

efficiency and equity objectives simultaneously, and includes expenditures on such measures as job search assistance, training and employment subsidies. "Passive" expenditures refer to income maintenance measures. OECD data (Chart 2) for 1985 (the first year for which data is available) and 1990 indicates that Canadian expenditure on "active" measures as a percentage of total labour market expenditures were lower than most other OECD countries, and at least slightly less than that of the other G-7 countries. In Canada, the unemployment insurance program has come under criticism for being unable to deal effectively with unemployment and encouraging both workers and employers to avoid retraining or restructuring.⁶⁹ In particular, unemployment insurance has been criticized for adversely affecting the adjustment mechanism of the labour market by: contributing to an increase in the length of unemployment; contributing to an increase in the length of temporary layoffs; and by reinforcing the concentration of temporary and unstable jobs in high unemployment and low-wage regions.⁷⁰

If Canadians are to continue to receive relatively high levels of total compensation, they will need to maintain relatively high levels of productivity growth. The external pressures mentioned earlier in the Paper mean that a globalized economy will not allow countries to maintain high wage-low skill production without some form of (economically inefficient) protection for the domestic economy. Canadian low-wage industries will face the greatest competitive challenge. Rugman and D'Cruz have concluded that the forces driving low-wage imports constitute a process that will continue until Canada's low-wage industries are forced out of business unless market niches are found.⁷¹ The only other option would be for governments to provide some form of assistance or subsidization to protect industries, very much a second-best approach even over the short-term, as it would act as a productivity anchor on the economy as a whole.

⁶⁹ A. Weston, Ada Piazza-McMahon, and Ed Dosman, "Free Trade with a Human Face? The Social Dimensions of CUSFTA and the Proposed NAFTA", The North-South Institute, Ottawa 1992, p.28.

⁷⁰ M. J. Trebilcock, M. Chandler, and R. Howse, with the collaboration of P. Simm, Adjusting to Trade: A Comparative Perspective, Economic Council of Canada Discussion Paper No.358, October 1988. Also see J. Cousineau, "Unemployment Insurance and Labour Market Adjustments", Income Distribution and Economic Security in Canada, Vol. 1, Research Studies for Royal Commission on Economic Union and Development Prospects, 1985.

⁷¹ Alan M. Rugman and Joseph D'Cruz, "Canadian Strategies for International Competitiveness", Business in the Contemporary World, Volume III Number 1, 1990, pp.96-98.