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EMPLOYMENT AND UNEMPLOYMENT IN THE CANADIAN ECONOMY

An address by the Minister of Labour, Mr. Milton F. Gregg,
to the Annual Meeting of the Canadian Manufacturers'
Association, at Montreal, May 25, 1955.

I have heard many people ask, particularly during the past winter, why we should have so many people unemployed in a country as rich and prosperous as ours. Last year, for example, we had the second best year for business that we have ever had with Gross National Product only two per cent below the record levels of 1953. At the same time, however, we experienced the highest levels of unemployment since before the last war.

While I can't give a fully comprehensive answer to this question, in the time available, I will try to show some of the reasons for this paradox of high unemployment in the midst of reasonably prosperous conditions. To understand this paradox it is necessary to recall the events following the outbreak of the Korean war to see what has happened to employment in Canada since then.

The large increase of preparedness expenditures at that time led to a sharp expansion of employment, not only in defence-related industries, but in industry generally. We also engaged in a more intensive programme of developing our natural resources. Consequently, in the two years following Korea, we faced shortages of manpower for a number of skilled manual and professional occupations.

Between June 1950, at the outbreak of the Korean war, and July 1953, when we reached the post-Korean peak, total employment had increased by 430,000. As a result of these increasing expenditures employment expanded rapidly in most sectors of the economy.

As might be expected, employment expanded most in the defence associated industries such as aircraft, shipbuilding, and electrical apparatus and supplies. Employment in the service, retail trade and construction groups expanded to a marked degree as well. In fact, very few industries failed to expand during this period.

As you will remember, the added strain put on our resources by the defence effort caused the development of inflationary pressures, making it necessary to introduce credit controls and measures designed to restrict commercial and other non-defence investment programmes.

The tight manpower situation prevailing from 1950 to 1953 was reflected in the number of persons without jobs and seeking work, which ranged between one and a half and two and a half per cent of the labour force. Another indication of the shortages of manpower prevailing is revealed by the Department of Labour regular survey of 109 local labour markets in which 24 areas had general labour shortages in October 1952.

It was inevitable that the economic pressures stemming from the Korean war would create maladjustments in a number of industries which would later require correction. 1953 and 1954 were the years in which the subsequent corrections took place.

Business had built up inventories in expectation of rising prices and shortages of materials; governments had stock-piled materials as a national defence measure; consumers, with similar expectations, purchased expensive durable goods and clothing in unusually large quantities.

With rising prices, Canadian producers, in many cases, let their costs get further out of line. Other countries required increasing quantities of Canadian raw materials.

This economic flood was bound to ebb. During 1953 and 1954 Canadian producers began encountering increasing competition not only in export, but in domestic markets as well. To meet this threat employers sought ways and means of bringing their costs into line. In many cases they tightened up on their utilization of manpower and so were able to produce more output with fewer men following mid-1953.

Similarly, inventories were reduced in an effort to get stocks down to more manageable proportions. Consumers shifted some of their expenditures from durable goods, clothing and textiles to services.

Businessmen spent less heavily on machinery and equipment, while the resources development programme slackened. With a poor grain crop in 1954, farm cash income fell by some fourteen per cent. At the same time, government defence expenditures, instead of continuing to expand reached a plateau.

All of these factors led to reduced employment and increased unemployment. These developments began in mid-1953. Over the 12 months from July 1953 to July 1954, total employment declined by some 80,000 while those without jobs and seeking work increased by about the same amount.

Fortunately, we were able to weather this adjustment without setting in motion a downward spiral of falling expenditures, income, and employment.

In the United States, similar developments were taking place, but a couple of months in advance of their occurrence in Canada. As the United States is our largest customer, the developments there had an important effect on the Canadian economy.

Since the summer of 1954, the level of economic activity in the United States has shown a marked recovery from the depressing effects of the adjustment process.

Similarly, there have been increasing signs of recovery in Canada since the autumn of 1954. Industrial production in February of this year was eight per cent above last year while labour income was up by some \$34,000,000. Our exports are showing a very noticeable improvement. Total exports in March of this year were 10.5 per cent higher than a year ago. I am glad to report that by mid-April employment was 117,000 higher than in April last year, while the number of those without jobs and seeking work had declined to 327,000 or only 21,000 higher than a year ago.

In other words, there is very little doubt that the Canadian economy is on the road to recovery. As my Colleague, the Minister of Finance, predicted, we should have an increase in national production this year of five to six per cent over 1954.

I would not want to suggest that this level of unemployment is satisfactory. In March unemployment, as measured by both N.E.S. registrations and the labour force sample survey, reached a post-war peak. This paradoxically occurred at the same time that employment was increasing. It is this kind of paradox which has led some people to claim that I have been engaging in double talk. There is no mystery associated with having increasing employment and unemployment at the same time, as some newspapers have alleged.

To understand why this can happen we must remember that our labour force is made up of the employed plus the unemployed. Thus, for example, if the labour force increases by 100,000 during the year and employment increases by only 50,000, unemployment will therefore have increased by 50,000.

In fact, this is just what has been happening in Canada over the past winter. In March of this year the labour force was 109,000 higher than last year, but employment was only 29,000 higher. Unemployment, therefore, also increased by 80,000. This contrasts with the picture a year ago when most of the increase in unemployment during the winter of 1953 came largely as a result of a decline in employment.

Three factors have been primarily responsible for these recent large increases in our labour force.

First - there has been an increase in the proportion of the adult population who are working and seeking work.

Second - has been an increase in the numbers of young people entering the labour force. We are now entering a period when the rise in birth rates which began during the last war is beginning to be felt. As a result, there will be a steadily increasing number of young men and women workers.

Third - immigration has contributed some additions to our labour force, but the effect of immigration has been much less in 1954 and early this year than was the case in 1952 and 1953.

Another factor which has a bearing on recent employment developments is the growth of productivity in the economy. Increasing productivity essentially means that fewer workers are required to produce the same output. I mentioned earlier that Canadian business had faced stiffer competition since mid-1953 and this had led to pressure to increase productivity.

The growth of productivity is a necessary and healthy development but, nevertheless, it has meant that Canadian industry has recently been able to increase output without equivalent increases in employment. For example, industrial production was up by eight per cent between February 1954 and February of this year, while industrial employment did not increase.

These increases in productivity are a necessary feature of industrial progress and they also make it possible for Canadian industry to compete without reducing wages or the standard of living of our workers.

Unemployment brings to our attention the need, not only for providing for the unemployed, which I will discuss briefly, but also the need to create jobs and to maintain as high a level of employment as possible.

The creation of employment is a task to which we are all devoted whether we be employers, government officials at all levels, or farmers. The policy of the Government of Canada, as you all know, is to create a favourable economic environment in which employment will be maintained at reasonably high levels.

There is a great variety of Government activities which contribute to this objective. The development of favourable markets for Canadian exports, assistance in the development of our natural resources, the development of efficient employment exchanges, to name only a few.

Fiscal and monetary policy are important tools for directing the flow of our economic life along desirable lines from an employment point of view. During the years following Korea when the economy suffered from inflationary pressures, the Government ran a substantial budgetary surplus.

Later when demand and supply forces were in approximate balance, the budget was also balanced and this year we shall probably have a deficit which will assist in stimulating expenditures and hence employment. We still have to spend very large sums of money on defence: this directly employs some 120,000 men in uniform, about 50 odd thousand civil servants working with them, and very many more thousands in defence construction and production.

This year the Government has planned a substantial increase in its expenditure on useful public works projects. Now that the winter is over and the construction season is getting into full swing, this programme, added to the high levels of private investment, should help to raise employment.

Last year at your annual convention I talked about a bold programme to help reduce Canada's hardy perennial problem of seasonal unemployment. I would like to make a short progress report to you on developments since my talk last year.

In making this report I wish to express my gratitude, and that of the Government, for the fine co-operation that has been given by your association during the past year in this effort to increase winter employment.

Your representative on the National Employment Committee of the U.I.C., Mr. Roy Campbell - has contributed greatly to the success which that Committee has had in providing leadership for this effort. I am sure that the Committee will move forward to greater achievements during this year.

Over the past year I firmly believe much progress has been made in developing actions designed to create more winter jobs. Government departments are following the policy of trying to time their construction and procurement expenditures in a way which will add to winter employment.

In this effort the Federal Government is co-operating with the provinces, organized labour and organized industry in furthering this programme. More and more businesses are gaining some experience in carrying on construction work throughout the winter. Some highly significant experiments were carried out in Canadian centres last winter. We intend to take advantage of this experience next winter.

This programme of creating winter jobs requires the earnest co-operation of all of us, whether we be employers, consumers, trade unionists, or government officials if real progress is to be made in developing worthwhile solutions.

To the extent that we are not able to have jobs for everyone when they want them, provisions are made for tiding these people over periods of unemployment.

Recently we have taken some important steps in increasing the economic security of those unemployed. During the past winter, for example, the Government established a minimum period of ten weeks for those on winter supplementary benefits and brought the rates up to the full rate of benefit. This did much to help during the winter stress of heavy unemployment. The Government has recently introduced a bill to fundamentally amend the provisions of the Unemployment Insurance Act.

These revisions will make this fundamental piece of social legislation an even better weapon with which Canadian workers, with the co-operation of employers and the Government, can defend themselves against the hardships of unemployment.

Much thought has been given to the plight of those who are unemployed and who have no insurance or other means of support. While their total number is not great, there have been cases of severe individual hardship over the past winter. As you know, a joint federal-provincial approach is now being developed to deal with this problem.

As the theme of this session of your annual meeting suggests, our primary emphasis should be on employment and not on unemployment or the provision of assistance. I am able to report that employment is increasing and will likely continue to increase over the coming months in view of the recent signs of improvement in the economy.

Looking into the future, I think it is reasonably safe to say that manufacturing employment will reach at least last year's level by early summer - that the construction industry will employ more men this year than last - and that employment will continue to increase in our primary industries.

Employment will also continue to rise in services, public utilities, finance, insurance and real estate. One of the few black spots appears to be in the transportation and related equipment industries.

I do not want to suggest that employment problems in all industries will completely disappear over the coming months. Some manufacturing industries in particular, will continue to feel the effects of stiff competition. I do, however, look for a marked improvement in employment and this should mean that unemployment will be reduced to more manageable proportions.

I have frankly tried to explore with you some of the employment and unemployment problems which face Canada today. There are no easy answers to these problems, either for the Government or for employers and workers.

Nevertheless, I think you will all agree that constructive solutions require the gathering of information and its careful analysis by the most competent minds we can find. It is with this objective in mind that my Colleague, the Minister of Finance, recently announced that a Royal Commission would be named to explore the future development of the Canadian economy.

I look forward with confidence to the economic and employment outlook. There is little doubt that national income and employment will continue to rise over the coming year. At the same time, unemployment will lessen in intensity although we cannot expect it to reach the low levels characteristic of the post-Korean period for some time to come.

I have tried to explore why this is so and also to leave you with some assurance that governments at all levels are taking constructive steps to maintain income and employment in Canada.

S/A