Primarily dominated by its abundant service industries and high living standards, Canada follows a developed mixed economic system. Provided with rich resources, its diversified economy obtains most of its income from both good producing industries such as oil and gas, and agriculture, as well as its prominent service industry, which accounts for 72 percent of its Gross domestic product (GDP). As seen in the pie charts below which exemplify the diversification of the Canadian economy through the composition of Canada’s GDP, it is evident that the many service industries have emerged in comparison from the period of the 1870s. The service sector now serves as a fundamental career option for a large percentile of the employed labor force (workforce).

**Composition of Canada’s GDP, 1870**

**Composition of Canada’s GDP, 2016**

"Our country’s economy is strong, diversified, and resilient" - Justin Trudeau
Whilst looking at the country’s nominal GDP which has not been adjusted for inflation measured from both the circular flow of income and expenditure amongst the households, firms, and the government, it was at 2.03 trillion (USD) as of 2016. It is important to note that the displayed USD figures for GDP are converted from the domestic currency of the Canadian dollar—this is done by using “single year official exchange rates”. The discrepancy between its nominal and real GDP is represented in the bar graph below (labeled Figure 1), in which the real GDP utilizes a consumer price index to adjust the nominal GDP for changes in price level.

![Canada's GDP, 1870 to 2016](image)

**Figure 1** Showing Canada Nominal and Real GDP (USD)

However, its real GDP - shown in the line graph below (labeled figure 2) is approximately 1.53 trillion (USD) with a base year of 2002 and it reflects the country’s overall output and state of economy. Although the GDP has been steadily increasing since the 1900s, there was a decline in comparison to 2012. Evaluated by world ranking, Canada is placed at the 10th highest Nominal GDP.

![Figure 2 Showing Canada Real GDP (USD)](image)

In aims to provide the citizens of Canada a widened perspective for how the country is performing in correspondence to the four macroeconomic objectives of 'low unemployment, low and stable rate of inflation, economic growth, and equity in distribution of income', our economic journalist Aysel Rustamova has conducted thorough one-to-one interviews with three different individuals. This will provide readers of the Financial Post with a more clear comprehension of the Canadian economy from different perspectives—from the eyes of the unemployed, the banking sector, as well as the government.
Eddy Thompson is a 32 year old from Alberta, and is currently structurally unemployed.

Q: How would you describe your position being currently unemployed?

A: Difficulties arise, and I would say this is the hardest challenge I have had to endure. After being laid off from my job as a machinist in the manufacturing industry last year with “termination without cause”, I have been left temporarily unemployed without any known reason for dismissal. I have one daughter, and the unemployment benefits provided within this country are only an approximate 35% of your average weekly salary, which for me is the bare minimum needed to support a family. For someone who has monthly bills to pay, the severity of the situation is increasing. I have been actively seeking work each day in hopes to find something that will get us through this rough-patch. Although, I have attended community college, the skillsets, which I carry and have obtained from this job, are not eligible or even enough for me to relocate into an area of work within a new industry. This has left me structurally unemployed, as there is now a mismatch in demand for the particular labor skills that I have, and the industry that I work in no longer needs my services. This has left many consequences for me as an individual both socially and economically. I have developed high amounts of stress from the severity of my situation that cause me to be constantly discouraged.

Q: Do you know what the current overall status of unemployment in Canada is?

A: As I have been constantly searching for jobs on the internet, I have discovered some informative statistical information in relation to unemployment. The amount of individuals aged 15 and older who were in Canada’s labor force (which includes both the employed and the unemployed who seeks work) was approximately 20 million people in 2017. Looking into the past years before the recession in 2008-2009, unemployment rate in Canada was low at 6% in 2007, however, during the time of the recession, the rate drastically increased to 8.4%. Since then, the rate of unemployment has steadily decreased to 6.7% as of the annual average for 2017. Individuals like myself contribute to the natural rate of unemployment, as it is based off people who are unemployed for structural, seasonal, and frictional reasons.

Q: What does the government do in aims to improve the problem of unemployment?

A: Policies that are currently in place to improve the overall rate of unemployment in Canada, are employment insurance, improvements in relation to education, as well as subsided employment. Employment insurance is provided to unemployed workers like myself as a source of temporary income while we look for new job options or ways in which we can advance our skills. Although this money is beneficial, it is not a desired level of income. In terms of the government, it allows for the maintenance of a desirable consumption level which is needed for economic growth and a higher GDP value. It is estimated that without these benefits, consumption of the overall unemployed would decrease by nearly 20 percent. The improvements in relation to education are set in place to improve the flexibility of the labor force. As the economy is currently globalizing, the Canadian government is aiming to develop an education system which creates a workforce that thrives in the competitive career-world. Innovative and diverse course options and skills are being offered throughout the education system to suitably prepare individuals for a bright future. The last critical
policy is subsidized employment which is an advantageous method of creating access to jobs in which employers receive subsidies to employ the jobless and once again provide them with a wage.

Q: Is there anything that you would propose as a ‘solution’ in aims to improve unemployment?

A: For me personally, and for individuals like myself who are of older age (above 30), and have completed minimal education without a 4-year degree, some type of educational system must be set in place for the structurally unemployed. Primarily, the first target of the government should be the youth and strengthening their probabilities of employability. This can be done all throughout high school and university in which critical real-life skills such as communication, technology, teamwork, and more are being taught. For people in my position who have been laid off from a job that they have been doing for a long duration of time, or no longer possess skills, which are in demand by their employer, should have access to an individual sector of ‘adult-training’. This will permit people who are too old or demotivated to redo their whole education, to have a short-term training in which they are taught new sets of skills that can help them be eligible and more successful in the job hunt process. If this is effectively enforced and accessible, people will be able to find more jobs whilst being in such difficult situations. Although this may be quite costly for the Canadian government, direct long-term benefits will be seen such as a decreased unemployment rate.

Q: As my last question to you, I would like to ask your stance on Canada’s equity in the distribution of income.

A: In relation to the equity in the distribution of income, income inequality used to be less in the early 1980s at approximately 0.281 as its Gini coefficient, however, now it has rose to 0.32. As a Gini coefficient of 0 represents perfect equality and 1 represents perfect inequality, I would say Canada has adequate wealth distribution. However, saying this it is still evident that there is distinct classification between the top quintile and the bottom quintile in relation to income which leaves relative gaps between the ‘classes’. A clear reason for why this may commonly occur is over skill sets; as the world is dramatically innovating, employers are in higher demand for people who have advanced skills. This leaves individuals like myself, who have not been educated in relation to today’s modern society with less income. The government is currently setting policies that are aimed to reducing the rate of income inequality. One of the most beneficial methods is direct taxation, in which individuals are taxed based on their attained incomes. As I had stated before, government transfer payments such as types of social assistance, employment insurance, and benefits for families all add up to help equity in the long-term.

![Figure 4 Canada Gini Coefficient](image)

![Figure 5 Canada Income Growth by Percentile](image)

As seen in the table to the left the average annual income in dollars is $25,671, whilst the top are being above 80,000. This shows that although the distribution is not at a terrible level, there is still inequalities that are present.

<table>
<thead>
<tr>
<th>Annualized income growth and average annual income by fractile, Canada and the United States, 1982-2010 (2000 dollars)</th>
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<tbody>
<tr>
<td><strong>Average income ($)</strong></td>
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<td>------------------------</td>
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<td><strong>Canada</strong></td>
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<tr>
<td>99.5-99.9</td>
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<tr>
<td>Top 0.01</td>
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Source: Authors’ calculations based on F. Alvarez, T. Atkinson, T. Piketty and E. Saez, World Top Incomes Database (http://topincomes.gpi.econ.ucl.ac.uk/).

1 The income concept used is market income, which includes all income except government transfers and capital gains.
2 The Canadian data is based on individuals’ tax returns. The US data includes data from joint tax-filing households and is reported in US dollars.

Table 1
Lee Evans is a 40-year-old employee who currently works in Canada’s central bank, ‘The Bank of Canada’

Q: How would you describe the status of Canada in relation to the macroeconomic goal of a low and stable rate of inflation?

A: To begin I would like to state how we actually produce the consumer price index needed to calculate inflation; this is done through the measurement of prices for a basket of definite goods and services based on how much is consumed on average. The goods and services in the basket may be altered depending on the basis of consumer necessities. This CPI is noted a crucial measure of the overall cost of living for Canadians as it includes the goods which they predominantly consume. The current inflation rate as of 2017 is at 1.61%, which is within our banks inflation-control target range of 1-3%. In comparison to the previous years it has increased since 2012. We target this rate, as it will be beneficial for the Canadian economy and encourage an increase in aggregate demand (consumption). Households will be prone to borrow more since this usually causes lower interest rates as well. This reflects well on our overall economy, as consumers will now have increased disposable income.

The increasing of consumption leading to an increase in overall aggregate demand may cause demand-pull inflation as GDP increases. This is a normal result of economic growth within a country and since the Canadian economy is functioning at equilibrium this may not necessarily cause prices to rise. This is better than negative inflation otherwise known as deflation – this has many harmful effects on the Canadian economy as it will discourage households and firms in terms of supply and demand in which people will lack confidence to spend. This can lead to a possible recession or high levels of unemployment. This is why we as The Bank of Canada commit to our goals of a low and stable rate of inflation and enforce trust to our citizens, as they are confident in our 2% inflation goal. Although since the 1900s we have seen both periods of high inflation and deflation, Canadian citizens remain with “purchasing power” and spending confidence as we set a predictable economic environment.

The diagram to the left represents the Keynesian theory in which an increase in aggregate demand from AD$_1$ to AD$_3$ shows a movement along the aggregate supply curve. It can be seen that the general price levels within the economy have risen from P$_1$ to P$_3$ and overall output has increased from Y$_1$ to Y$_e$. In accordance to the Keynesian theory, not all increases in AD will cause price fluctuations in which they drastically rise.
Q: What are the current policies set towards the rate of inflation?
A: As stated before, our main goal is to achieve our target rate of inflation which is 2%. This is done by monetary policies, which include the adjusting of interest rates needed for low inflation. If inflation is too high, it is necessary that interest rates are increased in aims to discourage individuals from borrowing and spending which settles the economic situation and the increasing of demand from getting severe. The opposite is done in case of too low inflation as interest rates are lowered to encourage consumption.

Cassandra Walters is a member of the Canadian government and actively works towards all 4 macroeconomic objectives

Q: How would you describe Canada’s condition in terms of economic growth from the standpoint of a government worker?
A: The current economic growth rate in Canada which is ‘measured by changes in real GDP’, is at 3.1% as of 2017 which is a solid and stable place to be at as an economy. We are in an expansionary phase in which all industries are contributing to our growth as a country. There have been dominant improvements in exports, investment, as well as overall improvements within the labor market, which encourage consumption.

By analyzing Canada’s GDP growth rate, it is evident that between 2008 and 2009, Canada had negative GDP growth meaning it was in a state of recession. However, the following year GDP once again increased in recovery to its normal state. In comparison to the position of our economy, back in late 2008, the Canadian economy has had modest economic growth to bring us to the good position we are currently in.

Our current phase in the business cycle is the expansionary phase; this that our country’s economy is in a state of growth as our GDP is increasing, our unemployment rate is low, and in relation to inflation we are very close to our target of 2%.
Q: What are you people as a government doing in aims to improve economic growth?

A: Policies are being set out to increase productivity, as well as to improve innovation within the country. In accordance to productivity, which allows for more output with fewer resources through the actual process of production - it must be done to make improvements in the long run as it will help in overall growth. We are doing our best to make improvements to unemployment so this is why one of main new targets is policies geared towards productivity. The ranking of Canada’s productivity is shockingly low and this can be improved through simple improvements in relation to the factors of production. This will have direct benefits to Canadian citizens, as they will feel the impacts of these improvements. A limitation about our economy is that we are very heavily reliant on our own natural resources, and in the long run this could negatively affect our growth depending on the over-looking situation of the economy. In relation to policies to improve innovation, we are trying to invest in resources that will help us in terms of manufacturing as we are trying to expand the value of all our businesses. More investment will cause aggregate demand to increase, thus, the country’s GDP will also go up. It is significant to note that us as the government must be careful of how we do this, as it needs to be done in a manner that does not replace labor and cause an increase unemployment.