

*Anti-Inflation Act*

moderating. In February, the rise in the consumer price index was only .3 per cent. During the latest three-month period to February the average annual rate of increase in consumer prices was 4.5 per cent, an encouraging decline from the three-month average in January of 7.2 per cent and the three-month rate last August of nearly 14 per cent. The broad yardstick of inflation as measured by the national accounts showed the rate of price increase for 1975 as a whole down to 9.7 per cent from 13.8 per cent the previous year.

The base rate increase in wages and salaries under major, new collective bargaining settlements has also continued to moderate, declining from an average annual increase over life of contracts in the second quarter of last year of 18.6 per cent to 14.3 per cent in the fourth quarter—a figure that could conceivably be further revised downward as a result of the impact of the anti-inflation guidelines.

Undoubtedly, the most marked change has taken place in the case of major agreements covering those in the non-commercial sector, where the average annual increase over life of contract has declined from 23.2 per cent for settlements in the second quarter of 1975 to 13.6 per cent in the fourth quarter of last year. In the commercial sector, the rate of increase declined from 15.1 per cent in the second quarter to 14.9 per cent in the fourth quarter.

As hon. members are well aware, a number of observers have contended that sizeable public sector settlements have been a major factor contributing to an increase of Canadian wages and salaries generally at twice the rate prevailing in the United States. That view should be tempered by the fact that a substantially greater proportion of major settlements reached in the commercial sector have contained cost of living adjustment provisions than those in the public sector, which does much to narrow the apparent disparity between the two sectors. To be specific, a total of 60 per cent of workers covered by major, new collective bargaining agreements in the commercial sector last year enjoyed the protection of cost of living clauses, as opposed to only 12 per cent in the non-commercial sector. Nevertheless, there can be little doubt that large settlements in the public sector have played a part in influencing the sharp increase in wages and salaries generally in Canada. For that reason, the scaling-down of public sector settlements over the course of the year is particularly important.

In that connection, I would like to point out that federal public service bargaining agents generally have been responsive and responsible in collective bargaining with the government. New agreements negotiated during the course of 1975 provided for an average annual increase in wages and salaries over the life of the contracts of 14.4 per cent. This compares with an average annual increase of 14.7 per cent in the commercial sector, including Crown corporations but excluding construction, 17.7 per cent in the municipal sector, and 20.7 per cent in the provincial sector, including other public bodies such as schools and hospitals. During 1976, agreements and tentative settlements reached with a number of groups in the federal public service have provided for an average annual increase over life of contract of 11.8 per cent, down signifi-

cantly from the average 14.4 per cent increase in settlements arrived at during 1975.

I would be the first to acknowledge that the contribution of the anti-inflation program to this moderation of costs and prices up to now has probably been quite modest. We have emphasized repeatedly that the impact of that program could only be gradual. Nevertheless, such developments are mutually reinforcing, with a trend of declining inflation helping to bolster the confidence of Canadians in the outlook for the future, which in turn can only help to contribute to a continued slowing of the inflation rate itself.

Now, Mr. Speaker, I want to deal with the persistent allegation that the anti-inflation guidelines are solely effective in restraining wages and salaries and have virtually no effect whatever in restraining prices and profits. This allegation is based on a serious misconception, not to say misrepresentation, of the entire program. It seems to stem in large part from the fact that most of the initial decisions of the board have been concerned with compensation cases and, more particularly, with cases involving wage and salary increases in excess of the guidelines. There is a simple explanation for that, Mr. Speaker. It is the very fact that we wrote into the guidelines provisions to allow for wage and salary increases over and above the limits provided in the guidelines so as to be able to provide an element of fair and equitable treatment for those who had fallen behind in the inflation scramble, and to reduce the sharp distortions created in the process.

We could have followed the approach adopted in many other countries of establishing a flat limit on permissible increases and provided few, if any, exceptions. In the United States they provided only for a limited percentage increase in wages and salaries. In the United Kingdom, unions voluntarily agreed to accept a maximum pay increase of \$12 a week for those in the moderate income category. For a 40-hour week, that is an increase of 30 cents an hour. For those in higher pay brackets, no increase was provided at all, despite the fact that inflation until recently has been running at an annual rate of nearly 30 per cent.

● (1630)

In Canada, on the other hand, we provided a number of exceptions to the general rule. We established a complete exemption from the guidelines for those in the lower pay scales. We made an exemption for women to provide room for an increase in their compensation to that paid to men in equivalent positions. Also, as I indicated earlier, we provided for an increase in compensation in excess of the guidelines to permit some catching up for those whose pay had fallen seriously behind the pace of inflation and for those whose relative pay position, compared to other groups with which they had an historical relationship, had deteriorated significantly.

Had we not provided this degree of flexibility, of equity and of fairness, and instead followed the course adopted by a number of other countries, there would be far fewer cases involving compensation coming before the anti-inflation administrative bodies for their consideration, and there would be far less room for public dispute. But is any member of this House—indeed, is any spokesman for organized labour prepared to argue that we should not