Quintile	-12.6	-19.2	-9.1	-11.2
Fourth Quintile	-7.7	-10.4	-6.7	-7.9
Top Quintile	-3.0	-5.1	-4.0	-5.6
All Family Units	-8.3	-12.5	-6.1	-8.4

Source: CSLS calculation based on Statistics Canada, CANSIM Table 202-0701.

B. The Shortfall

An interesting metric of the impact of a recession on standards of living is the value of foregone output directly related to poor economic performance, or in economic terms the cumulative value of the output gap.[6] Fortin (2009) measured the cumulative output gap for four past recessions (Table 6) and provided an estimate for the current recession. Of these past recessions, the Great Depression was by far the worst, imposing a total cost of more than three years of production, or about $5 trillion if it were to occur in today's economy. Obviously, the total cost of the recessions is highly correlated to the length of time for which economic activity remains below potential. In the early 1980s, the recession was sharp, with output falling 2.9 percent between 1981 and 1982, but the recovery was equally rapid, with output increasing 2.7 percent, 5.8 percent and 4.8 percent in 1983, 1984 and 1985 respectively (Chart 3). As a result, the cost of the recession was relatively small, about $370 billion if it were to occur today. In comparison, the recession of the early 1990s, with its protracted recovery, was nearly three times more costly.

[5] It must be noted that these data are not panel data, which means that it is not necessarily the same households in each quintile at both the beginning and end period.

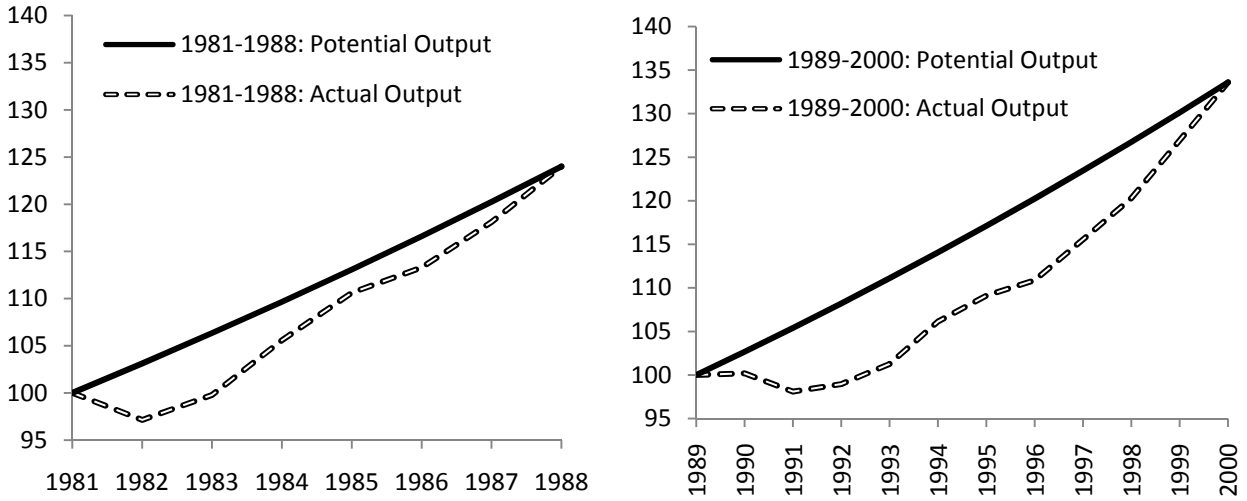
[6] The output gap in a given year is the percentage by which actual GDP falls short of potential GDP in that year. For example, if in the first year of the recession output grows 1.0 percent instead of its potential 2.5 percent, the shortfall is 1.5 percent of GDP. In the second year, if GDP declines 1.5 percent, then the shortfall for that year is the difference between GDP in year two and potential GDP in year two, that is 5 percent. To close the output gap in the third year, the economy would have to grow 7.5 percent, or 5 percent above potential. The cumulative output gap is the arithmetic sum of annual output gaps over all years of a given episode. Recessions can best be compared by using the cumulative percentage point output gap.

Table 6: Length, depth and macroeconomic cost of four past Canadian recessions

Episode	Length	Maximum Output Gap	Cumulative Output Gap	2009 Equivalent Cost
1929-1942	12 years	37.4% in 1933	302.6%	$4,990 billion
1956-1966	9 years	7.9% in 1961	42.1%	$690 billion
1981-1988	6 years	6.2% in 1983	22.4%	$370 billion
1989-2000	10 years	8.9% in 1993	62.3%	$1,030 billion
2008-2014	7 years	5.9% in 2010	23.2%	$383 billion

Sources: Fortin (2009). Estimates for the 2008-2014 recession are based on IMF forecasts.

Chart 3: Index of Actual and Potential Output in Canada, 1981-1988 and 1989-2000



Source: CSLS calculations based on Fortin (2009)

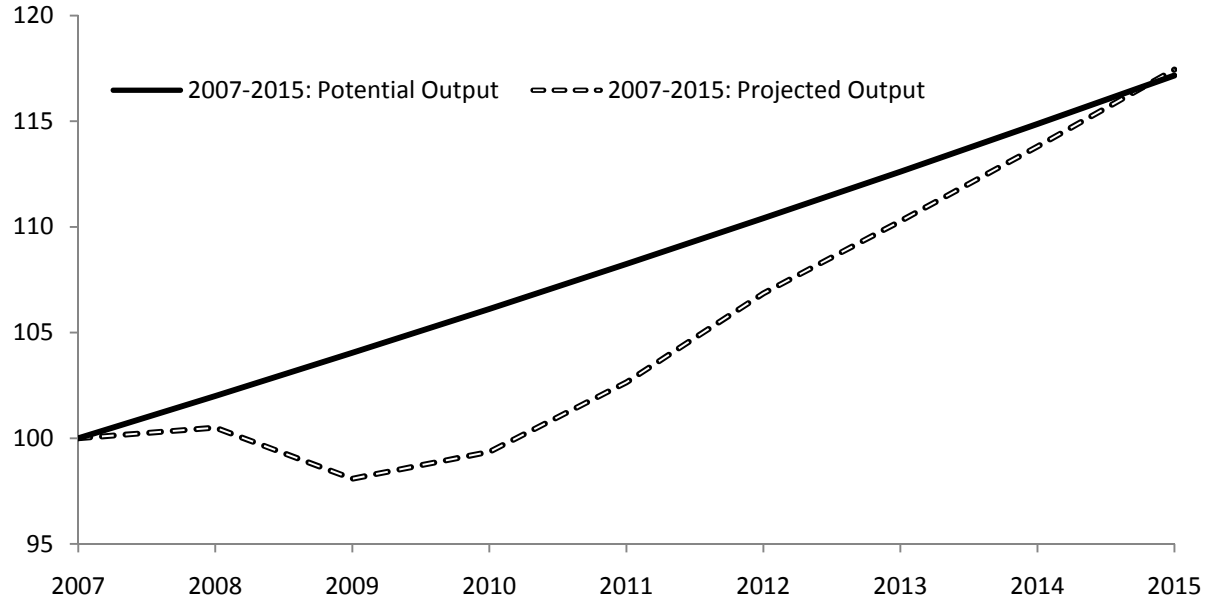
Chart 4 shows projected actual and potential output growth for the 2008-2015 period based on TD economics forecasts.[7] If these projections are accurate, the cumulative output gap for the 2008-2015 period will be about 26 percent of GDP, beyond the level experienced in the early 1980s recession.[8] This estimate is roughly in line with the estimates from Fortin (2009), based on IMF forecasts, which anticipate a cumulative output gap slightly above 23 percent. By any measure, the cost of the recession will be significant. The equivalent of production for an entire quarter will be foregone. In dollar terms, the cumulative cost of the recession will be $420 billion ($2007), or slightly more than $12,000 per capita, or an average of $1,736 per

[7] These forecasts make a very conservative assumption of 2.0 percent potential output growth. By comparison, between 2000 and 2007, actual output growth average 2.6 percent. If potential output were to be 2.6 percent instead of 2.0 percent (and assuming no feedback in the forecast of this change in assumption), the output gap would close only in 2023 and the cumulative output gap would total 64.3 percent, or the equivalent of two-thirds of a year of production.

[8] The pace of recovery is the key determinant of the long-term damage of the current recession. The forecast used in this report is conservative, but is still equivalent to growth of about 3.5 percent on average for 2010-2015 when the output gap is closed. If we were to assume average growth of only 3.0 percent, the cost would increase by roughly 30 percent (cumulative output gap of 34 percentage points and a total cost of $550 in 2007 dollars).

capita per year over the 2008-2014 period. In other words, given no economic crisis, GDP per capita in Canada would have likely been $1,736 higher on average each year over the 2008-2014 period.

Chart 4: Index of Projected and Potential Output in Canada, 2007-2015



Source: Appendix Table 4.

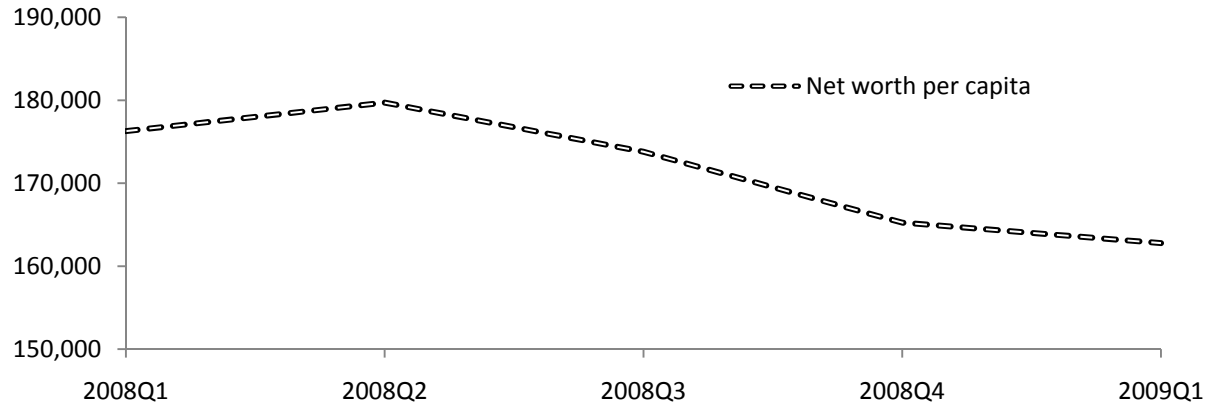
IV. The Effects of the Current Recession on the Wealth of Canadians

Economic wellbeing cannot be captured only with income data. Not only can we enjoy today's income in the present, but we can also transform wealth accumulated in the past into present consumption. As well, wealth can provide economic security and a personal safety net in cases of economic adversity, such as a death or disability of a family member in the workforce. Therefore, to measure economic wellbeing at any point in time, one needs to take into account both income and wealth. One of the key features of the current economic crisis is the large decline in asset prices, in particular assets related to the stock markets (financial assets, pension type assets) and real estate. The effects on average wealth and wealth inequalities are significant.

Statistics Canada releases quarterly data on aggregate household wealth. Nominal household net worth per capita peaked in 2008Q2 in Canada, at an average of $179,715 per person. Between 2008Q2 and 2009Q1, nominal household net worth per capita decreased 9.4 percent, with aggregate household assets decreasing 6.1 percent – in particular financial assets (-11.1 percent) – and aggregate household liabilities increasing 5.0 percent. `

Jim Davies (2009) examined what impact observed asset price declines would have had on household wealth in the absence of any change in asset quantities. While partial, this exercise provides an interesting picture of the likely effect of the crisis on household wealth by income level. Two key metrics are used to estimate asset price declines in Canada: the price of existing houses and the Toronto Stock Exchange composite index (TSX). Between June 2005 – the midpoint of the Survey of Financial Security which was in the field between May and July – and May 2008 when North American stock markets reached their peak, the TSX had increased almost 50 percent. When it bottomed out in February 2009, the TSX had fallen 45 percent from its peak, standing 18 percent below its June 2005 level.[9] Similarly, prices for existing houses increased 29 percent between June 2005 and May 2008, but then fell 6 percent to February 2009.

Chart 5: Net Worth per Capita in Canada, nominal dollars, 2008Q1 to 2009Q1



[9] Between the end of February 2009 and early June 2009, the TSX has increased almost 40 percent, bringing it back above its June 2005 level in nominal terms.

Based on these changes in asset prices, Davies (2009) estimated the effect on average household wealth by after-tax income quintile for three periods: June 2005, May 2008 and February 2009. The key results are found in Table 7. Between June 2005 and February 2009, mean asset holdings in nominal terms have remained roughly unchanged, increasing only 0.4 percent. The highest after-tax income quintile experienced an average decline of 1.4 percent, while the lowest quintile experienced an average increase of 3.1 percent. In other words, wealth holdings at the aggregate level have not change much since 2005, and in general high income earners have suffered more from the recent decline in asset prices than low income earners. This is not surprising because high income households tend to have a larger proportion of their wealth in stocks and mutual funds.

Of course, the small changes between June 2005 and February 2009 hide the large run-up in asset prices to May 2008, which was followed by a large decline to February 2009. Nonetheless, the key message from the analysis is that while wealth has indeed decreased significantly between May 2008 and February 2009 (about 15 percent for the average Canadian), it is only back to its 2005 level in nominal terms. In fact, given the recent increases in the TSX, average wealth holdings are most probably above their 2005 level.

While the effect of the economic crisis on average wealth will likely be minimal in the medium to long term, we must keep in mind the variety of experiences of households and individuals. The economic crisis may have had certain redistribution effects, with some individuals reaping important gains (e.g. those buying a foreclosed home at extremely low prices) while others lost a significant amount of assets (e.g. those retiring with RRSPs concentrated in equities). Nonetheless, given that higher-income Canadians generally hold a larger proportion of equities, and given that equities were the types of assets experiencing the largest declines, the net effect of the crisis is likely to be a decrease in wealth inequalities in the short term.

Table 7: Mean Asset Holdings by After-tax Income Quintiles, Current dollars

		Lowest Quintile	2nd Quintile	3rd Quintile	4th Quintile	Highest Quintile	All
June 2005	**Total Financial Assets**	19,141	23,411	40,692	51,381	93,321	45,606
	Total Pension Type Assets	14,986	47,097	98,698	164,626	276,456	120,397
	Total Non-Financial Assets	77,634	125,051	241,539	270,237	560,778	255,030
	Total Assets	111,761	195,559	380,929	486,244	930,554	421,033
May 2008	**Total Financial Assets**	21,327	26,470	44,873	59,107	113,064	52,988
	Total Pension Type Assets	17,145	52,218	108,584	181,480	309,953	133,900
	Total Non-Financial Assets	92,781	149,450	290,503	321,294	686,012	307,991
	Total Assets	131,253	228,139	443,960	561,880	1,109,028	494,878
February 2009	**Total Financial Assets**	17,840	21,590	38,204	46,783	81,571	41,213
	Total Pension Type Assets	13,700	44,049	92,814	154,596	256,521	112,362
	Total Non-Financial Assets	83,715	133,025	258,527	291,428	579,411	269,195
	Total Assets	115,255	198,665	389,545	492,808	917,503	422,770
Percent Change (May 08- Feb. 09)	**Total Financial Assets**	-16.4	-18.4	-14.9	-20.9	-27.9	-22.2
	Total Pension Type Assets	-20.1	-15.6	-14.5	-14.8	-17.2	-16.1
	Total Non-Financial Assets	-9.8	-11.0	-11.0	-9.3	-15.5	-12.6
	Total Assets	-12.2	-12.9	-12.3	-12.3	-17.3	-14.6
Percent Change (June 05- Feb. 09)	**Total Financial Assets**	-6.8	-7.8	-6.1	-8.9	-12.6	-9.6
	Total Pension Type Assets	-8.6	-6.5	-6.0	-6.1	-7.2	-6.7
	Total Non-Financial Assets	7.8	6.4	7.0	7.8	3.3	5.6
	Total Assets	3.1	1.6	2.3	1.3	-1.4	0.4

Note: Financial assets include deposits, mutual funds, bonds, stocks, and other financial assets. Pension type assets include RRSPs/LIRAs, RRIFS, and employer pension plans. Non-Financial Assets include real estate, vehicles, business equity, and other non-financial assets.
Sources: Davies (2009). Data for 2005 from the Survey of Financial Security (SFS), Statistics Canada. Data for 2009 based on the following assumption: (1) The TSX represented the asset holdings in stocks and mutual funds for all Canadians; (2) Other financial assets had zero change in real value; (3) Investments in RRSPs, RRIFs, and defined contributions of employer pension plans were 60% in stocks and mutual funds and 40% in other financial assets; and (4) Equity in employer pension plans was 20 percent defined contributions.

As a final note, it is important to emphasize some of the limitations of these estimates. First, estimates are not divided into different age groups and quintiles are formed using after-tax income as opposed to wealth. As a result, the average wealth of the lowest income quintile may be skewed upward by a large number of retirees with relatively low income but relatively large assets. These estimates also fail to capture changes in the quantity of assets for different income groups, as well as changes in debt levels and net worth.

V. The Effects of the Current Recession on the Labour Market

The impact of unemployment on an individual's life is often drastic and seldom beneficial. Giving people ample opportunities to work certainly has a favourable impact on wellbeing. Fully utilizing all potential labour not only leads to greater economic output, but also to rising living standards and, to a certain degree, the prevention of social exclusion. The negative effect of an economic downturn on employment has significant short-term and long-term effects on the ability of individuals to maintain and develop skills and thus fully participate in the economic activity of society. This cost falls on a minority of workers, leading to much larger losses in terms of economic wellbeing than if the cost was shared equally across workers.

Studies examining life satisfaction show that unemployment has substantial negative effects even "after accounting for the changes in income that occur" (Diener, Lucas, Schimmack and Helliwell, 2009:162). In addition, "research shows that the effects of unemployment remain, even after people become reemployed," (Ibid, 2009:162) a phenomenon often referred to as 'scarring'. A similar 'scarring' phenomenon affects the cohorts of young people entering the labour force during recessions, which experience a higher propensity for unemployment and lower incomes after the recession ends when compared to other cohorts (for example, see Nordström Skans, 2004).

Table 8: Employment by Full-time/Part-time Status and Class of Worker, October 2008 to April 2009 (Seasonally adjusted, thousands of persons unless otherwise noted)

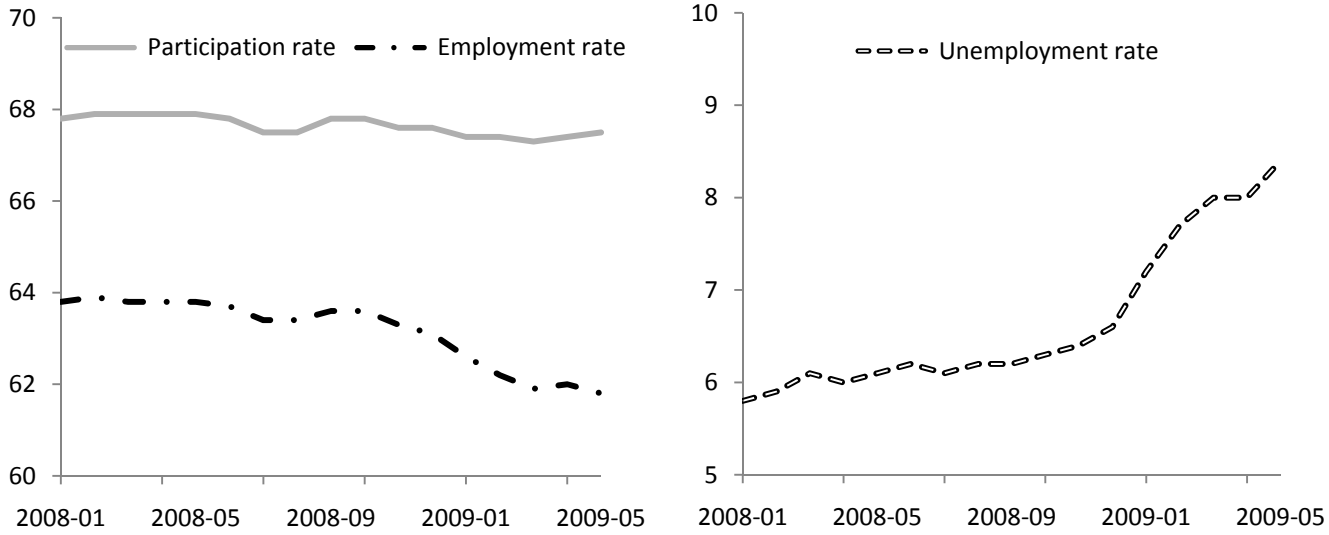
	Total Employment	Full-time or Part-time		Class of Worker			
		Full-time	Part-time	Employees	Public sector employees	Private sector employees	Self-employed
	A = B + C or D + G	B	C	D = E + F	E	F	G
2008-10	17,194.7	14,004.2	3,190.5	14,543.3	3,461.9	11,081.5	2,651.4
2008-11	17,131.4	13,973.8	3,157.6	14,475.7	3,426.3	11,049.5	2,655.7
2008-12	17,111.0	13,921.7	3,189.3	14,452.6	3,446.7	11,005.9	2,658.4
2009-01	16,982.0	13,807.8	3,174.2	14,309.4	3,404.7	10,904.7	2,672.6
2009-02	16,899.4	13,696.9	3,202.5	14,254.7	3,380.5	10,874.3	2,644.6
2009-03	16,838.1	13,617.4	3,220.7	14,188.3	3,381.8	10,806.5	2,649.8
2009-04	16,874.0	13,656.8	3,217.1	14,187.2	3,391.1	10,796.1	2,686.8
2009-05	16,832.2	13,598.1	3,234.1	14,177.4	3,417.8	10,759.6	2,654.8
	Change (Number of Persons)						
2008-10 to 2009-04	-362,500	-406,100	43,600	-365,900	-44,100	-321,900	3,400
	Change (Percent)						
	-2.1	-2.9	1.4	-2.5	-1.3	-2.9	0.1

Source: Taken from Appendix Table 7 and 8. Labour Force Survey, Statistics Canada.

The current recession has already translated into large scale employment losses. Employment peaked in October 2008, when 17.2 million Canadian were employed (Table 8). Between October 2008 and May 2009, net employment decreased by 362,500 persons. The following characteristics of the fall in employment are worth mentioning:

- All of the employment losses were among full-time workers (-406,100 persons), with part-time employment increasing (43,600 persons) over the period. The increase in part-time employment likely reflected the preferences of employers for more flexible employment arrangements in these uncertain times.
- A similar trend was at play in employment data broken down by class of workers. While the number of employees was way down (-365,900 persons) – particularly in the private sector (-321,900 persons) – the number of self-employed workers actually increased 3,400.
- In terms of job permanency, year-over-year employment in May (unadjusted for seasonality) decreased more among permanent employee (-2 .7 percent) than among temporary employees (-1.8 percent). Among temporary employees, employees in seasonal and casual jobs experienced significant decline (-4.7 percent and -3.8 percent respectively), while the number of employees in term or contract job (0.6 percent) and other temporary jobs (8.2 percent) actually increased (Appendix Table 7.2).
- Hours worked (-3.6 percent) have decreased faster than employment (-2.1 percent), translating into less unemployed workers than would otherwise be the case. Federal initiatives, such as the EI work-sharing program which currently covers 130,000 workers in Canada (Grant, 2009), exemplify why hours have fallen more rapidly and how this trend has been beneficial in terms of unemployment.
- In other words, not only has the recession driven many workers out of the workforce, it has also increased the proportion of workers in more unstable job categories. The effect of the recession on living standards is already clearly visible in the labour market.

Chart 6: Employment, Participation and Unemployment Rates in Canada, January 2008 to May 2009 (percent)



Source: Taken from Appendix table 7.1. Labour Force Survey, Statistics Canada.

These large employment losses are not only reflected in terms of the employment rate, which fell from 63.6 percent in October 2008 to 61.8 percent in May 2009, but also in terms of unemployment and participation rates (Chart 6). The fall in employment rate was largely mirrored by an increase in unemployment rate, 2.1 percentage points from 6.3 percent to 8.4 percent over the October-May period. Long-term unemployment (1 year or more) – unadjusted for seasonality – increased slightly from 0.41 percent in October 2008 to 0.56 percent in March 2009, but was back down to 0.55 and 0.52 percent in April and May 2009 (Appendix Table 7.3). Year-over-year long-term unemployment rate increased 0.12 percentage points from 0.40 percent in May 2008 to 0.52 percent in May 2009. The proportion of people unemployed for 26 weeks or more increased even faster. Year-over-year, the 26 weeks or more unemployment rate increased 0.40 percentage points, from 0.86 in May 2008 to 1.26 in May 2009.

Of course, long-term unemployment is a lagging indicator and will thus embody the full long-term effects of the recession only a few years later.[10] Nonetheless, in terms of average unemployment duration (unadjusted for seasonality), the year-over-year increase in May 2009 was less than one week, from 15.0 week in May 2008 to 15.9 week in May 2009 (Appendix Table 7.1). Given that job losses begun in October 2008, the lack of a more significant increase in the average duration of unemployment is surprising.

The participation rate, which represents the proportion of the population either employed or searching for work, fell 0.3 percentage points over the period, reflecting in part the deterioration of labour market conditions. The slight increase in participation rate in April and May, however (0.1 percentage points each month), may reflect increased confidence on the part of workers about their future employment prospects.

[10] The last time long-term unemployment reached 0.4 percent was in late 1981. Long-term unemployment peaked at 1.5 percent after the early 1980s recession - in early 1983 – and remained around that level for the following two years. In the early 1990s recession, long-term unemployment increased from 0.5 percent in mid-1990 to 2.1 percent in early 1994, thus peaking only four years after the beginning of the recession.

Table 9: Employment by Province, October 2008 to May 2009, seasonally adjusted

	Share of Employment October 2008 (percent)	Change in Employment Oct. '08 to May '09		Contribution to Employment Decline (percent)
		(persons)	(percent)	
Canada	100.0	-362,500	-2.1	100.0
Newfoundland and Labrador	1.3	-5,800	-2.7	1.6
Prince Edward Island	0.4	-1,000	-1.4	0.3
Nova Scotia	2.7	-4,600	-1.0	1.3
New Brunswick	2.1	-3,600	-1.0	1.0
Quebec	22.6	-26,600	-0.7	7.3
Ontario	39.1	-233,600	-3.5	64.4
Manitoba	3.5	1,200	0.2	-0.3
Saskatchewan	3.0	3500	0.7	-1.0
Alberta	11.8	-41,700	-2.0	11.5
British Columbia	13.4	-50,200	-2.2	13.8

Source: CSLS calculations based on CANSIM Table 282-0087 - Labour force survey estimates (LFS)

The national decline in employment of 2.1 percentage points between October 2008 and May 2009 can be examined from a variety of dimensions. From a provincial perspective, Ontario was the province which experienced the largest decline, both in absolute (-233,600 persons) and percentage terms (-3.5 percent) (Table 9). Ontario alone accounted for more than half the employment decline in Canada over that period. The other two provinces which experienced large declines in employment are British Columbia (-50,200 persons) and Alberta (- 41,700 persons), both of which have seen their employment levels drop at about the same rate as the Canadian average. Saskatchewan (0.7 percent) and Manitoba (0.2 percent) were the only provinces with no employment decline over the October to May period. The province of Quebec (-0.7 percent) has also been relatively sheltered from the crisis up to May 2009.

Industry employment estimates tell a similar story. As was the case for GDP, the goods-producing sector was most hard-hit, with the sector accounting for almost 90 percent of employment losses, despite representing only 23.5 percent of total employment. Manufacturing, which has a particular large presence in Ontario, accounted for 51.3 percent of the October-May employment decline (186,100 percent). Construction also accounted for approximately one-third of the decline (110,400 persons). While the decline in manufacturing reflected in large part the decline of the auto sector, the fall in construction was the result of the end of the housing boom, which peaked in mid-2008.

Table 10: Employment by Industry, October 2008 to April 2009, seasonally adjusted

	Share of Employment October 2008 (percent)	Change in Employment Oct. '08 to Apr. '09		Contribution to Employment Decline (percent)
		(persons)	(percent)	
Total	**100.0**	**-362,500**	**-2.1**	**100**
Goods-producing sector	**23.5**	**-321,100**	**-8.0**	**88.6**
Agriculture	1.9	-2,000	-0.6	0.6
Forestry, fishing, mining, oil and gas	2.0	-23,300	-6.9	6.4
Utilities	0.9	800	0.5	-0.2
Construction	7.3	-110,400	-8.8	30.5
Manufacturing	11.5	-186,100	-9.4	51.3
Services-producing sector	**76.5**	**-41,400**	**-0.3**	**11.4**
Wholesale and retail trade	15.6	-43,500	-1.6	12.0
Transportation and warehousing	5.1	-47,500	-5.5	13.1
Finance, insurance, real estate and leasing	6.2	-6,800	-0.6	1.9
Professional, scientific and technical services	7.0	-11,600	-1.0	3.2
Business, building and other support services	3.9	17,200	2.6	-4.7
Educational services	7.0	-24,300	-2.0	6.7
Health care and social assistance	11.2	28,900	1.5	-8.0
Information, culture and recreation	4.4	21,800	2.9	-6.0
Accommodation and food services	6.2	2,300	0.2	-0.6
Other services	4.5	41,500	5.4	-11.4
Public administration	5.5	-19,500	-2.0	5.4

Source: CSLS calculation based on CANSIM Table 282-0094 - Labour force survey estimates (LFS)

In the services-producing sector, employment losses were concentrated in transportation and warehousing (47,500 persons or 5.5 percent) and wholesale and retail trade (43,500 persons or 1.6 percent). Surprisingly, employment also fell 2.0 percent in public administration (19,500 persons) and 2.0 percent in educational services (24,300 persons). These declines were partially offset by significant increases of 5.4 percent in other services (41,500 persons) and 1.5 percent in health care and social assistance (28,900 persons).

VI. The Effects of the Current Recession on Poverty

Poverty, or low-income, measures are probably the most direct way to measure material deprivation, and hence a good indicator of trends in living standards at the bottom of the income ladder. In Canada, low-income is measured using the low income cut-offs (LICOs), a threshold level of income at which a family of a certain size would have to spend 20 percentage points more of its income on food, shelter and clothing than the average family of the same size.[11] These data, however, are produced with a long lag, approximately 18 months. It will be at least two more years before the crisis is reflected in poverty statistics.

The most recent year for which data on poverty is available is 2007. Indeed, on June 3 2009, Statistics Canada released the results of its annual household survey, the Survey of Labour and Income Dynamics (SLID). The proportion of persons in low-income households decreased from 10.5 percent in 2006 to 9.2 percent in 2007, reaching its lowest level since the beginning of the series in 1976 – and well below the previous trough of 10.2 percent reached in 1989. The average poverty gap also decreased to $6,700 ($2007), its lowest level since 1994 (Appendix Table 11). It will most probably take many years, possibly up to a decade, for poverty in Canada to return to its 2007 level. For example, it took 18 years for Canada to return to its 1989 poverty rate level after the recession of the early 1990s.

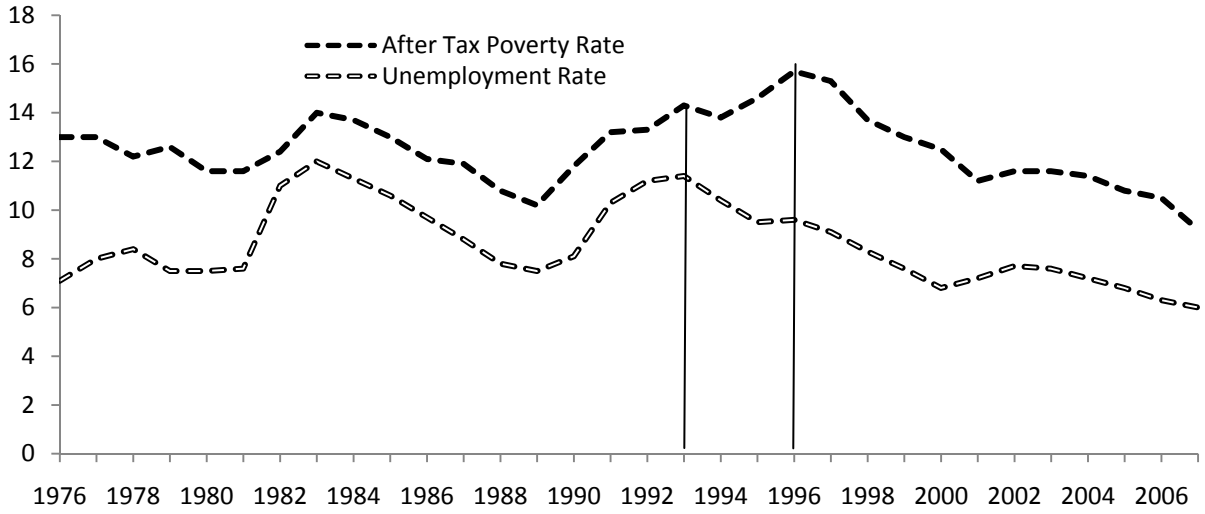
A. The Unemployment/Poverty Relationship

Despite the lack of timely data, it is possible to obtain a rough idea of the effect of the crisis on poverty by looking at the relationship between unemployment and poverty during previous recessions. As is shown in Chart 7, unemployment rates and poverty rates closely track each other. The two variables are closely related (with the exception of the 1993-1996 period) since loss of employment often leads to a household income below the poverty threshold.

In the recession of the early 1980s, the unemployment rate increased 4.4 percentage points from trough to peak while after-tax poverty increased only 2.4 percentage points over the same period (Table 11). The recession was relatively short-lived (two years from trough to peak), which may explain the weak correlation between the two variables. In the 1990s, the unemployment rate increased 3.9 percentage points, and after-tax poverty increased slightly more (4.1 percentage points). The one-to-one relationship in the early 1990s recession was due both to a longer recession (4 years from trough to peak) and a fraying safety net.

[11] LICOs are established using data from the Family Expenditure Survey, now known as the Survey of Household Spending. They are calculated for seven different family sizes, from unattached individual to family of seven or more, and for five community sizes, from rural to urban areas with a population of more than 500,000. The income threshold represent the level at which families are expected to spend 20 percentage points more than the average family on food, shelter and clothing. Using income data for that year, one can derive the cut-off values. Thereafter, the CPI is used to adjust the basic set of cut-offs for different years.

Chart 7: Unemployment and Poverty Rates for All Persons in Canada, 1976-2007



Source: Taken from Appendix Table 11. Cansim series v1560773, v2461224.

A paradoxical characteristic of the 1990s was the failure of the poverty rate to fall when the unemployment rate began falling in 1994. In fact, poverty peaked at 15.7 percent only in 1996, three years after the unemployment rate peak. This trend may have been related to the dramatic fall in EI coverage over the same period, which we will discuss in the next section.

Table 11: Trough to Peak* Changes in Unemployment and Poverty in the Previous Two Recessions, Percent unless otherwise noted

		After Tax Poverty Rate	Unemployment Rate
1980-1983	**1981**	11.6	7.6
	1983	14.0	12.0
	1981-1983 (percentage points)	2.4	4.4
1989-1993	**1989**	10.2	7.5
	1993	14.3	11.4
	1989-1993 (percentage points)	4.1	3.9

Source: Cansim series v1560773, v2461224. * The trough-to peak period is that of the unemployment rate, not poverty.

According to many forecasters, unemployment rate will average about 10 percent in 2010.[12] Between 2007 and 2010, the unemployment rate will have increased roughly 4.0 percentage points, from 6.0 percent in 2007 to 10.0 percent in 2010. Given that changes to EI to date have only been minor, it is reasonable to assume that the current recession will display unemployment to poverty change ratio similar to that of the early 1990s recession. If this

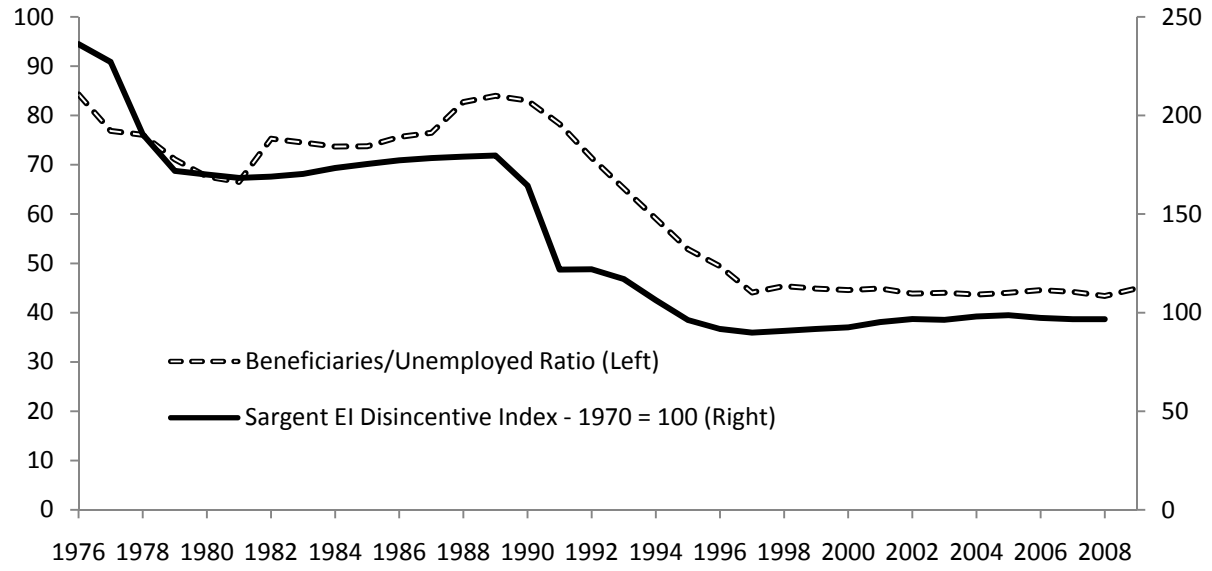
[12] For example, TD Economics (2009) projects an unemployment rate of 9.9 percent in 2010, while the OECD (2009) forecasts unemployment rate of 10.5 percent.

scenario materializes, after-tax poverty for all persons will rise to 13.2 percent in 2010, a level not seen since 1998, twelve years earlier.

B. A Fraying Safety Net

The fall in EI coverage which occurred primarily in the early 1990s is shown in Chart 8, using both the ratio of EI beneficiaries to unemployed (BU ratio) and an EI disincentives index (EIDI) developed by Finance Canada. The BU ratio shows the proportion of unemployed workers receiving regular EI benefits. This ratio decreased from 84.0 percent in 1989 to only 44.1 percent in 1997. Since then, it has remained roughly stable.[13]

Chart 8: Ratio of EI beneficiaries to unemployed (1976-2008) and Sargent EI Disincentives Index (1976-2004)



Source: EIDI, unpublished data from Finance Canada. BU ratio from Statistics Canada, Cansim Table 282-0087 and 276-0001.

The EIDI is slightly more complicated. It is based on an economic model in which individuals are assumed to optimize the duration of their employment and unemployment spells based on EI/UI parameters.[14] Similarly to the BU ratio, it shows a dramatic decrease coinciding with the early 1990s recession. Both measures point to a similar trend: Canada's EI program is now much less generous than before, and it will not be able to cushion households from poverty due to employment loss as well as it did before the reform of the early 1990s.

[13] It should be noted that because the current recession affects many long-term full-time workers, a large proportion of workers currently losing their job are eligible to receive EI benefits. Between October 2008 and April 2009, the number of unemployed workers increased 313,100 while the number of recipients of regular EI benefits increased 196,700, suggesting that 63 percent of newly unemployed workers are receiving EI benefits, a much larger proportion that the 40-45 percent suggested by the long-term trend in the BU ratio.

[14] The Sargent EI Disincentives Index, which represents the utility-maximizing point in the model, is based on the replacement rate, the minimum EI/UI entrance requirements and the maximum EI/UI benefit duration corresponding to entrance requirements.

The fraying safety is not only related to changes to EI, but also to changes in social assistance programs. For example, Stapleton (2009:2) notes that in Ontario:

> "people who once could successfully apply for welfare during a rough patch … are going to be turned away at the welfare office. The reason for this is that since the last major recession, governments have brought in four significant sets of changes: (1) Lower social assistance rates; (2) Much lower assets limits; (3) Earning exemptions policies that do not apply to new applicants; and (4) 'Workfare' — now called 'community participation'."

These significant changes, accompany by a now less generous EI system, are likely to translate into a strong relationship between unemployment and poverty. Moreover, given that the social assistance system requires household to draw down their assets significantly before benefiting from assistance, the time needed for households to exit poverty after a lengthy unemployment spell may be even longer than in previous recessions.

VII. Conclusion

Since the mid-1990s economic growth in Canada has been robust, with positive effects on the standards of living of Canadians. The current recession will unfortunately erase many of these gains and it will be many years before we return to the unemployment and poverty levels enjoyed before the recession hit.

From a public policy perspective there are two priorities in dealing with the recession. First, since the costs of the recession are very unevenly distributed, hitting primarily those who lose their jobs, it is important from both an equity and efficiency perspective that these individuals be treated with particular care and that income supplement and retraining programs be designed and implemented to meet their needs. Second, it is important that governments offset as much as possible the shortfall in private spending that prevents the economy from operating at full capacity. Fortunately, Canada is currently well positioned to accomplish these objectives due to its low debt to GDP ratio.

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Appendix Tables

Appendix Table 1: Components of the Decline in Real Output between 2008Q3 to 2009Q1

	Share of Nominal GDP (2008Q3)	2008Q3 to 2009Q1		
		Per cent Change	Percentage Point Contribution to GDP Change	Per cent Contribution to GDP Change
Gross domestic product at market prices	**100.0**	**-2.3**	**-2.3**	**100.0**
Personal expenditure on consumer goods and services	**55.2**	**-1.2**	**-0.7**	**28.6**
Durable goods	6.9	-4.8	-0.3	14.3
Semi-durable goods	4.4	-2.1	-0.1	4.0
Non-durable goods	13.6	-0.3	0.0	2.0
Services	30.3	-0.6	-0.2	8.3
Government current expenditure on goods and services	**19.3**	**0.9**	**0.2**	**-7.9**
Government gross fixed capital formation	**3.4**	**2.4**	**0.1**	**-3.5**
Government investment in inventories	**0.0**	**-89.5**	**0.0**	**-0.2**
Business gross fixed capital formation	**19.2**	**-11.4**	**-2.3**	**99.7**
Residential structures	6.7	-11.7	-0.8	34.5
Non-residential structures and equipment	12.5	-11.2	-1.5	65.2
Non-residential structures	6.1	-4.1	-0.3	11.4
Machinery and equipment	6.3	-17.7	-1.3	53.8
Business investment in inventories	**0.8**	**-138.9**	**-1.4**	**59.4**
Non-farm	0.6	-192.4	-1.1	47.5
Farm	0.2	-83.8	-0.3	12.0
Exports minus imports	**2.2**	**-**	**1.6**	**-68.6**
Exports of goods and services	36.1	-13.0	-4.6	197.9
Goods	31.6	-14.5	-4.5	191.3
Services	4.5	-3.3	-0.2	6.7
Deduct: imports of goods and services	33.9	-16.9	-6.2	266.5
Goods	28.2	-18.7	-5.7	244.0
Services	5.7	-8.4	-0.5	22.5
Statistical discrepancy	**-0.1**	**-308.1**	**0.2**	**-7.6**

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 2: Changes in GDP (Income) by Component, Seasonally adjusted data at annual rates (millions of dollars)

	Gross domestic product at market prices	Wages, salaries and supplementary labour income	Corporation profits before taxes	Government business enterprise profits before taxes	Interest and miscellaneous investment income	Accrued net income of farm operators from farm production	Net income of non-farm unincorporated business, including rent	Inventory valuation adjustment	Taxes less subsidies, on factors of production	Taxes less subsidies, on products	Capital consumption allowances	Statistical discrepancy
2007 I	1,500,940	772,228	200,588	15,696	69,096	448	88,832	-1,320	66,748	95,952	191,716	956
2007 II	1,531,772	782,660	203,212	15,716	71,752	528	89,996	6,360	67,520	98,748	194,492	788
2007 III	1,538,936	784,960	205,512	15,984	72,920	404	90,496	3,364	68,468	99,208	197,072	548
2007 IV	1,560,128	799,508	207,212	15,504	73,620	352	90,572	3,384	69,056	100,072	199,568	1,280
2008 I	1,578,672	812,496	213,056	16,680	76,572	1,792	91,724	-2,900	69,892	94,476	202,836	2,048
2008 II	1,618,380	820,916	229,532	16,936	85,660	2,872	92,628	-4,016	70,752	95,264	206,036	1,800
2008 III	1,632,668	827,116	237,708	14,840	86,136	3,724	94,136	-7,508	70,892	95,572	209,120	932
2008 IV	1,570,604	831,936	182,900	13,844	77,568	2,844	95,264	-9,916	69,832	93,388	212,088	856
2009 I	1,523,216	826,304	138,676	13,288	73,692	1,368	96,064	1,172	69,160	91,120	214,216	-1,844
Change (Dollars)												
2008Q3 to 2008Q4	-62,064	4,820	-54,808	-996	-8,568	-880	1,128	-2,408	-1,060	-2,184	2,968	-76
2008Q4 to 2009Q1	-47,388	-5,632	-44,224	-556	-3,876	-1,476	800	11,088	-672	-2,268	2,128	-2,700
2008Q3 to 2009Q1	-109,452	-812	-99,032	-1,552	-12,444	-2,356	1,928	8,680	-1,732	-4,452	5,096	-2,776
Change (Per cent)												
2008Q3 to 2008Q4	-3.8	0.6	-23.1	-6.7	-9.9	-23.6	1.2	32.1	-1.5	-2.3	1.4	-8.2
2008Q4 to 2009Q1	-3.0	-0.7	-24.2	-4.0	-5.0	-51.9	0.8	-111.8	-1.0	-2.4	1.0	-315.4
2008Q3 to 2009Q1	-6.7	-0.1	-41.7	-10.5	-14.4	-63.3	2.0	-115.6	-2.4	-4.7	2.4	-297.9

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 3: Changes in Real GDP by Industry, Seasonally adjusted data at annual rates (millions of 2002 dollars)

										Change (Dollars)			Change (Per cent)		
	2007 I	2007 II	2007 III	2007 IV	2008 I	2008 II	2008 III	2008 IV	2009 I	2008Q3 to 2008Q4	2008Q4 to 2009Q1	2008Q3 to 2009Q1	2008Q3 to 2008Q4	2008Q4 to 2009Q1	2008Q3 to 2009Q1
All Industries	1,207,448	1,217,587	1,225,065	1,227,491	1,226,610	1,228,301	1,230,997	1,217,524	1,198,302	-13,473	-19,221	-32,695	-1.1	-1.6	-2.7
Goods Producing Industries	374,064	375,824	375,367	374,043	367,134	365,400	365,882	357,118	342,855	-8,765	-14,262	-23,027	-2.4	-4.0	-6.3
Agriculture, Forestry, Fishing, and Hunting	27,058	26,373	26,276	26,401	25,999	26,078	25,789	25,896	25,788	107	-108	-1	0.4	-0.4	0.0
Mining and Oil and Gas Extraction	57,362	57,775	57,789	57,017	55,639	54,818	55,674	55,084	53,565	-590	-1,519	-2,109	-1.1	-2.8	-3.8
Utilities	30,558	31,592	31,275	31,596	31,644	31,160	31,071	30,680	30,289	-391	-391	-782	-1.3	-1.3	-2.5
Construction	72,339	72,503	73,251	73,463	74,367	74,840	75,508	74,695	72,185	-813	-2,510	-3,323	-1.1	-3.4	-4.4
Manufacturing	186,082	186,599	185,606	184,899	178,755	178,278	176,698	168,813	158,450	-7,885	-10,364	-18,248	-4.5	-6.1	-10.3
Service Producing Industries	834,470	842,959	851,136	855,060	861,637	865,248	867,494	863,153	858,866	-4,340	-4,287	-8,627	-0.5	-0.5	-1.0
Wholesale Trade	68,377	69,678	70,906	71,925	71,837	71,722	71,009	67,030	63,291	-3,979	-3,739	-7,717	-5.6	-5.6	-10.9
Retail Trade	70,845	72,335	72,649	72,900	74,486	74,983	75,154	73,654	73,067	-1,500	-587	-2,087	-2.0	-0.8	-2.8
Transportation and Warehousing	56,162	56,475	56,997	57,109	56,845	57,122	56,966	56,093	54,959	-873	-1,134	-2,007	-1.5	-2.0	-3.5
Information and Cultural Industries	43,816	44,166	44,514	44,754	44,751	45,030	45,281	45,395	45,470	114	74	188	0.3	0.2	0.4
Finance and Insurance	76,415	76,978	78,773	79,181	80,023	80,088	80,186	80,336	79,776	150	-561	-411	0.2	-0.7	-0.5
Real Estate and Rental and Leasing	152,081	153,749	154,679	155,052	156,834	157,326	158,407	158,299	159,755	-108	1,456	1,347	-0.1	0.9	0.9
Professional, Scientific, and Technical Services	57,306	57,847	58,056	58,174	58,261	58,401	58,635	58,729	58,429	94	-300	-206	0.2	-0.5	-0.4
ASWMR*	30,579	30,881	31,075	31,175	31,264	31,220	31,064	30,892	30,521	-173	-371	-544	-0.6	-1.2	-1.8
Educational Services	58,073	58,644	59,130	59,384	59,974	60,395	60,736	60,992	61,422	256	430	685	0.4	0.7	1.1
Health Care and Social Assistance	76,162	76,787	77,307	77,609	78,349	78,884	79,440	80,239	80,680	799	441	1,240	1.0	0.5	1.6
Arts, Entertainment, and Recreation	11,657	11,643	11,817	11,854	11,641	11,717	11,733	11,819	11,930	86	111	197	0.7	0.9	1.7
Accomodation and Food Services	26,789	26,849	27,307	27,561	27,812	27,919	27,656	27,607	27,417	-48	-190	-238	-0.2	-0.7	-0.9
Other Services (Except Public Administration	31,132	31,386	31,671	31,840	32,212	32,419	32,625	32,794	32,839	169	45	214	0.5	0.1	0.7
Public Administration	66,842	67,319	67,616	67,789	68,591	69,123	69,683	70,267	70,289	584	21	605	0.8	0.0	0.9

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

*Administration and Support, Waste Management and Remediation Services

Appendix Table 4: Estimated Cumulative Output Gap Due to the 2008-2009 Recession

	Growth Forecast	Potential Growth	Projected Output	Potential Output	Output Gap			Cumulative Gap		
	Per cent	Per cent	$2007 Billion	$2007 Billion	Per cent	$2007 Billion	$2007 per capita	Per cent	$2007 Billion	$2007 per capita
2007	-	-	1,533	1,533	0.0	0	0	0.0	0	0
2008	0.4	2.0	1,539	1,564	1.6	24	734	1.6	24	734
2009	-2.4	2.0	1,502	1,595	6.2	93	2,773	7.7	117	3,507
2010	1.3	2.0	1,522	1,627	6.9	105	3,118	14.6	222	6,625
2011	3.3	2.0	1,572	1,659	5.5	87	2,572	20.2	309	9,197
2012	4.1	2.0	1,637	1,692	3.4	56	1,636	23.6	365	10,833
2013	3.2	2.0	1,689	1,726	2.2	37	1,086	25.8	402	11,919
2014	**3.2**	**2.0**	**1,743**	**1,761**	**1.0**	**18**	**515**	**26.8**	**420**	**12,434**
2015	3.2	2.0	1,799	1,796	-0.1	-3	-76	26.7	417	12,358

Source: CSLS Estimates based on: Population numbers from Statistics Canada Projections, based on medium growth, medium migration scenario; Growth Projections from TD Long Term Economic Forecast for 2008-2013 (TD, 2009), extended forward using 2013 growth rate of 3.2 per cent; GDP for 2007: Cansim series V498086; GDP growth for 2008: Cansim series V1992067; Potential output growth is assumed to be 2.0 per cent.

Appendix Table 5: Measures of Income per Capita, 2007Q1 to 2009Q1

	Real Gross Domestic Product (GDP) per Capita		Real Personal Income (PI) per Capita		Real Personal Disposable Income (PDI) per Capita		Real Gross Domestic Income (GDI) per
	2002 dollars	Index 2008Q3 =100	2002 dollars	Index 2007 Q1 =100	2002 dollars	Index 2007 Q1 =100	Index 2007Q1 =100
2007 I	39,752	99.9	31,790	99.3	24,466	98.3	96.8
2007 II	40,070	100.7	31,846	99.5	24,272	97.5	97.9
2007 III	40,143	100.9	32,012	100.0	24,554	98.7	98.2
2007 IV	40,110	100.8	32,139	100.4	24,679	99.2	99.2
2008 I	39,967	100.4	32,610	101.9	25,143	101.0	99.6
2008 II	39,900	100.3	32,328	101.0	25,082	100.8	100.6
2008 III	39,790	100.0	32,010	100.0	24,885	100.0	100.0
2008 IV	39,259	98.7	32,342	101.0	25,123	101.0	95.3
2009 I	38,645	97.1	32,153	100.4	24,988	100.4	92.3
Per cent Change							
2008Q3 to 2008Q4	-1.3		1.0		1.0		-4.7
2008Q4 to 2009Q1	-1.6		-0.6		-0.5		-3.2
2008Q3 to 2009Q1	-2.9		0.4		0.4		-7.7

Sources: Population; Cansim series v1. Consumer Price Index; Cansim series v41690914. Real GDP; V1992067. Real GDI; Cansim series v44182023. Personal Income; Cansim series V498165. Personal Disposable Income; Cansim series V498186.

Appendix Table 6: Changes in Personal Income by Component, Seasonally adjusted data at annual rates (millions of current dollars)

	Personal Income	Wages, salaries and supplementary labour income	Unincorporated business net income	Interest, dividends and miscellaneous investment income	Transfers from governments, corporations and non-residents	Outlay	Personal expenditure on goods and services	Transfers to governments	Transfers to corporations and non-residents	Saving	Disposable income
	A = B + C + D + E	B	C	D	E	F = G + H	G	H	I	J = A - F	K = A - H
2007 I	1,152,084	772,228	89,280	134,644	155,932	1,117,576	828,980	265,436	23,160	34,508	886,648
2007 II	1,164,192	782,660	90,524	137,264	153,744	1,147,028	846,124	276,876	24,028	17,164	887,316
2007 III	1,174,936	784,960	90,900	138,348	160,728	1,153,800	855,316	273,728	24,756	21,136	901,208
2007 IV	1,191,648	799,508	90,924	139,120	162,096	1,174,668	873,264	276,572	24,832	16,980	915,076
2008 I	1,217,668	812,496	93,516	141,508	170,148	1,186,388	882,504	278,836	25,048	31,280	938,832
2008 II	1,222,648	820,916	95,500	142,144	164,088	1,190,800	891,924	274,052	24,824	31,848	948,596
2008 III	1,229,092	827,116	97,860	140,304	163,812	1,199,216	901,228	273,580	24,408	29,876	955,512
2008 IV	1,236,932	831,936	98,108	138,328	168,560	1,189,780	889,132	276,080	24,568	47,152	960,852
2009 I	1,229,160	826,304	97,432	134,192	171,232	1,184,100	886,216	273,900	23,984	45,060	955,260
Change (Dollars)											
2008Q3 to 2008Q4	7,840	4,820	248	-1,976	4,748	-9,436	-12,096	2,500	160	17,276	5,340
2008Q4 to 2009Q1	-7,772	-5,632	-676	-4,136	2,672	-5,680	-2,916	-2,180	-584	-2,092	-5,592
2008Q3 to 2009Q1	68	-812	-428	-6,112	7,420	-15,116	-15,012	320	-424	15,184	-252
Change (Per cent)											
2008Q3 to 2008Q4	0.6	0.6	0.3	-1.4	2.9	-0.8	-1.3	0.9	0.7	57.8	0.6
2008Q4 to 2009Q1	-0.6	-0.7	-0.7	-3.0	1.6	-0.5	-0.3	-0.8	-2.4	-4.4	-0.6
2008Q3 to 2009Q1	0.0	-0.1	-0.4	-4.4	4.5	-1.3	-1.7	0.1	-1.7	50.8	0.0

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 6.1: Changes in Personal Income by Component, Seasonally adjusted data at annual rates (millions of 2002 dollars - adjusted with CPI)

	Personal Income	Wages, salaries and supplementary labour income	Unincorporated business net income	Interest, dividends and miscellaneous investment income	Transfers from governments, corporations and non-residents	Outlay	Personal expenditure on goods and services	Transfers to governments	Transfers to corporations and non-residents	Saving	Disposable income
	A = B + C + D + E	B	C	D	E	F = G + H	G	H	I	J = A - F	K = A - H
2005 I	1,009,604	677,068	84,920	111,596	136,020	996,164	744,516	234,012	17,636	13,440	775,592
2005 II	1,027,792	688,764	84,956	112,864	141,208	1,013,780	754,592	240,764	18,424	14,012	787,028
2005 III	1,044,900	701,336	85,224	115,124	143,216	1,026,584	764,368	243,476	18,740	18,316	801,424
2005 IV	1,060,048	713,204	85,836	117,948	143,060	1,038,304	772,388	247,016	18,900	21,744	813,032
2006 I	1,092,988	731,696	85,904	121,028	154,360	1,057,432	786,496	250,968	19,968	35,556	842,020
2006 II	1,092,704	736,344	86,632	123,592	146,136	1,067,868	796,936	250,336	20,596	24,836	842,368
2006 III	1,110,300	746,804	86,384	126,172	150,940	1,082,856	807,264	253,656	21,936	27,444	856,644
2006 IV	1,128,788	758,724	87,508	130,072	152,484	1,095,936	814,148	259,264	22,524	32,852	869,524
2007 I	1,040,726	697,586	80,650	121,630	140,860	1,009,554	748,853	239,780	20,921	31,173	800,947
2007 II	1,045,056	702,567	81,260	123,217	138,011	1,029,648	759,537	248,542	21,569	15,408	796,513
2007 III	1,054,069	704,211	81,549	124,116	144,194	1,035,108	767,329	245,569	22,209	18,962	808,500
2007 IV	1,062,075	712,574	81,037	123,993	144,471	1,046,941	778,310	246,499	22,132	15,134	815,576
2008 I	1,079,493	720,298	82,904	125,450	150,840	1,051,762	782,362	247,195	22,206	27,730	832,298
2008 II	1,072,812	720,312	83,796	124,724	143,979	1,044,867	782,618	240,467	21,782	27,945	832,345
2008 III	1,066,303	717,567	84,899	121,721	142,116	1,040,384	781,864	237,345	21,175	25,919	828,958
2008 IV	1,081,549	727,429	85,784	120,951	147,386	1,040,321	777,440	241,399	21,482	41,229	840,150
2009 I	1,077,266	724,193	85,392	117,609	150,072	1,037,774	776,701	240,053	21,020	39,492	837,213
Change (Dollars)											
2008Q3 to 2008Q4	15,246	9,861	885	-770	5,270	-63	-4,424	4,054	307	15,310	11,193
2008Q4 to 2009Q1	-4,284	-3,236	-392	-3,342	2,686	-2,547	-739	-1,346	-462	-1,737	-2,937
2008Q3 to 2009Q1	10,962	6,625	493	-4,112	7,956	-2,610	-5,162	2,707	-155	13,573	8,255
Change (Per cent)											
2008Q3 to 2008Q4	1.4	1.4	1.0	-0.6	3.7	0.0	-0.6	1.7	1.4	59.1	1.4
2008Q4 to 2009Q1	-0.4	-0.4	-0.5	-2.8	1.8	-0.2	-0.1	-0.6	-2.1	-4.2	-0.3
2008Q3 to 2009Q1	1.0	0.9	0.6	-3.4	5.6	-0.3	-0.7	1.1	-0.7	52.4	1.0

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 7: Labour Market Variables, Seasonally adjusted, in thousands unless otherwise noted

	Population (Thousands)	Labour force (Thousands)	Employment (Thousands)	Full-time (Thousands)	Part-time (Thousands)	Unemployment (Thousands)	EI Beneficiaries* (Thousands)	Hours Worked (Millions)
	A	B	C = D + E	D	E	F	H	G
2008-01	26,751.8	18,124.9	17,070.6	13,989.9	3,080.7	1,054.3	461.9	568.9
2008-02	26,774.8	18,172.5	17,106.6	14,026.7	3,079.8	1,065.9	456.4	568.1
2008-03	26,803.4	18,204.6	17,102.1	13,991.1	3,111.0	1,102.5	466.3	565.1
2008-04	26,839.2	18,227.3	17,124.9	14,008.7	3,116.1	1,102.4	465.8	566.7
2008-05	26,870.6	18,247.0	17,131.6	13,974.6	3,157.0	1,115.4	468.9	564.0
2008-06	26,910.7	18,258.5	17,131.0	13,949.1	3,181.9	1,127.5	471.8	565.4
2008-07	26,942.8	18,193.9	17,082.4	13,943.6	3,138.9	1,111.5	503.4	564.7
2008-08	26,974.3	18,220.9	17,100.2	13,958.7	3,141.4	1,120.8	487.8	564.1
2008-09	27,012.8	18,322.0	17,192.4	13,968.0	3,224.4	1,129.6	490.1	569.6
2008-10	27,044.1	18,346.3	17,194.7	14,004.2	3,190.5	1,151.5	500.3	563.7
2008-11	27,072.6	18,302.2	17,131.4	13,973.8	3,157.6	1,170.8	522.6	557.3
2008-12	27,098.7	18,321.2	17,111.0	13,921.7	3,189.3	1,210.1	549.0	559.9
2009-01	27,128.1	18,292.1	16,982.0	13,807.8	3,174.2	1,310.1	583.3	556.4
2009-02	27,161.2	18,315.2	16,899.4	13,696.9	3,202.5	1,415.9	616.1	553.4
2009-03	27,187.6	18,294.7	16,838.1	13,617.4	3,220.7	1,456.6	678.5	547.8
2009-04	27,217.6	18,338.6	16,874.0	13,656.8	3,217.1	1,464.6	697.0	539.9
2009-05	27,250.0	18,380.6	16,832.2	13,598.1	3,234.1	1,548.4	-	543.6
	Change (Persons)							**Change (Hours)**
2008-10 to 2009-05	205.9	34.3	-362.5	-406.1	43.6	396.9	196.7	-20.0
	Change (Per cent)							
2008-10 to 2009-05	0.8	0.2	-2.1	-2.9	1.4	34.5	39.3	-3.6

Source: Labour Force Survey, Cansim table 282-0087; Regular EI benefits, Cansim table 276-0001.

* 2008-10 to 2009-04 **Unadjusted for seasonality

Appendix Table 7.1: Labour Market Variables, Seasonally adjusted, in per cent unless otherwise noted

	Unemployment rate	Participation rate	Employment rate	Beneficiaries / Unemployed Ratio*	Unemployment Duration**
	H = F / B	I = B / A	J = C / A	K = G / F	M
2008-01	5.8	67.8	63.8	54.0	14.2
2008-02	5.9	67.9	63.9	53.3	15.2
2008-03	6.1	67.9	63.8	51.3	15.0
2008-04	6.0	67.9	63.8	51.4	15.6
2008-05	6.1	67.9	63.8	50.6	15.0
2008-06	6.2	67.8	63.7	50.1	16.7
2008-07	6.1	67.5	63.4	50.8	13.2
2008-08	6.2	67.5	63.4	50.3	15.3
2008-09	6.2	67.8	63.6	50.4	14.6
2008-10	6.3	67.8	63.6	49.0	15.7
2008-11	6.4	67.6	63.3	47.6	14.2
2008-12	6.6	67.6	63.1	46.3	13.8
2009-01	7.2	67.4	62.6	42.5	14.3
2009-02	7.7	67.4	62.2	39.1	14.3
2009-03	8.0	67.3	61.9	37.6	15.1
2009-04	8.0	67.4	62.0	36.9	16.5
2009-05	8.4	67.5	61.8	-	15.9
	Change (Points)				**Change (weeks)**
2008-10 to 2009-05	2.1	-0.3	-1.8	-12.1	0.2

Source: Labour Force Survey, Cansim table 282-0087; Regular EI benefits, Cansim table 276-0001.

* 2008-10 to 2009-04 ** Unadjusted for seasonality

Appendix Table 7.2: Employees by job permanency, Not seasonally adjusted, in thousands unless otherwise noted

	Total employees	Permanent	Temporary	Seasonal job	Term or contract job	Casual job	Other temporary jobs
	A = B + C	B	C = D + E + F + G	D	E	F	G
2008-01	14,122	12,616	1,506	226	820	444	16
2008-02	14,214	12,676	1,537	219	850	456	13
2008-03	14,253	12,681	1,572	220	878	461	14
2008-04	14,296	12,720	1,576	259	873	433	11
2008-05	14,662	12,815	1,848	496	893	451	9
2008-06	14,880	12,863	2,016	639	918	448	11
2008-07	14,785	12,632	2,153	736	979	428	10
2008-08	14,748	12,624	2,124	693	981	439	11
2008-09	14,568	12,757	1,812	473	885	443	12
2008-10	14,615	12,809	1,807	420	914	460	12
2008-11	14,462	12,778	1,684	333	889	450	13
2008-12	14,350	12,684	1,666	282	912	457	14
2009-01	13,952	12,485	1,467	203	839	410	16
2009-02	13,956	12,458	1,498	194	860	434	11
2009-03	13,913	12,430	1,484	207	856	412	9
2009-04	13,960	12,423	1,537	244	852	430	11
2009-05	14,288	12,475	1,813	472	898	434	9
	Change (per cent), year over year						
2008-05 over 2009-05	-2.6	-2.7	-1.8	-4.7	0.6	-3.8	8.2

Source: Labour Force Survey, Cansim table 282-0079

Appendix Table 7.3: Unemployment Duration, Not adjusted for seasonality

	Labour Force (Thousands)	Unemployed (Thousands)			Unemployment Rate (Per cent)		Long-term Unemployed as a Share of Total Unemployed (Per	
		Total	26 weeks or more	52 weeks or more	26 weeks or more	52 weeks or more	26 weeks or more	52 weeks or more
	A	B	C	D	E = C / A *100	F = D / A *100	G = C / B * 100	H = D / B * 100
2007-01	17,547.2	1,182.3	154.2	89.7	0.88	0.51	13.0	7.6
2007-02	17,574.8	1,135.3	141.2	69.6	0.80	0.40	12.4	6.1
2007-03	17,663.0	1,150.5	155.9	78.2	0.88	0.44	13.6	6.8
2007-04	17,699.4	1,123.7	156.0	68.5	0.88	0.39	13.9	6.1
2007-05	18,060.6	1,096.7	162.2	74.0	0.90	0.41	14.8	6.7
2007-06	18,215.2	1,019.7	157.9	76.8	0.87	0.42	15.5	7.5
2007-07	18,352.0	1,137.3	164.6	80.1	0.90	0.44	14.5	7.0
2007-08	18,342.9	1,169.3	152.7	77.8	0.83	0.42	13.1	6.7
2007-09	17,945.3	980.1	146.7	79.3	0.82	0.44	15.0	8.1
2007-10	17,997.9	946.1	152.2	86.2	0.85	0.48	16.1	9.1
2007-11	18,022.8	1,012.9	133.4	63.3	0.74	0.35	13.2	6.2
2007-12	17,929.1	999.3	140.2	72.3	0.78	0.40	14.0	7.2
2008-01	17,834.0	1,123.2	144.5	71.1	0.81	0.40	12.9	6.3
2008-02	17,908.6	1,098.2	140.9	70.0	0.79	0.39	12.8	6.4
2008-03	18,000.4	1,155.2	154.1	70.8	0.86	0.39	13.3	6.1
2008-04	18,050.9	1,135.4	184.5	85.7	1.02	0.47	16.2	7.5
2008-05	18,433.9	1,144.2	158.5	73.7	0.86	0.40	13.9	6.4
2008-06	18,543.7	1,044.4	150.6	75.0	0.81	0.40	14.4	7.2
2008-07	18,588.1	1,170.1	148.6	65.7	0.80	0.35	12.7	5.6
2008-08	18,602.6	1,210.7	160.0	82.2	0.86	0.44	13.2	6.8
2008-09	18,276.1	1,045.9	157.0	74.2	0.86	0.41	15.0	7.1
2008-10	18,303.3	1,032.7	154.6	80.6	0.84	0.44	15.0	7.8
2008-11	18,243.8	1,126.1	161.9	83.2	0.89	0.46	14.4	7.4
2008-12	18,155.8	1,145.3	147.0	70.7	0.81	0.39	12.8	6.2
2009-01	18,008.7	1,407.9	185.6	88.6	1.03	0.49	13.2	6.3
2009-02	18,081.4	1,503.2	179.0	92.2	0.99	0.51	11.9	6.1
2009-03	18,138.9	1,600.1	223.1	100.9	1.23	0.56	13.9	6.3
2009-04	18,200.2	1,555.1	227.3	100.1	1.25	0.55	14.6	6.4
2009-05	18,564.2	1,611.9	233.0	96.4	1.26	0.52	14.5	6.0
	Change (Persons), year-over-year				**Change (Points), year-over-year**			
2008-05 to 2009-05	130.3	467.7	74.5	22.7	0.40	0.12	0.6	-0.5

Source: Labour Force Survey, Cansim table 282-0001 and 208-0047.

Appendix Table 8: Employees by class of worker (thousands of persons), seasonally adjusted

	Total employed	Employees	Public sector employees	Private sector employees	Self-employed
	A = B + E	B = C + D	C	D	E
2007-01	16,721.4	14,172.0	3,203.7	10,968.2	2,549.5
2007-02	16,737.2	14,175.7	3,199.8	10,975.9	2,561.4
2007-03	16,778.6	14,208.9	3,220.8	10,988.1	2,569.7
2007-04	16,781.2	14,190.7	3,227.2	10,963.5	2,590.4
2007-05	16,793.0	14,152.3	3,246.1	10,906.1	2,640.8
2007-06	16,850.3	14,189.2	3,258.5	10,930.8	2,661.1
2007-07	16,870.2	14,220.9	3,238.9	10,982.0	2,649.3
2007-08	16,888.2	14,244.5	3,293.1	10,951.3	2,643.7
2007-09	16,931.0	14,310.2	3,339.4	10,970.7	2,620.9
2007-10	16,975.2	14,338.3	3,365.8	10,972.5	2,636.9
2007-11	17,027.5	14,412.3	3,395.0	11,017.4	2,615.1
2007-12	17,031.4	14,393.4	3,398.7	10,994.6	2,638.1
2008-01	17,070.6	14,458.0	3,402.5	11,055.5	2,612.5
2008-02	17,106.6	14,492.0	3,411.7	11,080.3	2,614.6
2008-03	17,102.1	14,490.7	3,409.4	11,081.3	2,611.4
2008-04	17,124.9	14,499.8	3,418.6	11,081.2	2,625.0
2008-05	17,131.6	14,517.0	3,413.1	11,103.8	2,614.6
2008-06	17,131.0	14,520.7	3,406.7	11,114.0	2,610.2
2008-07	17,082.4	14,458.1	3,433.7	11,024.4	2,624.3
2008-08	17,100.2	14,476.8	3,416.7	11,060.1	2,623.4
2008-09	17,192.4	14,542.9	3,435.1	11,107.8	2,649.5
2008-10	17,194.7	14,543.3	3,461.9	11,081.5	2,651.4
2008-11	17,131.4	14,475.7	3,426.3	11,049.5	2,655.7
2008-12	17,111.0	14,452.6	3,446.7	11,005.9	2,658.4
2009-01	16,982.0	14,309.4	3,404.7	10,904.7	2,672.6
2009-02	16,899.4	14,254.7	3,380.5	10,874.3	2,644.6
2009-03	16,838.1	14,188.3	3,381.8	10,806.5	2,649.8
2009-04	16,874.0	14,187.2	3,391.1	10,796.1	2,686.8
2009-05	16,832.2	14,177.4	3,417.8	10,759.6	2,654.8
	Change (Persons)				
2008-10 to 2009-05	-362.5	-365.9	-44.1	-321.9	3.4

Source: Labour Force Survey.

Appendix Table 9: Monthly Employment in Canada by Province, Seasonally Adjusted (thousands)

	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia
2008-01	17,070.6	223.9	70.3	452.3	365.2	3,889.3	6,653.5	602.6	506.3	1,999.3	2,307.9
2008-02	17,106.6	222.5	70.6	449.4	367.6	3,893.0	6,690.8	602.0	509.7	1,994.6	2,306.4
2008-03	17,102.1	221.0	71.0	449.8	365.9	3,881.8	6,682.7	603.9	508.1	2,001.2	2,316.7
2008-04	17,124.9	223.0	70.5	452.3	366.2	3,867.7	6,696.8	611.1	509.8	2,007.3	2,320.2
2008-05	17,131.6	224.5	70.8	449.2	363.2	3,877.8	6,705.2	604.6	509.8	2,007.7	2,318.9
2008-06	17,131.0	219.0	70.7	456.0	363.5	3,885.2	6,682.5	608.2	510.0	2,015.8	2,319.9
2008-07	17,082.4	218.4	69.7	455.1	364.9	3,857.1	6,668.4	609.3	506.0	2,011.9	2,321.6
2008-08	17,100.2	218.7	70.3	452.1	366.5	3,861.5	6,682.9	605.4	513.1	2,006.9	2,322.7
2008-09	17,192.4	216.8	70.4	456.4	367.0	3,887.0	6,730.3	607.2	519.5	2,021.7	2,316.0
2008-10	17,194.7	218.3	69.7	457.5	369.2	3,890.2	6,719.0	606.9	519.7	2,035.2	2,309.0
2008-11	17,131.4	218.3	69.5	453.6	366.8	3,891.7	6,662.9	609.2	520.3	2,031.6	2,307.4
2008-12	17,111.0	217.5	69.2	453.5	366.6	3,884.3	6,665.2	609.1	520.3	2,022.5	2,302.7
2009-01	16,982.0	216.2	68.3	454.1	368.2	3,858.5	6,594.2	607.2	521.9	2,025.8	2,267.6
2009-02	16,899.4	215.0	68.6	456.4	365.3	3,840.1	6,558.9	607.9	522.5	2,002.1	2,262.7
2009-03	16,838.1	217.0	68.7	453.4	364.7	3,835.5	6,548.1	603.7	519.8	1,987.2	2,240.1
2009-04	16,874.0	214.2	68.6	449.3	364.3	3,857.9	6,545.1	604.2	520.1	1,992.9	2,257.4
2009-05	16,832.2	212.5	68.7	452.9	365.6	3,863.6	6,485.4	608.1	523.2	1,993.5	2,258.8
Change (Persons)											
2008-10 to 2009-05	-362.5	-5.8	-1.0	-4.6	-3.6	-26.6	-233.6	1.2	3.5	-41.7	-50.2

Source: CSLS calculations based on CANSIM Table 282-0087 - Labour force survey estimates (LFS)

Appendix Table 10: Monthly Employment in Canada by Industry, Seasonally Adjusted (thousands)

	2008-01	2008-02	2008-03	2008-04	2008-05	2008-06	2008-07	2008-08	2008-09	2008-10	2008-11	2008-12	2009-01	2009-02	2009-03	2009-04	2009-05
Total, all industries	17,070.6	17,106.6	17,102.1	17,124.9	17,131.6	17,131.0	17,082.4	17,100.2	17,192.4	17,194.7	17,131.4	17,111.0	16,982.0	16,899.4	16,838.1	16,874.0	16,832.2
Goods-producing sector	4,016.8	4,007.5	4,009.5	4,005.0	4,034.1	4,030.8	4,017.4	4,030.0	4,067.6	4,038.6	4,010.0	3,977.1	3,856.6	3,845.3	3,782.7	3,783.5	3,717.5
Agriculture	340.4	337.1	336.1	331.5	322.9	325.8	332.4	312.9	327.9	326.0	317.5	316.2	307.8	324.5	319.3	328.3	324.0
Forestry, mining, and oil	340.4	332.1	338.1	340.7	337.5	342.1	341.1	337.5	343.6	338.9	344.9	343.9	341.7	333.4	322.9	318.8	315.6
Utilities	146.5	149.7	150.9	149.0	150.7	157.5	156.3	160.8	151.5	148.6	150.4	149.0	144.4	143.1	148.7	145.4	149.4
Construction	1,192.4	1,209.9	1,216.5	1,230.7	1,237.1	1,221.1	1,233.4	1,248.6	1,259.9	1,250.5	1,255.8	1,217.5	1,213.1	1,169.9	1,151.7	1,144.2	1,140.1
Manufacturing	1,997.0	1,978.6	1,967.9	1,953.1	1,985.9	1,984.2	1,954.1	1,970.2	1,984.7	1,974.5	1,941.3	1,950.5	1,849.6	1,874.3	1,840.1	1,846.8	1,788.4
Services-producing sector	13,053.8	13,099.1	13,092.6	13,119.8	13,097.5	13,100.1	13,065.0	13,070.2	13,124.8	13,156.1	13,121.4	13,133.9	13,125.3	13,054.1	13,055.4	13,090.5	13,114.7
Trade	2,679.2	2,691.7	2,691.0	2,691.1	2,679.9	2,688.6	2,673.9	2,670.7	2,669.4	2,676.8	2,670.5	2,661.7	2,653.6	2,635.9	2,629.9	2,621.5	2,633.3
Transportation	854.1	844.7	861.8	857.4	850.8	849.4	857.0	859.5	871.8	870.6	844.9	869.7	839.8	841.0	843.1	838.8	823.1
Finance and real estate	1,079.4	1,085.2	1,072.9	1,077.1	1,074.2	1,066.9	1,071.4	1,075.2	1,075.0	1,071.0	1,073.3	1,083.7	1,097.2	1,094.7	1,074.9	1,073.4	1,064.2
Scientific and technical services	1,184.4	1,197.5	1,195.0	1,197.9	1,179.8	1,220.4	1,201.4	1,196.5	1,198.6	1,204.0	1,218.5	1,207.1	1,210.6	1,179.5	1,186.0	1,191.3	1,192.4
Support services	706.8	711.2	716.5	705.9	705.4	689.8	664.7	657.1	675.1	669.9	664.1	670.1	648.5	657.0	670.4	685.0	687.1
Educational services	1,196.6	1,187.9	1,190.4	1,203.7	1,190.3	1,192.8	1,160.8	1,196.9	1,199.8	1,208.2	1,193.7	1,184.5	1,178.5	1,163.8	1,173.8	1,173.5	1,183.9
Health care	1,875.1	1,878.7	1,881.3	1,886.6	1,909.7	1,892.4	1,906.7	1,883.1	1,925.3	1,922.2	1,938.3	1,939.5	1,970.3	1,955.7	1,952.4	1,956.2	1,951.1
Culture and recreation	769.6	776.2	758.0	762.3	754.2	763.1	760.9	754.7	749.3	748.8	756.5	762.6	760.2	752.8	747.3	764.4	770.6
Accommodation and food	1,044.9	1,051.3	1,059.9	1,077.1	1,081.8	1,069.8	1,091.3	1,108.1	1,088.2	1,065.5	1,073.2	1,063.4	1,075.2	1,083.8	1,068.6	1,074.4	1,067.8
Other services	753.1	750.7	741.4	735.6	748.8	740.9	746.1	748.3	760.8	766.2	762.6	756.9	768.6	760.2	783.6	797.6	807.7
Public administration	910.8	923.9	924.6	925.2	922.6	926.0	930.9	919.9	911.6	953.0	925.9	934.7	922.8	929.6	925.4	914.5	933.5

Source: CANSIM Table 282-0094 , Labour force survey estimates (LFS)

Appendix Table 11: Poverty and Unemployment Rates, 1976-2006

	After Tax Poverty Rate All persons (per cent)	Poverty Gap All Family Units (Constant $2007)	Unemployment Rate (per cent)
1976	13.0	6,900	7.1
1977	13.0	7,500	8.0
1978	12.2	7,200	8.4
1979	12.6	7,000	7.5
1980	11.6	6,800	7.5
1981	11.6	6,700	7.6
1982	12.4	6,800	11.0
1983	14.0	6,900	12.0
1984	13.7	7,000	11.3
1985	13.0	6,700	10.6
1986	12.1	6,500	9.7
1987	11.9	6,600	8.8
1988	10.8	6,300	7.8
1989	10.2	6,200	7.5
1990	11.8	6,500	8.1
1991	13.2	6,600	10.3
1992	13.3	6,500	11.2
1993	14.3	6,700	11.4
1994	13.8	6,700	10.4
1995	14.6	6,800	9.5
1996	15.7	6,900	9.6
1997	15.3	7,100	9.1
1998	13.7	7,200	8.3
1999	13.0	7,200	7.6
2000	12.5	7,000	6.8
2001	11.2	6,900	7.2
2002	11.6	6,900	7.7
2003	11.6	6,900	7.6
2004	11.4	6,900	7.2
2005	10.8	7,000	6.8
2006	10.5	6,800	6.3
2007	9.2	6,700	6.0
2008	-	-	6.1

Source: Cansim series v1560773, v1564223 and v2461224.

Appendix Table 12: Insolvencies in Canada, 2008Q1, 2008Q4 and 2009Q1

Panel A: Total Insolvencies in Canada

				% Change		12-Month Period Ending		
	2008Q1	2008Q4	2009Q1	2008Q1 to 2009Q1	2008Q4 to 2009Q1	3/31/2008	3/31/2009	% Change
Total	28 168	33 785	37 339	32.6	10.5	109 622	132 405	20.8
Bankruptcies	22 125	26 436	28 972	30.9	9.6	86 637	103 621	19.6
Proposals	6 043	7 349	8 367	38.5	13.9	22 985	28 784	25.2

Panel B: Insolvencies Filed by Consumers in Canada

				% Change		12-Month Period Ending		
	2008Q1	2008Q4	2009Q1	2008Q1 to 2009Q1	2008Q4 to 2009Q1	3/31/2008	3/31/2009	% Change
Total	26 146	31 997	35 543	35.9	11.1	102 087	125 186	22.6
Bankruptcies	20 466	24 956	27 542	34.6	10.4	80 430	97 686	21.5
Proposals	5 680	7 041	8 001	40.9	13.6	21 657	27 500	27

Panel C: Insolvencies Filed by Businesses in Canada

				% Change		12-Month Period Ending		
	2008Q1	2008Q4	2009Q1	2008Q1 to 2009Q1	2008Q4 to 2009Q1	3/31/2008	3/31/2009	% Change
Total	2 022	1 788	1 796	-11.2	0.4	7 535	7 219	-4.2
Bankruptcies	1 659	1 480	1 430	-13.8	-3.4	6 207	5 935	-4.4
Proposals	363	308	366	0.8	18.8	1 328	1 284	-3.3

Definitions

Consumer: An individual with more than 50 percent of total liabilities related to consumer goods and services.

Business: Any commercial entity or organization other than an individual, or an individual who has incurred 50 percent or more of total liabilities as a result of operating a business.

Bankruptcy: The state of a consumer or a business that has made an assignment in bankruptcy or against whom a bankruptcy order has been made.

Proposal: An offer to creditors to settle debts under conditions other than the existing terms. A proposal is a formal agreement under the Bankruptcy and Insolvency Act.

Source: Office of the Superintendent of Bankruptcy Canada, http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br02224.html

Appendix Table 13: Household Wealth, Liabilities and Net Worth, 2007Q1 to 2009Q1, Nominal dollars

	Total assets ($Million)	Non-financial assets ($Million)	Financial assets ($Million)	Liabilities ($Million)	Net worth ($Million)	Net worth per capita ($)
2007 I	6,761,462	2,861,096	3,900,366	1,146,706	5,614,756	171,509
2007 II	6,915,923	2,945,500	3,970,423	1,179,922	5,736,001	174,791
2007 III	7,037,273	3,001,149	4,036,124	1,209,736	5,827,537	176,982
2007 IV	7,064,716	3,037,767	4,026,949	1,234,700	5,830,016	176,418
2008 I	7,091,343	3,082,219	4,009,124	1,255,907	5,835,436	176,281
2008 II	7,258,427	3,138,472	4,119,955	1,294,475	5,963,952	179,715
2008 III	7,110,147	3,196,010	3,914,137	1,320,836	5,789,311	173,794
2008 IV	6,872,045	3,175,499	3,696,546	1,346,353	5,525,692	165,236
2009 I	6,813,223	3,149,515	3,663,708	1,359,487	5,453,736	162,775
Per cent Change						
2008Q2 to 2008Q3	-2.0	1.8	-5.0	2.0	-2.9	-3.3
2008Q3 to 2008Q4	-3.3	-0.6	-5.6	1.9	-4.6	-4.9
2008Q4 to 2009Q1	-0.9	-0.8	-0.9	1.0	-1.3	-1.5
2008Q2 to 2009Q1	-6.1	0.4	-11.1	5.0	-8.6	-9.4

Source: Statistics Canada, National Balance Sheet Accounts: Data tables, catalogue number 13-022-X.

Appendix Table 14: Capacity Utilization Rate in Canada, in per cent

	Total industrial	Forestry and logging	Mining and oil and gas extraction	Electric power generation, transmission and distribution	Construction	Manufacturing
2007 I	82.3	85.2	80.0	86.9	81.7	82.6
2007 II	82.5	81.6	79.4	90.8	80.6	83.3
2007 III	82.3	76.7	79.6	88.0	80.3	83.5
2007 IV	81.3	80.7	77.4	89.8	79.4	82.2
2008 I	79.8	77.6	76.6	88.1	79.0	80.1
2008 II	79.0	76.1	74.9	86.0	78.1	79.9
2008 III	78.3	72.2	75.9	85.3	77.4	78.7
2008 IV	74.9	74.9	74.9	82.7	75.3	73.7
2009 I	69.3	72.6	71.5	80.8	71.8	65.9
Percentage Point Change						
2008Q3 to 2008Q4	-3.4	2.7	-1.0	-2.6	-2.1	-5.0
2008Q4 to 2009Q1	-5.6	-2.3	-3.4	-1.9	-3.5	-7.8
2008Q3 to 2009Q1	-9.0	0.4	-4.4	-4.5	-5.6	-12.8

Source: Cansim Table 028-0002

Measuring what matters

Based in the Faculty of Applied Health Sciences at the University of Waterloo, the Canadian Index of Wellbeing Network is an independent, non-partisan group of national and international leaders, researchers, organizations, and grassroots Canadians. Its mission is to report on wellbeing at the national level and promote a dialogue on how to improve it through evidence-based policies that are responsive to the needs and values of Canadians.

The Network's signature product is the Canadian Index of Wellbeing (CIW). The CIW measures Canada's wellbeing and tracks progress in eight interconnected categories. It allows us, as Canadians, to see if we are better off or worse off than we used to be — and why. It helps identify what we need to change to achieve a better outcome and to leave the world a better place for the generations that follow.

The Honourable Roy J. Romanow, Chair
The Honourable Monique Bégin, Deputy Chair

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University of Waterloo, 200 University Avenue West, Waterloo, ON, Canada N2L 3G1
519-888-4567, ext. 31235 | ciwinfo@uwaterloo.ca | ciw.ca