

A note on Canadian unemployment since 1921

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The recessions of the early 1980s and early 1990s resulted in high unemployment rates. Some people have compared these rates with those of the Great Depression of the 1930s. This note examines unemployment rate data for recent years and earlier in this century.

Since 1945, Canadian unemployment data have been generated by the Labour Force Survey (LFS). Before that, however, no regular measure was taken. Using various methods, a variety of labour statistics have been estimated back to 1921.

The calculation procedures used for the pre-war data differ considerably from those used for the more recent data (see *The data: definitions and sources*). Therefore, the earlier numbers should be considered only an approximation of what would have resulted if the LFS had been conducted before the Second World War. It is encouraging to note, however, that these early unemployment rate data generally follow trends in other economic indicators.

Any comparison of unemployment rates over such a long period of time must be tempered by the fact that the social impact of unemployment during the 1930s was undoubtedly different from today. The labour force participation of married women was much lower then; therefore, unemployment was more likely to deprive a family of its sole source of employment income. To make matters worse for such families, today's network of social programs was largely absent.

The results

The event often called the Great Depression actually consisted of two cycles: the severe slump of the early 1930s and a lesser downturn in the late 1930s, with some recovery in between. The national unemployment rate in June 1933, at 19.3%, was the worst over the entire period since 1921. It was also about 8 percentage points higher than the highest post-World War II June rate, 11.5%, recorded 50 years

later in 1983. The 1983 estimate was about the same as that of 1938 and 1939. In June 1992, the unemployment rate was slightly lower, at 10.8%. (Because of the procedures used to obtain pre-war unemployment data, all observations in this note refer to June.)

The lowest unemployment rates earlier in the century were much lower than anything experienced since the mid-1970s. From 1927 to 1929, and again during and after the Second World War, unemployment rates dropped to 3% or less, whereas the lowest June unemployment rates in the past 15 years never dropped much below 7%.

It might be argued that the low unemployment rates of the early 1940s and, to a lesser extent, the early 1950s (Korean War) were unnatural events caused by wartime mobilization, and as a result are not comparable to recent experience. However, rates were also very low in the late 1920s and late 1940s, when no such artificial stimulus existed.



Chart A Unemployment rates have varied widely since 1921.*

Source: Pre-1946: extrapolated census data: 1946-1992: Labour Force Survey

* *All provinces excluding Newfoundland.*



Chart B Unemployment rates were more volatile 50 years ago.*

Source: Pre-1946: extrapolated census data: 1946-1992: Labour Force Survey

* *All provinces excluding Newfoundland.*

Thus, fluctuations in unemployment were much greater a half-century ago than they are now. A large body of economic literature has been devoted to explaining this flattening. While the results have varied from study to study, many researchers have concluded that changes in public policy and the structure of the Canadian labour market have moderated swings in unemployment over economic cycles (Burns, pp. 45-51, in [Gera](#), 1991).

The data: definitions and sources

Assessing the comparability between the pre-1946 unemployment data and those produced after the Second World War is difficult. The Labour Force Survey (LFS) obtains unemployment estimates by means of a household survey. The pre-war data were extrapolations of 1921, 1931 and 1941 Census results using reports obtained from labour unions on the percentage of their members out of work. A report containing these data along with the calculation procedures was initially published in 1942 by the Dominion Bureau of Statistics (DBS), as Statistics Canada was then known ([DBS](#), 1942, pp. 215-234).

Canadian census data are collected early in June; as a result, the labour force statistics up to 1945 were calculated for that month each year. For historical continuity in this note, therefore, June has been used for recent data as well. ⁽¹⁾ Post-war experience suggests that June gives a long-run unemployment trend similar to, but slightly below, annual average numbers.

Employment data were derived in a similar manner, by extrapolating census values using results from a survey of large employers.

There are a number of ways in which the meaning of the pre-war labour force data can differ from more modern statistics. The census labour force definitions were similar to, but not quite the same as, modern LFS definitions. ⁽²⁾ In addition, the extrapolation techniques necessarily involved a number of assumptions that are difficult to evaluate using the material available today. In spite of these problems, the DBS numbers remain the best available measure of Canada's labour force situation before 1946.

It should be noted that to improve data comparability, Newfoundland has been subtracted from the Canada figures, since this province joined Confederation in 1949.

During the period from 1946 to 1952, LFS surveys were taken four times a year, instead of monthly. Fortunately, one of those survey dates was June.

Starting in 1966, the LFS minimum age for labour force participation was raised from 14 to 15. (The LFS age limit was actually raised in 1975; the data were adjusted back to 1966 to provide a consistent time series.) This had little effect on the unemployment rate because of the small numbers involved.

Because LFS figures are periodically revised to correspond to updated population bases, there can be minor differences in values contained in the various sources mentioned in the references. The data used in this note reflect the final revisions.

Data sources for this note are as follows: The pre-1946 data were taken from the *Historical Statistics of Canada* ([Statistics Canada](#), 1983); the LFS data from 1946 to 1956 correspond to those in Reference paper no. 58 ([DBS](#), 1958); and the data from 1957 to 1965 were directly tabulated from LFS files. Subsequent data were also directly tabulated from LFS files and correspond to values in *Historical labour force statistics, 1991* ([Statistics Canada](#), 1992).

Notes

Note 1

Before 1946, the data relate to June 1. Starting that year, the numbers are based on the Labour Force Survey reference week, usually the week containing the 15th day of the month.

Note 2

For a discussion of the differences between LFS and census labour concepts and definitions up to 1961, see [Denton and Ostry](#) (1967), pp. 1-14.

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Source

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 HIGHLIGHTS

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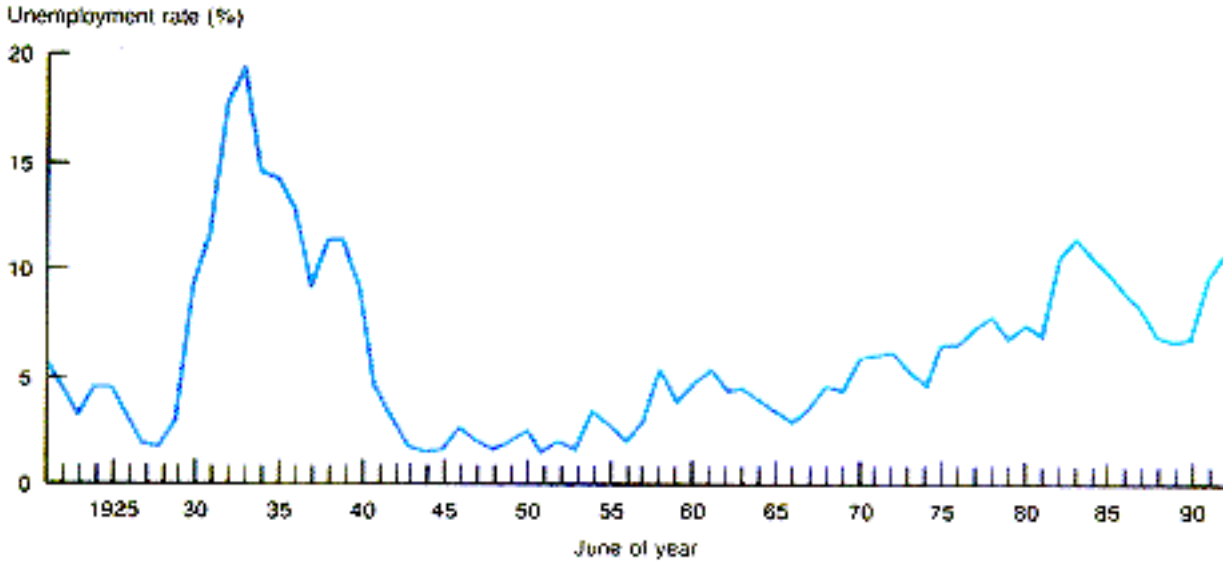
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Chart A

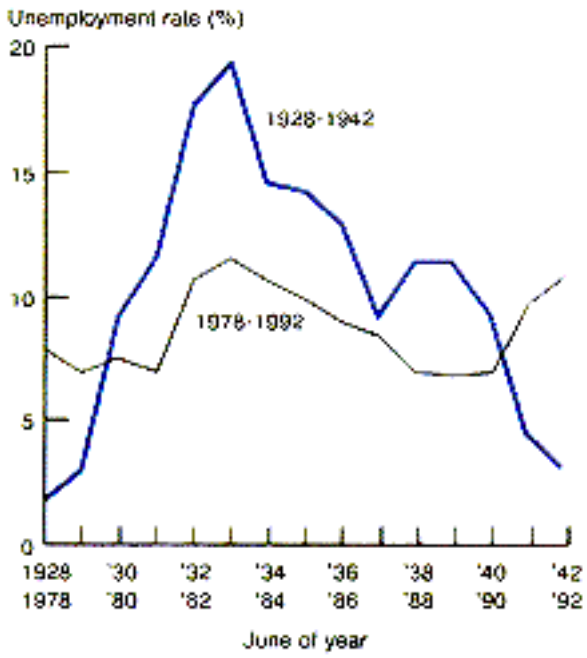
Unemployment rates have varied widely since 1921.*



Sources: Pre-1946: extrapolated census data; 1946-1992: Labour Force Survey
*All provinces excluding Newfoundland.

Chart B

Unemployment rates were more volatile 50 years ago.*



Sources: Pre-1946: extrapolated census data;
1946-1992: Labour Force Survey

* All provinces excluding Newfoundland.