

The present concern with skill shortages extends beyond continuing attempts to improve the process whereby available labour is matched with existing vacancies. Chronic shortages in certain skill areas are apparent, coinciding with those sectors which are expected to play a significant role in economic renewal. Of particular concern are shortages in occupations essential for the expansion of natural-resource and high-technology industries. While the federal government devotes extensive resources to evaluate and train Canadians, domestic supply channels for skilled labour have not functioned very well. Immigration has been used extensively to meet Canadian needs, but the growing international competition for skills will reduce the importance of this mechanism in providing skilled workers.

Another significant aspect of labour adjustment is that resulting from contraction in certain industries. Continuing tariff reductions and consequent industrial restructuring and productivity improvement will increase the importance of effective downside adjustment, since the rapid movement of capital out of declining sectors and into growth areas is a fundamental aspect of this process. The impact of downside adjustment on labour will often be severe, depending upon national and regional economic conditions and the nature of the labour force. The concentration of costs (on workers who will lose their jobs) and the wide dispersion of benefits (to consumers and workers in general) imparts a significant political dimension to the downside adjustment process. Protectionist policies which avoid labour adjustment by continually subsidizing non-competitive and declining firms or industries are one means of dealing with resistance to adjustment. A more efficient approach, however, may be to develop strong worker adjustment and assistance policies, incorporating elements which would promote industrial adjustment, such as compensation for the displaced, retraining and mobility assistance.

The international competitiveness of Canadian industries is also influenced by our industrial relations climate. Achievement of Canada's full export potential will require fuller cooperation among labour, business and government, reflecting the requirements and discipline of the international market-place and the need to enhance Canada's image as a reliable supplier. In the past decade Canada's record has been less than satisfactory. Labour costs have increased at a much faster pace than gains in productivity. We had one of the highest rates of work stoppages due to strikes and labour unrest in the OECD. The 1980s must see a return to Canada's reputation as a reliable and competitive supplier.

It is important to note a potential fundamental conflict between trade and human resource objectives. A strategy which focusses on improved trade performance and includes reducing protectionism and improving international competitiveness and productivity, may result in temporary job losses. To the extent that our trade performance improves, jobs will be created. The net result in terms of employment creation is not yet clear. However, if recent estimates of continuing high unemployment are correct, the conflict between improved long-term productivity and maintaining short-term jobs will become increasingly apparent. This will have obvious implications for the speed at which downside adjustment is encouraged.

In the highly competitive international environment of the 1980s, a more efficient and internationally competitive *industrial base* will be critical. In addition to a