SOCIAL POLICY TRENDS

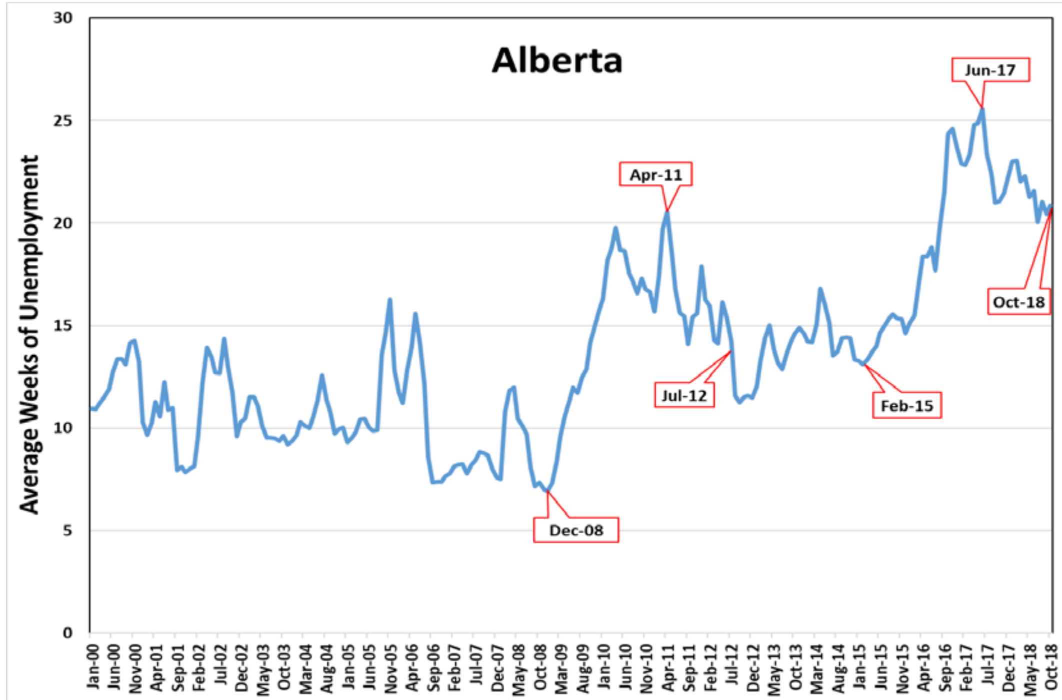
November 2018

DURATION OF UNEMPLOYMENT IN ALBERTA

The average duration of unemployment in Alberta has nearly tripled over the past 10 years.

The figure presents data showing the 3-month moving average of the duration of spells of unemployment in Alberta from January 2000 to October 2018. The duration of unemployment is measured in weeks. We have used the 3-month moving average approach to smooth month-to-month fluctuations. In October 2018, an unemployed person in Alberta was out of work for an average of 20.9 weeks. Ten years earlier, in October 2008, this same measure was 7.4 weeks.

Since 2000, the two largest increases in the average duration of unemployment correspond to two external events: the financial crisis of 2008-09 and, since late 2014, the fall in the price at which Alberta sells its oil.



Source: Statistics Canada series v3436804 and authors' calculations using 3-month moving averages.

> Longer spells of unemployment are associated with increased difficulty with finding re-employment and threaten to permanently increase social assistance caseloads.

The financial crisis of 2008-09, increased the average duration of unemployment in most provinces, reflecting the fact it impacted numerous parts of the Canadian economy and much of the rest of the world. Alberta's experience with a large increase in the duration of unemployment since the fall in the Canadian price of oil is shared only with Saskatchewan, the other oil-producing province unable to sell its crude at world prices.

In the 15 months following the financial crisis, the average duration of unemployment in Alberta fell from a peak of 20.5 weeks in April 2011 to 14.2 weeks in July 2012. It remained at approximately that level for the next two and a half years before a fall in the price of oil pushed it back up. In the 15 months since peaking at 25.6 weeks in June 2017, the average duration of unemployment has fallen by a similar amount as following the financial crisis, to 20.9 weeks in October 2018. Whether the duration of unemployment will either continue to fall to levels typical of the early 2000s (about 11 weeks), fall to the level established following the financial crisis (about 14 weeks), or perhaps plateau at the level reached 15 months after the peak due to the fall in the price of oil (21 weeks) remains to be seen.

The answer is life-changing for families affected, not only due to a loss of income, but also because longer spells of unemployment are associated with increased difficulty in finding re-employment. This latter effect suggests the possibility of permanently higher social assistance caseloads and permanently higher costs associated with other social ills known to be linked with longer spells of unemployment. From this perspective, many of the costs to be borne by Albertans because of consistently low oil prices may yet to have been fully felt.

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