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ADDED AND DISCOURAGED WORKER EFFECTS IN
CANADA?**

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Unemployment Invariance Hypothesis, Added and Discouraged Worker Effects in Canada?

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Abstract

This article explores the long-run relationship between unemployment rate and labor force participation rate for men and women in Canada. The co-integration analysis vindicates the existence of a long-run relationship between these two variables. This finding leads us to doubt the pertinence of the unemployment invariance hypothesis for Canada. This is consistent with the empirical studies for Japan, Sweden and the United States, but contradicts the empirical studies for Australia, Romania and Turkey. Further, we find discouraged worker effect for women and added worker effect for men and we elaborate on the possible explanations for this seemingly contradictory finding.

KEYWORDS: Unemployment Invariance; Unemployment; Labor Force Participation; Discouraged Worker Effect; Added Worker Effect; Co-integration; Canada

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