(210) There is also the ECC argument that our average productivity growth will be lowered, causing inflationary effects (para. 205 above). This, too, is based on a misconception which views a nation the same way it views a firm. According to this view, we measure productivity growth by observing a numerical fraction of which the top (the numerator) is the Gross National Product (the total of goods and services turned out by the economy); the bottom of the fraction, the denominator, is the total number of people who actually work. The rate at which the value of the fraction grows is the rate of growth of our productivity. This is how both Statistics Canada and the Economic Council measure the rate of growth of productivity. And this is the way a firm measures productivity growth.

(211) It follows that if a firm can reduce the denominator (the number of workers it pays) without reducing the total of goods and services it produces (the numerator of the fraction), the firm's productivity has grown. The point is that a firm can dismiss workers and "someone else" takes care of them. But as a nation, we cannot "dismiss" our workers and have "someone else" take care of them. The nation is the "someone else".

(212) A more realistic way of considering productivity is to compare Canada to a co-operative of 100 workers of whom only 50 have jobs. Each of the 50 earns $20,000 for a total of $1,000,000. The care and feeding of all the 100 members of the co-operative costs $1,100,000. So the co-operative has a deficit of $100,000. If the other 50 find jobs, even at only $10,000 a year, the co-operative now earns $1,500,000. After spending $1,100,000 on the care and feeding of all its hundred members, it will have a surplus of $400,000 to invest in growth. This parallel holds because Canada, as a nation, has undertaken to look after the care and feeding of all its citizens. If they don't work, we have less surplus left to finance our growth. We can't simply let them starve to death; not only would it be inhumane, it would lower demand and slow the economy further.

(213) It is through this example of the co-operative that employment equity for women, the handicapped, Natives and the employment disadvantaged is revealed to be an economic, as well as a social, necessity. As a nation, we must measure our productivity by dividing what we produce by *all* our people between the ages of 15 and 64. If more people are given a chance to add to what we produce, our productivity growth will be higher. And if they are paid not at discriminatory lower rates, but at the normal rate for the job they do, they will spend more, spur demand and attract investment.

(214) Finally, for arithmetical buffs, here is a calculation of productivity growth closer to that of the ECC: assume a work force of 100 people of whom 50 are working and 50 are not. The 50 who are working increase their productivity by 4% in one year. The 50 who are not working have no product and cannot increase their productivity. This gives us the following fraction for calculating productivity growth:

$$\text{(A)}\ \frac{\textbf{(50 workers X 1.04) + (50 jobless X 0)}}{\textbf{100}} = \textbf{0.52\%}$$

The productivity of the collectivity has increased by one half of one percent.

Now assume that the 50 jobless have found jobs in which they have a product but show no increase in productivity. The other 50 still have a productivity growth of 4%. This gives us the following fraction:

$$\text{(B)}\ \frac{\textbf{(50 workers X 1.04) + (50 new jobs X 1.0)}}{\textbf{100}} = \textbf{1.02\%}$$

Obviously fraction (B) gives a productivity growth for the collectivity twice as large as fraction (A), even though half the workforce is in fields with no productivity growth.

(215) As we said earlier, it is not the role of this report to suggest a job creation program fully funded by the three levels of government, using welfare and unemployment benefits, plus increases in government tax revenues due to the higher earnings and spending of the re-employed jobless. The description and testing of such a job creation program was undertaken to answer the questions implied in para. 185 above. The answers which follow are based on 1985 calculations, but these can be adapted for subsequent years to allow for changes in inflation or other factors. Such changes do not alter the basic reasoning.