



# OECD Employment Outlook 2023

## ARTIFICIAL INTELLIGENCE AND THE LABOUR MARKET

### Country note



## Canada

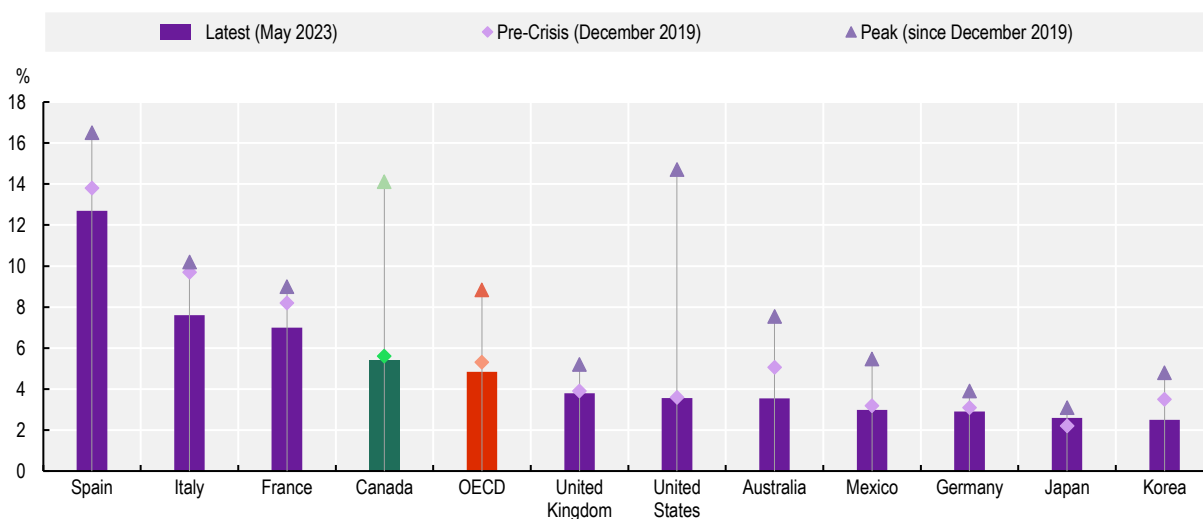
### Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- At 5.4% in June 2023, the unemployment rate in Canada has hovered near historic lows for over a year. The employment rate has also increased to 76% from the pre-crisis rate of 74.6% in December 2019. But there is evidence that the labour market is starting to ease: online job vacancies have been in decline and firms in the Bank of Canada's business survey reported it was easier to hire the workers they needed than a year ago. Until the end of 2024, according to OECD forecasts, the unemployment rate will increase slightly to 5.9%.
- The share of online job postings offering benefits increased in Canada between December 2019 and December 2022, suggesting that some workers benefitted from tighter labour markets. The share of vacancies offering health-related benefits (including dental, vision and life insurance) increased by 11 percentage points. A rise was also observed in the share of vacancies offering retirement programs, paid time off, tuition assistance and fitness facilities.

### Figure 1. Unemployment rates remain low across the OECD

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.

Source: OECD (2023), "Unemployment rate" (indicator), <https://doi.org/10.1787/52570002-en> (accessed on 11 July 2023).

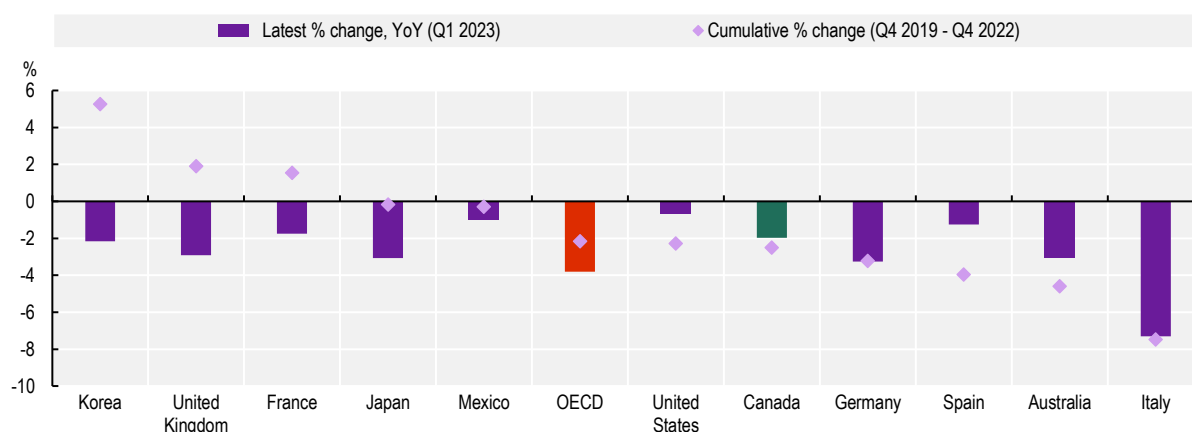
## Real wages are falling amid a cost-of-living crisis

Although showing signs of slowing, inflation has reached recently unprecedented levels in many countries, which were not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- Canada experienced a 2% decline in real wages, which is a smaller drop than the OECD average (3.8%). However, low-educated workers in Canada took a bigger hit to real wages than workers with higher levels of education. This development is unique across OECD countries where data is available. It stands in contrast to the United States, for example, where workers with low education avoided a real wage contraction between Q4 2019 and Q4 2022.
- According to available data on wage settlements, 56 agreements in the private sector and 34 agreements in the public sector were negotiated in Canada in 2022. An average annual percentage adjustment of 2.5% was negotiated.
- Profits in Canada have increased by 18.3% since Q4 2019, which is higher than the increase in unit labour costs (14.9%). There is room for profits to absorb some future wage increases, though this might be less the case in small and medium-sized enterprises that are more squeezed by other cost increases.

## Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023



Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.

Source: OECD Employment Outlook 2023, Chapter 1.

## Minimum wages and collective bargaining can support low-paid workers

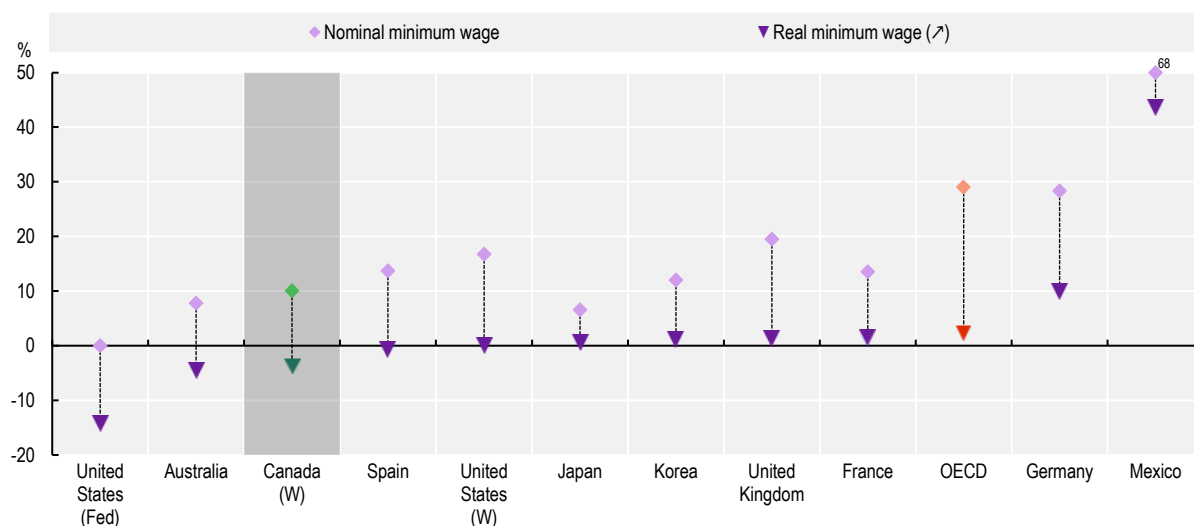
Minimum wages and collective bargaining can help mitigate losses in purchasing power and ensure a fair distribution of the cost of inflation between firms and workers, while avoiding a price-wage spiral. On average across the OECD, statutory minimum wages have increased significantly over the last two years, and this has allowed real minimum wages to keep up with inflation better than average wages. The evidence suggests that there is room for profits to absorb further increases in wages, at least for low-paid workers. Governments can also provide direct support through the tax and benefit system to raise the net income of low-income households.

- Revision of minimum wages may be subject to government discretion or can take place automatically with indexation. Generally, minimum wages in Canada are legislated at the level of Provinces or Territories. Most but not all Provinces and Territories in Canada have an automatic indexation of the minimum wage in place, ensuring that the minimum wages are updated annually to keep pace with

inflation. In April 2022, Canada introduced automatic indexation of the federal minimum wage, which covers federally regulated private sectors such as banking, postal services, or interprovincial airlines.

### Figure 3. Minimum wages have kept pace with inflation

Cumulative percentage change in nominal and real minimum wages since December 2020, May 2023



Note: OECD is the unweighted average of 30 OECD countries with a statutory minimum wage. W: employee-weighted subnational minimum wages. Fed: Federal minimum wage.

Source: OECD Employment Outlook 2023, Chapter 1.

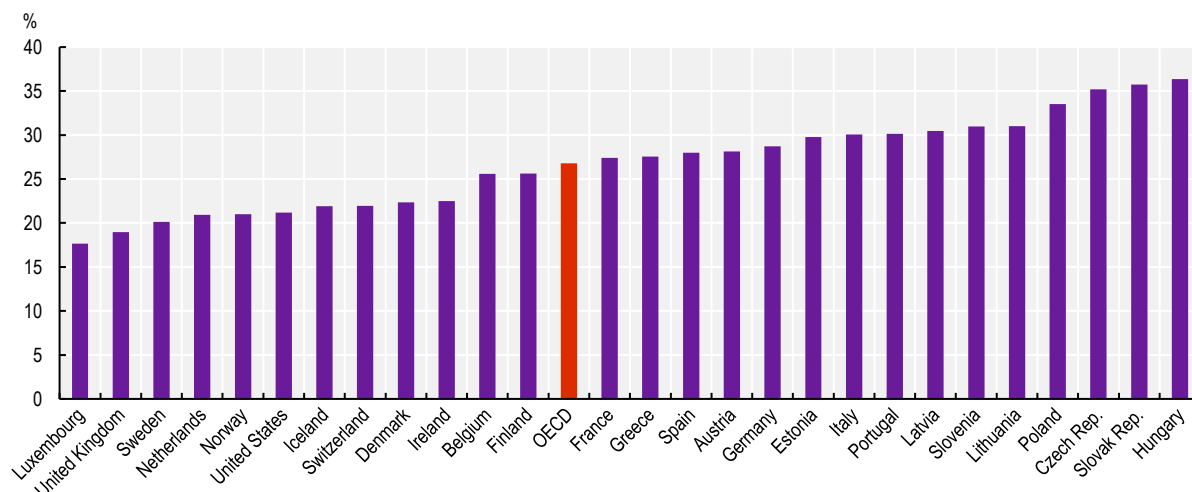
### AI has so far helped high-skilled workers perform their jobs rather than displacing them, but employment effects could take time to materialise

So far, there is little evidence of decreased labour demand due to AI. High-skilled occupations have been the most exposed to recent progress in AI, but they have also experienced employment gains relative to lower-skilled workers. However, AI adoption is still relatively low and the technology is evolving rapidly including recent advances in generative AI. Any negative employment effects may therefore take time to materialise.

- AI appears to currently be complementing the skills of more exposed, high-skill occupations. When considering all automation technologies including AI, the occupations at the highest risk of automation are typically lower-skilled and held by younger workers. On average 27% of employment in OECD countries is in occupations at highest risk of automation. This reflects the fact that AI is just one of many automation technologies (ICT, robotics etc.).
- High-skilled workers are likely to benefit more from AI and outcomes for workers tend to be better for those with AI-related skills. OECD analysis using data from Anglophone countries (including Canada) finds that job postings demanding skills closely related to AI skills such as machine learning pay significantly higher-than-average wages. Data science and big data skills, for example, are associated with a wage premium of 9% and 7% respectively in Canada.

**Figure 4. Although AI exposure has not (yet) led to decreased labour demand, certain groups remain at risk**

Share of employment in occupations at the highest risk of automation by country, 2019



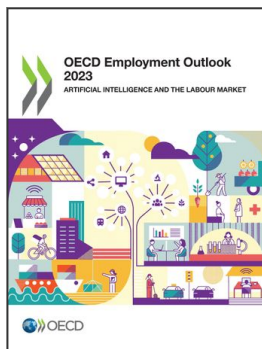
Note: The figure shows the employment shares of the occupations at highest risk of occupations, i.e. top quartile occupations when ranked according to their automation index. The results are based on a survey of experts who evaluated the degree of automatability for 98 skills and abilities. The risk of automation measure is then computed by occupation as the average rating for each skill or ability used in the occupation across all expert responses weighted by the skills or abilities' importance in the occupation as rated by O\*NET.

Source: Lassebie and Quintini (2022), "What skills and abilities can automation technologies replicate and what does it mean for workers?: New evidence", <https://doi.org/10.1787/646aad77-en>, based on OECD Expert Survey on Skills and Abilities Automatability and O\*NET.

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