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Special Comm.on
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Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

No. 11

THURSDAY, FEBRUARY 16, 1961
(See also Proceedings No. 12 this date)

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Canadian Manufacturers' Association
Mr. T. R. McLagan, President; Mr. Ian F. McRae, Past President; Mr. Ira G. Needles, Chairman, Tariff Committee; Mr. H. B. Style, Chairman, Commercial Intelligence Committee; Mr. Carl A. Pollock, Chairman, Ontario Division; Mr. W. Hugh Flynn, Chairman, Taxation Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connolly (<i>Ottawa West</i>)	Leonard	White
Courtemanche	MacDonald (<i>Queens</i>)	Wilson—(33)
Croll	Macdonald (<i>Cape Breton</i>)	
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Asepline moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, February 16, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: the Honourable Senators Méthot *Chairman*, Blois, Brunt, Buchanan, Cameron, Croll, Haig, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, Macdonald (*Cape Breton*), MacDonald, Pratt, Roebuck and Smith (*Queens-Shelburne*)—18.

The following were heard:—

For Canadian Manufacturers' Association:—

Mr. T. R. McLagan, President; Mr. Ian F. McRae, Past President; Mr. Ira G. Needles, Chairman, Tariff Committee; Mr. H. B. Style, Chairman, Commercial Intelligence Committee; Mr. Carl A. Pollock, Chairman, Ontario Division; Mr. W. Hugh Flynn, Chairman, Taxation Committee.

For the Railway Association of Canada:—

(*See Proceedings No. 12 for R.A.C. evidence*)

Mr. G. A. Richardson, General Secretary; Mr. W. T. Wilson, Vice President, Personnel and labour Relations, C.N.R.

At 12.30 p.m. the Committee adjourned.

At 4.15 p.m. the Committee resumed.

Present: The Honourable Senators Smith (*Queens-Shelburne*)—Deputy Chairman, Buchanan, Haig, Higgins, Horner, Inman, Lambert, Leonard, Macdonald (*Cape Breton*), MacDonald, Pratt and Roebuck—12.

Hearing of The Railway Association of Canada was resumed.

The following were heard:—

Mr. G. A. Richardson, General Secretary; Mr. W. T. Wilson, Vice President, Personnel and Labour Relations, C.N.R.; Mr. D. I. McNeill, Q. C., Vice President, Personnel, C.P.R.; Mr. Keith Campbell, Assistant Manager, Labour Relations, C.P.R.; Mr. J. Lach, Special Assistant to Vice President of Personnel, C.N.R.

At 5.30 p.m. the Committee adjourned until Wednesday next, February 22nd, at 9.30 a.m.

ATTEST.

John A. Hinds.
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Thursday, February 16, 1961.

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. Léon Méthot in the chair.

The CHAIRMAN: Gentlemen, we have a quorum, so we shall proceed. This morning we have with us representatives of the Canadian Manufacturers' Association, and I understand that Mr. Ian F. McRae, the past president, is going to deliver a brief. Therefore, at this time I would ask him to introduce those who are accompanying him.

Mr. IAN F. McRAE, Past President, Canadian Manufacturers' Association: Mr. Chairman, may I suggest that the president of the association introduce the delegation?

The CHAIRMAN: Very well.

Mr. T. R. MCLAGAN, President, Canadian Manufacturers' Association: Mr. Chairman, we have great pleasure in coming here, and we have given great thought to the problems which have arisen through the terms of reference to your committee. We hope we will be of some real help in solving these problems. I would like to introduce my associates of the Canadian Manufacturers' Association, so that you will know who they are. There is Mr. Ian F. McRae, the past president of the association.

Senator ROEBUCK: Would you mind giving their cities?

Senator CROLL: Or their designation?

Mr. MCLAGAN: Mr. McRae is from Toronto; the Canadian General Electric Company Limited. Mr. S. J. Randall, the second vice-president, from Toronto, is from General Steel Wares Limited. Mr. Hugh Crombie, a past president, from Montreal, is from the Dominion Engineering Works Ltd. Mr. Ira G. Needles, chairman of the Tariff Committee, is from Kitchener, and is past chairman of the B. F. Goodrich Canada Ltd. Mr. T. H. Robinson, chairman of the Industrial Relations Committee, is from Montreal, and from the Canadian International Paper Company. Mr. Humphrey Style, who is chairman of the Commercial Intelligence Committee in Toronto, is with the John Inglis Company, Ltd. Mr. H. Malcolm Smith, the chairman of the Publishing Committee, is from Toronto, and is with the Smith Manufacturing Company, Ltd. Mr. Carl A. Pollock is chairman of the Ontario Division, comes from Kitchener, and the Dominion Electrohome Industries Ltd. Mr. W. Hugh Flynn, the chairman of the Taxation Committee is from Canadian Industries Limited, Toronto.

Also present are the members of the permanent staff of the Canadian Manufacturers' Association: Mr. J. C. Whitelaw, Mr. E. G. Reburn, Mr. C. Willis George, Mr. D. H. Frechette, Mr. H. S. Shurtleff, Mr. R. Lang, Mr. E. R. Barrett and Mr. H. D. Potter.

Mr. Chairman, I suggest that I should call on Mr. McRae to make the full presentation of our submission, after which the members of our group will be happy to answer any questions, to the best of their ability.

Senator ROEBUCK: What is your city, Mr. McLagan?

Mr. MCLAGAN: Montreal, and I am with the Davie Shipbuilding Ltd.

Senator HAIG: What delegation is this?

The CHAIRMAN: This is the Canadian Manufacturers' Association.

Senator HAIG: On my Order Paper the first order of business is the Railway Association of Canada.

The CHAIRMAN: The order on the paper does not mean anything, as a matter of fact.

Senator HAIG: All right.

Mr. MCRAE: Mr. Chairman, in order to relieve your minds regarding the size of this presentation, I would point out that my formal presentation will stop at the blue separator in your copy of the brief; and behind that are the various appendices adding information to the original presentation.

The Canadian Manufacturers' Association appreciates and welcomes this opportunity of presenting its views on the subjects of manpower and employment currently under study by your special committee.

The Canadian Manufacturers' Association:

2. The Canadian Manufacturers' Association is a non-profit, non-political organization of manufacturers in every line of industry from Newfoundland to British Columbia, who are joined together to consider and take action on their common problems, the problems of advancement and expansion of the industrial complex of our country. The association has 6,400 members who produce about seventy-five per cent of Canada's total manufacturing output and are located in over six hundred cities, towns and villages from the Atlantic to the Pacific. About 3,000 member companies employ fewer than 50 people. It can be truthfully said that the C.M.A. is the body representing the small industry complex of Canada. An interesting feature is that eighty per cent of the association's member firms employ less than one hundred persons.

Scope of Representations:

3. In view of the fact that you have invited representatives of other segments of the Canadian economy to present their views, it is proposed to confine the following suggestions and recommendations to matters affecting employment in the manufacturing industries of Canada and the vital importance of employment opportunities in these industries not only to those employed therein but to employment of Canadians generally. No one in the country is more interested in a high level of employment than are manufacturers. Also it is proposed to use statistics sparingly as you have available the excellent and detailed statistical material especially prepared by Dr. J. J. Deutsch and his colleagues.

4. This inquiry is indeed timely and should be of inestimable value in determining trends in manpower requirements, in suggesting ways and means of maintaining and extending a high level of employment, and in assessing the impact of technological changes as well as the growth and characteristics of the labour force.

5. There is ample evidence that the rate of employment growth in the Canadian economy has been outstripped by additions to the labour force, and forecasts suggest the possibility of a similar disparity in the future. Equally disturbing is the evidence of a serious imbalance between the types of labour required in the economy and the types becoming available through additions to the labour force, with at least some suggestion that this imbalance may have structural causes of continuing significance. Hence, the recognition of the need to find solutions to these and other causes of unemployment.

Canadian Production Costs:

6. Inasmuch as the manufacturing industry in Canada directly employs about one in every four persons of the work force, and bearing in mind the many persons indirectly dependent for employment on its well-being, the Association is of the opinion that the most effective manner by which unemployment can be remedied is to stimulate that segment of industry. The Association holds to the view that it is essential to increase the production of goods and services for the Canadian market. It is also essential to adopt measures to stimulate exports of manufactured products. To do so, it is imperative to reduce costs of production. The day when Canada can sell anything it produces with little regard to cost is long since past. Canadian costs are high because Canadian wages and taxes are high and the Canadian volume is low. Although our domestic market is based on a population of only 18 million, our wage and tax levels are close to the highest in the world.

Government Action:

7. The Association is heartened by evidence in recent months that some of the basic problems of manufacturers in Canada are receiving government attention, and that action is being taken to overcome some of these difficulties and to offer some encouragement to the expansion and development of the manufacturing industry.

8. The Minister of Finance in his Budget Speech of December 20th, 1960, announced that accelerated capital cost allowances would be provided to assist new industries in areas where there is a substantial degree of unemployment over the years, to aid the development of new products from processing operations not hitherto carried on in Canada and to encourage the production of new types of goods. The Association regards these incentives for the promoting of manufacturing and increasing employment in Canada as merely a step in the right direction—but the step of a child and not the bold step of an adventurer.

9. The increase to \$35,000 in the amount of the first bracket of taxable income subject to the rate of 21 per cent will help small firms in particular.

10. The Association has noted with satisfaction the sharp downward trend of the premium on the Canadian dollar in recent weeks. This helps both Canadian exporters and Canadian manufacturers selling in the home market. It is hoped that this trend continues until the most satisfactory level of the Canadian dollar is reached.

11. The action of the Minister of Finance to tighten up the interpretation of the "class or kind" provisions in the Customs Tariff will be of help to Canadian manufacturers. In recent years Tariff Board decisions in this have eroded the protection originally intended for the Canadian manufacturer or producer.

12. The new legislation providing government guarantees of loans for capital expenditure by small businesses is welcome assistance not only to small manufacturers, but to wholesale and retail outlets which handle so many of the products of the manufacturing industry. It appears to fill the gap in the machinery of providing intermediate term financing for small enterprises, and it is hoped that this will facilitate business developments at reasonable cost.

13. The Association endorses the recently announced transfer of the National Industrial Design Council from the aegis of the National Gallery to the new Design Branch of the Department of Trade and Commerce. Long an advocate of better design in Canadian industrial products, the Association believes that the promotional efforts of the Council will be more effective and better co-ordinated under its new auspices.

14. The intensified drive to expand export sales of manufactured goods is to be highly commended. Despite the competitive disadvantages there are many Canadian-made products which can find wider acceptance abroad with timely and energetic promotion. The Export Trade Promotion Conference, the stepped-up use of trade missions and trade exhibits abroad, together with renewed salesminded enthusiasm kindled in the very able personnel of the Foreign Trade Service will undoubtedly show worthwhile results.

15. The Association wishes to express in particular its appreciation for the action which has been taken to facilitate the financing of exports of capital goods on long-term credit. This should remove one of the major road blocks in exports of capital equipment.

16. A subject of gratification was the Government's decision in September to appoint a three-man Royal Commission on Government Organization under the Chairmanship of Mr. J. Grant Glassco. It should be noted that the Association has long requested the appointment of such a Commission to investigate ways and means to reduce government costs.

17. However, it is the Association's firm conviction that the above measures will have to be accompanied by further changes in the fields of taxation and tariff policy if manufacturing is to successfully compete at home and abroad and effectively play its role as the principal employer of labour.

The Labour Force:

18. No attempt is made in this brief to analyze or to describe exhaustively the composition of the labour force in Canada, its changing character, or the wide variety of regional, industrial, age grouping, and similar patterns which detailed studies make evident. The research studies which have been undertaken by the Committee's own staff meet all of its needs on this score and will, we hope, provide useful information in due course to industry and the public at large as well. In this brief the Association has sought only to identify and to comment briefly upon some of the developments and trends which appear significant for the size and character of the manpower and employment problems facing the Canadian economy.

19. During the past decade the Canadian labour force has grown at an average annual rate of about 2%. This average masks an absolute decline in the agricultural sector and a condition of little or no growth in the manufacturing sector. The real growth has occurred in the service industries rather than in the goods-producing industries. In the latter the proportion of white collar workers has steadily increased and for the economy as a whole this trend has been even more pronounced because of the growing place of the service industries. The number of women employed has increased relative to the number of men. Recently women have actually been displacing men in absolute terms in the labour force as increase in the employment of women has out-paced growth in total employment.

20. In 1939 agriculture employed about one-third of all those working, more than did any other single Canadian industry. Today, chiefly because of farm mechanization, only one out of nine employed Canadians works on a farm. The other resources industries (e.g. mining, forestry, fishing, electric power, etc.) have not contributed a large proportion of Canadian jobs for many years past and last year only about 5% of employed Canadians worked in these industries.

21. A Department of Labour study made last month forecasts that the employment on farms may drop to between 300,000 and 500,000 by the late 1970s.

Employment Opportunities:

22. Where then must future employment opportunities be found, not only for those presently unemployed but also for those entering the labour force? It must be from manufacturing and the service industries group, including trade, finance, professional and personal services, transportation and others. Employment in the service group depends greatly on employment in manufacturing. A 1958 study by the Research and Development Department of the Canadian National Railways estimates that 100 additional jobs in manufacturing lead to over 100 new jobs in the service industries.

23. Before the war less than 20% of employed Canadians worked in manufacturing. At the height of the war this had increased to 30%. This was an unusually high percentage and declined for several years thereafter. At the present time about one-quarter of employed Canadians are in manufacturing.

24. Should present trends in the ratios of new job opportunities in the goods-producing and the service industries persist, the Canadian economy will face problems of serious structural imbalance in employment opportunities. Even though the total of new job opportunities may match the total growth in the labour force, there may be relatively restricted job opportunity for many men and relatively good job opportunity for women. Parenthetically, it might be observed that the rising place of the service industries in the gross national product has significant implications for income levels and for rates of growth in per capita national income. It is generally true that productivity and the opportunities for productivity growth are higher in the goods-producing industries than in services, with the consequence that a rising proportion of employment in services puts an almost automatic brake on rates of growth of average incomes. There is also a real question as to how far employment opportunities in services can continue to expand without an adequate foundation of growth in the goods-producing industries and particularly in manufacturing.

25. Recent evidence is that an alarmingly high proportion of the unemployed are young males with relatively low educational and skill qualifications. In the light of the trends just referred to and the need for the goods-producing industries to provide the productivity improvement which will sustain adequate growth possibilities for the entire labour force, this could be the portent of a serious problem.

Imports:

26. In our opinion one of the most important single factors contributing to lessened employment in manufacturing is the huge volume of fully or chiefly manufactured goods imported into Canada. During the past five years these imports have exceeded \$4,000,000,000 annually. We are today the world's largest per capita buyer of foreign-made fully or chiefly manufactured goods. The per capita figures for imports of this kind in 1959 were Canada \$244, the United Kingdom \$52, West Germany \$50 and the United States \$38. This flood of imports comes from the United States with its mass production facilities and from countries such as the United Kingdom, the Federal Republic of Germany and Japan where, additionally, the wages are substantially lower than those paid to our own Canadian workers. Further, their manufacturing industries are equipped with the most modern machinery and equipment. Canadian industry does not have any monopoly on the use of the best technological equipment and methods or brain power.

Duties of Management:

27. To fulfill its responsibilities to its customers, shareholders, suppliers, vendors, and other members of the public, as well as to employees, it is the duty of management in Canadian manufacturing to see that Canadian

plants are equipped with the most modern and efficient production machinery and equipment that can be bought. Manufacturing techniques and methods must be of the best. Distribution and sales methods must be streamlined and aggressively carried out. In addition to all this, the overall operation of manufacturing firms must be conducted in the most economical way compatible with true efficiency in order that reasonable profits may be realized.

28. Healthy profits are the result of effective and efficient operation and also are affected by the climate in which business operates. They are the only real guarantee of job security, good working conditions and a rising standard of living. They are indispensable in the unending search for new and better products. They assure the necessary modernization of plant and equipment. Finally, they are one of the principal sources of revenue to all three levels of government in this country. In short, profits make jobs.

29. Canadian manufacturers' profits in recent years have been low. According to the latest taxation statistics published by the Department of National Revenue, in 1958 the average manufacturing concern made an after-tax profit of 3.6 cents on each dollar of sales and in terms of net work, a yardstick which some people claim is more significant, the after-tax profit figure was 7.1%. In case it is said that 1958 was a recession year and that, therefore, these figures are not typical, the comparable figures for the high level year 1956 were 4.0 cents and 9.2%.

30. That the Canadian manufacturing industry has aggressively pursued within its means investment in the most modern plants, machinery and equipment is borne out by the ten billion dollars which have been spent on new buildings, machinery and equipment and the additional four and one-half billion dollars spent on the repair and maintenance of existing buildings, machinery and equipment in the years 1950 to 1959.

31. Management, then, has a duty to increase its efficiency in every possible manner, and to be constantly in search of better ways of organizing and operating the productive and distributive processes. Management is living up to its responsibilities in these respects. The major part of the efforts of this Association and of many similar organizations is devoted to direct services and assistance in solving the day to day problems of management and increasing the scope of its knowledge and experience, and hence its efficiency.

Technological Change and Productivity:

32. It is evident that no serious consideration of manpower and employment prospects in the Canadian economy can today avoid the subject of technological change. The pace of technological development is crucial to productivity improvement (and, therefore, to the competitive position of all segments of the economy), to the growth prospects of the nation, and to the levels of income which the economy can support in future. It has important implications for the immediate employment picture, for the training needs of those now unemployed, as well as for many presently employed, for the kinds of job opportunities which will be available for new entrants into the labour market in future years, and for the kinds of vocational and educational training which will be most helpful for them.

33. "Automation" is a term of comparatively recent origin which has gained wide currency to describe a specific aspect of mechanization applied to operations formerly performed by manual labour. Mechanization is not a new development by any means but goes back thousands of years. The invention of the wheel is frequently cited as one of its earliest manifestations. There is, however, no doubt that the process has been accelerated during the last decade.

34. Technological change (along with the capital and improved skills which it usually requires) is the primary source of productivity improvement. The pace of technological advance is greater today than it probably ever has been over any significant period in the past and there is good reason to believe that this pace will not slacken in the foreseeable future. Since 1949, the index of average industrial wages and salaries in Canada has increased by 79.5% as against an increase of only 29.4% in living costs as measured by the consumer price index. In concrete terms, a man who, in 1949, earned and spent \$50 per week would now have a gross of nearly \$90 per week.

Senator ROEBUCK: That is measured in terms of the fluctuating dollar, is it?

Mr. McRAE: It is true that he now spends approximately \$65 to purchase what he did in 1949 for \$50. Nevertheless, he has roughly \$25 left to spend or save as he chooses.

35. Much of the improved productivity which supports this difference between the rise in income and living cost is a direct dividend of technological improvement. Today the pace of technological change is as great in much of the world outside North America as it is in Canada. Indeed, in many of our chief competitor nations the level of existing technology rivals, in some cases may even surpass, our own. Notable examples are to be found in the industries of West Germany and Japan.

36. Technological development must be the continuing aim of a growing country such as Canada. Only with the aid of mechanization can costs of production be reduced or maintained at an economic level so that we can remain competitive both in the domestic market and abroad. It is obvious that practically every country with the means to do so is strenuously developing its technology. Canada cannot fall behind in this area of development. Nations which are exporting goods to Canada are improving their productive methods rapidly and Canada certainly cannot lag if Canada's industry is to be competitive.

37. One frequent reaction to mechanization and other technological change is fear of the displacement effects it may have. While it cannot be denied that in some cases there is displacement, an objective look at developments to date in both the United States and Canada suggests that this should not be overstressed. During the past decade industry appears to have cushioned the displacement effects of new technology fairly well on the whole. Usually, through a combination of re-training, transfers, normal attrition and reduced recruiting, it has proved possible to avoid lay-offs entirely or at least to hold them to low levels. Indirectly, of course, employment effects have shown up through fewer opportunities for new entrants in particular jobs or particular enterprises. The net employment effect of technological change depends, therefore, upon the stimulus to employment opportunity in the economy as a whole which comes with improved productivity, improved incomes and protection of competitive position.

38. It is important that labour co-operate in keeping Canadian industry active, efficient and competitive. It is necessary that labour play its part in raising productivity in Canadian manufacturing in order to hold down unit costs of production and to maintain the high wage level of Canadian employees. When wasteful practices are imposed upon essential services their effect is widespread and, although it may be difficult to show a direct link between cause and effect, the inevitable result is detrimental to employment.

39. Labour can also make a great contribution to employment prospects by being realistic in its wage demands. Despite any appearances to the contrary, income levels (including wage rates), in an economy such as

Canada's, are a result of the level of per capita production value achieved in the economy. Regardless of the degree of force applied, they cannot be negotiated or legislated in such a way as to escape this fact. Attempts of any group, or of government, to have more paid out than is produced can lead to only some combination of the following results:

- (a) Growth may be inhibited and incomes and employment decreased through inability to compete.
- (b) Specially favoured groups may profit at the cost of other groups, or at a cost borne by the whole economy.
- (c) Illusory monetary gains may be painfully and inequitably adjusted to reality by inflation.

40. It is vital that all Canadians realize that expectations of growth in incomes, which are based on the abnormally high growth patterns of most of the post-war period, are not a safe guide to what should be demanded or anticipated during the next few years. Failure of any powerful groups in the economy or of the nation as a whole to recognize this is likely to lead to costly strife and certain to cause the failure of objectives inconsistent with the real facts. In the process, the actual problems we face may be intensified. If excessive wages eat away manufacturers' ability to compete price-wise at home and abroad, unemployment will result and labour itself will suffer most.

Education and Training:

41. The pace and character of these technological changes in the working world have special implications in the fields of education and training. Mechanization tends to turn repetitive tasks over to automatically controlled machinery. Thus, mechanization tends to widen job opportunities. While this broadened scope is most desirable from the point of view of job satisfaction, it does pose problems both in filling the new jobs thus created and in finding employment for those whose jobs have disappeared. Part of the answer to these problems lies, we believe, in the provision of adequate training.

42. In the past the need for skills in Canadian industry has been satisfied either through immigration or their acquisition through exposure to the job. These sources will no longer suffice to meet the complex demands of the future, either in quality or quantity.

43. It is essential that the scope and content of all courses of instruction for industrial occupations be thoroughly examined. At the recognized levels of vocational education, as well as in the universities, there is widening recognition of the new demands for the knowledge of basic principles and a perspective which will permit graduates to meet changing requirements throughout their working careers. Not only is more training required today, but it is obvious that the traditional approach to vocational education needs revision. Advancing technology will demand a flexibility from tomorrow's workers that places a growing emphasis on "know-why" as well as "know-how". He who trains himself too exclusively in a particular set of skills runs the risk of finding them outmoded, perhaps even before he has mastered them.

44. If Canada is to retain its position in the world economy, it cannot afford to lag in the provision of well-trained people competent to meet the demands of a rapidly advancing technology. There is, therefore, a great need for developing sound co-operation among industry, educational institutions and government in adapting and developing education and training for the needs of the future.

45. The Association notes with satisfaction the passing of Bill C-49, "An Act Respecting Technical and Vocational Training Assistance", a welcome and worthwhile recognition of the importance of this matter. However, it will

be necessary for governments at all levels to maintain an active interest in this measure and bring to bear their considerable influence in ensuring the full utilization of the resources of the Act, if its purposes are to be achieved.

46. Higher education, also, must continue to be the concern of all. It is not sufficient for the physical facilities of universities and colleges to be expanded to accommodate the growing number of students. Continuous thought must be given to the provision of teaching staffs in these institutions capable of imparting knowledge to those who will in the future be leaders in the world of industry, commerce and the professions. Canada needs the best in brains and ability, and lack of finances must not be a barrier to those who are capable of and have the potential to achieve leadership.

47. Much is being done by industry to provide training on an in-plant basis. Increasingly, industry is finding that it must supplement the education and academically acquired skills which it acquires in hiring the graduates of universities, technical institutes and secondary schools by means of special courses which impart specific skills. Training must be made available to provide those who work in industry with the skills to operate and maintain today's mechanized equipment as well as the elaborate planning necessary for its efficient use. Industry recognizes an obligation to assist, where practical, its employees to adjust to the requirements for new skills.

48. There is also an urgent and continuing need to convey to school-age youth and to their parents a realistic appreciation of what the working world demands in an economy of rapidly changing technology. When so large a proportion of the youth in our schools fail to realize the handicaps under which they will labour if they enter the wage market with inadequate training and adaptability, high social and economic costs are the price.

49. In this connection, it would be well if attention were paid to measures which will help increase the public esteem for vocational education. It is most unfortunate that this type of specialized training is regarded as a somewhat dubious second-best. It is most necessary that this attitude be changed, particularly since the demands of the future are going to require keen minds capable of broad understanding to take this training which has become to some considerable measure the substitute for the older apprenticeship system. There are many students who would find that vocational training is admirably suited to their capabilities and would provide the job opportunities they seek. However, something must be done to overcome the present attitude towards such courses so that they may be fairly assessed at their true worth.

Taxation:

50. Canada is a very heavily taxed country despite its small population. The fact that total taxation—federal, provincial and municipal—in 1959 was 33.1 per cent of the national income is proof of this. In this respect it occupies an intermediate position among the countries on which information is available. I refer you to the proceedings of Special Committee of the Senate on Manpower and Employment No. 4, January 25th, 1961, p. 203.

51. Corporation tax rates at the present high level undoubtedly hurt the economy. They add to the cost of finished goods since they are included in the cost of all materials, parts and other goods a manufacturer buys, and have a pyramiding effect on prices. Consequently, they make it more difficult for the Canadian manufacturer to compete with foreign manufacturers. High corporation taxes are harmful also to the economy since they reduce the amount of funds available for the purchase of modern machinery and the expansion of industries.

52. Canadian corporation income tax rates are approximately equal to the rates of corporation income taxes in the United States and the United Kingdom.

The maximum rates of taxes imposed on corporation profits by central governments of leading industrial countries compared with Canadian rates are as follows:

	Maximum tax rate on profits distrib- uted as dividends, paid and withheld by corporation	Maximum tax rates imposed on undis- tributed corporate profits
United States	52	52
United Kingdom	51.25	51.25
Japan	50.90	45.44
Canada	50	50
Germany	42.58	51
Italy	20	20

(Source: First National City Bank, New York, Monthly Letter, January 1961, p.7)

53. If Canada with its smaller volume of production is to compete on even terms, the Canadian tax rate, it is submitted, should, instead of being higher or the same, be fixed at a level considerably lower than that in effect in these large industrialized countries.

54. If we contrast Canadian tax rates with those of smaller industrial countries we find the comparison to be as follows:

	Maximum tax rate on profits distrib- uted as dividends, paid and withheld by corporation	Maximum tax rates imposed on undis- tributed corporate profits
Canada	50	50
Belgium	45.31	40
Sweden	40	40
Australia	40	40
Switzerland	35.60	8
Norway	30	34

(Source: First National City Bank, New York, Monthly Letter January 1961, p.7)

Senator LEONARD: Mr. McRae, when you say "all these countries" do you mean in both lists, the ones in paragraph 52 and the ones in paragraph 54?

Mr. McRAE: Mr. Flynn, would you care to answer that?

Mr. FLYNN: Yes, those mentioned in both lists.

55. It will be seen that these other countries comparable in size to Canada have lower corporation tax rates. If such countries find it necessary or in their interest to have these lower tax rates, it is a reasonable conclusion that the Canadian economy too would benefit from reduced corporation tax rates.

56. All these countries except Sweden, Australia and Norway provide some relief to the double taxation of corporate profits by giving tax credits to individual shareholders in respect to corporation taxes.

Senator CROLL: At this moment, Mr. McRae, and I only ask this because I do not know, is that true of the United States?

Mr. FLYNN: A very low one, Senator Croll, about 4 per cent in the United States.

Senator CROLL: I know it is true of Britain. You say it is true also of the United States?

Mr. FLYNN: There is a 4 per cent relief there, I understand.

Senator HUGESSEN: It just came into force two years ago, isn't that right.

Mr. FLYNN: Yes.

In Japan, Belgium, Germany and Switzerland the tax credits allowed to individual shareholders are at a higher rate than the 20 per cent allowed in Canada, while in the United Kingdom dividends from corporations are not subject to duplicate income tax.

57. Canada, faced with its disadvantages of small population and high wages, must have lower tax rates than its larger competitors. This is a basic necessity since taxes are among our highest costs. Our present tax laws have the effect of depriving Canadians of savings and thereby force us to rely for capital on foreign investors. Our paramount need is for tax laws that will build up Canada.

58. In particular, our recommendations in the taxation field are designed to reduce costs and to encourage savings for investment in Canadian industry. As stated earlier, technological development must be the continuing aim of a growing country such as Canada.

"Buy Canadian"

59. Individual Canadians, whether they be management, labour or government employees, or whether they be part of the labour force at all, can influence the course of employment opportunities in Canada by the thoughtful exercise of "Buy Canadian" principles in their everyday purchases. Increase in buying in the home market is essential to increase the number of jobs. The Canadian Manufacturers' Association has intensified this programme to impress upon purchasers the importance of expressing an effective preference for Canadian products and services over imported ones, providing the overriding considerations of price and quality are comparable. The Association is doing everything possible to place this important message before the Canadian public, emphasizing that this is not an emotional appeal but entirely a matter of direct self interest and Canadian jobs. It does not urge uneconomical purchasing habits, but makes it clear that the principle is subject to the consideration of good value in relation to price.

60. Members of the Association and other business organizations are constantly being supplied with detailed information and suggestions on the reasons and methods of effective participation in the programme and are themselves assisting by publicizing and practising "Buy Canadian" principles.

61. The "Buy Canadian" principle has particular significance in federal Government purchasing which, in itself and by its example, exerts an important influence on the market for manufactured goods. It is logical that this principle should be espoused unreservedly by Government whose purchases are not motivated by personal tastes and preferences, and whose tax revenues benefit when purchasing is directed into domestic channels which "Keep Canadians Working".

62. It is urged that every department of Government, every federal Government agency, board and commission, and every crown corporation should be instructed to "Buy Canadian" in its purchases and in its contracts for production, construction and services. It is recognized that, to a considerable extent, this is already the policy of the Canadian Government but its effective implementation demands more vigilance to ensure compliance by sub-contractors, as well as main contractors, and by all those who have responsibility for drawing up purchase specifications. In other words, the specifier must receive the word from the top.

63. This same principle applies in a special way to defence procurement. Admittedly defence preparedness is costly, just as war is costly, but its cost is lessened when defence stores are developed and produced to the greatest possible extent in Canada, contributing to the employment of Canadians and Canada's store of technical knowledge and experience, and returning a part of its cost, directly and indirectly through taxation, to the treasury. Let us not forget for a moment that the article we buy may be the key to our very own jobs.

Recommendations:

64. In the preceding paragraphs the association has expressed approval of and interest in the measures already enacted and contemplated by the Government to stimulate the economy and to better utilize Canada's manpower. In addition to what is in prospect and being done, the association summarizes below its recommendations, suggestions and views. These are amplified in the attached appendices "A" to "M".

I Taxation:

(a) The Income Tax Act—

1. It is recommended that corporation and personal income taxes be reduced materially.
2. It is recommended that accelerated capital cost allowances (1) for industries in areas where there is continued unemployment, (2) to aid the development of new products from processing operations not hitherto carried on in Canada and (3) to encourage the production of new types of goods, which were announced on December 20th, 1960 by the Minister of Finance, should be increased at least to the level of the accelerated capital cost allowances put into effect in 1951 at the time of the Korean War, under which it was possible in most cases to obtain a complete write-off in four years.
3. It is recommended that Canada adopt the United Kingdom practice of granting investment allowances as an inducement to capital investment, such allowances to be in addition to the present capital cost allowances.
4. It is recommended that as an incentive to the export of goods manufactured in Canada exporters receive more favourable tax treatment for increased exports, either by the application of a lower income tax rate or by the levying of no income tax on the proportion of the manufacturer's income attributable to the increased export business, or by a reduction in the amount of income tax based on the percentage of the increased value of manufactured goods exported.
5. It is recommended that encouragement be given to the carrying out of scientific research in Canada (a) by permitting corporations which so desire to write off in one year their expenditures of a capital nature on scientific research and (b) by removing entirely the limitation of 5 per cent of the taxable income of the preceding year on money expended on scientific research. At the same time, it is felt that there should be no limitation on research expenditures made outside of Canada for the purpose of bringing benefits to Canadian industry.

(b) The Excise Tax Act—

1. It is recommended that the Excise Tax Act be amended to provide statutory authority for the use of a wholesale value for the purpose of determining sales and excise taxes, thus removing a discriminatory section.

2. It is recommended that the 15%, 10% and 7½% special excise taxes listed in Schedule I of the Excise Tax Act be abolished.

Further views on taxation are set out in **Appendix "A"**.

II Government Expenditures:

Since the level of taxation threatens to become confiscatory, it is recommended that the Government make every effort to reduce public expenditures.

Further views on this subject are set out in the memorandum attached hereto as **Appendix "B"**.

III Profits:

The association emphasizes that the achievement of adequate profits is essential to the greatest economic progress and the maintenance of employment.

Further views on profits are set out in **Appendix "C"**.

IV Inflation:

1. It is recommended that government policies having the object of relieving unemployment should be used carefully if they are likely to generate inflation and thus ultimately defeat their own object.
 2. It is recommended that the Government recognize its responsibility to assure public confidence in the monetary system by making objective public statements from time to time of its assessment of inflationary forces and the action being taken to counteract them.
 3. It is recommended that a new study of the nation's financial structure and machinery be made by independent experts, devoting particular attention to the basis of monetary action, the means by which it is made effective, and its relationships with fiscal policy.
- Further views on this subject are set out in **Appendix "D"**.

V The Import Problem:

1. It is recommended that a more realistic course of action be taken by the Canadian Government at this time in the field of tariffs in order to cope with the present serious unemployment situation caused by excessive imports into Canada. The Association believes that a sound tariff policy for Canada is of vital importance to the prosperity and welfare of every Canadian citizen.
2. It is recommended that at the current GATT Tariff Conference, no further tariff reductions be made on manufactured goods of a class or kind now being produced in Canada, and that steps be taken to unbind all those tariff items where reductions in duty negotiated at previous GATT Conferences have resulted in too large a share of the Canadian market being supplied by imported goods.

Further views on the above matters are set out in **Appendix "E"**.

VI Export Trade:

1. It is recommended that the Canadian Government maintain and intensify its programme of energetic export trade promotion, backed by services and support in line with those offered by the governments of competing countries, including participation in trade fairs, the use of trade missions and the usual forms of direct trade promotion through the Trade Commissioner Services.
2. It is urged that in regard to the current negotiations among the European Economic Community countries and between them and

the United Kingdom, the Canadian Government do everything within its power to preserve the present system of Commonwealth preferences and forestall the imposition of higher tariffs or new forms of restrictive trade practices against Canadian goods.

3. It is recommended that encouragement be given to the increase of exports from Canada by means of appropriate tax incentives. (See Recommendation I (a) 4.)

Further views of the Association on the above matters are set out in **Appendix "F"**.

VII *"Buy Canadian" Principles:*

1. The Association believes that the observance of "Buy Canadian" principles by individual Canadians, whether they be in management, labour or government can contribute greatly to the employment of their fellow Canadians.
2. It is recommended that the Canadian Government use its great influence to publicize as well as practise "Buy Canadian" principles, making known the Government's whole-hearted support, based on the knowledge that "Buying Canadian" creates and maintains employment for Canadians.

Further views on this subject are set out in **Appendix "G"**.

VIII *Defence Procurement:*

It is recommended that to the greatest extent possible defence stores be developed and produced in Canada and that government purchasing policy be so directed.

Further views on defence procurement are set out in **Appendix "H"**.

IX *Technological Change and Productivity:*

It is recommended that nothing should be allowed to interfere with the advance of technological change, and that this advance should be actively facilitated in every way possible.

For further information on this subject see paragraphs 32 to 40.

X *Scientific and Industrial Research and Industrial Design:*

1. It is recommended that encouragement be given to the carrying out of scientific and industrial research in Canada by appropriate tax incentives. (See Recommendation I (a) 5.)
2. The Association emphasizes the outstanding importance of scientific and industrial research and industrial design in the modern world and urges that industry and government promote their expansion in Canada in every way possible.

Further views on these matters are set out in **Appendix "I"**.

XI *Education and Training:*

1. It is recommended that the expansion of Canadian university facilities be accelerated to supply the urgent demands for more graduates in engineering, scientific and managerial fields.
2. It is recommended that the course of action projected by Bill C-49 "An Act Respecting Technical and Vocational Training Assistance" be actively pursued.

For further information on this subject see page 15.

XII *Labour Placement and Mobility:*

1. It is recommended that Canada's National Employment Service should be reviewed with the object of increasing its effectiveness.
2. It is recommended that steps be taken to facilitate the mobility of labour from one geographical area to another.

Further information on this subject can be found in **Appendix "J"**.

XIII *Seasonal Unemployment:*

The Association urges industry, governments at all levels and others concerned to provide as much winter work as possible.

Further views on seasonal unemployment are set out in **Appendix "K"**.

XIV *Immigration:*

It is recommended that Canada should continue to encourage immigration, giving special emphasis to the selection of immigrants with technical and professional qualifications and experience.

Further views of the Association on immigration are set out in **Appendix "L"**.

XV *Foreign Control of Canadian Industry:*

It is recommended that the Government should avoid any measures which would restrict the inflow of foreign capital for productive investment in Canada or which would discriminate against foreign-controlled enterprises operating in Canada.

A summary of the Association's views on this subject is attached as **Appendix "M"**.

Mr. Chairman, we express the hope that these views, suggestions and recommendations may be of value to you and your associates in assessing the requirements of the Canadian people. That, then, is our submission.

The CHAIRMAN: Thank you very much, Mr. McRae. Has anyone any questions?

Senator HORNER: May I just put this question in regard to your recommendation of no tax at all on exports? Would there not be a danger of that being taken by other countries as a dumping procedure? There would be a direct difference in the price at which the goods which we export are sold in Canada. If this recommendation was followed could we not be charged with dumping?

Mr. NEEDLES: Foreign countries consider the value of export shipments to be the value in the home market, so that the application of a tax incentive will not affect the selling price in the home market, and therefore, it will have no impact on our relations with the countries to which we export.

Senator LEONARD: What about the effect on GATT? Is it not a violation of GATT to give a special tax preference?

Mr. NEEDLES: No, because the tax preference merely applies to the home market to provide the manufacturer the opportunity of breaking even, or making a small profit. It makes it easier for him to manufacture for export. It does not change the price at which the goods go into the foreign market. The duty is based on fair market value.

Senator CROLL: Which countries are giving that incentive at the present moment?

Mr. FLYNN: There are four countries—France, Japan, Ireland and Jamaica.

Senator HORNER: I have just one more thought. We can assume that every country with which we are competing is trying to solve a similar

problem. They have to maintain their own employment. The result of this will be that there will be an end to the market for all in every country of the world. No doubt they are all alive to the very problem that we are facing.

Mr. NEEDLES: That emphasizes the grave importance of our maintaining our present customs law to protect ourselves from countries which are seeking export markets.

Senator HORNER: You are looking for the Canadian share?

Mr. NEEDLES: We want to improve the opportunity for Canadians in jobs in Canada.

Senator CAMERON: In that case, obviously we have to sell to some of these other countries. What happens if we close the market against them with respect of wheat, coal and pulp?

Mr. NEEDLES: Our feeling is that when other people buy from us they buy because it is advantageous to them to do so because of need or the price of the product. The force of the impact of such measures is much exaggerated.

Senator ROEBUCK: May I ask a question or two? I want enlightenment along the same line. In paragraph VI under the heading "Export Trade" it is recommended that encouragement be given to the increase of exports from Canada, and then in paragraph 26 you tell about the importation of manufactured goods into Canada, and that paragraph is evidently critically stated. I would like to know this: If we are to continue our exports from Canada and actually increase them, how is it suggested we receive payment for those exports if we are to shut off imports? What do you gentlemen suggest that we take in return for the things we send away?

Mr. NEEDLES: We are not advocating that we cut off imports, but where imports take a terrific portion of a certain industry's volume we are advocating that temporary measures be taken to control the inflow while the subject can be investigated further and then taken before the Tariff Board for review.

Senator ROEBUCK: You do not need further investigation. You gentlemen know the whole story, and know it intimately well. I want to know specifically what you suggest we take in return for these exports.

Mr. STYLE: Mr. Chairman, may I try to answer the senator's questions? I think at the present moment we have an unfavourable balance of payments in the order of \$1,200 million, which has dropped slightly this year, although we do not know the full amount as yet. Certainly that gives large leeway for reducing our imports and at the same time increasing our exports.

Senator ROEBUCK: May I ask this supplementary question? Is not the financial balance against us the result of investment in Canada chiefly from the United States? Money has come into Canada from the United States for investment here and has been used for the purchase of goods abroad, not necessarily the actual goods of the investor but some goods?

Mr. STYLE: Certainly the unfavourable balance of payments is due in some measure to heavy investment in this country which has to be repaid later in the form of dividends.

Senator ROEBUCK: At least in large part.

Senator LEONARD: Were you not answering in terms of the physical balance of goods as between imports and exports, that you are importing a substantial balance more of goods, leaving out the question of the movement of capital in terms of money?

Mr. STYLE: I had reference to the combination of the two. I believe the balance of goods this year will run around \$100 million. The unfavourable

balance of payments for interest and that sort of thing will probably be in the order of \$1 billion, so that the two together represent funds which are available for buyers of our products outside this country and are available so that we can reduce the imports without sacrificing the position of our exporters. That was the point I was trying to make.

Senator HORNER: If I might just follow up the point I raised about over-production in every country. My thought is that the greatest possible thing for Canada would be to double its population as quickly as possible. I do not agree with the theory that we must allow only highly-trained people to come here. People in the world would be quite anxious just to be given a piece of land here to make a living on. They could start out in that way and they would become consumers immediately. To my mind that is one sure way of increasing the productive capacity and purchasing power of the Canadian people. We should increase our population as quickly as possible.

Senator ROEBUCK: That was all right when we had free land.

Senator HORNER: We still have some.

Mr. NEEDLES: We do, of course, favour immigration and growth of population as the best way to increase our market opportunities for products, services and everything else. However, immigration has a tendency to adjust itself. The people who would come over here would not come unless they had reasonable assurance of a place to work and earn a living. We have no plan as to how that could be done.

Senator HORNER: I don't quite agree with you there. The huge wave of immigration to North America resulted from conditions in the home countries of the immigrants. The great migration from Ireland was due to the potato crop failure in that country. Those not satisfied with living conditions in their homeland are ready to migrate. They have an incentive to do so. It is not particularly because of what they are being offered in a new country but because of conditions in their old.

Mr. NEEDLES: With full employment in many of these countries there is little incentive for their people to leave except if they have friends and relatives over here. There is a tendency for self-adjustment in the flow of immigration. When we are short of manpower for jobs there will be an immediate encouragement of that flow.

Senator ROEBUCK: Hear, hear.

Senator SMITH (*Queens-Shelburne*): I would like to have an answer to a question, if I could. I am wondering what importance is attached to the accelerated capital cost allowance, even to the extent of the complete write-off in four years as a means of encouraging industry to locate in areas of surplus labour?

Mr. FLYNN: Mr. Chairman, the Government itself introduced additional capital cost allowances in the budget of December 20th to apply to the three areas mentioned in the brief: unemployment areas, new products, and new processes. However, the benefit that the Government is proposing is minor indeed. It provides a write-off doubling the amount of depreciation for one year only. The recommendation of this Association is that the method used in the Korean War should be used now rather than the very trifling allowance proposed in the Budget. In effect, the ability to write off capital assets in a period of four years is of considerable benefit to many industries. In a way it is an interest-free loan from the Government and, if it is directed into areas where it can do the most good, we feel it has definite merit.

Senator SMITH (*Queens-Shelburne*): In other words, sir, you think that this would be a rather important means of encouraging the establishment of industries in those areas? I know there are many other factors involved but this is really quite important, in your estimation?

Mr. FLYNN: Yes.

Senator SMITH (*Queens-Shelburne*): Do I take it from what you said that you consider the double depreciation allowance for one year to be a trifling amount? Perhaps it would not have any effect at all?

Mr. FLYNN: It would not be of any real significance. For example, if a plant costs \$1 million the depreciation allowed in the first year would normally be 20 per cent, which in this case would be \$200,000. By doubling that amount you get another \$200,000, but it is not really a significant amount.

Senator SMITH (*Queens-Shelburne*): Do you think this would be a difficult matter to work out technically? I am thinking of the effect of such a policy as this on established industries.

Mr. FLYNN: The ground rules were laid down by D.D.P. during the Korean crisis of 1950-51-52. I think industry got used to them and the Government knew how to administer them under the principles then set out. For the most part they involved essential defence requirements. It should not be difficult to frame a set of rules. The Government obviously thinks it can do it. In other words, the Government should be able to frame a set of rules that would operate to the best advantage of our economy.

Senator LAMBERT: What you are emphasizing is the continuation of the former Wartime Depreciation Board.

Mr. FLYNN: Of the Korean War.

Senator LAMBERT: But it was based on the former Wartime Depreciation Board.

Mr. FLYNN: Yes.

Senator LAMBERT: It is the same principle, a wartime measure.

Mr. FLYNN: Yes.

Senator BRUNT: Would you suggest that that be applied right across Canada, rather than to just the depressed areas?

Mr. FLYNN: I think it would be within the definition that the Government has already set out for industries in areas where there is continued unemployment. To aid the development of new industries for processing operations not hitherto carried on in Canada: I would say that could be applied anywhere in Canada. To encourage the production of new types of goods: I would say that could be applied anywhere in Canada. I do not think it involves any geographic limitation.

Senator LEONARD: The same rules would apply.

Mr. FLYNN: The same rules.

Senator CROLL: Mr. Chairman, I have two questions. Reference was made in the brief to the slogan "Buy Canadian". That slogan has been repeated in two or three of the briefs that have come before us, and I gather from reading them that there is a back-door complaint about the Government's attitude, and a front-door complaint about the peoples' attitude. What exactly are you trying to say? Are you suggesting that the Government, under the conditions as you lay them down, would seem to be eminently fair, in the matter of good value in relation to price, and that the Government should be given full effect where it can to "Buy Canadian".

Mr. NEEDLES: We have been very much pleased with the Government's attitude toward the "Buy Canadian" principle. It must be remembered that there is a difference in the Government's attitude toward the principle as opposed to the attitude of the user or consumer. The consumer has no other interest than quality and price; but the Government has an interest other than quality and price, because the price that they can afford to pay for Canadian manufactured goods must take into consideration all of the taxes that are

collected locally, the income taxes, corporation taxes, and the taxes on the broad segment of commerce, services and industries that serve these people. So, there is a factor of return to the Government for the price it pays from these sources. In other words, the Government has a vested interest to the extent of buying products made in Canada.

Senator CROLL: Are you saying that the Government is not aware of that and is not practising it to the full?

Mr. NEEDLES: I am saying the Government is aware of it, and we think they are going very nicely forward on it. We also say that as skills, knowledge and experience come along, and as greater implementation is put into effect, it will do a continuing better job. We are pleased with the progress made at this time. It is very important because of the big volume involved, and we want to impress the point strongly.

Senator CROLL: The other question is this: In the briefs that we have had before us considerable emphasis is placed on the reduction of corporation and personal income taxes. I am sure that no one around this table would be in disagreement with that. Those of you who are acquainted with the Government expenditures are fully aware of the two segments of spending, namely, social security payments and defence. Are you prepared to say that the Government expenditures are not out of line? And, in what field would you recommend Government expenditures be cut in order to bring about a better state of affairs and perhaps to reduce corporation and personal income taxes? I believe the social service payments and defence costs take perhaps three-quarters of our budget.

Mr. NEEDLES: We believe there should be continuing action to reduce Government expenditures in all areas, and the study being made by the commission is, we think, a very valuable approach to it. On the other hand, it is not necessary that a reduction of Government revenues will result from reduced corporation and income taxes, because if the result is what we hope it will be, namely, increased production and increased profits, then the dollar amount might be equal, even though the percentage be less.

Senator CROLL: What percentage of the budget is not fixed?

Mr. FLYNN: As I understand it, I think approximately a third of the budget is for defence, a third for transfer payments, and a third for the general administration of the Government and for debt.

Senator CROLL: What you are suggesting is a reduction in that one-third of budget expenditures which is unfixed. Let me get that clear. I take it you are not suggesting at the moment that we are spending too much for defence? You may think it may not be the right kind of defence, but that is another matter.

Mr. FLYNN: I think that question is under study in another place, is it not?

Senator CROLL: But is it suggested that in these two areas I mentioned, we are spending too much money? Usually we have divided our expenditures into thirds: one-third for defence, one-third for social services and one-third for general administration. I am asking you now, in what area can we operate? I suggest to you it can only apply to the administrative costs portion.

Mr. FLYNN: That obviously would be the most fruitful area. But I think in view of Canada's position in the world today, we should also watch the other segments as far as possible to see that they do not rise, and that prices do not force us out of world markets. I do think that with lower rates of taxation we should be able to produce more at lower cost, and make ourselves more competitive in world markets. We would hope that it would increase production in this country, and as a result increase employment; at the same

time it would produce a broader base for taxation, even at a lower rate, as Mr. Needles has said. It is not an absolute fact that a lower rate of taxation would not produce substantially the same amount, if the climate that industry is working in is improved.

Senator HUGESSEN: That would be a long-term result?

Mr. FLYNN: Oh, yes.

Senator HUGESSEN: Your first recommendation is that income and corporation taxes be reduced materially. I suppose you would have to admit that for the time being at least, until these provisional results had time to operate, the effect would be a considerable increase in the annual budgetary deficit of the Government, would it not?

Mr. FLYNN: Yes. It would take time for the benefits to be realized.

Senator HUGESSEN: I was interested in your references to inflation. I assume that the view would normally be that a larger annual deficit in the Government's budget would have a tendency towards inflation?

Mr. FLYNN: Yes, sir.

Senator HUGESSEN: I am wondering whether your organization agrees with the Canadian Labour Congress, which told us that they felt the danger of inflation has passed away; that there is a considerable slack in the economy; that it is perfectly proper and even advisable for the Government to budget definitely for a large deficit over the next few years, and to engage in a program of extensive public works. Do you agree with that?

Mr. STYLE: Senator, may I say something on that subject? I think that for a period, while we have the productive facilities and production in this country way ahead of demand, providing we can keep our costs down—in other words, while the level of wages and salaries are kept within any increase of productivity—the mere fact of deficit financing, which I do not think this association has any strong views on, need not necessarily create inflation. However, it will create inflation if advantage is taken of that situation for high demands for wages, which increase our costs so that we cannot keep our costs on an even keel. In other words, when I say “high demands for wages”, I mean wages in excess of further increases in productivity.

If I may, while I am on my feet I would like to add a point to Senator Croll's previous question, which is on the subject of a suggested reduction in taxation—that is, how can we reduce Government expenditure when a third of it is in defence, a third in social services, and a third in administration? I think we have to remember this, that although that is a rough division of the Government expenditure, within each of those categories there is a great deal of what you might call administration. For instance, if you look at the services budgets over the years, I think you will find the amount for equipment has steadily declined, and that the amount for administration has steadily gone up. If we, as manufacturers, met that sort of situation there is only one thing we could do, and that is to look into the efficiency of our operations. We believe very strongly that the Government should look very carefully into the efficiency of its operations, so that the dollar spent is better spent.

Senator CROLL: Mr. Style, you are the chairman of the Commercial Intelligence Committee, and you are knowledgeable.

Mr. STYLE: But not necessarily intelligent, I would say.

Senator CROLL: I gave you both intelligence and knowledge. For years in this country we have been talking about a Hoover-type commission—you know what I am talking about?

Mr. STYLE: Yes.

Senator CROLL: —and that a study similar to that will wave a magic wand. Is it not true that despite the Hoover commission, the costs in all areas of government in the United States have continued to grow and grow, remarkably fast?

Mr. STYLE: I am not too familiar with that, sir, but I would think it is quite likely true. I think the question to ask yourself, however, is: would it have grown even faster if there had not been that continual checking up?

Senator CROLL: That shows intelligence!

I do not know who will answer this question, but at least, I want you to be asked some questions before you leave. Since the end of the war, in the last decade, I think I am safe in saying that we have had comparatively full employment, and we have brought the figure of unemployment down to, say, about 3 per cent; and oftentimes it has been better than other times. At the same time we have had a measure of inflation, but, on the average, it has been a comparatively small amount, 2 per cent since the war. Am I right in that assumption?

Mr. STYLE: As measured by the D.B.S., I think that inflation from 1949 was a total of just about 30 per cent, speaking from memory.

Senator CROLL: What is that?

Mr. STYLE: Thirty per cent; that is the degree of inflation since 1949.

Senator CROLL: So that 3 per cent is approximate?

Mr. STYLE: Something of that order.

Senator CROLL: I did not want to be too far out. At the present time we are in great difficulties with our unemployment. If, as Senator Huggessen suggests and as the brief suggested, we spend a large sum of money for things we need—and you have told us some of the things we need, and I am talking about schools, I am talking about hospitals, and I am talking about roads, and things we have referred to as social capital—where is the danger of inflation?

Senator BRUNT: They create money to pay for it.

Senator CROLL: Let him answer.

Mr. NEEDLES: I think we have to go back over the history of this. Over the years of history where governments have spent more money than they had coming in, inflation was inevitable. There are other reasons for inflation, but at the moment this is an important one and a very close watching brief should be kept on the effects of inflation as we go into this era of some deficit spending. The closest check on Government spending should be maintained to reduce that deficit as far as we can and still to meet the emergencies of the present situation, remembering it is an emergency, and that a permanent policy of that kind is bound to reflect in increasing inflation.

Senator CROLL: I was talking of an emergency. I did not actually use the term because I did not want to reflect it, but it is an emergency situation. In this emergency, if the Government planned to spend—I will put it at a large sum—\$1 billion, a sort of “mortgage on the home”, for which it would obtain brick and mortar and lease facilities to build up the Canadian home, the Canadian plant, where is the danger there?

Mr. NEEDLES: If sudden expansion were to come about in the social capital provisions, and if at the same time the relationship of productivity does not keep up with the relationship of cost, then you will put further impetus on inflation. So, again, it is a question of good business judgment and good management all the way through, to try to keep the balance in your monetary situation.

Senator CROLL: I do not recall which brief it was at the moment, and I have not got it before me because your brief is such an excellent one, but if I recall correctly—and I could be wrong—the Congress of Labour brief indicated that over a period of some years, up to recent years, productivity in this country had been a little above the rise in wages.

Mr. STYLE: That is not factual at all.

Senator CROLL: That is not factual?

Mr. STYLE: No. During the period 1949 to 1958, the average wages in all manufacturing increased by 60 per cent, and productivity increased by, I think it was, about 35 per cent, so that real wages increased by the difference, which was 25 per cent.

Senator LEONARD: Is that the point you are making in this illustration of a weekly wage of \$50.

Mr. STYLE: I think that is the point that is made in our brief.

Senator CROLL: Do I understand your attack with regard to expenditures is confined to the dominion Government, or does it apply to all governments?

Mr. STYLE: I do not think I like it termed as an attack.

Senator CROLL: Well, it is an attack on our expenditures.

Mr. STYLE: Well, there is a need right through this country, whether it be business or government—we are up against a highly competitive world, and we have to do everything we have to do as efficiently as possible. It applies right through our economy.

Senator ROEBUCK: You have not answered the question. Call it an attack, or whatever you like, is your recommendation directed to the dominion Government only, or to all governments?

Mr. STYLE: I think to all governments.

Senator CROLL: The municipal governments would be flattered. They say they have not a dime to spend. Let me just ask this question with respect to the suggestion that we are having difficulties in the world market due to our cost. That suggestion is not new. Our living standards have been gradually increasing over the last 15 or 20 years. During that time business has been able to maintain its competitive position, and North American business, which includes the United States, too, has been able to maintain its position, and has always made up the gap between low wages and high wages, and conditions in one country as against conditions in another country, through mechanization. Are you suggesting here that you are no longer able to fill that gap, for some reason or other? You suggest that other people have as many brains as we have. Are you suggesting that you are now unable to fill the gap, that you have filled for two decades, by mechanization?

Mr. NEEDLES: I think we must go back over this period of 15 years which you mentioned. As a result of the last war, industry was very badly upset and disorganized, particularly in the European countries. They had a very difficult time, and they needed a lot of capital in order to get back into industry. They have done that quite successfully, and I refer to the European countries, Japan and other countries. During the time that they were unable to supply their own needs they had to call upon North American industrial capacities to fill their requirements of machinery and equipment, and of the new installations that they had to have, and even for their own ordinary consumer goods. However, as they reached the point of being able to take care of their own requirements internally they then began to look for places in which they could sell the capacities of these new American plants which they had been able to purchase as replacement for obsolescent plants and machinery. They then started to seek export markets to take care of the increasing number of people they wanted to employ in their own country.

When that happened Canada was not in a position to use its capacities to fulfil the requirements of these nations and other nations because these people were able to manufacture and export to any place in the world and they became, therefore, competitors rather than buyers. It is that situation which has brought about our problem.

They have lower manufacturing costs, for various reasons, including labour costs, and they have just as good, modern and efficient equipment as can be bought anywhere. In fact, in some cases, because they had to buy more recent equipment they have better equipment than we have. Japan, particularly, has become very efficient. Their textiles and electronics would do proud any plant in North America.

So, we have an entirely different situation. We have a group of nations who were our customers but who are now our competitors, and it is that pressure that we are running up against, where our costs now are high as against our competitors' costs, and that was not so much a factor when world demand was great.

Senator HAIG: That was the right answer. We sold to Japan, and now Japan jumps in and beats all of us to it.

Senator CROLL: The suggestion was made that business generally was not taking advantage of the research facilities of the Government. That was a complaint made by the Research Council. What do you say to that?

Mr. POLLOCK: There is some truth in the statement made by the Research Council. But, this matter of research is something that grows and grows slowly. The National Research Council has developed over a number of years, and industry itself in learning how to use such facilities has grown over a number of years.

I would like to refer to the Ontario Research Foundation, because I am more familiar with that. The Ontario Research Foundation has been serving in many areas, and I am the chairman of a committee that has to do with the development of the use of the industrial research services of the Ontario Research Foundation. The Canadian Manufacturers' Association's members have used the Ontario Research Foundation quite extensively for many years. We, of course, are not able to use it as extensively, perhaps, in the area of basic research, or pure research, because those things are much more difficult to use than, let us say, research in the area of ways and means. However, by and large, the Canadian manufacturers are using the Research Foundation's facilities quite extensively, and I feel that the relationship between these bodies—the manufacturers, and the National Research Council and the Ontario Research Foundation—must be strengthened so that they can each understand what the other is doing.

Very often research groups work, shall I say, in the clouds and are concerned with basic research, which has to do with fundamentals rather than the solving of problems. The physicist and the scientist carry out their work in the area of new knowledge, perhaps bringing this new knowledge to industry to make use of it. The engineer, on the other hand, is a man who takes something that the scientist has been doing and translates it into products which can be of use to industry. So, there are the two facets of this thing. I think the National Research Council's statement goes much too far in that it expects the manufacturers to use some of the things that it has been developing over a period of years on that very high scientific level and to quickly translate those matters into products for use in Canada. This all takes time. It is something that the manufacturers would certainly wish to do if they could, but it takes time for all of us to learn how to use those things. I think it takes time for the National Research Council and the Ontario Research Foundation to find out more about the needs of industry, but the Canadian Manufacturers' Asso-

ciation at the present time is carrying out a study with the Ontario Research Foundation, which body had a new director within the last six months. We are studying with that director ways and means of working together—that is, the Ontario Research Foundation and the Canadian manufacturers as a group—and we hope we will be able to develop a close liaison and thus bring about a greater utilization of the services available.

Senator PRATT: Taking the whole of the facilities throughout Canada is it not generally thought in industry, as I have heard, that there is very little direct relationship between practical research as carried on by the Government, and industry itself? I know that the complaints are from all directions in that regard. Do you think that something like the American pattern might be brought more into play in our research relationships with the Government here? Do you think that a pattern like that of the United States might be brought more into our research relationship between government and industry, whereby a great deal more is paid by the federal government to industry to carry on research in industry, rather than industry falling in with the research pattern of departments of government?

Mr. POLLOCK: In some industries we would welcome the opportunity of doing more research for the Government. But by and large I would think that government departments would do research in the basic areas. In Ontario a good deal of work is done by industry for the provincial government in such fields as agriculture, forestry and similar fields. But in the federal field, I am sure industry welcomes the opportunity to do similar research for the Government.

Senator PRATT: You would think that the pattern in this country should be as it is in the United States?

Mr. POLLOCK: I would not like to make a statement as to what policy should be followed, but I do think that in some ways our governments should stimulate the concept of research, because we as manufacturers believe that the future of our industries lies in research, development, and more creative work.

Senator PRATT: I read in a report the other day that the contribution to industrial research and development by the government of the United States amounted to some 57 per cent of the money spent for research. This amount is spent by industry for research purposes and reimbursement is made by the Government.

Mr. POLLOCK: I am afraid I am not familiar with that information.

Senator BRUNT: Our Government is paying out considerable sums of money to industry to carry on research; it is done through the Department of Defence Production, and is going on every day.

Senator PRATT: But it is not along the line of industry generally.

Mr. POLLOCK: Not along the line of the development of industry and the service it renders to the people.

Senator LAMBERT: Mr. Chairman, bearing upon the reply made by Mr. Needles a few moments ago in connection with exports from abroad, I would point out that we have had several outstanding examples of prominent industries in this country establishing manufacturing plants broad, to the extent even of supplying Canadian markets with the output from these plants. In that connection I am wondering if that trend is likely to develop, and if so, what effect will it have on the proposals and observations contained in your brief being presented today?

Mr. NEEDLES: The situation is just one of the inevitable results of competition, if industry seeks the place where it can make its goods at the lowest cost in order to be competitive. If a Canadian manufacturer faces competition from imports at lower cost, then his only outlet is to place his industry where the same low costs are available.

Whether this will be the trend or not is hard to gauge, because we cannot foresee what various methods and procedure will come forward in the future. But that it is well under way from the United States, and seems to be moving in that direction from Canada, is something we must recognize as a fact of life, and is one of the devices the manufacturer may be forced to use in meeting competitive prices.

Senator LAMBERT: It has a bearing on the problem of unemployment in Canada.

Mr. NEEDLES: If the Canadian manufacturer does not take his plant to where he can get low costs, then he will be faced with competition from a manufacturer in that area, and it will have an adverse effect on his industry in this country.

Senator LAMBERT: Assuming that the consuming public is better served by the manufacturer who is making, for instance, sewing machines abroad rather than making them in Canada, this will not help the unemployment problem in Canada.

Mr. NEEDLES: As long as imported merchandise is available at lower cost he will face the problem of continual loss to the Canadian public and to the Canadian workman.

Senator LAMBERT: You have no criticism of industry in that respect?

Mr. NEEDLES: We would not have any criticism when the decision is made in order that industry may remain competitive.

Senator LAMBERT: But it is not a trend that you would want to see grow?

Mr. NEEDLES: We are arguing against it in our brief here, because we feel in effect we should have some form of rationalization on the quantity of imports coming in.

May I make one other point? Mention was made of Ireland. My grandparents came from Ireland during the potato famine, and I have a little sympathy in my heart for the Irish, though I may not look like one. The Irish Government is providing very great incentive to the establishment of industry in Ireland because of the grave problem of unemployment there. In its efforts to assist industry the Government may provide the manufacturer with money to buy a plant, or the opportunity to rent on a low-cost basis, or perhaps extend to him the opportunity of buying later. All this results in lower costs. Ireland has the entire Commonwealth market open to it for free exports, and it offers a considerable element of competition. Some of these plants to which you refer are going to Ireland.

Senator CROLL: When an article is sold—it may be your product, for instance—what are the elements that go into the sale of that product? Let me name a few: Price, quality, style, conditions of repayment of account. What are some other elements?

Mr. NEEDLES: Availability.

Senator CROLL: Availability and delivery. What else?

Mr. NEEDLES: Follow-up service.

Senator CROLL: These are all the ingredients of the sale, are they?

Mr. NEEDLES: Yes. There may be others, but those are the principal ones.

Senator CROLL: Labour is one of the ingredients, is it not?

Mr. NEEDLES: Yes.

Senator CROLL: The others are pretty important too. Would you say these are all of equal importance?

Mr. NEEDLES: Well, the consumer must make up his own mind on what he is willing to pay, and what alternatives he may accept as to slow delivery

or quick delivery, as to guarantees, as to service policies, quality and suitability of the product, and also consumer styling, appearance, and many other important features.

These are all factors, and they do provide opportunity for a manufacturer to secure a little higher price than another manufacturer might get on an imported product. Or, it can be turned around the other way, to say that a piece of imported goods might be sold in Canada at a higher price than a product of local manufacture because of some style or appearance it has. Generally speaking there are Canadian goods of good quality and value on the market pretty well all over Canada, but there are areas where we have the terrific involvements of major shipments of merchandise from other countries, such as is the case with electronics, tubes and textiles.

Senator CROLL: My purpose in asking you the question is this: Are you not putting too great an emphasis on wages and productivity as related to these other elements which we have enumerated?

Mr. NEEDLES: Wages are 100 per cent of the cost of anything. It costs money to transport, to build machinery, to lay bricks, to mine metals—anything you spend money on, wages and salaries are 100 per cent. Wage levels are the most important impact upon the selling price.

Senator HAIG: Hear, hear.

Senator CAMERON: Mr. Chairman, may I ask one question related to this very point? Production costs materially affect your competitive position. Last week, when we had the electrical manufacturers here, a question was asked about plant capacity in relation to the market. With respect to the market for refrigerators, as an example, the statement was made that 400,000 refrigerators were made annually but that the plant capacity was 1,000,000.

The next question was, to what extent does this over-capacity in relation to market apply to the electrical industry? As I recall the answer, it was that this 40-60 ratio might apply fairly generally. If it is true that there is a 60 per cent over-capacity in any line of production, is this not a factor that affects your production costs and your competitive position? In other words, you have a capital investment which is too high for your market; and, naturally, your costs are going to be higher. Does this apply to other segments of the manufacturing industry as well?

Mr. STYLE: I was also representing the Canadian Electrical Manufacturers. I remember that discussion. There is no doubt that at the present moment, largely because of the fall-off in demand for some of our products, there is excess capacity. Generally, I do not think it is anything like it happens to be in the manufacture of refrigerators. On the average, I think that today one might say that there might be 20, 25 per cent excess capacity for today's market. The best way of utilizing that excess capacity is, first of all, to try to get a greater share of the Canadian market; secondly, to try to export; and, thirdly, to try to get much greater Canadian content into what we produce—all of which are economic factors.

As each year goes by, every manufacturer, in his own interest as well as in the interest of employing Canadians, tries to get more Canadian content into his operation. But, as Mr. Needles said, if you can buy certain components or certain parts in Japan at half the price you can produce them, and you have to be competitive in the outside markets, there is a limit to what you can do. However, it is certainly the desire of every Canadian manufacturer—and I think I can say that without exception, whether entirely a Canadian manufacturer or foreign controlled—to get the maximum degree of manufacture in Canada. But it is an economic problem we are facing, and one which many of the things in our brief are directed towards easing, so that we can manufacture more.

Senator HORNER: Just a moment ago you mentioned the follow-up service for manufactured goods. In our fast changing world that is possible, but years ago that would have been impossible. Now, with the airplane, the parts can be flown in from Ireland in a few hours, just as quickly as you formerly got them from a factory perhaps 100 miles away. You receive them now by airplane. Many parts come from England and people who need some part have it flown right over from England, and they get it in a day or so. That is a changed condition, entirely, making this competition possible.

Senator LEONARD: Mr. Chairman, I would like to express the thanks of the committee to the Canadian Manufacturers' Association for its very commendable brief and the contribution that it is making to our study of this problem. We are grateful to them for the number of members of the association who have come here today from the various parts of Canada. These men are heads of industries; they are dealing every day with the problem that we ourselves are confronted with; and we are particularly grateful that they have been able to take their time away from their companies to come here and give us the benefit of their experience. I am sure I voice the sentiments of every member of this committee, when I say that they have presented a brief which will be very valuable in our study of this problem.

Mr. McLAGAN: Mr. Chairman, I would like to thank you and the other members of your committee for the wonderful hearing you have given us today. We hope the problems will be solved. In the meantime, we take our leave of you to return to our own businesses and to see whether we can practise what we are preaching.

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APPENDIX "A"

TAXATION

(a) THE INCOME TAX ACT

Corporation and Personal Income Taxes:

1. It is recommended that corporation and personal income taxes be reduced materially.

Manufacturing industry in Canada is taxed at very high rates. The income of a manufacturing corporation is subject to taxation twice: first as income of the corporation and secondly when the profits remaining after the tax is paid are received by shareholders in the form of dividends. The present top corporation income tax rate is 47 per cent of profits, which with addition of the 3 per cent Old Age Security Tax makes up a total top rate of 50 per cent. In addition, corporations which carry on business in Ontario or Quebec are required to pay to the province or provinces concerned an extra tax of 2 per cent on profits which are earned therein.

When the income of the corporation after the payment of the tax is distributed in dividends to the shareholder, income tax is payable by the shareholder on the dividends he receives along with the rest of his taxable income. Dividends, as part of the income of an individual are taxed at graduated rates commencing at 11 per cent and going as high as 80 per cent, subject, however, to a dividend/tax credit of 20 per cent of the amount of dividends received. Corporation income is therefore subject to double taxation relieved only by the shareholders' dividend tax credit which bears small relationship to the top corporation tax rate of 50 or 52 per cent.

The Association is of the opinion that the present rate structure and level of personal income tax rates are too high for the good of our economy. The increase in the personal tax rates during the last twenty years has resulted in a highly progressive rate structure which has worked a real hardship on many taxpayers, particularly those in the middle and higher income tax brackets. Such a rate structure has a definite tendency to discourage initiative. Within industry in these brackets are executives, managers, engineers, top salesmen, those employed in all levels of scientific and industrial research, technicians and many other skilled employees in companies whose productive efforts should be encouraged instead of being discouraged. The Association feels that the progressive increase in tax rates brought about in 1959 is harmful to the development of initiative, results in increased demands for higher wages and salaries and should be removed at the first opportunity. The present combined rate structure of corporation and personal income taxes, in spite of measures which have been taken, remains a serious obstacle to the continued existence and development of smaller industries owned by individuals and families.

Additional Capital Cost Allowances:

2. It is recommended that accelerated capital cost allowances (1) for industries in areas where there is continued unemployment, (2) to aid the development of new products from processing operations not hitherto carried on in Canada and (3) to encourage the production of new types of goods, which were announced on December 20, 1960 by the Minister of Finance, should be increased at least to the level of the accelerated capital cost allowances put into effect in 1951 at the time of the Korean War, under which it was possible in most cases to obtain a complete write-off in four years.

The Minister of Finance in his Budget Speech of December 20, 1960, announced that accelerated capital cost allowances would be provided (1)

to assist new industries in areas where there is a substantial degree of unemployment over the years; (2) to aid the development of new products from processing operations not hitherto carried on in Canada; and (3) to encourage the production of new types of goods. Corporations whose applications are approved will be allowed double capital cost allowances in one of the first three years in respect of the assets.

These measures, in the Association's opinion, constitute a step in the right direction, but they appear not to provide an adequate inducement to bring about the desired results. It is submitted that, if there is to be an effective incentive, the accelerated capital cost allowances should be brought up to the level of the accelerated capital cost allowances which were introduced in 1951 at the time of the Korean War, under which it was usually possible to write off assets in four years.

Most of the leading European industrial countries with which Canadian manufacturers must compete provide higher capital cost allowances. For instance, in the United Kingdom, in addition to investment allowances, machinery in the year of acquisition receives an "initial allowance" of 10 per cent and 15½ per cent regular depreciation.

France permits a double depreciation allowance in the first year which on ordinary machinery amounts to 30 per cent. In addition, it provides an initial allowance of 10 per cent for new investment and permits the revaluation of property to compensate for past inflations.

In Germany, while the basic rate of 10 per cent is common for straight line depreciation, under a decline balance formula this may be increased to 25 per cent in the first year and about 58 per cent of the cost in the initial three years.

Italy provides accelerated depreciation in the form of an "initial allowance" of 40 per cent which may be spread over the first four years of the life of the asset in addition to regular depreciation.

The Association feels that if Canada were to adopt adequate additional capital cost allowances we could reasonably expect to achieve the stimulating effect on the economy which similar measures have accomplished in European countries.

Investment Allowances:

3. It is recommended that Canada adopt the United Kingdom practice of granting investment allowances as an inducement to capital investment, such allowances to be in addition to the present capital cost allowances.

The United Kingdom provides an investment allowance of 20 per cent on new machinery and plant in the year of acquisition which is deductible from taxable income. This is over and above both the regular depreciation, which on machinery would generally amount to 15½ per cent, and an extra 10 per cent "initial allowance" in the first year. Belgium and the Netherlands also have investment allowances. In Belgium special investment allowances of up to 30 per cent for new ventures or very large expansions of existing plants have been granted.

These investment and other allowances appear to have done much to bring European manufacturers to their present efficient state. If corresponding allowances are made available in Canada they should, in the Association's view, provide an effective stimulus to the economy and increase employment.

Incentives for Exports:

4. It is recommended that as an incentive to the export of goods manufactured in Canada exporters receive more favourable tax treatment for increased exports, either by the application of a lower income tax

rate or by the levying of no income tax on the proportion of the manufacturer's income attributable to the increased export business, or by a reduction in the amount of income tax based on the percentage of the increased value of manufactured goods exported.

While it is recognized that there are difficulties in the establishing of an equitable system of tax incentives for increased exports, it is felt that the great advantages which would accrue to Canada from increased exports of manufactured goods make it desirable that such a plan be instituted.

As examples of what is being done in other countries against whose products Canadians must compete, the concessions allowed in France, Ireland, Jamaica and Japan are outlined.

Companies in France exporting at least 20 per cent of their production with a minimum of approximately \$100,000 to non-franc areas can apply for an "export card". Holders of the card are allowed the privilege of accelerated amortization of capital investments. In addition French exporters are exempted from the 20 per cent turnover tax which is responsible for producing approximately 75 per cent of the country's tax revenue.

In the Republic of Ireland, as a special incentive to encourage exports, manufacturers are granted a complete remission of tax on profits derived from new or increased export business for a period of ten years. An alternate scheme allows the company a remission of 25 per cent of the tax on total export sales for the same period. Companies located in the Shannon Free Airport area are granted the same tax concessions for a period of 25 years.

In Jamaica, industries producing exclusively for export are entitled to perpetuate duty free importation of raw materials, fuel and items for repair and replacement of equipment. In addition the companies are allowed accelerated depreciation of capital expenditure on plant and equipment with one-fifth of this expenditure being written off in each of any five of the first eight years of operation as well as other concessions under the Industrial Incentives Law or the Pioneer Industries (Encouragement) Law.

In Japan, the Exporters Income Tax Exemption System is in two parts, the ordinary exemption and the additional exemption. The ordinary exemption allows a Japanese exporter a deduction from his taxable income amounting to 80% of one-half of his total yearly export income. The additional exemption permits a deduction for tax purposes of 80% of income earned from exports booked in excess of the total for the previous year.

Scientific Research:

5. It is recommended that encouragement be given to the carrying out of specific research in Canada (a) by permitting corporations which so desire to write off in one year their expenditures of a capital nature on scientific research and (b) by removing entirely the limitation of 5 per cent of the taxable income of the preceding year on money expended on scientific research. At the same time, it is felt that there should be no limitation on research expenditures made outside of Canada for the purpose of bringing benefits to Canadian industry.

The Association is of the opinion that Canadian industry would benefit much from increased scientific research in Canada. In addition, if more scientific research were carried on in Canada, there would be greater employment for Canadians with advanced scientific training and Canada would lose to other countries fewer of its trained scientific training and Canada would lose to other countries. Encouragement of scientific research in Canada would be to institute adequate tax incentives. (See **Appendix "I"**).

(b) THE EXCISE TAX ACT

The methods by which federal sales and excise taxes are levied have a direct influence on domestic production, demand and employment. It is submitted that appropriate amendments to the Excise Tax Act would make it possible to reduce the importation of unemployment, by removing a large measure of discrimination against Canadian manufacturers and producers.

1. It is recommended that the Excise Tax Act be amended to provide statutory authority for the use of a wholesale value for the purpose of determining sales and excise taxes.

In respect of goods manufactured or produced in Canada, the Excise Tax Act provides only for the payment of sales and excise taxes on the sale price. By regulation and at the discretion of the Minister of National Revenue, certain manufacturers may be allowed a wholesale value for tax, but this discretion is limited in its application and there is no effective right of appeal.

It is observed that under the current Regulations of the Excise Tax Act, the use of a wholesale value for sales tax purposes is in general restricted to two categories of Canadian manufacturers—manufacturers who make regular sales in representative quantities to independent bona fide wholesalers, and manufacturers who may not qualify in this manner in respect of their own sales but in whose industry in Canada it is considered by the Minister of National Revenue that regular sales are made in representative quantities to bona fide independent wholesalers.

On the other hand, in respect of imported goods, the Excise Tax Act provides that sales and excise taxes are payable on the duty paid value. Accordingly, as imported goods are frequently purchased at an earlier level in the distribution process than that at which competitive Canadian-produced goods are sold, there are considerable sales tax inequities in those cases where domestic manufacturers are not allowed a wholesale value for tax.

In considering these problems and observing the declining role of the wholesaler in the distribution process, the Association considers that there should be the widest possible application of the wholesale value for tax principle to sales by Canadian manufacturers.

2. It is recommended that the 15%, 10% and 7½% special excise taxes listed in Schedule I of the Excise Tax Act be abolished.

The selection of certain specified commodities for these special additional taxes is both unsound and discriminatory. The abolition of excise taxes should give a much needed stimulant and a wider home market to those industries in Canada which are producing goods subject to excise tax, e.g. automobiles, radios, televisions sets, etc.

APPENDIX "B"**GOVERNMENT EXPENDITURES**

Since the level of taxation threatens to become confiscatory, it is recommended that the Government make every effort to reduce public expenditures.

In making this submission the Association is aware of the efforts made by the Government during past years to keep down expenditures. At the same time it is felt that much more can and should be done in the public interest to reduce government expenditures so that it will be possible to lower the present high tax rates and provide some relief from the present heavy tax burden.

The Government has, in the Association's view, taken an important and wise step in setting up the Commission under the Chairmanship of Mr. J. G. Glassco, F.C.A., to enquire into the organization and methods of operation of the departments and agencies of the Government and to recommend changes to promote efficiency and economy and to improve service in the dispatch of public business. The Commission will, we feel, gain much strength from the inclusion in it of Mr. Watson Sellar, former Auditor-General, who is recognized to have a profound and unique knowledge of the intricacies of government administration, and of Mr. P. E. Thérien, a well-known Montreal lawyer.

It is particularly gratifying to see that the Commissioners are expressly directed among other things to recommend steps that will eliminate duplication and overlapping of services and eliminate unnecessary and economic operations.

APPENDIX "C"

PROFITS

The Association emphasizes that the achievement of adequate profits is essential to the greatest economic progress and the maintenance of employment.

In any thinking on the problems of continuity and expansion of employment in an economy based on private, competitive enterprise, the role of manufacturers' profits inevitably comes to the forefront.

Over a short term, failure to make a profit undermines the faith of the current shareholder, offers no attraction to the potential investor, frequently reduces the size of the work force, and denies needed income to the government. Over a longer term, failure to compete profitably results inevitably in a private company going out of business and adding its work force to the ranks of the unemployed.

For these reasons, achievement of adequate profits is essential to the greatest economic progress and the maintenance of employment.

Below are set out the profits of manufacturing corporations from 1950 to 1958 as a percentage of sales both before taxes and after taxes. During this time the average of profits has been 4.44¢ on each dollar of sales after taxes. Such a figure cannot be construed as anything but distinctly modest.

The Association believes that the achievement of an economic growth rapid enough to maintain employment and absorb the expected increases in the Canadian labour force will require a high rate of investment. Attainment of this objective necessitates calling a halt to penalizing profits.

The encouragement of profits through the unshackling of incentive and the reduction of the corporate tax burden, it is submitted, would go a long way toward strengthening the economy and sustaining employment in face of the mounting challenge of foreign competition.

PROFITS OF MANUFACTURING CORPORATIONS, 1950 TO 1958

	Profit as a Percentage of Sales		Profit as a Percentage of Net Worth	
	Before taxes	After taxes	Before taxes	After taxes
1950.....	10.2	6.8	23.1	15.2
1951.....	10.2	5.7	24.6	13.8
1952.....	8.1	4.4	20.6	10.7
1953.....	8.0	4.4	18.8	10.3
1954.....	6.4	3.3	14.4	7.5
1955.....	7.4	4.1	17.0	9.5
1956.....	7.0	4.0	17.1	9.2
1957.....	6.4	3.8	13.7	8.1
1958.....	5.9	3.6	11.9	7.1

SOURCE: Department of National Revenue, "Taxation Statistics", various years.

NOTE: The above figures are given up to 1958 only, that being the latest year available in "Taxation Statistics". However, the Dominion Bureau of Statistics in "Corporation Profits", Fourth Quarter, 1959, indicates that manufacturing corporations had net profits before taxes of 6.8 per cent of sales, and net profits after taxes of 3.7 per cent of sales, in 1959. These figures compare with 6.2 per cent and 3.3 per cent, respectively, for 1958, in the same D.B.S. series.

By way of comparison, in the United States, profits after taxes as a percentage of total sales in manufacturing were 5.2 per cent in 1958 and 5.8 per cent in 1959 according to the First National City Bank of New York. The twelve year 1947-58 average was 6.3 per cent. As a percentage of book net assets these profits amounted to 9.8 per cent in 1958, 11.6 per cent in 1959 and 14.2 per cent for the 1947-58 average.

APPENDIX "D"

INFLATION

1. It is recommended that government policies having the object of relieving unemployment should be used carefully if they are likely to generate inflation and thus ultimately defeat their own object.
2. It is recommended that the Government recognize its responsibility to assure public confidence in the monetary system by making objective public statements from time to time of its assessment of inflationary forces and the action being taken to counteract them.
3. It is recommended that a new study of the nation's financial structure and machinery be made by independent experts, devoting particular attention to the basis of monetary action, the means by which it is made effective, and its relationships with fiscal policy.

The Association reiterates its belief, expressed in its submission to the Senate Standing Committee on Finance, on June 25th, 1959, that a sound currency is essential to the economic health of the nation and that there should be no compromise with inflation, creeping or otherwise. This country, with its heavy dependence upon export trade can ill afford to permit inflation in the midst of a world where other industrial nations are determined to avoid it.

Despite the fact that the dangers of inflation outwardly seem to have receded somewhat, this matter is especially pertinent at this time because it is submitted that there is a strong cause-and-effect relationship between inflation and unemployment. This relationship is reciprocal: inflation can cause unemployment and vice versa.

For instance, rising costs of production in industries where these cannot be passed on to the consumer in the form of higher prices, require drastic treatment by management. This only too often must take the form of reducing numbers on the payroll, by whatever means this reduction can be effected.

The only alternative for management is to put off the evil day until bankruptcy not merely reduces the numbers on the payroll but eliminates them. Some of the present unemployment may well be traceable to this source.

On the other hand, increasing unemployment obviously prompts government to take steps to alleviate it. Since its basic causes are usually deep-rooted and sometimes obscure, time is needed to determine them, let alone to devise sound remedies and put the remedies into effective operation. Immediate action being called for, "crash programs" of a make-work variety are the order of the day, with a consequent substantial increase in government expenditures. Since periods of high unemployment are often accompanied by declining government revenues, government operating deficits in this combination of circumstances are almost inevitable and the inflationary consequences are a matter of oft-repeated history.

It is submitted that the battle against inflation is never finally won and that eternal vigilance is the price of monetary stability. It is imperative, therefore, that in the selection of government policies with the object of relieving unemployment, those should be used carefully which are likely to generate inflation and thus ultimately defeat their own object.

The immediate relief of genuine distress caused by unemployment is essential, while the adoption of policies directed toward the long-run reduction of unemployment is highly desirable. Since these two purposes are not identical, the proper means of achieving them will correspondingly differ. It is suggested that care should be taken that the two are not confused, or that preoccupation with either should result in the neglect of the other.

Uncertainty as to the degree of government determination to resist the inroads of inflation can nurture fears of inflation and so add to existing inflationary pressures. The Association feels very strongly that a continuation of the policy of having periodic forthright statements of intentions and objectives will do much to quell the fears of inflation and circumvent the inflationary effects of public reaction to them.

The Association commends the work of the Senate Standing Committee on Finance on its study of the threat of inflation in Canada in 1959 and suggests that this committee should maintain at least a watching brief on the subject, continuing from the point of its 1959 report.

Seldom, if ever before, has public controversy ranged with such intensity and persistence around such a complex and highly technical subject. The Senate study did much to bring a new measure of sober understanding to popular discussion of the nature and extent of the inflationary forces at work, but it can not yet be said that the major issues of monetary policy have been clearly defined or placed in their proper perspective.

This is a matter of fundamental importance in relation to employment and economic progress and the Association therefore repeats its suggestion, made during the 1959 enquiry and in earlier submissions to the Government of Canada, that a new study of the nation's financial structure and machinery should be made by independent experts. The purpose would be to identify inadequacies in the information upon which decisions are based regarding the timing and degree of monetary action and in the means by which it is made effective, and to re-examine the relationships between monetary and fiscal policy.

APPENDIX "E"

THE IMPORT PROBLEM

1. It is recommended that a more realistic course of action be taken by the Canadian Government at this time in the field of tariffs in order to cope with the present serious unemployment situation caused by excessive imports into Canada. The Association believes that a sound tariff policy for Canada is of vital importance to the prosperity and welfare of every Canadian citizen.

In 1959 Canada had a record deficit in its international payments with other countries amounting to some \$1,460 million. Of this amount our deficit on merchandise trade totalled \$386 million. The balance represented, in the main, interest and dividend payments, tourist expenditures and freight and shipping charges. For the first nine months of 1960, this imbalance amounted to \$894 million, the deficit on merchandise trade being \$130 million.

These figures suggest that Canada is living beyond its means. It is realized that this foreign debt must eventually be paid off. It is our belief that the best way to accomplish this objective is through the increased export of goods from Canada and the replacement of imports with goods manufactured here in Canada. It is perhaps not generally known that more than 75% of Canada's imports are in the form of fully or chiefly manufactured goods and that, in each of the past five years, these imports of fully manufactured goods have been in excess of \$4 billion.

The importation into Canada at this time of vast quantities and a wide variety of manufactured goods from other countries which are directly competitive with goods manufactured in Canada poses a problem which must be solved if Canada is to find work for its unemployed and continue its industrial progress and development.

Factors Contributing to the Imbalance of Trade:

While the Association has repeatedly endorsed the Government's policy of supporting GATT as being the best instrument yet devised for international trade discussions and negotiations leading to an orderly structure of world trade, we believe that Canada has gone much too far in reducing its customs duties on imported goods. Since 1936, Canada has, under two trade agreements with the United States and under four international tariff conferences under the GATT, made substantial tariff reductions which have had the effect of making Canada a low tariff country which, because of its geographical characteristics, small population and high wage rates, it simply cannot afford to be.

The effect of these substantial tariff reductions on the Canadian economy, however, was not immediately felt for the following reasons:

- (i) Europe and Asia had not recovered from the devastation caused by World War II, and consequently were in no position to compete for export trade markets until quite recently.
- (ii) World-wide shortages of all types of goods persisted for many years after the conclusion of World War II in 1945 and again as a result of the massive defence programmes required for the Korean conflict. During this same period there was a tremendous growth in consumption everywhere.
- (iii) The Canadian Government found it necessary in November 1947, to restrict the importation of many lines of consumer and capital goods because of balance of payment difficulties.

None of these conditions exist today. European countries have re-established their industries and are actively seeking export markets. Labour is both cheap and efficient. Japan, and to a lesser extent, Hong Kong, have established many new industries with modern machinery and cheap labour, and the products of these countries are making rapid inroads into the Canadian domestic market. There are now no shortages in the United States, where by mass production methods goods can be produced economically in almost unlimited quantities. The restrictions on imports imposed by Canada in 1947 were removed in part in 1951 and completely in 1952.

These world-wide changes have, of course, resulted in keener competition for the Canadian manufacturer in his home market. The products of low-wage and/or mass-production countries are being imported and sold to Canadian consumers in very large quantities. A number of Canadian textile mills have had to close down. Many other firms have discontinued manufacturing certain products which they formerly made both for home consumption and for export, and are using their facilities for the distribution of imported products in Canada. Despite the best efforts of Canadian manufacturers to reduce costs, increase efficiency and sell "Canadian", they are finding it increasingly difficult to remain competitive with imports.

There appears to be widespread recognition of the severe competitive problems faced by Canadian manufacturers and producers who pay their workers the second highest average wages in the world, and lack on the one hand the economic advantages of mass production for a large domestic market, which is enjoyed by United States manufacturers, and on the other hand of low wage rates enjoyed by many European and Asiatic industrial nations. We give in the table below details of average hourly wages earned in manufacturing in seven important countries in 1959:

In Canadian Dollars

Canada	1.72
U.S.A.	2.13
France	0.38
West Germany	0.54
Italy	0.34
Japan	0.25
United Kingdom	0.66

(Source: I.L.O. "Statistical Supplement, International Labour Review", December 1960)

The economic obstacle of high wage levels and a small, thinly spread domestic market is not likely to change in the foreseeable future; in this economic climate Canadian industry must strive to maintain maximum initiative, efficiency and technological progress. The measure of our industry's success in its efforts to overcome this obstacle is also dependent on the Government's ability to influence the economic climate of this country, and on the extent to which this power of the Government is exerted to encourage Canada's industrial growth.

Tariff Policy:

The object of Canada's tariff policy must be to provide the most profitable employment for the largest number of its citizens. Tariffs can contribute materially to this end by providing reasonable opportunity for efficient manufacturers to obtain a substantial share of the Canadian domestic market, sufficient to support operations on an economic scale. It is important, therefore, that an adequate customs tariff structure be established which is reasonable, balanced and in the national interest.

It is worthy of note that no industrial country in the free world has been able to build a well-balanced and prosperous economy without establishing and continuing a tariff policy which provides for adequate customs tariff rates and duty valuations designed to encourage and develop industrial production.

Our trade policy should be sufficiently flexible to permit reasonable adjustments in tariff rates whenever a disproportionate share of the Canadian market is being supplied by imports. If the proportion of fully manufactured goods imported into Canada were even moderately reduced, such reduction would go a long way towards solving the present unemployment problem which is of grave concern to all Canadians.

New Measures Needed to Remedy the Problem of Excessive Imports:

Tariffs are only part of the answer to Canadian manufacturers' real problem of how to meet the challenge of unfair competition from imports, particularly those from low-wage countries. While appreciative of the steps already taken by the Canadian Government to keep imports of Japanese manufacturers within reasonable bounds, the Association questions the effectiveness of any arrangement which places the onus on a foreign country to control its exports to Canada voluntarily. Our concern over imports from Japan and other low-wage countries is on two counts, namely, price and quantity. While large volume imports from low-wage countries have already placed in jeopardy the possible continuance in business of an increasing number of Canadian manufacturers, many others are also finding it virtually impossible to compete with the laid down duty paid prices of these low cost imports. In these difficult circumstances, one of two equally disturbing business decisions must be taken by Canadian manufacturers. If the manufacturer meets the low import price which is below his manufacturing cost, he loses money, and may ultimately be forced out of business. If he fails to meet the low import price, he loses a sale, and certainly lost sales mean lost jobs, less manufacturing and more unemployment in Canada.

It is significant to note that the United Kingdom and most European countries are continuing to restrict their imports of Japanese goods by means of quotas. According to statistics published by the Ministry of Finance in Tokyo, total Japanese exports to Canada in 1959 exceeded exports to the United Kingdom or any other European country by a significant margin; Japan's exports to the whole of Europe were only slightly more than three times the value of her exports to Canada, despite the tremendous disparity in population.

It is submitted that the control of imports into Canada under any given set of circumstances should always remain under Canadian authority.

In order to cope with the present serious unemployment situation, the Canadian Manufacturers' Association believes that the following course of action should be taken by the Canadian Government at this time in the field of tariffs, namely,—

Whenever imports of any commodity, which Canadian manufacturers are capable of producing in quantities sufficient to supply the entire Canadian market, reach 10% of the annual Canadian requirements as determined from the latest D.B.S. statistics available, appropriate measures of a temporary nature should be immediately taken to help the affected industry or producer such as,—

- (i) A temporary increase in the customs import duty; this would require new legislation for use whenever Parliament is not in session. We should add that Australia has recently adopted legislation in a similar vein.

- (ii) Withdrawal of any GATT tariff concessions which may have been made on the imported product under the escape clause in Article XIX of GATT.
- (iii) Fix the value for duty purposes of the imported goods under Section 40A (7)(c) of the Customs Act.
- (iv) Establish realistic quotas on imported goods. This would, of course, require new legislation.

The foregoing proposals are suggested purely as a temporary means of coping with the present very serious unemployment situation. They will also be useful for bargaining purposes with other countries. In order to arrive at a more permanent solution of the problem, it is suggested that where action is taken in line with the above proposals, the Tariff Board should be instructed to review the difficulties of the domestic industry or producer, hold public hearings if deemed necessary, and make recommendations to the Government within one year as to what form or forms of permanent assistance should be granted to the domestic industry or producer in order to provide Canadian workers with gainful employment.

The provision that immediate action be taken to restrict imports whenever they reach 10% of the annual Canadian requirements is intended to serve rather as a general guide than as a universal measure. It is intended that it should be administered in a realistic and flexible manner. There are cases where domestic industry is being seriously harmed by imports which amount to less than 10% of annual Canadian requirements, because the industry, in order to survive, must meet the low import price, even though this may mean selling below cost. On the other hand, there may be cases where Canadian industries can continue to prosper with a share of less than 90% of the market, for example where domestic demand for a product is rising sharply. This provision, therefore, must be administered with the prime purpose of enabling efficient Canadian firms to continue to grow and expand; survival without growth means economic stagnation.

2. It is recommended that at the current GATT Tariff Conference, no further tariff reductions be made on manufactured goods of a class or kind now being produced in Canada, and that steps be taken to unbind all those tariff items where reductions in duty negotiated at previous GATT Conferences have resulted in too large a share of the Canadian market being supplied by imported goods.

It should be remembered that the United States as well as other GATT countries, have not hesitated to use the escape clauses in the GATT or to seek to obtain waivers from any GATT provision when they have considered it to be in their own national interest to do so. We consider it important that Canada adopt the same policy. The Association believes it is imperative that Canada adopt a stronger, more realistic bargaining attitude in the current tariff negotiations with other GATT countries than it has done in the past.

APPENDIX "F"

EXPORT TRADE

1. It is recommended that the Canadian Government maintain and intensify its programme of energetic export trade promotion, backed by services and support in line with those offered by the governments of competing countries, including participation in trade fairs, the use of trade missions and the usual forms of direct trade promotion through the Trade Commissioner Service.

2. It is urged that in regard to the current negotiations among the European Economic Community countries and between them and the United Kingdom, the Canadian Government do everything within its power to preserve the present system of Commonwealth preferences and forestall the imposition of higher tariffs or new forms of restrictive trade practices against Canadian goods.
3. It is recommended that encouragement be given to the increase of exports from Canada by means of appropriate tax incentives. (See Appendix "A" (a) 4, p. 796.)

Many of Canada's basic manufacturing and extractive industries depend heavily on export markets for their health and vigour and for the maintenance of a high level of employment in these industries.

Traditionally, Canada has been a supplier of basic materials to the world. Many countries seem anxious to buy raw materials and to ship their highly manufactured products to us in exchange. This pattern of trade is contrary, however, to the whole trend of Canadian economic development which is and should be oriented towards the expansion of manufacturing. Canada's employment problem will not be solved by a trade policy which tends to perpetuate the patterns of the past.

Canadian manufacturers are competing in world markets at a serious cost disadvantage arising from high wage rates, high taxes and a relatively small domestic market base; nevertheless, sales of Canadian manufactured consumer and technical goods are being achieved abroad on the basis of technical superiority, attractive styling and dependable quality. Although these exports represent only approximately 15% of the total exports, their high labour content means that the impact on employment is substantial. The expansion of exports of these products provides a two-fold advantage in that the wider distribution and consequent lower cost of production makes the manufacturer more competitive at home and abroad and provides higher and more stable employment.

The Association is seized of the great importance of expanding Canada's exports of manufactured products. Accordingly, much of its activities is directed towards this end, stimulating more interest in export trade through meetings, circulars and publications, providing a medium of export education through its Export Study Clubs, and giving direct assistance in solving the day-to-day problems of export selling and shipping techniques.

The Association commends the action of the Minister of Trade and Commerce in calling together the trade commissioners from all over the world for an export trade promotion conference and for making their counsel available to exporters and prospective exporters, at one time, in Ottawa. It is hoped that the results of this well-conceived, well-organized project will be seen in justifiable measure in renewed determination and impetus in Canada's foreign sales effort and in a sizeable addition to the list of businesses and products entering into the trade.

A continuing programme of energetic trade promotion, backed by services and support in line with those offered by the governments of competing countries, is essential for the expansion or even maintenance of our trade. The programme of trade fair participation, of trade missions and of continuing promotion through the Trade Commissioner Service is well worthwhile and should be kept dynamic, while the great importance of an expansion of manufactured exports requires that it should receive recognition at the highest level in government, business and labour.

The Association believes it to be of the greatest importance that in the current negotiations which are taking place in Europe, Canada should impress upon the United Kingdom and other Commonwealth countries the importance of maintaining the present system of Commonwealth preferences.

It is urged that the Canadian Government strongly emphasize to the six members of the European Economic Community that the methods they have followed in determining their external tariff by averaging the level of their individual tariffs are unrealistic inasmuch as the resulting tariff level would be more restrictive as regards imports from Canada than the general incidence of duties applicable prior to the formation of the Community. Also, Canada should endeavour to ensure that there will not be established any new forms of restrictive trade practices such as exchange controls, currency devaluations, import licensing, quantitative restrictions, export subsidies and the like.

As stated previously in this submission, the Government's effort, in co-operation with the banks, to overcome the problem of financing exports of capital goods requiring medium and long-term credit is to be commended. The Association has long urged the establishment of facilities which would enable Canadian exporters to offer the same sort of low-cost, long-term credits which are available from their foreign competitors through government-sponsored credit facilities such as the Eximbank of Washington, the Export Import Bank of Japan and the government guarantees to the bankers' consortium in Germany.

It is hoped that the new arrangements in Canada, combining greater use of the guarantees and funds available under the Export Credits Insurance Act with the new financing institution set up by the Chartered Banks, will operate in such a way as to provide export financing on terms which are comparable, both as to duration and cost, with those available in other countries. This will strengthen Canada's competitive position in foreign markets and should directly and indirectly provide increased employment opportunities both in the near and long-term future, much of it in areas which have been particularly subject to the distress of unemployment.

APPENDIX "G"

"BUY CANADIAN" PRINCIPLES

1. The Association believes that the observance of "Buy Canadian" principles by individual Canadians, whether they be in management, labour or government, can contribute greatly to the employment of their fellow Canadians.
2. It is recommended that the Canadian Government use its great influence to publicize as well as practice "Buy Canadian" principles, making known the Government's whole-hearted support, based on the knowledge that "Buying Canadian" creates and maintains employment for Canadians.

The Association originated the "Buy Canadian" programme to encourage all buyers to purchase Canadian products and services in preference to imported ones, providing the overriding considerations of price and quality are comparable. The unnecessary and thoughtless importation of manufactured products at the expense of Canadian production results in the loss of employment for Canadians.

In recent years this programme has been broadened and intensified with the object of creating in all Canadians an awareness of the fact that their purchasing decisions have a direct effect on the economic well-being of this country and on the provision of job opportunities for our growing population. This educational effort has been directed with some notable success at businessmen, at organized labour, at the individual consumer, and at every level of government.

The "Buy Canadian" principle has particular significance in federal government purchasing which, in itself and by its example, exerts an important influence on the market for manufactured goods. It is logical that this principle should be espoused unreservedly by government whose purchases are not motivated by personal tastes and preferences, and whose tax revenues benefit when purchasing is directed into domestic channels which "keep Canadians working". It is urged that every federal government department, agency, board and commission, and every crown corporation should be instructed to "Buy Canadian" in its purchases and in its contracts for production, construction and services.

It is recognized that to a certain extent this is already the policy of the Canadian Government but its effective implementation demands more vigilance to ensure compliance by sub-contractors as well as contractors. It is fundamental that "Buy Canadian" principles should guide, in the first instance, those who have responsibility for drawing up purchase and contract specifications, particularly where there is a tendency to identify requirements by the use of proprietary trade names. To be effective, a "Buy Canadian" policy requires a parallel "Specify Canadian" precept.

At the same time it is recommended that the Canadian Government should use its great influence to publicize as well as practise "Buy Canadian" principles, making known the Government's whole-hearted support, based on the knowledge that "Buying Canadian" creates and maintains employment for Canadians. In particular, the Government should issue a pointed appeal to provincial and municipal governments to adopt "Buy Canadian" principles in their purchasing and contracting, and to support the "Buy Canadian" programme by every means at their disposal. Certainly the government of the people should set the example in this regard.

It is further recommended that compliance with "Buy Canadian" principles be a prime condition governing expenditures from federal government grants by other levels of governments, institutions and organizations. It is obvious that the Canadian Government's winter works programme, for example, will fall far short of its job-creating potential if its administrators fail to insist that wherever possible only materials and equipment of Canadian manufacture be incorporated in the works.

APPENDIX "H"

DEFENCE PROCUREMENT

It is recommended that to the greatest extent possible defence stores be developed and produced in Canada and that government purchasing policy be so directed.

The Association submits that defence procurement policies should be so designed as to maintain and expand Canada's defence production potential which is an integral part of the nation's second, if not first, line of defence. A greater degree of self-sufficiency in all items of defence material is regarded as wise from the point of view of national security as well as having obvious implications for employment in Canada.

Admittedly defence preparedness is costly, just as war is costly, but its economic cost is lessened when defence stores are developed and produced to the greatest possible extent in Canada, contributing to the employment of Canadians, contributing to Canada's store of technical knowledge and experience, and returning a part of its cost, directly and indirectly through taxation, to the treasury. This calls for positive measures designed to ensure that Canada's

defence needs are met insofar as may be economically feasible from our own production facilities. Our earlier remarks relating to the specification of Canadian products in all Canadian Government purchases have a special significance in the field of defence purchasing and defence construction which cover such a large range and volume of manufactured goods.

The programme for Canada-United States defence production sharing has been well conceived and, as major items of defence equipment become more complex and more costly, it may well prove the only means by which Canadian manufacturers may continue to participate in such production. The volume of new United States business placed in Canada as a result of this programme has, however, been disappointingly small and a continuation of efforts to secure a more equitable share of total defence procurement for Canadian manufacturers is recommended. At the same time, it is fully recognized that the success of the programme depends to a considerable extent upon an aggressive sales approach by Canadian manufacturers offering their products and services directly to the U.S. defence procurement authorities and, as sub-contractors, to the manufacturers who have been assigned prime contracts. This involves personal visits to ordnance establishments, arsenals and stores depots, and, where practical, exhibits at industrial shows and exhibitions featuring items with a defence significance. As an integral part of this effort, manufacturers should maintain a continuing liaison with the field officers of the Department of Defence Production and the Trade Commissioner Service in various U.S. centres.

APPENDIX "I"

SCIENTIFIC AND INDUSTRIAL RESEARCH AND INDUSTRIAL DESIGN

1. It is recommended that encouragement be given to the carrying out of scientific and industrial research in Canada by appropriate tax incentives.

(See **Appendix "A"** (a) 5, p. 797.)

2. The Association emphasizes the outstanding importance of scientific and industrial research and industrial design in the modern world and urges that industry and government promote their expansion in Canada in every way possible.

(a) *Scientific and Industrial Research:*

No review of employment would, we suggest, be complete without a searching look into the part which scientific and industrial research plays in the creation of work and job opportunities. There is hardly a product or service in use in the modern world that has not had its origin to some degree in the application of research.

Statements have been made to the effect that Canada lags behind other industrial countries in its interest in and in its use of research as a fundamental basis for development. Because of the many factors involved which are peculiar to Canada relating to population, geography, economic development and the relationship of industrial firms to foreign corporations, such statements may not be entirely accurate, but it is interesting to note that in 1957, as indicated by the Dominion Bureau of Statistics, Canada's annual expenditure on research was in the neighbourhood of \$150,000,000 or 0.5% of the Gross National Product, as compared to an estimated 1959 figure of \$12,000,000,000 or 2½% in the United States.

Little fault can be found with governments, whether federal or provincial, in their realization of the value of research as is evidenced by the support they give it. Government agencies, the National Research Council, provincial foundations and the universities reflect this interest, supported as it is by substantial financial aid.

There appears, however, to be a gap, lessening perhaps, but nevertheless substantial, between industry and those research bodies which, for purposes of comparison, may be termed public institutions. There are, of course, many companies, mostly large but including smaller research-minded corporations, which contribute substantially to research. They do this through the utilization of their own facilities or by using those research agencies to which reference has been made or by financial contributions to them for research projects.

In 1955, the Dominion Bureau of Statistics conducted a survey of some 2,500 Canadian companies which it considered to be in the medium or large category. Of these, only 377 companies reported research-development programmes either conducted by themselves or "farmed out" elsewhere, chiefly to the United States. An additional 235 companies, the survey indicates, had facilities available to them which involved no expenditure on their part. While no doubt during the past five years this number has increased, yet in its relationship to the many thousands of Canadian companies operating today, the proportion probably remains relatively unchanged.

Research is recognized as an important factor in originating new ideas, new products, new or improved processes, all contributing to new or increased employment. How then can this gap to which we have referred be reduced in order to bring the real and tangible economic results which flow from research within reach of all who can benefit from them?

It is believed that a programme of education and encouragement should be undertaken, fostered and maintained by governments, designed and developed on a continuing basis, to draw attention to what is being done by governments and other public agencies in fundamental research, which should and must continue to lie within their sphere of action, and to the value of applied research which should be shared by governments and industry.

(b) Industrial Design:

In the continuous, competitive striving for progress in our economic system, one of the most important tools is industrial design. Despite the bromide about "building a better mouse trap", the basic design concept is a tool which is too often neglected. Better, more distinctive and original design is needed if Canadian manufactured products are to make progress against competitive products in Canadian and foreign markets.

Improvements in product design are almost entirely the responsibility of industry, but government assistance can be and has been important in leading public opinion and in creating an awareness of which is good in design. The Association has supported the activities of the National Industrial Design Council and hopes that these efforts are to be broadened and intensified. It is believed that the promotional work of the Council will be more effective and better co-ordinated with other activities of government under its new auspices, working in conjunction with the Design Branch of the Department of Trade and Commerce, than under its previous organization as an appendage of the National Gallery.

APPENDIX "J"

LABOUR PLACEMENT AND MOBILITY

1. It is recommended that Canada's National Employment Service should be reviewed with the object of increasing its effectiveness.
2. It is recommended that steps be taken to facilitate the mobility of labour from one geographical area to another.

Excessive unemployment involves economic and social costs which our society cannot accept with equanimity. A certain level of unemployment is a natural and unavoidable phenomenon in any economy where there is growth and change and where there is freedom to choose employment. This "minimum" level of unemployment is in Canada seasonally exaggerated by special factors, most of them climatic, which have long constituted an unsolved problem. To some extent at least, the exaggerations of seasonal unemployment are related to the problem of labour mobility. Lack of labour mobility is, in fact, likely to be an aspect of any excessive degree of unemployment, whether or not it is seasonal in nature.

Canada's unemployment insurance programme was designed to minimize the individual, social and economic costs of unemployment by bridging for the individual the transition period between jobs and by reducing for the economy the purchasing power fluctuations which unemployment would otherwise entail. From what has been said immediately above, it is evident that so far as possible these two desirable objectives should be met in ways which are compatible with the need to avoid undue immobility on the part of the labour force. As the unemployment insurance programme has come to be administered, there is widespread and clear evidence that it often contributes to the immobility of labour rather than facilitating mobility of labour. This is perhaps particularly true of the seasonal unemployment benefits which, in addition to destroying the incentive many persons formerly had to find off-season jobs, has in effect piled a social welfare programme on top of what was an insurance programme with resulting inequities for employee and employer contributors.

A re-appraisal of the National Employment Service with the object of making it as effective as possible in its task of filling manpower requirements would be valuable at this time. This is particularly necessary in view of programmes of re-training which are getting under way. A strong employment service is most necessary in helping to point out what types of re-training would be of value and in finding those who have the most potential to profit by such training.

APPENDIX "K"

SEASONAL UNEMPLOYMENT

The Association urges industry, governments at all levels and others concerned to provide as much winter work as possible.

No forecast of employment conditions in Canada can afford to ignore the fact that, because of the climate, it is almost inevitable that there will be a certain amount of seasonal unemployment.

As is well known, seasonal unemployment varies markedly in terms of both geography and industry. It is significant that seasonal unemployment in manufacturing is less than in most other industries. There are, as well, large numbers of the population who are seasonally employed by choice.

The manufacturing industry recognizes that, in its own interest and in the interest of the economy generally, everything possible should be done to eliminate what seasonal unemployment there is in manufacturing. Substantial progress has been made in this field in an increasing number of industries. In addition to urging its own members to do everything they can to provide as much winter work as is consistent with the economy of their operations, the Association collaborates with government-sponsored and other bodies whose operations are particularly sensitive to the impact of seasonal operations in urging that everything possible should be done to carry out new construction work and maintenance work in winter. It is evident that such year-round employment will not only benefit the manufacturers concerned, but will also be to the advantage of contractors, building trade unions, and the manufacturers of construction materials.

In this connection, the Association notes with interest and approval the action of the federal and provincial governments in timing their construction and other programmes so that the work involved is spread over the whole year rather than at certain seasons which have historically come to be considered as being appropriate to commencing or continuing such work.

APPENDIX "L"

IMMIGRATION

It is recommended that Canada should continue to encourage immigration, giving special emphasis to the selection of immigrants with technical and professional qualifications and experience.

The natural resources of the industrial and commercial structure of Canada are capable of supporting a much larger population and this will depend in large measure on increasing the population at a faster rate than is possible through natural increase alone. It is common knowledge that the sparseness of our population places Canada at an economic disadvantage in that the per capita costs of government, railways, highways, education, public services and the like are necessarily so high in a country of such vast size. With an additional ten or even five million people, it is obvious that there would be a most welcome decrease in the national overhead per capita, our factories would pro tanto reap the advantage of greater production and specialization which have been such a great factor in raising the United States standard of living. Further, with a larger domestic market, not only Canadian manufacturers but also farmers and other producers would be less dependent on foreign markets, and the country's economy as a whole would gain greatly in stability.

It is generally agreed that the natural increase in the present population is nothing like sufficient to provide the numbers that are urgently needed. This is true even in the face of the astonishing upturn in the birth rate of the last decade. It is estimated that under conditions approximating those which at present prevail, the country will require at least $2\frac{1}{2}$ per cent annual increase in population. It would appear that, having regard to the loss by emigration, something like 1 per cent or, say, 175,000 should be brought in from abroad each year.

During the past decade immigration has made substantial contributions to the pace of growth of the Canadian economy. In this period much of Canada's failure to provide itself from home grown sources with enough professional, technical and craft skills was largely offset by those it imported via immigration. Without the net additions of both numbers and quality which immigration brought to the labour force, the economy could not have grown

as rapidly. Moreover, a significant part of the expansion of domestic demand, with the accompanying stimulus to domestic production, was the result of the addition of population and, to a lesser extent, of external capital of which immigrants were the source.

Encouragement for immigration at a time when unemployment is abnormally high seems to many to be paradoxical. However, the fact is that a flow of immigration, if cut off or discouraged, cannot usually be easily revived at will. Moreover, as has been indicated, there is today a shortage of persons available with many necessary skills even though unemployment is undesirably high. Added to this is the fact that the employment-stimulating effect of immigration seems usually to be at least as great as the supply of labour it brings. In the light of the growth requirements of the Canadian economy through the next several years and the stimulus to real income per capita provided by population and skill additions, a wise policy for Canada will continue to encourage immigration, giving special emphasis to the selection of immigrants with technical and professional qualifications and experience. By this means the capacity of the Canadian labour force to keep pace with the rising skill demands of a period of rapid technological change can be bolstered.

The contribution made by the two million newcomers since 1945, both as producers and consumers, has been tremendous. If a comparable flow of selected immigrants can be secured in the years to come, the impact on the national economy, operating as it does by geometric progression, will indeed be significant.

APPENDIX "M"

FOREIGN CONTROL OF CANADIAN INDUSTRY

It is recommended that the Government should avoid any measures which would restrict the inflow of foreign capital for productive investment in Canada or which would discriminate against foreign-controlled enterprises operating in Canada.

It is a good and timely thing that so many Canadians are critically re-examining our economic policies in an effort to identify the causes of unemployment and of the slackening in the rate of growth of the economy. But while doing so we should not omit due recognition of the great part which has been played in Canada's industrial growth by capital and technology from the United States and other countries. Such investment, especially in the postwar years, has made an immense contribution to the development of our natural resources, to the diversification and expansion of our manufacturing industries, and to the creation of more numerous and more rewarding jobs in these and other activities.

The corollary of this great influx of foreign investment has not surprisingly, but nonetheless regrettably, been a sharp rise in the extent of foreign control over Canadian industry. In 1957, the latest year for which information is available, 56% of our manufacturing industry, 76% of our petroleum and natural gas industry, and 61% of our mining and smelting industry were controlled by non-residents. In all likelihood these proportions will have gone even higher in later years.

Such a degree of foreign control over our productive processes could conceivably have an adverse effect on employment and at least means a greater sensitivity in Canada to economic conditions beyond our borders. The Association believes that Canadian subsidiaries, and their foreign parents, should be encouraged to conduct their Canadian operations in accordance with

the principles of good corporate citizenship, particularly with regard to providing the greatest possible Canadian content in their products, reasonable access to export markets, the fullest degree of processing prior to export, and the carrying out of a measure of product development and research in Canada. Such encouragement should, however, stop short of any form of legislative compulsion.



Extract from the Minutes of the Senate of Canada
November 22, Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 12



THURSDAY, FEBRUARY 16, 1961

(See also Proceedings No. 11 this date)

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

The Railway Association of Canada

Mr. G. A. Richardson, General Secretary; Mr. W. T. Wilson, Vice President, Personnel and Labour Relations, C.N.R.; Mr. D. I. McNeill, Q.C., Vice President, Personnel, C.P.R.; Mr. Keith Campbell, Assistant Manager Labour Relations C.P.R.; Mr. J. Lach, Special Assistant to Vice President of Personnel, C.N.R.,

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—

Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 23, 1950.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and without restricting the generality of the force going to industry and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blais, Bourke, Brant, Buchanan, Burnell, Cameron, Gignette, Connolly (Ontario), West, Courtemanche, Groll, Emerson, Hain, Harkin, Hnatyshyn, Hines, Hughes, Innes, Levesque, Lambert, Leonard, Macdonald (Quebec), Mellob, Monette, Pratt, Reid, Rockwell, Smith (Quebec), Stelbrink, Thorsvaldson, Vallandigham, Wall, White and Wilson (22);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the industry; and

4. That the Committee have power to send for persons, papers and records to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brant moved, seconded by the Honourable Senator Innes, that the motion be amended by adding the name of the Honourable Senator Macdonald (Cape Breton) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was Resolved in the affirmative.

J. E. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

SPECIAL COMMITTEE ON MANPOWER THURSDAY, February 16, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot, *Chairman*, Blois, Brunt, Buchanan, Cameron, Croll, Haig, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, Macdonald (*Cape Breton*), MacDonald, Pratt, Roebuck and Smith (*Queens-Shelburne*)—18.

The following were heard:—

For Canadian Manufacturers' Association:—

(*See Proceedings No. 11 for C.M.A. evidence*)

Mr. T. R. McLagan, President.

Mr. Ian F. McRae, Past President.

Mr. Ira G. Needles, Chairman, Tariff Committee.

Mr. H. B. Style, Chairman, Commercial Intelligence Committee.

Mr. Carl A. Pollock, Chairman, Ontario Division.

Mr. W. Hugh Flynn, Chairman, Taxation Committee.

For The Railway Association of Canada:—

Mr. G. A. Richardson, General Secretary.

Mr. W. T. Wilson, Vice-President, Personnel and Labour Relations, C.N.R.

At 12.30 p.m. the Committee adjourned.

At 4.15 p.m. the Committee resumed.

Present: The Honourable Senators Smith (*Queens-Shelburne*), *Deputy Chairman*, Buchanan, Haig, Higgins, Horner, Inman, Lambert, Leonard, MacDonald (*Cape Breton*), MacDonald, Pratt and Roebuck.—12.

Hearing of The Railway Association of Canada was resumed.

The following were heard:—

Mr. G. A. Richardson, General Secretary.

Mr. W. T. Wilson, Vice-President, Personnel and Labour Relations, C.N.R.

Mr. D. I. McNeill, Q.C., Vice-President, Personnel, C.P.R.

Mr. Keith Campbell, Assistant Manager, Labour Relations, C.P.R.

Mr. J. Lach, Special Assistant to Vice-President of Personnel, C.N.R.

At 5.30 p.m. the Committee adjourned until Wednesday next, February 22nd, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

Ottawa, Thursday, FEBRUARY 16, 1961.

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. Leon Méthot in the chair.

The CHAIRMAN: Honourable senators, we will now hear from the Railway Association of Canada.

MR. G. A. RICHARDSON, General Secretary, Railway Association of Canada: Mr. Chairman and honourable senators, we are here today representing the Railway Association of Canada. Before I begin our presentation I would like to introduce my colleagues. They are Mr. W. T. Wilson, Vice President, Personnel and Labour Relations, Canadian National Railways.

Senator ROEBUCK: Would you mind stating from what city he comes?

Mr. RICHARDSON: In all cases they are from Montreal. Mr. D. I. McNeill, Q.C., Vice-President, Personnel, Canadian Pacific Railway Company; Mr. A. J. Bates, Manager, Industrial Relations Research, Canadian National Railways; Mr. Keith Campbell, Assistant Manager, Labour Relations, Canadian Pacific Railway Company; Mr. W. E. Walker, Research Analyst, Canadian National Railways; and Mr. A. L. Dartnell, Supervisor of Research, Canadian Pacific Railway Company. I am G. A. Richardson, the General Secretary of the Railway Association of Canada.

Senator ROEBUCK: What is the Railway Association of Canada?

Mr. RICHARDSON: The Railway Association of Canada is an association of Canadian Railways. A list of the members is presented on page 1 of the volume of exhibits which accompany this brief.

The CHAIRMAN: Does that include all the railways doing business in Canada?

Mr. RICHARDSON: No. Eligibility for membership in the Railway Association is the operation of 50 miles or more of main line track. As well as these railways we have nine others with an associate membership, and they are not listed here.

1. The Railway Association of Canada welcomes the opportunity to cooperate with the Special Committee of the Senate on Manpower and Employment, in relation to the question of railway employment in Canada.

Senator HORNER: Is the British Columbia railway included in your list?

Mr. RICHARDSON: The Pacific Great Eastern Railway is included in this list, which is exhibit I of the addendum to our brief. The British Columbia Electric Railway is an associate member.

A. INTRODUCTION

1. The Railway Association of Canada welcomes the opportunity to cooperate with the Special Committee of the Senate on Manpower and Employment, in relation to the question of railway employment in Canada.

2. This brief will deal primarily with the changing size and composition of the railway work force and related matters. It seems desirable, however, at the outset to recognize that railway employment is but a part of total employment in the transportation industry and that changes in the railway work force reflect in part a redistribution of the work force in the transportation industry.

3. The importance of transportation to the national economy need not be underlined. The tremendous economic growth and industrial development of Canada could not have been achieved without efficient transportation and in fact, during the post-war period at least, the transportation industry's share of the Gross Domestic Product has remained relatively constant at about seven percent.

4. The railways, however, have not succeeded in retaining their share of the total transportation market. For instance in the 10-year period 1948 to 1958 the railways' share of all inter-city freight traffic, measured in revenue ton miles, dropped from 71 percent to 52 percent. During the same period pipelines grew from zero to 13 percent and road transport showed a very significant gain, increasing its share from 5 percent to 11 percent. This increase in ton miles handled by trucks was largely high revenue producing traffic and represented a substantial loss of potential earnings to the railway industry.

5. Freight traffic is, of course, the bread and butter of the railway industry and accounts for some 80 percent of all rail revenues. The balance of the revenue comes from passenger traffic, communications, express and other rail operations. The railways' share of passenger traffic, as with freight, has declined drastically—from 18 percent in 1948 to 6 percent in 1958. It should be noted here that the railways' chief competitor for passenger business is the private motor car which accounts for 85 percent of all inter-city passenger miles.

6. The magnitude of the railway industry is evidenced by the fact that in 1959 Canadian National and Canadian Pacific, with assets of \$6.3 billion, operated over some 40,000 miles of main track, employed some 190,000 employees and their combined annual revenues were \$1.2 billion.

7. Since Canadian National and Canadian Pacific constitute over 90 percent of the railway industry in Canada it was decided that manpower statistics for these two railways could be used for the purpose of this submission. In order to present the data in a meaningful and accurate manner without labouring the Committee with unnecessary detail, it was decided to combine Canadian National and Canadian Pacific statistics. In certain instances information is available for one railway only; but this does not invalidate the data because employment patterns, traffic and other phases of railway operation parallel each other to a great extent.

8. The period 1952 to 1959 was selected because the year 1952 was the first full year of the forty-hour week, and 1959 is the latest year for which complete data are available. There is sufficient spread of time in this period to show trends in railway employment as a result of major changes which have been taking place.

9. The analysis of employment undertaken in this brief relates to "railway" operations excluding hotels, communications, express and steamships, except where otherwise noted.

Senator ROEBUCK: And land sales, I suppose?

Mr. RICHARDSON: To the extent that land sales are recorded in the financial operations of the railway companies they will be included.

Apart from 1956, which was a year of record high volume of freight traffic, there has been a downward trend in the number of employees from a high of 179,315 in 1952 to 145,348 in 1959, or a decrease of 19.0 percent.

10. The major forces which have affected railway employment, to be discussed in detail later, are technological change and fluctuations in freight and passenger traffic. The latter are due in part to increases in freight rates necessitated by spiraling labour and material costs. These have enabled competitors to make serious inroads in traffic which railways would otherwise handle.

11. Before proceeding to the analysis of railway employment it must be pointed out that it would be misleading to focus on the contracting size of the railway labour force without bearing in mind the redistribution of the transportation work force and the overall expansion of that work force. It has already been noted that Canada's expanding economy, at least in the post-war period, has been accompanied by a corresponding expansion in the transportation market. Obviously if the railways had captured all of this increase in traffic their employment level would not have fallen; but on the other hand the jobs which have been opened in other forms of transportation would not have been created.

12. The graphs in the accompanying exhibits have of necessity been constructed in different scales and therefore, in studying any one graph or in comparing graphs, it is suggested that careful note be made of the scale on which it is based. Where annual employment figures are given, these are based on the average of the twelve mid-month counts in each year.

B. TRENDS IN RAILWAY EMPLOYMENT 1952-1959

I. TOTAL EMPLOYMENT

I. (a) General Analysis:

13. Exhibits II and III indicate that employment in the 1952-1959 period has to a certain extent followed the pattern of freight traffic. The increase in employment as a result of a temporary upsurge in freight traffic in 1956 was partly offset by increased dieselization. For instance from 1955 to 1956 freight traffic increased 13.5 percent, while employment increased only 6.3 percent. It should be noted that the railway is an industry with a high content of constant cost, approximately two-thirds of total cost. Thus it has the capacity to absorb increases in business before any substantial additional costs are encountered. Conversely, if business decreases it is not possible by reducing expenses to adjust as quickly as other industries because it is necessary to provide facilities for the reduced volume of business. Railways are a decreasing cost industry, that is, as volume increases unit costs go down. The more traffic handled by the railways with their existing plant and equipment the greater the economic advantage of this type of transportation as their facilities are utilized to a greater extent.

14. Exhibit IV shows the distribution of Canadian Pacific employees by age groups for 1952 and 1959. All operations are included in this exhibit, but not Express employees. Information is not given for Canadian National in this study because data were not available for 1952.

15. Canadian Pacific work force has aged as a group. In 1952 ages 15 to 24 accounted for 15.2 percent and in 1959 only 11.2 percent. In 1952 ages 25 to

34 comprised 25.9 percent of the group, while in 1959 they made up 23.5 percent. On the other hand, the group 35 and over increased to 65.3 percent from 58.9 percent in 1952.

16. **Exhibit V** shows distribution of Canadian Pacific employees by length of service for 1955 and 1959, 1955 being the only year prior to 1959 for which the information was available. All operations are included with the exception of Express employees.

17. In 1955 those with five years service or less comprised 33.4 percent of the total, while four years later this percentage had declined to 24.8. The group six to fifteen years inclusive accounted for 36.7 percent in 1955 and decreased to 35.7 percent in 1959. However, those with sixteen to thirty-five years of service inclusive increased to 30.5 percent from 22 percent in 1955, while those with thirty-six years of service and over also increased from 7.9 percent in 1955 to 9 percent in 1959.

Senator ROEBUCK: I suppose that is by reason of a decrease in size or number of your force?

Mr. RICHARDSON: Yes. We develop later in our brief how that came about, sir.

Senator LEONARD: The sentence that follows is an important one: "Both the latter groups increased in absolute numbers."

Mr. RICHARDSON: Yes. Thank you, Senator.

Senator ROEBUCK: Just the latter group—the other decreased.

Mr. RICHARDSON: Both the latter groups increased in absolute numbers.

18. The above data show that primarily the more junior employees have been affected by declining employment levels.

19. **Exhibit VI** shows the employment trends by major functional groups. The four groups under which the railway companies in Canada report railway manpower figures to the Dominion Bureau of Statistics are:

1. General
2. Way and Structures
3. Equipment
4. Transportation

The occupations in each group will be listed later in this report. It was noted previously (**Exhibit II**) that the overall total declined from 179,315 in 1952 to 145,348 in 1959, 19 percent.

20. Although all groups show an overall decline in employment, the pattern has not been the same in each case. General group is down 5.8 percent, Way and Structures 15.2 percent, Equipment 34.7 percent and Transportation 13.9 percent. This general trend was, however, interrupted due to an upsurge in traffic in 1956 previously noted.

Senator HUGESSEN: In which of these diagrams does diesilization show, under Equipment or Ways and Structures?

Mr. RICHARDSON: Under Equipment.

Senator HUGESSEN: That is why Equipment went down so much more than the others?

Mr. RICHARDSON: Yes.

21. **Exhibit VII** shows an analysis of employment data by major functional groups on a regional basis. All groups followed the familiar pattern of decline from 1952 to 1959 interrupted by an increase in 1956. Of significance is the

fact that the overall decline in each of the regions has been of approximately the same order, Atlantic 17.4 percent, Central 19.7 percent and Western 18.6 percent.

22. The respective functional groups, however, show marked differences and each will be discussed in detail beginning on page 11.

	General	Way and Structures	Equipment	Transportation
Atlantic	5.2%	24.7%	35.4%	4.4%
Central	4.1	18.0	37.4	12.0
Western	9.3	8.8	30.4	20.1

I (b) *Effects of Technological Changes:*

23. **Exhibit VIII** shows the increase in inventory of diesel locomotives and the reduction in steam locomotives during the period 1952-1959. Diesels now handle virtually all the traffic for Canadian National and Canadian Pacific. Steam is now held for standby service only.

24. The estimated economies achieved by the railways for the most recent year, 1959, due to the introduction of diesel units and related facilities in replacement of steam amounted to \$154 million. This economy was made possible through an investment of approximately \$600 million. The introduction of the diesel locomotive on Canadian railways made it possible to provide more efficient service and continue to compete for traffic in spite of rapidly increasing labour and material costs, which have absorbed these savings.

25. The major avenues of cost reduction from the diesel have been:

1. Reduced maintenance costs.
2. Improved availability for service.
3. Reduced fuel costs.
4. Reduced crew costs through operation of longer and heavier trains.

26. Other significant technological changes are listed here and will be referred to under the appropriate headings in section B II.

Way and Structures:

1. Elimination of coal docks, water stations, ash pits and shop facilities.
2. Increase in use of track machines and introduction of more modern machines, permitting extension of track sections and improved methods of track patrol.
3. Use of highway vehicles to transport maintenance forces.
4. Treated ties.
5. Flame hardening of new rail ends.
6. Installation of rail lubricators on territories of heavy rail curvature.
7. Increased use of power tools and bridge and building forces.
8. Use of timber and steel to lengthen life of bridges and substitution of culverts and fill for bridges.

Equipment:

9. Extensive shop innovations, including new and improved types of tools and more efficient methods.
10. Wheel turning machines for diesels.
11. Nailable steel floors in cars.
12. Metal door posts in freight cars.
13. Steel wheels rather than cast iron wheels.

14. Application of roller bearings.
15. Stainless steel passenger cars.
16. Plastic materials in passenger cars.
17. Automatic car washing machines.
18. Self-propelled passenger units.

General and Transportation:

19. Mechanization of data processing.
20. Centralized traffic control.
21. Increase in automatic block signals.
22. Installation and modernization of interlocking plants.
23. Automatic crossing gates.
24. Automatic hump yards.
25. Introduction of piggyback.
26. Introduction of merchandise services.

27. The railways formerly built their own steam locomotives, some freight and passenger cars, other types of equipment and manufactured many replacement parts. On the other hand, all diesels and related parts, as well as passenger and freight cars in recent years have been purchased from manufacturers.

28. This has had a twofold effect. As an offset to the decrease in railway employment, it has not only increased employment in outside industries which formerly shared the work with the railways, but also it has resulted in the creation of entirely new industries. Typical examples are manufacturing of diesels, radiator cores, chrome plating and steel wheels.

29. The railways have also spent large sums on new types of equipment, thereby creating employment in other industry. Examples are, electronic data processing equipment, modern signalling equipment and new types of track machines.

I. (c) *Effects of Traffic Fluctuations:*

30. **Exhibit IX** shows passenger traffic from 1952 to 1959. As noted previously **Exhibit III** showed freight traffic. Gross ton mileage has been used as the freight traffic indicator. This measure is defined as carrying one ton of freight one mile and includes the weight and contents of the cars. From 1952 to 1959 gross ton miles decreased 9.3 percent, and from the high freight traffic year of 1956 declined 14.8 percent.

31. As noted earlier, the trend of freight traffic which comprises 80% of railway business has a substantial effect on railway employment. Freight traffic is affected not only by the economy of the country, but also by the successive increases in freight rates made necessary by substantial increases in labour costs, including fringe benefits, and material prices over the past decade.

32. Post-war increases in freight rates have exposed higher valued traffic to severe competition from other forms of transportation. Lower valued bulk commodities such as coal, iron ore, building sand, gravel and crushed stone, to mention just a few, have been fairly well retained by the railways on short haul movements through adjustments in freight rates to meet competition from other forms of transportation. On long haul movements, the rates necessary to move the traffic are at a level which does not permit the railways' principal competitors to handle it and operate profitably. As for grain traffic, the largest movement takes place in western Canada at a rate level arbitrarily maintained by statute. The rates are the same or lower than they were in

1899. Since these rates are not permitted by statute to find their proper place in the freight rate structure, they constitute an inequity and create a distortion which has caused a heavy burden on the railways.

Senator LAMBERT: Was that a gratuitous assesment, or a judicial one?

Senator ROEBUCK: It is a statement of fact, I think.

Mr. RICHARDSON: It is our attempt to state a fact.

Senator LAMBERT: Is there anywhere in your brief where you attempt to show the returns from certain classes of traffic?

Mr. RICHARDSON: No, sir.

Senator LAMBERT: Long haul grain traffic? That has been a bone of contention for a long time at these hearings; and I do not think a judgement of that kind is a fair one, until you can produce evidence showing you are losing money on that particular classification.

Mr. RICHARDSON: We felt this matter had been dealt with elsewhere, at very great length, particularly in the Royal Commission on Transportation.

Senator LAMBERT: I am quite well acquainted with it, because I have had something to do with these cases since 1920. I am not taking a combative attitude, but I just wanted to know if you have any evidence to support that statement.

Senator HORNER: I have seen no place where the point is made that the railways are losing money on long-haul grain. I have not seen it mentioned anywhere, where factual evidence has been adduced to that effect.

Senator LEONARD: Could we leave this to the Royal Commission on Transportation?

Mr. WILSON: This has been dealt with at great length before the Royal Commission, and this matter has been developed before the Board of Transport Commissioners. We are concerned with the impact on employment and, therefore, we did not go into this in detail in this brief.

Senator ROEBUCK: Could you answer that one question? Has it been shown that the freight carried under the statutory prices involves a loss?

Mr. WILSON: We certainly have submitted it has been and is being carried at a loss; and we have submitted evidence to support that; but there is no decision as to that. That is our contention.

Mr. RICHARDSON: 33. In addition to the problem of having high valued commodities priced out of the rail transportation market, the railways have had to face the problem of door to door service which is provided by the truck transportation industry. The railways have been endeavouring to meet this problem by the introduction and expansion of piggyback service. Canadian railways have been leaders in this new field. In 1960 they carried some 155,000 cars of piggyback traffic. In fact Canadian Pacific is the largest piggyback carrier in North America.

34. Both railways have also embarked on a new approach to the handling of less than carload freight, express and truck traffic. Truck traffic is referred to as both companies now have trucking operations of their own. The new approach is an all-inclusive merchandising concept. This development includes centralized operations for the handling of traffic. One dispatching staff receives all calls for all types of traffic; one sales staff does all the solicitation; one fleet of trucks makes all pick-ups and deliveries; one shed staff handles all traffic in freight cars and trailers. One bill is rendered for all services performed, thus eliminating separate freight, express and trucking accounts. Canadian National recently introduced this new concept in the Maritimes and Canadian

Pacific in British Columbia. The limited extent of these operations at present has not significantly affected employment levels, although it is hoped that the growth of this type of traffic will create new employment opportunities.

35. For passenger traffic the indicator used is revenue passenger miles. The statement and graph presented previously (Exhibit IX) show a general decline from 1952 to 1959. This is due to the inroads of automobiles, aeroplanes and buses. This has brought about a substantial reduction in the work force required to maintain and service passenger equipment.

36. In an attempt to combat the loss of this traffic, the railways have modernized passenger equipment and have acquired new stainless steel and other types of modern cars, including self-propelled rail diesel cars which eliminate the necessity of a conventional locomotive.

37. In addition, many innovations, such as coach class, weekend, excursion and group fares and all inclusive travel plans and the use of credit cards have been introduced. In spite of these efforts, however, rail passenger travel has continued to decline during the past eight years.

38. As a result, the railways have had to eliminate unprofitable passenger runs and reduce service in keeping with reduced demands. An illustration is that from 1954 to 1959, Canadian Pacific discontinued 100 passenger trains and retired 974 cars, or 34 percent of its inventory.

II. MAJOR FUNCTIONAL GROUPS

II.(a) General

39. This group includes:

Executives and Officers	Service Vehicle Operators
Professional and Sub-Professional Assistants	Miscellaneous Trades Workers
Chief and Supervisory Clerks	Police Inspectors and Special Agents
Clerks, Stenos, Checkers, Clerks (Station and Freight)	Policemen, Constables
Telephone Operators, Office Boys	Stores Foremen and Assistants
Janitors & Building Attendants	Storemen

Included here are office employees in main offices and station and freight sheds, building service employees, investigation, as well as stores staffs.

40. Exhibit X shows employment trends by region. The Atlantic showed a 5.2 percent decrease, the Central 4.1 percent and the Western 9.3 percent. This group has shown less decline than other functional groups.

41. Work force changes in this general group are affected by traffic fluctuations and technological change, as well as changes in other functional groups.

42. A generally similar pattern is evident for the total white-collar group, which includes clerical, supervisory and managerial. Although a precise delineation of these three categories is not possible, it is apparent that clerical employees have not changed significantly despite the increased need for skilled operators for data processing equipment. First line supervisory forces, as might be expected, have followed the downward trend in total employment. Managerial and professional employees have increased slightly. The reason is the increasing complexity of business operations and the need for improved managerial techniques, many of which call for highly specialized skills.

43. While changes since 1956 in the method of reporting numbers of employees to Dominion Bureau of Statistics have made it difficult to analyze

employment fluctuations in all categories coming within the general group, there is sufficient material available from Canadian Pacific records to indicate that clerks in station and freight offices have been reduced in the approximately 15 percent, while checkers (car and freight) have declined approximately 18 percent. These reductions are related to the decline in traffic.

Senator ROEBUCK: Also to business machines, accounting devices?

Mr. RICHARDSON: Yes.

44. Building service employees have been reduced by about 10 percent and investigation employees have shown a modest increase. However, there has been a 20 percent reduction in stores employees in eight years, clearly related to dieselization. When the railways manufactured parts for steam locomotives, they stored both raw materials and finished products. Now that diesel parts are purchased from suppliers the double storage is not required. In addition to this, there have been various improvements in the handling and purchasing of stores material.

II. (b) *Way and Structures:*

45. This group includes:

Bridge and Building Masters

Roadmasters

Maintenance of Way and Scale

Inspectors

Bridge & Building Dept. Foremen

Bridge & Building Carpenters and
Bridgemen

Blacksmiths, Pipefitters

Masons, Painters & Other Journey-
men

Helpers, Bridge & Building Dept.

Labourers, Bridge & Building and
Signal Departments

Pumpmen

Extra Gang & Snow Plow Foremen

Section Foremen

Extra Gang Labourers

Sectionmen

General Foremen & Inspectors

Signal Department

Foremen, Signal Department

Signal Maintainers & Helpers

Linemen and Groundmen, Elec-
trical

Work Equipment Operators

The work of these employees is associated with the construction and maintenance of track and right of way, crossings, bridges and abutments, signals, roadway and station buildings.

46. **Exhibit XI** shows employment trends by region. From 1952 to 1959 the Atlantic region decreased 24.7 percent, Central region 18 percent, whereas the Western region declined only 8.8 percent, due in large measure to a major track improvement programme extending over several years on Canadian National lines.

47. **Exhibit XII** shows that while expenditures on road maintenance dropped 5.7 percent from \$193 millions in 1952 to \$182 millions in 1959, the number of employees dropped 15 percent from 39,507 to 33,493. It is interesting to note that despite these declines in the number of employees and expenditures on road maintenance, the labour cost rose from \$99 millions to \$118 millions reflecting not only increased wage rates and fringe benefits but also a higher proportion of skilled employees.

48. The substantial decline in employment has resulted largely from the progressive mechanization of maintenance of way operations by both railways. While these improvements have reduced much back-breaking toil and thus the requirement for manual labour, they have increased the requirement for more highly skilled employees such as work equipment operators.

49. As an example of progressive mechanization, Canadian Pacific in 1950 had in one area 568 machines, which by 1959 increased to 757, many of which replaced more obsolete and smaller machines. These include 68 different types, such as:

Track liners; ballast regulators; ballast maintenance machines and discers; weed mowers; weed and brush sprays; spreader ditchers; mechanical tampers; tamping power jacks; rail laying equipment such as spike pullers; power wrenches; adzing machines; rail laying machines; creosote sprayers; spike hammers, bull-dozers and crawler cranes; burro cranes; snow fighting equipment; rail end hardening equipment; rail lubricators.

A rail laying gang is equipped with 48 such machines. Where formerly 175 men were used in a gang, the same amount and better quality of work can be achieved with 80 men.

50. Track ballasting is another operation in which use of machines has reduced labour requirements. Where formerly 150 men were used in a reballasting gang, only 80 to 90 men are now required.

51. Mechanization of snow removal has reduced an average terminal gang of 60 to 100 men, to 20 men assisting two or three equipment operators.

52. The railways have reduced the necessity of annual tie renewals by utilizing treated ties. On Canadian Pacific in a matter of 12 years annual tie renewals have been reduced from 136 to 70 per mile. Canadian National has replaced 37 million ties in the past 10 years and the new ties have a life of 30 years in contrast to 10 years for untreated ties. In addition, a new process of flame hardening rail ends introduced on Canadian Pacific in 1951 has resulted in a reduction of seasonal employment, on one region alone of 20 skilled and semi-skilled welders and helpers. To eliminate excessive wear on rails and wheels caused by diesels, the railways installed a large number of rail lubricators where heavy curvature exists, resulting in a marked increase in the life of both rails and wheels.

53. The extended use of track motor cars replacing the old hand cars has been an important factor over the past decade in the lengthening of track sections from approximately 6 to 12 miles. The use of highway vehicles for transporting gangs has reduced time spent travelling from job to job.

54. Although many of the tasks of bridge and building forces limit the extent to which mechanization can be achieved, these forces have been equipped over recent years with various types of power tools. The replacement of timber bridges with more permanent forms of construction or their elimination by culverts and fill, or line diversion has brought about a reduction in the numbers of carpenters and bridgemen, but an increase in such classifications as masons, painters and other journeymen. These improvements have also increased efficiency by the elimination of speed restrictions on trains.

55. Centralized traffic control eliminates dependency on time table and train orders. On single track this will increase traffic capacity up to 80 percent. By 1959, Canadian National had 1101 miles covered by C.T.C. and Canadian Pacific 288. A considerable increase in automatic block signals, together with C.T.C. has contributed to increased speeds and greater safety. These improvements have resulted in decreases in telegraph operators in the Transportation group, and in Way and Structure forces resulting from the elimination of much double track offset in part by some increase in signal forces.

Specific Occupations:

56. **Exhibit XIII** refers to fluctuations in specific occupations in Way and Structures. To illustrate the changed characteristics in the Way and Structures work force, there has been a substantial decline among the semi-skilled and non-skilled personnel, notably sectionmen and extra gang labourers. On the other hand, there has been an increasing demand for more highly skilled personnel such as work equipment operators and craftsmen, including masons, painters and other journeymen. Some skilled occupations such as carpenters and bridgemen show a decline which results from improved methods and materials.

Seasonal Employment:

57. At this point a comment should be made on seasonal employment. There is some seasonality in many railway occupations as a result of seasonal traffic. Extra gang labourers in particular are affected by the fact that track work is mainly a summer operation. Temporary or part-time employment with the railways is important to many people whose primary occupations do not provide year-round full time employment. Fishing, lumbering and agriculture are industries from which many workers come to the railways for short periods each year to supplement their primary income.

II. (c) *Equipment:*

58. This group includes:

Foremen and Assistants

Blacksmiths

Boilermakers

Carmen, Coach and Locomotive

Carmen, Freight

Electrical Workers

Machinists

Moulders

Pipefitters & Sheet Metal Workers

Helpers to Mechanics

Apprentices

Coach Cleaners

Classified Labourers

Unclassified Labourers

Stationary Engineers & Firemen

59. These employees are engaged in maintenance of locomotives, freight cars, passenger cars and other rolling stock, such as work equipment. Basically, there are two types of operation. The maintenance and servicing of rolling stock along the line and the operation of main shops where major repairs are undertaken. Main shops on Canadian Pacific are Angus in Montreal, Weston in Winnipeg, and Ogden at Calgary; and on Canadian National at Moncton, Point St. Charles, Montreal and Transcona, Winnipeg.

60. **Exhibit XIV**—shows substantial declines in employment trends in this group from 1952 to 1959, the Atlantic region decreasing 35.4 per cent, Central region 37.4 per cent and Western region 30.4 per cent.

61. These sharp declines, related to dieselization and other technological changes, as well as traffic fluctuations, show the same general pattern as other groups. Unquestionably, the principal factor affecting employment in this group has been dieselization.

Advantage of Diesel over Steam Locomotives:

62. Major economies achieved by dieselization referred to previously include:

1. Reduction in maintenance costs.

2. Improved availability for service.

3. Reduction in fuel costs.

4. Longer and heavier trains.

63. The servicing and maintenance requirements for diesel and steam locomotives vary significantly.

64. The longer diesel runs between servicing permit concentration of shop staffs at fewer points. For example, in addition to main shops there are four maintenance points on the Canadian Pacific and nine on the Canadian National, with light servicing points along both lines.

65. Steam locomotives required servicing facilities every 100 to 125 miles. In contrast, the diesel requires considerably less servicing and only every 350 to 450 miles.

66. With the concentration of maintenance facilities, many engine-houses have become redundant on both main and branch lines, and related expenses such as heating, shop maintenance, power and lighting have been eliminated. With the elimination of steam locomotives various duties have disappeared, e.g.,

1. Lighting of engines.
2. Cleaning fires, ashpans and boiler tubes.
3. Disposing of ashes.
4. Boiler washing.
5. Watching engines.

67. Minor inspections required on steam locomotives every 100 to 125 miles are now made on diesels at intervals of 6,000 to 8,000 miles.

68. The diesel permits the removal and replacement of parts without movement to a major shop.

69. Steam locomotives were given a major overhaul every 120,000 miles in contrast to diesels every 240,000 to 360,000 miles according to the type of locomotive.

70. In addition, the diesel locomotive does not need protection from the weather nor the same housing for servicing. It is possible to leave diesel units outside in the cold weather between runs by idling motors or using automatic protective measures to keep motors warm. This eliminates watchmen who were required for steam.

71. At main shops fewer employees are necessary due to less time required for repairs, manufacture of fewer parts and reduced requirements for space. The purchase of manufactured parts, of course, creates employment in other industry.

72. Diesel fuel is not only cheaper than coal, but further savings have been achieved in its storage and handling through reduced labour costs.

73. The high availability of the diesel at 96 percent—double that of steam—has a considerable effect on employment. For example, one unit in yard switching service on three consecutive eight-hour shifts a day, seven days a week would require only 8 hours of maintenance a month. As an illustration, in 1947 Canadian Pacific had 1800 locomotives in service (55 diesel switchers and balance steam). The same amount of transportation can now be supplied by 1060 diesel units.

New Passenger Equipment:

74. The introduction of new equipment has resulted in reduced maintenance costs. The use of stainless steel, synthetic materials, including plastics, more extensive use of metal for wood, roller bearings and improved suspension have reduced the need for painting, carpentry work, upholstery and servicing.

75. The introduction of stainless steel self-propelled rail diesel cars has resulted in considerable reduction in passenger equipment, with a corresponding reduction in maintenance.

Other Technological Changes:

76. Less maintenance is required on modern freight cars because of:
1. Increased use of steel freight cars.
 2. Introduction of nailable steel floors in a substantial proportion of cars, eliminating frequent replacement of wooden floors previously damaged by mechanical equipment and nailing of blocking.
 3. Use of metal door posts. Wooden door posts need frequent replacement.
 4. Extended use of steel wheels in place of cast iron wheels.
77. Many new tools and improved methods which have reduced labour requirements have been introduced into shops. These include:
1. Impact wrenches used for diesel repair work, in place of hand ratchets and spanners.
 2. Varnish impregnators for electrical armatures and generator coils, which were formerly dipped by hand.
 3. Valve grinding machines, which eliminated hand valve grinding.
 4. Cleaning machines for wheels and castings.
 5. Degreasing machines for parts.
 6. Lapping machines for brake parts.
78. Car washing machines installed on both railways have reduced labour required for this task.

Transition Period:

79. **Exhibit XV** illustrates the decrease in major repairs on steam locomotives from 2,076 in 1952 to zero in 1959.
80. During this period while both steam and diesel locomotives were in service full benefit could not be derived from dieselization. However, the phased programming of dieselization has enabled the railways to adjust gradually to this major technological change, thus minimizing the impact of layoffs on employees and even on entire communities.

Specific Occupations:

81. **Exhibit XVI** shows the trend in six representative occupations in the Equipment group.
82. The discontinuance of steam power has resulted in a substantial decline among: blacksmiths, moulders, pattern makers, boilermakers, pipefitters, sheet metal workers, locomotive welders, oilers, stationary firemen and engine watchmen. Helpers in these crafts have shown a similar pattern of decline and few, if any, apprentices are now trained in these trades.
83. A further illustration of decline in trades personnel is shown in the machinist group, whose numbers have declined from 4,920 in 1952 to 3,144 in 1959. The elimination of steam locomotives and the decrease in passenger service have reduced the requirement for metal working and woodworking machinists, with a corresponding decline in machinists' helpers.
84. Other classifications showing a decline are:
1. Labourers—as less shop space and maintenance are required.
 2. Painters, carpenters, upholsterers, carmen, and coach cleaners—as a result of reduction in passenger train service and introduction of more modern passenger equipment.

85. In contrast the diesel has brought about a significant increase in employment in the electrical trades. In 1952 there were 1,260, increasing to 1,697 in 1959.

II. (d) *Transportation:*

86. This group includes:

Chief Train Dispatchers	Dining Car Inspectors
Train Dispatchers	Dining Car Stewards and Chefs
Supervisory Agents and Assistants	Restaurant Managers and Chefs
Agents at small Stations and Care-taker Agents	News Agents
Levermen	Sleeping & Parlour Car Conductors
Baggage Room and Station Attendants	Porters, Train Attendants
Foremen in Freight Sheds	Bridge Operators
Freight Handlers	Crossing Watchmen
Labourers	Yardmasters and Assistants
Road Passenger Conductors	Switchtenders
Road Freight Conductors	Hostlers
Road Passenger Brakemen & Bag-gagemen	Road Passenger Engineers & Motor-men
Road Freight Brakemen	Road Freight Engineers & Motor-men
Yard Foremen	Yard Engineers and Motormen
Yard Helpers	Road Passenger Firemen & Helpers
	Road Freight Firemen and Helpers
	Yard Firemen and Helpers

87. These employees are responsible for actual production of transportation. They dispatch and operate the trains, man the stations, check baggage, handle freight, service dining, parlour and sleeping cars and attend crossing gates and bridges.

88. Exhibit XVII indicates a decline of 4.4 percent on the Atlantic region, 12.0 percent on the Central region and 20.1 percent on the Western region. The relatively small decline on the Atlantic region is accounted for mainly by an increase in Newfoundland where traffic has been increasing. Also there are included some freight handlers previously not considered railway employees because they worked on a contract basis and are now employed directly by Canadian National.

89. The operation of longer trains by multiple unit diesels, handled from a single control, has reduced the number of crews required. Even if freight traffic had not decreased during dieselization there would have been a decrease in crews. Nevertheless, traffic fluctuations have also had their effect on employment in this group. The Central and Western regions' employment patterns closely follow the freight traffic pattern but show a greater decline 1957 to 1959 due, no doubt, to the accelerated use of diesels and the continued decrease in passenger traffic.

90. Replacement of conventional passenger trains with rail diesel cars has also reduced crews required. Where five employees were previously used on conventional trains, the number now required on rail diesel car equipment varies from two to four. One unit requires an engineman and conductor; two units, an engineman, conductor and trainman; three or more units, an engineman, conductor and two trainmen. At the present time, Canadian Pacific has 54 rail diesel cars and Canadian National 56.

91. With the continued decline in traffic, the railways have closed some stations and changed the status of others. For example, during the period

1954-1959 they have discontinued slightly over 400 agencies and removed 428 caretaker agents and caretakers. In some cases, where agencies have been discontinued the agents have been replaced by less skilled caretaker agents or caretakers.

92. The installation of Centralized Traffic Control, the extension of automatic block signals and the elimination of branch lines have all contributed to a reduction in station forces.

93. The increased installation of automatic crossing gates, has resulted in a reduction in the number of crossing watchmen and towermen.

94. The decrease in less than carload lot freight and the improvement in methods of handling freight in freight sheds, e.g., the increased utilization of fork lift trucks and conveyor belts, have brought about a sharp reduction in freight shed employees. The introduction of piggyback in the movement of L.C.L. and other freight has also contributed to this decline.

95. On the other hand, the introduction of piggyback has undoubtedly slowed down the rate of decline in the numbers of train crews by enabling the railways to regain lost traffic and obtain new traffic. It is difficult, however, to assess the impact of piggyback on employment. It is noteworthy that Canadian Pacific in 1959 operated approximately 1,600 solid piggyback trains, which constituted 40 percent of its total piggyback carryings.

96. The installation of automatic hump yards involving push button controls, automatic retarders, etc., results in a reduced requirement for yard employees while increasing efficiency, but in turn is accompanied by the requirement for a higher level of skills.

Specific Occupations:

97. **Exhibit XVIII** shows three representative Transportation positions and numbers of employees in the sleeping, dining and parlour car group. All reflect substantial declines for the period 1952 to 1959. The reduction in passenger conductors reflects the sharp decrease in passenger trains operated, particularly since 1956. An analysis of related passenger occupations such as enginemen, firemen, trainmen and baggagemen would show the same trend. As a result of the sharp reduction in passenger train operations and the substitution of coach or rail diesel cars in inter-city service the number of sleeping, dining and parlour car employees declined 17.6 percent from 4,473 in 1956 to 3,684 in 1959.

98. Freight enginemen declined from 3,634 in 1952 to 2,506 in 1959. The introduction of longer trains made possible by diesels and the reduction in traffic contributed to this decline.

99. The decrease in freight firemen, particularly since 1957, is related to the combined effect of the gradual elimination of these employees from freight diesels and the decline in traffic. Although the railways no longer hire new employees in this category, those who had service prior to April 1st, 1956, on Canadian Pacific and February 3rd, 1958 on Canadian National will continue to be employed so long as work is available until their numbers are reduced by attrition.

Senator ROEBUCK: Mr. Chairman, it appears obvious that we will not be able to complete the hearing of this brief before lunch. I suggest that we rise now and resume after the Senate rises this afternoon.

The CHAIRMAN: If it is satisfactory to the members of the committee, we will adjourn now and reassemble at 4 o'clock this afternoon.

The committee adjourned.

—Upon resuming at 4.15 p.m.

Senator DONALD SMITH in the Chair.

The DEPUTY CHAIRMAN: Honourable senators, we have a quorum. We will continue to hear from Mr. Richardson.

Mr. RICHARDSON: Mr. Chairman, I would like to introduce to the committee Mr. J. Lach, Special Assistant to Vice-President, Personnel, Canadian National Railways whom I neglected to recognize this morning.

The DEPUTY CHAIRMAN: Thank you.

Mr. RICHARDSON:

III. WHITE COLLAR LABOUR FORCE

100. The Association feels that the Committee would be interested in having some information on clerical and managerial numbers in the railways as compared with other industries. Therefore, a brief study has been made in this respect.

101. The proportion of white collar workers in the railway labour force of Canadian National and Canadian Pacific respectively is almost identical; and is also very close to the proportion in United States Class I Railroads, Durable Goods manufacturing industries in Canada, and all Manufacturing in Canada:

Proportion of White Collar Employees
in Total Labour Force

		1950	1956	1958	1959
Canadian National	(1)	22.1	23.4	25.5	25.8
Canadian Pacific	(2)		23.2	25.7	26.1
U.S. Class I RR	(3)	22.9	25.3	27.5	27.3
All Manufacturing	(4)	18.5	22.9	24.4	23.6
Durable Goods	(4)	17.5	22.8	25.0	23.7

(1) Canadian National Compensation Reports, Canadian Lines, Railway.

(2) Canadian Pacific Compensation Reports, Railway.

(3) United States Class I Railroad Statement M-300.

(4) Earnings and Hours of Work in Manufacturing, D.B.S.

102. The designation "white collar" is used for convenience and is not precise. It includes some employees such as Section Foremen who are supervisors but not "white collar" in the stricter sense of the term. The broader interpretation has been used in order to facilitate comparisons with outside industries, for which D.B.S. has employed a category "salaried employees" including executive, supervisory and professional as well as general office and clerical workers.

103. A further breakdown of the broad category "white collar" while desirable is possible only to a limited extent. The sub-groups distinguished by D.B.S. are "office workers" and "other salaried staff". Since this information is only available from surveys conducted in 1951, 1954 and 1957 and since railway data cannot be broken down into corresponding sub-groups it was decided to use a different breakdown and make comparisons only within the railway industry. The following tables show the percentage of clerical and managerial-supervisory employees respectively in railway labour forces:

Proportion of Clerical Employees in Railway Labour Force

	1956	1958	1959
Canadian National	12.7	13.5	13.6
Canadian Pacific	12.5	14.0	14.4
U.S. Class I RR	14.1	15.1	14.9

Proportion of Managerial—Supervisory Employees in Railway Labour Force

	1956	1958	1959
Canadian National	10.7	12.0	12.2
Canadian Pacific	10.8	11.7	11.7
U.S. Class I RR	11.2	12.4	12.4

104. The Canadian National and Canadian Pacific are almost identical in the proportion of their respective labour forces which may be designated as "white collar". In both cases the percentage is slightly below the corresponding figure for United States Class I Railroads. In the past five or six years the proportion of white collar workers in manufacturing industries has been about the same as on the railroads but prior to the mid 1950's the white collar force in manufacturing was considerably less. Since 1952 the total Canadian National and Canadian Pacific labour force has been decreasing as well as the white collar force. Since changes in the latter occur more slowly, there has been a slight percentage increase in the white collar force.

105. There are several reasons why the percentage of white collar workers is increasing slightly both in the railways and other industries. First, business operations are becoming more complex and are moving at a faster pace. Planning and co-ordination are important elements of success and any company which does not maintain an adequate management staff will soon fall behind its competitors. The second reason for more white collar workers is technological improvements. Industry today requires a more highly skilled work force. The continuing application of capital, has more and more brought about the elimination of routine physical operations which required large numbers of unskilled workers.

Senator ROEBUCK: Does that not apply to office workers as well?

Mr. RICHARDSON: It does, yes.

Senator ROEBUCK: Have you not introduced card systems of various kinds into office procedure?

Mr. RICHARDSON: Yes, indeed, Senator Roebuck.

106. Present indications are that the trend will continue towards the use of more white collar workers in proportion to other workers. The increase in non-production workers will include both office workers and so-called "white coat" work force of laboratory, research, and technical personnel. One important implication of this trend is in regard to the expansion of training and educational facilities. Trade schools might consider shifting the emphasis from some crafts to other crafts but, perhaps more important than this, is the need to give broad education which increases the worker's flexibility and adaptability.

C. EMPLOYMENT IN 1960

107. It was felt that the Committee would be interested in having a look at what has taken place in 1960 in total railway employment, as well as in the major functional groups. Consideration was given as to what would be the most appropriate data and it was considered the most suitable comparison would be employment figures for September 1959 and September 1960, the latest monthly figures available. It should be kept in mind that this is one

month alone while former data are an average for the particular years; and certain months such as September, due to seasonal factors, could be above or below yearly averages.

108. There are shown below combined Canadian National and Canadian Pacific employment figures for September 1959 and September 1960:

	September 1959	September 1960	Decrease Number	%
Total	151,381	139,522	11,859	7.8
General	30,457	29,598	859	2.8
Way and Structures	33,206	29,398	3,808	11.5
Equipment	38,988	34,182	4,806	12.3
Transportation	48,730	46,344	2,386	4.9

109. It will be observed that between the two months shown, total employment decreased 7.8 percent and as in the 1952-1959 period the greater reductions were in Way and Structures and Equipment, with declines of 11.5 percent and 12.3 percent. Transportation showed a decrease of 4.9 percent while the General group was down 2.8 percent.

110. The causes for the declines here again can be attributed to two major factors. Freight gross ton miles for both railways combined for the first nine months of 1960 were down about 2.8 percent, over the first nine months of 1959, while revenue passenger miles were down about 7 percent. While this would be a major factor affecting the Transportation group, reduced revenue brought about a reduction in road and equipment maintenance and a decline in employment in the Way and Structures and Equipment groups.

111. In addition, the transitional period from steam to diesel was in its final stages and further economies in maintaining equipment have been achieved.

112. Now that the employment situation on the railways has been analyzed, reference will be made to a study of a representative group of railway employees who have been laid off.

D. UNEMPLOYMENT—CHARACTERISTICS OF A SAMPLE OF LAID OFF EMPLOYEES—CANADIAN NATIONAL

113. To analyse the employment situation it is not enough to know the number of employees affected. It is also essential to know some of the characteristics of the unemployed. A study of employees in all services laid off by Canadian National in Canada over a 12-month period was undertaken to determine such characteristics as age, length of service, occupation and location. The total group included some 4,400 individuals and special attention was paid to a sub-group of 137 who had over 20 years of service.

114. The 4,400 employees were those laid off at some time during the 12 months July 1959 to June 1960 and not re-employed as of July 1, 1960. There are several reasons why the sample used in this study may overstate or understate the true situation. Employees laid off for 30 days and less were excluded. Some employees may have been laid off during the year but recalled by July 1, 1960 and thus would also be excluded. Many of those laid off have no doubt found other employment, returned to school or withdrawn from the

labour market and would no longer be interested in Canadian National employment. It is emphasized therefore that "lay off" in this study is not synonymous with "unemployment".

(a) *Age of Laid Off Employees:*

115. The age distribution of the group was as follows:

Age	Number	Percentage
25 years and under	989	22.5
26-35	1,357	30.9
36-45	1,085	24.7
46-55	665	15.1
56-60	209	4.7
61-65	95	2.2
Total	4,400	100.0

About 22 percent of the group were over 45 years of age, in contrast with 53.4 percent who were 35 years and under. Although 22 percent may appear to be a substantial proportion of the lay offs, it should be noted that approximately 35 percent of the total Canadian National work force is over 45 years old. In other words, the proportion of older employees among those laid off is less than their proportion among those retained.

(b) *Length of Service:*

116.

Years	Number	Percentage
5 and under	2,094	47.6
6-10	1,173	26.7
11-15	531	12.1
16-20	465	10.6
21-25	51	1.2
26-30	18	.4
31-35	45	1.0
36-40	16	.4
41 and over	7	.2

Over 47 percent of those laid off had five years service or less. Many of them probably did not really look to the railway for permanent employment. On the other hand, a relatively small group, 137 or 3.2 percent, had over 20 years service and no doubt regarded their jobs as permanent. It is the case of the long service employee which concerns the railways and also receives the most public attention. Fortunately, this group represents a very small minority of total railway employees.

117. It is interesting to note also that if age and length of service are considered together, some 6 percent of those laid off had entered service after age 45 and about 2 percent first entered service after age 50. This policy of hiring the older worker is right but inevitably results in the release of a few when lay offs occur in seniority order as required under collective agreements.

(c) *Distribution of Lay-offs:*

118.

Province	Number	Percentage
Newfoundland	363	8.3
Nova Scotia	489	11.1
New Brunswick	518	11.8
Prince Edward Island	44	1.0
Quebec	898	20.4
Ontario	856	19.4
Manitoba	512	11.6
Saskatchewan	421	9.6
Alberta	167	3.8
British Columbia	132	3.0
Total	4,400	100.0

Although total Canadian National employment figures by province are not available it is safe to say the Atlantic provinces account for less than the 32 percent which is their proportion of lay offs. If the distribution of long service employees is considered most of those laid off with over 20 years of service were in Quebec, Ontario and Manitoba. The same applies to those laid off with 10 to 20 years of service except that New Brunswick must be included with the three provinces mentioned.

119. Numbers laid off were also tabulated by community. Fifty-nine communities each had five or more employees laid off but Halifax, Moncton, Montreal, Toronto and Winnipeg accounted for 1,352. These are all cities with labour markets of a considerable size in which lay offs and rehiring by the Canadian National must be only a small fraction of the total. On the other hand, some lay offs occurred in smaller communities where alternative employment opportunities are relatively fewer. These latter situations merit particularly careful attention and the railways are fully conscious of the effect on both the employees and the communities.

(d) *Occupational Groups:*

120. The following figures show lay offs and total employment for the five major groups of employees:

Major Group	Total Employment May, 1960	Laid Off Population July 1, 1960	Percent Lay Off
	General	17,388	396	2.3
Way and Structures	18,191	1,232	6.9
Equipment	18,013	1,377	7.8
Transportation	27,487	1,060	3.9
Other Operations	14,484	335	2.4
Total	95,563	4,400	4.7

Lay offs were heavier in Equipment and Way and Structure groups. Further analysis was undertaken for several specific classes of employees which to some extent cut across the major groups already mentioned. Employment in certain occupations such as labourers is less stable than others regardless of which department of the company they are in. Figures presented for 14 classes of employees show that labourers and helpers account for more than half of all the lay offs in the sample:

Occupation	Number of Lay Offs	Percent of Total Lay Offs
Office Workers	270	6.1
Labourers	1,877	42.7
Helpers	518	11.8
Craftsmen	527	12.0
Yard Service	95	2.2
Train Service	222	5.0
Engine Service	296	6.7
Passenger Train Attendants	107	2.4
Miscellaneous	145	3.3
Communications	191	4.3
Express	92	2.1
Highway Transport	17	.4
Hotels	43	1.0
Total	4,400	100.0

121. "Office workers" include both clerical and professional groups. Over a quarter of the lay offs in this group were in Nova Scotia. This reflects the seasonal nature of the port activity where, unlike most railway operations, employment reaches a peak during the winter months. It may also be pointed out that over half of the laid off "office workers" were 25 years of age or younger. Only 2.5 percent had over 20 years service.

122. "Labourers" were by far the largest group of employees, constituting over 42 percent of total lay offs. Half of those laid off had only five years of service or less. Lay off occurred in all provinces.

123. "Craftsmen" and "helpers" had an average age and length of service greater than most other groups. The provincial breakdown of lay offs shows that most, particularly those with long service were in Quebec, Ontario, Manitoba and Saskatchewan; reflecting the work force reduction at major repair shops and the completion of the dieselization programme.

124. "Yard Service" lay offs were fewer in number than most other groups. Over 60 percent were in Nova Scotia again accounted for by cessation of winter operations at the ports. None of the 95 laid off yard service employees was over 45 years of age.

125. "Train Service" and "Engine Service" lay offs were similar in the fact that nearly all were young men with short service; less than one percent of the combined group were over 45 years of age and only about 3 percent had as much as 15 years of service. It should be noted that the vast majority of laid off employees are young and it follows that they should be relatively better able to find other jobs.

126. "Passenger Train Attendants" (S.D. & P.C. attendants) who were laid off as a result of the decline in passenger traffic were mostly in Nova Scotia and Manitoba which are major terminal points for these employees. Approximately 70 percent were 35 years of age and under.

127. "Communications" employees laid off were mostly (57 percent) in Newfoundland. This reflects the completion of certain construction projects. A considerable number of the lay offs were older employees but only 2 percent had over 10 years of service.

128. "Express" had relatively few lay offs distributed generally throughout the provinces and approximately 75 percent were 35 years old and less.

129. "Highway Transport—Rail" had only 17 lay offs. All but one were in Ontario or Quebec.

130. "Hotels" had 43 lay offs. Most were short-service employees and the majority of the lay offs occurred in Nova Scotia where a strike in the construction industry curtailed operation.

(e) *Seniority Rules:*

131. One factor brought to light by this study was the effect on the pattern of lay offs of various seniority arrangements in collective agreements. In particular, point and craft seniority, although they have some virtues do have the effect of permitting some senior employees to be laid off while junior employees who happen to be on a different seniority list may continue to work. The contrast between divisional seniority, which allows "bumping" anywhere in a division and point seniority may restrict "bumping" to one shop or one department is illustrated by the following figures:

Years of Service	Labourers Laid off (Division Seniority)	Helpers Laid Off (Point Seniority)
10 years or less	77.0%	50.9%
11 years or more	23.0	49.1
	TOTAL 100.0	100.0

The Deputy CHAIRMAN: What do you mean by "point seniority"?

Mr. RICHARDSON: "Point seniority" is an arrangement where seniority agreements refer to one location or one department only, rather than across the system or a whole region.

Senator ROEBUCK: Just at one point?

Mr. RICHARDSON: Yes.

It cannot be asserted that restrictive seniority provisions are the only factor causing more long service employees to be laid off in some occupations than in others but such provisions certainly have an influence in that direction. Another factor which necessitates the lay off of relatively senior employees is their reluctance to accept transfer even when seniority provisions do not prevent a move.

(f) *Long Service Employees:*

132. Further analysis of lay off of long service employees was undertaken because these are the people who are most likely to suffer some hardship. They are also the cases which, despite their small numbers, receive the most public attention and are sometimes mistakenly regarded as being typical of railway lay offs. In the 12 months under review there were 137 individuals laid off with over 20 years of service. This was only 3.2 percent of all lay offs.

Senator ROEBUCK: These are men who establish their homes at certain localities and, perhaps, own their homes, and thus find it difficult to change to another location. Is that not the chief reason for refusing to change?

Mr. RICHARDSON: Yes, that is the important thing.

133. As expected, most of the long service employees are older employees and in fact 43 percent would be eligible for a company pension under the "early retirement" clause (assuming membership in the pension plan which in the past has not been compulsory).

Senator LEONARD: It is compulsory now?

Mr. WILSON: Since January 1st, 1959 on the C.N.R. It has been compulsory since that time.

Mr. McNEILL: Participation in the railway pension scheme has been compulsory on the Canadian Pacific Railway since January 1st, 1937; and prior to that it was not compulsory.

Senator HORNER: What did you say, Mr. Wilson?

Mr. WILSON: On the Canadian National Railway participation in the pension plan was made compulsory on January 1st, 1959. Prior to that it was subject to the man's election.

Senator HORNER: To the man's what, "selection" or "election"?

Mr. WILSON: He could elect to pay into the pension plan or not.

Mr. RICHARDSON:

134. Of the 137 long service employees laid off, 116 were craftsmen, helpers, or labourers affected by dieselization, which was a unique occurrence in terms of the large numbers of employees that it affected.

135. The long service employees laid off were widely distributed. Every province except Prince Edward Island and British Columbia had at least one and a total of 62 communities were involved. Indeed 37 of these communities had only one such employee laid off.

(g) *Conclusion:*

136. The Association feels the findings of this study of laid off employees can be summed up in a few words. The majority of the employees laid off were relatively young, had short service records and included a high proportion of labourers and helpers. Those who were older and had long service were laid off in many cases because they had special skills no longer required after dieselization and could not be transferred within the company either because of union seniority arrangements or because of their reluctance to move to another community. This study corroborates the findings of the Canadian Pacific study relating to age and service groups mentioned earlier in the brief.

Senator ROEBUCK: That refers to the firemen, to some extent?

Mr. RICHARDSON: Yes.

Mr. WILSON: No, it refers more particularly to shop employees, boiler makers and pipe fitters. A fireman can hold his job as long as he holds himself ready to go out on a run, if there is a run where a fireman was formerly used. This does not apply in that way, Mr. Chairman.

E. FACTORS WHICH STABILIZE EMPLOYMENT AND MINIMIZE THE IMPACT OF LAYOFFS

(a) *Policies:*

137. The railways have developed policies and practices to facilitate necessary adjustment of the work force. By careful phasing and programming it is possible to take full advantage of natural attrition and avoid large scale lay offs in many cases. When lay offs cannot be avoided, an effort is made to cushion the effect on the employees and on the community in cases where railway employment is important to the community as a whole. Some of the policies to be mentioned below have been established for many years; others are relatively new or their application is being extended and may, perhaps, still have room for improvement. Some further explanation will be given for some of the more important items listed below:

138. Advance information is given to employees and counselling service is made available when layoffs are contemplated. The Canadian National has established an extensive counselling procedure, for instance at Stratford, where members of Headquarters personnel

department, the local employment office and supervisors from the shops provided information on alternative jobs and answered questions on pension rights, pass privileges and many other subjects.

139. Work force planning is being undertaken. This involves forecasting work force requirements in order to plan possible transfers and adjust hiring practices in advance.
140. Age limits and medical standards for selected jobs are some times relaxed to facilitate the placement of laid-off employees and particularly rehabilitation cases. By agreement with the unions certain occupations are reserved largely for disabled employees otherwise unable to continue in their regular jobs.
141. Skills of long service employees are matched against requirements in both schedule and non-schedule positions before layoff occurs (that is where seniority provisions of collective agreements permit).
142. Agreements with unions to relax existing seniority rules might facilitate transfers in a few cases, although unions have not yet shown much flexibility in this respect.
143. The companies make full use of National Employment Service.
144. Railway Employment offices at major points on both the Canadian National and Canadian Pacific make diligent efforts to place laid off employees in other work. These offices are also kept informed by various departments hiring or laying off employees.
145. Railway pension plans permit voluntary retirement before age 65, with adjusted pension benefits.
146. Retraining programmes have been established so that employees already in service may prepare themselves for other types of work and avoid being laid off when their existing jobs disappear.
147. Notification of an approaching lay off is given to community officials when the probable effect on the community as a whole warrants such action.
148. Moving expenses are paid in certain cases to facilitate labour mobility when employees transfer at the company's request.

(b) Retraining Programs:

149. It is railway policy, wherever possible, to provide employees with new skills and training which may be required as a result of the introduction of new types of equipment or other innovations. Four broad areas where retraining programs have been conducted are outlined here:

150. Training steam locomotive enginemen and shop mechanics in the handling and maintenance of diesel locomotives. Training was undertaken on both the Canadian National and Canadian Pacific. For example, up to 1959 there had been 11,273 enrolments in the Canadian National courses.
151. Training of clerical employees in the operation of mechanical and electronic equipment. Continuous progress is being made in the mechanization of clerical operations. For example, since 1952 there have been 406 Canadian National employees retrained in the operation of key punch, tabulating and bookkeeping machines. The Data Processing Centres of both railways are staffed largely with retrained employees.

152. Training of employees in the operation and maintenance of new types of communications equipment. Trade schools have been conducted at various locations across the country to meet the requirements for telephone and automatic equipment operators, testing and regulating personnel, equipment maintainers and microwave technicians.

153. Maintenance of Way employees are trained in the use of work equipment. The new machines for spreading and tamping ballast, driving and pulling spikes, sawing rails, etc., are being operated and serviced by the sectionmen who formerly did the work manually. This requires training which sometimes includes attendance at classes in the shops as well as on the job training.

154. In addition to the retraining programmes which in effect convert one type of employee into another type in order to avoid lay offs when the original skills are no longer required, there are also a number of training programmes to improve the employee's effectiveness in his present job and qualify him for promotion. Typical are the programmes at the larger terminals where employees are taught the skills and attitudes essential in establishing and maintaining good customer relations. For example, regular classes and discussion groups dealing with the public relations aspects of their work have been held for Sales personnel and Sleeping, Dining and Parlour Car employees.

155. Management development is another important part of the total training programme. "Staff College" is held each year at Bishop's University, Lennoxville, for Canadian National officers. It is a six-week course for management employees for the purpose of developing broader managerial skills and keeping up-to-date with new management techniques. Canadian Pacific each year sends several officers to the University of Western Ontario and other institutions providing management development courses.

156. The railways also have training programmes designed to develop their supervisors. The purpose is two-fold; first, to acquaint the supervisor with his overall responsibilities for planning, delegating and supervising the work of his unit, and second, to help him develop good supervisory practices to enable him to obtain the best possible utilization of the manpower and equipment under his jurisdiction.

(c) Transfer of Employees—A Case Study:

157. The effects of lay offs can be minimized in some cases by the transfer of employees. Transfers may be considered in two broad categories; those which require a change in place of residence and those which do not. In either case there are limitations on what can be achieved even by the most enlightened company policy.

158. Transfers between jobs at the same location are limited by several factors. The effect of seniority provisions in union agreements has already been mentioned. Another important factor is the uniqueness of many railway jobs. Because of this a man with long experience in a specific railway occupation may find it difficult or impossible to adapt himself to the alternative jobs which are available. As a result it may be necessary for the railways to release some employees at the same time that others are being hired. A recent project on the Canadian National to catalogue and code job titles for use in data processing programmes has identified about 3,000 different occupational titles. Obviously, there are some specialized skills required in the operation of a railway which would be of little or no value in other industries, or even in other departments of the railways. This may make it difficult to arrange transfers within the railway or to assist workers in finding employment outside the railways.

159. It must be noted, however, that the difficulty in locating suitable alternative jobs is not the only obstacle to the use of transfers instead of lay offs. In many cases the employee is reluctant to transfer if it requires changing his place of residence. This fact, which is widely recognized in general terms, can be illustrated by reference to a specific recent experience on the Canadian National. In 1960 some Canadian National employees at London, Ontario, were given the opportunity to transfer to Montreal and a follow-up study was made to determine the reaction of employees; both those who accepted and those who refused transfer. The experience in this situation will be briefly summarized.

160. The London Shops were founded in the 1870's and in many respects both their structure and equipment were inadequate or inefficient in making repairs to modern passenger cars. In addition, and a more compelling factor, was the rapidly decreasing volume of passenger car repairs required in the past few years. By 1959 the total work load scheduled for the London and Montreal Shops (Point St. Charles) was less than had previously been performed at Point St. Charles alone. It had been foreseen for several years that eventual closure of the London Car Shops might be necessary and the date, August 1960, was finally decided upon and announced in April. The present closure applies only to passenger equipment; freight car repairs will continue to be made in London for several years but eventually that work will also be transferred.

161. Before the announcement of closure the total staff was about 500. After the closure of passenger car repairs it was about 340. The approximately 160 car shop employees who account for the difference include the following groups:

- 70 transferred to Montreal, Toronto, or elsewhere.
- 47 resigned.
- 12 took pensions.
- 30 were laid off.

162. Company officials personally and privately interviewed each employee affected. The reduction was timed to coincide with the summer vacation close-down so employees who transferred reported to their new locations after vacations.

163. Employees were subsequently interviewed, both those who accepted and those who refused transfer, to determine specifically what factors tend to discourage transfers and reduce labour mobility. Some of the factors are listed here:

164. Cost of Moving: Most employees chose to have their goods moved by van and costs were between \$300 and \$500. They found this expensive but actually they need not have paid so much in most cases. The Canadian National had offered to transport household effects free of charge station to station in addition to providing free transportation for the employees and his dependents and three days time off with pay to make the move.

165. Cost of Living: Transferees generally believed costs are higher at the new location. In addition to the general cost of living they specifically mentioned taxes and rents.

166. Accommodation: Most of the transferred employees owned homes in London. In Montreal they were unable to find comparable homes at comparable prices. Therefore some are living in rented quarters and some have not yet brought their families.

167. Family Commitments: Some of the employees had dependents for whom the transfer created difficulties. Most frequently mentioned were school children who could not follow the same courses in Montreal or, in some cases, were put back one grade because of different requirements. In some families a second member also had a job which he or she would have had to leave.

168. Fear of Unknown: Nearly all of the transferees said they had some misgivings about the move. They were afraid they would not like living in a strange metropolitan city and would not be well received in a predominantly French-speaking community. Despite the fact that information was made available by company and union officers, rumors persisted and most of the employees had little factual knowledge of Montreal.

169. The alternatives facing the Car Shop employees included the following: transfer to another Canadian National job in London or nearby; transfer to a Canadian National job in another location; leave the Canadian National for another job; leave the Canadian National without another job to go to. All of these alternatives were not open to all employees, but the relative acceptability of each alternative is indicated in approximate terms by the employees' actions.

170. Sixty-six Coach Shop employees moved over to the freight shop as a result of the "bumping" arrangement in their collective agreements. Of this number 47 took a pay reduction of 5.3 cents per hour so it appears that continued Canadian National employment in the same community was preferable.

171. On the other hand, continued employment with the Canadian National was considered less desirable when it required moving to another community. A total of 103 jobs were open to employees willing to leave London; 16 in Toronto and 86 at Point St. Charles or Montreal. While all Toronto positions were filled only 42 of the 86 Montreal positions were filled.

Senator ROEBUCK: They liked to move to Toronto?

Mr. RICHARDSON: Yes.

Senator ROEBUCK: It's a good city.

Mr. RICHARDSON:

172. Forty-seven employees resigned from the railway for other jobs in London. This is almost equal to the number who accepted transfer which indicates that despite their seniority and pension rights these employees were not sufficiently attached to Canadian National to follow their jobs when it would require moving to another city.

173. An even more significant finding is that a substantial number of employees were willing to be laid off, despite the poor employment situation in London at the time, rather than accept transfer. Of the 30 laid off, 8 were still unemployed five months later.

174. It should be noted that this transfer study is not representative of all transfer situations in the railways. For one thing, work was transferred as well as people, so the people were able to retain their seniority rather than coming in on the bottom of the list at the new location. A second important feature of this particular situation was that most of the opportunities for transfer involved a relatively small city in one province and a much larger metropolitan city in another province. The various deterrents to transfer brought to light in this study might not have the same importance in other situations.

175. To conclude it may be mentioned that most employees who transferred now seem satisfied. They all appear content with their new work situations and most have adjusted to their new communities.

(d) *Work Force Planning:*

176. A programme is in operation on the Canadian National whereby each region forecasts its annual work force requirements every six months. The forecasts are used by the regions and by headquarters as a basis for adjusting hiring practices, coordinating transfers, or programming work so that where downward work force adjustments are necessary these may be accomplished by a gradual slimming rather than by sudden lay offs.

177. The lay off forecasts relate only to "permanent" lay offs and not those caused by fluctuations in traffic or seasonal factors. Reports from the regions, where officers have detailed knowledge of forthcoming operational changes, can be viewed at headquarters in the light of broader policies and judgments relating to such things as the Company budget and the level of economic activity in the nation. It is expected that some even longer range forecasting, as much as five years ahead, will be undertaken in conjunction with an analysis of attribution rates and any major changes such as a decline in passenger traffic or branch line construction and abandonments.

178. In planning for manpower requirements, similar action is taken by Canadian Pacific.

F. FUTURE OF RAILWAY EMPLOYMENT

179. The future of railway employment like the future of railway operations as a whole depends upon many variables. Any changes in the regulatory framework within which the railways operate can have important effects both direct and indirect, but it is not our intention to speculate along these lines.

180. The economic forces which will determine the need for railway labour in the future will be considered under two broad headings—the demand for railway services and the ratio or proportion in which labour and capital can best be combined. Each of these two broad topics will be dealt with under several sub-headings.

(a) *Demand for Passenger Service:*

181. The railways endeavour to tailor their passenger service to the needs of the public. There have been local situations where the lack of alternative means for transportation made it imperative that the railways provide service even though the volume of business was too low to be profitable. In recent years these situations have become fewer. Alternative means of transportation, automobiles, buses and airlines, have developed to the point where many people by their actions express a preference for these alternatives rather than passenger trains. Under these circumstances the railways feel less obligated to provide service in situations where it is clearly uneconomic. Accordingly, as stated, the Canadian Pacific eliminated about 100 passenger trains between 1954 and 1959. On the Canadian National passenger handlings have fallen about 33 percent in the past 10 years.

182. The railways have not responded to this decrease in traffic simply by cancelling trains. They have made strenuous efforts to retain traffic, and where this proved impossible have attempted to minimize their losses by operating less expensive facilities. One example mentioned was the substitution of rail diesel cars for conventional trains. Another is the recent announcement of changes in the Canadian Pacific's "Dominion" and the Canadian National's "Continental" for the winter of 1960-61. These trains will continue to operate across the country but, on an experimental basis, will provide primarily fast intercity coach service.

183. In summary it is not expected that the future level of passenger business will require any increase in staff. It is more likely that a reduced staff will be able to handle all passenger business on the railways.

(b) Demand for Freight Service:

184. The Canadian Pacific referred to itself before the Royal Commission on Transportation as being more of a freight road than most people realize. No doubt the same could be said of Canadian National. The inherent advantages of railways are most obvious in the movement of heavy bulk freight.

185. As is realized the need for transportation is related to the economic climate of the country as a whole and it is generally agreed that the need will increase in the years ahead. Whether the railways will supply an increasing or decreasing share of this transportation market will depend upon their ability to compete with other transportation media. Many factors will affect the ability to compete in the provision of fast, convenient, low-cost service. One of the major programmes through which the railways hope to increase their efficiency is the integration of road and rail transportation, under merchandise services outlined briefly earlier. This is the concept of a single service whereby motor trucks are used to supplement trains in order to provide greater flexibility in the handling of merchandise. The introduction of such changes depends, in part at least, upon the rulings of various provincial government departments.

186. Piggyback services are already firmly established, but it is felt there is still room for considerable expansion. This service benefits shippers from the cost and service viewpoints; it benefits the country as a whole by increasing efficiency in the transportation industry; and it benefits the general public by relieving congested highways. The final effect of piggyback operations on total employment in the railways is uncertain. The same amount of service can be provided with less labour, but the improved service may attract sufficient additional business to justify increased employment. It seems unlikely, however, that any substantial increases in employment will be required in this connection.

187. Line abandonments will also affect labour requirements. Because of poor judgment in the original construction of some of the lines subsequently acquired by the Canadian National and because of changing patterns of traffic on both the Canadian National and Canadian Pacific, some branch lines have been abandoned and it is anticipated that others will be abandoned in the years ahead. The Canadian Pacific has used the figure of 25,000 net ton miles per mile of line per year as an approximate minimum for lines which are considered for abandonment. Of course, there are exceptions to this rule-of-thumb, as when new traffic is expected to be available at some future date. During 1960 applications for abandonment before the Board of Transport Commissioners included 195 miles of track for Canadian National. Canadian Pacific was planning abandonment of 310 miles. Both railways are conducting detailed studies of a number of other branch lines. Closing branch lines reduces labour requirements, but in view of the fact that branches to be closed are those with little traffic the impact on the labour force will be less than might be expected simply on the basis of mileages involved.

188. It should be noted at the same time that new lines are being built. For example, since 1951 Canadian National has built some 725 miles of main track much of it into new territory. This has not only provided railway employment but also opened prospects for the development of, and increased employment in other industries.

(c) *Technological Improvements:*

189. Other factors which will affect the demand for freight services including innovations and technological change are mentioned below. Technological change is a never-ending process and continually affects the manpower requirements on the railways. The introduction of the diesel locomotive has been the most pervasive change in post-war years, and perhaps in all railway history. Its effects on servicing and repair personnel as well as on the running trades have already been discussed. Although the adjustments are not entirely completed, the major changes have been made.

190. In the signals field centralized traffic control, which was first introduced in the Maritimes about twenty years ago, has been gradually extended, but there are still many miles of track on both the Canadian Pacific and the Canadian National where it has not been installed. As Centralized Traffic Control is extended more employees will be required for signal maintenance work but fewer for work as telegraphers.

191. New hump yards equipped with a multitude of electronic devices will enable a smaller work force to not only handle as much traffic as a larger work force in a flat yard, but actually to give shippers a faster and more dependable service than has been possible previously.

Senator ROEBUCK: Am I to understand that we are catching up with the Maritimes?

The DEPUTY CHAIRMAN: The Maritimes, in quite a few respects, are away ahead of the rest of Canada, Senator. They have one of the most modern hump yards in Canada.

Mr. WILSON: That is right; it has been opened quite recently.

192. Further improvements or extended use of new machines and materials will reduce the maintenance requirements both for equipment and way and structures. Stainless steel, aluminum and plastics reduce the frequency of repair to passenger equipment. Steel wheels with much longer life are replacing cast iron wheels on rolling stock. Treated ties last much longer than untreated ties. The use of track maintenance machines such as tampers and spike drivers is becoming more widespread and models are continually being improved. Radio is being utilized in both yard and road service to increase safety and efficiency. Fork lift trucks are making freight shed operations faster and easier. Introduction and extension of all of these applications of new technology will mean some reduction in manpower needs in the future. However, none of these things is likely to cause sudden or dramatic changes in the work force.

193. Integrated data processing has been widely adopted on both Canadian National and Canadian Pacific. Machines can perform routine tabulations in a fraction of the time required manually. However, the new computers are also being used to do work that was not undertaken previously. As one instance, a computer can simulate traffic movement over a specified rail line so that required operating changes can be introduced rationally rather than on a trial-and-error basis. In most cases when data processing equipment is used in research work, it does not cause a reduction in the existing work force, but avoids increases which would otherwise be necessary.

194. In summary, technological changes including those mentioned briefly here will contribute towards a smaller but more highly skilled work force on the railways in the future. But the rate of introduction of these changes will depend, in part, on their cost. There is not at the moment any innovation available to the railways of the magnitude of dieselization.

(d) *Relative Cost of Labour and Capital:*

195. The rate at which capital is substituted for labour, or vice versa, will depend upon the cost and availability of each. A new invention is not put into service until it is economically feasible. With a major innovation such as dieselization the economics are so great that even had interest rates been higher or wage rates lower the change would still have occurred. There are numerous marginal situations, however, where excessively high wage rates, unrealistic work rules, or unavailability of the necessary type of worker will hasten the introduction of new equipment or a new process. Similarly a lack of funds or a prohibitive interest rate might delay a specific change for months or even years.

196. What this means, in terms of future railway employment levels, as in other labour intensive industries, is that employment will decline more rapidly if excessive wage rates and costly work rules make labour an increasingly expensive factor of production. In these circumstances the railways would be forced to commit a larger proportion of their resources to capital expenditures, or to accelerate the curtailment of non-remunerative or emergency services.

G. SUMMARY

197. This brief points out that the railway industry is a major component of the transportation industry and that within the transportation industry as a whole a redistribution of manpower has occurred in accordance with technological and other developments.

198. The railway work force declined by 19 percent during the period 1952-1959 while the work performed by the railways measured in gross freight ton miles, decreased by 9.3 percent and revenue passenger miles by 20.8 percent.

199. The work force on the railways is aging and average length of service is increasing. This results from a contraction of the total work force which has primarily affected those in the younger age groups, and those with short service.

200. The chief factors contributing to the decline in railway employment, apart from the loss of traffic to competitors, have been dieselization and other technological changes.

201. The enormous capital cost of modernizing the railways and improving their equipment and facilities has generated substantial employment in other industries and it is probably true to say that the railways directly and indirectly have employed more manpower in recent years than before their modernization.

202. The greatest changes in the railway work force have occurred in the Equipment and in Way and Structures groups. Within those groups there has been a lesser demand for unskilled and semi-skilled workers and an increase in the number of skilled men required for certain trades. At the same time there has been a sharp decline in the number required for trades connected with steam power, e.g., pipefitters and boilermakers. A similar reduction has occurred in the manpower required for the transportation trades, due largely to longer and heavier trains, and the overall decline in traffic.

203. Although the reductions in the various functional groups have been unequal both within any given region and throughout the industry as a whole, the overall reduction in each of the three regions has been broadly comparable.

204. A movement similar to that in industry generally is taking place within the railway industry with an increase in the proportion of white collar

workers. This is due, partly, to the need for more supervision and for more specialization. Although clerical work is being mechanized the level of employment has remained fairly constant.

205. Efforts are made to plan manpower needs and to minimize the impact of lay offs. These include advance notice to individuals and communities; extensive retraining programmes, and assistance in relocation. The railways have also addressed themselves to the problem of what happens when work is transferred from one community to another or when a long standing establishment is closed down. These studies have been used to develop policies which will assist both the employee, and the railway, to adjust to these changes.

206. The problem of transferring surplus men from one part of the railway to another, or to work at the same place but in a different trade, is complicated by the rigidity of seniority provisions and craft lines defined in collective agreements and the large number of labour unions that are involved. Within these limits what is possible in the way of retraining and transfer is done.

207. As to the future, the railways may well see some further decline in their work force levels. This decline would be accomplished, in part, by the non-replacement of those who reach retirement age or who leave the railways for other reasons. Some further lay offs will, no doubt, take place in the event that rising labour costs make further substitution of machines for labour economical and accelerate the curtailment of unprofitable operations.

208. In conclusion, the decline in the railway work force has been brought about by a significant drop in traffic and major technological developments accelerated by rising labour and material costs. Associated with this decline there has been a redistribution of the work force within the transportation industry and a creation of substantial employment in Canada by the extensive modernization programme of the railways.

Senator HORNER: Now, Mr. Chairman, let us not waste any time: I have not noticed any in the brief, but have you a concrete proposal to put before this committee as to how we are to increase opportunities for employment? Have you any concrete proposals? That is what we are interested in.

Mr. RICHARDSON: No, Senator Horner, we have not any concrete proposals other than the factual evidence that this brief might provide to enable you to decide upon the policies that you will recommend in your report.

Senator PRATT: With reference to paragraph 208 of your brief, relative to the decline in the railway work force: Is that very much in line with the general situation in the United States or in England? Does that condition apply generally to railroads today?

Mr. LACH: We have some specific evidence covering the United States Class I railroads. The position there is that they reached a peak in 1945 and they are now down to about one-half of the labour force which they had at the time of that peak. If we take 1952 as a base year, employment in Canadian railroads has declined to something under 80 per cent; on the United States railroads, Class I, it declined to something less than 70 per cent. So they have declined more than we have, since 1952.

So far as the main groups are concerned, the position is this: the general group, which includes what we loosely refer to as the white collar workers, in the United States has gone down to about 80 per cent. Way and structures, equipment and transportation groups have been generally declining to about 60 per cent of what they were in 1952.

Senator ROEBUCK: Is there any hope of increasing the revenues of the railways, and in that way encouraging the growth of them, in what may arise, from the findings of the commission with regard to statutory rates?

Mr. WILSON: I would hate to be in the position of attempting to forecast what the commission might recommend.

Senator ROEBUCK: If they make a recommendation according to your desires, would it help us in our problem?

Mr. WILSON: Basically, I think I should commence by saying this, that the ability of the railways to provide employment depends entirely upon the demand for railway services; and if there is anything that emerges as a result of the studies now going on in various places that will make the railways more competitive, or make it possible for the railways to carry more traffic, then there will certainly be an upsurge in employment.

Senator ROEBUCK: Do you see anything like that coming?

Mr. WILSON: I would hope that something like that will result; but I would hate to predict what might come out of it. For example, reference was made a few minutes ago to line abandonment. On the Canadian National Railway, during the decade of the fifties, from 1950 to 1960, we abandoned 464½ miles of track; but we have built, I think I would be safe in saying, more new trackage than any other railroad in North America. The amount is 725 miles of new track. This track is bound to generate traffic, in our opinion, and is a bright spot in the future for the possibility of greater job opportunities and greater employment. We have considerable optimism as well on the application of the piggy-back business, which is taking some of these large highway trailers off the highways and putting them on trucks, as the members of the committee are familiar with, I am sure. In addition to that, the integration of our so-called l.c.l.—less than carload lot—traffic and express, along the lines outlined during the presentation of the brief, we feel will go a long way towards making us more competitive with regard to the package type of transportation than we have been in the past. It is encouraging in that respect to note that we have had very encouraging discussions with the labour unions involved who, I think, realize that the providing of job opportunities depends to a large extent on our ability to sit across the table and work out reasonable arrangements to carry on the expansion of that type of business. Such meetings have been held within the past week in Ottawa. We are optimistic about the future in those areas.

Senator ROEBUCK: I suppose that any decrease in costs would help also, would it not?

Mr. WILSON: Yes, very definitely.

Senator HORNER: If I might be allowed a few moments. I would just like to mention the communities I am perfectly familiar with, and the railroad lines I am familiar with. First of all, is the one which leaves Ottawa to go to Fort Coulonge. It is known as the Pontiac-Pacific jump—"the push, pull and jerk."

Mr. WILSON: I know it well.

Senator HORNER: I live out between Battleford and Prince Albert, and am on a line of the Canadian National. Before the railway strike we had a passenger train, running in one direction one day and in the other direction the next day, to all the little towns along the line. It is a good, productive district of about 150 miles. The Canadian National Railways carried beer for the hotels and other things for the stores. The strike loomed. Then the railway men struck and they were faced with the proposition that they did not know how long it would last, so the breweries went to work and bought trucks. This line has not even got a passenger train today, because the buses and truckers jumped into the business and people found they were just as well served by the trucks and buses, so that business has gone from the railways forever. In the Battleford-Prince Albert area, when the strike was over, the C.N.R. endeavoured to get the business back and offered a lower rate than they had been receiving before.

But these people had already bought the trucks, and they had no way of knowing how long the strike would be maintained. They had bought trucks to deliver the products to the hotels along the way; and so the railways are still without that business and we are still without a passenger train.

They talk about progress in this country: When I first went to that part of the country we had a mixed train; then we had a passenger train; and now we are back to a mixed train, and ride in the freight car or the caboose, after all these years on the railway. I maintain that came about because of the railwaymen's strike, for no good reason whatever, bearing in mind the work they were performing—and I think I know, because I do not believe that anyone has made more trips across the country from east to west than I have, because I made so many trips when I was shipping horses. The railways might sue me if I divulge how many times I settled in the west, because I took settlers' cars, and when you take one of those you are travelling with the railway people. They are a delightful bunch of fellows. I have also found that they live better than any people I have ever known; and if I did not live with them and have a meal in the caboose, all I had to do was to watch where they went in any town along the road, and I could be assured that that was the best place to eat, anywhere.

Senator ROEBUCK: They know their way around.

Senator HORNER: That is so. But to go back to my first question, in this committee we are concerned with employment in Canada. I have been threatened with dire consequences as to what would happen to me, but I have recommended this, and I was not disappointed when the federal Government, some years ago, came into this question of interprovincial movement or crossing provincial boundary lines with trucks.

Now, in my part of Canada I am quite in favour of trucks operating across country where there is no railway line, but where the railroads are capable of giving service I would prohibit trucking entirely. In Saskatchewan we have a situation where our provincial Government has gone into transportation. It is not because there has been any complaint about other bus operators. There has never been a word of complaint about their rates or their safety records or anything else, but the Premier of the Province decided he would put in a transportation system, and from Battleford to Prince Albert we have a Saskatchewan Government bus. We also have the Canadian National Railways.

In most years we have very nice winters, but I remember some years when we have had terribly bad winters, when the railways and the Saskatchewan Government were spending enormous sums of money keeping the roads open.

Then, the Canadian National Railways came in with a very, very good proposition in running a dayliner between Saskatoon and Regina, and I have been up and down on it very often. The Saskatchewan Government bus travels along the road at the very same time and stops at all the little towns that the railway dayliner does. The bus is running along half filled to capacity, and the railway dayliner is also running along half filled to capacity. Both are losing money, and the taxpayers of the province, and of Canada, are paying for that operation. I have stated previously that before we can solve this whole problem of the railroads we will have to do something about this whole question of boundary-line crossing, and the matter of the long haul which rightfully belongs to the railways.

Mr. WILSON: I would just like to say that our biggest competitor for the passenger business in this country is the private automobile.

Senator HORNER: I know.

Mr. WILSON: The buses and the airlines are also competitors. The airlines, certainly, on the trans-continental routes have quite an appeal to a very large percentage of the population. I have not the figure on the tip of my tongue, but a very large percentage of the inter-city passenger miles across this country is amassed by the private automobile. I am told it is 85 per cent. We have conducted considerable research into the subject. Therefore, we are in quite a dilemma with respect to passenger business.

Senator PRATT: You agree that nothing can be done about that?

Mr. WILSON: I would not say that nothing can be done about it. Perhaps I could indicate here that between Ottawa and Montreal the railways are now running two-hour trains. Those trains cover the distance from the centre of the city to the centre of the city in two hours flat regardless of the weather conditions. They are cool in the summer, and comfortable in the winter. They are economical. Those trains are doing business. We are actually recapturing business that went to the airlines, but much of the travelling is still done by private automobiles. There is a lot that can be done, and we in the Canadian National have set about to create, perhaps, a little better public image of our company, and to publicize the passenger business.

We have asserted time and again that we are not going out of the passenger business. We are in the passenger business. There are some segments of it that are not attractive to us, but I would like very much to see an extension of these inter-city runs—the speeding up of these runs. I would like to see them made more attractive, and providing a better service to the passengers. The future in that respect is not all black.

Senator ROEBUCK: Might I ask what the prospect is of the individually powered car?

Mr. WILSON: Do I understand, Senator Roebuck, you are speaking of the Budd diesel rail car?

Senator ROEBUCK: Yes.

Mr. WILSON: They are very efficient.

Senator ROEBUCK: Does not their use cut down costs very much?

Mr. WILSON: It does.

Senator ROEBUCK: It cuts down staff?

Mr. WILSON: Yes. We referred to it in the brief. They are completely flexible and they are a very attractive means of transportation. We have 56 of them, if I recall correctly, in service, and the C.P.R. has 54. I would anticipate an extension of the use of that type of equipment.

Senator ROEBUCK: Can you not avoid closing some branch lines by using those cars—that is, running those cars instead of half filled trains?

Senator INMAN: Mr. Chairman; I come from Prince Edward Island so I will not say much about transportation, but I would like to find out if it is possible why our connections have deteriorated so very much in the last few years. I am speaking about the journey to the Island from, say, Montreal. There is a lot of dissatisfaction, of course, and while you are speaking about the private automobile I might say that I do not know of people who would rather drive to Montreal because of having to spend four or five hours waiting at Moncton.

Mr. WILSON: Mr. Chairman, my particular field in the Canadian National Railways, as you know, is personnel and labour relations. These complex traffic matters are something that I am not competent to debate, or to expound upon. I have some knowledge of them, of course, because we discuss these things at great length, but the extent to which connections have worsened

between the mainland and the Island is something that I would like to refrain from commenting on. However, I would like to suggest that if honourable senators are concerned with any facet of our operation, such as you have just mentioned, Senator, we will be very happy to go into it at length and give you a complete explanation. Indeed, if there are suggestions which indicate we are doing things we should not be doing, or not doing things that we should be doing, we would like to know about them.

The DEPUTY CHAIRMAN: You would welcome correspondence on that subject?

Mr. WILSON: Yes.

Senator HORNER: You are the proper man for me to make these remarks to. I say that you cannot go too far in developing your business by being helpful and kind. Nothing beats kindness and accommodation and a friendly approach. I might say this, that I commend many of the fellows I have met on trips from Saskatoon down to Regina on the Canadian National. Many of them fulfill what is my idea of what it takes to build up a business. They make it a pleasure to travel on their cars. I do not think you can go too far in impressing upon your fellows the idea that you can beat the buses and everything else if you make it a pleasure to ride on your road.

Mr. WILSON: Mr. Chairman, that is very true. So far as my own observations are concerned, and those of all of us in the Canadian National—and I am sure this applies to the Canadian Pacific as well—railway men are the salt of the earth.

Senator ROEBUCK: Hear, hear.

Mr. WILSON: By and large these fellows are dedicated. They are the backbone of thousands of communities across this country. They are pillars of those communities. You need only ask any banker or credit manager to find that their credit rating is as high as anybody's in the community. They will work long hours, and, as I say, they are completely dedicated. Inevitably, in a group of a hundred thousand or so there are a few who do not meet those specifications. But frequently brickbats are thrown at the railways because of the sins of commission of a few fellows who may have a gripe or a chip on their shoulder, and we are judged by what they have done.

I cannot emphasize too strongly, Mr. Chairman, that we think by and large railwaymen are among the finest citizens in Canada. As Vice-President of Personnel and Labour Relations on the C.N.R. I say that we are in the vanguard of employers in Canada in providing good working conditions, pensions, and so on—

Senator HORNER: Keep up the good work.

Mr. WILSON: —for all the employees who work for us. I could continue on this subject for much too long and therefore I will close at this point.

Senator HORNER: Thank you very much.

Senator MACDONALD (*Cape Breton*): Would it be fair to say that even with an increase in your business it would not necessarily follow there would be an increase in employment, and that automation would still continue to affect the labour picture?

Mr. RICHARDSON: It would depend on the amount of increased business. As we stated in our brief, the railways can handle a fair amount of additional business without having to expand their facilities.

Senator MACDONALD (*Queens*): I know that the C.N.R. has spent millions of dollars in Moncton over what they call a new hump yard. I would imagine it is a sort of push-button affair. Has it reduced employment there? What we

are interested in here is the employment situation in Canada. Has the expenditure of many millions of dollars on that hump yard reduced employment in that place?

Mr. CAMPBELL: At the same level of business, the push-button electronic method would reduce employment because it would obviously take the place of manpower. However, these new electronic hump yards enable the realway to operate a great deal more efficiently and increase traffic which, in turn, brings about an increase in employment. The number of employees who are displaced by the push-button operation is only a relatively small part of the total yard operation. You still require yard engines in considerable quantity, inspection personnel, yard office staffs, and so on, all of whom are concerned with yard operations. They are not affected greatly by the so-called push-button operation. Therefore, to the extent that the traffic is improved you may require increased staff.

Senator ROEBUCK: And it speeds up the operation.

Mr. CAMPBELL: Oh, very greatly so.

Senator MACDONALD (*Queens*): In other words, through time there is no real reduction in staff.

Mr. CAMPBELL: Through time it should represent no reduction in staff and possibly an increase.

Senator MACDONALD (*Queens*): I am from Prince Edward Island. After we transferred from steam engines to dieselization the roundhouse there, which employed a lot of people, was dismantled and the property is now used as a parking lot. Many employees lost jobs there.

Senator PRATT: In reference to the remarks concerning the interlocking of railways and trucks, you say that supplementing rail transport by motor trucks would provide greater flexibility and give more service. Is it the policy of the railways to operate the trucks themselves or is it done by contract with trucking companies? Is there much expenditure going into the actual ownership of trucks by the railroads?

Mr. WILSON: You will recall that the budget last year provided an amount of, I believe, \$5 million for the acquisition of highway trucking lines. The long-range plan is to integrate the highway transport and the rail transport in such a way that we can produce and provide the most effective and efficient service for shippers.

Senator PRATT: All under the control and ownership of the railways?

Mr. WILSON: That is right.

Senator LAMBERT: That brings in the piggyback system you were speaking about.

Senator ROEBUCK: Mr. Chairman, I want to say that I highly appreciate the remarkable brief presented to us. It is comprehensive, detailed and represents a wealth of labour and thought. I think we are indebted to these gentlemen for coming here and assisting us in our problem.

Hon. SENATORS: Hear, hear.

Senator ROEBUCK: It can be seen that I speak for all my colleagues.

The ACTING CHAIRMAN: I would like to add to Senator Roebuck's comment on behalf of the committee that I was quite impressed, among other things, by the steps being taken by the railways to minimize the impact of layoffs. Big corporations have been accused of being too much like steel machines, but I think they are very human in many cases; I know of no industry with which I

am familiar that has had this thought more in mind than the railways, and I think this should be brought to the attention of the public I think it is a good thing.

Mr. WILSON: Thank you, Mr. Chairman. A classic example of this was at Stratford, Ontario, where the railways spent a great deal of time in planning for the eventual closure of shops. Reference was made in the brief to the situation in London, and any suggestion that the railways are cold blooded and just close up facilities and toss people out of work is very far off the mark.

Senator HORNER: On the contrary, I think the railways have leaned over backwards and have lost considerable money by proceeding slowly in making any changeover.

Mr. WILSON: Absolutely.

The ACTING CHAIRMAN: On this pleasant note I think we can adjourn.

The committee adjourned.

1 THREE - 0 THREE

LIST OF MEMBERS

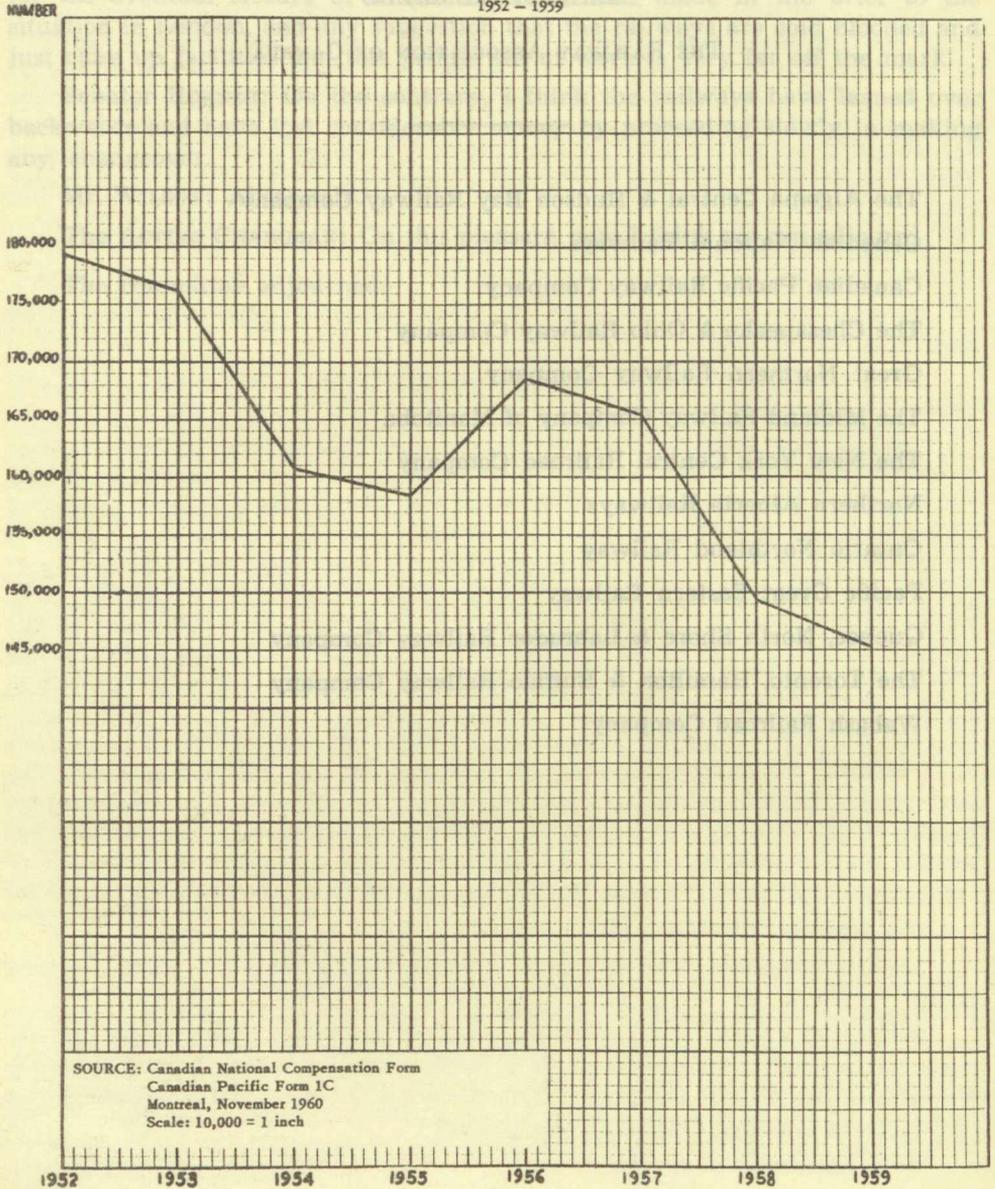
THE RAILWAY ASSOCIATION OF CANADA

- The Algoma Central & Hudson Bay Railway Company
- Canadian National Railways
- Canadian Pacific Railway Company
- The Chesapeake & Ohio Railway Company
- Great Northern Railway Company
- The Midland Railway Company of Manitoba
- The New York Central Railroad Company
- Northern Alberta Railways
- Ontario Northland Railway
- Pacific Great Eastern Railway
- Quebec, North Shore & Labrador Railway Company
- The Toronto, Hamilton & Buffalo Railway Company
- Wabash Railroad Company

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EXHIBIT II - SHEET 1

AVERAGE ANNUAL EMPLOYMENT - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959



AVERAGE ANNUAL EMPLOYMENT
 Canadian National and Canadian Pacific
 1952-1959

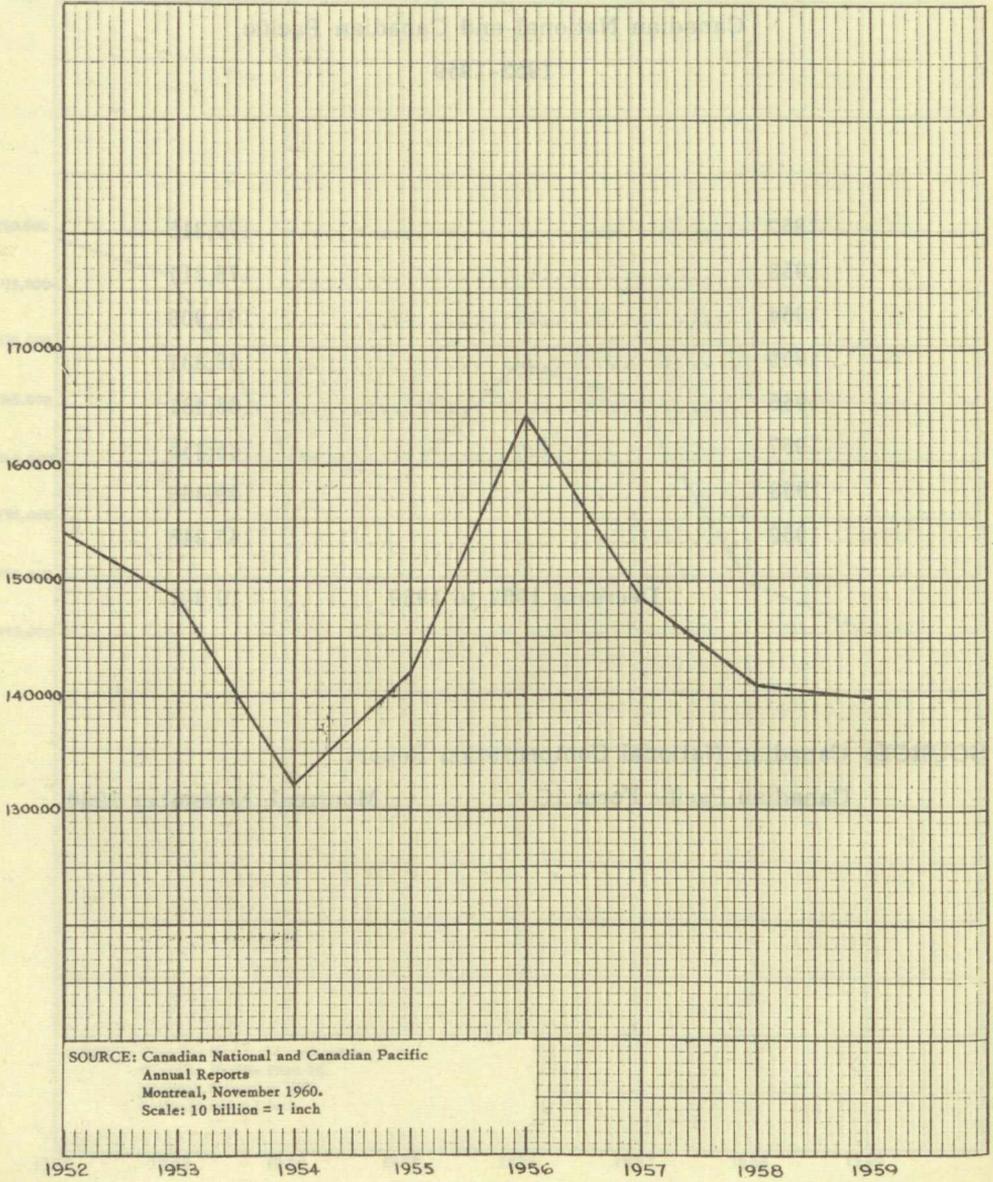
1952	179,315
1953	176,217
1954	160,908
1955	158,331
1956	168,437
1957	165,355
1958	149,489
1959	145,348
Decrease 1952 to 1959	19.0%

SOURCE: Canadian National Compensation Report
 Canadian Pacific Form 1C Montreal, November 1960.

Exhibit II - Sheet 2

EXHIBIT III - SHEET 1

GROSS FREIGHT TON MILES - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959



HUGHES OWENS 3158 10x12

GROSS FREIGHT TON MILES
Canadian National and Canadian Pacific
1952-1959

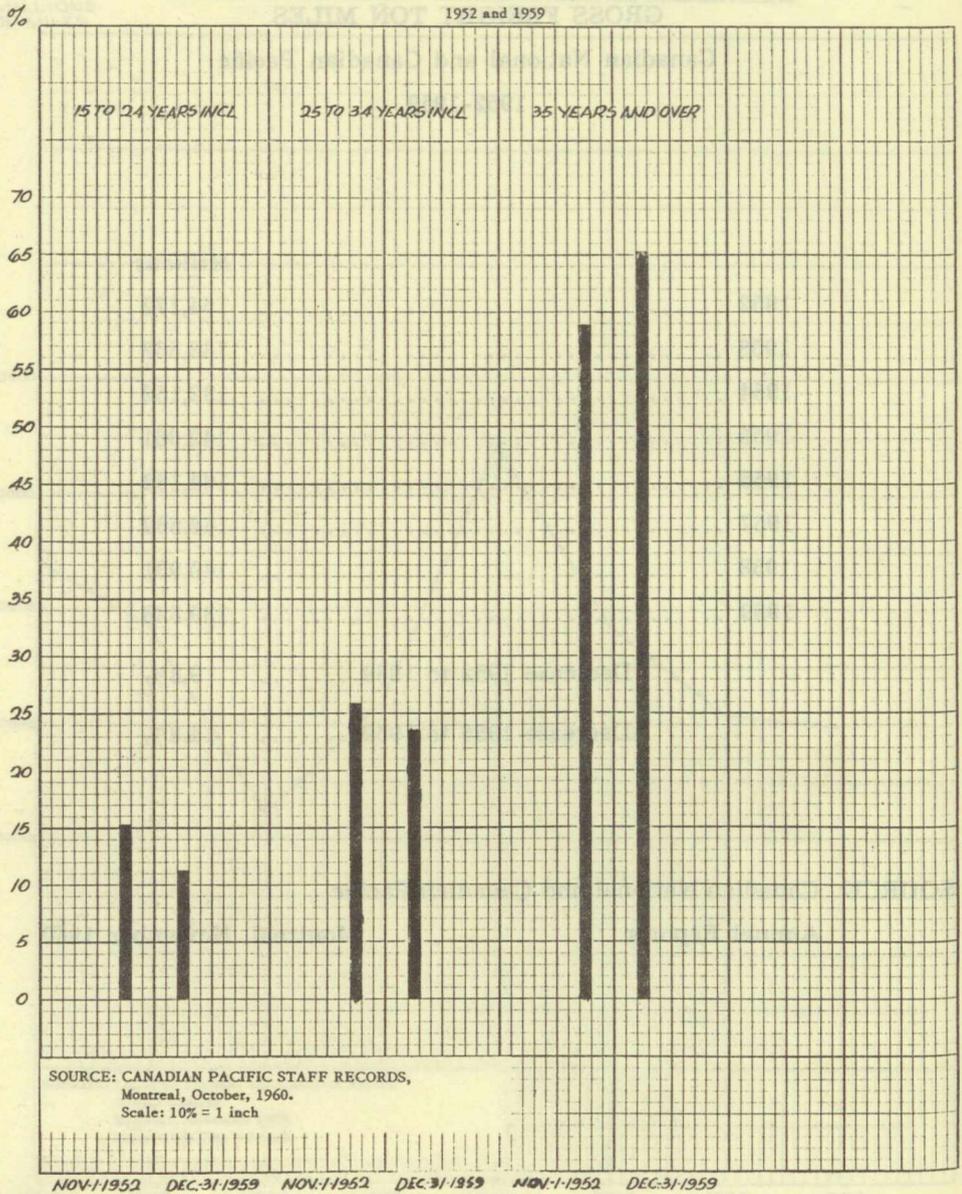
	Millions
1952	154,172
1953	148,562
1954	132,152
1955	142,061
1956	164,182
1957	148,569
1958	140,931
1959	139,828
Decrease 1952 to 1959	9.3%
Decrease 1956 to 1959	14.8%

SOURCE: Canadian National and Canadian Pacific

Annual Reports.

Montreal, November 1960.

DISTRIBUTION OF EMPLOYEES BY AGE GROUPS - CANADIAN PACIFIC
1952 and 1959



HUGHES OWENS 318B 10x10

DISTRIBUTION OF EMPLOYEES BY AGE GROUPS

Canadian Pacific
1952 and 1959

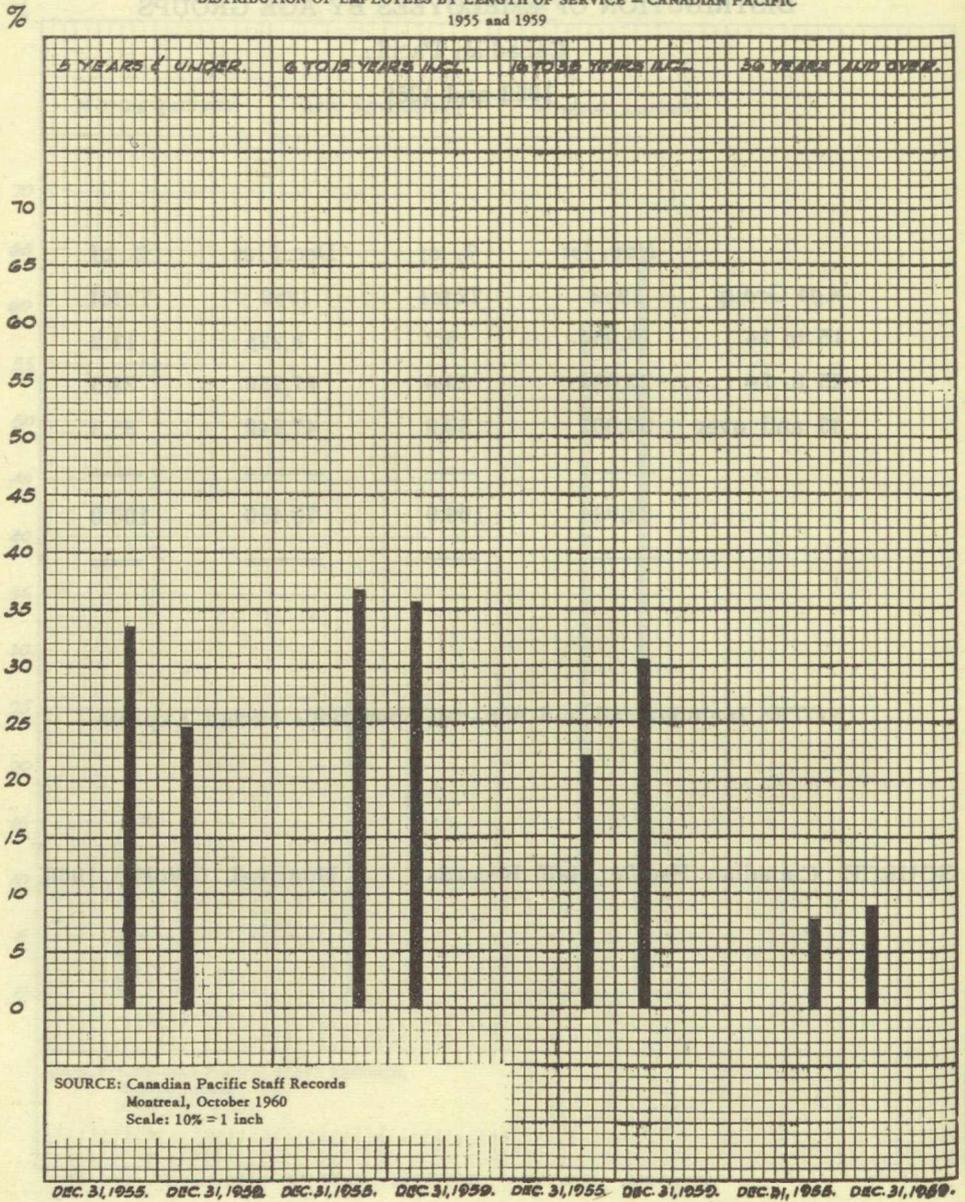
<i>Age Group</i>	<i>Nov. 1st 1952</i>	<i>% of Total</i>	<i>Dec. 31st 1959</i>	<i>% of Total</i>
15 to 24	12,960	15.2	8,225	11.2
25 to 34	22,022	25.9	17,256	23.5
35 and over	50,002	58.9	47,949	65.3
	—	—	—	—
	84,984	100.0	73,430	100.0
	====	==	====	====

NOTE: Includes rail and non-rail operations except Express.

SOURCE: Canadian Pacific Staff Records

Montreal, October 1960.

DISTRIBUTION OF EMPLOYEES BY LENGTH OF SERVICE - CANADIAN PACIFIC
1955 and 1959



DISTRIBUTION OF EMPLOYEES BY LENGTH OF SERVICE

Canadian Pacific
1955 and 1959

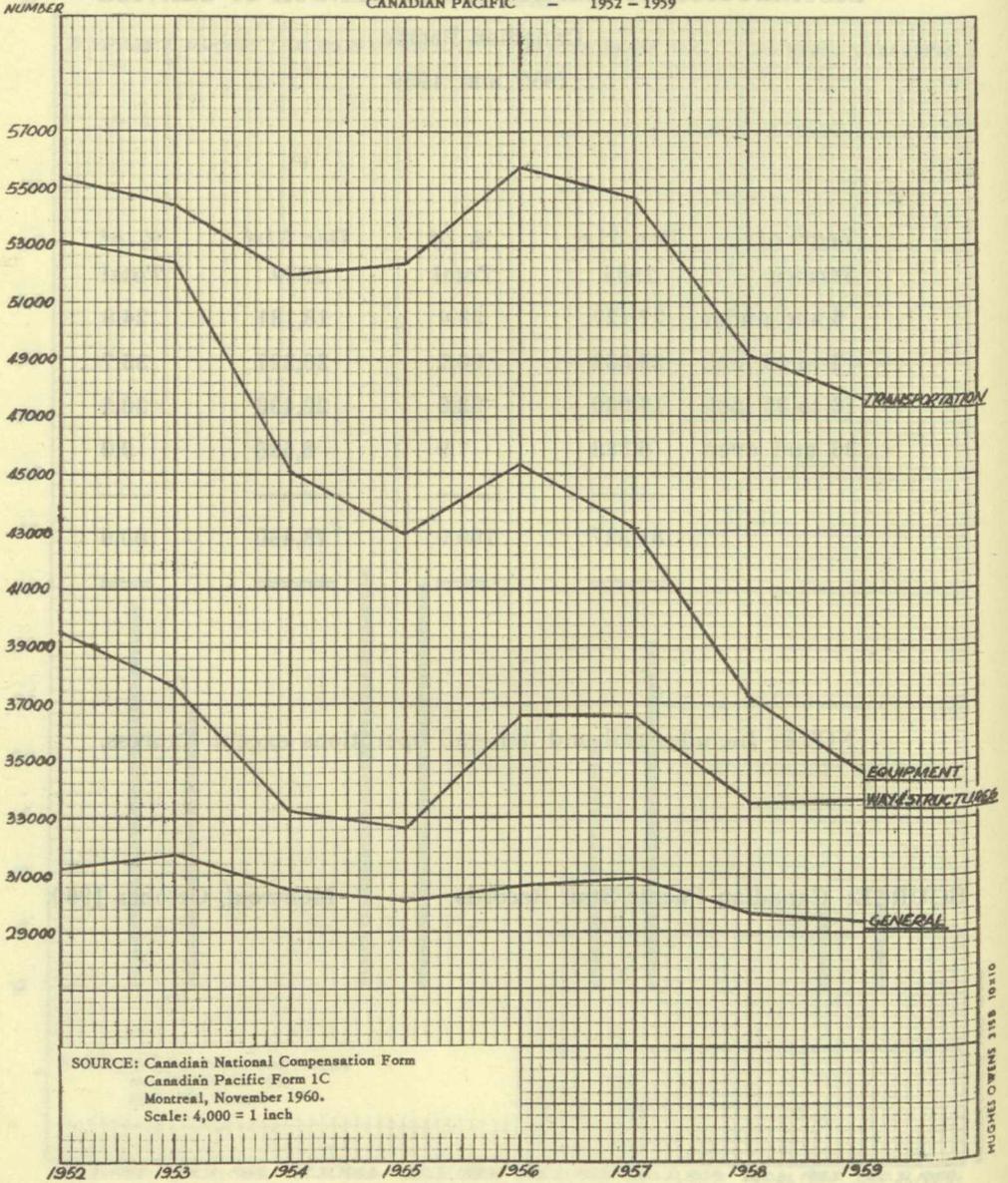
<i>Years of Service</i>	<i>Dec. 31st 1955</i>	<i>% of Total</i>	<i>Dec. 31st 1959</i>	<i>% of Total</i>
5 and under	27,127	33.4	18,181	24.8
6 to 15 incl.	29,852	36.7	26,227	35.7
16 to 35 incl.	17,960	22.0	22,436	30.5
36 and over	6,388	7.9	6,586	9.0
	<hr/>	<hr/>	<hr/>	<hr/>
	81,327	100.0	73,430	100.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTE: Includes rail and non-rail operations except Express.

SOURCE: Canadian Pacific Staff Records

Montreal, October 1960.

AVERAGE ANNUAL EMPLOYMENT BY MAJOR FUNCTIONAL GROUPS - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



AVERAGE ANNUAL EMPLOYMENT BY MAJOR FUNCTIONAL GROUPS

Canadian National and Canadian Pacific

1952-1959

	General	Way and Structures	Equipment	Trans- portation	Totals
1952	31,230	39,507	53,222	55,356	179,315
1953	31,771	37,572	52,396	54,478	176,217
1954	30,520	33,277	45,131	51,980	160,908
1955	30,096	32,829	42,942	52,464	158,331
1956	30,558	36,774	45,383	55,722	168,437
1957	30,856	36,715	43,139	54,645	165,355
1958	29,670	33,421	37,217	49,181	149,489
1959	29,427	33,493	34,765	47,663	145,348
Decrease					
1952-59	5.8%	15.2%	34.7%	13.9%	19.0%

SOURCE: Canadian National Compensation Report

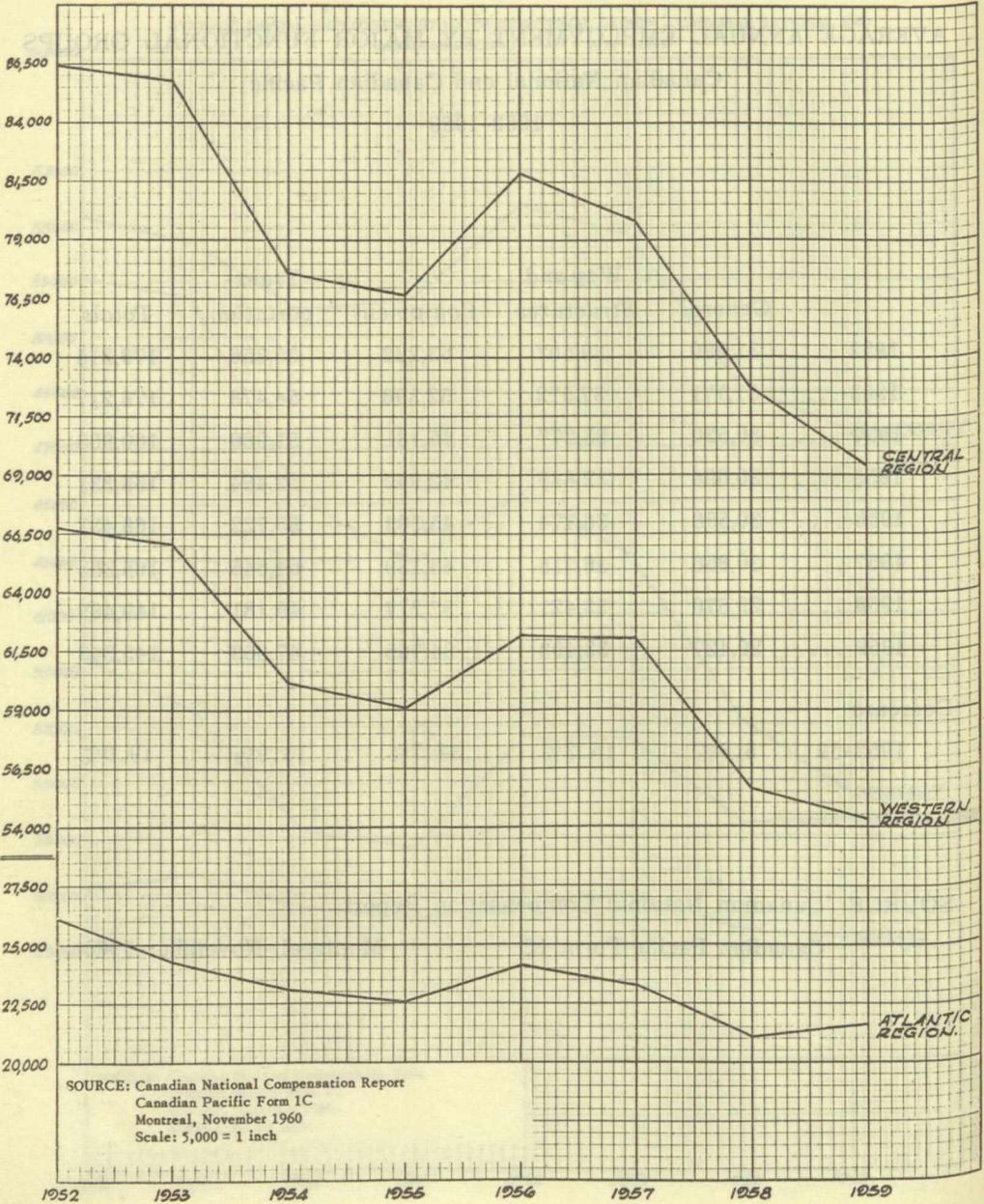
Canadian Pacific Form 1C

Montreal, November 1960.

AVERAGE ANNUAL EMPLOYMENT BY REGIONS - CANADIAN NATIONAL AND CANADIAN PACIFIC

1952 - 1959

NUMBER



SOURCE: Canadian National Compensation Report
 Canadian Pacific Form 1C
 Montreal, November 1960
 Scale: 5,000 = 1 inch

HUGHES OWENS 311.8 10x10

Exhibit VII—Sheet 2

AVERAGE ANNUAL EMPLOYMENT BY REGIONS

Canadian National and Canadian Pacific

1952-1959

	General	Way and Structures	Equipment	Trans- portation	Totals
Atlantic Region					
1952	3,485	7,192	6,188	9,248	26,113
1953	3,423	6,277	5,872	8,815	24,387
1954	3,298	5,947	5,157	8,685	23,087
1955	3,262	5,487	4,777	9,031	22,557
1956	3,379	6,252	5,005	9,650	24,286
1957	3,454	5,694	4,818	9,321	23,287
1958	3,336	5,102	4,178	8,510	21,126
1959	3,305	5,418	3,999	8,837	21,559
Decrease					
1952-59 .	5.2%	24.7%	35.4%	4.4%	17.4%
Central Region					
1952	18,349	15,065	28,287	24,733	86,434
1953	18,738	14,642	27,933	24,494	85,807
1954	18,048	12,294	23,695	23,564	77,601
1955	17,836	12,337	22,742	23,792	76,707
1956	18,311	14,400	24,013	25,187	81,921
1957	18,282	13,919	22,668	25,007	79,876
1958	17,854	12,627	19,402	22,878	72,761
1959	17,596	12,351	17,719	21,756	69,422
Decrease					
1952-59 .	4.1%	18.0%	37.4%	12.0%	19.7%
Western Region					
1952	9,396	17,250	18,747	21,375	66,768
1953	9,610	16,653	18,591	21,169	66,023
1954	9,174	15,036	16,279	19,731	60,220
1955	8,998	15,005	15,423	19,641	59,067
1956	8,858	16,122	16,365	20,885	62,230
1957	9,120	17,102	15,653	20,317	62,192
1958	8,480	15,692	13,637	17,793	55,602
1959	8,526	15,724	13,047	17,070	54,367
Decrease					
1952-59 .	9.3%	8.8%	30.4%	20.1%	18.6%

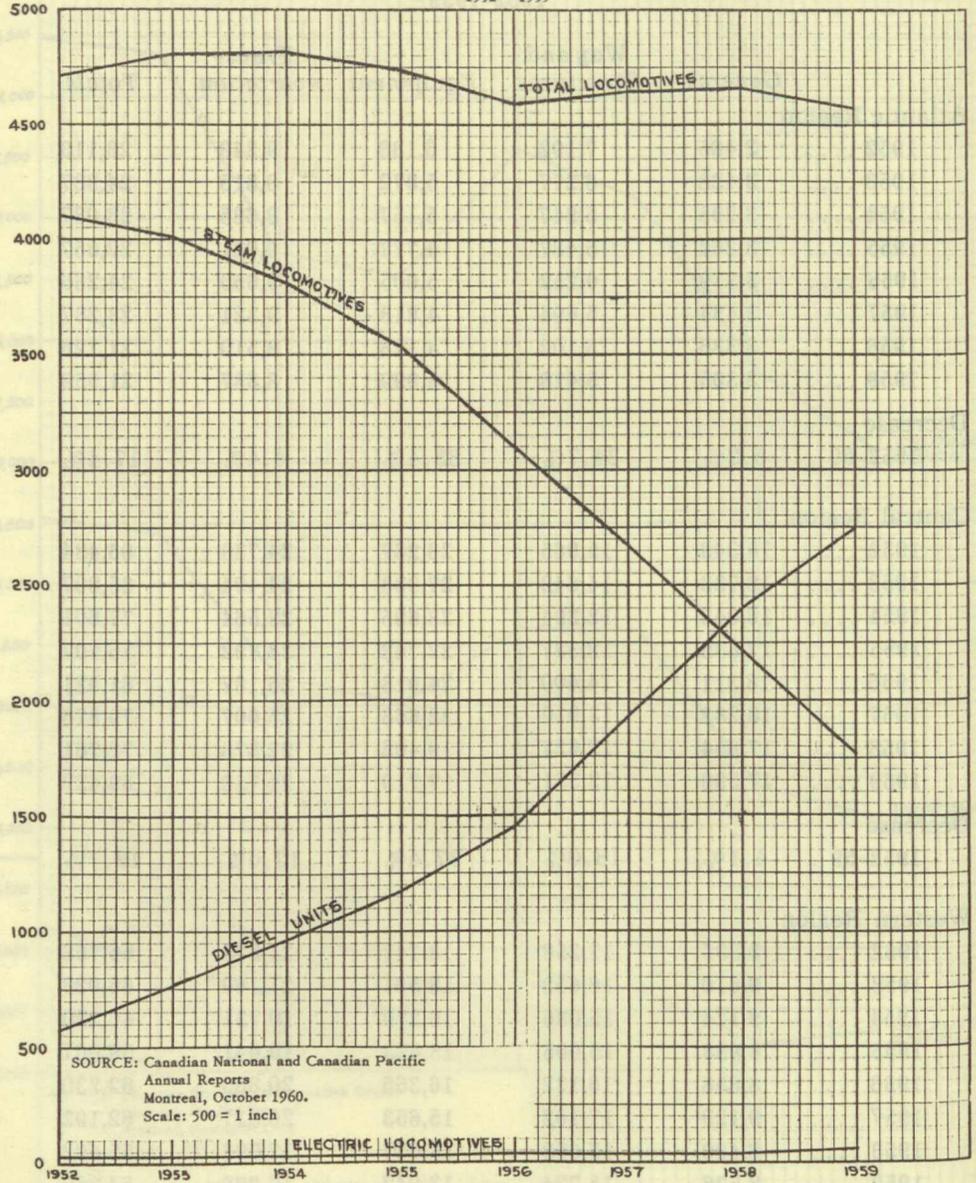
SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, November 1960.

ANNUAL EMPLOYMENT BY REGIONS
Canadian National and Canadian Pacific

INVENTORY OF LOCOMOTIVES - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959



SOURCE: Canadian National and Canadian Pacific
 Annual Reports
 Montreal, October 1960.
 Scale: 500 = 1 inch

HUGHES 8512 101X10

Decrease
 1952-59 . 0.3%
 30.4%
 20.1%
 18.8%

SOURCE: Canadian National Corporation Report
 Canadian Pacific Form 10
 Montreal, November 1958

INVENTORY OF LOCOMOTIVES
CANADIAN NATIONAL AND CANADIAN PACIFIC
1952-1959

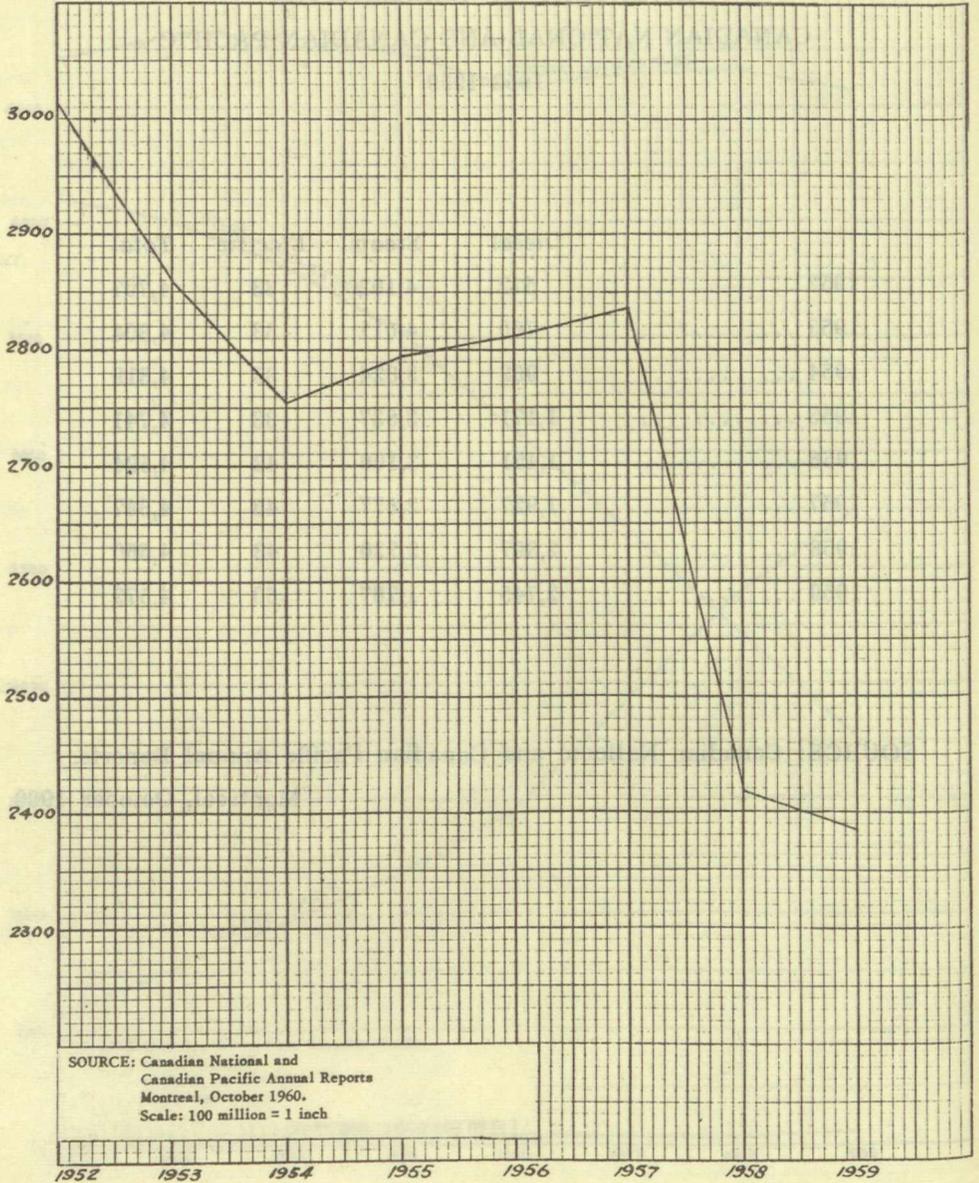
	Diesel	Steam	Electric	Total
1952	572	4,102	33	4,707
1953	760	4,011	33	4,804
1954	962	3,824	33	4,819
1955	1,171	3,537	33	4,741
1956	1,451	3,100	43	4,594
1957	1,927	2,677	43	4,647
1958	2,397	2,220	43	4,660
1959	2,745	1,767	60	4,572

SOURCE: Canadian National and Canadian Pacific Annual Reports.

Montreal, October 1960.

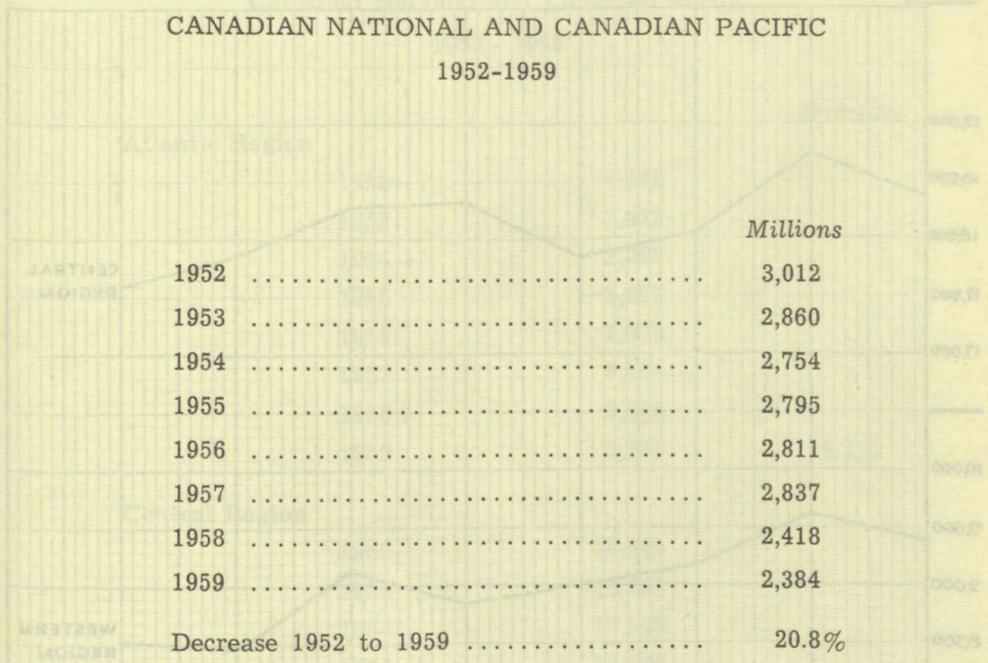
MILLIONS
OF MILES

REVENUE PASSENGER MILES - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959



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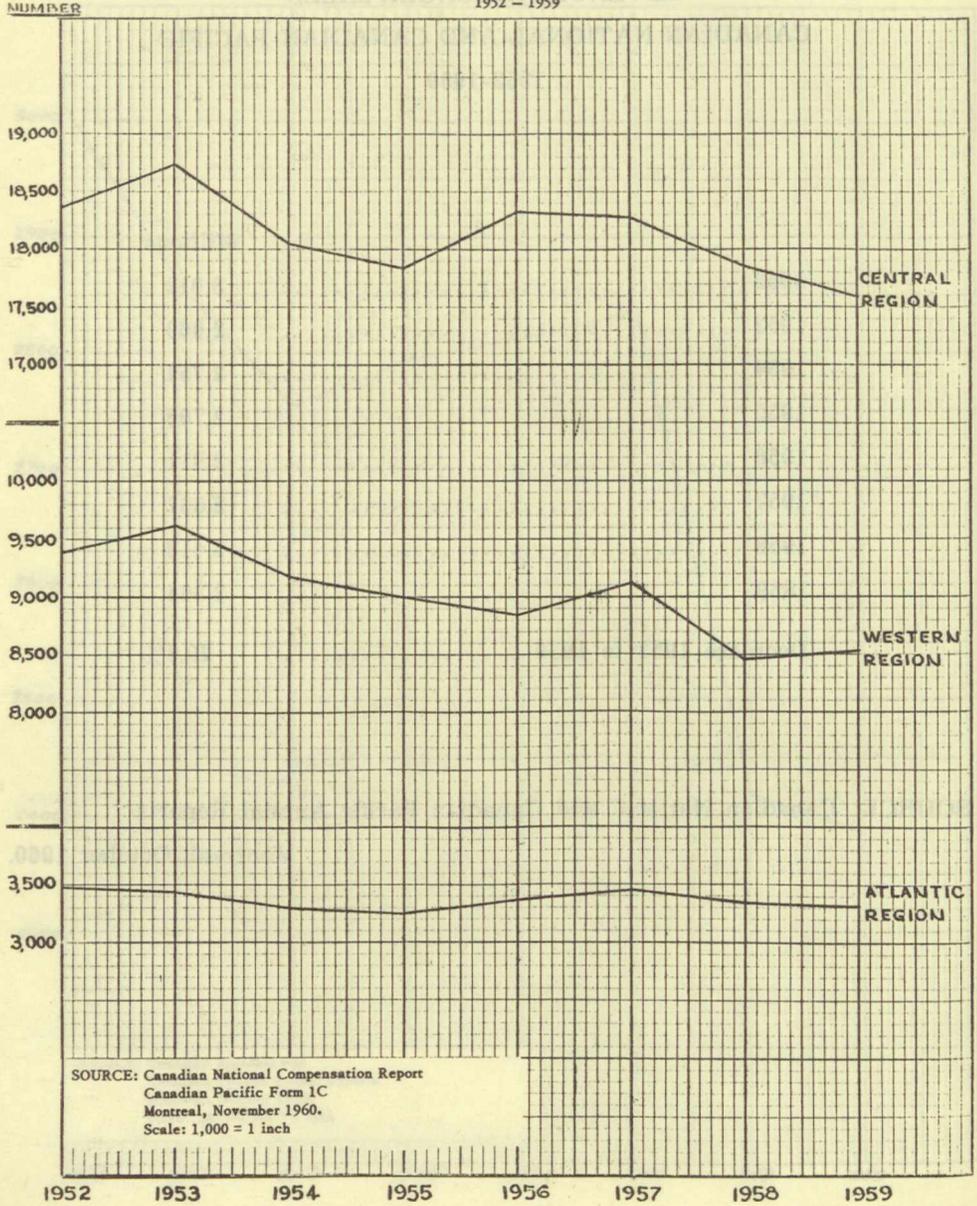
AVERAGE ANNUAL REVENUE PASSENGER MILES
 CANADIAN NATIONAL AND CANADIAN PACIFIC
 1952-1959



SOURCE: Canadian National and Canadian Pacific Annual Reports
 Montreal, October 1960.

SOURCE: Canadian National and Canadian Pacific Annual Reports
 Montreal, October 1960.

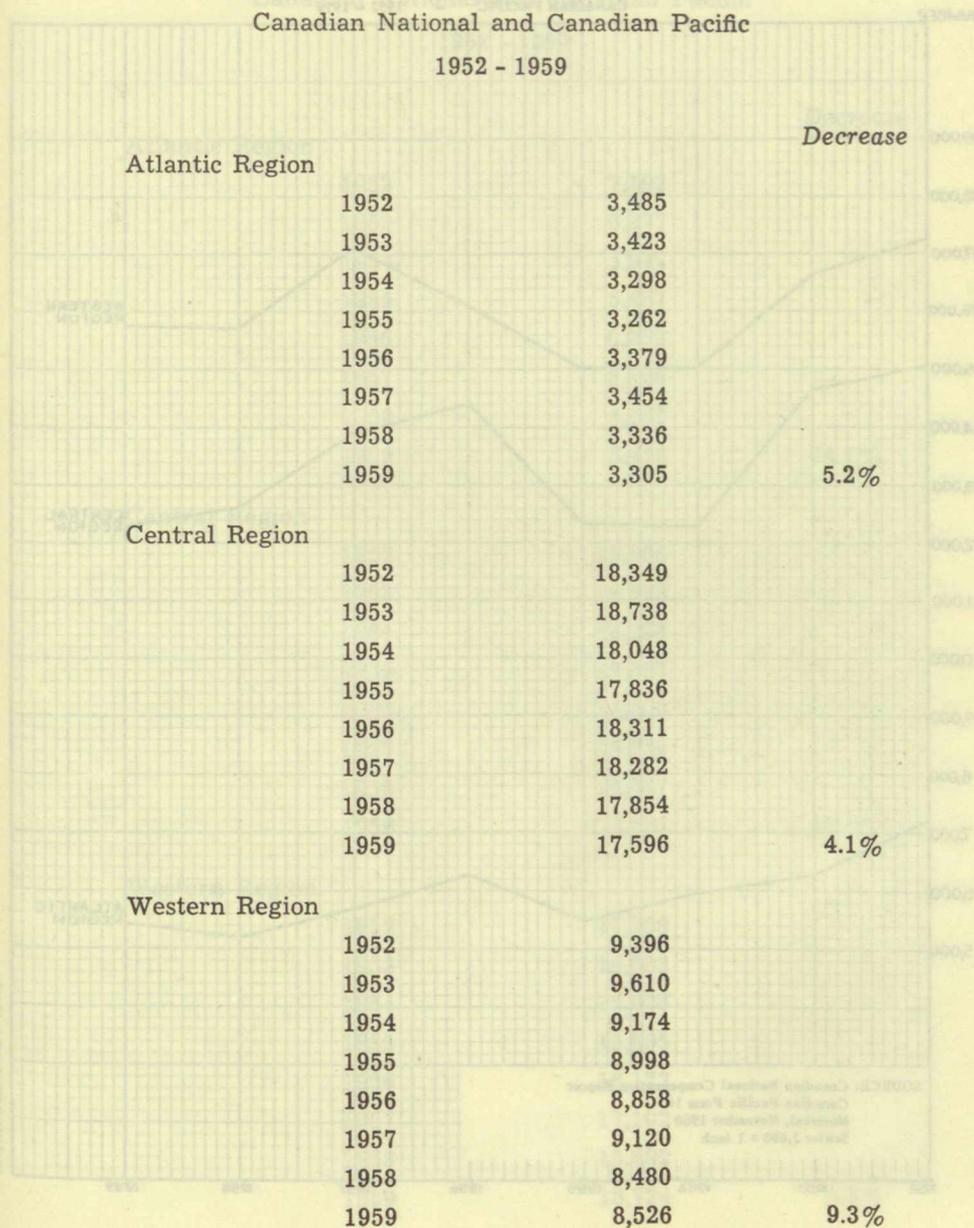
AVERAGE ANNUAL EMPLOYMENT GENERAL GROUP - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959



AVERAGE ANNUAL EMPLOYMENT GENERAL GROUP

Canadian National and Canadian Pacific

1952 - 1959

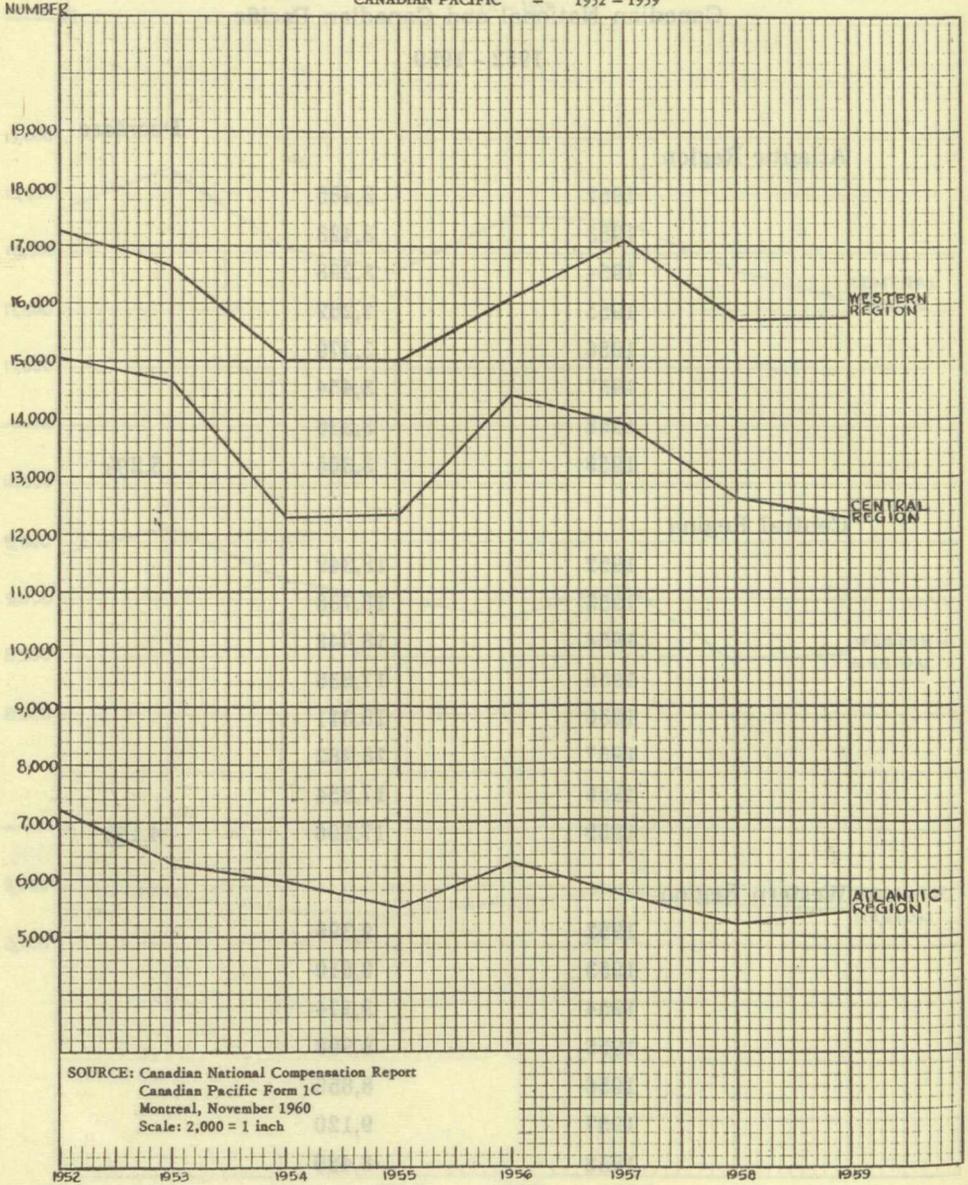


SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, November 1960.

AVERAGE ANNUAL EMPLOYMENT WAY AND STRUCTURES GROUP - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



SOURCE: Canadian National Compensation Report
Canadian Pacific Form 1C
Montreal, November 1960

AVERAGE ANNUAL EMPLOYMENT WAY AND STRUCTURES GROUP
 Canadian National and Canadian Pacific

1952 - 1959

Decrease

Atlantic Region

1952	7,192
1953	6,277
1954	5,947
1955	5,487
1956	6,252
1957	5,694
1958	5,102
1959	5,418

24.7%

Central Region

1952	15,065
1953	14,642
1954	12,294
1955	12,337
1956	14,400
1957	13,919
1958	12,627
1959	12,351

18.0%

Western Region

1952	17,250
1953	16,653
1954	15,036
1955	15,005
1956	16,122
1957	17,102
1958	15,692
1959	15,724

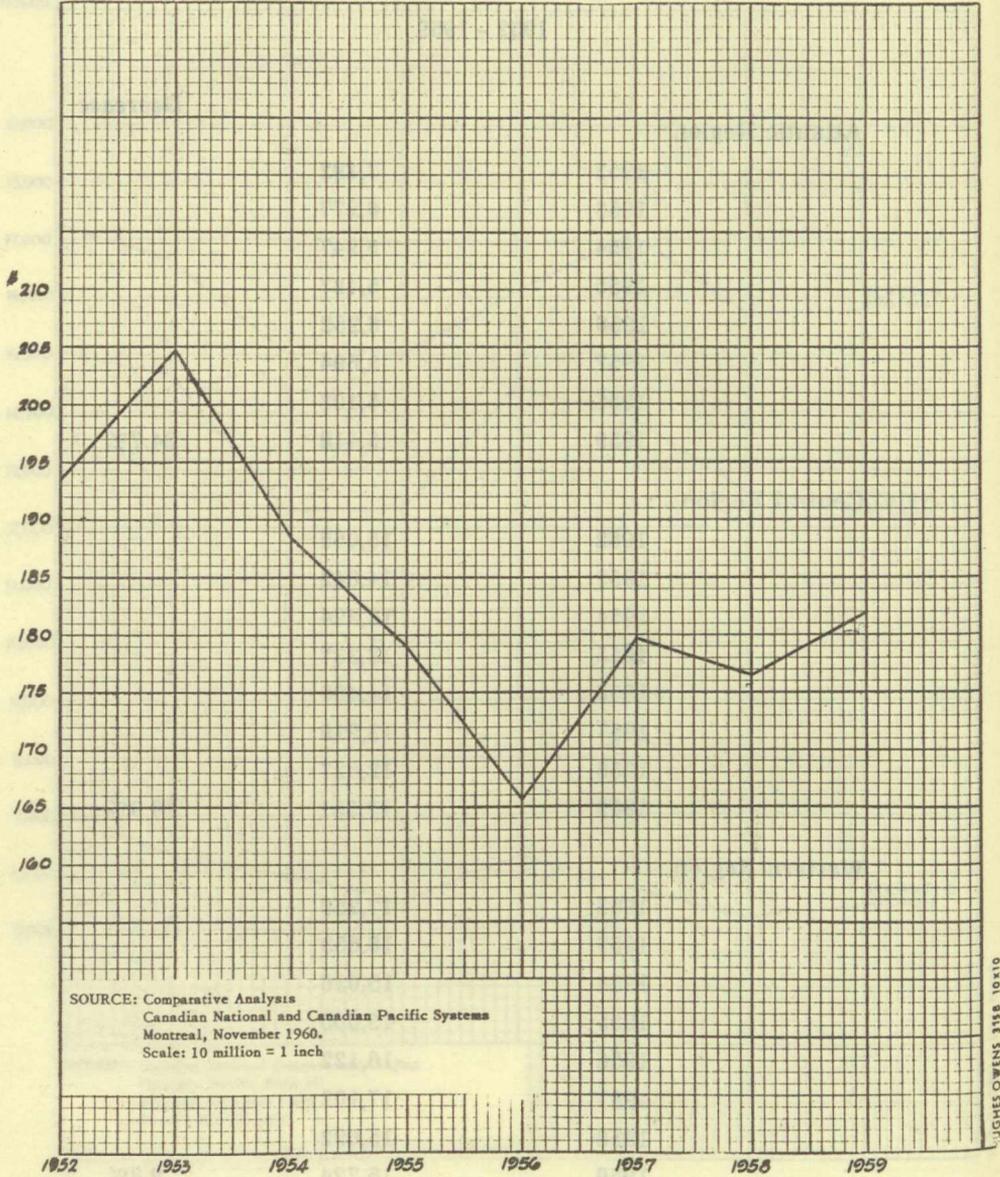
8.8%

SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, November 1960.

EXPENDITURE ON ROAD MAINTENANCE - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959
MILLIONS



EXPENDITURE ON ROAD MAINTENANCE

Canadian National and Canadian Pacific

1952-1959

	<i>Expenditure on Road Maintenance *</i> <i>Total</i> (Thousands)	<i>Number of Employees</i>
1952	\$ 193,619	39,507
1953	204,945	37,572
1954	188,559	33,277
1955	179,062	32,829
1956	165,791	36,774
1957	179,887	36,715
1958	176,430	33,421
1959	182,078	33,493

* Does not include depreciation.

SOURCE: Comparative Analysis—Canadian National-Canadian Pacific Systems.

Montreal, November 1960.

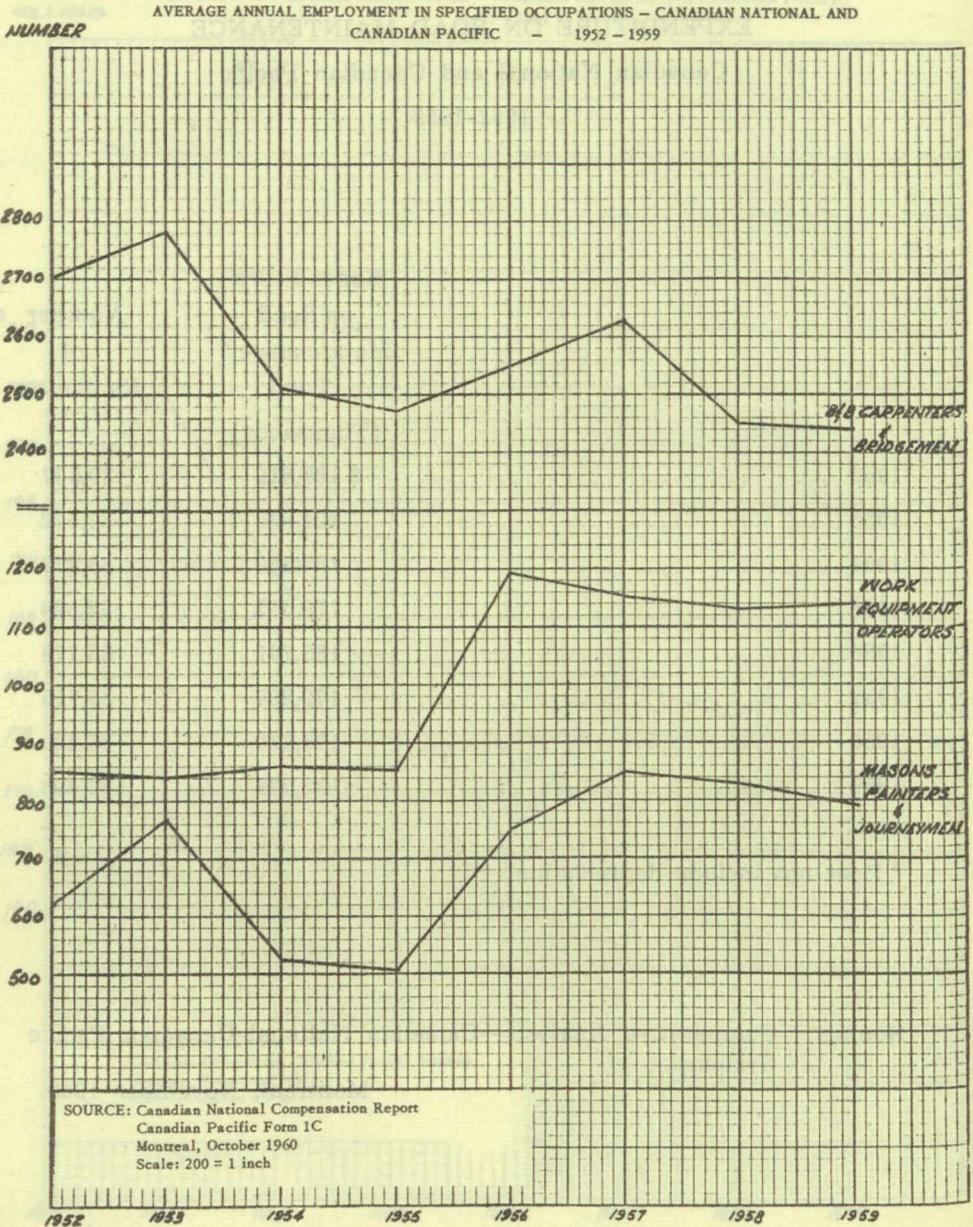
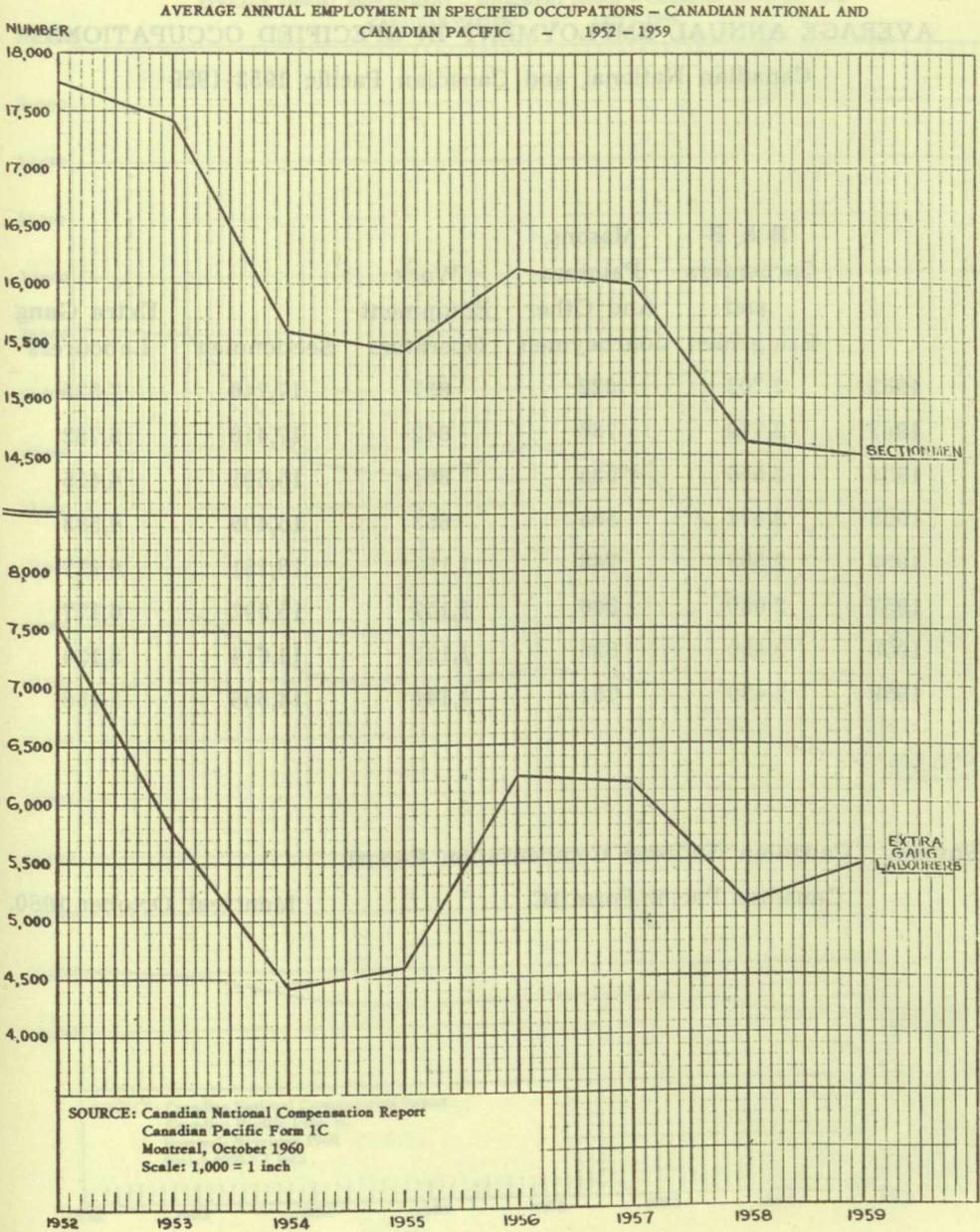


EXHIBIT XIII - SHEET 2



AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS

Canadian National and Canadian Pacific 1952-1959

	B & B Carpenters and Bridgemen	Masons, Painters And Other Journeymen	Work Equipment Operators	Sectionmen	Extra Gang Labourers
1952	2,703	622	857	17,746	7,525
1953	2,779	766	842	17,416	5,782
1954	2,510	525	861	15,591	4,415
1955	2,471	505	853	15,408	4,593
1956	2,553	748	1,193	16,131	6,227
1957	2,630	846	1,157	15,992	6,177
1958	2,450	826	1,135	14,614	5,124
1959	2,439	791	1,141	14,505	5,486

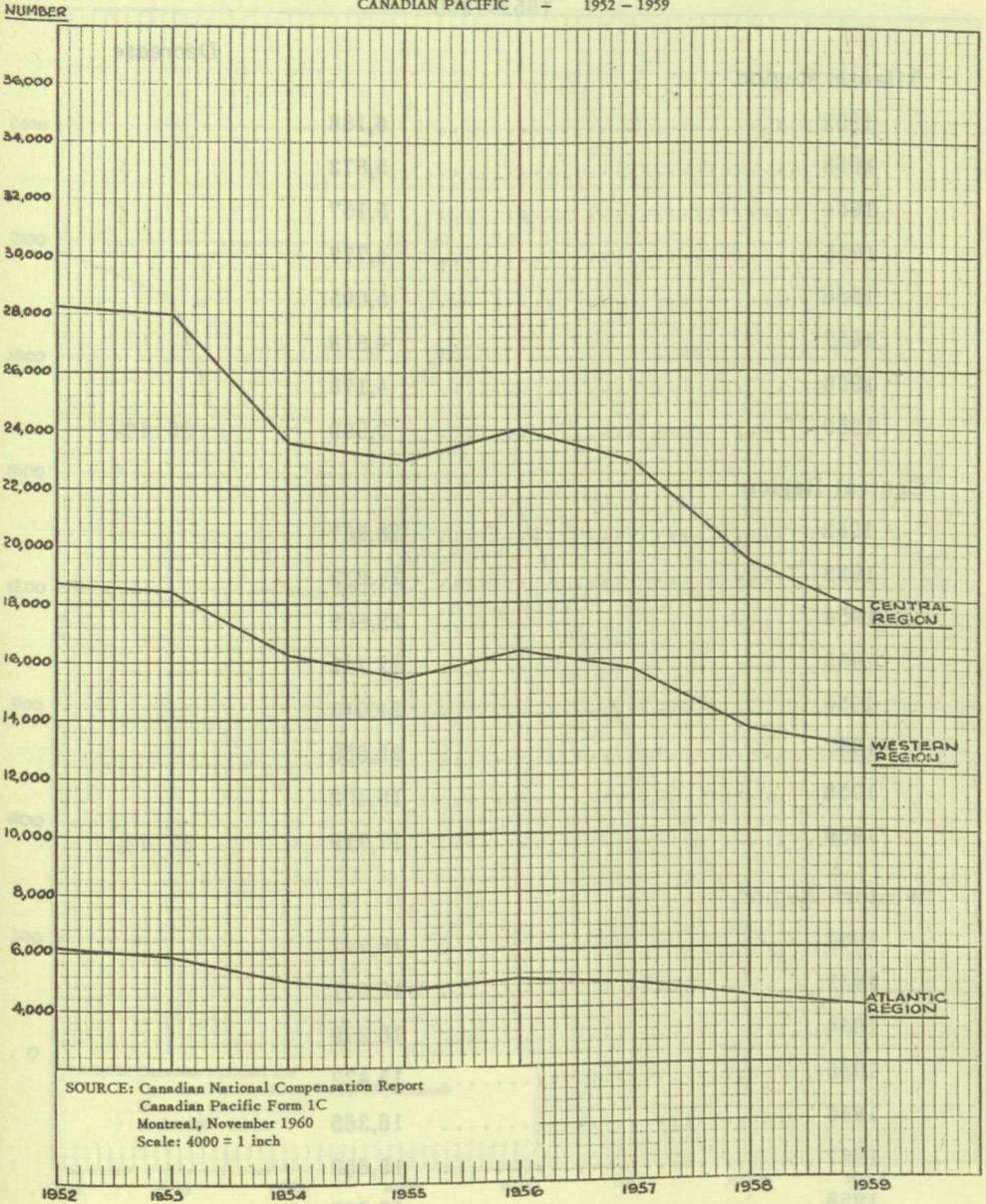
SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, October 1960.

EXHIBIT XIV - SHEET 1

AVERAGE ANNUAL EMPLOYMENT - EQUIPMENT GROUP - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



SOURCE: Canadian National Compensation Report
Canadian Pacific Form 1C
Montreal, November 1960
Scale: 4000 = 1 inch

HUGHES OWENS 3 115 10x10

AVERAGE ANNUAL EMPLOYMENT EQUIPMENT GROUP

Canadian National and Canadian Pacific

1952-1959

Region	Year	Employment	Change (%)
Atlantic Region	1952	6,188	
	1953	5,872	
	1954	5,157	
	1955	4,777	
	1956	5,005	
	1957	4,818	
	1958	4,178	
	1959	3,999	35.4%
	Central Region	1952	28,287
1953		27,933	
1954		23,695	
1955		22,742	
1956		24,013	
1957		22,668	
1958		19,402	
1959		17,719	37.4%
Western Region		1952	18,747
	1953	18,591	
	1954	16,279	
	1955	15,423	
	1956	16,365	
	1957	15,653	
	1958	13,637	
	1959	13,047	30.4%

SOURCE: Canadian National Compensation Report

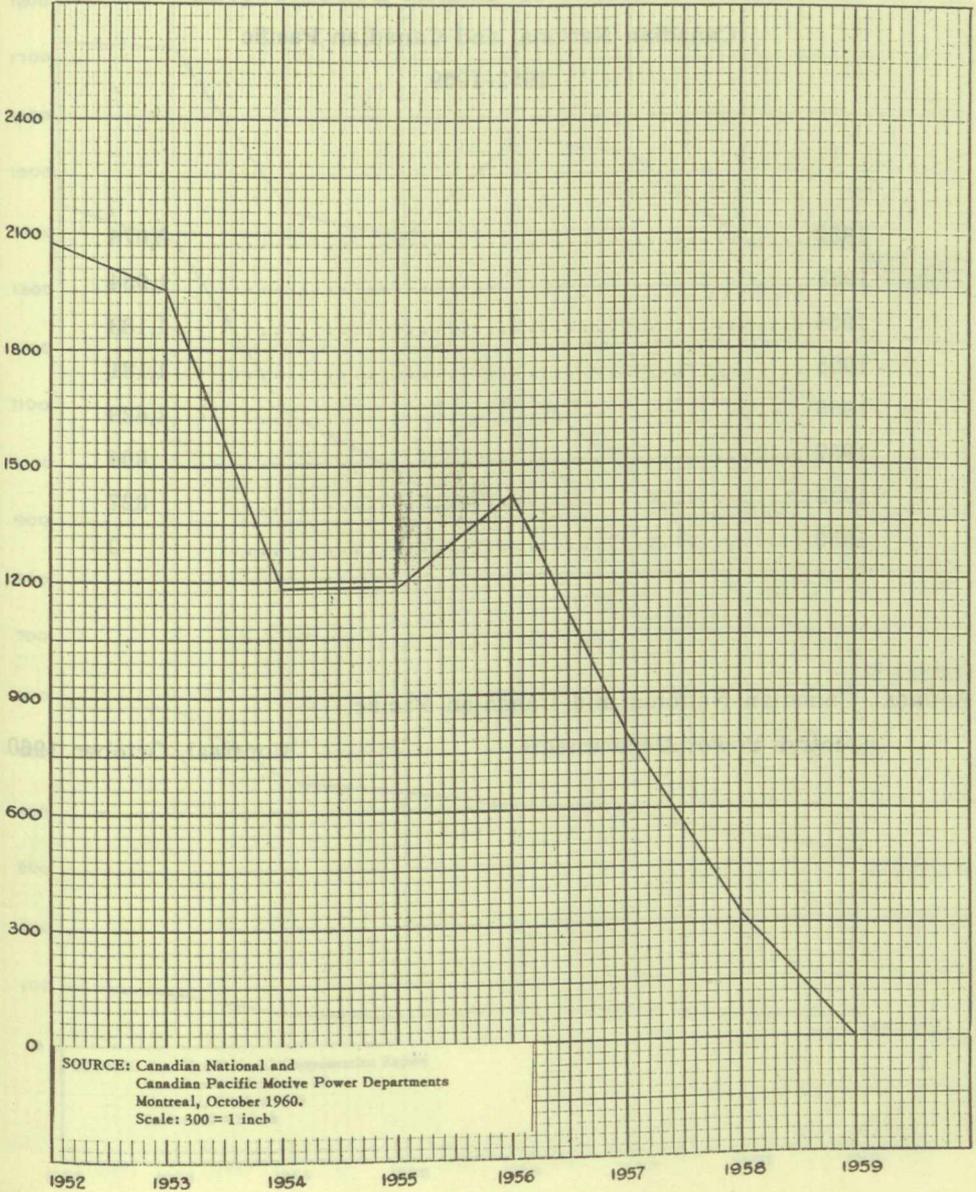
Canadian Pacific Form 1C

Montreal, November 1960.

EXHIBIT XV - SHEET 1

MAJOR REPAIRS ON STEAM LOCOMOTIVES - CANADIAN NATIONAL AND CANADIAN PACIFIC
1952 - 1959

NUMBER



SOURCE: Canadian National and
Canadian Pacific Motive Power Departments
Montreal, October 1960.
Scale: 300 = 1 inch

HUGHES OWENS 3158 10x10

AVERAGE ANNUAL EMPLOYMENT EQUIPMENT GROUP

MAJOR REPAIRS ON STEAM LOCOMOTIVES

Canadian National and Canadian Pacific
1952-1959

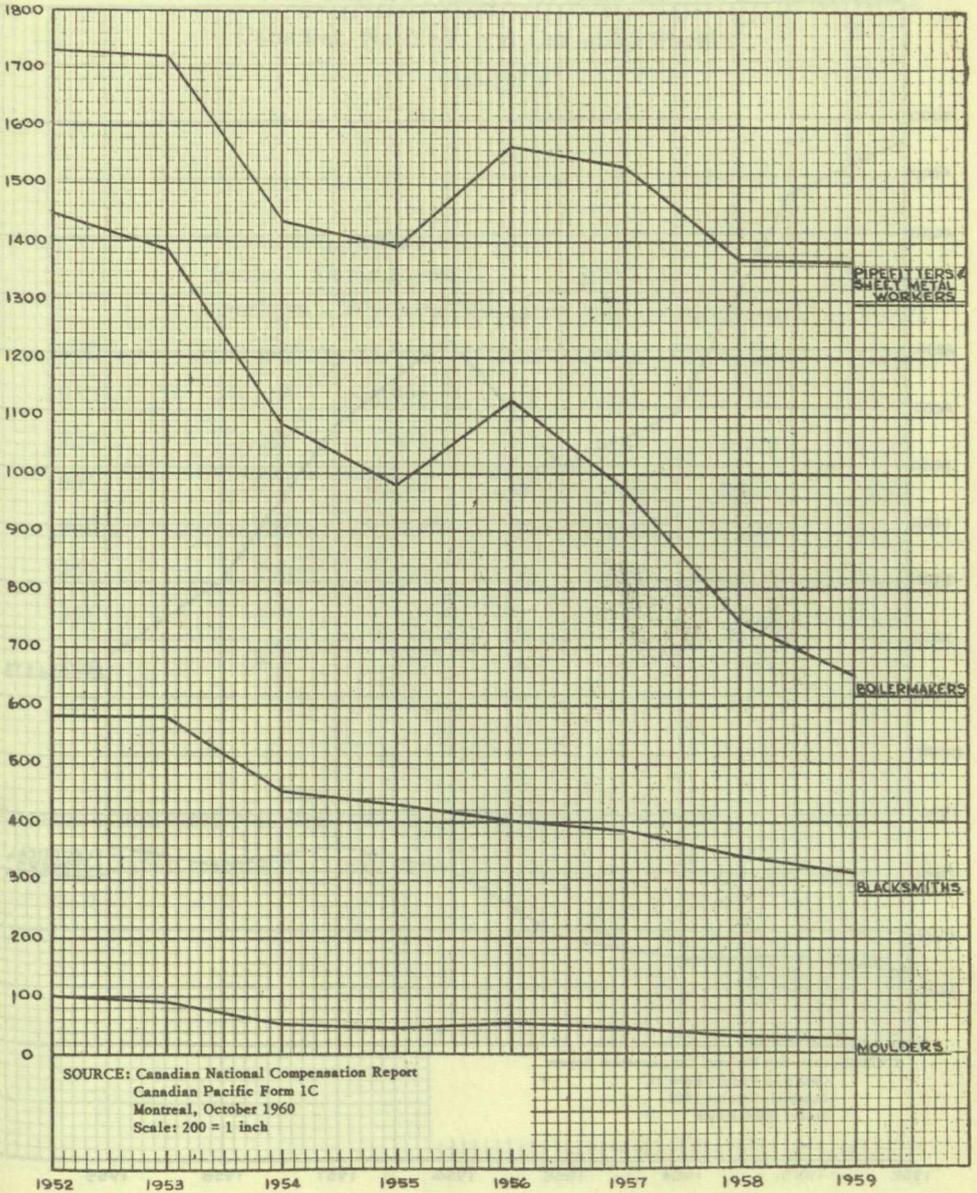
1952	2,076
1953	1,954
1954	1,183
1955	1,181
1956	1,429
1957	804
1958	327
1959	0

SOURCE: Canadian National and Canadian Pacific
Motive Power Departments

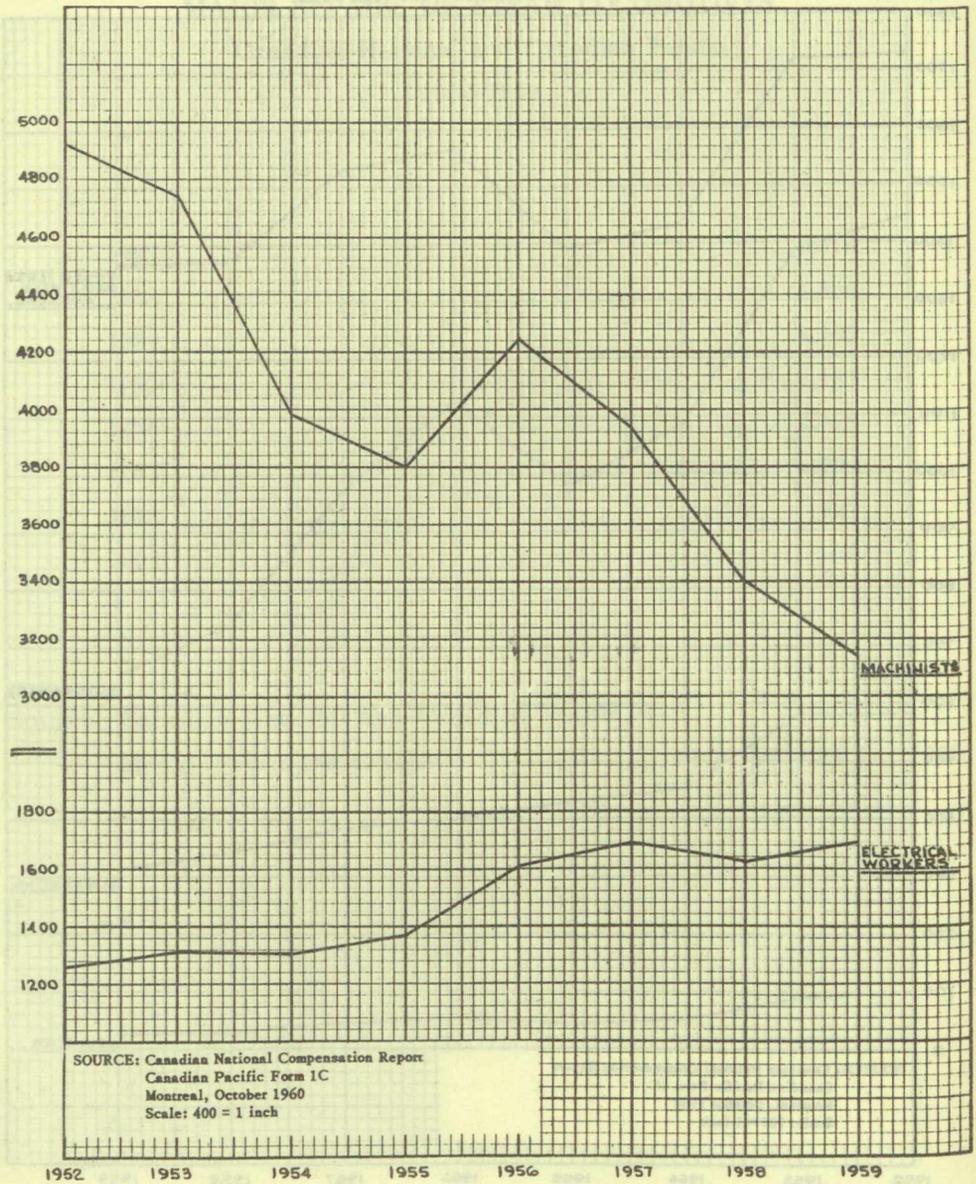
Montreal, October 1960.

EXHIBIT XVI - SHEET 1

AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



SOURCE: Canadian National Compensation Report
 Canadian Pacific Form 1C
 Montreal, October 1960
 Scale: 400 = 1 inch

HUGHES OWENS 3158 10x10

AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS

Canadian National and Canadian Pacific

1952-1959

	Pipefitters and Boiler- Sheet metal makers Workers		Moulders	Black- smiths	Machinists	Electrical Workers
1952	1,447	1,733	100	581	4,920	1,260
1953	1,385	1,723	91	580	4,744	1,314
1954	1,086	1,435	53	455	3,979	1,312
1955	981	1,390	44	428	3,800	1,369
1956	1,124	1,564	53	402	4,243	1,612
1957	973	1,530	44	386	3,936	1,692
1958	741	1,368	31	341	3,402	1,624
1959	651	1,365	25	314	3,144	1,697

SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

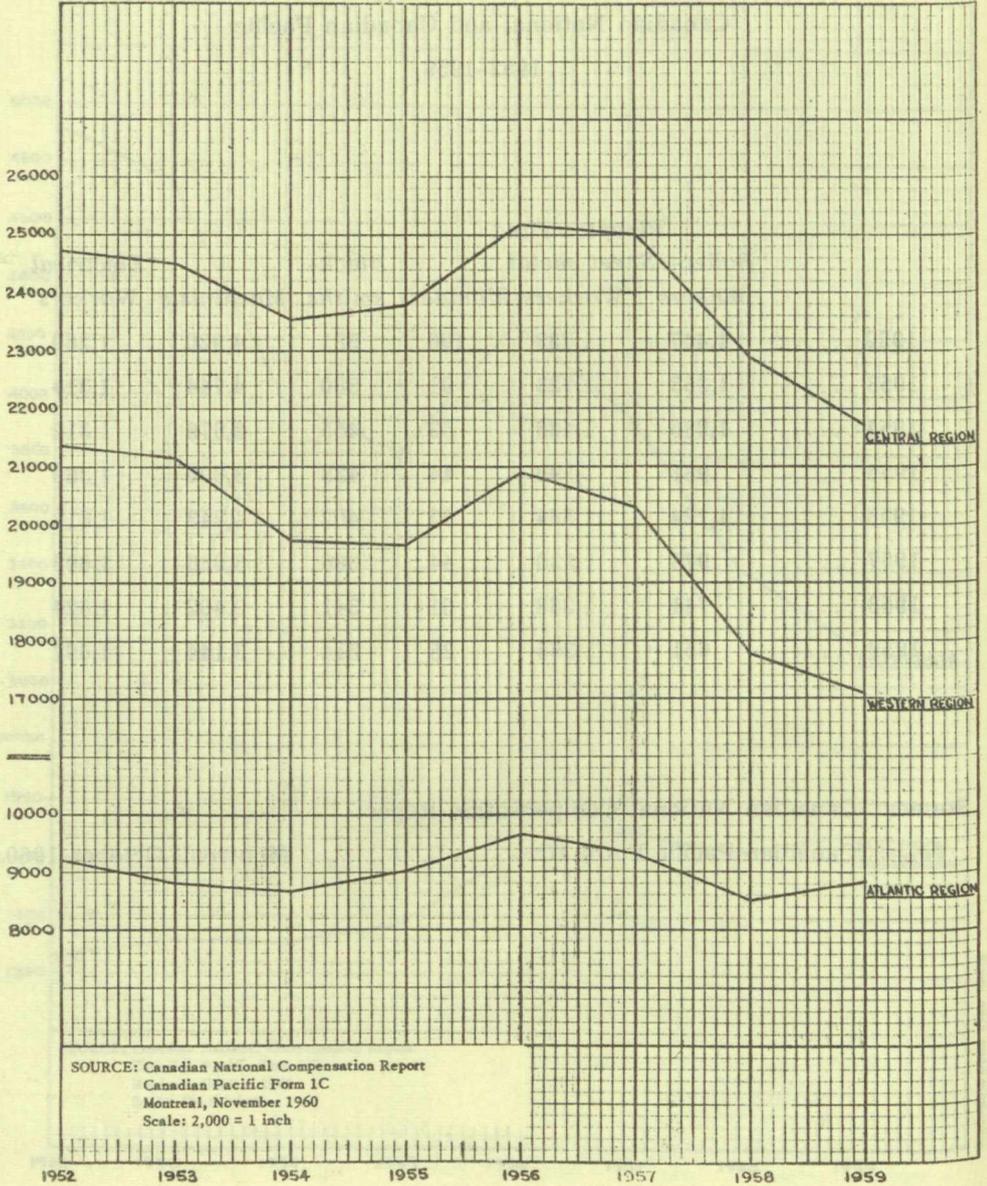
Montreal, October 1960.

Source: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, November 1960.

AVERAGE ANNUAL EMPLOYMENT IN TRANSPORTATION GROUP - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



SOURCE: Canadian National Compensation Report
 Canadian Pacific Form 1C
 Montreal, November 1960
 Scale: 2,000 = 1 inch

HUGHES OWENS 3158 10x10

AVERAGE ANNUAL EMPLOYMENT TRANSPORTATION GROUP

Canadian National and Canadian Pacific

1952-1959

Atlantic Region

1952	9,248
1953	8,815
1954	8,685
1955	9,031
1956	9,650
1957	9,321
1958	8,510
1959	8,837

Decrease

4.4%

Central Region

1952	24,733
1953	24,494
1954	23,564
1955	23,792
1956	25,187
1957	25,007
1958	22,878
1959	21,756

12.0%

Western Region

1952	21,375
1953	21,169
1954	19,731
1955	19,641
1956	20,885
1957	20,317
1958	17,793
1959	17,070

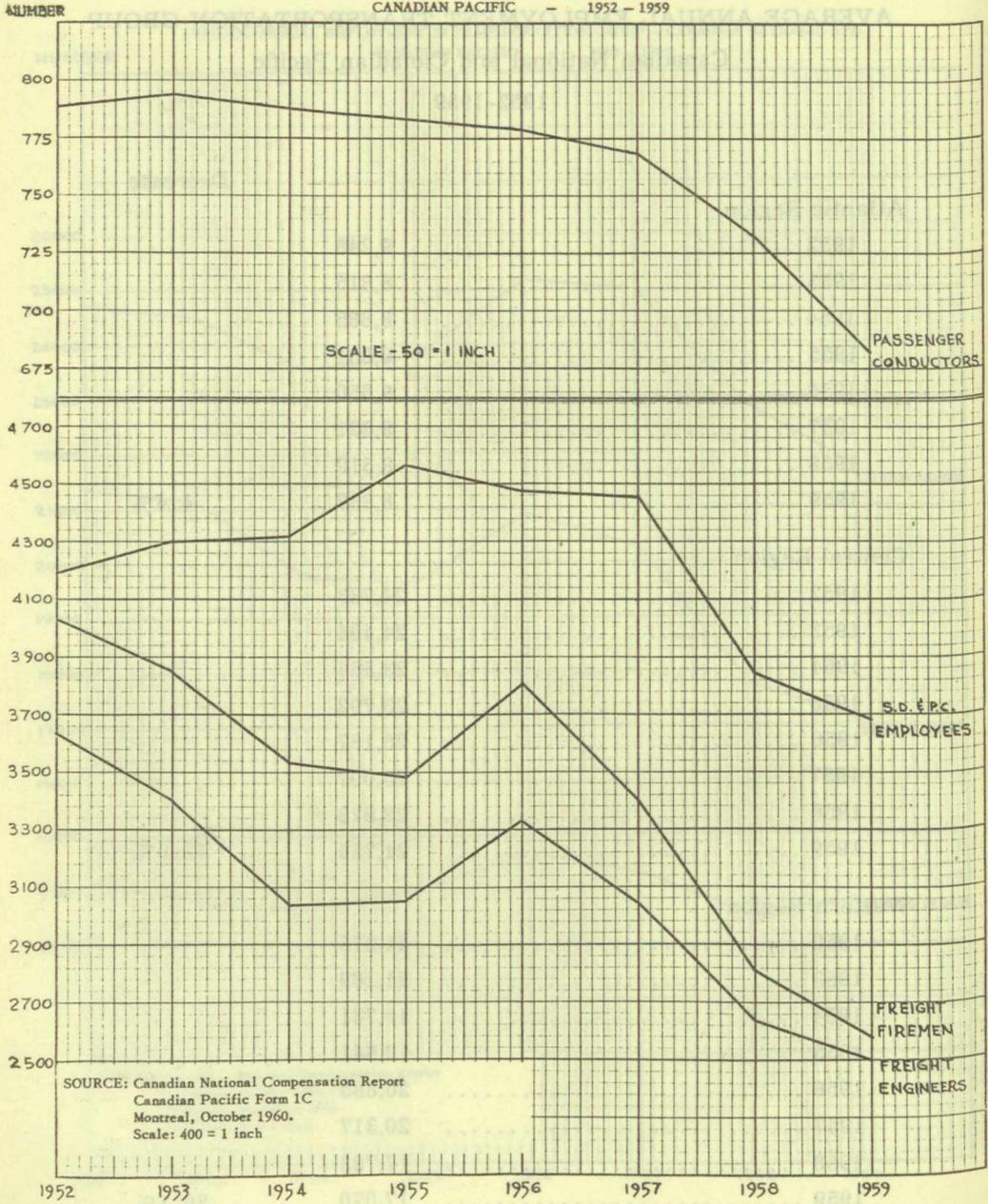
20.1%

SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, November 1960.

AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS - CANADIAN NATIONAL AND CANADIAN PACIFIC - 1952 - 1959



HUGHES OWENS 315B 10-10

Source: Canadian National Compensation Report
 Canadian Pacific Form 1C
 Montreal, November 1960

AVERAGE ANNUAL EMPLOYMENT IN SPECIFIED OCCUPATIONS

Canadian National and Canadian Pacific

1952-1959

	<i>Passenger Conductors</i>	<i>Freight Enginemen</i>	<i>Freight Firemen</i>	<i>S.D. & P.C. Employees</i>
1952	788	3,634	4,027	4,190
1953	794	3,395	3,854	4,303
1954	787	3,053	3,537	4,316
1955	784	3,051	3,493	4,556
1956	779	3,335	3,815	4,473
1957	769	3,023	3,399	4,465
1958	731	2,575	2,819	3,850
1959	682	2,506	2,583	3,684

SOURCE: Canadian National Compensation Report

Canadian Pacific Form 1C

Montreal, October 1960.

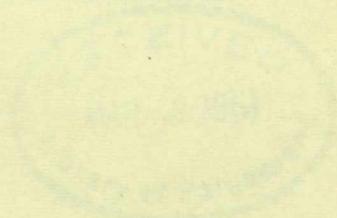


Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

No. 13



WEDNESDAY, FEBRUARY 23, 1961

The Honourable LEON METTROT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESSES

Canadian Convocation Association:

Mr. A. G. Sullivan, President; Mr. W. G. Malone, Past President and Chairman, Winnipeg Employment Committee; Mr. G. Mison, Chairman, Labour Relations Committee; Mr. J. Paulin, Chairman, Manufacturers' & Suppliers' Section; Mr. J. D. E. Caucher, General Manager.

Canadian Labourers' Association:

Mr. J. A. Schryburt, Director of Public Relations.

APPENDIX

Brief from the Bishops' Council of Canada

ROGER BUCHANAN, P.R.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 13



WEDNESDAY, FEBRUARY 22, 1961

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Canadian Construction Association:

Mr. A. G. Sullivan, President; Mr. W. G. Malcom, Past President and Chairman, Winnipeg Employment Committee; Mr. G. Milsom, Chairman, Labour Relations Committee; Mr. J. Faulds, Chairman, Manufacturers' & Suppliers' Section; Mr. S. D. C. Chutter, General Manager.

Canadian Lumbermen's Association:

Mr. J. A. Schryburt, Director of Public Relations.

APPENDIX

Brief from the Fisheries Council of Canada

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—

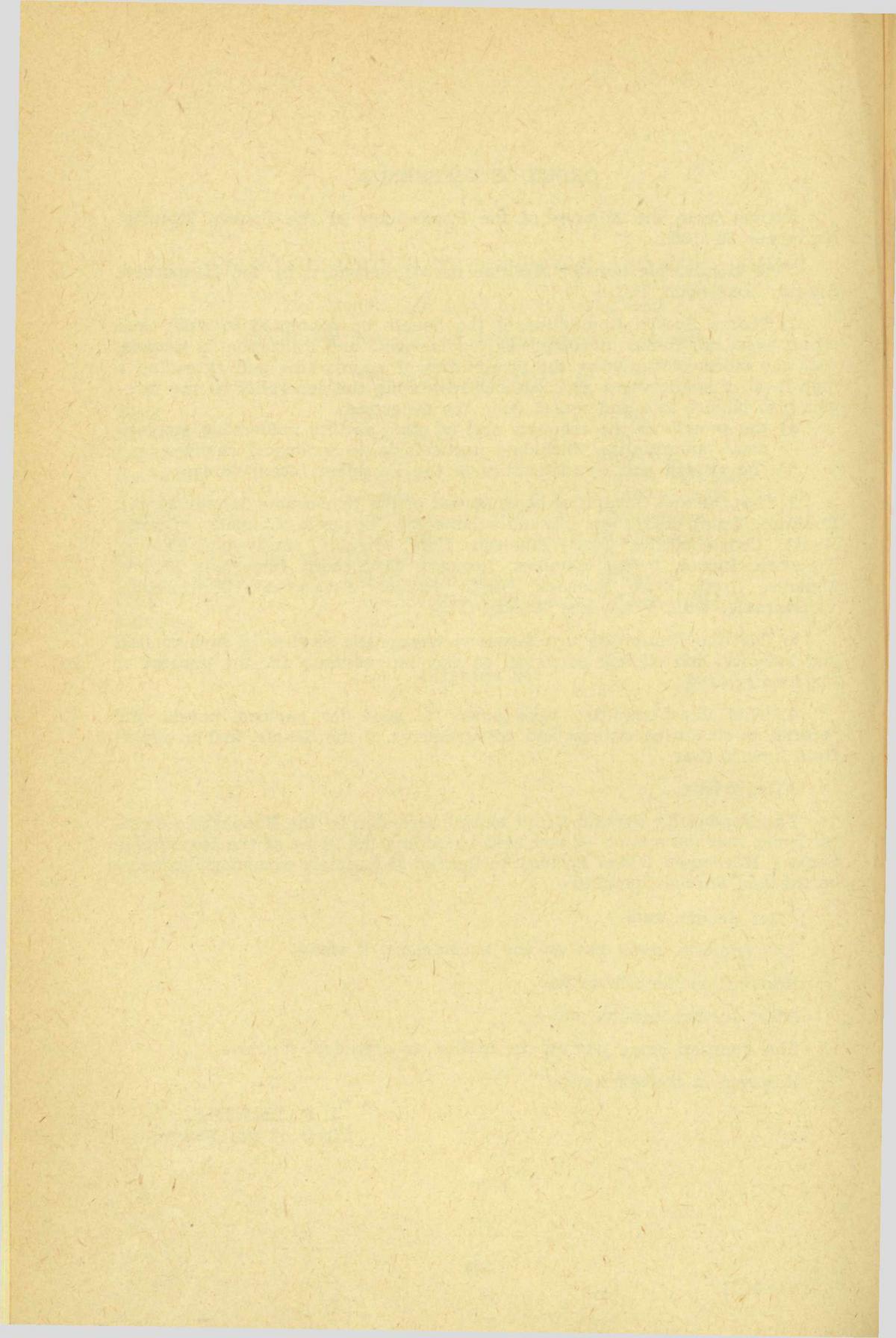
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

WEDNESDAY, February 22, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot, *Chairman*; Blois, Buchanan, Haig, Horner, Inman, Irvine, Leonard, Macdonald (*Cape Breton*), MacDonald (*Queens*), Pratt and Smith (*Queens-Shelburne*).—12.

The following were heard:

For Canadian Construction Association:

Mr. A. G. Sullivan, President.

Mr. W. G. Malcom, Past President and Chairman, Winnipeg Winter Employment Committee.

Mr. G. Milsom, Chairman, Labour Relations Committee.

Mr. J. R. Faulds, Chairman, Manufacturers' and Suppliers' Section.

Mr. S. D. Chutter, General Manager.

For Canadian Lumbermen's Association:

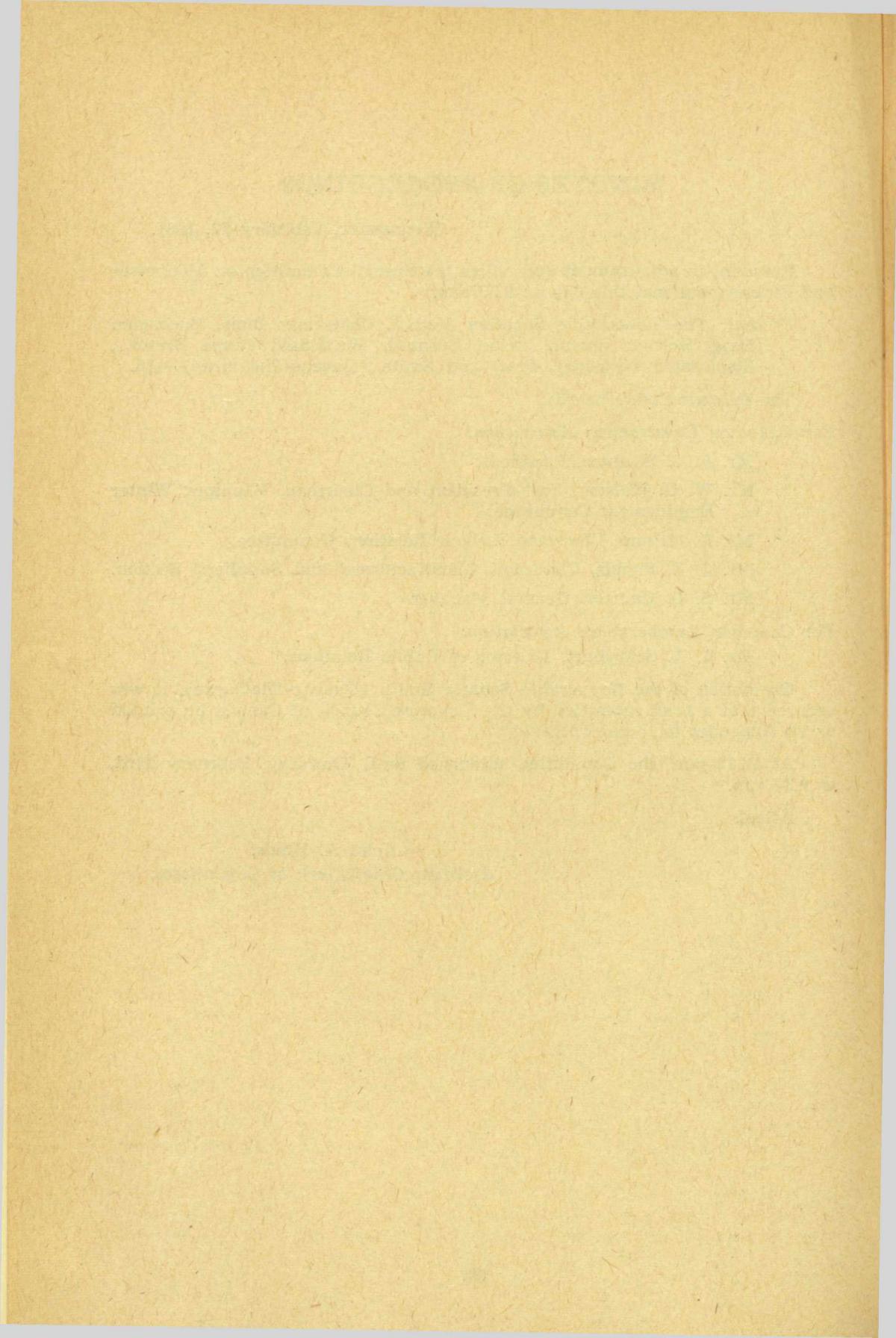
Mr. J. A. Schryburt, Director of Public Relations.

On motion of the Honourable Senator Smith (*Queens-Shelburne*), it was ordered that a brief submitted by the Fisheries Council of Canada be printed as an Appendix to these proceedings.

At 12.15 p.m. the Committee adjourned until Thursday, February 23rd, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.



THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Wednesday, February 22, 1961.

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. LEON METHOT in the Chair.

The CHAIRMAN: We now have a quorum, honourable senators. This morning we have with us representatives of the Canadian Construction Association. The delegation is headed by Mr. A. G. Sullivan, the president, from Montreal. I will ask Mr. Sullivan to present his associates.

Mr. A. G. Sullivan, President, Canadian Construction Association: Mr. Chairman and honourable senators, it gives me a great deal of pleasure to introduce to you the other members of our delegation. They are Mr. W. G. Malcom, C.C.A. Past President and Chairman of the Winnipeg Winter Employment Committee, from Winnipeg, Manitoba; Mr. T. G. Fuller, C.C.A., Ontario Provincial Vice-President, from Ottawa. Unfortunately Mr. Fuller is not with us at the moment, but he will be present within the next half hour. Mr. G. Milsom, Chairman of the Labour Relations Committee, from Montreal; Mr. J. R. Faulds, Chairman of the Manufacturers' and Suppliers' Section, from Toronto; and Mr. G. R. Stunden, Immediate Past Chairman of the Road Builders' and Heavy Construction Section of the C.C.A. Mr. Stunden is from Montreal.

Then, we have with us also members of the C.C.A. staff. They are Mr. S. D. C. Chutter, Mr. G. S. C. McNee, Mr. P. Stevens and Mr. I. Browne.

Honourable senators, the Canadian Construction Association is pleased to have this opportunity to submit to this Senate Special Committee its views on employment, both present and future, in the Canadian construction industry.

INTRODUCTION

The Canadian Construction Association is a national trade association of some 1,250 firms and has as affiliates 59 local and provincial associations. This membership includes leading general and trade contractors in both building and engineering construction and the principal manufacturers and suppliers of construction materials and equipment throughout the country.

The subjects covered in the Senate Committee's terms of reference have long held the Association's interest. At its first annual convention in 1918 the promotion of wintertime construction and the development of an organized apprenticeship training system were included among the new association's objectives.

The following submission in accordance with the terms of reference, outlines the diversity of construction activity in Canada, the volume of construction activity, the demand for construction services, employment in construction and

the composition of the construction labour force. It then investigates unemployment in the industry, the causes of construction unemployment, and offers proposals for reducing unemployment and improving overall job opportunities in construction. The main factors required in carrying out construction work involve "the five M's"—manpower, materials, machinery, methods and money. While this submission will deal specifically with manpower, it is impossible to avoid discussion of the remaining four factors as well.

The construction industry's share of Canada's gross national product rose as high as 22.3% in 1957 from 13.4% in 1946. To accomplish this growth, the physical capacity of the industry has had to expand rapidly. In recent years the volume of construction has levelled off in excess of \$7 billion and there has been an accompanying trend in construction employment which has also been maintained at a high level.

At this time of the year a good deal of attention is naturally focussed on the fact that a large proportion of those who are unemployed are listed as construction workers. We would like to stress that the construction industry has also contributed greatly to the level of employment in Canada, especially during the last two decades:

The volume of wintertime construction and employment has increased greatly so that now more Canadians are employed by construction companies in the middle of winter than were employed during the middle of the so-called "building season" a dozen years ago.

The construction program gave employment to a greater number of Canadians in each successive year, 1939-1956, and since then has maintained the level of employment at an estimated equivalent of between 568,000 and 591,000 full-time jobs, plus an even greater number employed off-site in manufacturing, transporting and merchandising construction materials and equipment.

The construction labour force has grown at a faster rate in the post-war period than that of manufacturing.

Construction operations have not been affected by automation and whereas there have been numerous technological changes they have not caused serious disruptions in employment.

In summary, the construction industry has provided employment to a sizeable share of the Canadian labour force and the physical means of Canada's economic development, while at the same time reducing much of the seasonal nature of construction operations. Moreover, the industry is unlikely to experience any marked unemployment problems due to on-site automation in the foreseeable future because of the custom nature of its operations.

In order to maintain and extend employment opportunities in the construction industry, the Canadian Construction Association believes that every effort should be made by all concerned to increase the amount of year-round construction employment, to improve the status of construction as an occupation, and to generate new employment opportunities in the construction field.

The level of construction activity is greatly influenced by government policies. Over one-third is financed directly by public funds. An appreciable number of projects at the provincial or local level receive federal and/or provincial grants and therefore are subject to considerable influence from the senior governments as to volume and timing.

Upwards of another third represents residential construction. The financing of over 40% of this program is subject to government guarantees and loans as well as, to a lesser extent, expenditures included in the group referred to in the previous paragraph. Once again the provisions of housing legislation have

a direct influence on the volume, nature and timing of the housing program. The latter section of the construction program has the highest on-site employment component.

Most of the balance is composed of industrial and commercial projects. These in turn provide the main facilities for employment of a continuing nature in other industries. The volume of construction in this sector depends heavily on the general investment climate which in turn is greatly influenced by government policies in the fields of taxation, international trade, immigration, credit, education, etc.

The following table indicates the growth trends which have developed in the construction industry since 1951. During a period when population grew by 27%, the estimated number of full-time construction jobs rose by 25%, and, based on constant 1949 dollars, the physical volume of construction by 46% and the per capita volume of construction by 14%.

GROWTH OF THE CANADIAN CONSTRUCTION INDUSTRY FROM 1951 TO 1960

	Value of total construction		Value of total residential (current dollars)	Value of total other building (current dollars)	Value of total engineering (current dollars)	Estimated equivalent of full-time jobs provided	Per capita value of total construction		Population (June 1)
	current dollars	1949 dollars					current dollars	1949 dollars	
	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	No.	\$	\$	(000)
1951.....	3,661.2	3,231	1,042.0	1,268.7	1,350.5	467,524	261	231	14,009
1952.....	4,198.6	3,534	1,029.0	1,381.9	1,787.7	477,953	290	244	14,459
1953.....	4,639.6	3,716	1,297.3	1,514.8	1,827.5	515,060	313	250	14,845
1954.....	4,723.4	3,725	1,399.9	1,515.0	1,809.5	518,186	309	244	15,287
1955.....	5,308.2	3,986	1,734.9	1,640.5	1,932.8	533,803	338	254	15,698
1956.....	6,454.3	4,623	1,902.3	1,987.9	2,564.1	591,983	401	287	16,081
1957.....	7,023.0	4,850	1,813.0	2,073.5	3,136.5	591,055	423	292	16,589
1958.....	7,092.5	4,813	2,189.0	1,912.8	2,990.7	581,992	416	282	17,048
1959*	7,128.6	4,697	2,189.6	2,044.2	2,874.8	567,991	409	269	17,442
1960**	7,317.2	4,711	2,152.7	2,274.3	2,891.2	582,317	411	264	17,814
1960***	7,196	—	2,027	—	—	—	403	—	—
% Growth since 1951.....	99.9%	45.8%	106.6%	79.3%	113.0%	24.6%	57.4%	14.3%	27.2%

*Preliminary.

**Estimate.

*** Revised Estimate.

Source: D.B.S. Construction in Canada and Population Statistics.

SUMMARY OF SUBMISSION

At this point I would like to suggest that, in view of the amount of statistical data and the length of the body of our Submission, I be permitted, Mr. Chairman, to read a summary of pages 6 to 34, and then proceed with our proposals in detail.

Size and Diversity of the Construction Industry:

Construction is Canada's largest single industry. In 1959 the value of all construction work performed was \$7.1 billion dollars, of which contractors carried out 76.9%, the work forces of utilities 10.7% and government work forces 5.7%. Residential building construction made up 30.7% of this total, other building construction 29.0% and engineering construction 40.3%. Geographically the Atlantic Provinces carried out 5.9% of all building and 8.6% of all engineering, Quebec 27.5% and 22.8%, Ontario 37.2% and 29.1% the Prairie Provinces 18.9% and 24.6% and British Columbia 10.5% and 12.9% respectively. Only in Quebec and Ontario was there relatively more building than engineering construction being undertaken. On a per capita basis Newfoundland had the lowest rate of construction outlay—\$213; and Alberta the highest—\$655. Quebec had \$364 and Ontario \$406. The Canadian average was \$407.

Construction Volume Trends:

While Canada's population continued to grow by an average annual rate of 2.8% since 1957, construction volume has declined. Over the long-term, however, there will be continued growth as population increases bring forth need for more housing, schools, hospitals and related projects—provided that the wherewithal and the incentives for capital investment continue.

In recent years construction has exceeded 20% of the Gross National Product, compared to a 15% relationship in the U.S.A. The importance of a high level of worthwhile construction activity is becoming recognized.

In 1980, according to the submission to the Royal Commission on Canada's Economic Prospects by the Royal Bank of Canada in 1958, construction will be valued at some \$12.8 billion (1955 dollars). While a drop in the proportion of labour dependent on construction is forecast, the study estimated that employment will approach 900,000 in the industry by 1980.

Demand for Construction:

Construction, being a service, depends on investment decisions made for many reasons by individuals in many fields of activity. Because of the inherent delay in executing construction plans, demand for construction activity tends to expand more rapidly in good times and drop more quickly during slowdowns than economic activity in general. Some two-thirds of construction originates from private investment and one-third from public spending. Consequently government fiscal policy can and does play a very decisive part in creating overall demand for construction services. Public works programs; reduced interest rates and expanded credit; taxation policy; direct subsidy financing—all are fields where governments at all levels can stimulate construction activity.

The demand for engineering construction is different from that for building construction and is influenced by a different set of financial incentives as well as by the public interest. Government policy has a more direct influence on their being undertaken.

Some 42% of our new dwelling units are being financed under the National Housing Act. Government assistance through this Act has had and currently is having a direct influence on housing activity and construction employment.

Construction Employment:

Construction employment, being affected very little by automation, has had a greater relative increase since 1947 than manufacturing, or even the

industrial composite of all employment, despite the influences of mechanization. However construction employment has gone through wider fluctuations than any major industry except possibly the logging industry.

Buyers of construction demand better quality and design at reasonable costs. The result is prefabrication, mechanization, standardization and less costly methods—in effect less on-site labour content per construction dollar. In 1954 labour was 35.6 cents out of every dollar spent on construction; in 1959—32.7 cents. These, of course, are average figures.

In addition to on-site employment, there is considerable off-site employment generated by construction activity. In 1959 employment in the industry was estimated at the equivalent of 568,000 full-time jobs. An even greater number of jobs were involved in the production, merchandizing and transportation of the materials and equipment utilized. In **Appendix "A"** we show a breakdown of man-hours, employment by trades and other employment information on selected types of construction projects.

Construction Labour Force:

Construction labour was 97.4% male in September, 1960 and some 54% were between 25 and 44 years old (49% of all contributing labour). Geographically, 8.7% of construction labour is in the Atlantic Provinces (9.4% total), 29.0% in Quebec (28.1% total), 35.8% in Ontario (39.1% total), 17.5% in the Prairie Provinces (13.7% total), and 9.0% in British Columbia (9.7% total)—most of which is located in the urban areas.

Recruits come from agriculture, forestry and other basic industries, from those leaving school, from part-time entrants and from immigration. From 1952 to September, 1960 there have been 20,311 carpenters, 14,476 bricklayers and masons, 12,368 electricians, 8,497 painters and 5,213 plumbers entering as immigrants into Canada, out of 64,497 in the skilled construction trades, other construction workers totalled 4,348—overall total 68,845 or an annual average of 7,868 entrants. 1957 was the largest year with 16,388 entrants.

The material prosperity of any country depends largely on the general level of technical knowledge and efficiency. Apprenticeship training in Canada has been established for some time and has increased in facilities and effectiveness in recent years. On September 30, 1960, there were 9,710 apprentices registered in the building trades in all provinces with an Apprenticeship Agreement with the Federal Government (except Quebec and P.E.I.)—49.5% of all apprentices registered for all trades.

Recruitment is a problem. A general increase in educational standards; the lure of any job when you are young; the deterrent of "apprenticeship" with its commonly believed menial status, long hours, years of indenture; lack of familiarity with the program by both contractors and the general public—all influence recruitment. The growth in number of senior teenagers entering the labour market—over 100,000 a year—makes more training facilities necessary. Well-trained, intelligent and energetic boys should have a good future in the construction industry. Many of the successful contractors of today commenced their construction careers as apprentices.

UNEMPLOYMENT IN THE CONSTRUCTION INDUSTRY

From 1954 to September, 1960 there have been more unskilled construction workers applying for work to the National Employment Service than for both skilled and unskilled trades together—a monthly average in 1959 of 64,725 compared to 51,128 respectively.

The Federal Department of Labour, in a study on Seasonal Unemployment in Canada in 1960, stated that construction unemployment is 22% of the total in summer and 33% in winter—41% of the seasonal increment, over

half is unskilled construction labour. Carpenters made up 54.4% of all seasonal unemployment among skilled and semi-skilled construction workers, painters 10.3%, machine operators 10.1% and bricklayers and tile-setters 7.7%. Plasterers showed the greatest relative increase in unemployment from summer to winter.

Seasonal unemployment is primarily a "male" problem, with the largest number in the 25-44 age group. There were 211,396 male construction workers who received unemployment insurance sometime during 1959 and terminated their benefits either through exhaustion or through lapse of their 12-month benefit period. The Atlantic Provinces had 9.0% of these terminations and 8.7% of the construction labour force, Quebec 31.8% and 29.0%, Ontario 35.5% and 35.8%, the Prairie Provinces 13.6% and 17.5%, and British Columbia 10.1% and 9.0%.

As was shown earlier, over half of those terminating (54.8%) were in the 25-44 age group. (53.9% of the construction labour force were 25-44). As a result of a special study of terminations by construction workers in 1959 by trades done for the C.C.A. by the Dominion Bureau of Statistics, covering terminations, either by exhaustion of insurance credits or by the expiration of the 52 week benefit period, of both regular benefits and seasonal benefits, labourers showed the most terminations followed by carpenters, painters, plumbers, masons, equipment operators, electricians, plasterers and lathers, foremen, cement finishers and structural iron workers. Unfortunately we have not been able to obtain figures on the actual employment in these trades for comparative use. Details of this study are given both in the main submission and in **Appendix "B"**.

In effect it shows:

- that Ontario and Quebec accounted for most of the benefit terminations, with Quebec leading in carpenters, painters, plumbers and electricians;
- that there is substantial unemployment among labourers;
- that Quebec has relatively more terminations, both regular and seasonal, and the Atlantic Provinces more seasonal;
- that Ontario has the lowest proportion of both regular and seasonal;
- that 30 urban areas account for 66% or more of regular terminations for electricians, plumbers, structural iron workers, masons, cement finishers and plasters and lathers and for 66% or more of seasonal terminations in structural iron workers, cement finishers and plasterers and lathers. It is estimated that these urban areas represent only 40% of total population, yet account for 60% of all regular terminations and 51% of all seasonal terminations, indicating the concentration of construction activity and unemployment in urban areas;
- that 43.6% of the skilled workers who terminated regular benefits had dependents and receiving the maximum weekly benefit;
- that 37.5% of the labourers terminating regular benefits had dependents but received less than the maximum weekly benefit;
- that 37.6% of the skilled workers terminating seasonal benefits had dependents but received less than the maximum weekly benefit;
- that 40.9% of the labourer terminating seasonal benefits were single and 39.9% had dependents, in both cases drawing less than the maximum weekly benefit. (A weekly wage of \$57 changed to \$69 in September, 1960 was the dividing line between maximum and less than maximum weekly benefit entitlement).
- that the Atlantic Provinces had relatively more skilled and semi-skilled workers and labourers terminating with dependents and getting less than the maximum weekly benefit;

- that British Columbia had relatively more skilled and semi-skilled workers and labourers terminating with dependents and getting the maximum weekly benefit;
- that the rest of Canada had a similar pattern of most terminations among the skilled, with dependents, getting the maximum weekly benefit and among single labourers and labourers with dependents, both getting less than the maximum weekly benefit.

CAUSES OF CONSTRUCTION UNEMPLOYMENT

The construction industry is only master of its own destiny to a limited extent. It depends on a demand for its services that is influenced by diverse economic and even psychological factors which, in turn, are influenced by the overall economic situation.

The construction labour force in some instances is too inflexible and too immobile to meet the growing need for greater skills and the geographical diversity of job opportunities. Unemployment insurance benefits can contribute to this inflexibility and immobility.

Housing is a large employer of on-site labour so that any decline in housing construction activity has a direct influence on construction employment.

Increasing mechanization, new material and new techniques can mean less on-site employment as well as the bringing of new skills into use. Drywall construction, prepared paints applied by roller or spray gun, movable partitions, re-usable concrete forms are examples of new materials causing new techniques.

It is unfortunate that progress in construction techniques must entail shifts in skills and in the size of the labour force yet technological development and greater efficiency must be a continuing aim of the construction industry.

Rising costs of land, labour and materials tend to restrain demand. However contractors have been able to reduce the negative effect of higher costs by improving their efficiency and putting up a better product. Unfortunately such countermeasures are limited and further cost increases could adversely affect both construction volume and construction employment.

Wintertime has been a traditional cause of seasonal unemployment in the construction industry, particularly for those in the "outside trades". Construction has the greatest variation in seasonal employment with the exception of agriculture. While construction does have a large seasonal unemployment problem, manufacturing, particularly the food and beverage section and the wood products section, the service industries, forestry and logging, trade, and transportation all have a sizeable seasonal component in their unemployment problem.

I think it is noteworthy that there have been more employees in manufacturing who have established seasonal unemployment insurance benefits than construction employees.

This Association has sponsored the National Joint Committee on Wintertime Construction through which increased wintertime projects have been advocated.

With proper planning and supervision there will be no loss in quality and most types of work can be carried out at a comparable net cost to the owner.

That completes the summary, Mr. Chairman.

Senator LEONARD: Mr. Chairman, Mr. Sullivan has summarized the submissions contained in the brief. I take it, however, that the entire brief will be printed in the record of our proceedings?

The CHAIRMAN: Yes, our printed record will contain the text of the brief. I suggest that it is advisable to insert at this point the part of the brief just summarised.

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

Insert into Proceedings of Committee of February 22, 1961, (No. 13)
between pages 906 and 907

THE CONSTRUCTION INDUSTRY IN CANADA

Size and Diversity of the Industry:

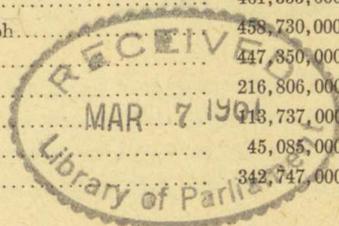
Construction, which is Canada's largest single industry, covers a very wide field of activity throughout the entire nation. Its volume in Quebec is larger than that of the pulp and paper industry (the largest in the manufacturing group) for Canada as a whole. Construction operations are an important factor in the economies of each province and include projects ranging from international bridges and waterways in the south to arctic projects in the Far North.

In 1959, the latest year for which actual statistics are available, the value of construction work performed totalled \$7,128,585,000 and was carried out as follows:

By Contractors.....	\$5,479,516,000	(76.9%)
By Utilities.....	760,139,000	(10.7%)
By Government.....	406,603,000	(5.7%)
By Others.....	482,327,000	(6.7%)

This total was established as follows, broken down by categories of construction:

Residential Building Construction.....	\$2,189,600,000	(30.7%)
Other Building Construction.....	\$2,064,206,000	(29.0%)
Commercial.....	\$760,249,000	
Institutional.....	571,361,000	
Industrial.....	411,804,000	
Other Buildings.....	320,792,000	
Engineering Construction.....	\$2,874,779,000	(40.3%)
Roads, Aerodromes.....	\$788,969,000	
Gas and Oil Facilities.....	461,355,000	
Railway, Telephone and Telegraph.....	458,730,000	
Electric Power.....	447,850,000	
Water and Sewer Services.....	216,806,000	
Marine.....	113,737,000	
Dams and Irrigation.....	45,085,000	
Other Engineering.....	342,747,000	



Major building construction categories, each with a total value of over \$50,000,000, were in the following order, in 1954, 1959 and 1960 (Est.):

	1954	1959	1960
	—	—	—
Residential housing.....	1	1	1
Factories, plants, workshop canneries.....	2	2	4
Schools and educational buildings.....	3	3	3
Office buildings.....	5	4	2
Stores, wholesale and retail.....	4	5	5
Farm buildings.....	6	6	7
Hospitals, sanatoria, clinics, etc.....	7	7	6
Warehouses and storehouses.....	8	8	9
Churches and religious buildings.....	—	9	10
Garages and service stations.....	—	10	8
Hotels, clubs, restaurants, motels.....	—	11	—
Mine and mine mill buildings.....	—	—	11

Major engineering construction categories, each with a value of over \$50,000,000, were as follows, with the same comparison:

	1954	1959	1960
	—	—	—
Hard surface streets, highways, parking lots.....	1	1	1
Railway tracks and road beds.....	2	2	2
Bridges, trestles, culverts, over passes.....	8	3	3
Electric power generating plants.....	3	4	8
Power transmission and distribution lines.....	4	5	4
Gravel or stone streets, highways, roads etc.....	5	6	6
Telephone and telegraph lines and cables.....	6	7	5
Oil wells.....	7	8	7
Sewage systems and connections.....	9	9	9
Oil refineries.....	12	10	12
Watermains, hydrants, services.....	11	11	10
Gas mains, services.....	—	12	11
Docks, wharves, piers, breakwaters.....	—	13	14
Dirt, clay or other roads, streets, etc.....	—	14	13
Electric transformer stations.....	—	15	15
Grading, scraping, oiling, filling.....	10	—	—

Geographically, however, construction activity varies in intensity (as indicated by per capita figures), and in emphasis between building and engineering construction (Canadian average—60% building and 40% engineering) from province to province:

CONSTRUCTION WORK PERFORMED—1959

(million dollars)

Province	\$ per Capita	Total Construction		Building Construction		Engineering Construction	
		\$	% Canada	\$	% Canada	\$	% Canada
Newfoundland.....	213	95.8	1.3	43.5	1.0	52.3	1.8
P.E.I.....	274	28.0	0.4	13.2	0.3	14.8	0.5
Nova Scotia.....	258	185.1	2.6	100.0	2.4	85.1	3.0
New Brunswick.....	320	189.1	2.6	93.6	2.2	95.5	3.3
Quebec.....	364	1,822.6	25.6	1,168.6	27.5	654.0	22.8
Ontario.....	406	2,422.5	34.0	1,585.3	37.2	837.2	29.1
Manitoba.....	463	410.5	5.8	228.2	5.4	182.3	6.3
Saskatchewan.....	379	342.5	4.8	181.0	4.2	161.5	5.6
Alberta.....	655	817.1	11.5	394.8	9.3	422.3	14.7
B.C.....	518	815.4	11.4	445.6	10.5	369.8	12.9
CANADA.....	407	7,128.6	100.0	4,253.8	100.0	2,874.8	100.0

Source of the above tables:—D.B.S.—Construction in Canada

Construction Volume Trends:

In the short run it is impossible to correlate construction volume directly with other factors in our economy. In the long run, the principle related factors are probably population growth, national production and expenditure levels and the relative state of overall development.

By way of illustration, whereas Canada's population continued to grow during the past two or three years, the estimated volume of construction declined somewhat. On the other hand, on a longer-term basis the pressure of population in Canada in the post-war period, through both natural increase and immigration, has had most important effects on the demand for housing, schools, hospitals and related projects. The universities are already experiencing a serious shortage of facilities because of the substantial increase in those of university age. It is expected that later on in the present decade the "war babies" will themselves be forming new families and exert a very strong demand in the housing field.

On the other hand, population by itself is not enough. During the depression, for example, the rate of family formation decreased and many families "doubled up". Many lands with larger populations than Canada have much smaller construction programs. There must also be the wherewithal and the

incentives for capital investment. Construction is therefore related to the general level of economic activity in the country, as reflected by such measurements as Gross National Product and Gross National Expenditures. In some cases construction projects provide new production facilities. In others they provide services supported by production activities.

The relative state of development of a country also affects the level of construction. Its share of the G.N.P. is normally larger in nations in an earlier stage of development than in those which have more mature economies. Construction has exceeded 20% of G.N.P. in Canada in recent years, compared to a 15% relationship in the U.S.A.

Historically, construction cycles have followed the swings of the business cycles and to greater extremes. For example, the volume of construction continued at a relatively high level in Canada in 1930, due in part to a carry over of work initiated in the previous year. On the other hand, construction has been one of the last industries to recover following a depression. A principal reason for the high demand for construction after World War II was the deferment of many badly-needed projects during the depression and the war. There has been growing recognition of the importance of maintaining a high level of worthwhile construction activity as a means of supporting the general economy and in helping it to develop further.

During the past dozen years the average increase in the volume of construction was greater than the average increase in population. The trend in the G.N.P. and G.N.E. has in general been followed by the trend in construction volume.

(Full text of brief follows.)

COMPARATIVE RATES OF ANNUAL INCREASE
(1949 Dollars)

	Value of construction	Gross National expenditures	Population increase
	%	%	%
1948.....	12.2	1.9	2.2
1949.....	7.1	3.9	4.9
1950.....	4.1	5.9	1.2
1951.....	3.9	6.1	2.1
1952.....	9.4	8.0	3.2
1953.....	5.1	3.8	2.7
1954.....	0.2	-2.9	3.0
1955.....	7.0	8.6	2.7
1956.....	16.0	8.6	2.5
1957.....	4.9	-0.3	3.2
1958.....	-0.8	0.5	2.8
1959.....	-2.4	3.5	2.3

SOURCE: Various D.B.S. publications

At the request of the Royal Commission on Canada's Economic Prospects, a study of the Canadian Construction Industry was made by the Royal Bank of Canada in 1958. This study stated that the relative position of construction in the G.N.P. by 1980 will likely have declined somewhat. It was estimated that the annual value of construction work performed in 1980 should reach \$12.8 billion, divided into building projects worth \$7.6 billion and engineering projects worth \$5.2 billion. Housing alone should account for \$3.4 billion compared to \$1.7 billion in 1955. (All estimates are in 1955 dollars). It was also predicted that there would be a relative drop in the portion of the labour force dependent upon construction activity by 1980 and that on-site construction employment would be in the neighbourhood of 900,000.

Demand for Construction:

In effect construction is a service industry and demand for construction services depends primarily upon investment decisions made in manufacturing, trade, financial, institutional, governmental, private housing and other investment circles. Decisions are made on the basis of need, of profit potential and of the general business climate. Since each decision involves the obtaining of financing, often from outside sources, the state of the money market is important.

Despite the fact that upwards of two-thirds of construction work is undertaken by private capital, government decisions, as it was pointed out in the Introduction, are extremely important. Public works programs can stimulate construction activity in specific areas as well as support the overall growth of the economy. In addition, government fiscal policy can play a very decisive part in creating overall demand for construction services. Reduced interest rates and expanded credit can provide incentives to invest. Taxation policy, including the rate of taxation, increased capital cost allowances generally and accelerated write-offs on certain projects, the extension of deductible expenses to cover a wider range of repair and remodelling operations and the costs of architectural design and engineering plans, and more lenient capital cost recovery provisions where replacement of existing structures is dictated by obsolescence, is another medium through which capital investment can be encouraged. Direct subsidy assistance is also used to reduce costs to buyers of construction and therefore facilitate the execution of specific construction projects.

Construction covers widely differing markets. Engineering projects with their limited applications and wide-ranging locations differ in demand from building construction which is carried on generally across Canada in a wide

variety of forms. In consequence investment in engineering projects may not be influenced by the same set of financial incentives that encourage housing or commercial and industrial construction. The public interest usually plays a more important role in transportation facilities in their various forms, irrigation and similar projects and consequently government policy has a more direct influence on their being undertaken than is the case in most types of building construction. Overall expansion of economic activity can be encouraged by government-initiated engineering projects, especially those which open up new avenues for private business expansion.

The influence of government policy on residential construction is most evident since some 42% of our new dwelling units are being financed under the National Housing Act. The C.C.A. wishes to commend the recent actions taken by the Government in this regard. The fact that December, 1960 and January, 1961 housing starts have been considerably greater than those of a year earlier, and that N.H.A. loans approved in January, 1961, totalling 3,515, were greater than the previous record of 3,192 for January, 1958, demonstrates the quick influence of government policy on housing activity.

Construction Employment:

The construction industry over the past twenty years has provided increased job opportunities notwithstanding the increased impact of mechanization. Automation has not caused an unemployment problem and it will likely continue to bypass on-site construction methods in the future because of the "custom" nature of its operations. On the other hand, the trend towards greater off-site manufacture of building components and greater on-site assembly work will doubtlessly continue.

The expansion of construction employment since 1947, compared to that of other industrial divisions, is indicated by the following table. The index for construction employment has grown faster, with wider fluctuations than the industrial composite index of overall industrial employment. However, it has fallen behind the service, financial and trade divisions where growth has been steady over this same period. The growth rate of manufacturing employment has consistently lagged well behind construction and even behind the industrial composite. Employment in logging has seen the widest fluctuations and the greatest relative decrease.

INDEX NUMBERS OF EMPLOYMENT
(1949 = 100)

	Industrial composite	Construction	Manufacturing	Trade	Finance Insurance Real Estate	Service	Forestry (chiefly Logging)
1947.....	95.7	85.6	97.2	90.2	91.5	94.6	149.6
1948.....	99.7	95.4	100.1	96.3	96.0	99.1	138.4
1949.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1950.....	102.1	103.1	101.4	103.6	105.9	101.0	104.8
1951.....	109.1	110.7	108.1	107.4	116.2	103.3	140.3
1952.....	111.9	123.1	109.9	110.4	122.1	107.0	119.5
1953.....	113.1	118.1	113.0	113.1	122.4	108.8	98.3
1954.....	109.9	110.6	107.3	114.8	128.0	111.7	96.3
1955.....	112.9	115.0	109.8	118.7	132.1	115.0	102.9
1956.....	120.7	131.8	115.8	126.3	137.1	125.1	113.2
1957.....	122.6	135.7	115.8	131.8	145.0	131.9	99.3
1958.....	117.9	126.2	109.8	131.6	149.3	135.1	75.9
1959.....	119.7	130.3	111.1	135.3	153.2	139.3	78.9
12 mon. ending Sept. 1960.....	119.4	127.1	110.4	137.7	155.7	142.8	84.5

Source: D.B.S.—Employment and Payrolls

The following index data helps to explain the trend towards more off-site fabrication of construction materials and components and the increase in on-site assembly work and mechanisation.

Building material prices have held quite steady in recent years whereas construction wage-rates have continued to rise. The percentage increases 1949-1959 were 30% for housing materials, 32% for other materials and 83% for construction wage-rates.

CONSTRUCTION COST INDEX CHANGES
(1949 = 100)

—	Price index of Building Materials		Index of average hourly wage-rate in construction trades
	Residential	Other	
1950.....	106.4	105.0	105.3
1951.....	125.5	118.6	119.2
1952.....	124.9	123.2	129.5
1953.....	123.9	124.4	137.2
1954.....	121.7	121.8	141.1
1955.....	124.3	123.4	146.6
1956.....	128.5	128.0	152.4
1957.....	128.4	130.0	162.9
1958.....	127.3	129.8	173.6
1959.....	130.0	131.7	183.4
Sept. 30, 1959.....	130.1	131.6	—
Sept. 30, 1960.....	128.6	132.3	—

SOURCE: C.M.H.C.—Canadian Housing Statistics

Intense competition serves to bring about more effective use of materials, equipment and labour in order to hold down costs. Standardization of materials and more simple designs, the development of less costly construction techniques and the trend towards more wintertime construction to assist in spreading capital and operating costs over a larger volume of work each year are part of the same picture. The broad effect of these trends on employment in the industry can be to require new skills to meet new techniques and materials and yet at the same time to reduce on-site employment per dollar of construction output. In 1954 the on-site labour content was 35.6%; by 1959 it had dropped to 32.7%.

To date emphasis has been placed on employment on construction job-sites and in construction offices. In addition, there is the very significant off-site employment due to construction activities. In 1959 materials used in the construction program were valued at \$3,402,038,000, a very high proportion of which were made in Canada. Overall employment due directly to construction in 1959 was estimated at about the equivalent of 568,000 full-time jobs. An even greater number of jobs are involved in the production, merchandising and transportation of the materials and equipment required to carry out such a program. In **Appendix "A"** we show a breakdown of the man-hours, employment by trades and other employment information on selected types of construction projects.

Construction Labour:

Unemployment insurance statistics have been used as the source for many of the ensuing tables. It should be noted that they do not cover those in the industry who are self-employed or who, for other reasons, such as being over the salaried income limit of \$5,460 per year, do not contribute to unemployment insurance. Also, because we have used figures for the construction industry only, it does not include those carpenters, plumbers, electricians, etc., who are employed by other industries for maintenance and similar activities.

Construction labour is almost entirely male (97%) and has an age distribution as follows, as indicated by data based on a 10% sample of persons covered by unemployment insurance at June 1, 1959:

AGE DISTRIBUTION OF MALES COVERED BY
UNEMPLOYMENT INSURANCE ON JUNE 1, 1959

	Employed by general contractors	Employed by special trade contractors	Total in construction	Total males in insured employment
	%	%	%	%
under 20.....	5.4	6.6	5.7	5.8
20-24.....	14.1	19.0	15.8	13.7
25-34.....	29.6	35.9	32.1	28.0
35-44.....	22.8	20.2	21.8	21.4
45-54.....	17.1	10.8	14.8	16.2
55-64.....	7.8	4.6	6.7	10.0
65 and over.....	2.0	1.4	1.8	3.8
Not stated.....	1.2	1.5	1.3	1.1

NOTE: Based on 10% sample.

SOURCE: D.B.S. 18th Annual Report on Benefit Periods Established and Terminated under the Unemployment Insurance Act—1959.

For males in construction covered by unemployment insurance, as for males in insured employment generally, approximately half are in the 25-44 age group.

Geographically, these same males are located by province as follows, with approximately 65% in the Ontario-Quebec area:

GEOGRAPHIC DISTRIBUTION OF MALES COVERED BY
UNEMPLOYMENT INSURANCE ON JUNE 1, 1959

	Employed by general contractors	Employed by special trade contractors	Total in construction	Total males in covered employment
	%	%	%	%
Newfoundland.....	2.8	0.7	2.1	2.0
Prince Edward Island.....	0.5	0.3	0.4	0.4
Nova Scotia.....	4.2	2.8	3.7	3.8
New Brunswick.....	3.3	1.4	2.5	3.2
Quebec.....	28.2	30.3	29.0	28.1
Ontario.....	33.1	40.5	35.8	39.1
Manitoba.....	5.0	3.7	4.5	5.4
Saskatchewan.....	3.8	3.4	3.7	2.4
Alberta.....	10.0	8.0	9.3	5.9
British Columbia.....	9.1	8.9	9.0	9.7

NOTE: Based on 10% sample.

SOURCE: D.B.S. 18th Annual Report on Benefit Periods Established and Terminated under the Unemployment Insurance Act—1959.

This table indicates that in New Brunswick, Ontario, Manitoba, and to a certain extent in British Columbia, the construction force made up a relatively smaller share of the total force on June 1, 1959—in Saskatchewan and Alberta a relatively larger share—and in Newfoundland, Prince Edward Island, Nova Scotia and Quebec a proportional share—when the percentage distribution of total males covered is compared to that of males in construction.

The percentage breakdown by occupations in the construction industry as reported in the 1951 Census of Canada is as follows:

Carpenters	24.6%
Painters, decorators, glaziers	7.7%
Plumbers and pipefitters	5.4%
Brick and stone masons	3.9%
Electricians and wiremen	3.9%
Foremen	3.0%
Plasterers and lathers	2.5%
Construction machinery operators	1.8%
Cement and concrete finishers	0.7%
Structural Iron Workers	0.3%
Others skilled and semi-skilled	1.8%
Labourers	20.8%
All other occupations	23.6%

A large number of firms in the construction industry are relatively small. Most such firms depend on job opportunities in their own immediate area with the result that their employees tend to work only locally. Such construction labour is in direct contrast with that which gravitates to major engineering projects and is quite used to moving from one location to another as job opportunities develop. It is mostly with the former class that we are concerned when the problem of unemployment in the construction industry is studied.

Recruits for the construction industry principally come from youths leaving school, from labour leaving agriculture, forestry and other basic industries, from part-time labour supplementing other sources of income, and from immigration. Indicative of the volume of construction labour coming from immigration is the table on page 18 showing the trades claimed at the time of entry. Carpenters, bricklayers and masons, and electricians were most numerous.

The material prosperity of any country depends, to a very large extent, upon the general level of technical knowledge and efficiency. There has been a growing recognition of the fact that Canada's training program in these fields seriously lags behind those of a number of other industrialised countries. The Department of Labour has commented that Western Europe invests ten times as much per capita on technical training as we do in Canada. Training programs in some industries in Canada have only just started.

Fortunately apprenticeship training in the building trades has a long history. Although the apprenticeship training program in Canada can stand considerable improvement and expansion, it is at least well established and has seen a good deal of progress in recent years in the form of training facilities and calibre of instruction at apprenticeship centres, supervision of apprentices during their job-site training, and trade tests and the promotion of more uniform standards. Pre-employment training at apprenticeship centres is also becoming more prevalent, thereby getting the trainees off to a good start. The size of the program has grown steadily.

IMMIGRATION OF CONSTRUCTION WORKERS, BY TRADE

	1952	1953	1954	1955	1956	1957	1958	1959	(9 months) 1960	Total
Carpenters.....	2,217	2,376	2,853	1,667	2,821	4,434	1,638	1,224	1,081	20,311
Bricklayers and masons.....	1,191	1,151	1,764	1,364	2,567	3,122	1,385	1,124	808	14,476
Electricians.....	1,145	1,468	1,674	776	1,565	3,432	952	697	659	12,368
Painters.....	751	891	1,074	610	1,206	2,084	747	575	559	8,497
Plumbers.....	404	545	650	342	752	1,449	425	337	309	5,213
Sheetmetal workers.....	201	282	261	142	290	640	162	102	87	2,167
Plasterers.....	136	171	190	114	217	364	112	85	76	1,465
Total skilled workers.....	6,045	6,884	8,466	5,015	9,418	15,525	5,421	4,144	3,579	64,497
Others.....	986	819	411	199	378	863	301	230	161	4,348
Total all workers.....	7,031	7,703	8,877	5,214	9,796	16,388	5,722	4,374	3,740	68,845

Source: Department of Citizenship and Immigration

As will be readily understood, this Association has long been interested in promoting trade training programs. It fostered the Ontario Apprenticeship Act of 1928, which was the first genuine Apprenticeship Act in Canada, then applicable to the building trades only. This Act was subsequently used as the basis for Apprenticeship Acts in most other provinces. Members of the Association were also active in establishing the distinctive apprenticeship system in the Province of Quebec.

On September 30, 1960 there were 9,710 apprentices registered in the building trades in those provinces which have an Apprenticeship Agreement with the Federal Government (i.e. all except Quebec and Prince Edward Island). This represents 49.5% of the total of 19,543 registrations for all designated trades. (Comparable statistics are not available for the province of Quebec).

Within the total there have been noticeable trends in the various trades. The electrical and mechanical trades, for example, have become more "popular" whereas registrations in painting and carpentry have decreased. In some cases, technological and other developments have resulted in an expansion in the scope and complexity of a trade, whereas in others they have tended to reduce the degree of skill and training required. In general, however, there has been a demand for higher educational standards for those entering apprenticeship and a widening of the apprenticeship concept so as to develop a broader background of training.

Recruitment of suitable boys remains a problem. Young men who leave school prior to graduation have several choices of entry into the labour market. For instance, they may become unskilled labourers or white collar workers in what are often dead-end occupations. On the other hand, they may advance through company training schemes to a technician level, or by following a prescribed apprenticeship training program become skilled tradesmen. This in turn may well lead to further advancement to foremen and superintendents. Many successful contractors commenced their construction career as apprentices.

In addition to the temptation to take an unskilled job, rather than to enter trade training, there is unfortunately in the minds of some an out-dated connotation linked with apprenticeship of a menial status with low pay, long hours and years of indenture. In some cases trade unions have not favoured an expansion of the apprenticeship program. Moreover, many contractors are not familiar with apprenticeship training and have not provided job-site training opportunities. In former years, the chief source of skilled tradesmen was through immigration. The number of immigrant tradesmen has decreased of late, however, and this source cannot always be relied on.

A new development accentuates the need for greater attention by all concerned to trade and technical training. The annual net increase in the number of senior teen-agers entering the labour market has risen from a few thousand to over 100,000. This situation will mean that our young men will need more training in order to compete for worthwhile jobs. A recent survey in Ontario by the Industrial Foundation on Education showed that 85% of the students in the top quarter of their classes never finish high school. More training facilities will be required to handle them. More job-site training opportunities for apprentices will have to be provided. It is felt that well-trained, intelligent and energetic boys should have a good future in the construction industry. The anticipated increase in the volume of construction in the mid-1960's will coincide with the graduation of those entering apprenticeship and engineering courses today.

UNEMPLOYMENT IN THE CONSTRUCTION INDUSTRY

Who are the unemployed among the construction labour force? The following table shows skilled and semi-skilled vs. unskilled applicants for work registered with the National Employment Service, together with job vacancies since 1949. (Annual figures are monthly averages).

	Skilled and semi-skilled		Unskilled	
	Unplaced applicants	Unfilled vacancies	Unplaced applicants	Unfilled vacancies
1949.....	15,334	1,417	10,096	940
1950.....	20,837	1,255	12,848	1,368
1951.....	17,817	1,625	10,309	1,832
1952.....	23,353	1,619	14,923	1,377
1953.....	26,487	1,268	24,489	1,142
1954.....	38,872	794	45,646	569
1955.....	36,687	1,238	44,713	978
1956.....	31,353	1,977	40,114	2,209
1957.....	45,256	1,099	55,614	1,018
1958.....	58,165	762	73,437	741
1959.....	51,128	991	64,725	935
March, 1959.....	91,655	783	110,060	1,123
Sept. 1959.....	14,747	1,538	21,218	932
March, 1960.....	104,758	475	124,044	709
Sept. 1960.....	24,748	977	30,011	408

SOURCE: Labour Gazette, Appendix D.

These figures illustrate the preponderance of unskilled workers seeking employment. From 1954 to the present there have been more unskilled job applicants than skilled and semi-skilled combined. At the same time the difference in the number of applicants between September—the peak employment period—and March—the peak unemployment period—points up the seriousness of seasonal unemployment in construction and the necessity of increased and continuing efforts to combat seasonal swings in construction employment.

In a study on seasonal unemployment in Canada made in 1960 by the federal Department of Labour it was stated that construction unemployment is 22% of total unemployment in the summer and 33% in the winter. At the same time seasonal "construction" unemployment is 41% of total seasonal unemployment. Over half of this is unskilled labour, much of which may work in different industries at different times. A few trades account for much of the balance of seasonal unemployment attributed to the construction industry. Over the period 1954-1959 carpenters accounted for 54.4% of all seasonal unemployment among skilled and semi-skilled construction labour, painters 10.3%, machine operators 10.1%, bricklayers and tilers 7.7%, plumbers and steamfitters 3.9%, plasterers 2.3%, and cement finishers 2.1%. All other trades accounted for 9.2%. The dominance of carpenters reflects the fact that they represent almost half of all skilled and semi-skilled construction labour. The largest relative increases in unemployment from summer to winter were for plasterers, bricklayers and tilers, machinery operators, cement finishers and carpenters, in that order.

Overall seasonal unemployment shows the largest numbers in the 25-44 age group and is primarily a "male" problem. The Prairies, Quebec and the Atlantic areas have the largest seasonal problem. Seasonal unemployment in construction has all of these characteristics.

The pressing part of construction unemployment, both general and seasonal, is represented by those whose insurance benefits have been exhausted.

D.B.S. statistics for unemployment insurance benefit periods terminated in 1959 either by exhaustion of benefits or by the lapsing of the twelve month time limit, give the distribution, both geographically and by age groups, of construction claimants according to their employment by either general contractors or special trade contractors.

GEOGRAPHIC DISTRIBUTION OF ALL MALE CLAIMANTS TERMINATING REGULAR BENEFIT PERIODS IN 1959 BY EMPLOYMENT OF CLAIMANT

	With general contractors	% of Canada total	With special trade contractors	% of Canada total	Total terminating benefits	Distribution of all construction males in covered employment
		%		%	%	%
Newfoundland.....	3,820	2.5	512	0.9	2.1	2.1
Prince Edward Island	720	0.4	152	0.3	0.4	0.4
Nova Scotia.....	5,340	3.5	1,508	2.6	3.2	3.7
New Brunswick.....	5,884	3.8	1,052	1.8	3.3	2.5
Quebec.....	48,512	31.6	18,716	32.3	31.8	29.0
Ontario.....	52,152	34.2	22,992	39.6	35.5	35.8
Manitoba.....	5,796	3.8	2,188	3.8	3.8	4.5
Saskatchewan.....	5,300	3.4	1,416	2.4	3.2	3.7
Alberta.....	10,308	6.7	3,624	6.2	6.6	9.3
British Columbia....	15,564	10.1	5,840	10.1	10.1	9.0
	153,396	100.0	58,000	100.0	100.0	100.0

AGE DISTRIBUTION OF ALL MALE CLAIMANTS TERMINATING REGULAR BENEFIT PERIODS IN 1959 BY EMPLOYMENT OF CLAIMANTS

	With general contractors	% of Canada total	With special trade contractors	% of Canada total	Total terminating benefits	Distribution of all construction males in covered employment
		%		%	%	%
Under 20.....	3,560	2.3	1,856	3.2	2.6	5.7
20 - 24.....	19,552	12.8	10,788	18.6	14.3	15.8
25 - 34.....	46,628	30.4	21,208	36.6	32.1	32.1
35 - 44.....	36,288	23.7	11,676	20.1	22.7	21.8
45 - 54.....	27,360	17.8	7,528	13.8	16.5	14.8
55 - 64.....	14,448	9.4	3,248	5.6	8.4	6.7
65 and over.....	4,364	2.8	1,192	2.0	2.6	1.8
Unspecified.....	1,196	0.8	504	0.9	0.8	1.3
	153,396	100.0	58,000	100.0	100.0	100.0

NOTE: Based on 25% sample.

SOURCE: D.B.S. 18th Annual Report Established and Terminated under the Unemployment Insurance Act—1959.

These two tables show that of all unemployed males in construction who terminated their regular benefit period in 1959, 66% of those normally employed by general contractors and 72% of those normally employed by special trade contractors were from Ontario and Quebec. This compares to 64.8% for all males in construction in covered employment located in Ontario and Quebec. They also show that a major portion of the 1959 male construction insurance benefit terminations were in the 25-44 age group—54.1% of those employed by general contractors and 56.7% of those employed by special trade contractors. Men between 25 and 44 should be at their productive best. Unemployment in this age group is regarded as being particularly regrettable.

In order to get further information on who are unemployed, the Canadian Construction Association has received from the Dominion Bureau of Statistics a study on terminations of unemployment insurance benefits by construction workers—both regular benefits for 1959 and seasonal benefits for December 1, 1958 to May 16, 1959—as reported by the thirty major offices of the Unemployment Insurance Commission across Canada—as well as totals for each province—by trade classification. This data is shown in some detail, both geographically and by construction trade skills in Appendix "B" and gives a breakdown for various trades by applicants with and without dependents, as well as subdividing these two categories into those applicants who received less than the maximum weekly benefit and those receiving the maximum. It was estimated by D.B.S. that no more than 1% of those terminating regular benefits would have more than one termination in any one year.

At this point a definition of terms would be appropriate. A Regular Benefit period runs for up to 52 weeks from the week in which it is established and varies in accordance with the amount of credits built up. It has no relationship to seasonal benefits. It terminates either by exhaustion of the amount of benefit or the lapsing of the 52-week benefit period. On the other hand, the Seasonal Benefit period is of limited duration, normally running from December 1st to the following May 15th. Provided a claimant meets the requirements for seasonal benefits, he can draw seasonal benefits even if regular benefits have been terminated prior to December 1.

What is the overall picture that this information gives us? Construction trades in the construction industry by number of members who terminated their unemployment insurance benefits in 1959, were:

	Regular benefits	Seasonal benefits
Labourers.....	65,976	40,690
Carpenters.....	43,456	19,170
Painters.....	10,576	5,010
Plumbers.....	10,356	2,280
Masons.....	9,556	2,670
Equipment Operators.....	7,364	2,520
Electricians.....	6,988	1,440
Plasterers and lathers.....	4,500	1,160
Foremen.....	4,356	1,360
Cement finishers.....	2,624	880
Structural iron workers.....	1,444	620
All others.....	5,214	1,780
	172,410	79,580

Ontario and Quebec accounted for most of the benefit terminations with more carpenters, painters, plumbers and electricians terminating in Quebec than in Ontario. (See Appendix "B".)

The geographic distribution was as follows, compared to June 1, 1959, covered employment, for both Regular Benefit and Seasonal Benefit terminations:

Regular benefits	All construction	Labourers	All construction ex. labourers	Total covered employment in construction June 1, 1959
	%	%	%	%
Atlantic area.....	8.9	8.5	9.2	8.7
Quebec.....	32.3	31.7	32.6	29.0
Ontario.....	36.6	37.6	36.0	35.8
Prairie area.....	12.7	13.9	12.0	17.5
British Columbia.....	9.5	8.3	10.2	9.0

Geographically, when compared to the distribution of covered employment in construction there is a higher proportion of regular benefit terminations in

Quebec than in other areas, while seasonal benefit terminations show up higher in both the Atlantic area and Quebec. Ontario and British Columbia have the lowest proportion of both regular and seasonal terminations, indicative of the diversity of job opportunities available in other fields and their relatively milder climate.

The high number of construction labourers terminating benefits in every area—for all Canada 38% of all construction regular and 51% of all construction seasonal benefits terminated—is indicative of the problem facing those who lack skill and training.

A study of figures for 30 major urban areas indicates that urban unemployment contains somewhat fewer labourers and more skilled tradesmen. From all those terminating benefits in 1959 the percentage by trade accounted for by these 30 areas was as follows:

Seasonal Benefits	All construction		All construction		Total covered Employment in construction June 1, 1959
	Labourers	Ex. labourers	Labourers	Ex. labourers	
	%	%	%	%	
Atlantic Area.....	17.1	17.1	17.2	8.7	
Quebec.....	36.9	35.8	36.9	29.0	
Ontario.....	26.8	27.8	26.8	35.8	
Prairie Area.....	11.7	13.4	11.7	17.5	
British Columbia.....	7.4	5.9	7.4	9.0	

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URBAN AREA TERMINATIONS COMPARED TO TOTAL TERMINATIONS

	Regular		Seasonal	
	%		%	
Equipment operators.....	45.7	41.7		
Carpenters.....	52.6	46.3		
Foremen.....	53.4	44.1		
Painters.....	64.4	59.3		
Electricians.....	66.0	57.6		
Plumbers.....	67.3	63.6		
Structural iron workers.....	71.2	67.7		
Masons.....	73.8	62.2		
Cement finishers.....	75.0	73.9		
Plasterers and Lathers.....	78.7	74.1		
Others.....	64.2	55.6		
Total skilled trades.....	60.0	52.3		
Labourers.....	58.9	49.3		
Total all terminations.....	59.6	50.8		

Urban areas account for 66% or more of the terminations of regular benefits for electricians, plumbers, structural iron workers, masons, cement finishers and plasterers and lathers.

On the basis of 1956 census population figures these 30 major centres represent only 40% of total population, yet they account for 60% of all regular benefit periods terminated in construction and 51% of all seasonal benefits terminated. The concentration of unemployment in urban areas is particularly marked in the Atlantic Area and in the Prairie Area.

Area	% Total population in major centres used in study	% Construction regular terminations in major centres	% Construction seasonal terminations in major centres
	%	%	%
Atlantic Area.....	23.4	50.8	50.0
Quebec.....	44.3	50.4	39.2
Ontario.....	47.2	63.1	57.1
Prairie Area.....	35.9	73.3	66.8
British Columbia.....	56.5	66.7	62.6

D.B.S. statistics also give a distribution between those with or without dependents, and those drawing maximum or less than the maximum rate of benefit. Most of those with skills who terminated regular benefits had dependents and drew the maximum rate of benefit (43.6%), while most of the labourers terminating regular benefits had dependents but were drawing less than the maximum rate of benefit (37.5%). For those terminating seasonal benefits, most of the skilled group had dependents but drew less than the maximum rate (37.6%) while for labourers most were single, drawing less than the maximum rate (40.9%) or with dependents and drawing less than the maximum rate (39.9%). The dividing line between those receiving the maximum rate of benefit and all others was a weekly wage of \$57.* The following table shows the distribution by benefit and dependent categories for regular benefit terminations of those with skills and those classed as construction labour. (Percentage distribution).

	Skilled Trades				Labourers			
	1	2	3	4	1	2	3	4
Atlantic Area.....	13.2	5.1	50.9	30.8	31.3	3.0	58.7	7.0
Quebec.....	19.1	9.5	28.6	42.8	34.2	8.3	41.8	15.7
Ontario.....	15.8	18.4	21.6	44.2	36.4	12.4	33.7	17.5
Prairie Area.....	16.1	18.8	23.5	41.6	36.2	12.6	35.4	15.8
British Columbia.....	8.7	19.9	13.0	58.4	23.9	24.5	19.6	32.0
CANADA.....	15.9	14.5	26.0	43.6	34.2	11.3	37.5	17.0

NOTE: Category 1—Single, benefit under \$23 per week
 Category 2—Single, benefit of \$23 per week
 Category 3—With dependents, benefit under \$30 per week
 Category 4—With dependents, benefit of \$30 per week

This table indicates that the Atlantic Area establishes a pattern of high unemployment in Category 3, (those with dependents, getting less than the maximum benefit); that British Columbia has a pattern of high unemployment in Category 4, (those with dependents, getting the maximum benefit); while the rest of Canada has a relatively similar pattern of distribution with emphasis on Category 4 for skilled trades and categories 1 and 3 for labourers.

*NOTE: Changed to \$69 on September 27, 1959.

In general, these divisions correspond to wage levels. For Canada as a whole, most construction tradesmen qualified for maximum weekly benefits.

In summary, the incidence of unemployment in construction is general across Canada and follows fairly closely the population pattern, although Ontario and Quebec are the hardest hit. Labourers make up by far the largest category. Carpenters are in second place with more than twice as many as painters and plumbers together who are in third and fourth places respectively. In large measure the prominence of these classifications is due to their numerical importance. At the time of the 1951 census carpenters made up 24.6% of all construction occupations, labourers 20.8% and plumbers and painters together 13.1%. Another factor is that of relative skills. Many carpenters are not fully competent in their trade or able to follow blue-prints. At any rate, labourers and carpenters are bearing the main burden of unemployment. More unemployed are in major urban areas than elsewhere, with the exception of equipment operators and possibly carpenters.

CAUSES OF CONSTRUCTION UNEMPLOYMENT

What appear to be the major causes of construction unemployment at the present time?

Declining demand or even a levelling off in demand for overall construction services can cause unemployment in the construction labour force. There have always been seasonal variations in this demand due to the winter slow-down or complete cessation of work for outdoor trades. In addition, the construction industry is only master of its own destiny to a limited extent. Demand depends on many economic and even psychological factors beyond the influence or control of the industry. When there is a slowing up in business activity, particularly in primary and secondary industry, the economics and the psychology of investment dictate reduced private spending on construction. The result is a decrease in construction activity. When both seasonal and cyclical declines coincide, unemployment in construction can reach serious proportions.

Inflexibility and immobility within the construction labour force can create pockets of unemployment in that those out of work may refuse, due to family ties, financial commitments or language factors, to consider a move to a new job in another part of the country. At the same time new skills either can not be learned because of lack of training facilities or because age or union regulations may restrict entry into a new trade. Apprenticeship training usually is open to those under 21 only. The availability of unemployment insurance benefits also influences immobility and inflexibility since trade switches and family moves are less attractive as long as insurance benefits can be claimed.

In many of the larger urban areas there has been a definite decline in 1960 in demand for new residential construction with a resulting decrease in employment in building trades because of the relatively high proportion of on-site labour in most housing operations. The significant 23% decrease in housing starts in 1960—down to 108,858 compared to 141,345 in 1959 and 164,632 in 1958—automatically meant unemployment in the building trades. In centres of 5,000 population or over starts decreased by 27.6% in 1960 to 76,687 from 105,991 in 1959 and 121,695 in 1958, indicating that the greatest drop is in the larger urban areas—those of major building employment.

While automation is not directly applicable to the on-site construction process, it can have an effect on the materials and equipment manufacturing labour force if certain production operations are taken over by automatic machines. However, greater mechanization in construction operations are on the increase, with accompanying requirements for new skills and greater

emphasis on semi-skilled labour. Entirely new trades can develop through the use of equipment, such as heavy equipment operators and maintenance mechanics.

A similar situation arises from the introduction of new building materials and new construction methods. A good example of both is curtainwall construction which reduces on-site labour costs and demonstrates the advantages of increasing the use of the technique of prefabricating building components in factories where the cost-saving methods of modern industry can apply. New materials are primarily introduced as cost savers—the cost saving frequently being in the reduced amount of labour involved in their application. New materials also can make new skills necessary and reduce the importance of old skills and trades. Dry wall construction, for example, has reduced the relative importance of plasterers and lathers. Prepared paints, rollers and spray guns have simplified the work of painters. The development of salvageable forms for concrete work has lessened the demand for form carpenters. Metal partitions are frequently used in place of wooden or masonry installations. This type of development will likely increase in scope. Unless there is a rising construction market, they will likely cause some employment transfers. It is unfortunate that progress must entail shifts in the skills and numbers of the labour force yet technological development must be a continuing aim of the construction industry if its competitive position in the market for capital investment is to be maintained or improved.

Rising costs of land, labour and some construction materials have had a restraining effect on some construction activity, particularly in housing where higher costs have meant higher mortgages or larger down payments. Generally speaking, however, construction activity has increased despite such cost changes. Contractors have been able to counteract rising costs to a considerable extent through improved construction methods and the adoption of new materials. For example, while the cost per square foot of the average one-storey single family dwelling in the first three-quarters of 1960 was \$10.76 compared to \$8.39 in 1950, it represented more value per construction dollar. Unfortunately, however, there is a limit to such counter-measures. Construction outlays frequently constitute the largest expenditures experienced by individuals or organizations. Construction prices therefore receive particular scrutiny. In cases where costs exceed available funds the project is frequently deferred or scaled down and employment opportunities are reduced accordingly.

Finally—and in the past 20 years most importantly—the seasonal character of construction activity, where winter weather places the “outside” trades at a serious disadvantage, has meant that unemployment of varying lengths during the off season has been the rule rather than the exception for many labourers, painters, carpenters, masons and others whose work is largely on exterior construction, as well as for those trades employed on road building and similar engineering projects. Consequently during the summer season demand increases for these trades as most work is rushed to completion before wintertime conditions must be met. The problem of seasonal unemployment requires separate thinking, separate solutions. The construction industry has the greatest seasonal variations in employment, with the exception of agriculture. With a high proportion of its labour force in the skilled and semi-skilled categories, and with the length of the seasonal layoff decreasing, many of those in construction who are seasonally unemployed remain identified with the industry and, relying upon unemployment insurance, wait out the seasonal period without seeking work in other localities or in other industries. Maintenance workers in the construction trades normally receive lower wage-rates because they have secure employment.

In a study on seasonal unemployment in Canada, the federal Department of Labour has shown that the construction industry is a major source of such

unemployment. Among the reasons given is the rapid growth of the industry, thereby causing more workers to be in seasonal occupations and the paradoxical situation in which wintertime construction employment and unemployment both are at record levels. It is of interest to note that during the 1958-9 seasonal benefit period manufacturing had 102,070 persons establishing seasonal benefit periods, of which 27,370 were in the food and beverage section and 14,440 in the wood products section. The service industries had 67,030, forestry and logging had 52,770, trade had 50,080 and transportation had 26,790. The total for the construction industry during the same period was 96,180, indicating that seasonal unemployment is a rather general problem.

For many years wintertime construction has received the active attention of this Association, particularly during the past six years through the C.C.A.-sponsored National Joint Committee On Wintertime Construction. It is believed that wintertime construction is not only practicable in most cases but also essential to the strengthening of the Canadian economy. With modern techniques and materials and with proper planning and supervision there will be no loss in quality and most types of work can be carried out at a comparable net cost to the owner. This is borne out by the fact that wintertime employment in the construction industry, as mentioned in the Introduction, is now as great as peak summertime employment in construction was some twelve years ago.

Mr. SULLIVAN: I will now read, Mr. Chairman and honourable senators, that part of our brief containing our proposals designed to increase employment.

PROPOSALS DESIGNED TO INCREASE EMPLOYMENT

Construction volume, and therefore construction employment, is largely determined by the overall investment climate. Obviously, as a service industry, the construction industry will only be able to provide more opportunities for employment so long as the nation's economic development proceeds at an increasing rate—more than enough to offset the reduced need for certain construction skills caused by technological advances.

As has been mentioned, the effective demand for construction is influenced by many factors—by population and family formations, by the level of construction costs and the availability and cost of investment funds, by the opportunities for profitable enterprise, by basic resources and transportation development and the growth of secondary industry, and by public works programs and government loans for housing and business in areas of financing not covered by the lending institutions—to mention a few. Then, too, international affairs and international trade have an appreciable effect on the defence and industrial sections of the construction program.

The long-term prospects for the construction industry are bright. Even today when the surplus capacity situation in the industry has led to a high degree of loss operations, the volume of work has remained at a high level. Larger programs ahead, however, or even the maintenance of present programs just won't "happen".

This Association recommends that steps be taken by those concerned to encourage an orderly expansion of Canada's economic development. This in turn will enable the construction industry to play its maximum role in helping to bring this development about and in providing employment opportunities—not only in the construction and supporting industries but also for those employed in the new facilities and those selling goods and services bought by construction workers and their families. In addition, there is the special objective of making the construction program even more of a year-round operation and thereby reducing the present level of seasonal unemployment.

For the sake of convenience, the Association's recommendations have been grouped into the categories of self-help within the construction industry;

incentives designed to encourage Canada's economic development; public works and other forms of government assistance; and training programs for both youths and adults. As may be expected, there is a good deal of overlapping.

Construction Industry Actions:

Whereas the construction industry is master of its own destiny to but a limited extent, there are a number of ways in which its members individually or collectively through their associations can promote improved employment opportunities. As an example, this association is promoting increased volumes of wintertime construction and employment through the greater utilization and further development of wintertime construction techniques and publicity designed to counteract the outmoded prejudices against construction during the winter months. The promotion of construction generally can be helped by the maintenance of construction costs at levels that will attract investors, by better merchandising of the benefits of modern structures, by publicising the advantages of worthwhile public projects and legislation facilitating construction, and by the development of new construction markets at home and abroad. Employment in manufacturing can be further stimulated by the promotion of the use of Canadian-made construction materials and equipment.

For the better part of the past two decades the main general problem facing the construction industry has been that of shortages and its energies were accordingly directed mainly at increasing the supply of skilled manpower, materials and equipment and in developing the financial resources and "know-how" necessary for large-scale programs. The rapid expansion of the industry has been a minor miracle. Not only has the physical volume of construction increased dramatically but the projects now handled by Canadian design and construction companies are infinitely larger and more complex than in the past. Now that the volume of construction has levelled off, greater attention is again being focussed on the demand factor in order to make use of present surplus capacity.

In busy construction years the main unemployment problem facing the construction industry is of a seasonal nature. It is here that the industry can perhaps make its most effective contribution by perfecting wintertime construction techniques and by publicising their feasibility and economics.

Quite apart from the humanitarian aspect, construction management has many incentives to increase the volume of winter work and thereby have a more stable level of operations throughout the year. Contractors would be able to keep their work crews together and attract and develop a higher calibre of employee in all trades. Manufacturers would be able to have more even levels of production. Both could spread their equipment costs and other overhead items over the whole year. Owners would get their projects completed more quickly and retailers would not be faced with a reduction in construction workers' purchasing power during the winter.

The construction industry has directed considerable attention to the development of new materials and techniques permitting economical wintertime construction in most types of work and to promoting the scheduling of construction work so as to provide more wintertime employment. Whereas it used to be the practice to shut down construction work during four months or so in most parts of Canada each winter, the industry now provides direct employment for a minimum of 320,000 during the worst part of the winter. This is more than were employed in the middle of the so-called 'building season' in 1948.

During the past six years the C.C.A. has enlisted the support of a number of other national organizations representing business, the allied professions and labour to assist in promotional work to this end. A National Joint Committee on Wintertime Construction was formed with which the Department of

Labour, the National Research Council and the Central Mortgage and Housing Corporation have been closely associated. This committee has been responsible through its constituent organizations for the active promotion of wintertime construction to their own members and affiliated associations, business, governments, institutions, the banks and other lenders and the general public.

Within the association activities include the preparation and distribution of pamphlets and other literature, an active education program, the promotion of the "Do it Now" campaign sponsored by the federal department of Labour, and representations to the federal and provincial governments designed to increase wintertime construction and employment. These efforts will be continued. Still greater co-operation on the part of owners (both private and public), designers, lending institutions and the general public will be necessary for success.

The vast majority of construction companies are skilled in and anxious to execute construction work in the winter months. This is frequently reflected in construction tenders. Construction labour also has a direct interest in helping to expand the volume of wintertime construction and employment. More examples would be most welcome of such clauses as are found in some Winnipeg labour agreements whereby straight time pay applies to Saturday work during the winter if adverse weather conditions cause a day's work to be lost during the week. Similarly, labour can help bring about greater efficiency within the industry and thereby encourage an increased demand for construction services and, therefore, employment. Then again, avoidance of illegal work stoppages will be most helpful in stabilizing further the industry's operations. Moderation in the coming spring's negotiating season is to be devoutly hoped for.

Construction services, like any other product, benefit from sales promotion. The industry has demonstrated, for example, that the development and promotion of new products, such as air-conditioning, can create a substantial new market and additional employment in manufacturing, installation and maintenance. Moreover, the promotion of new facilities by contractors through personal contact with potential customers can lead to increased construction volume. Can a manufacturer afford not to build a new plant or modernize his present facilities when he is shown that his present plant is a cause of his lack of ability to compete? Similarly, can a municipality afford not to go ahead with an urban redevelopment project when its economies are pointed out? Greater sales efforts by contractors have produced more buyers of construction and more jobs in construction. More attention should be paid to this area.

While work on the export market may not create many additional jobs for Canadian construction workers, it does result in increased demand for Canadian-made goods and for Canadian architectural and engineering services. Greater attention to the export market is being paid by the industry and an increasing number of Canadian contractors are working on foreign construction projects. A contractors' mission to several South American and British West Indies countries is currently in progress under the auspices of the Department of Trade and Commerce.

Although a very large proportion of the construction materials used in Canada are of domestic manufacture, there is still a good deal of scope for greater use of Canadian products. The federal government is to be commended for its example in giving preference to Canadian materials in its departmental purchases of construction and supplies generally. An extension of this policy to all federal agencies and to all projects receiving federal grants would have similar benefits.

By promoting "Buy Canadian" to its members, designers and buyers of construction when purchasing materials, equipment and professional services, this Association has stressed the importance of obtaining the maximum amount

of Canadian employment out of every construction dollar spent. At the same time it has opposed the sale of surplus U.S. government construction equipment in Canada by Crown Assets Disposal Corporation, partly on the grounds that such sales are detrimental to employment in the Canadian manufacturing industry. The use of foreign-drawn plans and specifications for construction projects in Canada also tends to increase the specification of foreign products and standards, to the detriment of Canadian manufacturing interests, including of course those of their employees. The Association has therefore recommended that the duty-free provision for certain types of engineering construction designs in the Canadian Customs Tariff be eliminated and that the present low basis for valuation of all engineering construction designs be increased to the level which applies to imported architectural designs.

Taxation Incentives:

Approximately two-thirds of the present volume of construction is a "private works" program. It therefore provides roughly twice as much employment as do public works projects carried out by governments at all levels in Canada. The encouragement of a business climate that will in turn encourage individuals and organisations to invest in and build for the future is accordingly of the greatest importance.

Taxation can be used to foster a whole industry, aid the prosperity of entire regions, divert the course of industry and trade, influence the movement and location of populations and alter the distribution and consumption of wealth. The Association believes that taxation policy, properly determined and applied, can be a most important influence on overall demand for construction services and thereby on employment in the construction industry, particularly in such times as the present when the economy is slowing in its rate of growth.

Since demand for construction depends very greatly upon the general climate for investment, it is vital to the Canadian construction industry that private capital continues to be encouraged to be used to finance the expansion of going enterprises and the establishment of new ventures. The tax policy of the federal Government has been under review of late and the steps taken by the Budget of last December 20th are indicative of changed thinking. Its limited application of accelerated depreciation, of corporation income tax reductions, and of tax incentives on private investment in Canadian companies are encouragements in this direction. The Association feels, however, that further and more extensive use of tax policy should be made, both federally and provincially, to stimulate overall investment.

Back in July 1958, construction industry delegates at the Minister of Labour's National Winter Employment Conference advocated that an incentive in the form of accelerated depreciation (capital cost allowances) be offered by the federal government to encourage owners to have their capital investments built wholly or at least partly during the winter months. In subsequent Association meetings and in replies to Association questionnaires, our members have shown their preference for this proposal by a considerable margin over any other proposal. They feel that taxation incentives are best because they encourage private spending rather than require additional tax revenues.

The federal Government and the business community have had considerable experience, we suggest, with special depreciation policies which have been brought into being to either stimulate or discourage capital expenditures. During World War II, accelerated write-offs were used to encourage industrial expansion. The same device was followed successfully for the transition period from war to peace. Despite the policy of confining the double

depreciation concession to industrial investment of specified types, a total of \$1.4 billion was approved for expenditure from November 1944 to March 1947. In 1951 accelerated write-offs were again introduced for plant expansion of a specialized nature for defence production.

On the other hand, the federal Government has not hesitated to use deferred depreciation to create the exactly opposite atmosphere for investment. Following its introduction as an anti-inflation measure in 1951, investment in the affected areas dropped appreciably and when the policy was discontinued at the end of 1952, a definite reversal took effect. A 28% increase in these same areas was recorded in 1953. A breakdown of the figures for both the accelerated and deferred depreciation schemes show that many small and medium-sized projects were affected. In summary, accelerated depreciation or capital cost allowances have been proven to be effective in encouraging capital investment. Similarly, inadequate write-offs discourage this type of activity so essential for our nation's continued development.

It is believed that accelerated depreciation would be effective either in increasing wintertime construction and employment or economic activity generally. In the former case, it is proposed that it be based on wintertime payrolls on construction projects wholly or substantially built during the winter months or to long-term jobs started in the fall or winter insofar as the first year's operations are concerned.

In the latter case, its application could presumably be on a similar basis as previously administered by the Government. Canada's capital cost allowance scales do not compare favourably with those in a number of other leading Western countries. The United States Congress is actively studying provisions in its depreciation procedures designed to encourage more buoyant business conditions by faster write-offs along similar lines to those being experienced in Western Europe. The application of the proposed accelerated write-offs can be quite flexible and give if desired special encouragement to, for instance, industries important to our international trade. It was also suggested that the recapture provisions be carefully studied inasmuch as it appears that investment in depreciable assets from this standpoint is not attractive in Canada as, for example, the U.S.A.

As mentioned, the intention was announced by the federal Government in the last Budget to introduce double capital cost allowances for certain types of capital investment. The regulations for this plan have yet to be released and its scope is limited to a one-year application to new industries or new production methods and to depressed areas, yet to be designated.

The Association believes that accelerated capital cost allowances by which companies can write off part of their capital investment as expenses deductible from taxable income should be of sufficient size as to provide owners with a real incentive to invest in new plant facilities and equipment. A five-year term for the higher allowances would be more in keeping with our needs than the present one year application. A broader base for the double allowances is also strongly recommended.

Business would, of course, be assisted by tax cuts and there are also other fiscal measures that could be taken to improve the business climate. Faster write-offs for capital investment have the advantages of encouraging industry and commerce to develop new industries and to erect modern, competitive facilities; of being flexible; and of not adversely affecting government revenues in the long run. Within the construction industry itself, the present capital cost allowances for construction equipment are similarly less generous than are available to contractors in leading countries in the Western World. Moreover, whereas prior to 1949 such factors as multiple-shift operations were taken into consideration in setting the depreciation rate for taxation purposes,

no similar adjustment is now permitted. It is most desirable that contractors be encouraged to invest in new equipment, the main medium through which improved efficiency can be achieved. On projects beyond waterway, highway and railway access, complete write-offs of equipment should be allowed. Higher depletion rates on construction materials taken from quarries and sand pits would aid in holding costs down and in the development of new deposits.

Senator LEONARD: May I interrupt you there? You say: "On projects beyond waterway, highway and railway access, complete write-offs of equipment should be allowed". Do you mean it should be written off as an expense in the year in which it is incurred?

Mr. SULLIVAN: Yes, sir.

Wintertime construction could be encouraged further by the treatment of outlays on shelters, heating equipment etc. used to carry out winter work as deductible operating expenses rather than as a capital cost item. Similarly, such items should be exempted from the federal sales tax. The conditional federal sales tax exemption granted to municipalities on the purchase of certain materials used in servicing land should also be extended to developers required to install these services which are later turned over to the municipality. There is also discrimination in that the installation of municipal services are eligible for federal grants in the Municipal Winter Works Incentive Program when executed by the municipality, but not when installed by builders. If the latter were offered the same incentive for installations which later become part of this the municipal system, there would be a similar tendency to do more of this work in the winter months.

Cyclical demand requires longer term investment encouragement through both similar and additional tax incentives. One suggestion in this field is that the costs of architectural and engineering design work be treated as deductible expenses from taxable income. Such an arrangement would also encourage companies to have plans prepared in advance for future expansion plans. Increased depreciation rates on certain types of industrial and commercial buildings, possibly only when erected in specified areas, would tend to encourage business expansion during periods of slow growth. More favourable cost recapture provisions on equipment and buildings made obsolete through technological changes would encourage their replacement or renovation. Special tax concessions, such as the three-year period of freedom from taxation granted mining projects, could be made available to new businesses established in designated areas. Full deduction of research capital expenses would encourage more private research programs and help Canada's competitive position in world markets.

The above references have referred to possible taxation incentives provided by the Federal Government. Provincial and Municipal Governments also have opportunities for providing incentives through this medium designed to stimulate investment. In addition to provincial income taxes, for example, there are provincial and municipal sales taxes which do not as yet exempt construction materials from their incidence. Such levies are a tax on capital investment and it is recommended that the example of the Federal Government be followed in generally exempting such materials from sales tax. A similar exemption covering construction equipment by all governments administering sales taxes would also be most helpful. Attention is also drawn to the fact that municipal assessment systems tend to discourage building improvements because of the resulting higher municipal taxes.

Public Works and Other Forms of Government Assistance:

An important feature of the construction program is that the materials and equipment used in its execution are extremely diversified and very largely

domestic in origin. Therefore there are widespread employment benefits resulting from construction outlays as well as those related to the actual on-site work. This fact has traditionally made public works proposals popular as a means of increasing employment. Notwithstanding the many advances in the mechanization of construction operations, there is a large on-site labour element in building work. At the close of World War II, a good deal of emphasis was placed on the "shelf" concept of public works in which it was proposed that deferable construction projects be completely designed and held in reserve until needed to bolster levels of unemployment and economic activity in different localities. Post-war conditions rendered this program to a very large extent both impracticable and unnecessary. However, experience with standard plans in the case of defence projects, apartment buildings and post offices do indicate that such projects could be initiated speedily throughout the country since all that would be required in addition to copies of the plans and specifications for the standard designs would be the details for foundations and footings and other modifications necessary to adapt the designs to local conditions.

In addition to the important use of public works as an anti-recession measure, the Association would like to stress their more positive role as a means of assisting in the basic development of the Canadian economy and in providing improved public services. Much work has already been carried out on a large scale in the various fields of transportation. The St. Lawrence Seaway is a recent and dramatic example. Canada is a huge country with relatively long distances between centres of population. Good transportation facilities and lines of communication are therefore essential. Marine, air, rail, pipeline and road transportation facilities are all being improved as part of the Federal Government's public works and development program at the present time.

The Dominion-Provincial partnership in the construction of the Trans-Canada Highway has demonstrated that co-operation is not only feasible but essential in the execution of an adequate roads system in Canada. This Association has strongly advocated the establishment of a Dominion-Provincial Highways Organization to co-ordinate on a continuing basis the planning, construction and financing of roads of national importance. The Federal Government has stated that it does not wish to increase its road commitments until the completion of the Trans-Canada Highway. The necessary advance planning for a national highway program in Canada should be in considerable detail in order to obtain maximum economies. An early start should, therefore, be made.

Similarly, the establishment of a long-term policy by federal, provincial and larger municipal governments with regard to public works, urban redevelopment, resources development and similar projects generally is recommended and its publication is requested as a stabilizing factor in the construction industry.

The scheduling of the start of public works projects by all levels of government to coincide as much as possible with seasonal and cyclical downswings will continue to reduce the severity of such downswings in construction activity. The Canadian Construction Association commends all participating governments for their recognition of this important countermeasure and their present policies in this regard. Continued project scheduling so as to give the maximum possible number of jobs to construction workers during wintertime is requested from all governments. Private companies, institutions and individuals can of course play an equally important role in this regard.

Much can be done to increase demand for construction services, both seasonally and in general, through progressive assistance in the important field

of inter-government financing and in legislation designed to facilitate private construction. Current examples include government financial assistance to municipalities for slum clearance and redevelopment programs, for the construction of low-income housing, and for the improvement of sewerage systems. These will serve to strengthen the demand for both building and engineering construction services. Such assistance can be geared to combat either seasonal unemployment or cyclical unemployment, and if necessary both at the same time.

Reference has been made to the very direct influence that government policy has on the size and nature of the housing program. Continued support by the government to residential construction is additionally desirable because of the social benefits of improved housing standards, the high proportion of on-site workers in a long list of trades that are required to build a house, and wide material content of a very diversified nature in housing. Variations in the level of housebuilding operations have a direct effect on employment in construction, in manufacturing and in the trade and service industries.

The amendments to federal housing legislation introduced at the end of 1960 were cited as one of the government's measures designed to increase employment. The scheduling of C.M.H.C. direct loans so as to relate them to wintertime housebuilding operations is another example of how housing policies can be used to alleviate unemployment problems. It is important that sufficient advance notice of changes in housing policy be given so that maximum use may be made of them.

Among the recommendations made by the Association as a means of increasing the opportunities for home ownership in the future is the inclusion of mortgage loans for existing houses under the provisions of the National Housing Act, thereby enabling trade-in transactions at reduced rates. The market for new housing depends to a significant extent on the ability of present home-owners to sell their houses and upgrade themselves without financing problems. There is a growing movement of families from the suburbs back into the city or into smaller houses as children grow up and leave home. Mortgage re-financing assistance on the sale of older houses will become increasingly important as more and more older homes, with their high down-payments, are placed on the housing market.

This Association commends the Federal Department of Labour in its "DO IT NOW" promotional campaign for winter work in construction and recommends that this campaign be maintained in the future.

The announced intention of the Federal Government that it will amend the Unemployment Insurance Act with a view to removing abuses and return it to a sound actuarial basis has been warmly welcomed by this Association. Such a move is in accordance with repeated C.C.A. representations which have expressed concern over a tendency of the present system to reduce the incentive to work. Greater dissemination of job information must coincide with increased labour mobility and improved skills. Further expansion of the "employment office" function of the Unemployment Insurance Commission through co-operation with employers and labour unions to provide maximum construction job information across Canada is recommended.

The Canadian Construction Association supports the establishment of a Productivity Council made up of members of government, labour unions, management, and special interest groups such as finance, construction, retailing, agriculture, resource development, etc. to study long-range economic plans to stimulate the overall growth of the Canadian economy and to improve the position of Canada among world traders. It urges the early establishment of this Council.

Demand for construction services abroad is growing and an increasing number of Canadian contractors, manufacturers and suppliers are investigating

this field. There were 73 members of this Association registered at the Export Trade Promotion conference held in Ottawa last December, including 23 trade and general contractors. The availability of adequate long-term export credit facilities should assist Canadian contractors in developing this growing market. Such assistance would place Canadian firms on a competitive footing with foreign contractors operating on the world market and would help to increase demand for Canadian goods and services abroad.

Training, Both Youth and Adult:

This Association's Apprenticeship Committee strongly advocates that greater publicity be directed at boys, their parents and teachers, employers and the public generally concerning the necessity and benefits of apprenticeship training. This should stress the "earn as you learn" aspect of the training course, the vital importance of the skilled construction worker as one who turns blueprints into buildings and the opportunities for further advancement through trade training. (Perhaps a new word to replace "apprenticeship" could also be considered!)

This year the forthcoming Commonwealth Technical Training Week should be most helpful in drawing additional attention to the subject. It will, however, require a continuing publicity campaign by all interested parties at all levels to promote successfully the advantages of apprenticeship and other vocational training programs. Coupled with this of course will be the need of continuing review of the apprenticeship training program so that it meets the changing needs of the industry and the widening concept of trade training.

The Association has commended the Federal Government for its recent amendments to the Technical and Vocational Training Assistance Act and other measures designed to expand the scope of Canada's training programs at these levels. In its presentations to Provincial Governments it is urging that full use be made of the new federal grants available for the construction and operation of training centres. These facilities will be needed not only for youth training but also for the training or re-training of the unemployed and older workers whose skills are in decreasing demand.

The expansion of training facilities will involve a corresponding need for the expansion of instructional staffs. The C.C.A. recommends that trade training instructors themselves be experienced journeymen, have teacher training and return to their trade periodically in order to keep up-to-date with modern techniques.

It is sincerely hoped that the above information, viewpoints and recommendations may be of use in your deliberations on this important field of study.

SUMMARY OF RECOMMENDATIONS

1. Seasonal Fluctuations:

That wintertime construction activity be encouraged by:

- (a) Continued support of an educational program to encourage the public to build, renovate and repair during the winter, together with the scheduling of government construction projects so as to provide maximum on-site employment during mid-winter.
- (b) Taxation incentives, such as accelerated capital cost allowances, sales tax exemptions and added deductible expenses which would apply on commercial, industrial and engineering projects qualifying as wintertime construction.
- (c) Increased financial assistance to municipalities for slum clearance programs.
- (d) Continued and if necessary, additional support of the mortgage market for housing, both ownership and rental, commenced during the wintertime.

- (e) Continued use of and research into improved wintertime construction methods and new materials.
- (f) Exemption from federal sales tax for materials and equipment necessary for closing in and heating projects in wintertime.
- (g) Improved job information through the National Employment Service Offices.
- (h) A provision in wage agreements and legislation whereby premium rates of pay would only be applied after a weekly rather than a daily maximum number of hours worked. This would make it more practicable to enable employees to make up time lost due to adverse weather conditions during the wintertime.

2. Cyclical Fluctuations:

That demand for construction services be encouraged during periods of levelling or declining construction activity through:

- (a) Drawing upon pre-designed building and engineering construction projects as part of an overall planned program of public works to support construction employment in specific localities.
- (b) Tax incentives, such as accelerated depreciation, improved cost recapture provisions, additions to deductible expenses, to attract investment and encourage business activity.
- (c) Continued financing assistance to municipalities for redevelopment, the assembly of serviced land, low-income housing and similar capital expenditure projects.
- (d) The establishment of long-term economic development programs.
- (e) Administration of the National Housing Act so as to maintain an adequate housing program including consideration of the re-financing of older houses and the establishment of a mortgage market.
- (f) Greater sales promotion by contractors.

3. Continued Growth:

That the climate for investment be made more attractive as an encouragement to general business growth through:

- (a) Overall income tax policies including special depreciation rates on capital required for business expansion, more favourable capital cost recovery provisions on assets replaced due to obsolescence, and the widening of operating expense categories.
- (b) Long-term export credit facilities on a continuing basis to assist contractors offering construction services on the export market.
- (c) Continued long-term government planning of resource development programs designed to open up new areas for private investment.
- (d) Increased emphasis on "Buy Canadian" when purchasing construction materials, equipment and services.

And further that construction productivity be upgraded through:

- (a) Increased technical training programs at apprenticeship and higher skill levels.
- (b) Continued and expanded research by both government and industry into new building techniques and the development and use of new materials
- (c) Taxation incentives, such as higher capital cost allowance and special cost recovery provisions, for contractors wishing to improve the mechanization of their operations.
- (d) Increased labour mobility through more extensive information on job opportunities across Canada.

APPENDIX "A"

MANPOWER REQUIREMENT DATA BY CONSTRUCTION PROJECT

Housing Projects

Recently the *Financial Post* gave the following picture of what one average new house can mean:

Wages, materials, profits	\$12,044
On-site jobs	2,300 man-hours
Off-site jobs	3,100 man-hours
Cost of major furnishings	\$1,500

Based on an output of 125,000 dwelling units, including 52,000 single dwellings, total 1961 housing jobs were estimated at 280.8 million man-hours and total housing construction value at \$749.1 million. Purchases of major furnishings would total \$78 million. Using this estimate, it is apparent that housing could employ 14,000 men full time if seasonal fluctuations were eliminated entirely. (50 weeks—40 hour week)

Commercial, Industrial and Institutional Projects

A. Excerpt from News-Letter of November-December, 1960 issued by the Canadian Chamber of Commerce:

Construction Employment

Several correspondents have taken exception to the statement made by the Hon. David J. Walker, Q.C., Minister of Public Works, in a speech in Toronto on September 12 and quoted in the October issue of the News Letter. Mr. Walker referred to the Mackenzie Federal Building in Toronto erected at a cost of \$11 million "and provided thirteen hundred on the site jobs for workers in the building trades which lasted on an average of four months". Mr. Walker went on to say "What an expensive way to solve unemployment! Dividing 1,300 jobs into \$11 million we have \$9,000 being required to provide one man with work for four months; \$27,000 to provide one man with on-the-site work for one year. Such an expense can only be justified if Canada needs such buildings, and of course, the Mackenzie Building was badly needed. It shows, however, that large-scale public works are not the complete solution to creating employment."

One correspondent asks the question—assuming that the actual wages for one man for four months was \$1,200—what happened to the remaining \$7,800? The writer points out that his company was a sub-contractor on this particular project with the amount of the contract being about 5% for on-site labour. About 50% of the remainder went for labour in fabricating materials and the rest was expended for materials, heat,

power, etc. He suggests that about 75% of this portion went to provide wages in suppliers' plants, their suppliers' plants, mines, transportation agencies, etc. He concludes with the observation that the on-site labour paid for by the government was only a small fraction of the direct wage payments resulting from the contract in question. In addition to the direct employment the correspondent points out that there is a good deal of indirect employment on the basis of the frequently quoted statements that one employee in industry provides employment for four persons in the service trades.

Another correspondent produces the figures that expenditure of \$11 million on a building project provides in wages for on-site labour \$3,300,000 and in off-site labour wages amounting to \$3,900,000. This writer makes the point that these wages in turn when expended on living requirements provide wages in the service trade of at least \$3,600,000, a total of \$10,800,000. When it is calculated that the government receives a percentage back in taxes and retains unemployment insurance payments of approximately \$4½ million which would be paid out if these men were unemployed, leaving a net cost for the building of less than \$5,000,000. The correspondent concludes that it can therefore be seen that for a net expenditure of approximately \$5,000,000 the government can obtain a building worth \$11,000,000 and give employment to 7,200 men for four months.

All of which points to the obvious necessity of considering the snowballing effect of construction or other projects before jumping to hasty conclusions.

B. In Appendix AA of "Stabilizing Construction: the Record and Potential" by Miles L. Colean and Robinson Newcomb, the authors give statistics on the labour content of a \$100,000 U.S. Post Office built during 1940-41 at Riverton, Wyoming. As an indication of the job duration for most construction workers we submit the following analysis of employment on this project.

Number of individuals	Duration of employment	Average total hours per man
4	Full 38 weeks.....	1,648
1	During 25 successive weeks.....	1,055
1	" 17 " ".....	933
1	" 16 " ".....	569
2	" 14 " ".....	523
2	" 13 " ".....	484
1	" 12 " ".....	334
1	" 10 " ".....	352
1	" 9 " ".....	309
2	" 8 " ".....	286
1	" 7 " ".....	212
4	" 6 " ".....	229
5	" 5 " ".....	234
6	" 4 " ".....	145
9	" 3 " ".....	109
19	" 2 " ".....	42
36	" 1 " ".....	18
29	Worked two periods.....	204
5	" 3 " ".....	168
1	" 4 " ".....	23
3	" 5 " ".....	145
134	Total hours—25,545.....	191

Distribution of wages and man-hours by trade on this same project was as follows:

	Wages	Man-hours
	%	%
Carpenters.....	16.7	13.8
Labourers.....	16.3	28.9
Bricklayer foreman.....	3.2	2.0
Bricklayers.....	8.3	5.7
General Contractor's Superintendent.....	10.1	6.5
Plumbers.....	9.1	6.4
Painters.....	6.7	5.5
Plumbers' helpers.....	5.3	8.8
Plasterers.....	3.2	2.0
Electricians.....	3.1	2.5
Mason tenders.....	2.5	2.4
Others.....	15.5	15.5
	100.0	100.0

Highway and Bridge Projects

According to the United States Bureau of Public Roads it takes 48,000 men, supplying at least 50 different skills, to keep highway and bridge contracts worth \$1 billion under construction. The Bureau studied 3,358 federal-aid projects with a total contract value of \$2,216,343,000 for a 4-week period from July 13 to August 9, 1958, to arrive at the following employment distribution of construction contractor employees only:

	Share of wages	Share of hours worked
	%	%
TOTAL EQUIPMENT OPERATORS.....	41.02	37.77
Includes:		
Truck drivers.....	11	12
Tractor, grader, scraper and power crane, hoist, dragline and shovel operators.....	19	15
Roller Operators.....	2	2
Bulldozer, concrete-mixing and concrete paving machine, asphalt plant and paving machine, concrete and asphalt finishing, machine rock crusher and gravel plant, pile driver, off-highway hauling, sub-grading, form-graders, stone spreaders, apprentices, other operators..	9	9
TOTAL MAINTENANCE.....	6.13	5.43
Includes:		
Oilers, mechanics, firemen, stationary engineers, pile-driver men		
Total Operations and Maintenance.....	47.25	43.20
TOTAL UNSKILLED LABOUR.....	24.77	32.51
TOTAL MISCELLANEOUS CRAFTS.....	13.67	15.54
Includes:		
Carpenters.....	8	7
Concrete finishers, driller, mudjack operators, structural steel workers, welders, reinforcing steel workers, form setters and tampers, bituminous pavers, pipelayers, blasters and powdermen, painters, chain and rodmen, electricians, brick and stone masons, tile setters, plumbers, apprentices, others.....	5½	8½
TOTAL CLERICAL AND SERVICE.....	1.00	1.22
Includes:		
Paymasters, payroll clerks, timekeepers, office clerks, bookkeepers, cashiers, watchmen, flagmen, traffic officers, cooks.....		
TOTAL PROFESSIONAL AND MANAGERIAL.....	11.54	9.40
Includes:		
Foremen.....	7	6
Superintendents.....	3	2½
Civil Engineers, other managerial and official occupations, surveyors, accountants.....	1½	1

APPENDIX "B"

TABLE I
GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS WHOSE
UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959—
REGULAR AND SEASONAL BY OCCUPATION

	Foremen	Masons	Carpenters	Cement finishers	Equipment operators	Electricians	Painters
ATLANTIC AREA							
Total Regular.....	520	336	5,352	116	1,044	280	980
6 Major Centres.....	200	196	2,636	68	380	168	488
Total Seasonal.....	330	240	4,320	110	400	80	700
6 Major Centres.....	110	120	2,100	60	160	30	250
QUEBEC							
Total Regular.....	1,304	2,604	15,196	628	1,616	2,636	3,856
5 Major Centres.....	600	1,764	6,064	476	696	1,600	2,368
Total Seasonal.....	560	850	7,870	290	620	750	2,070
5 Major Centres.....	240	430	2,620	240	200	390	1,080
ONTARIO							
Total Regular.....	1,456	5,252	12,964	1,264	2,644	2,520	3,692
11 Major Centres.....	816	3,948	7,568	944	1,124	1,556	2,332
Total Seasonal.....	280	1,230	3,840	310	610	330	1,390
11 Major Centres.....	150	840	2,180	200	230	170	970
PRAIRIE AREA							
Total Regular.....	460	900	5,344	372	1,292	548	1,220
5 Major Centres.....	336	788	3,768	308	764	452	1,000
Total Seasonal.....	80	230	1,770	110	680	80	400
5 Major Centres.....	30	190	1,210	100	360	70	350
BRITISH COLUMBIA							
Total Regular.....	616	464	4,600	244	768	1,004	828
3 Major Centres.....	376	356	2,832	172	400	836	628
Total Seasonal.....	110	120	1,370	60	210	200	450
3 Major Centres.....	70	80	760	50	100	170	320
CANADA							
Total Regular.....	4,356	9,556	43,456	2,624	7,364	6,988	10,576
30 Major Centres.....	2,328	7,052	22,859	1,968	3,364	4,612	6,816
Total Seasonal.....	1,360	2,670	19,170	880	2,520	1,440	5,010
30 Major Centres.....	600	1,660	8,870	650	1,050	830	2,970

TABLE I—Continued

GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS WHOSE
UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959—
REGULAR AND SEASONAL BY OCCUPATION

	Plasterers Lathers	Plumbers	Structural iron work	Others	Labourers	Total excluding labourers	Total
ATLANTIC AREA							
Total Regular.....	184	480	100	356	5,636	9,748	15,384
6 Major Centres.....	108	276	64	204	3,036	4,788	7,824
Total Seasonal.....	120	180	90	120	6,950	6,690	13,640
6 Major Centres.....	70	60	50	10	3,800	3,020	6,820
QUEBEC							
Total Regular.....	1,192	3,868	360	1,488	20,888	34,748	55,636
5 Major Centres.....	884	2,552	220	772	10,068	17,996	28,064
Total Seasonal.....	300	900	100	540	14,550	14,850	29,400
5 Major Centres.....	200	560	70	270	5,220	6,300	11,520
ONTARIO							
Total Regular.....	2,208	3,804	476	2,062	24,836	38,342	63,178
11 Major Centres.....	1,760	2,400	312	1,308	15,832	24,068	39,900
Total Seasonal.....	580	680	140	650	11,310	10,040	21,350
11 Major Centres.....	470	410	70	360	6,140	6,050	12,190
PRAIRIE AREA							
Total Regular.....	568	1,132	256	636	9,136	12,728	21,864
5 Major Centres.....	520	916	212	536	6,424	9,600	16,024
Total Seasonal.....	90	190	90	120	5,460	3,840	9,300
5 Major Centres.....	80	140	50	90	3,540	2,670	6,210
BRITISH COLUMBIA							
Total Regular.....	348	1,072	252	672	5,480	10,868	16,348
3 Major Centres.....	268	824	220	528	3,472	7,440	10,912
Total Seasonal.....	70	330	200	350	2,420	3,470	5,890
3 Major Centres.....	40	280	180	260	1,380	2,310	3,690
CANADA							
Total Regular.....	4,500	10,356	1,444	5,214	65,976	106,434	172,410
30 Major Centres.....	3,540	6,968	1,028	3,348	38,832	63,892	102,724
Total Seasonal.....	1,160	2,280	620	1,780	40,690	38,890	79,580
30 Major Centres.....	860	1,450	420	990	20,080	20,350	40,430

TABLE II

GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS IN MAJOR POPULATION CENTRES WHOSE UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959
—REGULAR AND SEASONAL BY OCCUPATION

	Foremen	Masons	Carpenters	Cement finishers	Equipment operators	Electricians	Painters	
ATLANTIC AREA—(St. John's, Charlottetown, Halifax, Sydney, Saint John, Moncton)								
Regular Benefits.....	1	28	48	212	4	68	52	104
	2	4	24	112	4	28	16	12
	3	64	84	1,448	28	124	40	288
	4	104	40	864	32	160	60	84
Seasonal Benefits.....	1	10	20	300	20	30	20	100
	2	10	20	80	—	30	—	—
	3	40	30	1,270	10	60	10	130
	4	50	50	450	30	40	—	20
QUEBEC AREA—(Montreal, Quebec, Sherbrooke, Three Rivers, Riviere-du-Loup)								
Regular Benefits.....	1	32	316	788	108	100	728	436
	2	76	168	512	52	124	188	276
	3	92	592	1,948	88	140	280	752
	4	400	688	2,816	228	332	404	904
Seasonal Benefits.....	1	—	140	490	70	20	220	280
	2	20	20	220	20	50	40	50
	3	50	210	1,140	90	40	60	490
	4	170	60	770	60	90	70	260
ONTARIO AREA—(Toronto, Hamilton, London, Ottawa, Windsor, Oshawa, St. Catharines, Sudbury, Cornwall, Long Branch, Port Arthur)								
Regular Benefits.....	1	52	724	1,008	132	152	304	556
	2	144	824	1,552	168	264	412	432
	3	92	844	1,348	240	208	116	556
	4	528	1,556	3,660	404	500	724	788
Seasonal Benefits.....	1	10	270	360	60	40	40	350
	2	20	100	360	90	70	40	190
	3	30	220	650	30	30	30	200
	4	90	250	810	20	90	60	230
PRAIRIE AREA—(Winnipeg, Regina, Saskatoon, Calgary, Edmonton)								
Regular Benefits.....	1	24	108	444	44	136	136	168
	2	40	208	640	72	220	132	228
	3	52	140	876	64	156	76	232
	4	220	332	1,808	128	252	108	372
Seasonal Benefits.....	1	20	20	230	40	30	20	120
	2	—	60	170	10	120	20	80
	3	—	70	390	10	100	30	80
	4	10	40	420	40	110	—	70
BRITISH COLUMBIA—(Vancouver, Victoria, New Westminster)								
Regular Benefits.....	1	16	44	208	16	40	64	96
	2	52	56	648	32	104	204	104
	3	24	76	320	36	44	40	80
	4	284	180	1,656	88	212	528	348
Seasonal Benefits.....	1	10	—	120	10	—	10	70
	2	—	40	230	10	60	50	60
	3	10	20	160	—	10	30	80
	4	50	20	250	30	30	80	110

TABLE II—Continued

GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS IN MAJOR POPULATION CENTRES WHOSE UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959—REGULAR AND SEASONAL BY OCCUPATION

	Plasterers Lathers	Plumbers	Iron work	Other	Labourers	Total excluding labourers	Total	
ATLANTIC AREA—(St. John's, Charlottetown, Halifax, Sydney, Saint John, Moncton)								
Regular Benefits.....	1	12	84	16	36	968	664	1,632
	2	4	12	4	20	88	240	328
	3	44	84	32	104	1,756	2,340	4,096
	4	48	96	12	44	224	1,544	1,768
Seasonal Benefits.....	1	—	30	30	—	1,440	560	2,000
	2	30	—	—	—	140	170	310
	3	30	20	20	10	2,050	1,630	3,680
	4	10	10	—	—	170	660	830
QUEBEC AREA—(Montreal, Quebec, Sherbrooke, Three Rivers, Riviere-du-Loup)								
Regular Benefits.....	1	208	1,032	32	212	3,492	3,992	7,484
	2	100	212	44	120	876	1,872	2,748
	3	276	456	56	180	4,028	4,860	8,888
	4	300	852	88	260	1,672	7,272	8,944
Seasonal Benefits.....	1	50	230	10	120	2,360	1,630	3,990
	2	10	60	10	30	280	530	810
	3	120	130	10	110	2,090	2,450	4,540
	4	20	140	40	10	490	1,700	2,180
ONTARIO AREA—(Toronto, Hamilton, London, Ottawa, Windsor, Oshawa, St. Catharines, Sudbury, Cornwall, Long Branch, Port Arthur)								
Regular Benefits.....	1	312	360	44	292	5,500	3,936	9,436
	2	376	628	80	216	2,344	5,096	7,440
	3	340	268	56	348	4,784	4,416	9,200
	4	732	1,144	132	452	3,204	10,620	13,824
Seasonal Benefits.....	1	180	70	20	150	2,780	1,550	4,330
	2	50	120	20	10	740	1,070	1,810
	3	90	90	10	110	1,910	1,490	3,400
	4	150	130	20	90	710	1,940	2,650
PRAIRIE AREA—(Winnipeg, Regina, Saskatoon, Calgary, Edmonton)								
Regular Benefits.....	1	128	188	52	92	2,244	1,520	3,764
	2	80	164	60	92	908	1,936	2,844
	3	92	128	36	172	2,148	2,024	4,172
	4	220	436	64	180	1,124	4,120	5,244
Seasonal Benefits.....	1	—	60	10	30	1,670	580	2,250
	2	20	10	20	10	530	520	1,050
	3	30	40	—	20	980	770	1,750
	4	30	30	20	30	360	800	1,160
BRITISH COLUMBIA—(Vancouver, Victoria, New Westminster)								
Regular Benefits.....	1	40	100	20	56	820	700	1,520
	2	52	148	64	164	936	1,628	2,564
	3	48	52	12	84	532	816	1,348
	4	128	524	124	224	1,184	4,296	5,480
Seasonal Benefits.....	1	20	50	10	50	490	350	840
	2	—	60	90	70	440	670	1,110
	3	20	10	30	30	210	400	610
	4	—	160	50	110	240	890	1,130

LEGEND

- 1 Single with benefit below \$23 weekly
- 2 Single with benefit at max. \$23 weekly
- 3 With dependent, benefit below \$30 weekly
- 4 With dependent, benefit at max. \$30 weekly

TABLE III

GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS WHOSE
UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959—
REGULAR AND SEASONAL BY OCCUPATION

		Foremen	Masons	Carpenters	Cement finishers	Equipment operators	Electricians	Painters
ATLANTIC AREA								
Regular Benefits.....	(1	52	56	476	24	120	76	204
	2	24	28	220	12	100	24	28
	3	156	184	3,036	36	400	96	624
	4	288	68	1,620	44	424	84	124
Seasonal Benefits.....	(1	30	30	650	40	70	40	240
	2	10	20	110	—	80	—	10
	3	140	90	2,730	10	150	30	390
	4	150	100	830	60	100	10	60
QUEBEC AREA								
Regular Benefits.....	(1	80	484	1,584	140	220	1,184	756
	2	112	240	1,064	60	332	348	376
	3	212	924	5,064	136	300	476	1,304
	4	900	956	7,484	292	764	628	1,420
Seasonal Benefits.....	(1	20	280	1,080	70	60	410	550
	2	50	30	510	20	160	90	150
	3	140	380	3,410	100	140	130	890
	4	350	160	2,870	100	260	120	480
ONTARIO AREA								
Regular Benefits.....	(1	68	916	1,596	156	436	512	864
	2	260	996	2,056	248	636	572	564
	3	188	1,280	3,108	324	524	224	1,104
	4	940	2,060	6,204	536	1,048	1,212	1,160
Seasonal Benefits.....	(1	30	320	570	100	130	80	470
	2	40	160	510	100	130	50	250
	3	70	370	1,380	60	150	90	410
	4	140	380	1,380	50	200	110	260
PRAIRIE AREA								
Regular Benefits.....	(1	40	132	596	56	296	164	220
	2	44	224	840	72	324	148	260
	3	84	180	1,436	100	256	92	296
	4	292	364	2,472	144	416	144	444
Seasonal Benefits.....	(1	20	30	290	40	50	30	130
	2	—	60	230	10	200	20	80
	3	—	90	650	10	190	30	110
	4	60	50	600	50	240	—	80
BRITISH COLUMBIA								
Regular Benefits.....	(1	24	52	292	20	88	84	104
	2	72	84	896	44	176	248	136
	3	56	100	652	60	88	48	128
	4	464	228	2,760	120	416	624	460
Seasonal Benefits.....	(1	10	10	170	10	20	20	90
	2	—	50	330	20	90	50	70
	3	20	20	400	—	60	40	90
	4	80	40	470	30	40	90	200

TABLE III—Continued

GEOGRAPHIC DISTRIBUTION OF CONSTRUCTION WORKERS WHOSE
UNEMPLOYMENT INSURANCE BENEFITS TERMINATED IN 1959—
REGULAR AND SEASONAL BY OCCUPATION

		Plasterers Lathers	Plumbers	Iron work	Others	Labourers	Total excluding labourers	Total
ATLANTIC AREA								
Regular Benefits.....	(1	44	132	20	80	1,764	1,284	3,048
	2	4	20	8	28	168	496	664
	3	64	140	52	176	3,308	4,964	8,272
	4	72	188	20	72	396	3,004	3,400
Seasonal Benefits.....	(1	20	70	50	10	2,480	1,250	3,740
	2	30	10	—	—	210	270	480
	3	60	80	40	100	3,900	3,820	7,720
	4	10	20	—	10	360	1,350	1,710
QUEBEC AREA								
Regular Benefits.....	(1	256	1,528	48	360	7,140	6,640	13,780
	2	140	304	76	248	1,740	3,300	5,040
	3	356	756	92	320	8,740	9,940	18,680
	4	440	1,280	144	560	3,268	14,868	18,136
Seasonal Benefits.....	(1	80	370	30	180	5,850	3,130	8,980
	2	20	100	10	100	830	1,240	2,070
	3	140	200	10	170	6,190	5,710	11,900
	4	60	230	50	90	1,680	4,770	6,450
ONTARIO AREA								
Regular Benefits.....	(1	392	556	72	484	9,028	6,052	15,080
	2	440	872	100	304	3,088	7,048	10,136
	3	468	468	76	542	8,376	8,306	16,682
	4	908	1,908	228	732	4,344	16,936	21,280
Seasonal Benefits.....	(1	200	150	40	230	5,010	2,320	7,330
	2	50	160	40	50	1,170	1,540	2,710
	3	160	170	30	200	3,930	3,090	7,020
	4	170	200	30	170	1,200	3,090	4,290
PRAIRIE AREA								
Regular Benefits.....	(1	132	236	52	128	3,304	2,052	5,356
	2	84	216	72	108	1,152	2,392	3,544
	3	104	176	56	212	3,236	2,992	6,228
	4	248	504	76	188	1,444	5,292	6,736
Seasonal Benefits.....	(1	—	70	10	40	2,510	710	3,220
	2	30	20	30	20	720	700	1,420
	3	30	50	10	30	1,680	1,200	2,880
	4	30	50	40	30	550	1,230	1,780
BRITISH COLUMBIA AREA								
Regular Benefits.....	(1	44	124	20	96	1,312	948	2,260
	2	68	168	68	208	1,340	2,168	3,508
	3	76	88	12	100	1,076	1,408	2,484
	4	160	692	152	268	1,752	6,344	8,096
Seasonal Benefits.....	(1	20	60	20	50	810	480	1,290
	2	10	60	90	70	630	840	1,470
	3	40	30	30	60	540	790	1,330
	4	—	180	60	170	440	1,360	1,800

LEGEND

- 1 Single with benefit below \$23 weekly
- 2 Single with benefit at max. \$23 weekly
- 3 With dependent, benefit below \$30 weekly
- 4 With dependent, benefit at max. \$30 weekly

All of which, Mr. Chairman and honourable senators, is respectfully submitted. We shall be glad to attempt to answer questions which you may have as the result of our presentation.

Senator BUCHANAN: Do you suggest that all people who wish to take vocational training should have a complete high school education or do you think there should be some provision before that time?

Mr. CHUTTER: The higher levels of education are recommended. So many high school students do not complete their course that it is felt that provision for trade training facilities is an alternate, and particularly for those of 16 and 17 years old would be desirable.

Senator BUCHANAN: I happen to be in the building industry myself. We get a lot of good boys even from grade nine or ten, and we find that while we cannot keep them at high school we can get them interested in vocational training and they will develop into real artisans in their own line.

Mr. CHUTTER: Possibly one exception to my statement is students who desire to enter the mechanical trades, for which there is a tendency for increased educational standards being required.

Senator HAIG: What have you done about advocating that the dominion government from time to time reduce the tax they put on for depreciation? You will recall that for years and years you were allowed to deduct a certain percentage for depreciation of a building you owned, but ten years or so ago the government of that day brought in a bill cutting out that altogether; they said that if at the end of the time you did take depreciation and sold the building for more than you had depreciated it, that additional money had to be taxed, and that is what they did. It always appeared to me that there was no inducement for private money to go into the building of houses or buildings. Up to that time, and I can only speak for my own province, we had a very large amount of private loans. A contractor would come into your office and say, "I am selling this house to Mr. Smith." He would ask where he could get a loan, and he would be told to go to, say, Mr. Browne. Then he would ask if it would be a temporary or a permanent loan, and he would be told it was a permanent loan. Then the income tax people would want to know what depreciation was taken, and whether more was obtained for the house than was depreciated. Now, you cannot sell any second-hand houses in Winnipeg, or scarcely any. You have to sell such houses at considerable depreciation in order to sell them at all. I know what I am talking about because I have tried it. Now they have cut off all investment. Among business concerns, I see no form of loans by private investment, with the exception of individual loans, but I do not count them. If a man comes into my office and says he wants a loan on a house he is building, I tell him to go to, say, Mr. Browne, and Browne says, "No, I will put my money in bonds or stocks, where I don't have to pay depreciation." That is the answer, and then you are through. Why don't you put up a better fight to have private capital for that type of investment? And the place to do it is with the treasurer of the dominion Government of Canada, to get him to cut out the depreciation legislation that was put in about ten years ago.

Senator PRATT: Mr. Chairman, may I ask a question, or pass a remark with regard to the last paragraph dealing with the subject "Public Works and other forms of Government assistance", which speaks of the availability of adequate longterm export credit facilities to assist Canadian contractors to develop abroad. I think that is a very admirable suggestion, and a policy that is correct, but at the same time, although I know there is a reason stated in the brief, it seems to me there is a contradiction. In an earlier

part of the brief, under the title "Construction Industry Actions", it is advocated that a duty be placed on foreign-drawn plans and specifications for construction projects in Canada. I do not think the outlook is broad enough in the general picture of development of the construction industry and in the development of the economy generally, when we find a contradiction of that nature in the same brief. You are saying, put a duty on plans coming in from abroad, and, on the other hand, give us the incentive to go abroad and do business outside of Canada. I know the reason is given, but I rather think it is a mistake.

Mr. SULLIVAN: I suggest that there is no conflict between the two items. What we are trying to do in the foreign market is that if we have Canadian contractors and engineering people working in foreign finance, they will tend to do exactly what the Americans are doing in their plans, and we will be specifying Canadian materials, and if you get Canadian materials into the foreign markets the repeat business flows back, and that is what we are trying to do.

Mr. CHUTTER: If Canadian firms have the opportunity of working abroad, and bring in their own plans, etc., they will pay all the going tariffs; but in addition to that some of the directors have found that they have had to look after the financing also, and that other countries had mediums through which long-term financing can be arranged. The lack of that is being increasingly recognized by the Government, and it is impossible for Canadian firms to participate; this is in addition to any tariffs that may exist. In the case of tariffs on plans, there are certain types that come into Canada duty free. There is no reciprocity in the United States, as far as that is concerned, but the request for long-term credits would be quite in addition to any tariffs.

Senator PRATT: I can agree on that. I was merely thinking of the outlook as being a little contradictory, where I see you put a tariff on plans coming in, and to save time say, "Let's go ahead and do a little more work outside".

Senator BUCHANAN: If this credit was to be arranged, there should be some stipulation that Canadian products to a certain extent should be included, otherwise there would be no particular public interest in financing projects elsewhere. It is not going to help us unless we are going to sell on our own terms.

Senator HORNER: Mr. Chairman, I would like to ask Mr. Faulds where does he see the great possibility of extending construction activity in Canada. For instance, our paper mills are built to satisfy all foreseeable demands that may be made on it, and more, and even our steel mills have built up their capacity to satisfy all demands. And in some cities and towns housing is becoming difficult to sell. I gather from your own remarks that the provinces and areas in which the greatest construction activity is in the provinces where population is increasing, such as Ontario, and Alberta. I would say there is very little doing in construction in provinces where the population is not increasing, and I would give as an example my own province of Saskatchewan. Thus, would it not follow that one of the great needs in Canada would be a large increase in population. To my mind that is the great hope for the construction industry. Under present conditions, are we not nearing the saturation point?

Mr. FAULDS: Mr. Chairman, I think there is lots of room for growth in secondary industry. I agree with you, Senator Horner, that the pulp and paper industry, and the steel business are built to capacity, but in secondary industries, which the country needs so badly to create, I think there are still lots of opportunities there.

Senator BUCHANAN: I might point out that there would be a lot of secondary industries which would be included to a great extent in the steel industry.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I have three questions on three different subjects.

Mr. Sullivan, Mr. R. M. Fowler, President of the Canadian Pulp and Paper Association, on February 8, was asked by one of the members of this committee, "What do we do now to lift the economy?" He expressed his modesty and then went on to answer: "It seems we ought to look around and try to get some big projects going in this country the way the St. Lawrence Seaway project was done, and the way the oil development took place and various pipe lines got going, and the same with iron ore."

I would ask if the Canadian construction association thinks that that is an important thought for everyone to have in mind including this committee, and the Government—that we need something big in this country to support the economy. I think that was the thought behind Mr. Fowler's answer.

Mr. SULLIVAN: I have not heard or read Mr. Fowler's comments, but I think it follows that we will be quite happy to have as many undertakings proceeding as we can encourage people to go ahead with, but I am inclined to agree with Mr. Faulds that secondary manufacturing is a field, certainly at the moment, that could stand some assistance and encouragement.

Senator SMITH (*Queens-Shelburne*): Urban redevelopment may be one of the fields. I think Senator Croll asked the question about that, and possibly Mr. Fowler had it in mind when he spoke about the field of urban redevelopment. That was not mentioned in your brief. It is my impression and that of a great many people that a real program directed toward urban redevelopment would be a good immediate support to the economy and have long-term effects both economically and socially. Have you thought about that particular matter, and have you ever urged that urban redevelopment be given consideration, particularly in these days.

Mr. SULLIVAN: Yes, we do have a reference to that in our brief. I think the cities are starting to realize that in areas that have become depressed, which already have all services there, they can get more income by redeveloping these areas, and that seems to be on the move although it could stand more impetus, as you suggest.

Senator SMITH (*Queens-Shelburne*): I would ask you now in relation to a phrase that you used in your brief. In your brief you mention that increased depreciation rates on certain types of industrial and commercial buildings, possibly only when erected in specified areas, would tend to encourage business expansion in periods of slow growth, and special tax concessions, such as a three-year period of freedom from taxation granted mining projects, could be made available to new businesses established in designated areas. What do you mean by specified and designated areas? Do you have in mind areas in which there is a labour surplus? We have given some attention to that particular subject in some of our previous meetings.

Mr. SULLIVAN: The Government has some legislation in the mill now, I understand, in relation to that field.

Mr. CHUTTER: There is contemplation being given to new buildings in undeveloped areas. This would be another incentive in what are now undeveloped areas.

Senator SMITH (*Queens-Shelburne*): Why do you say undeveloped rather than underdeveloped? I just wonder why you choose the word undeveloped when we have so many underdeveloped areas.

My third question, Mr. Chairman, is one that is mentioned in the brief and it is related to the construction of fall-out shelters. I have had some interesting conversations with people who are quite concerned at the lack of building of fall-out shelters. Some of them think that we may be late in urging on everyone a "build for survival" program, as some have put it. Do you think there would be a possibility of a rather large and important construction program in this field if this "build for survival" program was promoted by people like yourselves and others, and also encouraged by tax incentives?

Mr. SULLIVAN: We as an association have given no consideration to that matter. We will be very glad to take it under advisement and look into it and see if there are some features the association could support.

Senator SMITH (*Queens-Shelburne*): Opinions have been expressed in the press that those who choose to go right ahead and build fall-out shelters should be given some incentive in the way of tax reduction on their income tax for monies or portions of monies put into these fall-out shelters, and that some day it may turn out that those who built them may be the wise ones.

Mr. SULLIVAN: We have not touched on that, Senator Smith.

Senator SMITH (*Queens-Shelburne*): Before that could get to be a big program you would expect that there would have to be greater alarm over international developments.

Mr. SULLIVAN: I think there would have to be a greater acceptance than exists at the present time, because we have had no representations made to us to support such a program, and we have heard very little of it in the industry.

Senator BUCHANAN: At the present moment, has your association any further idea of what the program will be this year and of the unemployment it will take care of over and above what was done last year? Do you think it is going to improve over the next three or four months?

Mr. SULLIVAN: We have not any statistics available to us yet, but the feeling seems to be that we will have about the same dollar value of construction, somewhere in the \$7 billion area, which will again take care of about the same unemployment.

Senator BUCHANAN: That will not be enough though.

Senator LEONARD: Is this for the year 1961?

Mr. SULLIVAN: Yes, 1961.

The CHAIRMAN: You gave us the idea a minute ago that the field in secondary industries is not filled up yet. Have you any example of secondary industries you could give us?

Mr. FAULDS: Taking this a stage further, of course, in the winter months, being in a secondary industry, we know a lot can be done as far as scheduling the production to keep men working January, February and March is concerned, whereas our plants are all on a very slow turnover. I think a great deal can be done in this area. Of course, on the Canadian campaign, which we have talked about here, a great deal can be done for secondary industries in many lines, such as piping, the secondary steel industry, the paint business and the glass business. There is a long string that would be included in this.

Senator LEONARD: I want to ask Mr. Sullivan a question directed towards the figures that are on page 16, which show the breakdown of occupations in the various trades in the industry; and page 22, which shows the percentage of unemployment among the trades. For example, I am struck by the fact that carpenters constitute 24.6 per cent of the availability of labour in the industry; and on the other hand, they account for 54.4 per cent of all seasonal unemployment. Whereas you would normally expect that unemployment

would be more related to the percentage of the overall employment. On the other hand, plumbers and pipe fitters are 5.4 per cent of the total employment, but they only constitute 3.9 per cent of the unemployed.

The question that arises in my mind is that at the present time there is no doubt you have a surplus of labour as well as production capacity in all your trades, but are there any bottlenecks? Is there any particular shortage in any trade or industry which would cause some lag in what otherwise would be the potential capacity of the industry?

Mr. SULLIVAN: If we could get the work spread over 12 months in a more evenly distributed fashion we would be in much better shape. In the summer time we find we are short in certain areas of skilled tradesmen, like plumbers, electricians and so on. The fact that carpenters represent such a high proportion of the seasonal unemployment I think is caused by the fact they are primarily outside tradesmen, and they are affected by weather to a greater extent than the plumbers, and so on, who are usually enclosed at the time their work is in full swing.

Senator LEONARD: Then there is no real bottleneck among any of the trades? If the demand was there the trades are there to fill the demand?

Mr. MILSOM: By and large, that is so. In attempting to even out and eliminate these excessively busy periods as against slack periods, there are becoming now sufficient tradesmen and, as Mr. Sullivan has said, they then become affected by weather conditions less on an enclosed building as opposed to a building which is partly erected and is not enclosed. However, with the apprenticeship training, to which more thought is being given, we are endeavouring to bring forward more qualified tradesmen, who will carry through on an even basis. You have read in the brief of the almost fantastic expansion in the construction industry. The training and production of qualified tradesmen has been a problem since the war. Our problem now is one of having sufficient tradesmen to carry the industry through the summer months, but of having to find work for certain specified trades during the winter months, that is, in trades which might be affected by weather conditions.

Senator BUCHANAN: And a lot of your carpenters are not as well trained as some of the other trades; at least, a certain percentage have not been.

Mr. SULLIVAN: During the war years, a lot of people were employed as carpenters who were not skilled carpenters.

Senator BUCHANAN: But they are in the union and are employed part of the time.

Mr. SULLIVAN: Yes.

Mr. MILSOM: Concerning carpenters, for instance, in form work, which is one of the primary, initial trades in construction because they are required for concrete construction, a great number of them are required. Whereas, once that part of the construction is completed and the building starts to become enclosed, they are no longer required, and the form carpenter would not be the same type of man, and have the same training, as a carpenter for cabinet work or fine carpentry work.

Senator HORNER: That reminds me of an amusing story. A father homesteader was a real mechanic himself, and did his best to train his boy, but he did not succeed. So the boy went to Chicago and immediately got a job as a carpenter and was getting big pay. The old man said, "He couldn't even drive a nail at home, but there he is down there getting a good salary as a carpenter."

Mr. MALCOM: I think we have to recognize the fact that recent trends in construction have reduced the carpentry labour content in the interior of the building to a very marked degree, because their work is being replaced by

prefabricated materials and masonry. They are replacing the materials formerly used by the trained carpenter. Practically all carpentry work is in the early stages of the contract.

Senator MACDONALD (*Cape Breton*): Perhaps you would look at page 51, at something contained in the recommendations in "H". I take it that you would like legislation whereby there would be no overtime considered until 40 hours a week had been worked. Would this be in keeping with the matter which has been generally recognized in the field of collective bargaining?

Mr. MILSOM: We are attempting to overcome this great problem of unemployment. We probably have to think along the lines we would not have thought of in the past, and a great deal of work has been done and needs to be done in pressing these briefs along those lines. With the weather conditions you have in Canada, as opposed to those to the south, we find that especially during the winter months there are certain days in which it has been possible to work in certain trades.

On the other hand, to catch up, if we use the existing structure of wages, the contractor is penalized in having to pay overtime rates of pay for the specific catch-up.

Now, we say that this is a co-operative project we have in mind, because it affects both employer and employee, that during the winter months consideration should be given to enabling a man to work during the week with no daily limitations, in the event that on certain days, due to weather conditions, he is prevented from working. That means that he has a chance of getting in his normal week's working hours by extending his period of work on certain days. We feel that policy is sound. Precedents have already been set for it: certain trades now make it applicable, and some very serious consideration should be given to it by both employee representatives and by ourselves to carry through the idea with a view to leveling off the lower wages during winter months due to inclement weather.

Senator MACDONALD (*Cape Breton*): That would be a matter between employer and employee. The Government would not come into it?

Mr. MILSOM: In some specified places, the Government would come in.

Senator LEONARD: In some provinces legislation would be required.

Mr. MILSOM: It would require only a change in legislation to have it brought about.

Senator PRATT: Mr. Chairman, I note that the brief indicates that the experience of this organisation shows that there could be better co-operation and more efficient functioning of the employment offices of the Unemployment Insurance Commission in the dissemination of job information to unemployed persons. Does that situation apply generally across Canada? I have heard it expressed in various quarters, and I was wondering how general it is. If it is general, strong representation should be made to the Government about it.

Mr. CHUTTER: Where the offices are closely situated, they do exchange information, but I think the officers themselves say that they do not send the information very far afield, unless there is a special problem. This is the feature the brief is directed to, namely, that this information be sent a little farther afield.

Senator PRATT: I think that point should be put forward strongly and representations made to the Government.

Senator LEONARD: I take it your members actively use the facilities of the National Employment offices for employment purposes?

Mr. CHUTTER: Yes, to varying degrees.

The CHAIRMAN: Are there any further questions?

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, before these gentlemen leave, I feel that one of us should on behalf of the committee express high praise to them for the attention they have given to our problem. This is an excellent brief and is obviously the result of deep study. I am sure we all wish to thank them very much for it.

Mr. SULLIVAN: Mr. Chairman, on behalf of our association we would thank you for the opportunity you have given us to make our views known to you, and for the attention you have given to those views.

The CHAIRMAN: Gentlemen, we are now to hear from the Canadian Lumbermen's Association, and to present their brief we have with us today Mr. J. A. Schryburt, Director of Public Relations for that Association.

Mr. J. A. Schryburt, Director of Public Relations, Canadian Lumbermen's Association: The Canadian Lumbermen's Association wishes first to express its thanks for the opportunity of placing its views on manpower and employment before your Committee. In Canada's long-term development and growth the lumber industry has always played a prominent part in the employment of manpower, and in addition, lumber production itself has served to activate the labour market in many areas where lumber is an important material.

The lumber industry is widely distributed across Canada and any change in the rhythm of its activities is necessarily reflected throughout our economy. Because its products are basic materials in other fields, its economic well-being is dependent on the level of activities in these other areas.

It is of record that our industry reacts rapidly to changing conditions in the home market, and is sensitive to demand for its products and competitive conditions in the foreign markets. Very important also is the fact that the raw material upon which it depends is a basic natural resource, largely under government control, and the industry is, therefore, directly affected by policies related to the availability and cost of timber supplies.

Perhaps I might take the opportunity here of pointing out that we did not prepare a brief on the basis of the actualities in the lumber industry itself, for reasons that will become evident as I proceed. We are convinced that anything that is done for one industry with respect to the employment problem will not cure our national employment problem. It is necessary to look at the economy as a whole.

Temporary palliatives which provide pockets of employment and some temporary alleviation, do not, and cannot provide a sound basis for a greater total of long-term employment, so necessary if we are to meet the needs of our growing population and keep abreast of the changes brought about through continued mechanical and technological advances in our production methods.

The Canadian Lumbermen's Association is firmly convinced that the development of national employment policies must be based on our national needs in all fields and cannot be adequately dealt with through segregation or changes affecting only segments of our economy.

The lumber industry—is a basic Canadian industry. It has developed to its present potential to meet home needs and foreign demand. Its development has been closely geared to our nation's economic growth, and, generally, the trends within the industry have closely followed the levels of total Canadian employment. As is the case in some other sectors of our economy, high employment of Canadian manpower, linked to industrial and commercial expansion and population growth, are the ingredients which provide the demand essential to satisfactory production and employment within the lumber industry.

It is further believed that the past, present, and future patterns of employment are closely linked to developments in many fields, rather than directly related to specific economic sectors. Thus, in our opinion, the long range trends are of much greater significance in assessing the possible beneficial effects of any particular policy. We discuss later what we believe to have been the significant factors determining the level of employment since the beginning of the century.

We are aware that your committee has arranged for the preparation and analysis of statistics on manpower and employment, by competent authorities. Since such information at your disposal would be comprehensive, we feel that our presentation need not be emphasized by any statistical background.

But, Mr. Chairman, may I say that if it is the desire of the committee that we present full statistics on the lumber industry then we will do so, but since our source of information is the same as yours, namely, the Dominion Bureau of Statistics, I did not want to load the brief with them.

The well-being of our national economy has, and must continue to be directly related to a widespread earning power being available to our population. In turn this necessitates a level of activity which can normally provide a reasonable equation of available manpower and employment demand. Within this concept it is also necessary to provide a balance of skills and training within our total manpower pool. Only in this way can we assure that, in relation to employment opportunity, those seeking work or entering the labour force will have the required fitness to satisfactorily fill vacancies.

In our opinion it is essential that there should be undertaken, at as an early date possible, studies and investigations related to various areas of our economy. There should be aimed at securing detailed information which could serve as a basis for planning and developing policies which would provide employment of sufficient volume to satisfy our manpower requirements. Since also we are living in an era of rapid change the recurrence of unsatisfactory economic and employment conditions could largely be prevented by continuous study of developing trends and by such positive action as may be indicated so that employment volume will be maintained at desirable levels.

Based on the foregoing assessment, we submit the following suggestions as means through which policies of employment could be developed to more closely satisfy the needs of our economy and bring into closer balance employment opportunity and our manpower effectiveness.

1. Full review and immediate study of Canada's Natural Resources with a view to developing their use so that they may serve the national economy to best advantage.

We recognize the value of the "Resources for Tomorrow" Conference planned for October 1961, and believe it will prove of great value and service. The approach here, however, will stress policies aimed at assuring adequacy for the future and will not be concerned with problems of employment.

We suggest that at the earliest possible moment, there should be started an enquiry into the present and possible further uses of our natural resources, including the extent to which economics would warrant additional processing before exportation, or additional manufacture for the satisfying of home needs. Research findings have already provided much basic information which perhaps, if projected further, could lead to the development of new products now in use.

2. Development of a wage policy aimed at bringing about, as rapidly as feasible, a cessation of present inflationary pressures and a production-cost

structure which would permit of lower consumer prices and wider distribution on the home market, and enable more effective competition on world markets.

Continually rising wage levels in Canada have increased costs to the point of diminishing returns, and in many areas effective demand has been unable to keep pace with population growth. It has often been stated that our present price structure is pricing Canadian goods out of world markets. Similarly cost differentials for goods produced in other lands have resulted in successful foreign competition in our home market to the detriment of many Canadian industries. Wage levels undoubtedly rank as a major factor within the elements which are the basis of full and satisfactory employment. We believe that it should be Canadian policy to inform the public of the effects of increasing labour costs.

3. Review of present farm policies so that agricultural production would be more closely tied to a pattern of supply and demand, and towards the avoidance of unrealistic farm surpluses.

In many areas public financial support has been necessary to avoid massive economic losses to our farm population. Surpluses have continued to grow and government policies have, of necessity, been guided by the urgency of disposing of such surpluses to prevent total loss. Long term government credits to foreign governments to enable purchase of food-stuffs at prices often far below support levels, and food gifts have been part of this development. While it is recognized that our agricultural population must be dealt with fairly, it is suggested that the weighty costs to government must necessarily react unfavourably throughout our economy. A balance sheet of government revenues and expenditures in the total fields of agriculture should be prepared as essential public information.

4. Critical review of expenditures at all levels of government, aimed at bringing about such unification as would remove all unnecessary duplication. The avoidance of all non-essential expenditures, and all feasible reductions in essential spending, so as to bring about substantial reductions in the total taxation load.

Governments are becoming ever more complex and it is believed that critical review would result in the discontinuance of some non-essential activities presently carried on, even though in some areas they may be considered as desirable. Similarly there appears to be considerable duplication of similar services at different levels of government, and even within the same administration. It is believed that administrative costs could be substantially reduced without any serious deterioration in the effectiveness of essential services. While this may appear a difficult area of enquiry and action, we believe that the extent of Canadian Governments, at all levels, is not realistically related to our relatively small total population.

5. Determination, at the earliest possible moment, of a national industrial policy which would provide a sound basis for orderly development of an industrial potential sufficient at least to satisfy home needs and to assure product independence in all fields capable of economic production.

Canada's manufacturing industries are the immediate source of our largest volume of employment and in turn their nature activates vast networks of service industries largely dependent on a sufficiently high manufacturing output. Our economy suffers—particularly from the employment standpoint—when our activities are mainly directed to the production of raw materials for export, and when the satisfying of

many of our needs is met by imports. In thus losing the work-volume necessary to products processing we do not avail ourselves of the employment potential which results from our consumer needs. There is the further most important consideration that if our economy continues to be dependent on importations, we—particularly in times of international stress—would be subject to policies determined beyond our shores. Dependence on foreign production for goods essential to our economic well-being can pose many problems, embarrassing to our development and difficult to resolve.

6. Careful study of Canada's external trade pattern, to evaluate the economic effects of present trends.

Imports and exports continue to be in unfavourable imbalance. Much of our exports are to areas where developments abroad could further limit our markets, particularly because of our high-cost economy. Similarly, in other areas our home costs are at levels where imports are in a favourable competitive position with Canadian production. In some fields established Canadian industry is in danger of complete breakdown due to the increasing volumes of imports. Capital investments made in these industries have substantially deteriorated and unless positive measures are taken without delay there is imminent danger they will be unable to survive. It is believed that there is urgent need for the immediate adoption of a foreign trade policy which would assure survival of Canadian established industry and one which would gradually release Canadians from dependence on foreign sources for imports of essential goods which can be efficiently and economically produced by Canadians in Canadian plants.

There is recognition that this is a complex problem and there is no intention to suggest the adoption of policies detrimental to important areas of our economy, particularly in relation to our established export pattern. However, the present situation and our future industrial welfare are believed to be of paramount importance and of such massive effect on our employment problem to warrant even very substantial changes in our international trade.

7. The immediate establishment of a carefully planned co-operative re-training program by government and industry to provide for the rehabilitation of workers displaced by technical advances and automation.

As workers enter our economic system they generally choose employment suited to their abilities or for which they have undergone training. Evolution of our economy often results in the displacement of workers who have no alternative skills or abilities to enter other fields. It is considered that there is urgent need for the establishment of adequate retraining facilities to assure that such workers could find employment in the performance of other tasks. Since also considerable of industrial progress can be forecast for varying periods in advance of actual change, programs of retraining should be geared to knowledge of impending change. This suggestion is in amplification of the discussions already afoot in the general fields of education where there is full acknowledgement of the need for the provision of educational and training facilities which would assure that the incoming labour force would be competent to enter the specialized fields of available employment.

In the foregoing suggestions we have avoided reference to the problems of transportation. We have presented our views in this regard, in a Brief to

the Royal Commission on Transportation. While we cannot anticipate the findings or recommendations of this Commission, it is important that we should note here that the cost of transportation has always been a weighty factor for the lumber industry. Our product is bulky and heavy and production facilities are generally located at long distances from the large areas of consumption at home. Furthermore transportation costs are always present in our export trade and this price factor is outside the control of our industry.

Discussion

Canada's free economy has a multiplicity of components and the levels of employment—on a national basis—vary to a far greater extent as a result of common conditions, rather than from adjustments or factors affecting only limited areas. In the study of the problems of employment, the Canadian Lumbermen's Association believes that the pattern is closely linked to economic developments in many fields and that the long range trends are of much greater value in assessing the possible beneficial effects of any particular policy.

While the lumber industry must solve many problems related to its operations, such problems are mostly of a nature similar to those encountered by other industries. Similarly the lumber industry benefits from nationally satisfactory economic conditions, and, as with other industries, it is adversely affected by all general downtrends in our production system. The level of employment provided by the lumber industry is closely related to the general state of national economic activities.

A study of labour trends in a country like ours, with a growing population and a developing economy must include some review of the principal factors which have, over the years, been mainly responsible for providing employment at levels in keeping with the needs of our labour force. Or, in the alternative, the conditions which have brought about disturbances in our labour market. We believe it reasonable to contend that certain basic elements will continue to play important roles in the future pattern of employment and that, therefore, past experience and records provide information of high value in any attempt to develop future labour policies.

The industrial pattern in this country, from the employment viewpoint can be divided into three areas, i.e., increased production, new products, and improvement of production equipment. Increased production should normally provide greater employment. Similarly, when the economy expands to the production of new goods an additional labour force is required. Since technological advances generally increase man-unit efficiency, the end result is that lesser employment is necessary for the same volume of production.

If we briefly review employment trends since the beginning of the century it will be seen that the pattern of employment has closely followed industrial development and the irregular production inevitably linked to armed conflict.

On the side of progress one has to list the following, in the general order of their occurrence. The early 1960's saw the first development of automotive transportation which activated industry not only for the production of the machines themselves but had, as well, a massive impact on road building and the provision of required services throughout Canada. This was followed by the origins of radio and aviation, accompanied by the first applications of electricity to home appliances. For some years the economy benefited, employment was at an acceptable level, and it was not until 1912 that a slowing in the industrial pace caused some employment problems. In fact, during these early years of the century the Canadian economy was able to absorb a very considerable number of people who emigrated to our shores.

In 1912 employment downtrend was short-lived because of world considerations which finally erupted into armed conflict in 1914.

It is not necessary to stress the double effect of war in the withdrawal of large numbers of producers from normal to war goods production and the reduction of the labour force through the enrolment of manpower for service in the armed forces. The numerous effects of war in most areas of our national economy have often been assessed and are a matter of record. It is worthy of note, however, that it was during this period that large numbers of female workers were added to the industrial force and replaced men workers in many areas of employment.

The post-war period of 1918 saw the need for accelerated output, in all peace-time production, because of the low supply situation and high market demand which followed the cessation of hostilities.

It is well to remember also that in the post-war era of World War I, population expansion—with all it entailed—provided for an upward curve in employment and in turn activated additional development throughout our industrial economy. It was also during this period that our country launched an important rail development program through the extension of rail services by branch lines to newly settled areas, particularly in our western provinces, which had received the bulk of the 1904-1912 immigrants to our shores.

The developments linked to the spread of radio as a mass means of communication and enjoyment, the important aviation developments that followed 1918, the expansion in the many fields of electrical goods for home and other uses were, in their ensemble, sufficient to maintain an active labour market until the break of 1929.

Many reasons have been advanced as explanation for the near total breakdown of production, distribution and finance during the 30's. We do not wish to add to the record, already impressive and often contradictory, but we suggest that the breakdown in distribution largely resulted from a build-up of over supply due to a reduction of demand resulting mostly from full satisfaction of effective consumer requirements previous to the breakdown in production volumes. Once any important section of the economy stopped providing employment considerably below normal, repercussions rapidly extended to nearly all sections of the economy of our country.

After the low-point of employment had been reached there was a gradual betterment as a result of the adjustments brought about in the pattern of supply and demand. While there were no spectacular developments in any area, the employment records show that by late 1938 and early 1939 there was evidence that the economy was again well on the road to providing a satisfactory level of employment for our population.

Our normal peaceful existence was shaken to its very foundation by the impact of World War II. The scale of this conflict was such that it required the near total diversion of our productive system to the requirements of war. During this period Government intervention was necessary to provide sufficient productive power for our war needs, through the financing of industrial capacity and the restriction of production in many areas of consumer goods.

Supply of normal goods for which demand had been increased by the greater purchasing power provided by a war economy had to be controlled to ensure against conditions of uncontrolled and runaway inflation. As a result, consumer demand build-up was able to activate not only the full productive capacity of our industry and provide, in addition, the impetus for a vast expansion in our industrial potential.

Added to this were the continuing developments in further applications of automotive power to many industrial requirements and to supply greater demand for transportation on the part of our rural and urban population. The advent of television furnished an additional incentive for increased productive capacity, and together with numerous new products, and more advances in existing products, provided a demand at both the consumer and

industrial levels that kept manufacturing activities at a high tempo throughout most of the 50's.

When to all this, we add the very important impact of home, commercial, industrial, social and government constructions, we can realize that the economy of our country could, during those years, operate at close to total capacity in order to meet the calls made upon it. We must remember as well that while these numerous demands were being met there were strong forces at work aiming to improve production means and methods, and that a coincident and important result was the displacement of workers and the creation of industrial worker requirements which greatly lessened the demand for unskilled personnel.

There are, of course, areas wherein industrial developments and new products have resulted in a marked lessening of activities in some existing fields of production. As an example, the introduction of gas and oil heating and the diesel as motive power for our railways, and the replacement of steam power by electric motors, have combined to greatly diminish the demand for coal and wood for industrial and home fuel. In the lumber and pulp and paper industries, the introduction of the chain saw and modern handling equipment have entirely changed the nature of logging operations.

A second area which cannot be omitted when employment trends are being assessed is that of the changing pattern in our labour force. The census figures show an increase in the total labour force from 1,782,832 in 1901 to 5,286,153 in 1951. However, while the proportion of male and female workers was 83.37 and 13.51 percent respectively of the population 14 years and over in 1901, the figures for 1951 were 82.30 and 23.78 percent. This then indicates that while the percentage of the male work force has remained relatively static we have absorbed an increase of from 13.51 to 23.78 percent of female workers. In this respect the Dominion Bureau of Statistics reports that Canada's labour force today includes some 33 percent of female workers. It is suggested that this content will not vary greatly in the foreseeable future other than perhaps to record a further increase in the proportion of working females due mainly to the pressure of economic conditions or to a desire for a higher standard of living, possible for families where both husband and wife are wage-earners.

Another significant development is the gradual reduction of working hours which has occurred since the beginning of the century. In 1900 a 60-hour work week was one normally found throughout our economy. Gradual reductions brought about a 54—48—44 and then the 40-hour work week that is general today. If we compare today's work-week with that of 1900 it becomes immediately evident that the reduction of $\frac{1}{3}$ in the number of working hours per week would—disregarding other criteria—be equivalent to the creation of jobs for $\frac{1}{3}$ more workers.

Industrial expansion has involved not only the production of new goods, formerly non-existent on the consumer market, but also improvements in the means of production that have gradually increased the productivity per man-day. We believe it true to say that coincident with the reduction of working hours improvements in mechanical equipment, other technological advances, and the development of advanced techniques have together resulted in a greater displacement of labour than the increase represented by the greater requirements brought about by decreases in working hours.

We suggest as well that to a very large extent indeed, the ability of our economy to absorb our growing work force has depended to a much greater extent on the developments inherent to the production of new goods, rather than to the expansion of demand brought about by an increasing population. This contention appears well supported by the development of mass productive capacities which have been an integral part of our industrial growth pattern.

By comparing manufacturing manpower requirements of the early 1900's with the work force employed in these industries today—in relation to production—it will be realized that the growth in our manufacturing work force has been, with few exceptions, a growth mostly provided by the production of formerly non-existing goods, and that the counter-balancing effect of industrial improvements has enabled increased production with generally well limited additions of workers.

Briefly stated, the whole of our economy rests on production, both basic and industrial. In turn products of all kinds have their origin in our natural resources. The source of, and origination of all purchasing power is to be found only in our production processes. Our distributive system is limited by the volume of goods produced at home or imported, and so, likewise our service industries are dependent on product output. Taxation, of course, is only a means of redistribution of part of our total product value to cover the costs of administrative and other government operated services.

While purchasing power is generated through operations in the various sectors of our economy, none originates outside the fields of production. If the creation of values, through employment in the production fields, ceased, there could be no distribution and service industries would not be needed. Taxes could not be collected and the costs of government could not be met.

Foreign investments in Canada's development and borrowings abroad have been subjects of much controversial discussions. We believe, however, that there are some fundamental considerations upon which all must agree. It is apparent, as well, that certain primary factors in the fields of foreign obligations have an important effect on our internal economy and that they should be evaluated in any study pertinent to national manpower and employment.

We submit:

- (a) If we accept, for discussion purposes, a total of 15 billions of dollars as the adverse total of foreign investments in Canada and borrowings abroad, we must each year—at an average 5 percent dividend or interest—find 750 millions of dollars to meet these obligations.
- (b) Funds to meet foreign obligations can only be obtained in three ways: 1—through exports; 2—by further foreign borrowing; and 3—by an increase in the total of Canadian holdings, or ownership, by foreign investors.
- (c) According to the Bureau of Statistics, Canada's adverse trade balance on commodities account for 1959, was \$368,620,973. To pay our foreign obligations it would be necessary either to achieve a very formidable increase in the value of our exports, or, conversely, a very high reduction in our imports.

Present indications warrant the assumption that, under existing conditions, the discharge of our foreign debt obligations will result in further increasing our burden of payments, even if no further foreign investments or borrowings were added to our present indebtedness abroad. We do not believe that there can be—at least for many years ahead—an increase in our exports sufficient to bring our foreign accounts into balance.

In the realm of home employment, foreign payments limit work opportunity. This is so because monies for interest and dividends paid to security holders abroad must be born of Canadian production. These expatriated sums do not return to the Canadian economy through purchases of goods and services, nor do they accumulate as Canadian savings for later spending or investment purposes.

Canadian exports are heavily weighted to raw materials, while imports, on the other hand, are largely of finished products. When we export goods

upon which little or limited labour has been expended, only a minimum of basic purchasing power has been activated. When we import fully manufactured goods we provide work in the exporting country, while diminishing work opportunities at home. The only way in which a balance could be brought about would be by providing in our basic resources field—exports of raw materials—a volume of employment at least commensurate to the work we provide abroad through our imports of manufactured goods.

Repatriation of our securities, or of a substantial proportion thereof, would greatly lessen our burden of foreign payments, and by transference of ownership to Canadian citizens, service charges paid—whether interest or dividends—would be available for spending, saving, or investment within our own economy. This could only occur during periods when we have a favourable balance of payments, since purchase abroad requires the unencumbered possession of the necessary foreign exchange. And here again this could only be achieved through the exportation of sufficient volumes of Canadian products.

Gentlemen, it is our firm opinion and conviction that our Manpower and Employment problems cannot be settled without vastly expanding our means of self-sufficiency at home. A continuation of present policies and trends, which result in imports of finished manufactured goods against exports largely composed of raw industrial materials, cannot provide an acceptable level of employment. It appears mandatory that we should increase home production, at least in all fields where it is reasonably economic for us to do so. We believe this condition applies, even if some encouragement and protection is necessary, and even if by doing so there occurred some slight increase in the consumer price of such goods.

We are equally convinced that a continued growth in the total of our external payments on dividend and interest account can only lead to further deterioration in the employment curve, or, in the alternative, further alienation of Canadian ownership in our means of production and an increasingly difficult economic situation.

Gentlemen, I hope I have been brief. I thank you.

Senator HORNER: It has been a very worthwhile brief.

Senator LEONARD: Mr. Schryburt, I am wondering if there is not perhaps a typographical error at the point in your brief where you say, "...the proportion of male and female workers was 83.37 and 13.51 per cent respectively of the population 14 years and over in 1901, the figures for 1951 were 82.30 and 23.78 per cent."

Mr. SCHRYBURT: I checked those figures again. You will notice they are related to the working population 14 years of age and over.

Senator LEONARD: Tell me what they mean? Take for instance 1951.

Mr. SCHRYBURT: The male population in 1951 was approximately the same proportion of the workers 14 years of age and over as it had been in 1901, 50 years before. There had been no material change in the labour content in so far as male workers were concerned.

Now, if I may put it the other way: for some 13 per cent, mostly home workers, maids, etc. and some stenographic staff, the female proportion of workers increased from say 8 or 10 per cent in 1900 to 23 per cent in 1951, and to 33 per cent in 1960.

Senator LEONARD: That is 82 per cent of all male population 14 years of age and over, were in the labour force, and 23 per cent of all female population were in the labour force.

Mr. SCHRYBURT: That is correct. The figures put out by the Dominion Bureau of Statistics in 1960 show that the female content is one-third of the total labour force.

Senator LEONARD: Obviously the figures 82 per cent and 23 per cent total more than 100 per cent.

Mr. SCHRYBURT: Yes.

Senator LEONARD: But, they are percentages of different figures.

Mr. SCHRYBURT: That is right.

Senator SMITH (*Queens-Shelburne*): May I ask the witness if he can tell us what percentage of the production of the bureaux, as he calls them, which compose the Canadian Lumbermen's Association is exported.

Mr. SCHRYBURT: The export of lumber in Canada in recent years has amounted to approximately one-half of the total production of lumber. To put it another way, the products of the forest, including lumber, pulp and paper and so on, account for more than one-third of the total exports out of Canada.

Senator SMITH (*Queens-Shelburne*): I am not concerned at the moment about the total export out of Canada. You do say that 50 per cent of the lumber produced is for export.

Mr. SCHRYBURT: Yes.

Senator SMITH (*Queens-Shelburne*): Apparently some of these bureaux are concerned with the manufacturing of lumber products?

Mr. SCHRYBURT: That is right.

Senator SMITH (*Queen-Shelburne*): And that, I assume, would be mostly a domestic market.

Mr. SCHRYBURT: Yes, it is mostly a domestic market, with one exception—in my brief I was trying to speak of various areas of the lumber industry. It concerns mostly production for consumption at home, except in the area of hardwood plywoods. In the area of hardwood plywoods we export to the United States a very substantial proportion of veneer products—not in plywood form, but in choice veneers. Approximately one-third of all veneers are exported to the United States; another one-sixth is exported to Great Britain. On the other hand, the hardwood plywood industry has closed three plants in the past year and has reduced production in other plants because of the impact by reason of importation of Japanese-produced veneers.

Senator HORNER: That is plywood?

Mr. SCHRYBURT: Yes, that is plywood. In 1950 one million square feet of Japanese plywood were imported into Canada; in 1960, 52 million square feet were imported. In 1950 some 30 million square feet of Japanese plywood were imported into the United States, a big market for Canadian veneers. In 1960 some 386 million feet were imported into the United States.

Senator SMITH (*Queens-Shelburne*): Excuse me. In that same year was our volume to that field reduced by a like amount?

Mr. SCHRYBURT: No, not by a like amount. It so happened that between 1950 and 1960 there was a great deal of construction in Canada and the United States. That situation was not felt then as it is now being felt, with the downward trend in the construction industry, as has been explained by the previous witnesses. You can look at this situation throughout the whole field, and that is the condition. I read recently that the Noranda Mine had sold 6 million tons of iron-ore concentrates to be delivered to Japan within the next two years. My reaction to that is, we cannot expect payment for those exports unless we import from Japan radios, rubber footwear, ceramics of various kinds, textiles and so on. I need hardly say that today these industries are suffering greatly from the great mass of imports.

Senator HORNER: You might also mention the recent large purchase of Canadian grain by the Orient.

Mr. SCHRYBURT: Yes. One of our recommendations is that we should look more closely at the agricultural problem than we have in the past. For instance, the Crowsnest Pass Agreement affects lumber freight rates.

Senator HORNER: We bought and paid for that with millions of dollars and 25 million acres of land which we gave away.

Senator SMITH (*Queens-Shelburne*): Let us not get into that question.

Senator HORNER: Let me refer briefly to your comment about over-production and its cost, which I think will shortly be eliminated. In the matter of carryover of grain, my feeling has always been that we should store half our production to assure us of sufficient quantities to feed our people and animals in the event of a disaster. I would further advocate—and I suggested this 30 years ago—that our carryover be left on the farm until there is a market for it. We have added greatly to our marketing difficulties by having so much of the grain on view and placed in costly storage.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, may I ask one question before we adjourn? I am under the impression that a rather substantial portion—perhaps to the extent of 60 or 70 per cent of the value—of the production from all forest industries is exported. Is that a wrong impression?

Mr. SCHRYBURT: Do you mean some 60 per cent of the total value of the lumber produced?

Senator SMITH (*Queens-Shelburne*): I am thinking of lumber generally, paper, pulp, plywood, semi-finished, and so on.

Mr. SCHRYBURT: In plywood there is some exportation from the Pacific coast, to a limited extent; and in lumber, about 50 per cent of the production is exported.

Senator SMITH (*Queens-Shelburne*): You do not have at your finger tips a figure as to what would be the value of exports in comparison with the value of the products that are consumed in our own country?

Mr. SCHRYBURT: If it would be helpful, I could supply that information for you.

The CHAIRMAN: Thank you very much, Mr. Schryburt.

Mr. SCHRYBURT: Thank you, Mr. Chairman. I am sincerely appreciative of the opportunity of being here.

The committee adjourned.

APPENDIX

**Brief by Fisheries Council of
Canada.**

FISHERIES COUNCIL OF CANADA
Room 703, 77 Metcalfe St.
Ottawa 4
Canada

Honourable Leon Methot,
Chairman,
Senate Committee on Manpower and Employment,
Room 574-S,
The Senate,
Ottawa, Ontario.

Dear Senator Methot:

We have been giving careful consideration to the matter of assisting your Committee on Manpower and Employment.

In his letter of July 22, Mr. John A. Hinds summarized the Committee's problem under four headings, as follows:

- (1) Who are the unemployed, categories of workers, skills, ages, etc.
- (2) What is the cause of the unemployment.
- (3) What is the effect of technological changes, automation, etc.
- (4) What should be done to alleviate the situation.

With reference to point one, statistics, we feel that the best source of this information would be the Department of Fisheries, working in conjunction with the Dominion Bureau of Statistics. The industry, itself, has no means of securing this information from industry sources. With our limited staff facilities, further, we could not possibly review this aspect and compile statistics on it as efficiently as could the Department of Fisheries.

There is another reason why we prefer these statistics to come from government sources. Information on numbers of fishermen in Canada is available from three sources—Census of Canada, Annual Report of the Department of Fisheries, and numbers registered with the Unemployment Insurance Commission. These figures vary considerably—and the picture secured depends on which ones are used.

We would suggest, therefore, that the Department of Fisheries be requested to supply the Committee with this information, paying some attention to the reasons for the variations in figures secured from the various government sources mentioned.

Respecting details on 'unemployed' in this industry, we presume that the Unemployment Insurance Commission would be the best source. We have no information on this point, beyond the usual generalizations one might attempt, which would not be specific enough for your purpose.

Referring to the next three points, we feel that the information we prepared for the Prime Minister's Conference on Employment last October covers our views adequately. We are enclosing fifty copies of that brief and trust that you will find this information to be helpful to you in your important undertaking.

This brief has already been released publicly.

Should you desire the Council to appear before the Committee to answer any questions relating to this submission, I have been instructed to make myself available for this purpose. We do not consider it necessary, however, to present this brief formally at a hearing of the Committee and, no doubt, this will relieve your heavy agenda somewhat.

Very cordially yours,

GORDON O'BRIEN,
Manager.

SUBMISSION* TO THE

SENATE COMMITTEE

on

MANPOWER AND EMPLOYMENT

by

FISHERIES COUNCIL OF CANADA

Ottawa, Canada

January 6, 1961.

*As previously submitted to the Special Conference on Employment called by the Prime Minister on October 24, 1960, with the addition, in the interval, of Appendix A, reference note on page 966.

SUBMISSION TO THE
SPECIAL CONFERENCE ON EMPLOYMENT

Called by the Prime Minister

for

October 24, 1960

in Ottawa

By

FISHERIES COUNCIL OF CANADA

Ottawa, Canada

October 20, 1960.

INTRODUCTION

The Fisheries Council of Canada appreciates the invitation of the Prime Minister to contribute what information it can on the problem of maintaining employment in Canada.

Relating this problem to the fishing industry, it is necessary to discuss it on a regional, as well as on a national basis, since conditions vary considerably between the three main areas—west coast, inland freshwater areas, and the east coast.

We shall not quote many figures. Realizing the concern of the government on this matter, it is taken for granted that the pertinent figures relating to employment in the fishing industry have already been prepared and placed before the ministers. Government being the sole source of such information, we shall not waste time in a duplication of effort.

As we see it, we are expected to suggest measures which would bolster employment generally but, in particular, to comment on the situation in our own industry.

THE FISHING INDUSTRY—NATIONAL

Referring to the industry on a national basis, certain generalizations can be made.

Employment

This is an export industry, dependent on foreign markets for two-thirds of its revenue.

Competition from countries with lower cost economies has forced the Canadian industry to take advantage of technological advances in production and processing methods to cut costs and to remain competitive. Unfortunately, in some cases these efforts have not been successful and some fisheries, as a result, are not being exploited.

However, where they are successful, one effect is to reduce the number of workers in the fishing industry. Figures show that in fisheries, as in agriculture, the number of workers has declined over the years. We see no possibility of this trend being reversed suddenly, but opportunities for expansion do exist in particular instances.

Tariffs—Canadian

We have mentioned our dependence on export markets for two-thirds of the industry's revenue. We see small possibility of this situation changing to any marked degree—certainly not in the immediate future.

We are particularly aware, therefore, of the implications of tariffs, quotas and customs interpretations and of the fact that countries frequently do retaliate against upward revisions in tariff rates. Attempts to aid Canadian industries by giving them greater tariff protection would, in our opinion, mitigate against such industries as our own and would not be in the best interests of the Canadian economy as a whole. We believe in a continued adherence to the objectives and spirit of GATT. The existence of this industry is dependent upon its volume of export trade.

Tariffs—Foreign

The United States is our largest customer—one-half of the industry's total revenue is derived from sales in that market.

There is a distinct trend toward the utilization of more fish in prepared forms. We are handicapped severely, however, by a U.S. import duty of 30%

on prepared fish products, precooked, and 20% on prepared products, uncooked in the packaged form. Looking to the future, a most important contribution by our government would be to persuade the United States to drop these rates to more reasonable levels.

Contributing Factors to Unemployment

Some of these will be dealt with later, as we discuss the industry on a regional basis.

However, it is necessary to mention that not all the effects of extending unemployment insurance to fishermen have been beneficial ones.

On balance this scheme has been of great assistance to the industry. In many areas the fishermen would be in a very bad way without it. These benefits, in reality, are all that keep the fishermen in many areas going and, without them, the government would certainly have the problem of resolving the situation on some other basis of assistance.

In the aggregate, there is no finer citizen than the Canadian fisherman—who makes a living in one of the most hazardous of occupations. Let it be plain that these following remarks refer to the few—not the many—and that fishermen are not to be blamed to any greater degree than are citizens in other walks of life for abuses of the unemployment insurance scheme.

The scheme, however, in many cases, has resulted in fishermen not working when work was available. It has reduced the incentive of many to the point that it is said the fishermen are fishing for 'stamps' not for fish. When sufficient stamps are acquired to qualify for benefits there is reluctance shown to continue the fishing effort. This is not a general condition by any means but it is there to a disturbing degree and presents some threat to productivity.

Promotion

While the Federal Government is probably doing more at present to help the industry promote its products than ever before, we feel that there is room and justification for an extension of these efforts. These, as at present, should be concentrated on the home market.

During the past five years the industry has been engaged in a cooperative effort in this field but, with greater support from government, we feel that the per capita consumption could be raised. Any increase in consumption would be of direct assistance to the industry.

THE WEST COAST

Projects to Provide Employment

There is nothing new in these proposals, as they have been made to both Federal and Provincial Governments in recent years. Several projects could be started in British Columbia to help the employment situation. The Department of Fisheries has a long list of desirable projects—all that is needed is approval and funds. We would mention, particularly:

(a) *Breakwater at San Juan*

This is the keypoint in the west coast salmon fishery and the port which gives us a geographic advantage over the American fleets.

Requests by the fishing industry for this breakwater have been joined this year by Noranda Mines and B.C. Forest Products, both of whom would start operations and so provide private employment if they had breakwater protection.

(b) *Fraser River Dyke Construction*

The fishing industry, while most conscious of the desirability of leaving the Fraser River, the last of the great salmon rivers, free to produce this great resource, is also aware of the need of adequate flood control on the river. Dyke construction and improvements costing 17 million dollars could be started immediately and be finished in two years, according to reputable engineering advice, providing a great deal of employment.

(c) *Stream Clearance, Fishways*

Key to the splendid work of the International Pacific Salmon Fisheries Commission in rebuilding the salmon runs of the Fraser has been the construction of fishways and fish ladders around falls and rapids and the clearance of spawning streams of log jams and other obstructions. A similar large scale program could be carried out on all the salmon streams from the Fraser to the Alaskan boundary. Such projects would provide employment now and an increased catch in the years ahead.

Employment in the Fishing Industry

The real problem in the B.C. fishing industry today is not how to expand employment but rather how to maintain employment at even its present level. There has been a large and needless loss of employment and earnings in recent years, with no evidence of change for the future. We now have the sorry record of 21 work stoppages in the last ten years (1950-1959).

Strikes in other primary industries are costly enough, but at least the trees are still in the forests and the ore still in the ground when logging and mining strikes are settled. Fish not caught during a fishing strike are, in general, gone forever, lost to the nation's economy.

Most of our strikes have centred on prices to fishermen and wages to plant employees. Comparison is always made with conditions in the sheltered industries of Canada—natural monopolies such as public utilities, the service industries, manufacturing industries protected by the Canadian tariff, the professions and the civil service—all insulated and protected against the rugged competition of world trade.

The fishing industry is in a very different position. We have brisk competition from other food products in Canada for our share of the Canadian market, and we accept this. However, 75% of Canadian fish production must be sold on export markets in competition with the same fish produced far more cheaply by other nations. Canada, and B.C. in particular, has much the highest wages and costs of any nation which is a net exporter of fish. Canned salmon, for example, our largest export, must compete with the same species canned by Japan and Russia.

Fishermen's union leaders, however, seem to believe that prices to fishermen and wages to employees can be substantially increased every year without regard to market conditions. Their cry is that the Canadian worker is entitled to a better standard of living, so increases must be paid.

As Canadians we are proud that Canadian workers today have the second highest standard of living in the world. Our customers abroad, however, are not concerned about this—their concern is to buy the goods they need at the lowest possible price. If our price is higher than others for the same goods, we don't sell, and if we don't sell we don't work.

Ever mounting price and wage costs at home have made the struggle for survival in the harshly competitive world market even more difficult. The B.C. fishing industry has managed to survive so far by cutting other costs

of production through centralization and consolidation of operations whenever possible, by ever increasing mechanization, and by searching for the most economical type of secondary services.

Filleting operations formerly conducted at several points along the coast and especially at Prince Rupert, are now almost all centralized in Vancouver and Victoria.

The eighty canneries of the pre-war period have been consolidated into just sixteen in three main areas. Both these measures have, of course, reduced the number of people employed.

Improved machinery requires less manpower too, although the employees to use these machines must, in general, be more highly skilled.

An example of change of secondary services is the new use of trucks and trains rather than vessels to transport fish. More and more fresh fish from the West Coast is trucked from Alberni to Vancouver, and frozen fish comes by train from Prince Rupert. Railway and truck rates may be high, but not so high as the cost of transporting fish by water.

All these steps, taken by necessity to survive in view of increased wages and costs, have, of course, reduced the level of employment in the fishing industry.

Whaling today is a tragic example of this pattern. This operation last year employed between 130 and 160 men, with a payroll of about \$530,000.00 and an additional three quarters of a million dollars spent in B.C. for supplies, thus creating secondary employment in many other industries.

Whaling in B.C. has always been a marginal operation, again because of our high wages and costs compared to other whaling nations of the world. All whaling today is in the doldrums. Whale oil was 18 cents a pound in 1951—and is about 7 cents a pound today. This catastrophic drop in price is caused by greatly increased world production of other animal oils, and vegetable and fish oils, and greatly decreased use of such oils through the change from soaps to detergents. Prices for fish meal have dropped about a third—a further depressing factor.

Earnings last year by the crews, other than captains, in the whaling industry ranged from \$645 to \$955 per month, with an average of \$719 per man, for six months.

This operation has ceased—it did not operate in 1960—through a combination of low prices on world markets and high costs.

The B.C. herring industry presents another striking example. It has been closed during all of this year.

The agreement which exists between the operators and the union provides that the companies provide the boats, nets and operating expenses and pay the crew \$13.00 a ton if the herring is used in reduction plants, or \$16.00 a ton if the herring is processed as food (very little can be so utilized). This price was set in 1958 at a time when fish meal was \$2.30 a unit and herring oil 9 cents a pound.

Last December meal had dropped to \$1.65 a unit and oil to 6.65 cents a pound.

In the face of a union refusal to accept any less than \$13 and \$16, respectively, for herring, the operators had no alternative—they had to cease operations, and did so in accordance with Article 29 of the agreement. There has been no herring fishery during 1960, and prospects are not bright for its resumption. *See Appendix A.

Present difficulties in the B.C. fishing industry indicate a pressing need for a complete economic inquiry by the Federal Department of Fisheries.

Speaking in more general terms, there is not the same opportunity for expansion in the fishing industry as there may be in other industries in B.C.

The three principal fisheries, salmon, herring and halibut, are all under close government control to ensure a sustained yield in the years ahead. Fishing regulations limit the length of the fishing season, the fishing areas, the size and type of fishing gear, and the size of fish which may be kept. Quota catches are enforced for herring and halibut. The salmon catch is the remainder after adequate escapement for spawning has been provided.

Good conservation and management practices, and such things as fishways and stream clearance, have increased the stocks of fish available to the industry. Evidence before the Gordon Commission indicated that the production of salmon can be doubled in the next twenty-five years, with a possible 30% increase in herring and halibut. There will of course be an eventual limit to such expansion.

While there is close government control on the volume of catch of the principal species, there is no such control over the number of fishermen and vessels which engage in the catch. Our fishermen have one of the most modern fleets in the world, with all the latest improvements in gear and equipment. The high efficiency of this ever-increasing fleet is such that the allowable catch is made in a shorter and shorter fishing season, with ever longer closed periods when men and boats are all idle.

The fishing industry, of course, is extremely seasonable by nature, since the fish appear in varying volume at different periods of the year. The fishing fleet and processing plants must have the capacity to handle the peak of the runs without loss, as we did with the tremendous salmon runs of 1958. For long periods in the year the fleet and plants work far below capacity or are idle.

Almost all fish produced in B.C. is processed in plants in that Province, so there is very little loss to secondary employment because of export of raw materials.

However, the maximum labour of processing is not always realized. One quarter of the world's production of fish for human consumption is herring. B.C. has a large herring fishery, when it is operating, but very little is used for human consumption. Labour costs of processing the fish by canning, salting or pickling are so high that we cannot enter foreign markets and find it hard to compete with foreign production of these products sold in the North American market.

The industry has, in recent years, commenced numerous operations that have had the effect of helping to stabilize employment. Some have been successful ventures, while others have failed. Operations presently contributing to winter employment arise from the use of imported raw products, frozen stocks of local origin, and from fish and shellfish available during the winter months—examples are:

1. Canning of tuna from imported frozen stocks from Japan.
2. Utilization of frozen halibut, salmon, and bottom fish to produce steaks, and the portioning of these species for sale to institutions. In addition, the development of pre-cooked items such as fish sticks and fish and chips require a greater degree of processing and thereby add to employment in our industry, and in those industries that supply preparatory and packaging materials.
3. The industry has built operations based on fish and shellfish available in the winter. These include crabs and shrimps for frozen and canning markets. A relatively new product is smoked oysters, processed during low-employment periods.

Finally, the industry continues its practice of scheduling, to the greatest practical degree, the repairs and maintenance of plants, equipment, vessels and fishing gear, and new construction programs for the winter months.

INLAND FISHERIES

Production of the inland, freshwater fisheries runs around 100,000,000 pounds annually and about 90 per cent of this production is marketed in the United States.

There are some opportunities for expansion—the smelt fishery of Lake Erie is one example. If risk capital was available to provide additional processing facilities it is conceivable that the number of shore workers could be increased considerably.

Little prospect shows for increasing the numbers of primary producers in the inland fisheries.

THE EAST COAST

Submissions of our people on the east coast have concentrated on ways and means of increasing the productivity of this industry. We have no general suggestions to make respecting measures calculated to increase immediate employment. However, here too, we feel that the Department of Fisheries undoubtedly has a list of desirable projects which would provide immediate employment and contribute to the future welfare of the fishing industry.

In this connection, it is to be hoped that some of these projects may alleviate the difficult position of fishermen in certain areas of Quebec, Newfoundland, and possibly some other eastern areas, who have had extremely low catches this year and are going to be in a most difficult position. The Department of Fisheries has details on this situation and we hope it will take it into consideration in suggesting work projects.

Expansion in Fishing Industry

If we can get a bold and positive approach by government, which will give some encouragement to capital, there can be a decided expansion of the east coast fishery—and we refer here basically to groundfish. Other species may be capable of some expansion, but the real expansion must come through increased landings of groundfish—cod, haddock, ocean perch, pollock and so forth.

Increased production means increased employment.

Landings of groundfish by Quebec, Maritimes and Newfoundland have increased very little over the last ten years. The increase in the catch taken, from waters adjacent to our shores, by large foreign trawlers has been material.

The reason we are standing still is that we need large modern trawlers and these are not being built due to the high capital cost involved and the low return on the investment.

There is a growing market for these products in the United States. Much has been said of competition from European countries in that market—and it has been severe—but there are several factors operating in our favour.

- (a) Most U.S. buyers prefer to buy from Canada.
- (b) Europe is 10 years or more behind this continent in utilization of frozen foods, but is beginning to catch up. As this trend grows, less European—caught fish will be available for export.
- (c) The U.S. market—as our own—is a growing market—even if based only on the annual increase in population. Imports of groundfish into the U.S.A. increased from 47 million pounds in 1949 to 185 million pounds last year.

Thirty new modern trawlers would increase our production by 150,000,000 pounds of finished product worth 12 to 15 millions of dollars on the U.S.

market. This would give direct employment to some 1,500 persons and indirectly to many more—including ship repair yards, paper and paper box manufacturers, shoo mills, salt mines, truckers, railways, steamships and so on.

The production of 30 trawlers could be absorbed in the next 3 to 5 years, with excellent opportunity for further expansion. New trawlers are also needed to replace obsolete trawlers now in use.

All that is needed to stimulate building is some encouragement to capital.

The method we consider most desirable, and have recommended to government repeatedly in recent years, is that of investment allowances, as is being done in many European countries.

We suggested an investment allowance of 40% for trawlers built in foreign yards and 60% for those built in Canadian yards, plus a subsidy for the trawlers built in Canadian yards.

With costs in foreign yards one-half of those in Canada, the 40% investment allowance on trawlers built in foreign yards is the key point.

The landings from one modern trawler, if exported, would bring \$400,000 to \$500,000 into Canada annually—aside from the imposing list of supplies required from local sources.

Investment allowances do not have to be budgeted for and rather than costing the government money will bring increased revenues from the wealth the trawler creates. Such a system will regulate expansion also—since capital must have earnings in order to benefit.

In summary:

- (a) The fish are at our door.
- (b) The market is at our door.
- (c) Increased production with increased exports means millions of new wealth—more jobs.
- (d) Capital will take the step with some help from the government, which, by way of investment allowances, means that industry must have earnings in order to benefit.

The welfare of this industry cannot be advanced unless its problems are considered separately and a plan prepared which is not hitched primarily to the interests of other industries.

APPENDIX "A"

B.C. Herring Fishery

After nearly eleven months of inactivity, the B.C. herring fishery resumed on November 20, 1960. Crews of the seiners receive \$8.80 a ton for the herring (between 8 men), against the old price of \$13.00, and the services of the tendermen were dispensed with. (The tendermen operated the packer boats which took delivery of the herring on the grounds and delivered it to the reduction plants. Under the new agreement, the fishing boats deliver direct to these plants.)

Undoubtedly the closure would have continued had it not been for the determined efforts of the fishermen, vessel owners, and companies to find a means of restoring this operation. Between these three groups some formula had to be developed that would permit an operation to function under a situation where the gross value of a ton of raw herring had dropped from \$45.55 in June 1958, to \$38.77 by September 1959 and to \$29.94 by October 1960. Fortunately, they were successful. The lesson to be learned from this costly and unpleasant herring episode is a simple one. It involves recognition of the fact that we have no monopoly on the production of fish meal and oil. In 1959 British Columbia produced less than 2% of the world supply of fish meal. When we fail to adapt to depressed market conditions and withhold our production, the effect is barely noticeable in the world supply. While an operation on the present basis doesn't give any returns on investment in boats and plants it does keep our product in the market and keeps this segment of the industry going.



ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday,
November 22 Fourth Session—Twenty-fourth Parliament
1960-61
The Honourable Senator A. ... moved, seconded by the Honourable
Senator Macdonald, P.C.—

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 14

THURSDAY, FEBRUARY 23, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Primary Textiles Institute

Mr. G. H. Dobbie, Chairman; Mr. W. M. Berry, President; Mr. W. H. Young, President, Cotton Institute of Canada; Mr. E. F. King, Director, Man-Made Fibre Textiles Institute; Mr. R. B. MacPherson, Member.

Engineering Institute of Canada

Mr. Garnet T. Page, General Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Méthot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connolly (<i>Ottawa West</i>)	Leonard	White
Courtemanche	MacDonald (<i>Queens</i>)	Wilson—33
Croll	Macdonald (<i>Cape Breton</i>)	
Emerson	Méthot	
Haig	Monette	

(Quorum 9)

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Primary Textiles Institute
Mr. G. H. Dobbie, Chairman; Mr. W. M. Barry, President; Mr. W. H. Young, President, Cotton Institute of Canada; Mr. E. F. King, Director, Man-Made Fibre Textiles Institute; Mr. R. B. Macpherson, Member.

Engineering Institute of Canada
Mr. Garnet T. Page, General Secretary

MINUTES
ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—

Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, February 23, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Méthot, (*Chairman*); Blois, Buchanan, Burchill, Haig, Horner, Inman, Irvine, Leonard, Macdonald (*Cape Breton*), MacDonald, Pratt, Smith (*Queens-Shelburne*) and Vaillancourt.—14.

The following were heard:

For Primary Textiles Institute:

Mr. G. H. Dobbie, Chairman, Primary Textiles Institute; President, Dobbie Industries Limited.

Mr. W. M. Berry, President, Primary Textiles Institute.

Mr. W. H. Young, President, Cotton Institute of Canada; Vice-President & Managing Director, The Hamilton Cotton Company Limited.

Mr. E. F. King, Director, Man-Made Fibre Textiles Institute; Vice-President, Sales, Dominion Textile Company Limited.

Mr. R. B. MacPherson, Member, Primary Textiles Institute; Economist, Du Pont of Canada Limited.

For Engineering Institute of Canada:

Mr. Garnet T. Page, General Secretary.

At 12.30 p.m. the Committee adjourned until Wednesday next, March 1st, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

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Mr. W. M. Berry, President, Primary Textiles Institute.
Mr. W. H. Young, President, Cotton Institute of Canada; Vice-President, Managing Director, The Hamilton Cotton Company Limited.

Mr. E. F. King, Director, Man-Made Fibre Textiles Institute; Vice-President, Sales, Dominion Textile Company Limited.

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John A. Hinds,
Assistant Chief Clerk of Committee.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Thursday, February 23, 1961

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. LÉON MÉTHOT in the chair.

The CHAIRMAN: Honourable senators, as we have a quorum I think we should commence our proceedings immediately. We have with us this morning a delegation from the Primary Textiles Institute. I understand that Mr. W. M. Berry, President, Primary Textiles Institute, is going to read that organizations' brief and that Mr. G. H. Dobbie, Chairman, is going to introduce the members of the delegation.

Mr. GEORGE H. DOBBIE, Chairman, Primary Textiles Institute: Mr. Chairman and honourable senators. I am George H. Dobbie, Chairman of the Primary Textiles Institute. I would like to express the appreciation of all our members for this opportunity to tell you how the textile industry is situated at this time, when we have in Canada a very serious problem, that of unemployment and the provision of jobs for our ever-increasing labour force.

Before our submission is presented I should explain the functions of the Primary Textiles Institute, which is here as spokesman for the Canadian primary textile industry. We will describe today a variety of aspects of our business, such as market development, imports, exports, productivity, education, research, marketing, and industrial relations. We should be able to do this with some authority because a knowledge of these subjects is our job.

During the past decade our industry has experienced trying times, and our efforts to gain relief from circumstances beyond our control, have resulted in the Institute co-operating with Government agencies and independent fact-finding bodies in several thorough reviews of our affairs. I do not think that at any time was the Institute, or the industry, found wanting. And I hope we will not be today.

I would like to introduce the members of the Primary Textiles Institute who are here this morning, and describe their other positions.

Mr. J. G. Smith, President of the Canadian Woollen & Knit Goods Manufacturers Association, and President of Mohawk Mills Limited, Hamilton, Ontario; Mr. W. H. Young, Vice-President and Managing Director of The Hamilton Cotton Company Limited, and President of the Cotton Institute of Canada, Hamilton, Ontario; Mr. Ralph Presgrave, a Director of York Knitting Mills Limited, and a Professor in the School of Business at the University of Toronto, Toronto, Ontario; Mr. E. F. King, Director of the Man-Made Fibre Textiles Institute, and Vice-President in charge of sales of Dominion Textile Company Limited, Montreal, Quebec; Mr. R. B. MacPherson, Economist of Du Pont of Canada Limited, Montreal, Quebec, and W. M. Berry, President of the Primary Textiles Institute, who will present our submission.

With your permission I will ask Mr. Berry to carry on now.

Mr. W. M. BERRY, President, Primary Textiles Institute: Mr. Chairman, honourable senators:

Introduction:

1. In considering how the Institute might most usefully respond to your very welcome invitation to appear before the Committee, we have concluded that a factual, practical, account of the recent trends and future prospects of our industry should be the most helpful in your analysis of the Canadian manpower and employment problem. You have the benefit of competent advice from the people assisting you on the broad sweep of labour economics in Canada but, as specialists in our own field, we hope we may illuminate some special aspects of the situation more completely than would otherwise be possible.

We appear as a large Canadian industry with an experience over the last decade which may give the Committee a view of a condition which now appears spreading into other sectors of our economy. We must agree with Mr. Denton that we have been one of the "chronic 'soft spots'" (p. 17); an industry "in which there have been serious employment problems extending over many years". (p. 23)

2. In this paper, then, we should show the general relationship of textiles to the Canadian industrial structure, describe briefly our experience, state the principal characteristics of textile employment and output, and from these make some forecast of what textiles could offer in future employment. What we are doing to achieve these employment prospects would then complete our paper.

3. *The Industry:* The primary textile industry comprises those establishments engaged in manufacturing or preparing textile fibres—both natural and man-made—and in spinning, weaving, knitting, and otherwise processing these fibres and the products made from them. This industry makes consumer products such as knitwear and household textiles, but otherwise it acts as a supplier to the garment and other secondary textile industries. All parts of the primary textile industry are engaged, in principle, in somewhat similar processes of manufacture and while there are still fibre distinctions among its branches, these have tended to lose much of their significance.

4. *Primary Textiles Institute:* The Institute appears before the Committee as the representative of all sectors of the primary textile industry; having related to it through membership in associated organizations the Canadian manufacturers engaged in the production of cotton, man-made fibre and wool textiles; hosiery and knitted goods; and other primary textile products.

TEXTILES: AN IMPORTANT FACTOR IN CANADIAN INDUSTRY

5. *Widespread Distribution of Textiles:* One of the distinctive features of the Canadian textile industry is the widespread distribution of the mills and their tendency to be located in smaller communities. While the larger number of establishments in the industry is, by force of tradition and market location, located in Quebec and Ontario, there are some plants in all but one of the ten provinces; a total of 28 in the Atlantic Provinces, 14 in the Prairies, and 20 in British Columbia, out of the 1958 total of 722. (See **Appendix A**).

6. Another important aspect of the geographical distribution of job opportunities offered by the textile industry is the fact that, in Canada, it tends to be a "small town" industry, as illustrated by **Appendix B**. The trend of the last decade has been outward from the larger centres and, with two-thirds

of the industry, in terms of numbers employed, located in cities of less than 50,000 persons, the contributions which this industry has been able to make in sustaining community life in the smaller centres has been an important factor in their development. In fact, there are whole areas such as the Grand River Valley (Hespeler, Paris, Preston, Galt, Guelph, Brantford) and for example, Eastern Townships (Granby, Farnham, Drummondville, Magog, Coaticook, Sherbrooke, Cowansville) which have been developed in large part around their textile industries. It is therefore the social and economic consequences of the industry's welfare which can have such an impact on these and other areas which have depended substantially on textile employment.

7. *Relative Importance of Textiles:* Primary textiles have been a significant factor in Canadian industry for many decades and rank high among Canadian manufacturing groups. At this present time, the direct employment of 74,000 people in the mills constitutes one out of every 17 persons employed in manufacturing. There are no figures available to us by which to determine the exact rank of primary textiles in relation to other industries at this moment but, in 1959, the latest year for which figures are available, only the secondary textile industry outranked primary textiles among Canadian manufacturers. We were followed by such industries as electrical apparatus and supplies, printing and publishing, pulp and paper, chemicals, saw-mills, and motor vehicles and parts, in that order (**Appendix C**). It is in view of this stature that we feel the textile industry, and textile employment to be of considerable significance in the Canadian scene, especially at this juncture.

8. *Development of the Industry:* The significant factors illustrating the growth and stature of the industry are given in retrospect for the period 1935-58 in **Appendix D** and Table 1. The main significance of this history is to demonstrate the persistence and durability of this industry during 25 years in which the factors governing its circumstances were not always helpful. For the first 15 years of this period the trend was upward, from 63,000 employees in 1935 to 97,000 in 1950. From then the trend has gone against the industry, and employment is now down to 74,000; but that we could increase employment at all over the period from 1935 to 1959, and output to a greater degree, gives reasonable grounds for forecasting the ability of experienced textile management, and the existing plants, to do much better in terms of employment, given more favourable circumstances.

9. It is to be remembered that these statistics of trend conceal to a degree the experiences of the last decade when at least 80 plants in existence in 1950 are not operating now, several thousands of people these plants employed have lost any opportunity for work in the textile industry, and some of the communities in which these plants were located are still struggling with a major unemployment problem. It is not, however, the purpose of this paper to dwell on the hard circumstances of the past but rather to demonstrate the grounds on which this industry, largely owned in Canada, can look hopefully to the prospect of making a substantial contribution toward providing more employment in the future.

THE USE OF MANPOWER IN THE TEXTILE INDUSTRY

10. *The Record of Employment:* As is apparent from Table 1 following in spite of a drop of 23,000 in textile employment over the last 10 years, our industry is still a very substantial employer. Every sector of the textile industry has shared in this decline; some more severely than others, with cotton textiles having the greatest relative drop, and man-made textiles the least among the major sectors.

TABLE 1
 EMPLOYMENT IN THE TEXTILE AND ALL OTHER MANUFACTURING
 INDUSTRIES, 1935-60
 (000 persons)

	Cotton Yarn and Cloth	Synthetic Textiles and Silk	Wool (1) Textiles	Hosiery and Knit Goods	Other (2) Primary Textiles	Total Primary Textiles	All Other Manu- facturing
1935.....	18	10	11	19	5	63	494
1939.....	20	8	11	21	6	67	591
1945.....	22	12	16	24	10	83	1,036
1949.....	25	17	18	26	10	96	1,075
1950.....	27	18	17	25	10	97	1,086
1953.....	23	16	15	24	9	88	1,239
1956.....	22	16	14	22	10	83	1,270
1958.....	19	14	11	21	9	75	1,215
1959.....	18	15	12	21	10	76	1,229
1960.....	17	15	12	21	9	74	1,216

(1) Wool cloth, wool yarn, miscellaneous wool goods, carpets.

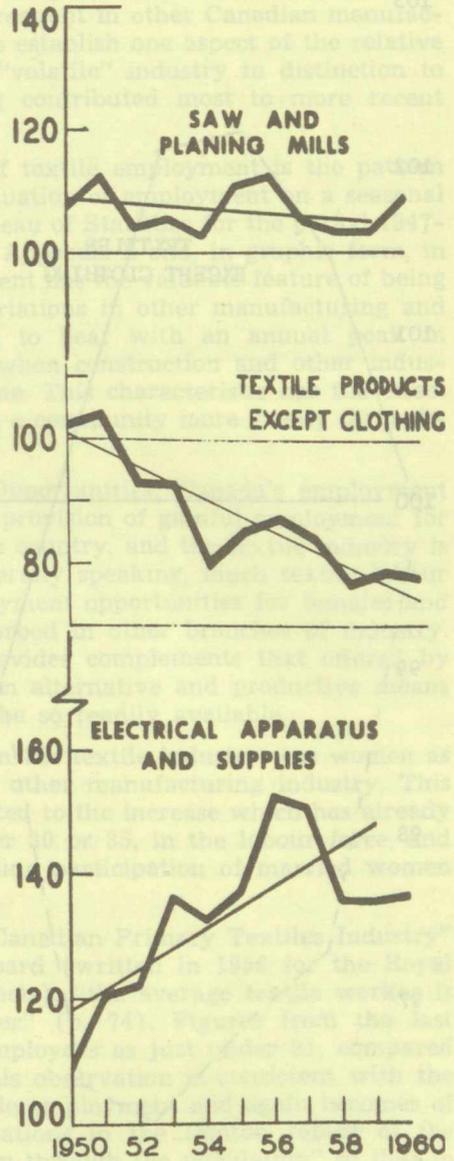
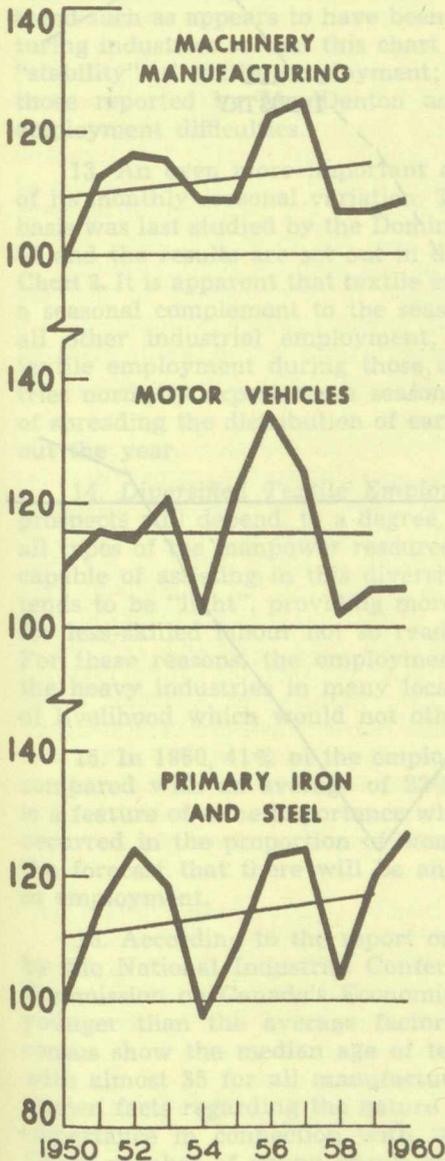
(2) Includes cotton thread; miscellaneous cotton goods; narrow fabrics; dyeing finishing; cordage, rope and twine; coated fabrics.

SOURCE: Dominion Bureau of Statistics, Census of Industry.

11. In his report Mr. Denton names a number of Canadian industries (Table 10, p. 18) which have declined in employment during 1950-59 and only one other manufacturing industry had declined as severely as the textile industry. The significant point is that the textile industry was affected earlier by those factors which began to affect other Canadian industries in the 1957-60 period. (Denton, Table 12, p. 21). In fact, he has noted a slight reversal in the downward employment trend during this latter period in parts of the textile industry; these are the man-made and wool textile groups whose low point in employment was in 1958. Since then, the textile industries as a whole, as well as all manufacturing, have not been able to pick up any of the growth in the Canadian labour force.

Chart 1
EMPLOYMENT INDEXES AND "TREND LINES" FOR
SELECTED MANUFACTURING INDUSTRIES.

Annual Averages : Index 1949=100



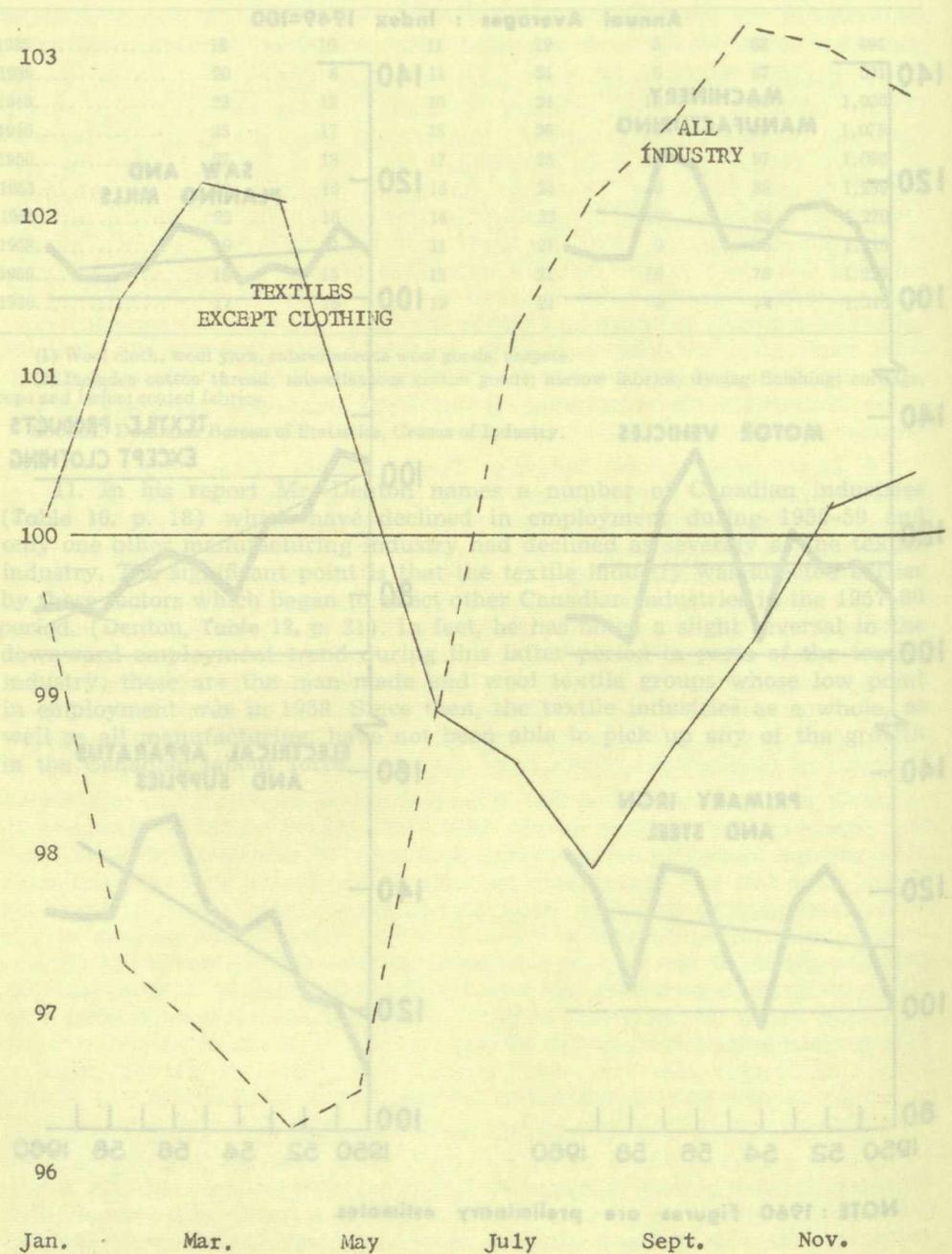
NOTE : 1960 Figures are preliminary estimates.

CHART 2

INDEX OF SEASONAL VARIATION
IN EMPLOYMENT

(Years 1947-54)

INDEX



Source: Dominion Bureau of Statistics

12. *Stability of Textile Employment*: Having noted the considerable annual variations around the employment "trend" in industries as reported by Mr. Denton (**Chart 2**, p. 24) we are including here as our **Chart 1** the same chart with the employment trend in the textile industry inserted for the same 10 year period. This not only illustrates the distinctly downward trend of employment in the textile industry, in distinction to the other industries in this chart, but it also illustrates the rather close relationship between the annual changes in textile employment and their general trend. Textiles react less severely to cyclical influences and proceed steadily closer to the trend line than others. Only in 1954 was there a drop of a severity in the textile trend such as appears to have been more frequent in other Canadian manufacturing industries so that this chart tends to establish one aspect of the relative "stability" of textile employment; a non-"volatile" industry in distinction to those reported by Mr. Denton as having contributed most to more recent employment difficulties.

13. An even more important aspect of textile employment is the pattern of its monthly seasonal variation. The fluctuation of employment on a seasonal basis was last studied by the Dominion Bureau of Statistics for the period 1947-54 and the results are set out in detail in **Appendix E** and, in graphic form, in **Chart 2**. It is apparent that textile employment has the valuable feature of being a seasonal complement to the seasonal variations in other manufacturing and all other industrial employment; coming to bear with an annual peak in textile employment during those months when construction and other industries normally experience a seasonal decline. This characteristic has the effect of spreading the distribution of earnings in a community more evenly throughout the year.

14. *Diversified Textile Employment Opportunities*: Canada's employment prospects will depend, to a degree, on the provision of gainful employment for all types of the manpower resources of the country, and the textile industry is capable of assisting in this diversity. Generally speaking, much textile labour tends to be "light", providing more employment opportunities for females and for less-skilled labour not so readily absorbed in other branches of industry. For these reasons, the employment it provides complements that offered by the heavy industries in many localities; an alternative and productive means of livelihood which would not otherwise be so readily available.

15. In 1960, 41% of the employment in the textile industry was women as compared with an average of 22% in all other manufacturing industry. This is a feature of some importance when related to the increase which has already occurred in the proportion of women, over 30 or 35, in the labour force, and the forecast that there will be an increasing participation of married women in employment.

16. According to the report on the "Canadian Primary Textiles Industry" by the National Industrial Conference Board (written in 1956 for the Royal Commission on Canada's Economic Prospects), "the average textile worker is younger than the average factory worker" (p. 74). Figures from the last census show the median age of textile employees as just under 31, compared with almost 35 for all manufacturing. This observation is consistent with the known facts regarding the nature of textile employment and again becomes of importance in connection with the indications in the Denton report of the "large number of young people moving up through the population" so that in the growth of the labour force in the next five years "the highest rates of increase for men will be in the young age groups". (pps. 14, 15). It is the nature of the textile industry that it should be able to contribute particularly toward reducing this special feature of the unemployment problem.

17. There is a significant proportion of textile occupations for which no great degree of skill is required. Training for such occupations is efficiently provided by the industry itself. There is no doubt that there has been a trend within textile industry employment toward a relatively smaller number of direct production workers and machine tenders and a corresponding relative increase in the number of more skilled maintenance and service employees but the extent of this change toward a higher proportion of skilled employees is not capable of measurement. It is somewhat indicated by the increase in the proportions of mill service, supervisory, sales and administrative people who formed 12% of total textile employment in 1950, and 17% in 1958. In addition to this, however, is the shift toward relatively more maintenance and service employees within the group classified as wage-earning production workers which, based on inquiries can be classified currently into 28% skilled, 40% semiskilled, and 32% unskilled. While this trend will undoubtedly continue, and gradually enlarge the degree of average skill required by the industry, this will be a gradual process which will leave ample opportunity for unskilled employment given any growth trend in industry output. This again becomes of particular significance when "information bearing on the relationship between skills and unemployment rates suggest, too, that the rates are much higher for unskilled workers". (Denton, p. 30). If, as has been reported, employment opportunities for unskilled workers have failed most noticeably to increase with the growth of the labour force, then an industry which will still need a substantial number of such workers offers prospects for assisting in this problem.

18. *Employment Ability of the Textile Industry:* A significant feature of the ability of our industry to provide employment is brought out by the relationship between the number of jobs and our physical resources, and sales. In relation to capital investment, the employment provided by the primary textiles industry compares with that in other Canadian industries as set out in **Appendix F**. This shows, in brief, that this industry provides, on the average, 105 jobs for each million dollars of capital investment. In these terms, it is shown to be more productive in job opportunities in relation to the investment than many other industries in Canada; in other words, expansion of textile jobs would require relatively less capital resources than other industries. It needs to be noted, however, that there is a marked variation between the capital requirements for those portions of the textile industry reported in **Appendix F** and those required for the production of man-made fibres which are capital-intensive in nature in contrast with the labour-intensive aspect of the remainder of the textile industry. It is, of course, likely that future technological advance will reduce the manpower required in ratio to investment in all industries, but there is nothing to indicate that such a reduction would proceed more rapidly in textile than in the other groups.

19. Another illustration of the labour-intensive aspect of the primary textile industry is found in the relationship that wages bear to the net value of products, as compared with other Canadian industries and as shown in **Appendix G**. The figures for 1958 show, in brief, that salaries and wages in the textile industry form 60% of the value added by manufacture in this industry. This is a figure which is exceeded by only two other industrial groups in Canada—many others fall well below. In terms of income available to an industry to distribute, a higher proportion is paid out in wages in the textile industry than in almost any other manufacturing group in Canada.

20. It seems needless to refer here to the indirect employment created by an industry such as textiles in terms of the substantial industrial and raw material supplies which are drawn from other Canadian producers. Nor does it seem necessary to develop the service-employment support provided by all

industrial employment. The Committee is well able to assess these general features in relation to whatever employment prospects textiles may provide. What is more immediately important is this analysis of textile employment features are the marks of the severe strains which have occurred in the last decade in employment in an industry which should have been able to provide a growing instead of a declining number of jobs, considering their desirable features.

The Committee is aware that this last decade has been one of general economic expansion in Canada. It may unfortunately be the case that the next decade may not enjoy this same experience. This brings into focus the statement by Professor Hood (p. 79) that

"reallocations of resources are more easily made in periods of rising than in periods of falling growth rates. Accordingly the problems of adjustment receive more notice and discussion in periods of falling growth rates. It is important to remember however that the special difficulty of adjustment in a period of declining rates of growth arises not from the need to make more adjustments or greater adjustments—indeed the contrary may be true—but from the very fact of declining rates of growth. In my opinion this is a very important point and one with significant policy implications"

In other words while it may have been possible to adjust to the strain of a severe decline in textile employment in the last decade, this has every prospect of being much less feasible in the next.

CANADIAN TEXTILES: MARKETS AND PRODUCTION:

21. It is our purpose to predict what future employment prospects are possible in the textile industry. Such forecasts depend on the trend and prospects of Canadian textile markets and Canadian textile production, and the relationships which can be discerned between our output and employment in the recent past and for the near future. Professor Hood has provided the committee with a view of the market background of all Canadian industry and it is our purpose to parallel this analysis with a market background for the textile industry.

22. *Nature of Canadian Textile Market:* I might say, Mr. Chairman, that some of these quotations come from the previously cited report of the National Industrial Conference Board, and this is one.

"The primary textile industry in Canada operates for the domestic market. Exports represent a very small fraction of Canadian textile production, . . . the opportunities being narrow and marginal. It is the domestic market that determines the industry's operations; and the factors . . . creating a state of demand that is limited in point of basic volume but highly diversified in point of types, styles and qualities, make for keen competition between Canadian producers and between the Canadian industry and foreign producers selling in Canada". (NICB p. 13).

This high and increasing variety demand which is imposed on the Canadian industry by the nature of the market is enhanced by vigorous promotion, low price and the most intense competition to attract business. This high degree of variety, associated with a relatively limited volume for any type, is the first fact of life for Canadian textiles.

23. The second basic fact is that, in the total market for textiles, about 45% of the supply is devoted to household and industrial purposes, and that 55%

of textile demand is for apparel. It is difficult to trace the influences which bear on the requirements of textiles for non-apparel purposes although it is known that expanding industrialization causes an expansion in textile usage.

In the case of demand for clothing and personal furnishings, it is apparent that there has been a declining ratio of expenditure for such purposes in total personal consumption expenditure because, for one reason, textile prices have fallen in relation to other commodities. The experience in other countries also shows the same pattern which is associated with the rise of consumers' income in the last decade, and the fact that the demand for apparel textiles does not rise in pace with the demand for other consumer goods and services, as the Canadian standard of living is rising.

24. *Trend of Market Demand:* There has, of course, been an absolute increase in the Canadian demand for textiles and textile products during the 1950-60 decade as a consequence of the rise in population and in spite of the falling ratio to total personal expenditures. While there have been periodic interruptions in this long-term increasing trend we see no reason why, given the economic climate we foresee, there should not be a continuing increase of the order of about 3% per annum in volume of textile demand. This may not be spectacular in relation to the experience in some other products over the last ten years, but it has prospects of continuing as a dependable base for future employment.

25. There are several measures which can be used to show the degree of growth in our textile markets, although none of them is a completely satisfactory measure to associate with the statistics of Canadian textile employment. The apparent consumption of textiles in Canada is given by a series instituted by the National Industrial Conference Board (p. 35) based on the physical weights of Canadian textile production and imports, which series is shown in **Appendix H**. This shows how the total weight of fibre used in Canada expanded by 12% from 1950 to 1959, while Canadian mills production dropped by 8% and imports more than doubled, so that the 82% share of the market we held in 1950 had dropped to 66% by 1959.

26. Another measure of the Canadian textile market is provided by the figures for the yardage of woven fabrics as stated in **Appendix I**, and, in addition to the poundage figures noted in **Appendix H**.

Neither pounds nor yards by themselves can measure the extent of the market and the sources from which it is supplied in a wholly satisfactory manner because of the shifting relationship in weights of fibre to yards of fabrics used. Also, the total yardage of woven fabrics required in Canada has been rendered static over the last decade by the increasing yardage of fabrics imported in other forms such as garments and made-up articles. These imports appear in the poundage (**Appendix H**) but not in the yardage (**Appendix I**) data.

With your permission, Mr. Chairman, I would like to invite the committee to turn to **Appendix I** at the back of the brief, so that you may grasp the import of some figures which I would now like to interpolate.

If one looks at **Appendix I**, which is entitled "Canadian Fabric Market (million linear yards)", one will not that in 1949 663 million yards of fabrics were used in Canada. Related to that can be added another 20 million yards of fabrics which were imported in the form of made-up articles and garments, so that the total yardage of cloth used in Canada in 1949 was 683 million yards—that is, 663 plus 20.

However, if one turns to 1959, 10 years later, while the apparent supply of fabrics used in Canada had only changed slightly, to 716 million yards,

the reason for the almost total lack of increase in the yardage of fabrics used, as such, was the fact that in that same year the imports of garments and other made-up articles and textiles would have required 155 million yards of fabric, in comparison to the only 20 million yards in the 10 years before. In other words, Mr. Chairman, the rise in the Canadian market for cloth has been almost zero because the Canadian market in cloth has been halted in its progress by the increasing imports of further manufactured textile goods.

It can be seen from the record of the yardage of fabric used in Canada that the output of the Canadian industry has dropped from 468 million yards in 1950 to 340 million in 1960 in a market which required almost the same total yardage of fabrics in these two years. The degree to which Canadian output dropped is the degree by which imports increased.

27. Impact of Imports; It is impossible to present a picture of the Canadian textile market without observing the high impact and growing position of imports in this market. This is not the place to argue the cause or the cures of this situation, but it is undeniable that textile imports have gone up and Canadian textile production and employment have gone down in the last decade. Now, when Canada needs to have a penetrating examination of the need to create and maintain jobs in Canada, as is certainly indicated by the existence of this Committee, then this must surely be the time to reappraise policies which have operated in a contrary direction so far as the textile industry is concerned. The chief interest here is to measure the extent of import penetration of the Canadian textile market as a measure of the potential for future employment in replacement of the present degree of import volume.

28. The measurement of the import share of the Canadian textile market is quickly derived from the studies of the market position already referred to. By reference to **Appendixes H and I**, it can be observed that imports in 1959 provided 34% of the weight, and 51% of the yardage used in Canada. These imports represent the equivalent of about 35,000 textile jobs in Canada. We also note that we have searched all the available records and it is a fact that we have not found any other country which has a larger net volume of imports and manufactured textiles than does Canada. We also state that only a very small proportion of the imports are more or less non-competitive with Canadian products by reason of their type, variety, or purpose.

29. As was observed in the submission by the Canadian Chamber of Commerce (p. 174), it can be said that an expanding opportunity to supply a market means expanding job opportunities, and that price is a major determining factor in consumer acceptance of any product as an actual item of such supply. As they then proceed to note, the time has passed when technological improvements in machines and processes can keep our prices at or below those at which less developed countries are able to produce similar products. Certainly this is true, in textile terms, for much of Europe and Asia where newly rebuilt and modern industries are producing textiles entirely acceptable in our markets, and with the additional advantage of lower wage labour.

30. The other chief aspect of the textile import problem is reported by the National Industrial Conference Board when they observe,

Actual or potential import competition of varying severity is a perennial element in the industry's operations and plans, but a combination of factors has sharpened its intensity in recent years. Chief among the factors affecting Canada directly have been the following: the price inflation of the past decade which has much reduced the degree of protection afforded by the existing Canadian tariff; the appreciation of the Canadian dollar after the war; the increasing range of primary

textile products themselves, making it difficult for Canadian producers to handle sufficiently long 'runs' to achieve efficiencies comparable with those of competitors serving larger markets; a rise in the ratios of many Canadian textile prices and costs to those in competing countries; the contraction of the market already noted; and comparable contraction of the American textile market, leading to over-production and competition between American producers which has impinged on Canada from several angles (p. 24).

31. We have felt it desirable to review this much of the import aspects of our situation in order to show how we are associated with the general imports problem as dealt with by Professor Hood (p. 86). He notes that all Canadian imports have shown a modest downward trend since 1951 as a proportion of gross national expenditure but that, within this trend, there has been a net import deficit in fully manufactured goods which has expanded to major proportions during the last decade (p. 123). Textiles are an important component of this import deficit and this has contributed steadily and increasingly to the loss of employment in our industry.

32. There remains the need to describe not only the degree but the nature of the impact of imports on the textiles which are still supplied to the Canadian market by the Canadian industry. As has been noted by the National Industrial Conference Board, the related problems of limited production because of limited market, and high variety demands of this market both impose limitations on the competitive ability of Canadian producers. These limitations are not static but are, in fact, heightened by the nature as well as the degree of import competition. In many cases, the Canadian industry has been driven into the high variety, low-volume areas of the market because imports have captured the bulk production items. One important producer, for example saw the varieties of fabric produced grow by 67% from 1950 to 1960. This has two contrary effects which need to be noted. On the one hand, such conditions increase costs, other things being equal, and further decrease the competitive prospects of the domestic industry. But on the other hand, this very variety in Canadian output has the effect of reducing man-hour productivity or, conversely, increasing the employment requirements above those which would otherwise prevail, given more volume and less variety per unit of output. The picture which emerges from these considerations is one of a highly competitive domestic industry fighting to supply the maximum obtainable of consumer demand in both volume and variety in that part of the Canadian market it can successfully secure, even when this results in a tendency toward relatively greater requirements for labour.

33. Although Canadian textile exports are small, they should not be ignored. There have been times when our industry has been a very important exporter of certain textiles to certain markets. For example, in 1935-39, Canada was the world's largest exporter of full-fashioned silk hosiery with markets in some 60 countries; a situation which has been almost completely liquidated by postwar industrialisation and market restriction. As another, and more current, illustration of our textile export ability, it is to be noted that no other group of Canadian manufacturers outranks textiles in exports to the West Indies, a result of a tariff and market opportunity which has been eagerly seized by the Canadian industry. As would be expected, this industry is still persistently and actively seeking export outlets although it is our observation that most world textile exports originate from industries which are in almost sole command of their own home markets.

MANPOWER REQUIREMENTS IN CANADIAN TEXTILES

34. Having outlined the essential elements of our recent output and employment experience, we come now to a forecast of our future employment

potential which, it is evident, must be related to how much Canadian textiles will be sold and produced. But within this relationship of output to employment are the effects of some of the forces of competition already described: the responses of the industry to limited output, enlarged diversification and the intense search for every means of improving productivity and efficiency, all of which will also influence our future ability to employ. These influences have contrary effects on manpower requirements, some upward and some downward, but their net result is expressed in the statistical relationships of employment to output adduced later in this paper. But first we should describe how these various influences affect productivity and employment.

35. *Influence of Improving Productivity*: As Professor Hood has stated, "Improved productivity in any industry derives from a multitude of sources. New investment, increased skills of the labour force, and new ideas as to the materials to be used, the machines to work them, and the processes to be used, as well as many other factors, all combine to increase the output of an hour's work" (p. 81). That all of these elements have been operative in our industry seems apparent from the further information provided by Professor Hood (p. 146) that the textile industry has "had a relatively low rate of growth of output and a relatively large increase in production per man-hour" amounting to 59% from 1949 to 1959. In fact, he notes (p. 147) an actual decrease in textile unit wage costs over the 1949-59 period but not, obviously, sufficient to stem the tide of postwar import penetration.

36. As emphasized by the NICB (p. 59), "efficiency is a continuous process" and one which they reported had resulted in postwar productivity gains in Canadian textiles comparing favourably with U.S.A. or U.K. (p. 61). Where the NICB were able to report specific productivity series they found some substantial increases (pp. 62, 68). We, too, are able to report that the improvement of industry productivity is still continuing in spite of the contrary influences cited, and can perhaps best illustrate the inter-play of these influences by a few specific examples.

37. The production of one type of staple fibre has, during 1950-59, been subjected to developments in technology which have more than doubled the output of certain major pieces of equipment; doubling of investment in capital assets to increase capacity, but more importantly to increase flexibility; and an increase in finished inventory levels from a sales-equivalent basis of 3 weeks to 3 months. The consequence in gains in output per man-hour of direct process labour can be expressed by indexes, as follows:

- (a) actual; at 1950 production volume, variety mix and efficiencies—100
- (b) actual; at 1959 production volume, variety mix and efficiencies—190
- (c) actual; at 1960 production volume, variety mix and efficiencies—132

The output level stated in (c) well illustrates what happens when a lower volume period hits a producing unit, as occurred in the last quarter of 1960. From 1950 to 1959, the total Canadian demand for this product has increased by 114%; the domestic output 82%, and imports by 177%. Also, where 13 varieties of this product were produced in Canada in 1950, there were 83 in 1959, which reflects not only normal developments in the market, but also the proliferation of specialty varieties because a large share of the market for standard types is held by imports. So, to illustrate what could happen to productivity if the whole Canadian market could be secured, we should note:—

- (d) estimated; at 1959 efficiencies, but with variety mix and volume according to total 1959 Canadian market requirements—219

Here, in one comparison, is summed up the inter-action of variety, volume and improved productivity on the man-hour output of one type of textile.

38. Another view of progress in productivity can be derived from measurement of overall changes in a plant producing a range of cotton fabrics. The

conditioning factors in the market for these fabrics have been a distinct up-grading in quality requiring a higher labour content, a major extension in variety as Asiatic imports pre-empt more of the mass markets, and a much higher level of styling where the necessary exclusivity is relatively much more difficult for a Canadian manufacturer to provide. In the face of all this, only a major increase in efficiency could have kept the Canadian plant in existence at all. New equipment, new techniques, and new standards of ability and control have combined to produce major gains in efficiency which can be assessed at two levels:

	1954	1960	Increase
(a) Unfinished fabric, pounds per 100 man-hours	497	719	45%
(b) Finished fabric, yards per 100 man-hours	3770	4340	15%

Because the variety factor is most pronounced at the finished fabric stage, it has acted here to most retard the advance in productivity.

39. Or to take 3 specific cotton products, the data show the man-hours required to produce 100 units as:

	1952	1960	Improvement
Fabric A (yds.)	15.17	8.48	79%
Fabric B (yds.)	19.23	9.00	114%
Yarn A (lbs.)	5.40	3.65	48%

These are impressive gains in the face of contrary factors in the market; illustrative of the influences implicit in the data used for the projection of our future manpower requirements, as determined by forecasts of the Canadian textile demand, and the share to be supplied by Canadians. But, it is to be noted, only as the efficiencies are reached which are possible from supplying substantially the total of the Canadian mass markets for textiles, will the full economies inherent in our advancing technology be realized.

40. *The Future Market Demand:* Clothing sales amounted to an estimated \$1,510 million in 1960 and, in contrast to the levelling that has characterized many sections of the economy, have shown an increase, measured in constant dollars, of 3% a year since 1956. It is our belief that Canada can look with confidence for a continuation of this rate of growth, not only for clothing but for household and industrial textiles as well, in the decade ahead. A detailed forecast of clothing demand is given in **Appendix J**. The estimates are based on past experience with particular emphasis on developments during the last decade.

41. It may be helpful to review briefly the factors that have influenced the demand for clothing over the past thirty-five years for which data are available. Over most of the period the trend has been sharply upward. One exception was the drop occasioned by the "great" depression although it should be noted that the reduction at that time was much less severe than occurred for many other commodities. A second adjustment occurred in 1949 as sales returned to a more normal level after post-war demands had been met. Since that time sales have increased in every year but 1954, although the rate of growth has slowed down in recent years.

42. One of the basic factors in the growth of clothing demand has been the rise in population of nearly 2% a year over the period 1926-60. Another important element is the increase in the level of per capita purchases. The trend of per capita purchases is influenced by a number of factors of which two—population age structure and incomes—are capable of quantitative analysis. The rapid rise in the number of teen-agers and young adults during the decade of the 1960's, it is believed, could be a dynamic stimulus to total clothing sales. The extent of the stimulus will depend to a large extent on the income prospects of the economy. The steadily rising trend of real disposable incomes has, over the long term, permitted the up-grading and enlargement

of individual clothing wardrobes to satisfy the new wants created by increased leisure, more freedom of choice, changed standards of formality, new social customs and other factors. During the past thirty-five years about seven cents of every income dollar has gone to purchase clothing.

43. This analysis of clothing demand indicates that it is likely to rise by nearly 3% a year during the 1960's to reach about \$1.7 billion in 1965 and \$2.0 billion in 1970, compared with \$1.5 billion in 1960 (all figures in constant 1960 dollars). An examination has also been made of the consumption of all textile products, other than clothing. This shows a close relationship between the trends in total textile consumption and those for clothing. On the basis of this relationship it is estimated that Canada can look forward to an increase in the consumption of primary textiles during the next decade, which will amount by 1970 to an increase of 33% above the 1960 level.

44. *The Future of Textile Employment:* The estimated rise of 33% in textile demand within the next decade affords the opportunity to create a significant number of new jobs for Canadian workers. The extent to which this occurs depends upon how much of the rise is supplied by domestic producers and how much is obtained by imports. At the present time our industry, supplying about 66% of the total market by pounds and 48% by yardage, employs 74,000 workers. If no further change takes place in the share of the market they obtain, domestic producers could look forward to an increase in output of 3% a year or of 33% over the next decade. It is believed that an expansion of this magnitude would be accompanied by an advance in productivity averaging 2% a year. The net effect on employment therefore would be a gain of 10% or 7,000 workers bringing total textile employment for 1970 to about 81,000 persons.

45. On the other hand the real employment potential of the industry is the number of jobs that would be provided by production sufficient to supply all of the Canadian market. (This does not mean that all textiles used in Canada would be produced here, but only that given the economies of large scale production, export opportunities could quite possibly become available equal to the value of remaining imports). In other words, we are talking here about a rise in production equal to the sum of present imports (34% by weight, or 52% by yardage) plus all of the market growth during the next decade. Under such conditions output in 1970 would be at least double what it is today. The implications for employment are obvious.

In such circumstances it is difficult to predict by how much productivity would advance. If it continues to improve at the rate of 2%, about 47,000 additional workers would be required. If, in the light of the much larger volume of production, productivity gains would average 3% then there would be about 36,000 more employees by 1970. And, since productivity might gain by as much as 4%, the additional employment would be 26,000. Therefore, our total employment could be between 100,000 and 121,000 in 1970. Moreover, it is well to point out that the gains in productivity through the effect on incomes would create additional employment in other industries to the benefit of the entire Canadian economy.

46. The industry, to produce and employ at the suggested maximum level, would have to be physically larger than at present to a very considerable extent. How much capital would be required to meet the indicated future demand appears impossible to calculate. The industries which grow with textiles would also be required to expand.

47. Not only would the numbers of textile employees be greater in 1970 to the extent indicated, but the composition of the working force would also be somewhat different although only the nature, but not the degree, of the difference can be indicated. In the first place, there seems no doubt that the

average level of skills required will rise, but not to the extent that the industry itself cannot undertake the necessary manual and technical training by an extension of the facilities already operative. This change will come about through continued advances in mechanization, requiring more maintenance of textile machinery which is already highly complex in many cases, and also more dexterity of the machine-tenders. Process and quality controls, and more styling and intricate construction, will also demand growing skills. On the other hand, the high proportion of employment for women may remain at about the present level. In essence, the pattern of employee requirements in this industry will continue to tend to "light" labour, high in the proportion of females and younger males, but with a rising average level of skills.

ESTABLISHING THE FUTURE OF THE TEXTILE INDUSTRY

48. So far in this paper we have developed a picture of a Canadian manufacturing industry which is of very considerable stature in our economy and which has much future promise of providing suitable jobs where they are required in Canada. It remains now to outline some factors which will decide whether this promise will become a reality; some of those things which the industry does, and can do, and should do, for itself. We have learned to be self-reliant through hard experience.

49. *Capital Investment and Equipment:* As would be expected from what has already been said about the enhanced operating efficiency of our industry, there has been a massive expenditure on replacement and renovation of capital assets. This, in spite of restraints imposed on capital outlays by notably poor rates of return on investments, creating difficulties in generating internal funds for capital financing, and the equally great obstacles in the way of attracting new equity funds. For the 15 postwar years 1946-60 the record of capital and repair expenditures can be summarized as follows:

TABLE 2

CAPITAL AND REPAIR EXPENDITURES
PRIMARY TEXTILES INDUSTRY
1946-1960*
(000 dollars)

	Capital		Repairs	
	Construction	Machinery and Equipment	Buildings	Machinery and Equipment
Cotton Yarn & Cloth	25,773	93,151	23,212	68,629
Wool Textiles	12,729	43,063	11,521	33,980
Synthetic Textiles	42,781	156,373	12,259	74,519
Hosiery & Knitted Goods	10,766	69,672	10,232	25,286
Misc. Primary Textiles	16,263	36,483	8,640	30,615
Total	108,312	398,742	65,864	233,029
Total Capital	507,054		Total Repair	298,893
Total Capital & Repair		805,947		

(Source: Dominion Bureau of Statistics.)

(NOTE: This table does not include some of the expenditures for synthetic fibre production which have been recorded in statistics for the chemical industry. This would amount to about \$81 million additional to the synthetic textile capital expenditure in this table.)

* 1946-1958 figures are actual expenditures, 1959 figures are preliminary and 1960 figures are forecasts.

The primary objects of this expenditure were to reduce costs and increase quality, and this has been done at a rate equal to that of the textile industries of U.S.A. and U.K. As is evident from the figures, the major outlays have been for renovation of plant and replacement of obsolete equipment rather than for increased capacity.

50. In fact, the present plant capacity of the industry is less than 10 years ago in some sectors of production; this is a period when the total weight of Canadian textile demand has risen by about 10%. In terms of spindles and looms, the positions in 1949 and 1958 compare as follows:—

TABLE 3
SPINDLES AND LOOMS IN PLACE—1949 AND 1958

	Spinning Spindles (000)		Looms	
	1949	1958	1949	1958
Cotton Textiles	1,063	876*	19,867	13,388*
Synthetic Textiles	256	156	7,606	4,877
Wool Yarn & Cloth	266	160	2,718	1,809
	<hr/> 1,585	<hr/> 1,192	<hr/> 30,191	<hr/> 20,074

* 1959.

(Source: D.B.S.—Census of Industry Reports.)

The drop of 25% in spindles and 33% in looms has been counteracted to some extent by the greater productivity of the present machinery than that it has replaced. The new machinery which now forms such a large proportion of industry capacity is, of course, as efficient as can be obtained. But this situation still represents the reverse of over-expansion; an "over-contraction" which will have to be recovered by accelerated investment if the industry, as it should, is expected to resume its rightful position in the market. Another useful product of such a capital expansion would be to generate more job opportunities.

51. *Staff Training and Education:* During the last decade it has been more necessary than ever before for our industry to seek out at every level in its organizations, the highest possible degree of management, technical and employee efficiency as part of the drive toward reorganization and modernization of staff, production methods, mill organization and merchandising. In terms of staff, this has led to constant improvement of the technological abilities of textile employees in many ways.

There is in-plant training and re-training for any required new skills as an established procedure in many companies to be of qualified production staff.

There are the eight organizations of our technical employees which, together, form the Textile Technical Federation of Canada, devoted to the improvement of the knowledge and competence of their 1,200 members through their own voluntary efforts, encouraged by our industry.

There are the two advanced textile technical schools operated by the governments of Quebec and Ontario, extensively supported by the industry and with many of their students financially sponsored by our companies.

There is also the regular flow of technically qualified people into our industry from other occupations, and other countries.

In sum, this all adds up to an impressive upgrading of our staff efficiencies as a counterpart of the reorganization of our plants; and we are still anxious to attract students and others to consider textiles as a promising career.

52. *Research:* Research is likely to mean different things in different contexts but, to us, it means organized and deliberate efforts to discover how to make new things in new ways. It would be surprising to many to know the number of practical textile developments which have originated in the Canadian industry and it should be obvious that our successful efforts toward greatly increased productivity could not depend solely on discovering what other people are doing and following their methods. We keep ourselves informed on what is happening elsewhere, but implicit in our plant progress is a great deal of our own patient inquiry, penetrating analysis, and intelligent planning; the practical research that leads to improved processes, better methods, consumer satisfaction and cost reduction. The "know how" of an industry may be somewhat intangible but it is a real and very important element in our progress.

53. Hand in hand with improved methods go improved products. Here the market research which discovers customers needs is coupled with product research to satisfy them and Canadian "firsts" are again in evidence. In practical terms, a few examples can be cited—the fabric for the tricot knitted dress shirt, an automobile headlining superior to any previous specification, a fitted crib blanket, spun viscose yarn made on "cotton" machinery, successful nylon fishing nets, a knotless yarn, and a yarn for paper-makers blankets with a greatly increased operating life. These are quite random examples, with no attempt to be complete, but they should be sufficient to demonstrate our point—that we can and do successfully seek out new ways to make new things in order to attract and satisfy our customers.

54. *Market Development:* In addition to the drive to creating good merchandise is an aggressive approach to selling. This need for aggressive merchandising is reinforced through competition with the effective overflow of magazine, radio and television advertising from the United States and by the extensive promotion campaigns established in Canada by the British and Japanese governments.

55. Intensity of Canadian selling has increased steadily since the end of World War II. The companies in this industry spend a total of more than \$5,000,000 each year on advertising and promotion, a reasonable proportion to sales when it is considered that a good many of the industry's products lose their identity before reaching retail counters. One Canadian company has an advertising and promotion program later, proportionate to sales, than that of any other textile company of a similar type in North America.

56. Many companies have jointly exhibited their products from coast to coast in Canada during recent years in the form of fashion shows and fabric displays, and have also had displays in New York, Paris, Brussels and Milan. Some of these displays were carried out in co-operation with manufacturers, with members of the Association of Canadian Couturiers (which has been supported by the industry since its inception early in 1954) and with the Federal Departments of Agriculture and Trade and Commerce.

A major step in expanding further the industry program of promotion and product education was taken in 1955 when a group of prominent textile companies joined together to establish the Canadian Fabrics Foundation. Through this office there is a continuing effort to teach the Canadian consumer the value of good quality Canadian textiles, their proper use and treatment.

CONCLUSION

57. We hope we have given in this paper what we started out to present; a factual, practical account of our industry which could serve as an object lesson on what manufacturing can do for Canada. We do not believe that we

are much different from other manufacturers except in the degree to which textiles are a more readily transportable commodity with a considerable sensitivity to international differences in costs, particularly labour costs. But we have been hit soonest and hardest by a condition which has more recently appeared among other Canadian industries.

58. Nevertheless, we still employ about 74,000 people, one out of every 17 manufacturing employees in Canada, and are located largely in the smaller communities which have developed around our plants. Textile employment is typically at its highest when other industries are seasonally slack. There is a higher than usual ability to employ "light" labour, women, the younger worker, and the less skilled; all just those groups to which the studies of your Committee point as being the greatest problem areas of unemployment.

59. The growth in the Canadian demand for our products is also reasonably steady, giving promise for future gains in our employment potential if the demand can be effectively translated into Canadian jobs. But the experience of the last 10 years has indicated that this will not occur automatically, being substantially outside the control of the industry. The impact of imports on the Canadian market has grown steadily and substantially and is now at the highest level on the record. Canada is the world's largest importer of textiles.

60. If Canadian producers can manage to supply only the same share of the market as at present, then, we would add only 7,000 people to our staffs by 1970. If our market position continues to decline at the rate of the past decade we could lose about 14,000 employees by 1970.

I might add, Mr. Chairman, that if this industry loses another 14,000 employees in the next decade the rate of decline could well be accelerated and have a cumulative effect on the trade. But if, according to our forecasts, the Canadian textile demand in 1970 would support about 110,000 workers, then we have a potential increase of about 36,000 in our employment. This makes it clear that the only real hope of substantially adding to Canadian textile employment would be by displacement of imports. Either we have the imports or we have the jobs.

61. Our industry has done everything it can to meet the hard challenge of international competition by a determined effort to improve efficiency. The gains in productivity (and the large investments, the latest technology, and the good management to bring them about) were the only avenue open to our industry if it were to survive at all. Only thus have we been able to upgrade our plants, train our staffs in higher skills and extend our marketing efforts to the limit, all for the purpose of cutting costs and increasing quality.

62. As for the future, we must assume that steps will be taken, beyond those we can take ourselves, which will make it possible to restore and improve the job opportunities in the textile, as in other manufacturing industries. The rapidly growing Canadian labour force will need jobs. If gainful employment is a worthy object in itself, then it must surely be created to some extent among those occupations which provide it amply in relation to their investment and sales. If such steps are not taken we can see little opportunity for our industry to assist to any significant degree in properly fulfilling that role as a job provider on which so many Canadian communities have depended for so long.

APPENDIX "A"

TEXTILE PLANTS BY PROVINCES—1958

		Establishments	Employees
Atlantic Provinces			
Newfoundland	3		
Prince Edward Island	2		
Nova Scotia	10		
New Brunswick	13		
total		28	1,932
Quebec		369	42,433
Ontario		291	29,877
Prairie Provinces			
Manitoba	7		
Saskatchewan	0		
Alberta	7		
total		14	460
British Columbia		20	649
TOTAL		722	75,351

APPENDIX "B"

THE SITE OF PRIMARY TEXTILE TOWNS—1958

Population		Number of Establishments	Number of Localities
Over	Not over		
Rural		58	44
	5,000	116	79
5,000	50,000	211	77
50,000	500,000	90	16
500,000		247	2
		722	218

Source: Dominion Bureau of Statistics.

APPENDIX "C"

LEADING MANUFACTURING INDUSTRIES—1959

	Employees
Secondary Textiles	98,600
Primary Textiles	76,200
Electrical Apparatus and Supplies	75,000
Printing and Publishing	73,600
Pulp and Paper	65,800
Chemicals and Allied Products	53,800
Sawmills	47,800
Motor Vehicles and Parts	46,800
Bakery Products	41,700
Furniture	32,500

(Source: Dominion Bureau of Statistics)

APPENDIX "D"

THE PRIMARY TEXTILE INDUSTRY

PRINCIPAL STATISTICS, REPRESENTATIVE YEARS 1935-1958

(Source—D.B.S. Census of Industry Reports)

	Year	Establish- ments	Employees	Cost of	Gross
				Materials Used	Value of Production
				(\$000)	(\$000)
Cotton Yarn and Cloth.....	1935	37	16,095	26,457	51,180
	1949	53	25,178	124,685	211,385
	1950	51	26,967	157,836	257,384
	1955	50	21,537	149,561	229,684
	1958	48	19,434	124,741	210,292
Synthetic Textiles.....	1935	33	10,088	10,947	28,045
	1949	48	16,828	45,218	124,125
	1950	47	17,955	40,112	147,048
	1955	48	15,408	69,896	159,234
	1958	48	14,436	81,967	177,214
Wool textiles.....	1935	148	11,159	19,365	36,907
	1949	204	17,892	76,615	139,566
	1950	201	17,357	94,249	157,359
	1955	169	13,324	77,725	138,911
	1958	142	11,114	66,708	125,780
Hosiery and Knitted Goods.....	1935	163	18,511	22,948	46,390
	1949	290	26,442	64,703	143,019
	1950	293	25,255	68,718	146,226
	1955	296	21,658	75,706	155,187
	1958	321	20,936	88,610	173,577
Total—Four Branches.....	1935	381	55,853	79,717	162,522
	1949	595	86,340	311,221	618,095
	1950	592	87,534	360,915	708,017
	1955	563	71,927	372,888	683,016
	1958	559	65,920	362,026	686,863

NOTE: In addition to the four main branches tabulated above, the primary textile industry includes the smaller groups: Cotton Thread, Miscellaneous Cotton Goods; Cordage; Coated Fabrics; Dying and Finishing; Narrow Fabrics, which in 1958 employed a further 9,431 people.

APPENDIX "E"

INDEXES OF SEASONAL VARIATION IN EMPLOYMENT FOR SPECIFIED INDUSTRIES,
BASED ON YEARS 1947-54

Month	All Industry	Manu- facturing	Textiles Except Clothing	Knit Goods	Clothing	Construction
January 1.....	99.7	98.2	100.1	99.4	97.4	90.0
February 1.....	97.3	98.4	101.5	101.6	101.1	82.3
March 1.....	96.9	99.0	102.2	102.2	102.3	78.9
April 1.....	96.3	99.0	102.1	101.8	102.9	80.8
May 1.....	96.5	99.0	100.5	100.6	102.1	89.9
June 1.....	98.9	100.0	98.9	98.8	99.6	100.3
July 1.....	101.3	100.8	98.6	97.8	97.9	108.3
August 1.....	102.1	100.7	97.9	96.3	96.1	115.8
September 1.....	102.6	101.8	98.7	97.9	98.7	117.3
October 1.....	103.2	102.0	99.3	99.7	100.5	116.0
November 1.....	103.1	101.1	100.2	101.4	100.9	112.9
December 1.....	102.8	100.3	100.4	102.3	100.2	107.6
Amplitude of Seasonal Variations*	6.9	3.8	4.3	6.8	6.8	38.4

* Defined in the Labour Department's study of seasonal variation ("Calendars of Seasonal Variation"), as the difference between the trough and peak in the index numbers of seasonal variation.

SOURCE: Dominion Bureau of Statistics.

APPENDIX "F"

NUMBERS EMPLOYED IN MANUFACTURING INDUSTRIES PER \$1,00,000 OF CAPITAL EMPLOYED—1958.

	Capital ⁽¹⁾	Employment ⁽²⁾	Employees per \$1,000,000
	(\$000,000)		
Apparel ⁽³⁾	348	82,835	238
Bakery Products.....	222	41,532	187
Printing and Publishing.....	563	72,221	128
Primary Textiles ⁽⁴⁾	525	55,146	105
Meat Packing.....	285	25,712	90
Automobiles and Parts.....	677	44,528	66
Grain Mill Products.....	274	13,907	51
Beverages.....	700	21,189	30
Primary Iron and Steel.....	1,053	30,261	29
Petroleum Refining and Products.....	2,191	14,972	7

(1) Assets of incorporated companies less holdings of securities and investments in subsidiaries. (Taxation Statistics, Department National Revenue, 1960).

(2) Employment not exactly comparable as data covers both incorporated and other companies. (Dominion Bureau of Statistics).

(3) Except knitwear and foundation garments.

(4) Cotton textiles, wool textiles, knit goods.

APPENDIX "G"

WAGES AS PERCENTAGE OF VALUE ADDED BY MANUFACTURE: MANUFACTURING INDUSTRIES—1958

	Selling Value of Factory Shipments	Value added by Manufacture	Salaries and Wages	Salaries and Wages as Percent of Value Added by Manufacture
----- million dollars -----				
Transportation Equipment.....	2,076	884	553	63%
Wood Products.....	1,344	606	370	61%
Primary Textiles ⁽¹⁾	799	360	218	60%
All Textiles and Textile Products.....	1,661	763	461	60%
Electrical Apparatus and Supplies.....	1,015	524	316	60%
Iron and Steel Products.....	2,706	1,364	757	55%
Miscellaneous Manufacturing Industries....	394	221	120	54%
Paper Products.....	1,889	911	410	45%
Non-Metallic Mineral Products.....	637	370	162	44%
Non-Ferrous Metal Products.....	1,531	534	227	43%
Foods and Beverages.....	4,529	1,536	623	41%
Chemicals and Allied Products.....	1,293	665	234	35%

(1) Same industries as included in Table I.

SOURCE: D.B.S. Manufacturing Industries of Canada.

APPENDIX "H"

APPARENT CONSUMPTION OF TEXTILES IN CANADA AND PERCENT OF MARKET SERVED BY DOMESTIC PRIMARY MILLS, 1935-1959

Millions of Pounds

	Production of Primary Textiles in Domestic Mills	Imports of Fabrics and Manufactured Textiles	Exports of Fabrics and Manufactured Textiles	Total Apparent Consumption	Percent of Market Served by Domestic Mills
1935.....	177	36	3	210	83
1936.....	189	40	3	226	82
1937.....	206	47	5	247	81
1938.....	174	38	5	208	81
1939.....	210	48	6	251	81
1940.....	289	50	15	324	84
1941.....	302	54	19	338	84
1942.....	312	72	13	271	80
1943.....	273	80	10	343	77
1944.....	254	74	12	316	77
1945.....	257	65	14	309	79
1946.....	267	78	10	335	77
1947.....	288	118	11	395	70
1948.....	297	79	9	367	79
1949.....	292	81	5	368	78
1950.....	340	71	4	406	82
1951.....	338	77	6	408	81
1952.....	270	88	5	354	75
1953.....	279	105	4	381	72
1954.....	269	89	10	348	74
1955.....	311	107	6	412	74
1956.....	313	127	6	434	71
1957.....	309	132	10	431	69
1958.....	275	135	6	404	67
1959.....	311	154	9	456	66

SOURCES: National Industrial Conference Board and Primary Textiles Institute.

APPENDIX "I"

CANADIAN FABRIC MARKET

(million linear yards)

	Canadian Production*	Imports	Exports	Apparent Supply	Supply per Capita	% Canadian
(yds)						
1935-39 Average.....	294	119	2	411	37.2	71%
1940-44 Average.....	398	215	16	598	51.3	64%
1945-49 Average.....	363	254	15	602	47.6	58%
1949.....	418	250	5	663	49.3	62%
1950.....	468	234	7	694	50.6	66%
1955.....	399	283	5	677	43.1	58%
1956.....	393	315	4	704	43.7	52%
1957.....	372	335	6	701	42.2	52%
1958.....	349	344	5	687	40.3	50%
1959.....	355	367	7	716	41.0	49%
1960**.....	340	356	16	680	38.1	48%

* Includes fabrics produced for military account; shipments for 1953 and subsequent years.

** Annual rate based on figures for 10 months.

SOURCE: Primary Textiles Institute.

APPENDIX "J"

THE FUTURE DEMAND FOR CLOTHING IN CANADA

Economist's Office

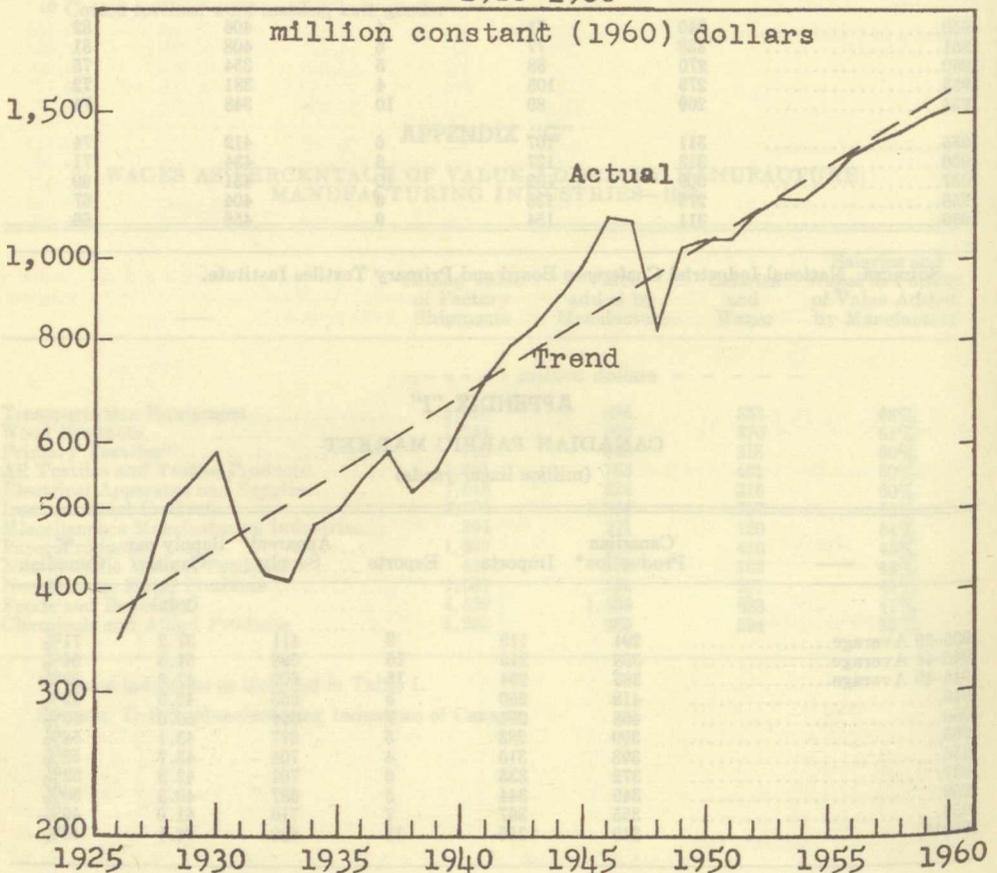
Du Pont of Canada Limited

27th January 1961

Introduction

Various estimates of the Canadian demand for clothing* in 1965 and 1970, each based on a different set of conditions that may be encountered in the future, are presented in this report. The objective is to provide a range of the possibilities rather than to make a precise forecast of future sales. The data shows that clothing demand could vary anywhere between \$2,200 million and \$1,700 million for 1970 (as against an estimated figure of \$1,510 million for 1960) depending upon the level of economic activity that prevails at the end of the decade.

Chart I

CLOTHING SALES
1926-1960

* The value of clothing sales is that reported by the Dominion Bureau of Statistics in its publication "National Accounts".

The estimates are based on a study of the past experience of clothing demand in Canada, with particular emphasis on developments during the past decade. Two general approaches are followed:

1. The analysis of past trends in demand
2. The measurement of causal relationships between economic factors affecting the demand for clothing and actual values.

Five different forecasting concepts are used. For each a series of estimates is prepared, but the final appraisal of the results is left to the concluding section of the report. As the object is to determine the volume of future demand, all dollar figures are expressed in terms of constant 1960 dollars.

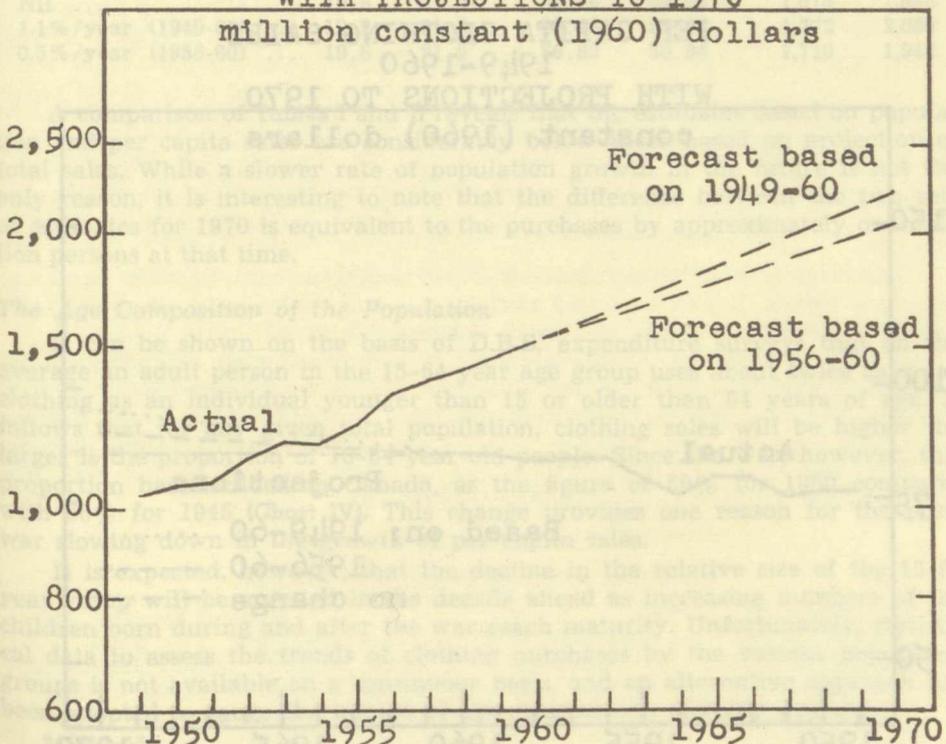
The Trend of Total Sales

The record of clothing sales since 1926 is presented in **Chart I**. The trend line fitted to this data shows an average advance of 4.3% a year. Examination of the chart shows, however, that the trend line gives a value for recent years in excess of actual sales and in fact is not representative of the growth since 1949. The reason is that it is influenced to a large extent by the experience of 1934-48 which included recovery from a serious depression, the abnormal conditions of war time and the re-stocking of wardrobes following the end of hostilities. These conditions gave a strong upward bias to the trend of demand that has not been typical of peacetime markets since 1949. It has been decided therefore to concentrate the analysis on the trends and relationships evident during the last decade. While this limitation may encounter some

Chart II

CLOTHING SALES 1949-1960 WITH PROJECTIONS TO 1970

million constant (1960) dollars



objection on grounds of statistical completeness, it is believed the period selected for study provides the best basis for reliable estimates of the next decade.

Considering the period 1949-60, the average rate of growth in clothing demand has been 3.8% a year. If this trend continues in the future sales would amount to \$1,828 million for 1965 and \$2,202 million for 1970.

Implicit in the technique of trend projection is the assumption that conditions in the period of forecast will parallel those of the past. It is worth pointing out that a large part of the growth in demand was achieved in the years prior to 1956 and during the four years since that time the gain has averaged only 3.1% annually. Obviously if the conditions of the latter part of the last decade are to prove typical of the future, the estimates given by the 1949-60 trend will have to be scaled down. A comparison follows. (see also Chart II).

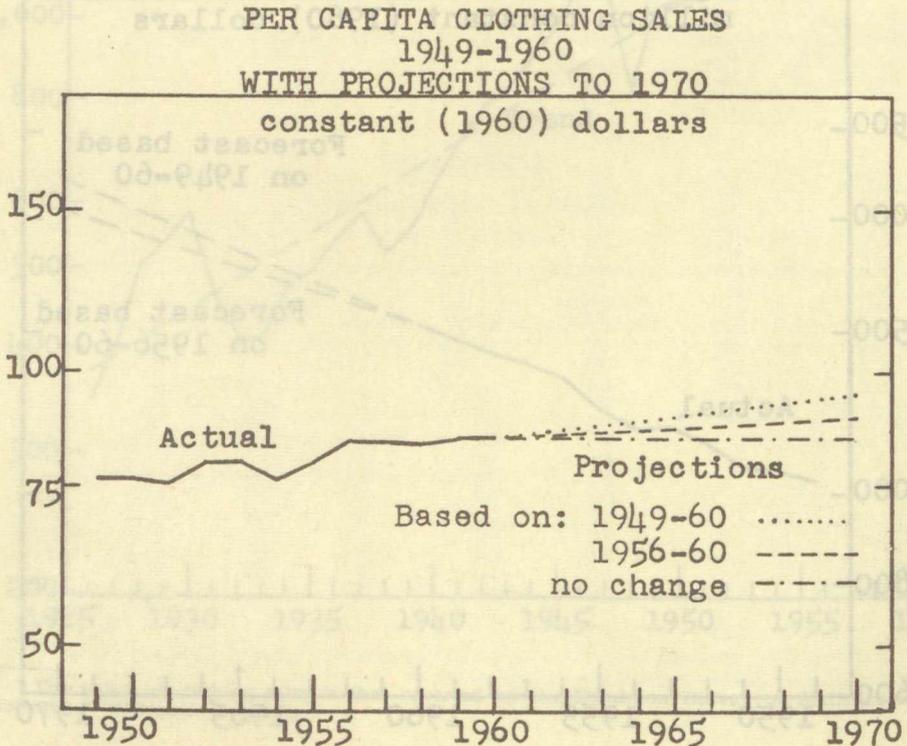
TABLE I
ESTIMATES OF CANADIAN CLOTHING DEMAND

Experience Projected	Average Annual Increase	Clothing Sales (million 1960 dollars)	
		1965	1970
1949-60	3.8%	1,828	2,202
1956-60	3.1%	1,759	2,049

Population Growth and the Trend of Per Capita Sales

One of the basic determinants of the demand for clothing is the number of people to be clothed. Given a forecast of population in the future it is possible to estimate future sales on the assumption of no change in the level of per capita purchases.

Chart III



According to the Royal Commission on Canada's Economic Prospects the Canadian population in 1965 will be 11% and in 1970 23% higher than in 1960 (median estimates based on net immigration of 75,000 annually). On this basis the number of people will rise from 17.8 million for 1960 to 19.8 million for 1965 and 21.9 million for 1970. If the demand for clothing were to rise in the same proportions sales would amount to \$1,676 million five years hence and \$1,857 million by 1970.

Actually, however, sales on a per capita basis have displayed an upward trend, averaging increases of 1.1% annually during the 1949-60 period. This experience if projected into the future would raise individual clothing consumption from \$84.76 for 1960 to \$89.48 for 1965 and \$94.34 for 1970. When these figures are combined with the forecasts of population, estimates of clothing sales totalling \$1,772 million for 1965 and \$2,066 million for 1970 are obtained. Per capita sales during 1949-60 are plotted in **Chart III**.

Again it can be noted that the rise in per capita sales during the past four years has fallen short of the average for the full period 1949-60. If the projection is based on the advance of 0.5% a year experienced in this shorter period, the indicated sales would reach only \$1,719 million and \$1,948 million for 1965 and 1970 respectively.

The various estimates of future clothing sales based on population growth and per capita consumption are summarized in **Table II**.

TABLE II
ESTIMATES OF CANADIAN CLOTHING DEMAND

Estimate Based on Change in	Population (millions)		Per Capita Sales (1960 dollars)		Total Sales (million 1960 dollars)	
	1965	1970	1965	1970	1965	1970
Per Capita Sales of						
Nil	19.8	21.9	84.76	84.76	1,678	1,856
1.1%/year (1949-60) ...	19.8	21.9	89.48	94.34	1,772	2,066
0.5%/year (1956-60) ...	19.8	21.9	86.82	88.94	1,719	1,948

A comparison of **Tables I** and **II** reveals that the estimates based on population and per capita sales are considerably below those based on projection of total sales. While a slower rate of population growth in the future is not the only reason, it is interesting to note that the difference between the two sets of estimates for 1970 is equivalent to the purchases by approximately one million persons at that time.

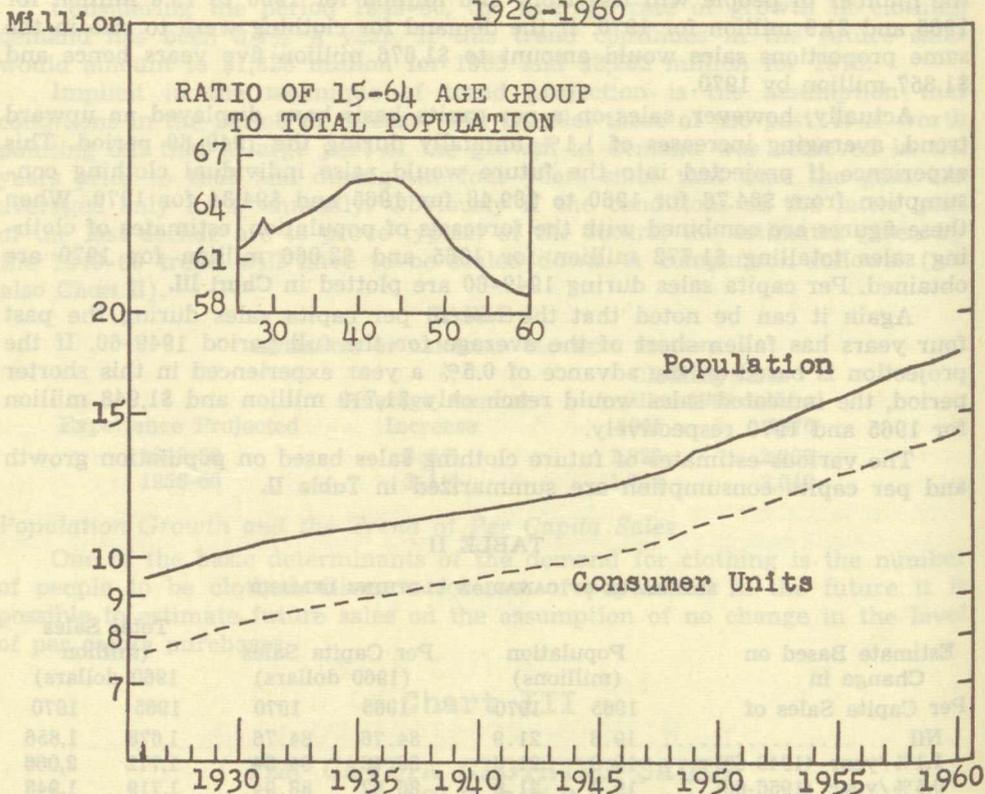
The Age Composition of the Population

It can be shown on the basis of D.B.S. expenditure surveys that on the average an adult person in the 15-64 year age group uses about twice as much clothing as an individual younger than 15 or older than 64 years of age. It follows that for any given total population, clothing sales will be higher the larger is the proportion of 15-64 year old people. Since the war, however, this proportion has declined in Canada, as the figure of 59% for 1960 compares with 66% for 1945 (**Chart IV**). This change provides one reason for the post-war slowing down in the growth of per capita sales.

It is expected, however, that the decline in the relative size of the 15-64 year group will be arrested in the decade ahead as increasing numbers of the children born during and after the war reach maturity. Unfortunately, statistical data to assess the trends of clothing purchases by the various population groups is not available on a continuous basis, and an alternative approach has been adopted to gauge the impact of age structure on clothing demand.

Chart IV

POPULATION AND CONSUMER UNITS
1926-1960



The first step is to convert the population into "consumer units". The number of consumer units at any time is the total population less one-half of the people under 15 or over 64 years of age. The number rises more rapidly than population when the 15-64 group is increasing faster than the others, and lags behind population when the reverse is true. A Comparison is made in Chart IV.

The next step is to calculate sales per consumer unit together with appropriate trends. It will be found that on this basis sales have advanced more rapidly than is the case for per capita demand. (Chart V.)

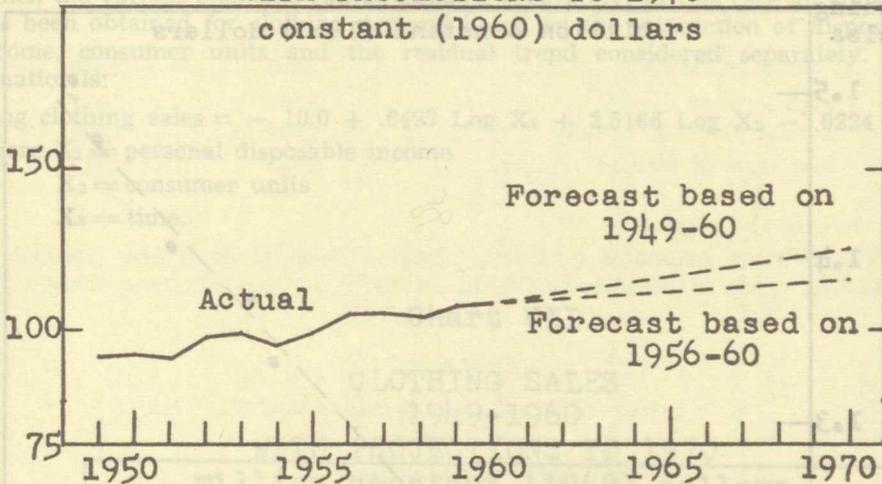
Finally, projections of the trends are combined with estimates of the number of consumer units in the future to obtain forecasts of total clothing demand. For this purpose it is expected that consumer units in the forecast years will bear the same relation to total population (80%) as was the case for 1960, and thus will total 15.8 million for 1965 and 17.5 million for 1970. The resulting estimates are presented in Table III.

TABLE III
ESTIMATES OF CANADIAN CLOTHING DEMAND

Estimate Based on Change in Per Consumer Unit Sales of	Consumer Units (millions)		Per Consumer Unit (1960 dollars)		Total (million 1960 dollars)	
	1965	1970	1965	1970	1965	1970
1.3%/yr. (1949-60)	15.8	17.5	114.10	121.80	1,803	2,132
0.6%/yr. (1959-60)	15.8	17.5	109.90	113.20	1,736	1,981

Chart V

CLOTHING SALES PER CONSUMER UNIT
1949-1960
WITH PROJECTIONS TO 1970



The Relation of Clothing Sales to Personal Disposable Income

A significant factor in the rise of clothing demand has been the advance in real incomes which has made possible the upgrading and enlargement of wardrobes to satisfy the new wants created by increasing leisure, more freedom of choice, changed standards of formality, new social customs and other factors. The relationship between clothing sales and incomes is brought out in **Chart VI**. During the past thirty-five years about seven cents of every income dollar has gone to purchase clothing.

A more precise measurement of the relationship is obtained by the statistical technique of correlation. By identifying the cause and effect nature of the association, this technique makes it possible to estimate the clothing demand that can be expected for any level of disposable income. Such a calculation has been made based on the data for 1949-60. The estimating equation is:

$$\text{Log clothing sales} = -.59528 + .85929 \text{ Log personal disposable income.}$$

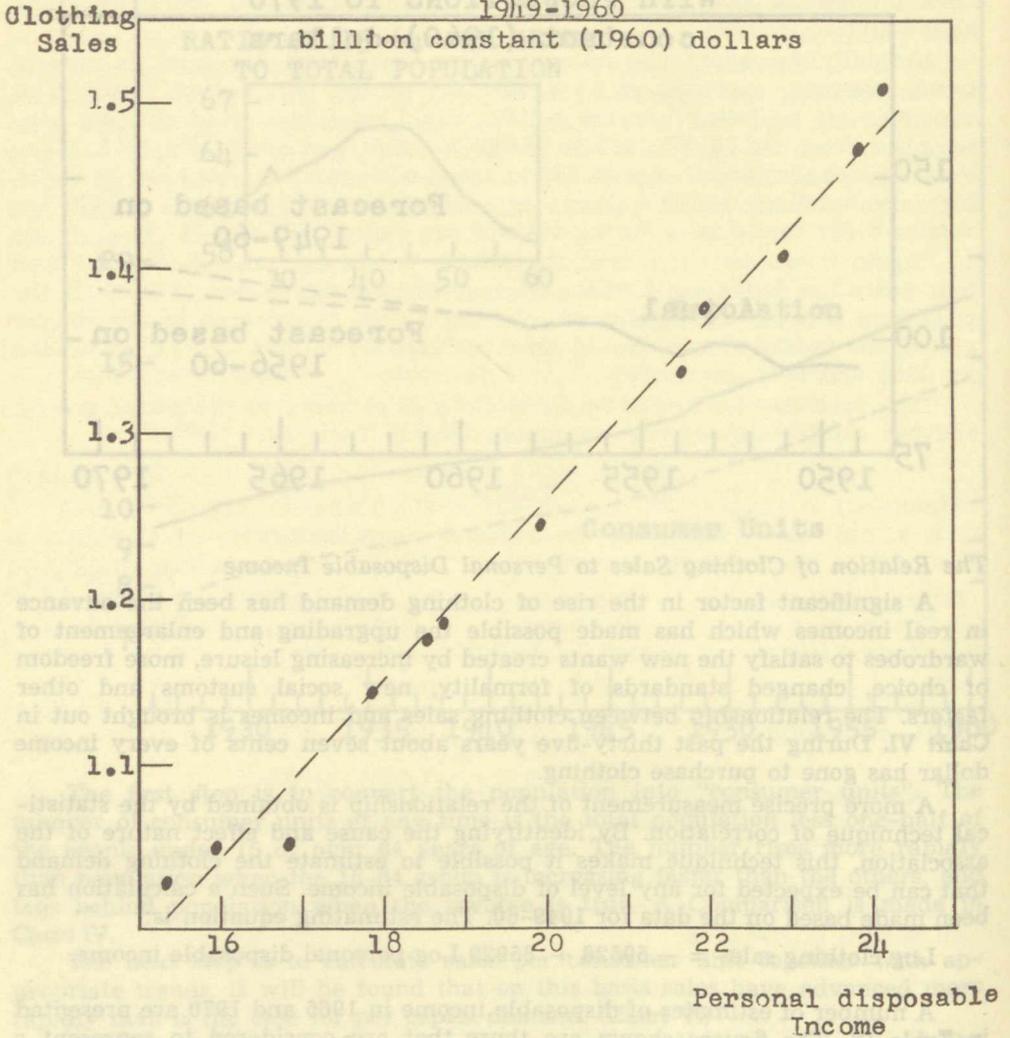
A number of estimates of disposable income in 1965 and 1970 are presented in **Table IV**. The figures shown are those that are considered to represent a high, a normal and a low level of economic activity in the forecast years. The derivation of the estimates and the assumptions upon which they are based are given in **Appendices II and III**.

TABLE IV
ESTIMATES OF PERSONAL DISPOSABLE INCOME
(billion 1960 dollars)

Basis of Estimate	1965	1970
High level of activity	31.2	38.5
Normal level of activity	29.4	34.5
Low level of activity	26.7	29.8

Chart VI

RELATIONSHIP OF CLOTHING SALES AND
PERSONAL DISPOSABLE INCOME
1949-1960



Based on the foregoing figures for disposable income and the equation of relationship between incomes and clothing demand, the estimates of total clothing demand shown in Table V are obtained.

TABLE V
ESTIMATES OF CANADIAN CLOTHING DEMAND
(million 1960 dollars)

Basis of Estimate	1965	1970
High level of activity	1,823	2,182
Normal level of activity	1,732	1,988
Low level of activity	1,593	1,752

A composite forecast

In each of the forecasting concepts so far employed only one of the many factors affecting demand has been considered individually. This disadvantage can be overcome to some degree by the technique of multiple correlation in which the various elements can be handled separately. In this case an equation has been obtained for clothing demand based on the interaction of disposable income, consumer units and the residual trend considered separately. The equation is:

$$\text{Log clothing sales} = - 10.0 + .6497 \text{ Log } X_1 + 2.5166 \text{ Log } X_2 - .0224 X_3$$

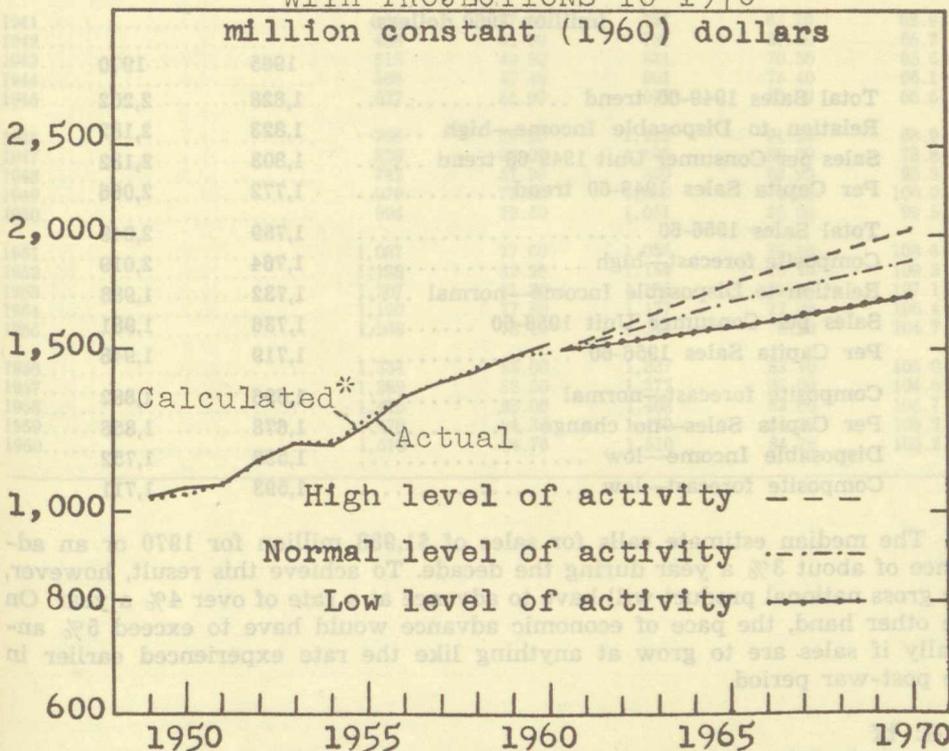
where X_1 = personal disposable income

X_2 = consumer units

X_3 = time.

Chart VII

CLOTHING SALES
1949-1960
WITH PROJECTIONS TO 1970
million constant (1960) dollars



* Calculated on the basis of relationship with Personal Disposable Income, Consumer Units and Time

Estimates of future clothing sales based on this relationship are presented in **Table VI** and **Chart VII**.

TABLE VI
ESTIMATES OF CANADIAN CLOTHING DEMAND
(million 1960 dollars)

Basis of Estimate	1965	1970
High level of activity	1,764	2,019
Normal level of activity	1,696	1,882
Low level of activity	1,593	1,711

Summary of the estimates

The thirteen estimates of future clothing demand have been ranked in descending order of magnitude (based on 1970) in the following table.

TABLE VII
ESTIMATES OF CANADIAN CLOTHING DEMAND
SUMMARY
(million 1960 dollars)

	1965	1970
Total Sales 1949-60 trend	1,828	2,202
Relation to Disposable Income—high	1,823	2,182
Sales per Consumer Unit 1949-60 trend	1,803	2,132
Per Capita Sales 1949-60 trend	1,772	2,066
Total Sales 1956-60	1,759	2,049
Composite forecast—high	1,764	2,019
Relation to Disposable Income—normal	1,732	1,988
Sales per Consumer Unit 1956-60	1,736	1,981
Per Capita Sales 1956-60	1,719	1,948
Composite forecast—normal	1,696	1,882
Per Capita Sales—no change	1,678	1,856
Disposable Income—low	1,593	1,752
Composite forecast—low	1,593	1,711

The median estimate calls for sales of \$1,988 million for 1970 or an advance of about 3% a year during the decade. To achieve this result, however, the gross national product will have to advance at a rate of over 4% a year. On the other hand, the pace of economic advance would have to exceed 5% annually if sales are to grow at anything like the rate experienced earlier in the post-war period.

GCG: bf
Economist's Office
27th January 1961

APPENDIX "T"
CLOTHING STATISTICS

Year	Retail Clothing Sales				Clothing Price Index 1949=100
	Current Dollars		Constant 1960 Dollars		
	Total	Per Capita	Total	Per Capita	
	Million		Million		
1926.....	268	28.40	347	36.70	81.2
1927.....	316	32.80	407	42.20	81.7
1928.....	375	28.10	505	51.30	78.1
1929.....	397	39.60	540	53.80	77.4
1930.....	345	33.80	486	47.60	74.7
1931.....	282	27.20	462	44.50	64.2
1932.....	217	20.70	413	39.30	55.3
1933.....	197	18.50	409	38.50	50.7
1934.....	235	21.90	477	44.40	51.8
1935.....	246	22.70	499	46.00	51.9
1936.....	270	24.70	541	49.40	52.5
1937.....	300	27.20	588	53.20	53.7
1938.....	268	24.00	523	46.90	53.9
1939.....	286	25.40	558	49.50	53.9
1940.....	354	31.10	634	55.70	58.7
1941.....	431	37.50	721	62.70	62.9
1942.....	488	41.90	787	67.50	65.2
1943.....	518	43.90	831	70.50	65.6
1944.....	566	47.40	901	75.40	66.1
1945.....	627	51.90	999	82.20	66.5
1946.....	735	59.80	1,122	91.30	68.9
1947.....	828	66.00	1,105	88.00	78.8
1948.....	742	57.90	820	63.90	95.2
1949.....	979	72.80	1,030	76.60	100.0
1950.....	994	72.50	1,051	76.60	99.5
1951.....	1,087	77.60	1,053	75.10	108.6
1952.....	1,188	82.20	1,144	79.10	109.2
1953.....	1,207	81.30	1,186	79.90	107.1
1954.....	1,190	77.80	1,177	77.00	106.4
1955.....	1,238	78.90	1,244	79.20	104.7
1956.....	1,334	83.00	1,337	83.10	105.0
1957.....	1,369	82.50	1,377	83.00	104.6
1958.....	1,415	83.00	1,408	82.60	105.7
1959.....	1,470	84.30	1,470	84.30	105.2
1960.....	1,510	84.76	1,510	84.76	105.2

In 1960 employment was 1,510 million, with a constant 1960 dollar value of \$1,510 billion. The employment averaged 7% of the Gross Domestic Product.

* Median estimate presented by Dr. J. T. Dunlop to the Senate Select Committee on Manpower and Employment.

** Figures used to represent both total and per capita of industry.

Based on past experience. Figures presented in this table are subject to revision.

ECONOMIC STATISTICS

Year	Population	Consumer Units	Gross National Product Constant (1960) Dollars	Personal Disposable Income		
				Current Dollars	Constant 1960 Dollars	
				Total	Total	Per Capita
	Million	Million	Billion	Billion	Billion	
1926.....	9.5	7.6	10.8	4.0	7.4	778
1927.....	9.6	7.8	11.8	4.2	7.8	815
1928.....	9.8	8.0	12.8	4.5	8.4	852
1929.....	10.0	8.1	12.9	4.5	8.4	835
1930.....	10.2	8.3	12.3	4.3	8.0	780
1931.....	10.4	8.4	10.8	3.6	7.3	701
1932.....	10.5	8.6	9.7	3.0	6.6	625
1933.....	10.6	8.7	9.0	2.8	6.3	594
1934.....	10.7	8.8	10.2	3.1	7.0	653
1935.....	10.8	8.9	10.9	3.3	7.4	684
1936.....	10.9	9.0	11.4	3.5	7.7	705
1937.....	11.0	9.1	12.5	3.9	8.4	766
1938.....	11.2	9.2	12.6	4.0	8.4	758
1939.....	11.3	9.3	13.5	4.2	9.0	796
1940.....	11.4	9.4	15.4	4.8	9.8	864
1941.....	11.5	9.5	17.7	5.6	10.7	927
1942.....	11.7	9.6	21.0	6.9	12.7	1,087
1943.....	11.8	9.8	21.8	7.3	13.1	1,112
1944.....	11.9	9.9	22.6	8.0	14.2	1,187
1945.....	12.1	10.0	22.0	8.3	14.5	1,202
1946.....	12.3	10.1	21.6	8.9	15.0	1,225
1947.....	12.6	10.3	21.9	9.6	14.7	1,174
1948.....	12.8	10.5	22.4	11.1	15.1	1,175
1949.....	13.4	11.0	23.2	11.8	15.5	1,157
1950.....	13.7	11.2	24.8	12.7	16.1	1,176
1951.....	14.0	11.3	26.3	14.8	17.1	1,218
1952.....	14.5	11.7	28.4	16.1	18.0	1,247
1953.....	14.8	12.0	29.5	16.9	19.0	1,280
1954.....	15.3	12.3	28.7	17.0	18.8	1,231
1955.....	15.7	12.6	31.1	18.2	20.2	1,286
1956.....	16.1	12.8	33.8	20.2	22.0	1,363
1957.....	16.6	13.2	33.7	21.1	22.2	1,337
1958.....	17.0	13.6	33.9	22.6	23.2	1,361
1959.....	17.4	13.9	35.2	23.9	24.1	1,385
1960.....	17.8	14.2	35.3	24.4	24.4	1,371

APPENDIX "II"

ESTIMATES OF GROSS NATIONAL PRODUCT AND PERSONAL DISPOSABLE INCOME FOR 1965

(based on various assumptions)

Labour Force*	If Unemployment is	Persons with Jobs will Total	If Productivity between 1965 and 1965 grows by	Output per Worker will Reach	Gross National Product will be	Personal Disposable Income will be
(thousands)	(percent)	(thousands)	(percent per year)	(constant 1960 dollars)	(million 1960 dollars)	(million 1960 dollars)
7,141	2%	6,998	2%	6,559	45,900**	31,200**
7,141	3%	6,927	2%	6,559	45,400	30,900
7,141	3%	6,927	1%	6,244	43,300**	29,400**
7,141	3%	6,927	—	5,941	41,200	28,000
7,141	5%	6,784	1%	6,244	42,400	28,800
7,141	5%	6,784	—	5,941	40,300	27,400
7,141	7½%	6,605	—	5,941	39,200**	26,700**

In 1960 employment totalled 5,949,000, output per worker \$5,941 and GNP \$35,300 million. Unemployment averaged 7% of the labour force.

* Median estimate presented by Mr. F. T. Denton to the Special Senate Committee on Manpower and Employment.

** Figures used to represent high, normal and low levels of activity.

Based on past experience Personal Disposable Income is calculated at 68% of GNP.

APPENDIX "III"

ESTIMATES OF GROSS NATIONAL PRODUCT AND PERSONAL DISPOSABLE INCOME FOR 1970

(based on various assumptions)

Labour Force*	If Unemployment is	Persons with Jobs will Total	If Productivity between 1970 and 1970 grows by	Output per Worker will Reach	Gross National Product will be	Personal Disposable Income will be
(thousands)	(percent)	(thousands)	(percent per year)	(constant 1960 dollars)	(million 1960 dollars)	(million 1960 dollars)
7,976	2%	7,816	2%	7,242	56,600**	38,500**
7,976	3%	7,737	2%	7,242	56,000	38,100
7,976	3%	7,737	1%	6,563	50,800**	34,500**
7,976	3%	7,737	—	5,941	46,000	31,300
7,976	5%	7,577	1%	6,563	49,700	33,800
7,976	5%	7,577	—	5,941	45,000	30,600
7,976	7½%	7,378	—	5,941	43,800**	29,800**

In 1960 employment totalled 5,949,000, output per worker \$5,941 and GNP \$35,300 million. Unemployment averaged 7% of the labour force.

* Median estimate presented by Mr. F. T. Denton to the Special Senate Committee on Manpower and Employment.

** Figures used to represent high, normal and low levels of activity.

Based on past experience Personal Disposable Income is calculated at 68% of GNP.

Mr. BERRY: Now, Mr. Chairman, I come to my personal word of thanks to the committee for having listened so patiently to the reading of the brief. Our group here is ready and willing, and even anxious to answer any questions the committee may have.

Senator BUCHANAN: Is it not a fact that to a great extent in our secondary industry the materials used out of our imports are already fashioned and done elsewhere? How can we overcome that?

Mr. BERRY: Well, sir, there are three aspects to your question. In the first place, we are to a considerable extent dependent on other industries for our sales. As was indicated in our brief, there is a fair proportion of consumer products made by our industry, such as knitwear and household textiles, but substantially we are suppliers to other industries and that is where we must look for sales. Secondly, the impact of imports brings its weight to bear both on our level, and on our customer's level in the secondary industry. The weight of imports was heaviest on our industry soonest. For many years a large proportion of what we call primary textiles were imported, in relation to the market, whereas the imports of secondary textiles in relation to the secondary textile market were small. That situation is changing and principally because of the entry of Asia into the Canadian clothing markets. As I indicated in the figures I inserted into the record, the imports of clothing and made-up products in 1959 were the equivalent of 155 million yards of cloth as against only 20 million ten years before.

Senator SMITH (*Queens-Shelburne*): From which countries in Asia?

Mr. BERRY: Japan, primarily, and Hong Kong secondly. The products which have come into Canada in terms of made-up goods have obviously taken away both from our customers and from us.

The last part of your question as to what can be done about it opens up a very broad vista. If one were to look at the most immediate problem as indicated by the Asian situation one would have to say this, that this industry, as should all Canadian industries, realize basically the need to trade with the Asian countries. But what we do say is that there is a concentration on the selling of textiles to Canada in relation to their total export to this market which is excessive. We have found that in 1959 Japan, for example, sold \$37 million worth of clothing and textiles into Canada, which was 36 per cent of their total shipments to this country, and that sale of \$37 million was an increase from \$4 million in 1954. So that, from our point of view, both the proportion of their total business in this country in textiles, and the rate of increase, has been excessive. Now, we also admit, and quite willingly, that the Japanese Government has taken some measures to control their exporters but again it does not appear to us that these measures have been too effective. For example, we consider it excessive that Japan should set up quotas under which they planned to ship to Canada in 1960, 2.5 million pairs of trousers and 6 million shirts. These figures probably speak for themselves, and I think it follows that there are no markets which can stand sudden inroads of the kind we have experienced, suddenly taking the business at prices quite remote from the going level of prices in this country. And very little imported from Japan has replaced imports from any other source.

Now, the other important Asian source is Hong Kong and here again you will find an increase to about \$5.5 million in 1959 as compared to practically none in 1954.

Senator HORNER: What about the Malay peninsula and Singapore?

Mr. BERRY: We have had no significant approaches from that area. In fact the Malay peninsula and Singapore are net textile importers. But the Hong Kong situation has developed so quickly that even the Japanese have become concerned for their market in Canada because of the Hong Kong

prices being lower than Japanese. Looking at it this way, Asian textile manufacturers seem to show a very alarming lack of foresight in the development of their markets because continuation of a growth of such an order is an economic impossibility; there has to come a limit at some point, and we believe that point was reached some time ago.

Senator HORNER: Does the fact that the Canadian dollar is at a premium over the United States dollar work to the disadvantage of the industry? Do you ever export anything to the United States when both dollars are of equal value?

Mr. BERRY: We export very little to the United States. The premium on the Canadian dollar has two consequences: It not only reduces the returns from exports to the United States but it also increases the advantages of United States exporters sending their products into Canada.

Senator HORNER: Yes, of course.

Mr. BERRY: And this is the place where it has its impact on our industry.

Senator SMITH (*Queens-Shelburne*): Have you given up all thought of an increase in the tariff being of assistance to the industry? I notice that you do not use the word "tariff" in your brief, and I may say that I am pleased that you have not.

Mr. BERRY: In the first place we do not regard tariffs as being of any consequences opposite Japanese prices. There is no conceivable rate of tariff, especially in this country, which when applied to a Japanese price would bring it within reach of a Canadian price.

Senator SMITH (*Queens-Shelburne*): Does the same apply to Hong Kong imports?

Mr. BERRY: Yes, the same applies to Hong Kong, and the same to all Asia. This has become an Asian problem; it is not all Japanese or Hong Kong. We can speak in the same terms of Taiwan and India and other countries.

Our position on the tariff could be put quite briefly, and is this: We have just barely completed a three-years' review by the Tariff Board of tariffs on textiles, and whatever we might think of the results, we must conclude that the revisions that have been made have been made within the framework of present Canadian policy. We only have two comments to make on that policy, and one is that a policy which allows penetration into a market to the extent which has become apparent in our business is not likely to be a good policy for Canada for an indefinite period. Our views on that are somewhat supported, we think, by an observation that the Tariff Board itself made, in their first report in the textile series, having this to say: (This report, by the way, was on wool cloth.) "There may be recommended for the industry a measure of assistance that will permit it to continue to fight for its existence at least until such time as there may be initiated by the proper authority a carefully considered decision on high policy regarding the future of the industry." This indicates to us that the Board was probably then in need of policy direction, and in so far as we are aware none followed.

Senator BURCHILL: While we are on that point, Mr. Berry, instead of thinking of restrictions on imports, what about our exports? Where would we stand if there was a common market here on the North American continent, as was suggested by Mr. McElroy in Toronto the other day? What would be the reaction on your industry?

Mr. BERRY: I think, Senator Burchill, it would be the same as the reaction of the Polymer Corporation—they built a plant in the common market, in Europe.

Senator BURCHILL: In other words, you do not think that that would be any answer if we had a common market on this continent, it would not be any answer to your problem?

Mr. BERRY: We have had occasion to make ourselves thoroughly aware of competitive factors in the countries which ship their goods to Canada, and know a good deal about the Italian situation, for example. We have studied it in person and in detail and we know that in Italian woollens of certain types that there would be no opportunity on an open market basis of competing with them, because the Italian ship these same woollens to Germany and the Germans are complaining about that situation.

Senator BURCHILL: Is there much Italian woollen goods being shipped into Canada now?

Mr. BERRY: I am not sure; we have no current figures with us. It reached a large volume about 1957 or 1958 and has remained at that volume since. This of course was one of the determining factors in the Government's decision to make a slight increase in the rate of duty on the Most Favoured Nations imports of woollens in the 1958 budget.

Senator BURCHILL: Has that checked importations?

Mr. BERRY: It has checked it but has not reduced it.

Senator PRATT: I am looking at your Appendix A which gives information on textile plants by provinces.

I see that in Quebec and Ontario there are some 660 establishments, with an average of say about 110 employees. How does that compare in size with plants in comparative countries such as in England or the United States, industrial plants in countries in the west, say? At first thought wouldn't you think that these are small plants to meet world competition with, speaking in terms of export, and also from the point of view of cost of production for the domestic trade? How does the size of the plants here in Canada compare with plants in other western countries?

Mr. BERRY: Senator Pratt, these figures suffer from all the infirmities of averages. We have studied the size structure of our industry from several points of view but we have not made the comparison you are seeking. One must remember that in an industry such as textiles there are bound to be a large number of what you might call small establishments. These, however, are not the significant part of the industry except in terms of numbers and in terms of location, because of the simple fact that there are parts of textile production which require to some extent a percentage of hand labour and this is best done in small establishments. This is done that way in Japan and even in the United States. But when you get down to the significant part of the Canadian industry you will find that it is situated much the same as you will find, for example, in Japan. I refer to Japan because I have analysed this in considerable detail.

I have some figures here which bear on this from another point of view. In the significant plants in this industry, and while it is true that there are 722 of them of all types and of all sizes, 26 of those plants have 25,000 people in them.

Senator PRATT: I see.

Mr. BERRY: And another 146 plants have 32,000 people in them. Going down the scale again, another 110 have 7,600 people in them.

Senator PRATT: There are a lot of very small plants which bring down that average.

Mr. BERRY: Yes. In other words, the significant plants in the industry are as large as one might reasonably find, considering the overall volume available to the industry.

Senator SMITH (*Queens-Shelburne*): Are the plants which are experiencing the most difficulty those with large numbers of employees, an average of 1,000 each, or is it a case of an addition of all the troubles of all the little ones? Have you anything that would help us on that?

Mr. BERRY: I think the rain falls on the just and on the unjust in this. I have here a list of the 80 plants which have been closed and which are referred to in our statement, and one cannot find any consistency in this pattern as between large and small. Some of them had 40 people and some 1,500 people.

Senator SMITH (*Queens-Shelburne*): You would not say that the industry is suffering because it is broken up into so many component parts instead of having fewer plants which are perhaps more efficient? In other words, it is not because of size?

Mr. BERRY: The pattern of the size of plants which have been closed indicates to me that fragmentation has not been a cause, that there have been causes overriding that consideration which have been responsible for both large or small plants going out of business.

Senator LEONARD: Mr. Berry, you gave us the figures for the imports from Japan, which amounted to \$4 million in 1954 and \$37 million in 1959. Have you comparable figures for imports from the United States?

Mr. BERRY: I do not have the 1954 figures, but in 1959 our imports of textiles from the United States were valued at \$124 million, which was 54 per cent of the total value of the imports in that year.

Senator LEONARD: Have you any preceding comparable figure to show what the trend has been in connection with them?

Mr. BERRY: I am sorry, I do not have that information available.

Senator LEONARD: But it is still by far the largest?

Mr. BERRY: Yes.

Senator LEONARD: And has been for some time?

Mr. BERRY: It has been since 1940.

Senator BURCHILL: What about your exports to the United States? What is the trend there?

Mr. BERRY: There is no trend, really. We get a little bit of business here and there in the American market but we find we run into impediments, which are not altogether of a commercial nature, when the goods get to the border. So there are times when it is difficult to maintain any flow of exports to the United States.

Senator LEONARD: You suggest it is a case of administrative difficulties rather than of tariff conditions?

Mr. BERRY: There are actually three difficulties, by and large. We cannot hope to produce at the same prices as they can in the United States. In the second place, they have a tariff which in some cases is higher than ours and in other cases the same. Also, there are frustrating delays in having our goods enter their market, which makes it difficult to carry on a flow of goods, especially where a style factor is involved. The goods are not as perishable as strawberries but sometimes their attractiveness disappears quite quickly.

Senator LEONARD: In your brief you suggest that your hope for greater employment in the textile industry is in taking over the production that now comes from imports, and the largest exporter to Canada is the United States. In connection with Asia you suggest the tariff would not help you there. What is the situation with respect to the United States?

Mr. BERRY: Perhaps it would help you, sir, if I described very briefly the nature of the competition we have from the United States.

Senator HORNER: That would be useful, yes.

Mr. BERRY: First of all, our imports are made up of \$72 million of cotton goods and \$49 million of man-made fibre textiles. In looking at the general nature of these imports one concludes that while a fraction of the imports could be regarded in some sense as components for further manufacture in our industry, basically there are three kinds of goods imported from the United States. First of all, there are bulk lines, large production items surplus to American production, which compete pricewise directly with our output. Another group covers the variety of competition from the United States, in what may be described as style lines. Because of a large market and a large variety demand with runs which last a long time, the American market is 17 times larger than ours—they can sell these goods at prices which are lower than ours. A third factor is the specialty lines, some things which are not continuously available from Canadian mills and which would be uneconomical for our mills to produce.

Senator HORNER: In connection with difficulties encountered with respect to imports from the United States, through the years has it not occurred that they were sometimes selling large orders of goods in Canada at a lower price than they priced them in their own country?

Mr. BERRY: In our opinion, yes.

Senator HORNER: That has occurred and it is difficult to handle all those situations?

Mr. BERRY: Next to impossible, we think, in many cases.

Senator LEONARD: Have you finished your answer to my question?

Mr. BERRY: I hope so, but if not, I would like to be reminded.

Senator LEONARD: I would like to know whether or not you can see some way of replacing by Canadian production imports coming from the United States.

Mr. BERRY: Judging from the analysis just given of the nature of the goods we receive from the United States it is our opinion that we are quite capable of making most of those goods.

Senator LEONARD: By increased tariff protection?

Mr. BERRY: I would not say altogether by increased tariff protection. There are places where this would be helpful. I think I have already explained our approach to tariff matters and I think we will rest our case there for the time being. Another aspect we have touched upon is the difficulty of properly evaluating imports from the United States. There are many people involved in the business on each side of the border, people intimately acquainted with each other, and as an American senator said the other day, "We are hopelessly tied together economically." There is a multitude of transaction and with all respect to the Government officials concerned in these things, this is really a difficult situation. There is no question about dumping. It is documented daily, I might say. Public statements are made to the effect that there is dumping, and nobody denies it. The question really is to what degree does it affect the imports; who knows?

Senator HORNER: If the United States reduces the purchases it makes abroad, do you not also suffer to some extent from the purchases by Canadians who go abroad?

Mr. BERRY: Yes.

Senator HORNER: You believe you do?

Mr. BERRY: Yes, we do.

Senator LEONARD: Mr. Berry, if you were considering the man-made fibres as distinct from other fibres, would the general aspect of your brief be just the same, and the conclusions just the same?

Mr. BERRY: I think it would, sir, because from our point of view, we do not really have any distinct fibre bias in the industry.

Senator LEONARD: Have man-made fibres in Canada stood up to the difficulties perhaps to a greater extent than the natural fibres?

Mr. BERRY: Of course, there have been certainly new and very useful developments in the production of man-made fibres, from the point of view of the plants that make these fibres, as fibres. This is a new business, and it has added a great deal to the Canadian economy, that is sure. When you go beyond that stage to the people who use these fibres for making into textiles, we do not find any reason to be deeply concerned about that, because what this does in essence, is, for example, replace a sheep by a machine. Now, this may be difficult for the sheep, but it is not difficult for the Canadian textile industry. Does that answer your question?

Senator LEONARD: Yes, Mr. Berry.

Senator BURCHILL: Following Senator Leonard's question, in paragraph 45 of the brief, you say:

"On the other hand the real employment potential of the industry is the number of jobs that would be provided by production sufficient to supply all of the Canadian market. (This does not mean that all textiles used in Canada would be produced here, but only that given the economies of large scale production, export opportunities could quite possibly become available equal to the value of remaining imports".

Do I take it that you are not too hopeful about the United States' market, and if so, what markets for export have you in mind that might be developed?

Mr. BERRY: First of all, I would say Latin America, and then possibly I would place Africa second in potential, as far as development of export markets is concerned. It is very difficult to say where opportunities would occur. We have been most surprised on many occasions to find where we can sell things if we work at it hard enough and long enough. We have even sold a few worsted suitings in Hong Kong, which is really amazing.

Senator LEONARD: Mr. Berry, Senator Burchill asked you a question earlier about the Common Market, and when you replied I think you had in mind the Common Market in Europe. But Senator Burchill was referring to Mr. McIlroy's remarks in Toronto last Monday, when he suggested a common market between Canada and the United States. Without getting too deeply into that, do you rule out the United States market for Canadian textiles under some type of negotiation? Are we not in a position where we might be competitive in some articles of textiles with the United States, given some reasonable negotiation?

Mr. BERRY: I gather, sir, that you perhaps refer to the precedent of the agricultural implement industry, as an example?

Senator LEONARD: Well, that was one case. I do not know if that is necessarily a precedent, but you suggested a little earlier that perhaps you were

running into some administrative interpretations in connection with exports to the United States. Is there not some potential of a market in the United States?

Mr. BERRY: Yes, sir, I am sure there is, because there are not many industries that make so many products as the textile industry does. There is always an opportunity for someone somewhere, and I think this includes in that area the American market. If you had it in mind to go further than that and explore anything in the nature of a sharing of markets, or something of that sort, that would be quite a different question, of course.

Senator LEONARD: I am just stating that there might be a bargaining position, if we are now buying \$124 million from them, and not getting any market in return for that?

Mr. BERRY: We would be willing and anxious to participate in that bargain. I think it is only fair to say that in connection with imports from the United States there is a temporary situation here which might not continue for ever, although we do not see any particular end to it. I am sure some honourable senators are aware of the impact on Canada of the United States programs for disposal of agricultural surpluses, but I am not as sure they are aware of the fact that one of the agricultural surpluses is cotton, and that their disposal of cotton in Canada consists principally in the subsidizing of exported cotton manufactures.

Senator BURCHILL: What impact does our tax structure in this country have on costs? I am a business man, and it seems to me that, unconsciously perhaps, a new philosophy has grown up and that we are always considering how a transaction is going to affect our tax position.

Mr. BERRY: I will ask Mr. Young to answer your question.

Mr. YOUNG: I know that is very true. I know that we find it very difficult to make any money at all, and that most of it is taken away in some form or another by direct or indirect taxes I feel that much could be done with our tax structure to help capital; and that applies to any industry. Taxes, of course, are very much part of costs. We do not venture into any re-equipment or any development unless we get a return, and that return is after we pay our taxes, and not before. So that while I do not think we as an industry here have any specific recommendations to make on taxes, because it is perhaps a little out of our field, nevertheless, anything that can relieve the tax burden would be beneficial.

Senator BURCHILL: Do you not agree that the time has arrived for a thorough study of tax policy in Canada?

Mr. YOUNG: I think we have been very unimaginative in our tax structure. The same policy has prevailed over a great period of years. I think the approach is very poor.

Senator BURCHILL: I think that as business men we have unconsciously got a tax philosophy into our beings, and we are apt to get off the real track.

Mr. YOUNG: Yes. Certainly, the direct costs in the manufacture of textiles can be assessed, but the indirect costs are too hard to assess.

Senator BURCHILL: What about American industry? Do you know if they suffer from the same tax pattern there?

Mr. YOUNG: They certainly have the same problems. Now a lot of our import competition which we face, particularly from Europe, is actually subsidized competition, and the fact that there are tax incentives given for exports by these countries is a factor. Their export competitive position is improved by tax rebates.

Senator PRATT: If we had a more liberal policy in Canada regarding allowances for depreciation for taxation, would it accelerate the modernizing of plants here in the textile industry?

Mr. YOUNG: It would certainly assist you to pay for new machinery much more quickly. What you do is to save the interest. You can always depreciate a machine say over ten years, but if you can depreciate it in one year you can save interest in the succeeding years.

Senator LEONARD: Interest on the tax?

Senator PRATT: You are paying out more money every year. Would that money go to modernizing plant?

Mr. YOUNG: There is no question it certainly would be a help. You do not modernize or build a new plant unless you are going to make money and get a good return on that money?

Senator HORNER: At least you have to hope to anyway.

Mr. YOUNG: That is one of the factors—how quickly you can depreciate it.

The CHAIRMAN: Can you give us any idea as to what are the differences in the wage rates in the textile industry as between Canada and the United States?

Mr. YOUNG: In the cotton industry I think they are on a parallel. I am talking wages plus fringe benefits. In the cotton industry the average rate in the United States is perhaps ten cents an hour higher than our average. Their fringe benefits are very much lower. We have benefits running to 15 per cent of our wage costs whereas in the United States they are somewhere around 5 per cent.

The CHAIRMAN: So this factor would not be a reason for these countries to export to Canada?

Mr. YOUNG: As far as cotton is concerned the reason for exports is to get rid of surplus goods. In doing that they do not destroy their own price structure. Looking at the cotton industry in the United States, a 5 per cent over-run in the United States that they want to get rid of is equivalent to the whole Canadian market, and they have this added incentive of this export subsidy which of course is very substantial in many cases. It runs as high as 25 per cent.

Senator BURCHILL: Do they have an export subsidy in the United States?

Mr. YOUNG: Yes. It is part of their agriculture disposal program. I am talking now about cotton.

Senator BURCHILL: Just one other question for the purpose of getting this matter straight and more understandable. This matter of unemployment is a vicious circle, is it not because you have given us figures here to show that you have spent millions and millions of dollars in modernizing your plants in order to do two things, primarily to reduce costs and secondly to increase quality. By reducing costs you reduce your labour bill, don't you?

Mr. BERRY: Yes, sir.

Senator BURCHILL: So that when we do these things which we have to do in order to modernize our plants and, in fact, survive, we cut down our labour costs and increase unemployment. The only way expansion can come about is through the enlargement of our plants or the creation of new plants.

Mr. BERRY: And the securing of new markets for our output.

Senator BUCHANAN: The only way to increase employment is to hold our own markets.

Mr. BERRY: That is true. That is the nub of our statement, that we can create jobs if we can sell more textiles in Canada.

Senator IRVINE: I have been listening very carefully to what you gentlemen have been saying. May I as a housewife say what I think?

The CHAIRMAN: Certainly.

Senator IRVINE: I have been keeping house now for 40 years and I know women have a big share in the spending of money that comes into our homes. We are looking more to the cost of things. When we go to buy bedding we naturally want to buy the best quality we can for the least amount of money. When we go to buy clothing, which has come to be such a large item and where our children have to have about 15 different kinds of play togs, sport togs and everything of that sort, what we want more than almost anything else is style and something we can buy for a nominal fee.

I know that personally we have been going across the border for many years. I brought nothing back for some time but then I thought, when looking around, that we could really save a great deal, especially in these items, by buying them in the United States. Women's hats may be rather a small item to you gentlemen but not with women. I know that you can get a hat for \$4.95 across the border that you will pay \$15.00 for here. These are just a few things where I think cost has a great bearing.

Mr. BERRY: Mr. Chairman, I think that Mr. King would be our most suitable candidate to reply to Senator Irvine's comments.

Mr. KING: Your point is very well taken, Senator Irvine. I quite appreciate, as a father and a bringer-up of a family, what you have said. However, I do not think we can explain the phenomena entirely. Let us take household articles. We just cannot produce sheets as cheaply as they do in the United States, because of various factors we have introduced in our brief, and the spread between the retail prices of sheets in the United States and Canada is quite wide. We have no control over that. The retailers have their problems and I am sure that if they have appeared before you they have explained them. I am not here to criticize them but merely to explain our point of view and to say that our prices are based on our own cost in strict competition with production costs in the United States. Due to the size of the market, the volume and length of run, our prices are higher, just as they are in practically everything else. Where we leave off and somebody takes up is somewhat out of our control.

A hat is a very stylish item, and I quite agree with you as to cost. I hate to see my wife pay \$15 for something she should get for \$1.25 or which she shouldn't even get at all. But hats are an extreme style item.

The question of the sales tax of 11 per cent is important. We may all sell a dozen sheets at \$30 for which the retailer has to pay an extra \$3.30 or something of that nature. The American retailer does not face this at least as a direct-cost item. So it is quite an important factor that everybody should keep in mind; that the 11 per cent sales tax makes our retail prices look a little bit out of line. I am afraid it is just a part of what somebody has termed "the cost of being Canadian" and that we pay more for a lot of things.

Senator IRVINE: Do you think we should start training our women, who do so much of the buying, to buy Canadian?

Mr. KING: Yes, I think so. We have done a great deal through the Canadian Association of Consumers, but perhaps we have not done enough. We have endeavoured to keep in close contact with that association. I am speaking on behalf of our own products, and other gentlemen here from other fields can speak for themselves. We try to stress the basic importance of buying Canadian goods. We try to "sell" consumers by all sorts of demonstrations, on the quality

of our goods, and I am prepared to say there is absolutely no reason why a Canadian should not feel entirely happy about the quality of Canadian cotton textiles.

Senator IRVINE: I quite agree.

Mr. KING: We do what we can to convince our retailers that they would be well advised to buy Canadian, and I feel that over a period of years we have made some inroads in this connection. We have great influences working against us by way of promotion at the retail level. Perhaps a person's desire for imported goods is a psychological factor that we will always have to contend with, but I do think we are making progress along this line. The Canadian Fabrics Foundation was set up solely for the purpose of a demonstrating to the public of Canada the style factor. We must provide style as far as the ladies are concerned, and through that medium we are trying to demonstrate that the style of Canadian textiles can compare with all others in the world within a certain standard. We are not in the Dior standard, of course.

Senator IRVINE: Thank you.

Senator HORNER: I am sure that salesmen from Montreal and Toronto and elsewhere could tell many a story about American ladies' hats. It is not a question of price with them but exclusiveness. They want something their neighbours won't have. It reminds me of a story in the old days in the west when a chautauqua lecturer in Blaine Lake said to the women, "You ladies can't buy your hats in Blaine Lake. You have to go to Saskatoon to buy them, and the ladies in Saskatoon have to go to Toronto to buy theirs, the ladies in Toronto have to go to New York, the ladies in New York have to go to Paris, and the ladies in Paris just go crazy."

Senator BLOIS: You mentioned the price of sheets. Is it not true that quality for quality we can pretty nearly compete with them? For instance, in the United States so many of the sheetings they use there are not equal to the quality of ours. To back that up, I had some friends here last year who bought Canadian sheets to take back to the United States with them, because they were superior to the quality they could buy there; the price was a little higher, but the quality was better. The same applies to men's shirts. Today, you can buy a better shirt in Canada, quality for quality, than in the United States. I think many people get the idea that our quality is inferior, and I do not think it is.

Senator HORNER: You are right.

Mr. KING: I do not feel that anyone in Canada should at any time feel, irrespective of what they buy, that they cannot get equal quality to that of anywhere else in the world. I feel very definite on that. So far as bed sheets are concerned, I would say Canadian bed sheets are equal to any.

Senator BLOIS: If not superior.

Mr. KING: At least equal.

Mr. MACPHERSON: I was impressed with what the honourable lady senator had to say, and I am quite sure my wife would agree with her. But I might ask the indulgence of this group, and say to her what I would say to my wife, that in any transaction two factors must be taken into consideration, price and income. To the person who is unemployed and has not any income it does not matter much whether a bed sheet costs \$5 or \$4.75, he just cannot afford to buy it anyway. In all these transactions I think we have to look at both sides of the equation, the price and the income; and when we are faced with the lower price of Japanese goods, we have an unrealistic situation, and I doubt if it can prevail too long without serious mounting unemployment.

Senator BUCHANAN: In connection with markets, it seems to me that you are going to the wrong sources to get results. If we could keep the buyers at home that go from Canada to other countries, whether to Japan or elsewhere, and flood our markets with these goods that eventually the ladies buy, we could get better results. I happen to know a young man who goes to Japan, and buys for one of the large stores. He is forced to do so because of their competitors. I think that if we called in all these buyers and got them together, and got them to agree to buy Canadian, everybody else would buy Canadian. There does not seem to have been any move to get buyers together in that way.

Mr. KING: I think that is a very good point. As a matter of fact, we do spend a lot of time trying to deal with that situation. We have in our organization, and I know other organizations have the same, several people whose sole job is to contact the individual retail buyers and show them our line at various times and seasons of the year, and to make sure they are fully conversant with what we are doing in Canada. However, I think it is fair to say that the individual buyer today has little to do with the overall policy making of his organization. He may have his own opinion, but there are other influences at work and he is just a paid employee. Also there is the fact, of course, that a great deal of this merchandise sold in a made-up form in Canada is not necessarily brought in directly by the retail trade, it is brought in by jobbers, and resold so that the retailer does not have to go to Japan. We spend a lot of time on this, but so far as the figures indicate we have not been too successful. If a dozen pyjamas made up by a Canadian manufacturer or a cutter sells for \$18.75, and a dozen pyjamas can be landed here at \$12 from Japan, the patriotism of the buyer can scarcely do anything about it.

Senator BUCHANAN: Recently, Canada's trade commissioners were recalled for the purpose of seeing what could be done to expand our export trade, and it seems to me that it would be a good idea to call together all the buyers and make it a national policy.

Mr. KING: If we got hold of the retail store heads and converted them first, I think it would be helpful. Of course, the retail buyer is not in the same relative position as the trade commissioners are to Mr. Hees; he can call them in. On the other hand, we can do our best to call in the buyers, but if we do, few of them arrive.

Mr. BERRY: I do think the senator has put his finger on a point vital to us. The essence of it is this, that when competitive materials are available at prices which are completely divorced from prevailing price levels in this country—and when I say “completely” I mean as much as half in some cases—it is very difficult for a lot of different people who are themselves competing with each other to avoid temptation.

The CHAIRMAN: Are there any other questions?

Senator HAIG: I move that we adjourn.

Senator BLOIS: Mr. Chairman, our thanks are due to these gentlemen today for giving us so clear a breakdown of the textile industry. All of them are well versed in the subject, and no doubt have been so for many years. They did not come here to ask us for anything, but they came to explain the situation as it stands in the textile industry at the moment. I think there are one or two aspects upon which they might have enlarged. One is the great amount of work that the textile industry has given to the small towns. If you take any small town in Canada where there is a textile industry of a fair size, you will find that town is among the most prosperous towns in Canada, and I could name quite a few which have never had to take relief, and where the taxes are collected. We are missing the boat if something is not done to help the textile industry. I am satisfied that while the textile

industry is not as large as many others it is perhaps doing more than many other industries to keep the economy of the country on an even keel. During the last war the textile industry was in a position at that time to speed up its production, and not only took care of production in Canada, but it was ready to help out the United Kingdom and the United States. It is a tremendously helpful industry for this country, and everything should be done to help it. I want to thank these gentlemen for the splendid submissions they have made here this morning.

Mr. DOBBIE: Mr. Chairman, honourable senators, thank you very much. We hope we have given you a picture of our industry, and we hope we have given you a picture of our employment potential, which is the main thing that we wanted to get across to you. To use that potential, as we have tried to leave the impression is beyond our control, and that must be up to Government action. What measures are to be used, we do not say; but we want to thank you most sincerely for listening to our brief, for being sympathetic with it, for the attention you have paid to our remarks, and also for the questions you have asked us.

The CHAIRMAN: Honourable senators, we have also with us this morning the General Secretary of the Engineering Institute of Canada, Mr. Garnet T. Page. Mr. Page is presenting a submission to our committee on behalf of the Institute. If it is agreeable now we shall hear from Mr. Page. Mr. Page, will you come to my table, please.

GARNET T. PAGE, M.E.I.S., General Secretary, The Engineering Institute of Canada: Mr. Chairman and honourable senators, our Institute's brief is a short one. It reads:

The engineering Institute of Canada appreciates being invited to submit its thoughts and opinions with respect to the subject matter under study by your Special Committee of the Senate.

The Engineering Institute of Canada:

The Engineering Institute of Canada is a national body of Engineers with approximately 21,500 members. Members come from all branches of engineering and are distributed throughout all of the Provinces and the Territories of Canada. While many members are engaged in highly technological work, a substantial number of them hold administrative posts. They work in industry and in Government. They can, therefore, be said to represent a cross-section of the people with respect to geographical distribution and to be representative of many diverse segments of the national economy.

The Importance of Employment:

We would like to emphasize the serious nature of unemployment and the threat of unemployment. It is our opinion that fears of economic insecurity assail a substantial fraction of the population of Canada. We believe that the growth of potentially dangerous "isms" has been fostered, to no small extent, by unemployment in the past and by fears of unemployment. We welcome the opportunity to assist in studying the nature of the problems and suggesting any steps towards its possible eventual solution.

Technological Progress—Productivity—Leisure and Luxury

The members of the Institute are keenly aware that the technological advances of the past century have brought many countries of the world to the

point where it does not take the continuous employment of all of the people to provide the necessities of life, namely food, clothing, shelter and essential services for the people of those industrialized countries.

It is, therefore, axiomatic that under these conditions, if we are to have full employment, then some of the people must spend their time creating what might be called non-essential or luxury goods and services or enjoying leisure. The enjoyment of leisure is not to be construed as synonymous with unemployment. The basic problem, therefore, is to organize the activities of those members of the population whose services are not required to create the basic necessities of life. During recent decades a substantial fraction of the population has been serving in the Armed Services or in the production of munitions, and during some of this time, unemployment virtually did not exist.

We have, Mr. Chairman, some examples of what might be considered, and an example of what might be done: if each person were required—and we emphasize the word “required”—to spend one additional year in school before permanently entering the employment period, some 3 per cent of the presently available labour force would disappear.

As another example it might be useful to require that any otherwise unemployed young, physically fit male take basic military training—for which he would be paid—and not be eligible for unemployment insurance benefits. (We do not recommend for or against such a course but simply indicate it as another way of utilizing man hours.)

We do not suggest any Government subsidy, more than is being done now, of artists, sculptors, musicians, and writers of poetry or prose as we feel that it is better that the value of their services and products should be determined freely in the market place; nevertheless, we believe that every encouragement should be given to the development of the talents of people who may be gifted in these fields.

Unemployment can of course be eliminated if whatever employment there may be is suitably distributed amongst all those able and willing to work. Shorter working days or longer vacations are alternative ways of accomplishing the redistribution. However, the real rate of pay of the worker would remain constant, and his total pay would automatically diminish in proportion to his shorter hours, since the quantity of goods produced would not change.

The above, Mr. Chairman, are general comments. Now we are going to speak as engineers.

Some Peculiarities of Canadian Industry:

It is noteworthy that Canadian Industry, with a few minor exceptions, completely lacks the functions of research and development which are a feature of industrial activity elsewhere. The conception and introduction of new industrial products simply does not take place to any great extent here.

It is our belief that a great many products which are now manufactured in Canada, but to foreign design, are ill-suited to the Canadian market. We believe that some industries would fare better if they were to offer products specially designed to meet Canadian climatic and other conditions and Canadian tastes.

It is clear that design and development activity would create employment. Not only would persons be employed in the research and the development work, but they would also be employed in the production of new products which resulted therefrom, which would always have a domestic market, and in many cases an export market as well.

It would appear that this peculiarity of Canadian industry arises because, to a very large extent, Canadian industries are satellites of industries abroad, and this class of activity is carried on by the parent firm outside of Canada's boundaries.

While we do not believe that adopting the following suggestion would provide any complete cure of this problem, we do feel it would be a short step in the right direction. We, therefore, suggest that serious consideration should be given to the proposal that a quick write-off for taxation purposes should be allowed of the cost of industrial research and development laboratories and equipment. It might be that if the write-off of the cost of such facilities were permitted in a shorter time in Canada than elsewhere, then companies proposing to put up new research laboratories, and having a choice of location, would prefer to locate them in Canada with far-reaching beneficial results.

Scientific Research:

There is in Canada a very respectable level of scientific research at the present time. Much of this is conducted in Federal Government Laboratories and a great deal more is undertaken in Universities with the essential financial support of Federal Government grants, through the National Research Council or other agency.

We point out that while the present level is a reasonable one, this level must be continuously increased to keep pace with similar activity in other countries and to keep pace with the growth of Canada.

It is suggested that in the future there should be a shift of pure research toward Universities and away from Federal Government Laboratories.

It is also suggested that development activity should be encouraged and expanded in industry wherever possible and discouraged as a Federal Government activity.

Taxation and Money Supply:

We are aware that as goods and services flow in one direction, money must flow in the opposite direction. Taxation and government spending represent a forced circulation of money with a corresponding flow of goods and services, which all require or create employment.

As engineers we do not profess to be experts in matters of economics such as the circulation of money, but we are keenly aware of the differences between Canada in the 1930's and Canada in the 1940's. In the former time we experienced grave unemployment while we had an abundance of workers, of factories, of raw materials and of persons in dire need of the goods and services which might have been created. In the 1940's on the other hand, the only limitations as to what was accomplished were the physical limitations of manpower, tools and materials.

We suggest that considerable attention should be focussed on effects of taxation and government spending at all levels. We do not profess to know what the desirable courses of action may be, but we feel sure that the level of employment is profoundly affected by the policies which are adopted.

Thwarting of the Law of Supply and Demand:

We have noted that, from time to time, many laws have been enacted, both Federally and Provincially, which either thwart or permit the thwarting of the economic law of supply and demand.

It is our opinion that the law of supply and demand is exceedingly fundamental, exceedingly powerful and should rarely be tampered with. We feel that a system of economics should be established which recognizes and abides by this law rather than one which attempts in some big or many little ways to defy or defeat it.

It is our opinion that employment is adversely effective when the law of supply and demand is rendered inactive. The examples quoted below are intended to be illustrative only and are not to be construed as criticism of any particular segment of society.

Governments sometimes arbitrarily establish the price of some commodity—milk for example. Industries have been known to regulate the price of a particular product or material. Labour unions make agreements which fix the price of services. It is our belief that the total amount of milk, copper wire or bricklayers' hours which are purchased would be greater if the price were allowed to fluctuate under free market conditions, with a corresponding increase in both employment and production.

Distribution of Skills:

We have made some study of the distribution of skills to see whether an appropriate number of scientists, engineers and technologists is being educated and trained to meet the needs of the country. It is our view that society is becoming progressively more technological and that, in the future, the percentage of those trained as scientists, engineers and technologists will tend to increase. We believe the increase may not be a particularly large one, since there is an obvious saturation point governed by the distribution of talents and interests of human beings and also governed by the laws of supply and demand. It is our belief that the present expansion of our educational facilities will take care of the requirements of the future.

It has been noted, however, that at the level of the technologist a great many of the positions now being held are held by new Canadians, rather than by native Canadians who have been educated and trained here in Canada. Whether this indicates a deficiency in the past supply of technicians and technologists is not certain, but this possibility exists and watch should be kept in the future to see that adequate education and training facilities for technologists are provided.

The Effects of Changing Technology:

With advancing technology, industry utilizes more machines and more highly automated machines. These displace unskilled and semi-skilled production workers.

However, in order to design, build, set up and maintain the highly automated machines, more services of scientists, engineers and highly skilled technologists are required.

Although in modern industry more clerical and office workers are required than previously, it is quite possible that the advent of electronic data processing equipment will soon stop or even reverse this trend.

A new industry which requires some unskilled workers can draw on the pool of unskilled workers which already exists. The displaced semi-skilled worker, however, may have to learn completely new skills in order to fit a new industry. On the other hand a very highly educated person may be very adaptable and be able to find a place readily in a new technology.

In general, the labour force is more adaptable the higher is its level of skills. It is, however, possible to create a situation where the supply of completely unskilled labour is less than the demand, for example railways cannot currently recruit section maintenance crews from the domestically available pool of unskilled labour.

The more complex the production machine becomes, the less likely that it will be designed or produced in Canada.

Low Cost Small Production:

The extremely low cost per unit of production which can be achieved with complex tooling and very large production runs is well known and understood.

In Canada the volume of production for domestic consumption is not so large as it is in countries with larger populations. The cost of highly specialized tooling often cannot therefore be met.

We wonder if research and development in the machine tool industry to create some tools which would be highly versatile rather than highly specialized, yet suitable for mass production in reasonable quantities might not be a fruitful pursuit.

Possibly the Government could act as the convening agency to bring together users and builders of machine tools to identify the problem and seek ways toward its solution.

Science and Technology are Neutral:

Finally we would like to emphasize that science and technology are neutral. The effects may be good or bad depending on the application that men make of them. The potential either way is enormous.

So far as we are concerned, labour-saving devices are good, but this is only true if they are utilized in such a way that everyone's labour is slightly reduced. It is not true if the remaining tasks (and consequent earned income) are maldistributed.

We trust that this expression of opinion will be of assistance to you and to your special committee in this extremely important study.

Senator HORNER: A very excellent brief.

The CHAIRMAN: Very good.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I wonder if Mr. Page would enlarge on the very interesting point he makes in discussing some peculiarities of Canadian industry. I will read what his brief has to say on the point: "We believe that some industries would fare better if they were to offer products specially designed to meet Canadian climatic and other conditions and Canadian tastes." Would you enlarge on that, Mr. Page? I find it is a very interesting point.

Mr. PAGE: It is interesting, and it is not intended in any way other than constructively. Probably one of the most outstanding examples of that is the automobile. Canadians, it has been observed by all of us, have been searching for an automobile that suits Canada, the Canadian purse, the Canadian climate and so on, and they have found it generally and it is not generally a Canadian automobile, and it is not generally a Canadian adaptation of an American automobile, it is the result of the work of research and development undertaken in Europe, particularly in Germany and England where, for many years, they have been trying to solve problems which are comparable to our kind of problems, climate, use, income and so on. What would the answer to the hypothetical question be if Canadian engineers and scientists had been employed on research and development to produce a Canadian automobile? The number of engineers who are engaged in research and development in the automobile industry in Canada is very small and unless this is changed we will always have the particular kind of situation. I might take this opportunity, Mr. Chairman, to suggest that while we recognize that many industries are controlled from larger industries outside of Canada, the larger industries outside of Canada are businessmen and they locate their research establishments and development establishments where the economics are best. If those conditions were favourable in Canada more so than in other countries, even though the branch and subsidiary plant here may be truly satellites, we may also have directed to Canada the research and development work that is now being denied to Canadian industry.

Senator PRATT: Do we not avail ourselves of a great many economies, say in the manufacture of motorcars, by purchasing cars that are designed abroad where there are huge production facilities? Would it not be far more expensive if Canada, with its comparatively limited demand, were to set up its own type

and manufacture them here? I cannot quite see what type it would be, or if it would be different from those made in the United States, but would it not run the cost up considerably?

Mr. PAGE: It would indeed. You are quite accurate in that statement, particularly if Canada tried to keep pace with the new flamboyant change made every season. Some of the cars that I refer to, without naming them, Canadians are buying in increasing numbers from Europe, and they do not change. It may be true that to keep in style with our next-door neighbour would force us out of business, but if we could develop something sound that works here and not have this accelerated style change and so on, what is invested in styling would be spent over ten years. This is economically possible. Of course, you would have to keep with the same kind of car for ten years. But if you could live with that situation you would do much better.

Senator PRATT: New developments are probably influenced by public taste.

The CHAIRMAN: The more complex the production machine becomes the less likelihood there is of certain items being produced in Canada.

Mr. PAGE: I admit that. The very highly specialized production machine tooling and so on required in this type of thing as it becomes more increasingly specialized, the less likely will it be built in Canada, because our economy could not stand this kind of thing. Our counter suggestion is in our brief, in the third paragraph under the heading. Some peculiarities of Canadian business, to this effect, that engineeringly it is quite possible to create machine tools that are surely more dependable than those highly priced machines I referred to. It might be extremely realistic to look to Canada creating a complex machine tool that has more than one application and therefore pays for itself. These are engineeringly possible but the men who control the other dollars have to decide what to do.

Senator BURCHILL: Just to follow what you said about motorcars. I think you have to take into account a tremendous rate of obsolescence. That of course is what you have reference to, is it not, that we change our cars at a terrific speed trying to keep up pace with the rich economy of the United States where cars are traded in even if they are not worn out, and a new car is purchased, just because the next-door neighbour has one of a new design? Is there not a tremendous waste in that?

Senator HORNER: Well, some of them wear out pretty quickly—I often think that I could make a better car myself.

Mr. PAGE: Mr. Chairman, without naming any makes of cars, I might say that it has been found that certain imported cars from other countries do last longer than cars from some other countries.

Senator SMITH (*Queens-Shelburne*): They may not last longer but people drive them longer. I have one in mind. It is the same today as it was ten years ago, and there is no demand on the part of the owner's wife to change the car because it has no tail fins on it.

The CHAIRMAN: But in many cases we have to change our cars because the repair bills become so high.

Senator BUCHANAN: Mr. Chairman, I would like to have Mr. Page discuss a little further that part of the brief, under the title "Thwarting of the law of Supply and Demand." That portion of the brief reads as follows:

It is our belief that the total amount of milk, copper wire of bricklayers' hours which are purchased would be greater if the price were allowed to fluctuate under free market conditions, with a corresponding increase in both employment and production.

In other words, you do not believe in labour-management agreements?

Mr. PAGE: Well, Mr. Chairman, I hesitate to make any commitment in this area. Professional organizations sometimes have been known to differ with the views of labour unions. We do not wish to do that this morning, but the implication is fairly plain.

Senator BUCHANAN: Mr. Page, I myself belong to your Association, and as an engineer I have dealt with labour all my life. I would not think that the Engineering Institute as a whole shares that view.

Mr. PAGE: I do not think, Senator Buchanan, that anyone is trying to say that unions do not serve a useful function or have no place in our society.

Senator BUCHANAN: I am not talking about unions, I am talking about the individual. In the labour market of today the union speaks for the individual. But I do not think that we have the right to take that attitude when you and I as engineers know that we go behind closed doors and we decide what we as professional engineers should charge.

Mr. PAGE: The Engineering Institute is not the group which discusses these welfare aspects, that is the function of the registering bodies of professional engineers.

Senator BUCHANAN: Yes, I know, but engineers as a whole belong to both groups.

Mr. PAGE: Yes.

Senator LEONARD: Mr. Page, would you say that when a labour union makes an agreement with an employer, that is not a free market operation?

Mr. PAGE: It is, provided the conditions pertaining to the employers' situation are maintained for any period of time.

Senator LEONARD: The employer makes the agreement just as much as the labour union does, and he makes it freely.

Senator HORNER: It is brought about by force.

Mr. PAGE: With respect, Mr. Chairman, I am not competent to discuss labour-management relations in this aspect and I would ask to be excused from answering the question.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, the point that Mr. Page was trying to make is simply this, that he expresses the opinion of his organization that employment is adversely affected when the law of supply and demand is rendered inoperative, and he gives this as an example of that condition. I think it can be argued pretty strongly, but there are other reasons involved, as to why we choose to upset that law of supply and demand as we do when we encourage people to grow more wheat and by subsidies we encourage companies to mine more coal. These are dangerous elements in the employment picture, but it can also be argued that they are necessary because of the social implications involved.

Mr. PAGE: I think, Mr. Chairman, that that is an admirable statement of what I was trying to get across. There may be many social and short-term economic reasons for doing that, but I think that over the long run the price must be paid and it is usually increased unemployment. I do not think we need to look far to see this result today.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I would like to ask Mr. Page something about the supply of technologists in Canada. I had occasion several years ago to read some definitions of technologists and so on, and so I know what he means when he says technologists are so necessary in the engineering profession. As I understand it, technologists are considered as engineers' assistants, they are highly trained people who do not choose to go

through a fairly complete course of engineering studies but they do have a great proportion of the knowledge of an engineer. They are much more quickly trained and they become highly useful in so many aspects of an engineer's work. But there has been up to this time a great shortage of this type of skilled person, and I am a little concerned. I understand that right now a great deal of emphasis is being placed on the formation of trade schools and training for jobs, but I have not read anything or heard anything about the emphasis being placed on meeting the need which I believe still exists for technologists in order to relieve the demand on the present short supply of engineers. Would you comment on that, Mr. Page?

Mr. PAGE: Mr. Chairman, the technologist or technician is generally a person who has about a two-year post-high school course, which gives him a good deal of skill possibly but not the theoretical knowledge the engineer or scientist may have. He takes a concentrated course giving him some of the skills which renders him an invaluable person to assist the engineer and scientist in his work, and Canada generally needs more. They are being trained at some trade schools, some by in-service training by industry, and some are being imported. I would like to comment favourably here on the very forward-looking activity of the federal Department of Labour which has established the Canadian Vocational Training Advisory Council. That was referred to again in the Government discussions in September. I have the honour of sitting on this council as representative of another Department of Labour committee, and I think the amount of work actually being done by provincial and federal authorities, aided by industrial representatives, labour representatives and people like myself, if it were more widely known, would encourage the initiative taken by this particular department of Government by high commendation.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I was informed by someone who specializes in this particular subject that in this country there are really only two high-class institutions which are turning out the kind of technologists that is needed. I had in mind the institute in Calgary as one, and the other is in the Ryerson Institute. My impression is that there was a need of more institutions of that type.

Mr. PAGE: I think at the time you heard that comment that condition may have been generally true. However, there are in some provinces, principally in Quebec, many specialist technical schools and facilities in various areas, in general in the last several years there has been made available a good deal of federal financial assistance to the provinces. I understand that Canada is now in the midst of a five-year program of assigning this money for capital investment for new schools. There is one such school that is coming along nicely in Ottawa and another at the lakehead. There is one at Windsor, Ontario, and a number of others.

Senator BUCHANAN: There is one in Edmonton.

Mr. PAGE: Yes, sir. Having seen, not long ago, a progress report on the utilization of this money supplied by the Government, I think within two or three years there will be a marked improvement in the situation.

Senator HORNER: On page 3 of your statement you recommend that in the future there should be a shift of pure research towards universities and away from federal Government laboratories. Would you care to comment further on that?

Mr. PAGE: This is a recommendation which involves several aspects. The first is that university atmosphere is generally more aligned to pure research and science and engineering, and the results of this kind of work being done in universities definitely reflects on the number of young men who are given

facilities for more training, post-bachelor training for higher degrees in universities. The National Research Council of Canada has certainly supported this philosophy as best it can by doing a minimal amount of research in its own laboratories and giving money grants and aid to universities. The research has to be done anyway but the plus value advantage of this is that if it is done at universities then the universities are aided, and possibly many young men are given a chance to carry on the work using, and thus our total output of trained men is highly increased.

Senator MACDONALD (*Cape Breton*): On page 5 of your brief you state that railways cannot currently recruit section maintenance crews from the domestically available pool of unskilled labour. I was wondering to what geographical area that applies?

Mr. PAGE: I do not know, sir, but this item was contributed by a senior officer of the Government-owned railroad in Canada.

Senator MACDONALD (*Cape Breton*): I do not recall the railroads mentioning anything like this in their presentation.

Senator SMITH (*Queens-Shelburne*): No.

Senator HORNER: I move that we adjourn. In so doing I wish to take this opportunity, on behalf of the members of the committee, to thank Mr. Page for his presentation this morning.

The committee adjourned.



ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960

Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 15

WEDNESDAY, MARCH 1, 1961

After debate,

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

Resolved in the affirmative.

After further debate, and

The question being put on the motion as amended, it was—

Resolved in the affirmative.

WITNESSES:

Dr. J. J. Deutsch; Dr. W. Donald Wood, Associate Professor of Economics and Director, Industrial Relations Centre, Queens University.

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY

OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman.*

The Honourable Donald Smith, *Deputy Chairman.*

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

WEDNESDAY, MARCH 1, 1961

The Honourable LEON METHOT, *Chairman*

The Honourable DONALD SMITH, *Deputy Chairman*

WITNESSES:

Dr. J. J. Deutsch; Dr. W. Donald Wood, Associate Professor of Economics and Director, Industrial Relations Centre, Queen's University.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

The Honourable Senator Aulic moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and without restricting the generality of the foregoing to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes, and
- (b) the growth and characteristics of the Canadian labour force.

2. That the said Committee be composed of the Honourable Senators Brien, Bourke, Bruneau, Buchanan, Burchill, Cameron, Chouette, Connolly, Courtenay, Courtman, Croll, Emerson, Hark, Higgins, Hnatyshyn, Horne, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (Queens), Martin, Monette, Pratt, Reid, Roebuck, Smith (Queens), Shelburne, Thompson, Vallancourt, Wall, White and Wilson (P.C.).

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Innor, that the motion be amended by adding the name of the Honourable Senator Macdonald (Cape Breton) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE SENATE
SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

MINUTES OF PROCEEDINGS

OTTAWA, Wednesday, March 1, 1961.
WEDNESDAY, March 1, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Méthot *Chairman*, Blois, Brunt, Buchanan, Burchill, Connolly (*Ottawa West*), Haig, Higgins, Horner, Inman, Irvine, Leonard, Macdonald (*Cape Breton*), Pratt and Smith (*Queens-Shelburne*).—15.

The following were heard:— Dr. J. J. Deutsch, Dr. W. Donald Wood, Associate Professor of Economics and Director, Industrial Relations Centre, Queens University.

At 11.30 a.m. the Committee adjourned until Thursday, March 2, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

Dr. W. DONALD WOOD, Director of the Industrial Relations Centre and Associate Professor of Economics, Queens University.

PART I

OCCUPATIONAL TRENDS AND THEIR IMPLICATIONS

Introduction:

Mr. Chairman, honourable Senators, I first wish to express my pleasure at being given the opportunity to present my views to your Committee.

The purpose of my brief is three-fold. Firstly, I wish to analyze some of the very significant occupational changes which are taking place within the Canadian labour force. Secondly, I wish to outline some of the problems resulting from the rapid occupational shifts now taking place. And thirdly, I wish to suggest some remedial measures for two of our most pressing manpower problems: structural unemployment and the urgent need to improve the quality and adaptability of our nation's human resources.

The very spotty nature of the occupational data related to the Canadian labour force and the limited time and resources at my disposal have led me to keep the statistical information presented in this brief to a minimum. The few statistics which I propose to present will therefore serve mainly as a

MINUTES OF PROCEEDINGS

Wednesday, March 1, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Méthot, Chairman, Blais, Bouché, Bouchard, Burchill, Connolly (Ottawa West), Hais, Higgins, Horner, Inman, Irvine, Leonard, MacDonald (Cape Breton), Pratt and Smith (Queens-Sheburne)—18.

The following were heard:—Dr. J. J. Deutsch, Dr. W. Donald Wood, Associate Professor of Economics and Director, Industrial Relations Centre, Queen's University.

At 11.30 a.m. the Committee adjourned until Thursday, March 2, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committee.

**THE SENATE
SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT**

EVIDENCE

OTTAWA, Wednesday, March 1, 1961.

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. LEON METHOT in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. Dr. Deutsch will introduce our representative this morning.

Dr. J. J. DEUTSCH: Mr. Chairman and honourable senators: This morning we have with us Professor Wood, who has prepared a study on Occupational Trends and Their Implications. Professor Wood is now the Director of the Industrial Relations Centre and Associate Professor of Economics at Queens University. Before coming to Queens he was head of the Industrial Relations Research Department of Imperial Oil for five years and previously had considerable experience in business and industrial relations in government and in the private business fields. He is a graduate of economics at Queens and has a Ph.D. from Princeton in industrial relations. Professor Wood is the author of a number of research studies in manpower, particularly in the white collar field. He has also had considerable experience in manpower analysis and manpower planning in industry. I have suggested that Professor Wood should give the committee the advantage of his experience. At my request he has prepared a study for us, particularly in the fields in which he has direct knowledge and actual experience in industry.

Dr. W. DONALD WOOD, Director of the Industrial Relations Centre and Associate Professor of Economics, Queens University:

PART I

OCCUPATIONAL TRENDS AND THEIR IMPLICATIONS

Introduction:

Mr. Chairman, honourable Senators, I first wish to express my pleasure at being given the opportunity to present my views to your Committee.

The purpose of my brief is three-fold. Firstly, I wish to analyze some of the very significant occupational changes which are taking place within the Canadian labour force. Secondly, I wish to outline some of the problems springing from the rapid occupational shifts now taking place. And thirdly, I wish to suggest some remedial measures for two of our most pressing manpower problems: structural unemployment and the urgent need to improve the quality and adaptability of our nation's human resources.

The very spotty nature of the occupational data related to the Canadian labour force and the limited time and resources at my disposal have led me to keep the statistical information presented in this brief to a minimum. The few statistics which I propose to present will therefore serve mainly as a

frame of reference for remarks based largely on personal experience and my previous research work in the manpower field.

Before commencing my presentation, I wish to do one thing. I want to acknowledge publicly my appreciation of the efforts of Professor John Young, also of the Queen's University Industrial Relations Centre, for this invaluable assistance in the editorial aspects of this paper.

(For tables and charts referred to in brief—see pp. 1038 to 1044 incl.)

Occupational Trends:

Examination of the relevant statistics makes it clear that an occupational revolution has taken place within the Canadian labour force. **Table 1** and **Chart I** have been drawn up to demonstrate the broad shifts in long run occupational movements within the labour force between 1901 and 1960. It indicates the following significant trends:

A rapid rise in white collar occupations (managerial, professional, technical, clerical, and so on) which have increased at an average annual rate of over three times that of the total labour force.

A sharp drop in agricultural employment.

A decline in the proportion of manual workers, particularly unskilled and semi-skilled persons.

Table 2 and **Chart 2** show how the above trends accelerated during the past decade, particularly towards the end of the 1950s. It will be seen that the most dramatic development has been the continued rapid increase in the number of all types of white collar workers, particularly the more highly trained, professional and technical groups. The latter grew at about double the rate common to the white collar group as a whole. At the same time, there was a continued sharp drop in the proportion of manual workers (particularly unskilled and semi-skilled). This is shown, again, graphically in **Chart 2**. As a result of these trends, white collar employment rose during the 1950s from about 31% of the total Canadian labour force to around 40%.

The shift just mentioned was even more evident in manufacturing industry. **Table 3** shows this in statistical terms.

It shows that between 1949 and 1958 in leading manufacturing industries, white collar occupations increased by 38.9% as compared with a growth of only 3.4% in the blue collar or wage earner categories. In some manufacturing industries, white collar occupations now make up more than 40% of the number of people employed. As impressive as these published statistics on occupational changes may be, I am aware that there have been even more pronounced movements in this direction in many individual companies across Canada and the United States.

To some extent the trends just outlined understate the situation as an increasingly large number of other categories of employment are taking on the characteristics of white collar jobs. That is to say, they are now demanding education and training rather than manual skills of their incumbents. In fact, these qualitative changes have probably been more far reaching in their impact than the quantitative shifts within the labour force which I have just noted. Old categories of work, if not eliminated, have undergone a substantial change. The levels of skill and the basic educational requirements demanded of workers within all these groups are rising. Even within the category of semi-skilled work, the emphasis is generally shifting from physical effort to conceptual and visual skills. Workers need enough basic education to permit them to read, write, count, record data, read meters, make routine calculations and generally react to visual stimuli. The same change of emphasis is evident among the groups of skilled craftsmen. In addition to the continual rise in levels of skill and specialized training, many craftsmen now need an in-

creasingly broader understanding of their specific field. For example, many electricians—that is, craftsmen—now need a general understanding of electronics.

In the office, too, new occupations are growing up and some old skills have become outmoded. Electronic data processing, it would seem, is being introduced at an even greater speed than automation in the plant. Moreover, many of the new office jobs really constitute a group of occupations for technicians, the counterpart of the growing number of opportunities for technical employment in production. They require different skills from those of many old routine clerical jobs.

The revolutionary increase in categories of white collar and other highly skilled manpower (as a percentage of the total employed labour force) is the result of two factors. As indicated in **Table 4**, there has been a substantial shift in employment from the physical goods producing industries to the service industries where the proportion of white collar workers has always been high. Secondly, there has recently been an increasing and even more significant development: technological, organizational and administrative innovation in the fields of production and distribution has increased the proportion of white collar and skilled employment in individual industries. This is particularly true of goods producing industries.

The rapidly increasing rate of innovation just noted has received great stimulus from the research and development done during World War II and during the Cold War Era. The demands of national survival have led to the accumulation of a great store of technology which is now being applied to peaceful uses. Although we have always had innovation and technological change, recent developments have been introduced at a much faster rate than ever before. They have also had a much broader impact upon the occupational structure of the labour force than in any previous age.

Future Trends:

The great occupational shifts within the Canadian labour force are likely to continue at an even more rapid rate in the decade ahead. All evidence suggests, and competent manpower authorities agree, that positive substitution of high level human resources—and I might add capital—for unskilled and semi-skilled manual labour and routine clerical labour is almost certain to increase. The major reasons for the continuation of these occupational changes may be summarized as follows:

The continuing shift from an agricultural economy to one that is predominantly industrial,

The continuing rapid acceleration in the rate of change in technology, organizational structure, and administrative techniques,

The expansion in Canada's scientific research and development activities,

The growing consumption of educational, health, and other services which are largely provided by professional and technically trained personnel,

The increasing size and complexity of business and government organizations which will demand greater professionalization of management with more emphasis being placed on specialized staff skills.

For comparative purposes, it is interesting to note the forecasts for the various occupational groups in the United States during the 1960s (**Chart 3**). It will be seen that the expected future shifts in the United States will move in roughly the same direction as in Canada. I would point out that occupational shifts in the direction of more skilled, professional and technical manpower are typical of the work force experience of most highly industrialized countries.

TABLE 1

PERCENTAGE DISTRIBUTION OF THE CANADIAN LABOUR FORCE

BY MAJOR OCCUPATIONAL GROUPS

1901 AND 1960

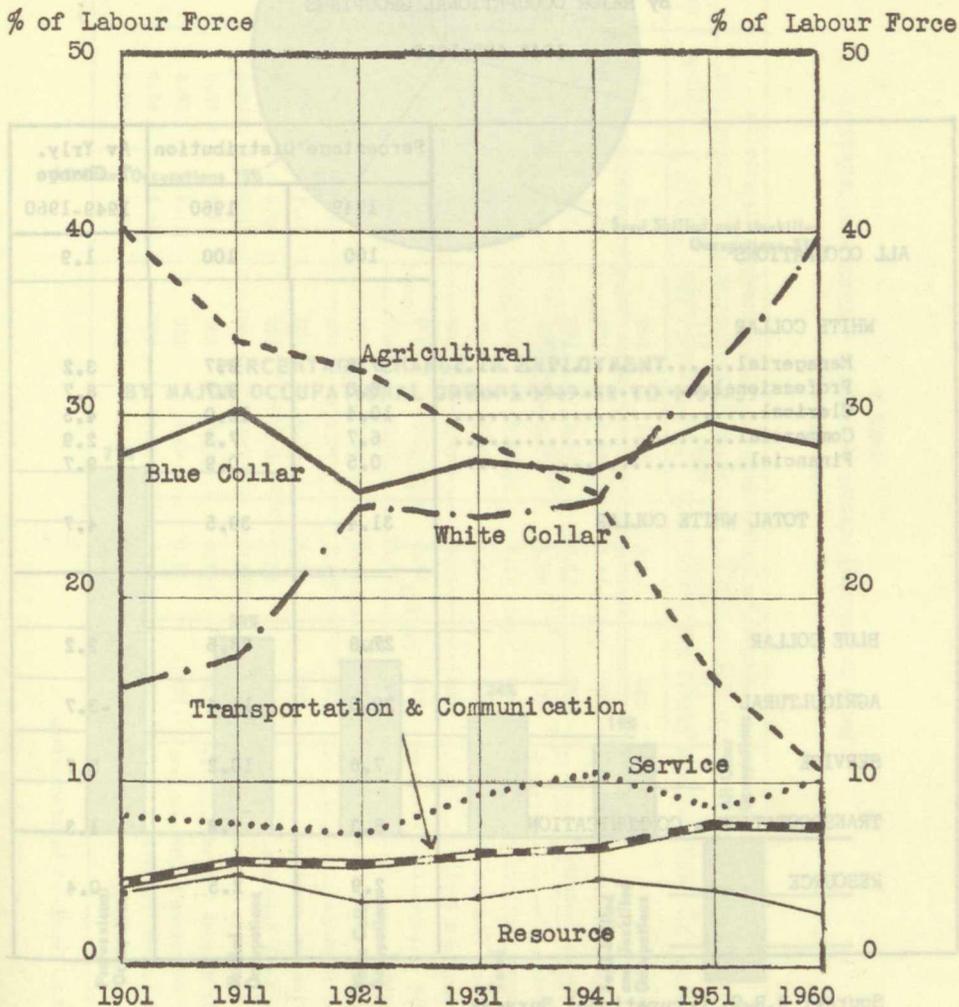
	Percentage Distribution	
	1901	1960
ALL OCCUPATIONS	100	100
WHITE COLLAR		
Managerial.....	4.3	8.7
Professional.....	4.6	9.7
Clerical.....	3.2	12.9
Commercial - Financial.....	3.1	8.2
TOTAL WHITE COLLAR	15.2	39.5
BLUE COLLAR		
Labourers - Unskilled Workers	7.3	5.7
Manufacturing - Mechanical...	15.9	17.5
Construction.....	4.7	5.4
TOTAL BLUE COLLAR	27.9	28.6
AGRICULTURAL	40.3	11.4
SERVICE	8.2	10.2
TRANSPORTATION - COMMUNICATION	4.4	7.8
RESOURCE		
Mining.....	1.6	1.0
Fishing, Hunting, Logging and Trapping.....	2.4	1.5
TOTAL RESOURCE	4.0	2.5

Source: 1901 figures from Census of Canada.

1960 figures from D.B.S. Occupational Surveys.

CHART I
OCCUPATIONAL DISTRIBUTION OF THE LABOUR FORCE IN CANADA, 1951-59

PERCENTAGE DISTRIBUTION OF THE LABOUR FORCE
BY MAJOR OCCUPATION GROUPINGS, BOTH SEXES,
FOR CANADA, 1901-1960.



Source: 1901 -1951 Censuses. Occupations were rearranged on the basis of the 1951 classification.

1960 figures are based on Labour Force Survey data.

TABLE 1
PERCENTAGE DISTRIBUTION OF THE CANADIAN LABOUR FORCE
BY MAJOR OCCUPATIONAL GROUPINGS

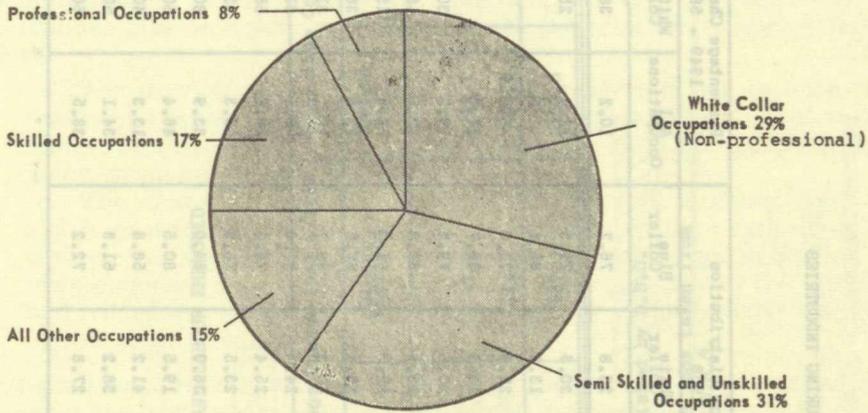
TABLE 2
PERCENTAGE DISTRIBUTION OF THE CANADIAN LABOUR FORCE
BY MAJOR OCCUPATIONAL GROUPINGS, BOTH SEXES,
1949 AND 1960

	Percentage Distribution		Av Yrly. % Change
	1949	1960	1949-1960
ALL OCCUPATIONS	100	100	1.9
WHITE COLLAR			
Managerial.....	7.8	8.7	3.2
Professional.....	6.0	9.7	8.7
Clerical.....	10.4	12.9	4.5
Commercial.....	6.7	7.3	2.9
Financial.....	0.5	0.9	9.7
TOTAL WHITE COLLAR	31.4	39.5	4.7
BLUE COLLAR	27.8	28.6	2.2
AGRICULTURAL	22.0	11.4	-3.7
SERVICE	7.6	10.2	5.7
TRANSPORTATION - COMMUNICATION	8.3	7.8	1.3
RESOURCE	2.9	2.5	0.4

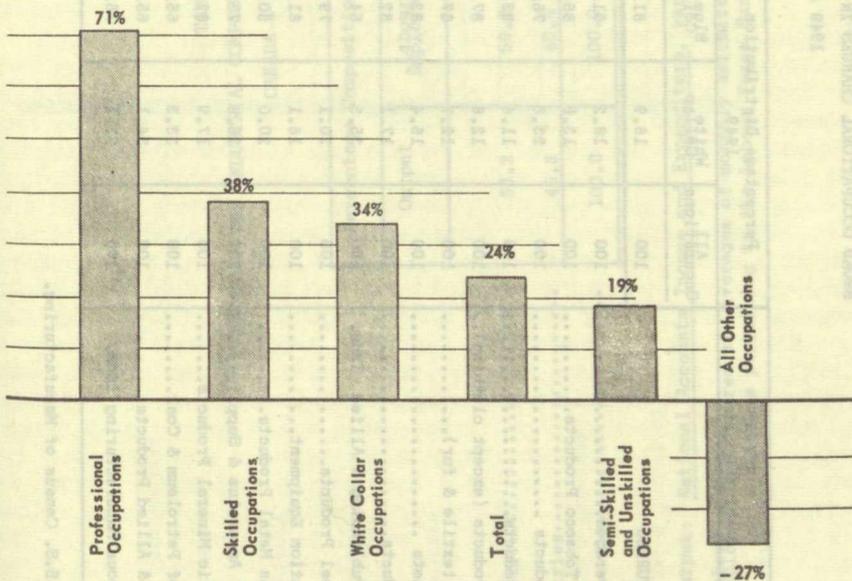
Source: D.B.S., Occupational Surveys.

CHART II

OCCUPATIONAL DISTRIBUTION OF EMPLOYMENT IN CANADA, 1958-59



PERCENTAGE CHANGE IN EMPLOYMENT BY MAJOR OCCUPATIONAL GROUPS, 1949-50 TO 1958-59



Note 1 "All Others" includes Agricultural, Fishing, Logging, Trapping and Mining.
 2 "White Collar" includes Managerial, Clerical, Commercial and Financial.

Source of basic data: "Skilled and Professional Manpower in Canada, 1945-1965", report prepared by Department of Labour, Canada, for Royal Commission on Canada's Economic Prospects, 1957. Also, monthly Labour Force Surveys, D.B.S.

TABLE 3
BROAD OCCUPATIONAL CHANGES IN CANADIAN MANUFACTURING INDUSTRIES
1949 AND 1958

	Percentage Distribution 1949			Percentage Distribution 1958			Percentage Change 1949 - 58		
	All Occupations	White Collar	Blue Collar	All Occupations	White Collar	Blue Collar	All Occupations	White Collar	Blue Collar
ALL MANUFACTURING	100	18.9	81.1	100	23.8	76.2	10.2	38.9	3.4
Food & Beverages.....	100	18.2	81.8	100	20.5	79.5	11.8	25.8	8.6
Tobacco & Tobacco Products.....	100	13.6	86.4	100	13.6	86.4	0	0	0
Rubber Products	100	23.8	76.2	100	25.0	75.0	-4.8	0	-4.8
Leather Products.....	100	11.4	88.6	100	13.3	86.7	-14.3	0	-16.1
Textile Products (except clothing)..	100	12.8	87.2	100	20.6	79.4	-19.2	30.0	-26.5
Clothing (textile & fur).....	100	12.7	87.3	100	12.8	87.2	-7.6	-6.7	-7.8
Wood Products	100	16.4	83.6	100	19.0	81.0	-0.8	15.0	-3.9
Paper Products.....	100	17.1	82.9	100	19.4	80.6	22.4	38.5	19.0
Printing, Publishing & Allied Inds.	100	35.5	64.5	100	40.3	59.7	16.1	31.8	7.5
Iron & Steel Products.....	100	20.1	79.9	100	24.6	75.4	9.1	33.3	3.1
Transportation Equipment.....	100	18.1	81.9	100	25.4	74.6	20.0	68.4	9.3
Non-ferrous Metal Products.....	100	20.0	80.0	100	23.5	76.5	13.3	33.3	8.3
Electrical Apparatus & Supplies.....	100	26.8	73.2	100	36.0	64.0	33.9	80.0	17.1
Non-Metallic Mineral Products.....	100	17.9	82.1	100	19.5	80.5	46.4	60.0	43.5
Products of Petroleum & Coal.....	100	33.3	66.7	100	41.2	58.8	13.3	40.0	0
Chemicals & Allied Products	100	34.1	65.9	100	38.2	61.8	34.1	50.0	25.9
Miscellaneous Manufacturing Inds.	100	23.1	76.9	100	27.8	72.2	38.5	66.7	30.0

Source: D.B.S. Census of Manufacturing.

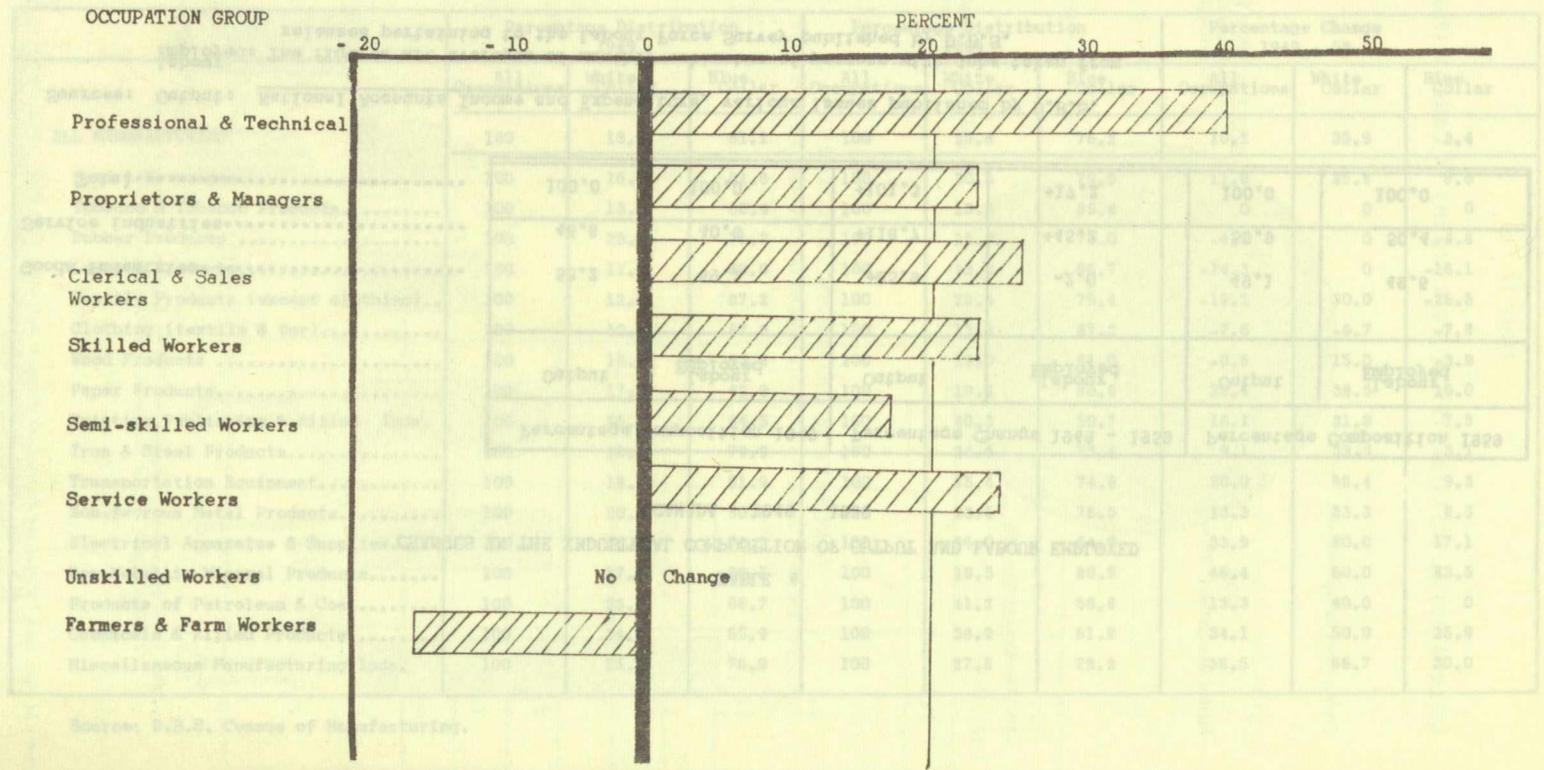
TABLE 4
CHANGES IN THE INDUSTRIAL COMPOSITION OF OUTPUT AND LABOUR EMPLOYED
CANADA - 1949 - 1959

	Percentage Composition 1949		Percentage Change 1949 - 1959		Percentage Composition 1959	
	Output	Labour Employed	Output	Labour Employed	Output	Labour Employed
Goods industries.....	53.2	59.2	+85.9	-2.0	49.1	49.6
Service industries.....	46.8	40.6	+118.7	+45.2	50.9	50.4
Total.....	100.0	100.0	+101.3	+17.2	100.0	100.0

Sources: Output: National Accounts Income and Expenditure, various issues published by D.B.S.

Labour Employed: The figures are averages of monthly estimates of persons with jobs taken from releases pertaining to the Labour Force Survey published by D.B.S.

CHART 3
 FORECAST OF PERCENTAGE CHANGE IN OCCUPATIONAL GROUPS
 UNITED STATES LABOUR FORCE 1960 - 1970



Source: U.S. Department of Labour

The Manpower Problems of the 1960s:

The rapid occupational shifts just outlined have a number of implications bearing on Canada's manpower problems. For instance, these movements will have an important influence upon such matters as competition within the labour market, personnel policies and practices, the overall pattern of industrial relations, trade union structure, the growth and jurisdiction of the various segments of the labour movement, and upon wage levels and wage structures. While all the latter problems are very important, I believe that there are two areas of much greater significance. These areas comprise the following related problems:

The growing emphasis in manpower requirements will be upon relatively high degrees of skill, knowledge and specialized training of various kinds. This will result in a need to upgrade the skills and adaptability of many members of our labour force.

The changing employment opportunities will seriously limit the ability of many individuals with inadequate education or lack of skill to compete for jobs. Analysis of existing unemployment indicates that the unemployment rates are highest among young people, and the unskilled and less educated manual workers, particularly those formerly employed in the goods producing industries.

With regard to unemployment amongst young people and those workers who are lacking in particular skills and basic education, I am frankly very concerned at the likelihood of continued and persistent structural unemployment among these groups on account of technological change and the associated problems of occupational adjustment. Certainly, I do not mean that the resumption of high levels of business activity will not substantially reduce the level of unemployment; naturally it will. There are, however, a number of factors which give grounds for concern that there will still remain high levels of unemployment of a structural nature.

First of all, it seems that with the accelerated pace of technological change even more unskilled and semi-skilled manual workers and routine clerical employees will become surplus in the goods producing industries. Secondly, there is the fact that many of the unemployed from the goods producing industries, while nominally laid off, are in fact permanently separated because of previous technological change and rising productivity. Thirdly, there will be a rapidly growing number of young workers entering the labour market in the 1960s. Many of these young people will be relatively unskilled. In fact, the increasing proportion of both younger and older workers in the labour force in the Sixties could itself lead to a growth in the rate of unemployment, assuming that specific unemployment rates for particular age groups remain at about the present levels. Fourthly, we have come out of each contracting phase of the business cycle during the post war era with a higher ratio of unemployment to the total labour force than when we entered each down turn. Finally, employment in the goods producing industries is becoming less sensitive than previously to changes in output because of the high level of technology, the greater proportion of overhead white collar employment and consequent smaller proportion of variable employment. Many Companies across Canada and throughout the United States in manufacturing industries have told me that in the present situation they could increase their output very substantially (anywhere from 10 to 20%) with relatively little addition to their labour force.

I think Mr. Denton, in his fine paper, said if we are to reduce unemployment to a 3 per cent level it necessitates an increase in employment in the non-farm sector by 18 to 20 per cent, which is a large target to shoot at.

Mr. Chairman, because of a throat irritation I am having difficulty reading. With your permission, I shall ask Dr. Deutsch to read my presentation.

Dr. DEUTSCH: In summary then, we enter the 1960s with two closely related and paradoxical problems of simultaneous shortages and surpluses of labour. On the one hand, there are high levels of unemployment, particularly amongst the unskilled and semi-skilled groups within the labour force. On the other hand, there is a rapidly growing demand for more highly trained manpower. In terms of policy then, our objectives can be stated very simply. In the short run, remedies must be taken to minimize the deleterious effects of shifting our levels of economic activity from the Age of Mass Production to that of the Technological Revolution. Over the long term, measures must be instituted to develop a more highly skilled and adaptable labour force.

PART II

SHORT TERM REMEDIAL MEASURES FOR UNEMPLOYMENT

Introduction:

While the main emphasis in this brief is upon the need to develop a long run programme to improve the skills and adaptability of the nation's work force, I would first like to summarize possible short run remedies to cushion the shock of the occupational readjustments now taking place in the nation's economy. I wish to emphasize that the measures outlined here relate only to specific manpower policies and practices which might partially alleviate our current high levels of unemployment. In other words, in this paper I am not addressing myself to the very important economic and other remedies for our unemployment problem.

It should also be noted that these short run remedies are unlikely to reduce unemployment to the low levels of the postwar period. To approach anything like near that condition, the long run remedies to be discussed later in this report must be implemented and integrated with the short run programme.

Government Policy:

The chronic unemployment now affecting our semi-skilled and unskilled workers points to the evident need for examining methods for relocating and retraining these people. I would also suggest that government (and for that matter private groups) must continue to search for ways to eliminate barriers to the employment of older persons, women and minority groups. The Federal Government should re-examine present unemployment insurance legislation, originally designed for cyclical unemployment, to ensure that it is adequate to meet the requirements of long-term chronic unemployment related to technological change and imbalances in the labour market.

Other areas in which governmental action appears desirable are those related to the creation of occupational and geographical mobility of labour and adaptability to changing conditions. As noted later in this brief, expansion of the guidance, counselling and placement services of the National Employment Service could materially assist in this direction. Similarly, tax concessions to employers providing transferable rights to welfare benefits and vesting of pension rights might well be studied as a way of improving the mobility of labour and individual willingness to relocate. I must stress, however, that these are very complicated matters calling for study in depth and careful cost analysis.

Employer Policy:

In the speaker's opinion, employers too must seek policies to mitigate the hardship arising from the structural changes within our economy. Clearly,

advance planning of company activities in the latter direction must be truly long term. In some instances, it may be possible to maintain the level of operations by diversification of production. In others, where automation is eliminating particular jobs, studies may prove the feasibility of dovetailing together the remnants of several old jobs into an appropriate task for someone about to be laid off. In any case, should long term advance planning reveal the need to reduce the size of a particular work force permanently, every effort should be made to do this gradually when economic conditions are relatively buoyant. It is not desirable to permit a surplus of labour to accumulate in a company under boom conditions only to be suddenly eliminated as recessionary conditions emerge.

Employers should whenever possible develop programmes for the retraining and reassignment of their existing work forces. As might be expected, a large number of forward thinking companies have already taken action in this area.

Unfortunately, there are bound to be some people who will be hurt by the readjustments now taking place. Age or inability to adjust to their changing environment will render some people unsuitable for retraining or reassignment. When this situation occurs, it is vitally important that employers indicate to these persons that their employment has been terminated. Failure to do so will serve to aggravate the immobility of certain groups of unemployed, who build up the illusion (or desperate hope) that a termination is really a lay-off unless they are specifically advised that they have been terminated permanently. In some cases, early retirement on pension has been used as a device for terminating the oldest employees. Increasing use has been made of severance benefits and other devices to cushion the shock of separation. Currently studies are being made by public and private bodies to determine ways of creating transferable rights to health and welfare plans as well as improved vesting of pension rights, all with a view to improving the mobility of labour.

Trade Union Policy:

Organized labour also holds a key position in developing both short term remedies and long run solutions for the manpower problems under review. Without underestimating the intellectual ferment and new ideas already evident amongst labour leaders, the speaker would like to suggest certain key areas in which new policy must be developed to enable the labour movement to respond effectively to our manpower problems. The existing demarcation lines between its component unions require urgent examination. Technological change is rendering many of these boundaries meaningless and likely to create barriers to occupational mobility.

I would suggest that organized labour should take a long and careful look at its traditional policies regarding apprenticeship. With the changing structure of the work force, I believe that apprenticeship policies should contribute to the necessary flow of skilled craftsmen.

I would also like to draw attention to the question of seniority. Many complaints are heard about this device for protecting the security of older workers. Some of these complaints by themselves are apparently justifiable. In the atmosphere in which the concept of seniority was developed, however, it is hard to see how the labour movement could have otherwise achieved the security and protection required by its membership. Nevertheless, I believe that now is the time to reassess current views of seniority. As retraining programmes become more common, perhaps the time has come for organized labour to consider how length of service may be related meaningfully to standards achieved through particular training. This surely could be a fruitful area for labour-management discussions.

Labour Management Co-Operation:

Now it may be said that all the matters just outlined require labour-management co-operation. I would agree entirely. In fact, I would go further and say that both labour and management must develop industrial statesmanship of the first order if we are to prosper in the years ahead. For that reason, I have chosen to leave another contentious issue until this moment. It is the question of work rules, particularly as it relates to management's need for greater productive efficiency and the individual's concern for job security.

Experience indicates that there is very little to be gained from public debate of this question or from attempts to bargain collectively about it without adequate preparation. I must point out, however, that in a number of recent instances progress has been made towards the development of mutually satisfactory solutions to this question. The advantages of the common approach to the problem of technological change are obvious. Only in a quiet atmosphere, free of publicity and without the pressure of collective bargaining, can labour and management develop the necessary understanding of each other's attitude to the common problem facing them. Management must recognize that trade unions and their members are concerned for job security. Labour must recognize that management must be permitted to improve its efficiency in order to compete in domestic and international trade. To accommodate each other, both parties must be prepared to abandon rigid positions. This can only be achieved by sympathetic understanding of each other's position. Moreover, accommodation can only be reached by a willingness to experiment as boldly in matters of industrial relations as in the physical sciences. Enlightened leaders of both labour and management have already pointed to ways in which this can be done. Others must follow!

The Individual Citizen:

Finally, I must stress that whatever policies are developed by government, management and labour as short run remedies for the present situation, it is also the responsibility of the individual citizen to adjust to the greatest extent possible to changing circumstances. In this connection, I should now like to draw your attention to a matter which has an important bearing both on the short term relief of unemployment and the long term problem of job opportunities.

The Shift to Service Industries:

In the years ahead, it is evident that a large proportion of the surplus unskilled and semi-skilled workers in goods producing industries (as well as the growing number of unskilled and semi-skilled youth entering the labour market) will have to find employment in the growing service industries (and to a lesser extent in the construction industry), if a remedy is to be found for high levels of chronic unemployment. As statistics already presented to this Committee have indicated, there has already been a long run shift from goods producing industries to the service sector of the economy. I believe the need for this shift will become even more marked as the rate of technological change increases.

To facilitate the movement of unskilled and semi-skilled workers into service industries two needs must be met. First of all, there must be a continued expansion of employment opportunities in these industries. Secondly, steps must be taken to facilitate labour mobility thus permitting relocation of the unemployed in the service industry.

In order to achieve the expansion of employment opportunities in service industries, a number of items must be kept in mind. First of all, it is most

important that the overall level of national economic activity and the rate of economic growth be high, because expenditures on services are closely related to levels of economic activity. Secondly, steps must be taken to attempt to improve productivity in service industries in order to stimulate demand for many services. I would suggest that the new Productivity Council and other public and private groups could well examine the service industries with a view to improving their efficiency and opening up new channels of demand.

In addition to the matter just mentioned, it is equally important to facilitate movement of unemployed persons from the goods producing area into service industries. I would be the last person to suggest that such shifts can be made easily. The individuals involved will hesitate to move to other occupations on account of differentials in wage rates, different skill requirements, loss of seniority and pension rights, and so on. Furthermore, family and home circumstances, will tend to make geographical shifts in population rather difficult to accomplish. It is therefore most important to study ways of overcoming such barriers to mobility. I would also suggest that it is necessary to provide vocational information and apply educational techniques to developing an understanding of the job opportunities in the service industry.

PART III

IMPROVING THE MANPOWER RESOURCES OF THE NATION

Introduction:

Now I wish to turn from what is essentially a short term approach to consideration of longer range policies to provide the country with the trained manpower which it will require in the years ahead.

Canada stands at the crossroads in her industrial and economic development. As I shall point out, however, there is some doubt whether she can continue her economic growth in the years ahead with the existing level of skills and knowledge. We are limping into a new era which places a premium upon highly skilled and adaptable manpower. Consequently in the remaining part of my brief I shall attempt to do two things. First of all, I shall endeavour to assess our manpower needs and deficiencies in the next decade. Then, on the basis of the latter assessment, I shall suggest some remedies which I believe are essential if we are to improve our national manpower position.

Emerging Pressures on Skilled Manpower Resources:

It is already apparent that our skilled manpower resources are in short supply. Looking ahead, one gains the impression that this situation will become worse rather than better. First and of major importance, technological change and economic growth are calling for increasing numbers of professional and technical personnel. The indications are that this trend will continue at a rapidly accelerated rate. At the same time, there will be increasing pressures on our skilled manpower resources as a result of foreign aid programs, which may call for the "loaning" of large numbers of highly trained personnel able to assist in the rapid industrialization of lesser developed nations. This pressure will increase still further once the countries concerned have achieved a high level of industrialization and enter into international competition for the services of skilled, technical and professional people. Next, I would suggest that our defence needs are likely to place further pressure upon our manpower resources. Very highly trained and skilled manpower occupies a peculiarly strategic position in our security. Should "a national

emergency" actually arise, there could be acute conflicts between the demands of defence production, the needs of the armed services themselves, and the needs of the civilian sector of the economy.

Still other pressures on our manpower resources will come from the increasing number of young people requiring education and training and the growing number of adults who are becoming stranded through lack of specific skills. Both groups will require special attention if they are to be transformed from part of "the manpower problem" into trained individuals comprising a portion of our most valuable resources.

What I have said so far makes no allowance for the replacement needs of particular groups within the work force. I would suggest that in the years ahead, with a larger proportion of the labour force comprising highly skilled and trained categories, the problem of replacement itself will take on added significance.

Deficiencies in Our Supply of Skilled Manpower:

Viewing the emerging manpower needs just outlined in terms of available resources, a number of serious deficiencies are evident for the decade ahead. Admittedly the data concerned are both very inadequate and scattered, but competent observers believe that information available points to a serious situation. Apparently our skilled, professional and technical workers represent on a proportional basis only about two-thirds of those working in these categories in the United States.

Further insight into the seriousness of the manpower situation can be obtained by examining a few statistics on our educational and training facilities. In Canada only about 4% of our national income is spent on all levels of education as compared to an alleged 7 to 10% for the same purpose in Russia and a confirmed 5.2% in United States. We must also recognize the fact that high school enrollment as a percentage of the 14 to 17 year old groups is 60% in Canada as opposed to 80% in the U.S.A.; the percentage of college age persons attending university is 7% in Canada as compared to 30% in U.S.A. and 10% in Russia. Less than one third of students leaving our educational system have Junior Matriculation standard; less than 20% have Senior Matriculation or its equivalent. When we come to examine our apprenticeship programmes, our post-secondary technical training and our system of vocational training, we find that these areas have been sadly neglected in comparison to developments in United Kingdom and Western Europe. For example, in Canada in 1959 there were only 7,414 students enrolled in post-secondary school courses and yet this is the main source for our growing need of technicians. In Canadian industry, too, training has for the most part been on a small scale, informal, usually lacking in direction, insufficiently staffed and not sufficiently planned either in depth or breadth.

There are still other disturbing trends when we assess our manpower deficiencies. In the sixties there will be a relatively small number in the prime age groups (25-44 years): it has usually been from these people that the members of the more skilled trades and senior management groups are drawn.

Senator CONNOLLY (*Ottawa West*): Before you proceed, Dr. Deutsch, may I refer to the preceding paragraph where it is said, "In the sixties there will be a relatively small number in the prime age groups (25-44 years)." Do you mean trained people?

Dr. DEUTSCH: Total numbers. This is a generation born in the thirties. It is a small generation and it will be moving through the population in the 1960's.

We must also remember that because of the booming economies of Western Europe it is unlikely that we will be able to rely on immigration for skilled manpower to the extent which we did in the 1950's. It is quite evident that

serious shortages of skilled labour, particularly technicians, were avoided only by the large number of highly trained immigrants entering Canada in the past decade.

I think you will remember the statistics we gave you on immigration. There was a very high proportion of skilled people among the immigrants.

It must also be recognized that although the demand for trained manpower is rising sharply, the supply can only be increased slowly. It takes many years of education and training to develop a highly skilled professional and technical worker. This stresses the need for taking steps immediately to meet the needs of 1965 or even 1970. Finally, a number of competent observers have pointed to the fact that we seem to be lacking in the will to learn and adjust to the new situation facing us. In the long run, this may be the most crucial point of all in our attempts to meet our manpower problems.

The Problem Ahead:

In the remainder of my brief, I shall suggest some remedial measures for improving our resources of manpower. Specifically, I shall comment upon the need for leadership in the current situation, fact finding and manpower research, education and training, vocational guidance, placement, utilization of manpower and scientific and industrial research.

The Need for Leadership:

I believe that the Federal Government must exert positive leadership to make the nation aware of the magnitude of the task ahead. What is required is an overall cooperative effort involving all public and private groups. I would suggest that the Federal Government must give a lead by stating the problem to the nation. It must provide the necessary information to place the manpower crisis in perspective; it must assist and stimulate both public and private groups in their endeavours to improve education and training. Where necessary, the Federal Government must act to co-ordinate the efforts of different agencies and institutions within and without its control.

By exerting this leadership, the Federal Government can create a climate in which other levels of government and private groups, as well as individuals, may strive to solve their manpower problems. The Federal Government is in a unique position among our national institutions to provide the necessary stimulus to those who must take action to meet the manpower situation.

Specific Remedial Measures:

Fact Finding and Research

The first and most crucial step in any programme designed to solve our manpower problems is fact finding and research into our human resources.

This knowledge is essential for the effective development of remedial action based upon firm factual foundations. For example, national policies concerning education, training programmes, social security and unemployment compensation, etc., must be based on a factual and intimate understanding of these subjects. Unless the facts are available, it is impossible to advance policy suggestions on a realistic basis in either the public or private sectors of the economy. Moreover, unless this type of information is available, individual decisions and actions regarding the choice of jobs or occupations can hardly be made with any validity.

At the moment, we do not have anything like a detailed picture of our most precious resource, our supply of manpower. This is in marked contrast to the fairly complete picture which we have of our material resources. Given the very limited resources at their command, a number of groups have recently made important contributions in the manpower field. In particular, the Economics and Research Branch of the Department of Labour and the Dominion

Bureau of Statistics have made excellent use of their very competent staff in supplying information related to the manpower field. Nevertheless, in my opinion, very much more remains to be done before we can possess the knowledge and the tools necessary to the analysis of our manpower problems. I would point out that a great quantity of very valuable data and analyses have been presented to this committee. Unfortunately, a serious manpower problem had to arrive accompanied by high levels of unemployment before the necessary stimulus existed for the gathering of this information.

If the facts essential to effective research and analysis of our manpower problem are to be obtained, certain specific steps must be taken. In the first place, we must have expanded surveys and analysis of our labour force in terms of its changing skills and occupations. I believe that we need much more cross tabulation of these data so as to throw light upon major geographical, industrial, occupational and other significant shifts that are apparent within the work force. We also need more precise data than that currently available. Broad occupational aggregates alone are inadequate by themselves in designing manpower policies.

In preparing national surveys of our labour force, I believe it is essential to pull together in a more complete form all relevant manpower data presently being collected by different government departments (for example, various sections of D.B.S., the Labour Department, the National Employment Service, Immigration Department, and the Department of Health and Welfare). This information is necessary to give depth and perspective to our views of manpower problems. The collection of data just mentioned again points to the need for greater coordination between the different departments preparing manpower statistics. It is especially important that all data be meaningful, additive, comparable and amenable to trending over time. I believe steps should be taken to ensure that the different departments involved use the same occupational definitions and classifications, the same base years for indices, and so on.

The data assembled in manpower surveys should be maintained on a continuous and regular basis. It is only through continuous study that it is possible to establish bases for comparison and thereby determine trends and shifts within our working force and their implications for policy. In my opinion this committee would perform a great service if it were to stimulate a continuing comprehensive study of manpower problems.

I believe the needs of our age are such that the government now must increasingly enter the field of forecasting probable future manpower trends. While I am well aware of the great difficulties involved in forecasting in this area, there are a number of needs which make such action pressing. In the first place, present circumstances are forcing us to develop policies bearing on future manpower needs because it takes many years to educate and train persons for the emerging needs of the economy. Consequently, I would argue that despite their all too obvious deficiencies forecasts as to our future manpower needs are essential. In the latter connection, it seems to me that the United States Department of Labour has done an excellent job in meeting such a requirement through its Occupational Outlook Service, which provides information concerning present and probable future occupational trends. These data and the implications drawn therefrom provide essential information to those who are concerned with occupational adjustment.

It might be pointed out here that there is a very active program in the United States. They attempt to forecast these shifts that are coming and make them widely available, particularly to the young people.

I also believe that increased emphasis should be placed upon the collection and analysis of data related to the rapidly growing white collar occupational groups. To date most of the emphasis in our collection of statistics and research

has been upon plant workers, particularly in the manufacturing industries. For example, there is a marked shortage of data related to manpower and its characteristics in the large and growing distributive trades, in finance and in other white collar industries.

Much more of the data collected at the national level, I believe, should be presented in such a manner as will show local trends. Thus within the broader national and regional trends, developments can be isolated and definitely related to the local market in which specific occupational adjustments and specific manpower programmes are required. For implementing manpower programmes at the local level, I would also urge that consideration be given to the development of local community manpower fact finding and research programmes. This I believe could be done through the joint efforts of the National Employment Service and the Federal Department of Labour, stimulating, assisting, and co-ordinating local, public and private groups. The purpose of this local research activity should be occupational fact finding and research, the stimulation of interest within the community concerning manpower problems, publicizing of findings regarding manpower, and the promotion of local programmes and local remedial measures.

Research findings at the local levels could then be woven into the actual operating fabric of the schools, employment offices, industry and other private and public agencies in the manpower field. As a result of all this activity, local, as contrasted to national, remedial measures for manpower problems (training, education, guidance, placement and so on) would be related to the realities of the local labour market in terms of social, economic, industrial and occupational influences.

So far, very little research into manpower problems has been attempted by universities. In a number of areas in the manpower field an expanded, long-term government research programme could well be carried out in conjunction with universities.

I also wish to register the view that we are suffering from a great deficiency in financial resources allocated specifically to manpower research and to the social sciences in general. The present emphasis on public and private aid for research largely ignores the social sciences while devoting relatively large sums to the physical sciences. Yet, the astounding results achieved by research in physical science and technology may be seriously limited in their application unless we advance our knowledge of manpower problems and their solutions. One has only to read his daily newspaper to confirm that manpower and industrial relations issues are near the top of the nation's list of unsolved and recurring problems.

Government and universities must not be singled out as being solely responsible for manpower research. Certainly these institutions can deal with the broader perspective of national, regional and local labour force developments. Nevertheless, individual corporations and business institutions ought greatly to expand their own manpower studies. Such research and fact finding is a necessary part of practical action in the personnel field. Furthermore, it permits manpower changes to be brought about with a finer regard for their consequences. As in the case of the public area, manpower fact finding and research has received far too little attention from industry.

Until this situation has been corrected, it is very difficult for companies to carry out effective policies related to the number of employees to be recruited, promoted, trained, re-called, transferred and so on, in terms of particular occupations. Furthermore, until this has been done, other company personnel policies and further research analysis of the manpower problem cannot be approached with confidence.

Education and Training:

I do not believe that this is either the time or the place to attempt a detailed assessment of our educational and training systems. In view of the specific manpower needs which I see developing, I would rather point to certain guide posts which may assist in developing educational and training programs in the future.

I believe that all public and private agencies should expend considerable effort in creating a climate in which the will to learn will flourish. It has been demonstrated many times that an individual can do much on his own if he is properly motivated, no matter what problem faces him. It is my impression that the majority of boys and girls who drop out of school do not do so on account of economic limitations or because of lack of intelligence. Usually they leave because of poor attitudes and lack of motivation. These can only be overcome if interested citizens and institutions exert positive leadership. We must consider what incentives can be devised to encourage youth to complete education and training. We must examine the appropriateness of the various programs being offered to our young people. Finally, we must stress to youth the serious limitations which will be placed on their future if they do not obtain adequate education and training.

I believe it is very necessary to endeavour to overcome certain prejudices which many people have with regard to particular types of work. The public must learn to view graduates of technical institutions as being just as useful members of society as university graduates. Unfortunately there is a very unreasonable prejudice against working with one's hands. Hence it frequently happens that young people who are richly endowed with talents for particular crafts and clearly not qualified for white collar jobs are diverted into these apparently more glamorous occupations. In many instances this results in frustration and a waste of very valuable resources. Consequently we must strive to bring about a reorientation of public values in this matter so that it will be possible to develop a more intelligent utilization of our actual resources.

It would appear necessary for all groups, both public and private, to be prepared to expend more financial resources on education and training than in past years. As I mentioned earlier, Canada is far behind other leading industrial nations in her support of education and training. Increased expenditures in these areas will be more than offset by the personal, social and material benefits which will accrue both to society, to the worker and to industry. In this connection I would like to point to the example of the Department of Veterans Affairs training and educational program following World War II. This was a most imaginative scheme. It was characterized by three factors. Firstly, it met an immediate and important welfare need of large numbers of veterans entering civilian life and requiring further education and training for civilian occupations. Secondly, it was in a large measure self-financing, inasmuch as it eventually paid for itself through increased tax revenue accruing from the higher earnings of the veterans benefiting under it. Thirdly, it greatly increased the nation's productivity by improving the skills of those taking advantage of the program. It seems to me that the experience of this scheme should be remembered as we assess alternative forms of welfare expenditures to remedy present manpower problems. In other words we should strive for remedies which create long term benefits while meeting short run needs.

While I am dealing with the question of increased use of financial resources, there is one other point which I must make. It is true that we need more fellowships and aid in the form of scholarships in all areas of edu-

cation and training; however, it must be stressed that vocational and technical training has been sadly neglected when compared with the academic fields. I would suggest in passing then that consideration must be given to improving student aid in this area.

Turning to another guide post, evidence suggests that we need more diversity in our educational system. We must create more categories of educational institutions to handle different types of training both for our manpower needs and also for students with varying abilities and interests. Among our greatest needs in this connection is the development of new high standard institutions for technical training, particularly for post-secondary school technical training such as is already offered by the Ryerson School of Technology. These are required to train the rapidly growing number of technicians needed today. At present we do not have sufficient major organized sources of supply for technicians similar to the technical colleges and day continuation schools found in Britain and continental Europe.

Consideration also may be given to expansion of the number of junior colleges. Provision must be made for average students who are not qualified or interested in proceeding to university but who need more education and training to lead a useful work life. Along with institutes for technical training, junior colleges would take much of the pressure off existing academic institutions which then could concentrate on the programs for which they are best suited.

There are, of course, other steps which can be taken to diversify our educational system. The current situation is sufficiently serious to warrant bold experimentation. Consideration might be given to the establishment of mobile training schools and local training centres, to the expansion of correspondence courses, to the use of television as a medium of instruction and to the expansion of adult education programs.

It would be highly dangerous and a great waste of resources to launch a mass educational and training program based on past experience. Rather, we must identify very carefully the kind and extent of training required to meet emerging demands. In this connection, I would suggest that we need better liaison between educational authorities and industry. In this way manpower requirements can then be better related to educational and training programs.

There is one other matter involving the quality of education which must be stressed. The present and continuing rapid rate of technological change underscores the danger of stressing too highly specialized training. The more highly specialized the training, the greater its likelihood of earlier obsolescence. Modern technology demands workers with a considerable amount of basic education as a foundation on which may be built specialized training in a specific technical field. It is only in this manner that the worker can obtain the necessary skills to handle today's jobs while retaining the necessary flexibility to enable him to shift to the new types of work which will emerge in the years ahead. The danger of over-specialization, then, is one which must always be remembered in planning educational and training programs. This is true to varying degrees at all levels—from universities to vocational schools and technical institutes.

In the past, once a person had learned a skill, usually his abilities would last for a lifetime. Today, however, knowledge is changing so rapidly that schools and universities can no longer give the individual all the knowledge required during his working life. With the level of knowledge doubling every 25 years in some fields, educational authorities and industry must face up to a continuing need for adult training and education. Private and public

agencies must therefore provide facilities for the continuing education of our population and individuals must take active steps to participate in these programs.

In this connection I believe that we need an organized pattern for adult education. Night classes with some unity of purpose must be developed for adults at all levels in universities, in technical and vocational schools and in secondary schools. These night classes must be directed not only toward the provision of instruction in new skills, but also toward the provision of refresher courses for individuals who need to up-grade existing skills. Adult education programs may become so important in some areas that it will be necessary to set up regular staffs and separate physical facilities to handle them. I believe that the new area of adult education is so important and likely to grow to such an extent that existing day schools will not be able to handle the volume of students and the amount of work involved.

It almost goes without saying that industry must materially step up its training and development programs. The spread of automation is calling for training and re-training on a much larger scale than heretofore. In the past much company training was informal and on-the-job in nature. In present circumstances, with the complexity of technology and the growth of international and domestic competition, old *ad hoc* methods of training are quite inadequate to cope with emerging needs. Many progressive companies have already done much to solve training problems. Nevertheless, a great deal remains to be done to strengthen training and development even in the more progressive establishments, whilst many companies have yet to become aware of the need for developing appropriate training programs.

I believe that there are certain key elements which must be considered in designing company training programs in the future. First of all, informal on-the-job instruction must give way to more formalized training programs given direction and purpose by competent training staffs with adequate facilities. Secondly, in addition to learning on-the-job techniques, training must also be directed increasingly to the acquiring of more general background and basic knowledge. This means that the classroom must become part of plant training facilities. I would suggest that larger companies may well have to consider organizing trade schools which will provide trainees with both class instruction as well as shop work. Other companies may have to develop, in co-operation with the educational authorities, programs whereby students receive general and technical education in formal schools while receiving shop work on the job. Canadian business would well consider the British system whereby young people entering the employment of a large company spend part of the work week on the job and part at an institution giving technical training.

Of course all employers will not be able to afford full-scale training programs necessary to develop their manpower. I would suggest that the smaller companies should consider group employer action to meet their training needs. This might be developed on an industry-wide basis or in terms of the needs of a number of employers in a particular community.

Finally, I believe that it is essential to develop employer co-operation in a greatly expanded program for trades apprenticeship. This must be done in accordance with accepted high standards for the purpose of developing an appropriate number of all-round journeyman tradesmen. Many new jobs call for such a high degree of manipulative skill and technical knowledge that an organized system of apprenticeship may well be the normal method of entry into particular trades. Furthermore, many jobs require an all-round mastery of a trade which apprenticeship alone can give. As noted before,

here labour unions must realistically examine their policies and rules governing apprenticeship to ensure that they facilitate the preparation of an adequate number of skilled craftsmen.

Vocational Guidance

There is a great need for the improvement of our facilities for vocational guidance, counselling, and occupational information at all levels of education and in related public and private institutions. Moreover it is particularly important that our youth be acquainted with these services and encouraged to make use of them.

Unfortunately, the term "vocational guidance" is not too highly regarded in many circles. This is probably due to two factors. First of all, there are very few competently trained guidance personnel and facilities in the field are very inadequate. Secondly, there is a mistaken idea that "vocational guidance" interferes with the freedom of the individual. Perhaps greater acceptance could be gained by using the term "occupational information and advice" rather than "vocational guidance". Certainly the purpose of vocational guidance is to give information rather than to compel anyone to follow a particular course of education or occupation. Nevertheless, reliable vocational information and wise counselling can contribute to sound choice in matters of education and careers. We must remember that in the simple world of the past the individual could understand more easily than to-day the significance of alternative occupations open to him. Moreover, studies have shown that the great majority of students now leave school and enter the labour market with little or no knowledge of their potentialities or of job opportunities. But probably most important of all, nowadays mistakes in the choice of a career or type of education are more costly and more difficult to remedy than in previous years. Increased costs and the larger period of time involved in education and study make it difficult for most people to backtrack should they find they have made a mistake in this matter. It seems, when viewed in terms of the world in which we live, we can no longer afford to have a potential labor force ill-equipped, uninformed and directed towards the wrong educational and occupational fields.

Placement:

More efficient placement facilities go hand in hand with vocational guidance in my consideration of remedies to meet the increasingly difficult task of matching men with jobs. I would suggest that there must be a substantial improvement in the occupational information, guidance and placement aspects of our National Employment offices. It would appear necessary to sharpen the local distinction between the administration of unemployment insurance benefits and the other services directed towards occupational information, guidance and placement. This will naturally entail an improvement in the qualifications of staff in the placement and guidance areas. The National Employment Service will furthermore have to develop greater co-operation with other public and private agencies, schools, employers and particular groups within the community. I would suggest that the National Employment Service is the ideal agency to act as a catalyst in co-ordinating these activities.

Senator CONNOLLY (*Ottawa West*): Have they the type of people in the employment service to do this kind of work you suggest?

Professor WOOD: From my experience I would suggest you have to upgrade the qualifications and standards of the staff to achieve this goal.

Finally, I believe that the federal Government should examine the merits of relating the National Employment Service more closely to the federal Department of Labour thus making it less of an appendage to the administration of unemployment insurance. Specifically the following questions seem worth

examining. Would the National Employment Service function more effectively under a policy-making department dealing with general manpower problems and so permit greater co-ordination of manpower between policy-making departments of government? Would this change eliminate duplication of staff and effort and make possible considerable reductions in cost? Would it also permit more efficient use of research staff and bring about wider dissemination of the research findings presently being developed by the top level professional staff of the Department of Labour?

Senator CONNOLLY (*Ottawa West*): Concerning the latter part of that last paragraph, where you suggest the employment service should perhaps be under a policy-making department of government, were you thinking particularly of the importance, say, of finance?

Dr. WOOD: No, I was thinking, senator, of a department dealing more with manpower matters, such as the Department of Labour. I think that in this whole area there are probably various sorts of administrative mechanism which could get closer liaison and co-operation between the Department of Labour and the National Employment Service. Dr. Deutsch, during the war did they not pull out the manpower aspects?

Dr. DEUTSCH: During the war the direction of the National Employment Service was under the Minister of Labour.

Senator PRATT: Do you mean a special division of the Department of Labour for this purpose?

Dr. DEUTSCH: When problems of the war effort had to be faced the National Employment Service, part of the unemployment insurance, was brought much more closely under the direction of the Minister of Labour and the Department of Labour than it previously was. That was found to be necessary to meet the very urgent requirements of the war effort at that time.

Senator CONNOLLY (*Ottawa West*): How long has it been otherwise?

Dr. DEUTSCH: After the war the service was again placed more completely under the Unemployment Insurance Commission for administration. This was purely a wartime change that occurred.

Senator CONNOLLY (*Ottawa West*): Which, in turn, is related in some way to the Department of Labour?

Dr. DEUTSCH: The minister is the minister reporting for them to Parliament, but the entire administration of the service is conducted by the Unemployment Insurance Commission, and it is conducted in conjunction with the unemployment insurance aspects.

One of the difficulties here is that you have had all the research work and much of the analysis of the problem carried on in one department and the administration is conducted in another department, and those two things are not always too closely related to each other.

Senator CONNOLLY (*Ottawa West*): Is this the time, perhaps, to say that the words "Minister of Labour" or the words "Department of Labour" are really anomalies today and that perhaps what we should have is rather a minister of industrial activity or industrial relations, so that the range of his interest would embrace all the things you talk about here? The problem is not a problem of labour, in the normally accepted sense of that word. The ramifications of the department today are so different from what they were 50 years ago, that a whole new approach to the problem, in the light of not only this, but many of the other factors here, might be something for a good government to do?

Dr. DEUTSCH: I will not comment on that.

Utilization of Manpower:

Another matter which I wish to bring to your attention is the question of utilization of our manpower resources. In order to meet our needs for skilled and high talent manpower for future economic growth, we must do everything possible to improve the use of our human assets. The improved utilization of our manpower will require careful study of the most effective balance between the different categories of manpower, the appropriate organizational structures for handling the growing numbers of professional persons, and the type of personnel policies and practices most likely to achieve the optimum level of efficient performance by our labour force.

I would also suggest that it is important to stop the loss of high talent manpower to the United States. This problem may be tackled in a number of ways. As noted later, more research and development work in Canada in both the natural sciences and the social sciences would prove to be a great attraction for high-talent Canadian manpower. In addition, I would point to the need for developing some form of intermediary market mechanism for bringing our supply of Canadian graduate students, studying in the United States, to the notice of Canadian employers. Perhaps the roster of such graduate students, published annually by the Department of Labour might be given more publicity. Canadian employers might profitably search out these graduates on the campuses of some of the larger and better United States universities.

Senator CONNOLLY (*Ottawa West*): We do this with the football players.

Dr. DEUTSCH: If we used the same skill in this field as we do in searching out football players, we might achieve some good results.

Another step to halt the drift towards the United States would be the expansion of graduate facilities in Canadian Universities in order to encourage more Canadians to do their graduate work within our borders. It is my experience that Canadian students moving to the United States for graduate work are more likely to stay there than to return to work in Canada.

Scientific and Industrial Research:

Finally, we must consider a matter bearing upon the improvement of our nation's skills and the creation of more job opportunities. These matters will be closely related to a substantial expansion in public and private support for basic scientific research and for development. It has been shown in leading industrialized countries that there is a very direct relationship between the extent of research and development and the rate of innovation and economic growth.

Recently NATO carried out a study of research and development under the auspices of twelve eminent scientists from seven of its member countries. The study stressed that something of the order of 2.2% of gross national product represented a minimum target for research and development expenditures in all the countries concerned. I would point out that Canada's present expenditures on research and development are far below the latter levels and even further below those of the United States and the United Kingdom. The latest available figures indicate that in 1958 Canada's total expenditure on research and development, both public and private, represented 0.84% of gross national product. The comparable figure for U.S.A. was 2.48% and for U.K. 2.09%. In each case about three times as much as for Canada. Currently, our level of expenditure on research and development is about one-third of that of the United States and Great Britain.

Senator HORNER: Have you the figures for West Germany?

Dr. DEUTSCH: No, but I would imagine that the figures for West Germany are comparable to those of the United Kingdom.

Senator SMITH (*Queens-Shelburne*): I wonder what percentage of the gross national product is spent on research and development in the field of armaments and missiles in the United States and the United Kingdom. I am sure that would take care of a large proportion of the money spent on research.

Dr. WOOD: I do not have statistics on that, but I would think that is correct. What is happening is that the findings from this research is applied to civilian use, and I think that is the reason for this very rapid technological change we have undergone since World War II.

Dr. DEUTSCH: Yes, a lot of this would be related to national defence.

Senator CONNOLLY (*Ottawa West*): One of the complaints in the United States is to the effect that so much of the research now is going into defence projects and so little going into consumer goods, and that new products in that field are not being made readily available. Much of the talent is being directed towards the development of defence products rather than the development of products for Canadian use.

Senator PRATT: There is a tremendous amount of research going on in the United States which is out of all comparison to that which is going on here. I know of one company in the food processing business that spends \$11 million a year on research. That is an indication of what many industries are doing in the United States. The cost of the program of research in one wide range of manufacturing companies in that country, and with which I am familiar, averages 1.6 per cent of sales.

Dr. WOOD: Of course, Senator, many of those companies doing defence work are also producing civilian goods. For example, in the field of electronics much of the development has been stimulated by the needs of the military and yet, as you know, it has also been applied to the civilian economy. Computers are an example of that. There has been a great break-through in this field because of the research being done for the military.

There is a growing recognition that Canada cannot remain wholly dependent upon the results of scientific research performed outside her boundaries. Much more must be done within Canada. I would suggest that Canadians are more likely to be able to solve many of the nation's special problems than individuals examining our difficulties in other environments. Therefore, I believe that we must examine ways of developing policies to adjust to our peculiarly Canadian environment, for example, the relatively high overhead and cost disadvantages springing from our cold climate and our small population spread over great distances. Canadian research must also examine ways to ensure the selective growth of our economy since Canada has not yet grown sufficiently to develop in all directions simultaneously. Finally, as noted above, the development of more purely Canadian research facilities and opportunities will attract and hold more of our competent scientists and research engineers who are currently emigrating at a rapid rate to the United States. It is the efforts of the latter groups which will largely catalogue Canada's economic growth in the future.

In addition to greater public and private support of scientific research, bold new steps will have to be taken if we are to achieve the level of scientific and industrial research demanded by the age of automation. I believe that the Federal Government's recent formation of the Productivity Council is an important step in the right direction at the national level. There is evidence that a number of large corporations are responding to the challenge as well. Smaller concerns, I would suggest, may wish to consider pooling research and development facilities on an industry basis or on a regional or community basis. It would seem that we may even need public and private regional agencies to act as clearing houses for the transfer of research findings and research equipment, as well as to give advice on technical problems and related scientific and economic matters.

Conclusion:

Mr. Chairman, honourable Senators, in closing may I reiterate that the major problem facing Canada in the 1960s is the improvement of the manpower resources of the nation. All those in positions of trust must exert positive leadership. We must determine more precisely our manpower needs and deficiencies. We must boldly take the remedial measures demanded by the situation. By improving our human resources we can eliminate much of the chronic structural unemployment which now plagues our economy. Short term remedies are necessary to alleviate the latter problem, but long term therapy is essential to prevent its recurrence and to assure our economic growth.

Senator CONNOLLY (*Ottawa West*): This has been an excellent presentation, Mr. Chairman. We are very much indebted to Dr. Wood.

Senator LEONARD: I wonder, Dr. Wood, whether you would tell me and members of the committee something about the Industrial Relations Centre at Queen's University?

Dr. WOOD: It is a centre that was set up, I think, in 1937 to study industrial relations problems, to do research, to instruct the students in industrial relations, and to maintain relationships with outside groups in Canada. Recently we have changed direction a bit. We used to have a professional diploma course in industrial relations. We have now integrated the teaching in industrial relations with degree programs in economics and the business school. In addition we do a considerable amount of research in various aspects of industrial relations, and periodically we have conferences of various groups. Just recently we had one for the Canadian Construction Industry on important and topical industrial relations problems of the day. As a sort of crutch for much of this work we maintain a specialized industrial relations reference library which is available to outside people.

Senator BRUNT: How large a staff have you?

Dr. WOOD: We have three academic people who for teaching purposes are attached to their appropriate departments, either in economics or the school of business administration. For research and other work they are attached directly to the Centre. There are three of these. We also have a librarian and a secretary and we are hopeful of getting more graduate students for research assistance in the future.

Senator LEONARD: Is the Centre supported by the fees of the students taking the course?

Dr. WOOD: No, the Centre itself is relatively self-sufficient. We get some income from gifts and the sale of our publications and from the conferences we hold. There is always a problem, of course, of getting enough.

Senator BRUNT: Does Queen's University have extension courses the same as the University of Toronto, which people can take at night?

Dr. DEUTSCH: No, we have not got much in the way of night courses for the simple reason that we are in a small centre where there is not enough population to enable us to successfully run night courses, but we have a large correspondence course, one of the largest in the country.

Senator BRUNT: And you can take this by correspondence also?

Dr. DEUTCH: Some consideration is being given at the present time to the possibility of developing some extension work in this field of industrial relations. One of the purposes of this Centre is to train students in the industrial relations field. Another is to make it a centre for research in this field. We are attempting to build up an adequate library and materials for research workers in the whole area of industrial relations. We hope to have numbers of graduate students doing their theses on industrial relations problems in this Centre.

Senator BRUNT: I would think the labour unions would be interested in endowing this department.

Dr. DEUTSCH: We would be interested in getting further endowments.

Senator BURCHILL: I understand that one of the recommendations in this paper is to make more technical training available.

Dr. DEUTSCH: That is right, senator.

Senator BURCHILL: Important as are academic courses and liberal arts and things of that nature, I take it from your remarks that the thing at the moment is to give greater emphasis upon technical training. Is that correct?

Dr. WOOD: I do not wish to down-grade the academic end of it, but we do not have the facilities in the technical field that we have in the academic field.

Senator BURCHILL: Right; and you stress that the federal Government should take the lead in that respect?

Dr. WOOD: Yes.

Senator BURCHILL: Do you not run into a problem there with the provinces? Under our Constitution education is within the jurisdiction of the provinces. It is their responsibility. I have followed you quite closely in that and I agree with you. But how do you tackle that problem, for it seems to me that first of all we should find out how lacking we are in the various provincial centres with respect to technical training.

Dr. DEUTSCH: I might point out here, Senator Burchill, that a paper will be presented to the committee which will assess the present facilities for technical training, indicating the facilities presently available in all provinces, where the deficiencies seem to be and how serious they are. A special paper is being prepared on this and it will be presented to the committee.

Senator BURCHILL: It seems to me to be a matter that has got to get back to the provinces.

Dr. DEUTSCH: That is right.

Dr. WOOD: Yes. At the present time the federal Government is assisting in a financial way in the matter of technical training.

Senator BURCHILL: And also recently by way of capital assistance in this area.

Dr. WOOD: That is right.

Dr. DEUTSCH: In the matter of technical training the federal Government has for a very long time taken leadership and initiative in this field, going back as far as World War I. This is not a new idea.

Senator BRUNT: There was no constitutional problem after World War II with respect to training veterans.

Dr. DEUTSCH: No.

Senator BRUNT: And the federal Government provided large sums for that purpose.

Dr. DEUTSCH: That is right. It worked through the provinces but the initiative and stimulus for technical training came from the federal Government. That has been the case for a long time.

Senator CONNOLLY (*Ottawa West*): In recognition of a national problem.

Dr. DEUTSCH: That is right.

Senator BURCHILL: But they cannot force the provinces.

Dr. DEUTSCH: Oh, no. They have to work through the provinces by giving financial aid and assistance but the institutions are run by the provinces, and

under our constitutional system this is correct. But the federal Government, as I have said, has given stimulus, aid and initiative for many years in this field. So this is nothing new at all.

Senator PRATT: Reference has been made to Great Britain and the United States. Is it not a fact that in those countries the major source of technical training or the avenues of technical training lie chiefly within industry itself rather than with outside organizations? Is it not chiefly within the industry that technical training is carried out?

Dr. WOOD: A lot of it is done in industry, but there are quite a number of technical training centres outside industry. The same is true in Germany. I received a letter recently about technical training in that country. They have so-called continuation schools where people work for four days during the week and attend technical training school for the other day in order to have more formal attention given to their training.

Senator BRUNT: We have something similar at Waterloo where the students attend university for three months and then work for three months with industry, and carry on back and forth.

Dr. WOOD: That is right.

The CHAIRMAN: Some night lectures are given to industrial workers.

Dr. WOOD: That is right. A number of companies are giving financial assistance to their employees to take courses on their own time. This is a common occurrence.

Dr. DEUTSCH: I might say that in the United Kingdom they have a somewhat different organization of higher education than we have. They have quite a number of what they call technical institutes—technological colleges, which are there for technical education beyond the high school. They have a much more highly developed system than we have here in this field. There they do not train as much of their manpower professionally in the universities as we do in this country. They have quite a separate set of institutions for that purpose, particularly in the technical field.

Senator LEONARD: These are to provide the ground work for the training which industry will give them?

Dr. DEUTSCH: That is right.

Senator SMITH (*Queens-Shelburne*): I would like Professor Wood to clarify a sentence which appears under the title "Trade Union Policy" in his brief, which reads:

"The existing demarcation lines between its component unions require urgent examination."

Would you enlarge on that a little?

Dr. WOOD: Yes. With this very rapid technological change the division between certain crafts that existed historically is becoming blurred. In other words, some crafts are being consolidated, and you are getting a lot of very difficult jurisdictional problems between the various unions. The same thing to a lesser extent occurs even among the industrial type unions because the division between certain industries is also becoming blurred. All of these developments are creating a number of difficult jurisdictional problems for the unions. I think the unions would be the first to agree that this is a difficult problem to solve.

Senator SMITH (*Queens-Shelburne*): My impression is that that very enlargement of the activities or of the spheres of certain unions makes a line of demarcation difficult. I was thinking, for example, of the Teamsters Union. It has locals which claim hospitals, for instance, and all kinds of fields. There is no line of demarcation there.

Dr. WOOD: The Teamsters is more a general type of union and it does cut across many industries, because trucking, warehousing, and so on, actually cuts across many areas.

Senator SMITH (*Queens-Shelburne*): The point of confusion there is merely the title?

Dr. WOOD: Yes. I was thinking more of the craft unions.

Senator HORNER: Was the system of apprenticeship not largely employed in the United Kingdom at one time to develop first class craftsman by means of apprenticeship?

Dr. WOOD: Yes. I think the United Kingdom and Europe generally have emphasized apprenticeship training more than we in North America have. We have tended to emphasize more informal on the job training.

Senator HORNER: Upgrading education is all very fine, but I think of greater importance is to train our young men to do some work. That is my experience. That is one of our great difficulties. I have known men who have taken the highest degree of education, but when they have come up against a practical job they are no better than the man who has served an apprenticeship and having a grade 8 education. Perhaps you have heard of the little Japanese in Toronto who in order to earn money to support his mother and brothers and sisters, at the age of 16 years, before the war, set up his own business. He was not able to attend school beyond the eighth grade. He is a genius and he has invented all sorts of toys, and so on, and is manufacturing them. I understand that he employs a large number of men, and is going ahead in his business. You can go ahead with plans to educate your men, but if a man has not the ambition to apply his education or is without a feeling of responsibility, and does not realize that he must get out and wrestle to make a living for himself, it is all of no avail. His education will be largely wasted if he is going to end up with unemployment insurance, and if he throws up his hands and says that the Government must find him a job.

The CHAIRMAN: You think that we cannot eliminate all the lazy men?

Senator HORNER: No, I don't think we can.

Dr. WOOD: Senator, there is certainly room in our country for the real pioneer; but we must also face the fact that increasingly a large percentage of our population is working for companies, and that increasingly the jobs that are being created in these companies demand some sort of a basic education. On top of that, many of these jobs require specialized training. I am certainly not suggesting that we need all Ph.D.'s; in fact, that might be a catastrophe in our society. However, I do suggest that we need more formal training and an uplifting of the skills of the whole labour force.

Senator HORNER: I wish someone would come along with a paper that would point to the need of responsibility by these men toward the practical application of their education, and to point out to them that sometimes they might have to do some manual labour. In your brief you talk about the increase of white collar workers. I call to mind the case of a university graduate, a very highly educated young man, in Vancouver, who some years ago hi-jacked a liquor boat and murdered a father and son. He went to the gallows absolutely refusing to divulge his name, on account of his mother. However, he left a message for young men. He said that his trouble was that he thought that with his higher education he should have had a job with ample pay befitting that education, and that his refusal to take any work offered was the cause of his downfall. I also recall the case of a fellow complaining bitterly to me about his lack of opportunities. He came to me in a very rebellious manner, and I took him aside and reminded him that his father had spent a great deal of money for his education at university, and

told him that if he would show his mettle, even to the extent of going into his father's business, something eventually would turn up. I pointed out to him that his father had not had the same educational advantages, and yet he had been able to make a good living and sufficient money to send his son to university. Well, he began to cause a little trouble around and that did not speak very well for the university training that he received. Eventually, however, the fellow did fall into line and behaved himself. His education and associations at the university rather than fit him for life as a good Canadian citizen had almost completely spoiled him. There lies a danger that has to be taken into consideration in thinking in terms of education. It is all very well to say that the bigger and more glorified our educational facilities are then everything will be lovely, but there is something else that a man still has to have or he is not going to be able to find employment in Canada.

Senator PRATT: In other words he has got to have the ambition to succeed?

Senator HORNER: Yes, and an understanding of fair play and co-operation, and if a man has not got that, all the universities in Canada will not be able to instil it in him.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I suppose we will always have a rather substantial percentage of the labour force who because of incapacity to take on new skills and perhaps too by unwillingness to put themselves out to take on new skills. What prospects are there for employment say in the 1970's for that type of worker which I think would form a rather large core of unskilled personnel.

Dr. DEUTSCH: I might say, Senator Smith, that we have in our brief, Chart 3, a forecast made by the United States Department of Labour. We have not got forecasts in this country but I think the differences are not large. The United States forecast indicates that up to 1970 there will be no increase whatsoever in the anticipated requirements for unskilled workers. As the population grows there will be a smaller and smaller proportion who will find an outlet in purely unskilled work. That is clearly brought out in Chart 3 entitled Forecast of Percentage Change in Occupational Groups United States Labour Force 1960-1970. Their forecast of the anticipated requirements, and certainly recent trends bear this out, that there will be an increase in professional and technical personnel to the extent of 40 per cent, proprietors and managers some 22 per cent, clerical and sales workers nearly 25 per cent, skilled workers over 20 per cent, semi-skilled workers less than 20 per cent, and in the occupation group unskilled workers, no change. In other words they do not expect any increase in the number of job opportunities available for the unskilled workers.

Senator PRATT: Is it not a fact, that the greater part of the working population in industry are working quite efficiently in industry by reason of the training that they get in the industry and not necessarily by reason of formal technical training?

Dr. DEUTSCH: They can get training both ways, but those who get their skills in industry in the future will have to have a higher basic level of education and training before they ever start.

Senator PRATT: The great incentive of course to more vocational and technical training is the advancement of industry generally, but the proportion of those who obtain technical training in industry would be relatively small compared to those who acquired training before entering the working force.

Dr. WOOD: But not in the future. From the goods-producing industries I would suggest that a good many unskilled and semi-skilled workers will have to shift into service industries. I think it will be increasingly very difficult for

unskilled or semi-skilled workers to find employment in the goods-producing industries. There will be some, but relatively speaking it will be small.

Senator BURCHILL: Just on that matter which you emphasized, of the trend from the goods-producing industries to the service industries. Service industries do not produce any wealth, do they?

Dr. DEUTSCH: It is all wealth.

Dr. WOOD: We assume that they do.

Senator BURCHILL: You differentiate between the service industries and goods-producing industries. What do you designate as a service industry?

Dr. WOOD: The goods-producing industries, Senator Burchill, comprise manufacturing, construction, agriculture, mining and resource industries. Those are the goods-producing industries. The balance are the service industries—finance, transportation, health services and communications, education, Government, protective and so on.

Senator BURCHILL: In order for the service industries to grow and employ people and thus increase their employment opportunities, the other segment of our economy has to grow too, does it not?

Dr. WOOD: That is right, Senator Burchill, but increasingly we are getting the same output of goods and services with far fewer people because of the rapidly rising application of technological processes and the rising productivity in the goods producing industry. Productivity is increasing very rapidly.

Dr. DEUTSCH: The industries are interdependent, Senator Burchill, you cannot have goods production without goods transportation, and you cannot have transportation without goods to move.

Senator SMITH (*Queens-Shelburne*): It is like the one popular song, "Love and Marriage"—you can't have one without the other.

Dr. DEUTSCH: Yes. In the interval between 1949 and 1959 you will note that output in the goods-producing industries went up over 80 per cent whereas labour employed went down 2 per cent. This is a very significant figure. In the service industries, output went up 118 per cent and employment went up 45 per cent. This is one of the most fundamental and basic trends operating in our economy. In the last 10 years there has been no increase in employment in the goods-producing industries. Yet the output has gone up 85 per cent.

Senator LEONARD: Probably there has also been some reduction in the actual hours of work.

Dr. DEUTSCH: Yes. That is shown on Table No. 4.

Senator LEONARD: Mr. Chairman, may I ask Dr. Wood where he obtained the figures showing the comparative percentages of age groups in high schools and universities. I am sure his figures are correct, but would you give me, Dr. Wood, the source authority for your American figures?

Dr. WOOD: Senator Leonard, some of these, as I said before, are rather difficult to get. It is difficult to get specific and detailed information in those matters, and it was with the co-operation with the Dominion Bureau of Statistics, that I procured them, although I do not hold them responsible for the actual statistics. They were published by educational groups in both Canada and the United States.

Senator LEONARD: Some time, perhaps, you might let me have that information—just where we can get the American statistics on percentages in high school and university?

Dr. WOOD: I will be pleased to.

The CHAIRMAN: We are grateful to you, Dr. Wood, for your preparing such a good brief.

Senator HORNER: I move we adjourn.

The Committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 16

THURSDAY, MARCH 2, 1961

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Economics & Research Branch, Dept. of Labour

Dr. Oll Schonning, Chief, Employment & Labour Market Division; Mr. F. T. Doucet, Chief, Resources & Development Section, Employment & Labour Market Division.

Maritime Lumber Bureau

Brief by Mr. R. R. Murray, Chairman, Unemployment Insurance Committee, read by Hon. G. P. Burchill.

ROGER DURANEL, F.R.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

unskilled or semi-skilled workers to find employment in the goods-producing industries. There will be some, but relatively speaking it will be small.

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Senator BUCHMILL: You differentiate between the service industries and goods-producing industries. What do you designate as a service industry?

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Senator BUCHMILL: In order for the service industries to grow and employ people and thus increase their employment opportunities, the other segment of our economy has to grow too, does it not?

Dr. WOOD: That is right, Senator Burchill, but increasingly we are getting the same output of goods and services with far fewer people because of the rapidly rising application of technological processes and the rising productivity in the goods producing industry. Productivity is increasing very rapidly.

Dr. DEUTSCH: The industries are interdependent, Senator Burchill, you cannot have goods production without goods transportation, and you cannot have transportation without goods to move.

Senator SAGUN (Queen's-Shelburne): It is like the one popular song, "Love and Marriage"—you can't have one without the other.

Dr. DEUTSCH: Yes. In the interval between 1949 and 1959 you will note that output in the goods-producing industries went up over 80 per cent whereas labour employed went down 3 per cent. This is a very significant figure. In the service industries, output went up 116 per cent and employment went up 43 per cent. This is one of the most fundamental and basic trends operating in our economy. In the last 10 years there has been no increase in employment in the goods-producing industries. Yet the output has gone up 83 per cent.

Senator LEONARD: Probably there has also been some reduction in the actual hours of work.

Dr. DEUTSCH: Yes. That is shown on Table No. 4.

Senator LEONARD: Mr. Chairman, may I ask Dr. Wood where he obtained the figures showing the comparative percentages of age groups in high schools and universities. I am sure his figures are correct, but would you give me, Dr. Wood, the source authority for your American figures?

Dr. WOOD: Senator Leonard, some of these, as I said before, are rather difficult to get. It is difficult to get general and detailed information in these matters, and it was with the co-operation with the Dominion Bureau of Statistics, that I prepared them, although I do not hold them responsible for the actual statistics. They were published by educational groups in both Canada and the United States.

Senator LEONARD: Some time, perhaps, you might let me have that information—just where we can get the American statistics on percentages in high school and university?

Dr. WOOD: I will be pleased to.

The CHAIRMAN: We are grateful to you, Dr. Wood, for your preparedness to do a good job.

Senator HOWE: I move we adjourn.

The Committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

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ON

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Dr. Gil Schonning, Chief, Employment & Labour Market Division; Mr.
F. T. Doucet, Chief, Resources & Development Section, Employment
& Labour Market Division.

Maritime Lumber Bureau

Brief by Mr. R. R. Murray, Chairman, Unemployment Insurance Com-
mittee, read by Hon. G. P. Burchill.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

THURSDAY, MARCH 2, 1961

ERRATUM

Proceedings No. 2, page 158:

Tobacco and tobacco products—Production per man hour.

Delete:

100.0 96.6 83.7 81.1 82.1 81.9 84.4 84.8 85.2 92.8 88.5

and substitute:

100.0 111.7 113.5 133.2 146.5 152.2 160.5 172.0 189.0 186.6 203.3

WITNESSES:

Economist & Research Branch, Dept. of Labour
 Dr. Gil Schanning, Chief, Employment & Labour Market Division; Mr.
 R. T. Doucet, Chief, Resources & Development Section, Employment
 & Labour Market Division.
 Maritime Labour Bureau
 Bred by Mr. R. R. Murray, Chairman, Unemployment Insurance Com-
 mittee, read by Hon. G. P. Burchill.

HODGKIN DUMAS, P.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

MINUTES OF PROCEEDINGS
ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 23, 1966.

THE HONOURABLE SENATOR AUSTIN moved, seconded by the Honourable Senator Macdonald, P.C., that the following be referred to a Special Committee on Manpower and Employment:

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada with the object of exploring the possibilities of maintaining and extending a high level of employment and without restricting the generality of the law-going to include into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force.

2. That the said Committee be composed of the Honourable Senators Brien, Bourke, Brennan, Burchill, Cameron, Chouinard, Connolly, O'Connor, West, Courtman, Croll, Emerson, Hain, Higgins, Hynes, Hunter, Huggan, Inman, Irvine, Lambert, Leonard, Macdonald (Queen's), McNeil, Monette, Pratt, Roebuck, Smith (Queen's-Shelburne), Thorvaldson, Vallancourt, Wall, White and Wilson (32).

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate, The Honourable Senator Brien moved, seconded by the Honourable Senator Macdonald (Queen's-Brown), that the motion be amended by adding the name of the Honourable Senator Macdonald (Queen's-Brown) to the list of Senators nominated to serve on the said Special Committee.

After debate, and 25 yeas and 23 nays, it was—

The question being put on the amendment, it was—

Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative.

J. V. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

SPECIAL COMMITTEE ON MANPOWER THURSDAY, March 2, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot, *Chairman*, Blois, Brunt, Buchanan, Burchill, Cameron, Haig, Horner, Inman, Leonard, Macdonald (*Cape Breton*), MacDonald (*Queens*), Pratt and Smith (*Queens-Shelburne*).—14.

The following were heard:—

For Economics & Research Branch, Dept. of Labour:

Dr. Gil Schonning, Chief, Employment & Labour Market Division.

Mr. F. T. Doucet, Chief, Resources & Development Section, Employment & Labour Market Division.

For Maritime Lumber Bureau:

In the absence of Mr. R. R. Murray, Chairman, Unemployment Insurance Committee, brief read by Hon. G. P. Burchill.

At 11.45 a.m. the Committee adjourned until Wednesday, March 8th, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

MINUTES OF PROCEEDINGS

Thursday, March 2, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9:30 a.m.

Present: The Honourable Senators Mathot, Chairman, Bois, Brunt, Buchsman, Burchill, Cameron, Haig, Horner, Inman, Leonard, MacDonald (Cape Breton), MacDonald (Queens), Pratt and Smith (Queens-Sheburne).—14.

The following were heard:—

For Economics & Research Branch, Dept. of Labour:

Dr. Gill Schooninck, Chief, Employment & Labour Market Division.

Mr. E. T. Doucet, Chief, Resources & Development Section, Employment & Labour Market Division.

For Maritime Lumber Bureau:

In the absence of Mr. R. R. Murray, Chairman, Unemployment Insurance Committee, brief read by Hon. G. F. Burchill.

At 11:45 a.m. the Committee adjourned until Wednesday, March 8th, at

9:30 a.m.

Attest:

John A. Hinds,

Assistant Chief Clerk of Committee.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, THURSDAY, March 2, 1961.

The Special Committee of the Senate appointed to study and report upon trends of manpower and employment, met this day at 9.30 a.m.

Hon LEON METHOT in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. We have before us this morning an official from the Department of Labour, Dr. Gil Schonning, who is Chief of the Employment and Labour Division, Economics and Research Branch of the Department of Labour. Dr. Schonning will you now take over.

Dr. Gil Schonning, Chief, Employment and Labour Division, Economics and Research Branch, Department of Labour, Ottawa: Mr. Chairman and honourable senators may I first introduce to the committee a colleague of mine, Mr. F. J. Doucet, who is Chief of Resources and Development Section, Employment and Labour Market Division of the Department of Labour. Mr. Doucet is a real expert in the seasonal problem of unemployment, the phase that I am going to deal with today.

May I also say, Mr. Chairman, that before I begin to read this report that this report was prepared by the Department of Labour in answer to a request by Dr. John Deutsch last year. We are very happy to have had the privilege of preparing this report for the Special Senate Committee on Manpower and Employment. I may say also that a rather technical report was prepared a year ago on this topic, somewhat along the same lines as this report although there are some differences in so far as I have had something to do with writing it and some of my own ideas are in the submission I am about to present.

Introduction:

One major characteristic—and indeed a major problem of an economy operating in the far northern hemisphere—is that of sharply changing climatic conditions from one season to another and especially the severity of the winter. This is a major problem in Canada because our climatic conditions diminish total economic activities and induce extra overhead costs. The most serious cost factor stems from the fact that some industries gear their capacity operation to a few short summer months and then operate well below this level in winter. This means that much costly equipment either lies entirely idle or is only partly used in winter, which in turn means enforced idleness on the part of a great many workers employed in such industries. To the south of us, seasonal changes gradually moderate and disappear.

While changes in output and employment take place from one season to another, our main concern at this time is to examine the effect of our severe winter climate on the work force. Unemployment—which results from seasonal variations in employment—is known as “seasonal unemployment”. Its regular annual occurrence distinguishes it from other types of unemployment—cyclical,

frictional, structural and technological. In times of so-called "full employment" seasonal unemployment is the dominant type in winter, although under such conditions its magnitude is thought to be somewhat smaller than at a time when employment is falling and total unemployment is high.

Seasonal Employment:

On the following page are three charts which I will first explain, as they demonstrate what I am going to speak about. **Charts 1, 2 and 3** portray the rhythmic pattern in total employment. May I say here, Mr. Chairman, that the unrevised Labour Force series were used throughout this presentation. The term "employment" used in this paper refers to persons with jobs; the term "unemployment" or "seekers" refers to persons without jobs and seeking work. The difference in these from the new official definitions of employment and unemployment is slight and makes no appreciable effect on this analysis. I had to use the unrevised labour force series in order to get an historical run at this subject; the new data was not available at that time.

All these charts indicate that employment rises to a peak in summer (July and August) then gradually falls to a low point in February and March. While small irregularities may occur in this pattern from one year to another, due mainly to the length and severity of the winter, the pattern is nevertheless unmistakable and recurs every year.

Chart 1 indicates that between 500,000 and 600,000 fewer persons are working in winter than in summer. Generally, the pattern of seasonal reduction in jobs is that about 60 per cent of this decline takes place between August and early December; some 40 per cent occurs between early December and the low point in February or March with the sharpest decline occurring during a 4-week period following the Christmas holiday season.

However, not all of the half million or so workers who work in summer but who don't work in the winter become seasonally unemployed. Many workers, such as students who return to school, some farmers, unpaid family workers and others are either what may be termed "occasional workers" with responsibilities outside the labour force¹ or persons who prefer not to work in winter. On the other hand, many married women leave the labour force during the school vacation period in summer and return to work when school reopens. As a result of these movements in and out of the labour force, the labour force itself declines by some 300,000 between peak in activity in summer and low point in winter. Thus, it is estimated that under reasonably full employment conditions, and with a labour force at about 6 million, some 250,000 persons are seasonally unemployed at mid-winter. These people regard themselves as without a job and seeking work. It is thought that this figure might be slightly increased when the demand for workers in general declines since the seasonal swing in employment from summer to winter appears to be affected by both changes in job opportunities and the level of total unemployment.

I think it is clear from these figures that the problem of seasonal unemployment is of considerable magnitude involving a substantial annual waste of manpower. Measured in terms of the labour force this kind of unemployment is estimated to amount to about 4 per cent in mid-winter. Average unemployment of this kind, in any one year, is thus approximately 2 per cent of the labour force. This is the seasonal factor with which Canada has to contend.

In **Chart 2**, the behaviour of the labour force and employment in the non-farm industries is shown. More than 85 per cent of all employed persons are

¹By the labour force is meant the non-institutional population 14 years of age and over who are employed or unemployed.

Charts 1, 2 and 3



attached to this group of industries.¹ As may be seen, the reduction in jobs between summer and winter greatly exceeds the seasonal decline in the labour force. That is, the net reduction in the number of jobs from summer to winter is considerably larger than the net reduction in the number of persons in the labour market. It will be appreciated that these are not gross figures. Many more jobs disappear seasonally than are indicated by the net change, the reason being that many new jobs, especially those that are seasonal in character, come into existence in the same summer to winter period. What I have shown is the net change, and that is what you get by observing the survey data from month to month. Similarly, many workers enter the labour market in this period. That is, there is an ebb and flow of jobs and workers in the labour market from one season to another. This is, of course, what you would have to see. It is almost like in a movie script—that is, people are forever going in and coming out. We are taking observation once a month of what happens between one month and the next.

As we know, the net change in these flows is measured monthly by the Labour Force Survey conducted by the Dominion Bureau of Statistics. In this survey two major activities are measured—the “working” and “looking for work” activities. The two groups engaged in these activities make up the labour force. That is, there are only two major activities, those who are working and those looking for work. That is, a person must either be working or must be looking for work in order to be classified in the labour force.

With the above background in mind, we return to the non-farm sector. The magnitude of the summer to winter net change in employment in the non-farm industries is estimated to be about 6 per cent. That is, there are, on average, almost 300,000 fewer jobs in these industries in winter than in summer. On the other hand, about 1 per cent of the labour force, or about 50,000 persons made up of “casuals”, those interested in summer work only, and others, withdraw from the labour market. That is, they fall outside the labour force definition of either working or looking for work.

A major reason for the relatively small drop-out from the non-farm labour force when seasonal jobs terminate is that most of these jobs are held by men. Men, especially those in the 25-64 age group, tend to remain in the labour market when they are laid off. This is a characteristic of these workers whether they lose their jobs for seasonal or other reasons.

Thus, in the case of the non-farm industries, almost 250,000 workers become seasonally unemployed in winter, the difference between a decline of 300,000 jobs and the withdrawal of some 50,000 workers from the labour market. Not all persons who become seasonally unemployed have had a long-term attachment to the non-farm industries. We shall explain this further in the following discussion on farm labour.

The seasonal variations in the farm labour force and in farm employment are shown in **Chart 3**. It will be noted that the seasonal patterns in these two differ markedly from those in the non-farm group in two ways: first, the seasonal swing is more pronounced in agriculture; secondly, the seasonal pattern in the farm labour force corresponds closely to that of farm employment. We noted above that the labour force in the non-farm industries showed little change between summer and winter, while employment dipped about 6 per cent, thus producing a great deal of seasonal unemployment in winter.

An initial explanation of the behaviour of the farm workers is that as many persons withdraw from the labour market between summer and winter as quit working, voluntarily or involuntarily. This is not entirely true. We have no precise information as to the seasonal behaviour of these workers, but we do know that some persons who work on farms or operate farms do

¹ Average for 1959 about 5.2 mil.

shift to the non-farm industries when the active farming season is over. Precisely how many there are who do shift is not known but it is known that the number withdrawing seasonally from the labour market far outnumber those transferring to non-farm industries.

Chart 4 shows the extent of the seasonal swing or amplitude of non-farm and farm employment. Note that non-farm employment has a swing from the peak in summer to the trough in winter of between 5 and 6 per cent, while farm employment fluctuates in excess of 30 percentage points. The seasonal pattern in non-farm employment is quite regular, hence predictable, although the amplitude does expand or contract slightly with changing business conditions. The seasonal pattern of farm employment is more irregular since it is affected by crop and weather conditions.

In **Chart 5** the seasonal employment patterns for men and women are shown. Note that the number of women in the labour market corresponds closely to the number working. Also, that the number working varies little seasonally. It is a very flat sort of graph, both of the labour force itself and those who are working. A major reason for this is that women as a group are heavily concentrated in "non-seasonal industries"—the service, trade and finance group of industries. An observable behaviour on the part of many women workers, especially married women, is that they tend to withdraw from the labour force when they leave employment and so contribute proportionately much less to total unemployment than do men, and very little to seasonal unemployment.

It is clear that when we examine the work behaviour of men that they are strongly affected by seasonal employment fluctuations and constitute almost all of the seasonally unemployed group. That is, seasonal unemployment is primarily a male problem. The net change in employment of working men between summer and winter exceeds 500,000; about 250,000 of these withdraw from the labour force, leaving a seasonal group of unemployed men of some 250,000 at the seasonal low point in activity in winter.

There are two main reasons for the sharp seasonal employment fluctuation among men. First, about 3 million of the 4.5 million working men are employed in the goods-producing and the transportation industries; many of these industries are highly seasonal. Secondly, the behaviour of men in the labour market is, as we noted earlier, to remain in the unemployed sector of the labour force between jobs, while women tend to leave the labour force between jobs. As we note in **Chart 5**, if agriculture is excluded, males laid off tend to become unemployed.

Chart 6 shows the seasonal amplitude or swing in each of nine major industry groups.¹ The extent to which each of these contributes to seasonal unemployment depends on their size and the number leaving the labour force when they separate from their jobs. The chart is quite self-explanatory from that point of view.

Chart 7, much the same type, really, shows the extent of seasonal disemployment. The term "seasonal disemployment" refers to the net change in the number of jobs between summer and winter. It has been found useful to distinguish between "seasonal disemployment" and "seasonal unemployment". As we shall see, some industries contribute a great deal to disemployment but relatively little to seasonal unemployment; others contribute less to disemployment but a great deal to seasonal unemployment almost, in fact, as much to the latter as to the former.

Chart 7 indicates from bottom to top the order of employment stability seasonally. Agriculture contributes by far the largest number to disemploy-

¹ The seasonal amplitude is calculated as the percentage change in employment between average employment and the high and low point of employment.

Chart 4

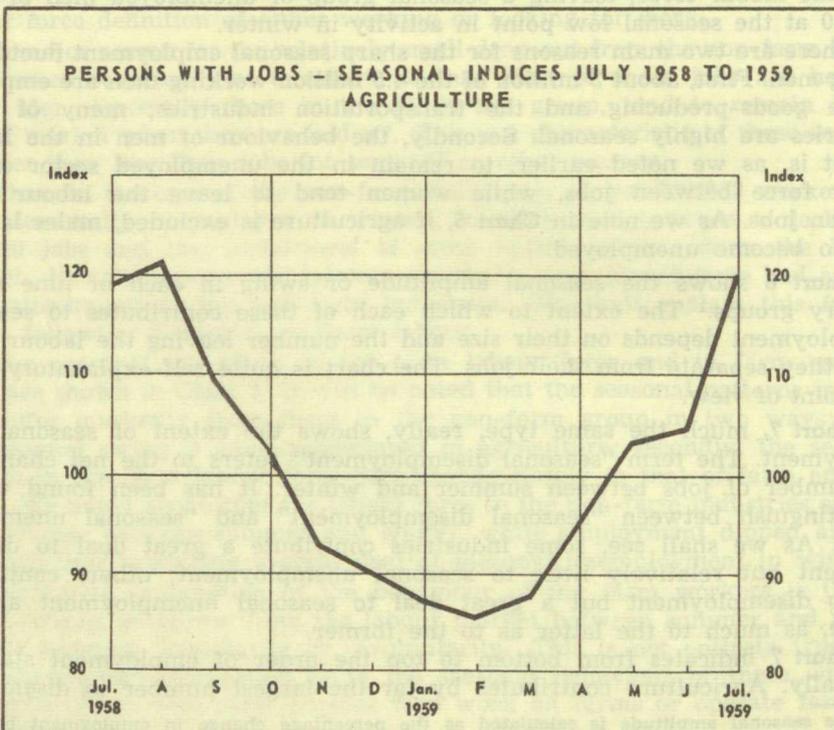
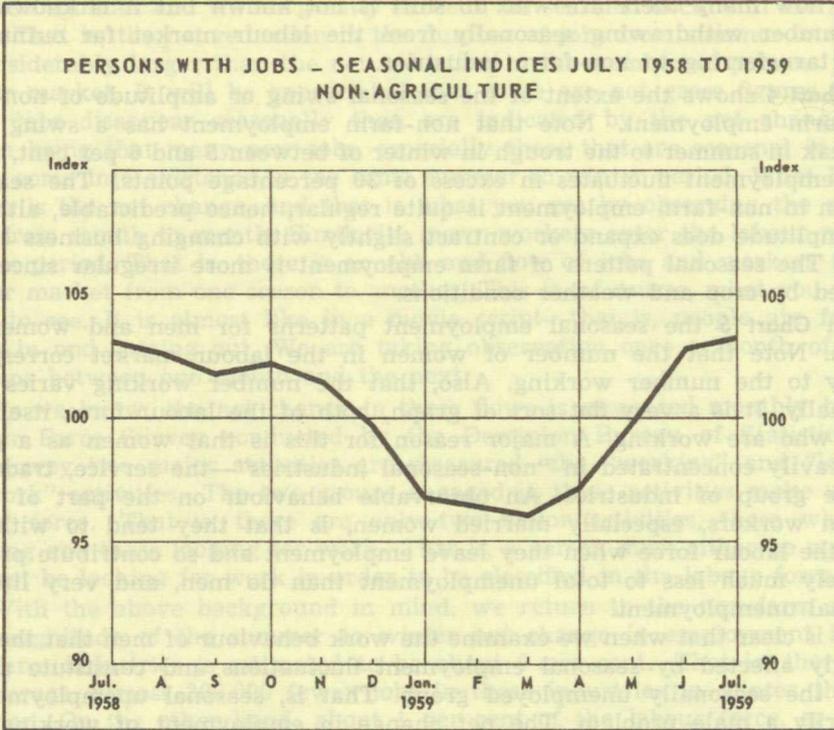


Chart 5

TOTAL LABOUR FORCE AND PERSONS WITH JOBS
NON-AGRICULTURE AND AGRICULTURE
CANADA - JULY 1957 - JULY 1960

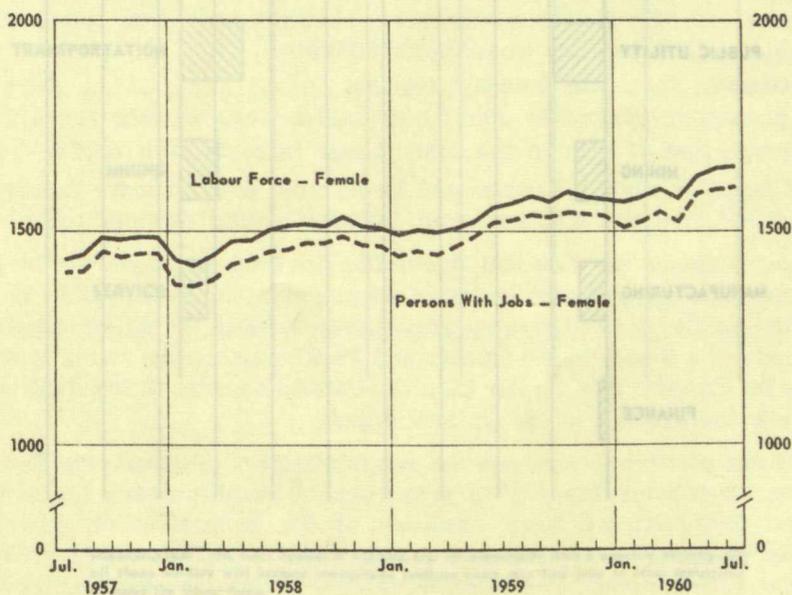
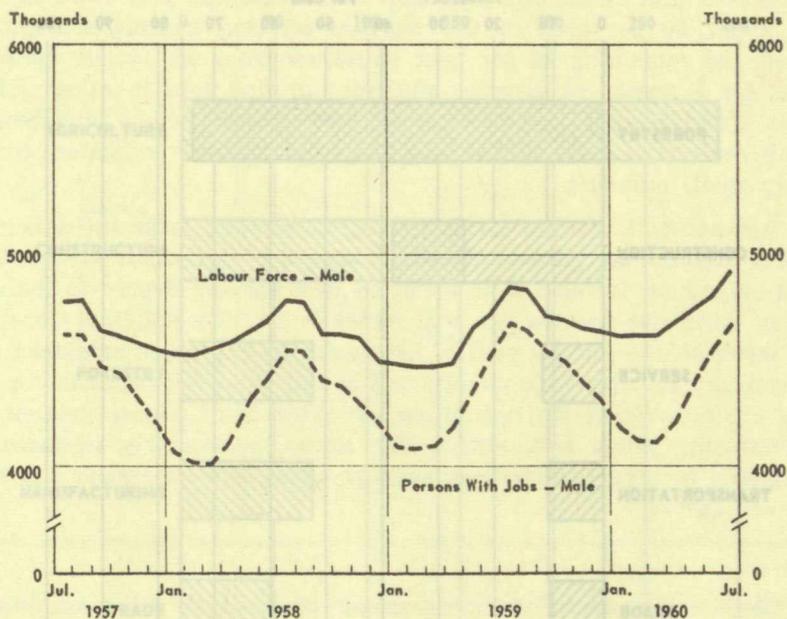
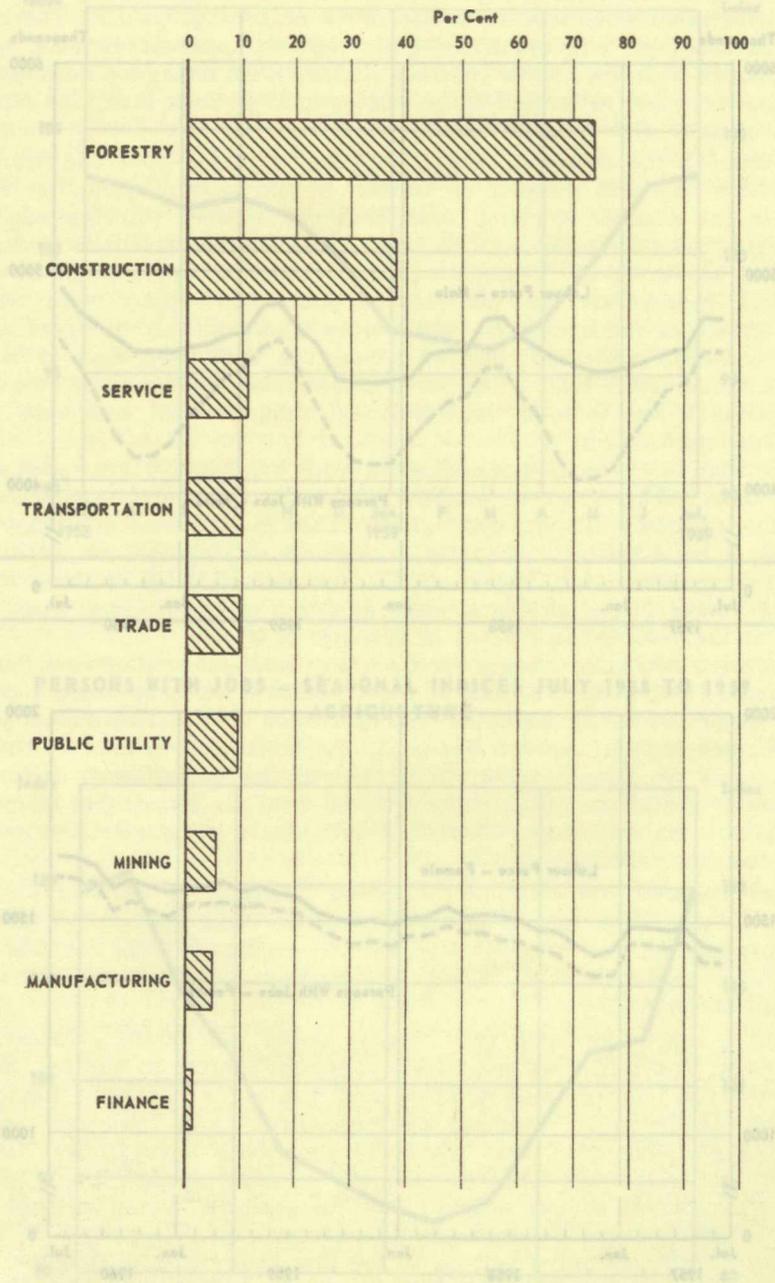


Chart 6

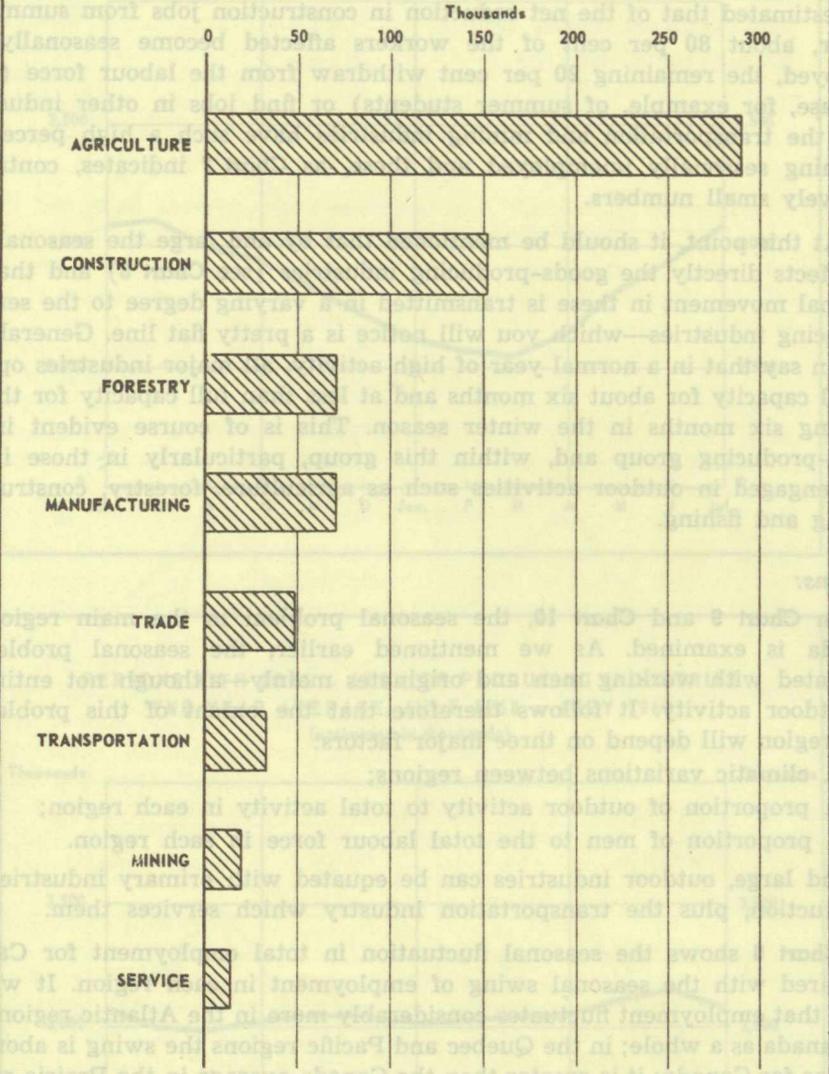
AVERAGE SEASONAL AMPLITUDES OF INDUSTRIAL EMPLOYMENT VARIATIONS
1949 - 1959



Source: Employment and Payrolls, D.B.S.

Chart 7

AVERAGE SEASONAL DISEMPLOYMENT*
1955-1959



*"Disemployment" the total number of workers laid off seasonally from a specific industry. Not all these workers will become unemployed because some may find jobs in other industries or leave the labour force.

Source: Labour Force Survey, D.B.S., Monthly unpublished data.

ment but relatively little to seasonal unemployment, with some qualification. As mentioned earlier, some agricultural workers do transfer to other seasonal industries such as logging and construction, when the active farming season is over, and some of these workers undoubtedly become seasonally unemployed in these industries. Construction contributes the second largest amount to disemployment, and by far the largest amount to seasonal unemployment. It is estimated that of the net reduction in construction jobs from summer to winter, about 80 per cent of the workers affected become seasonally unemployed, the remaining 20 per cent withdraw from the labour force (as in the case, for example, of summer students) or find jobs in other industries. Only the transportation and mining industries have such a high percentage becoming seasonally unemployed and these, as **Chart 7** indicates, contribute relatively small numbers.

At this point, it should be mentioned that by and large the seasonal factor affects directly the goods-producing industries (see **Chart 8**) and that the seasonal movement in these is transmitted in a varying degree to the service-producing industries—which you will notice is a pretty flat line. Generalizing, we can say that in a normal year of high activity, all major industries operate at full capacity for about six months and at less than full capacity for the remaining six months in the winter season. This is of course evident in the goods-producing group and, within this group, particularly in those industries engaged in outdoor activities such as agriculture, forestry, construction, mining and fishing.

Regions:

In **Chart 9** and **Chart 10**, the seasonal problem in the main regions of Canada is examined. As we mentioned earlier, the seasonal problem is associated with working men and originates mainly—although not entirely—in outdoor activity. It follows therefore that the extent of this problem in each region will depend on three major factors:

1. climatic variations between regions;
2. proportion of outdoor activity to total activity in each region;
3. proportion of men to the total labour force in each region.

By and large, outdoor industries can be equated with primary industries and construction, plus the transportation industry which services them.

Chart 9 shows the seasonal fluctuation in total employment for Canada, compared with the seasonal swing of employment in each region. It will be noted that employment fluctuates considerably more in the Atlantic region than for Canada as a whole; in the Quebec and Pacific regions the swing is about the same as for Canada; it is greater than the Canada average in the Prairie region, and below the average in the Ontario region.

It is not possible to measure the relative impact of climate on the regions, nor have we reliable data on the proportion of people in each region working outdoors. However, we have estimates of the proportion of paid workers employed in manufacturing and by and large this major industry group shows relatively little seasonal swing from summer to winter—that is, taken as an industry. Here are the proportions of employment in manufacturing to total non-agricultural employment in each region:

Chart 8

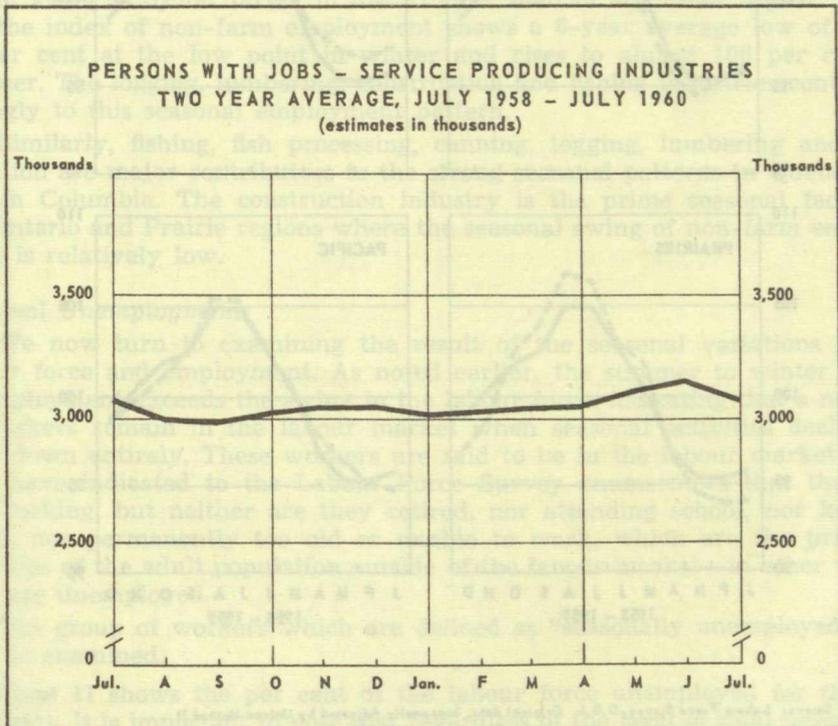
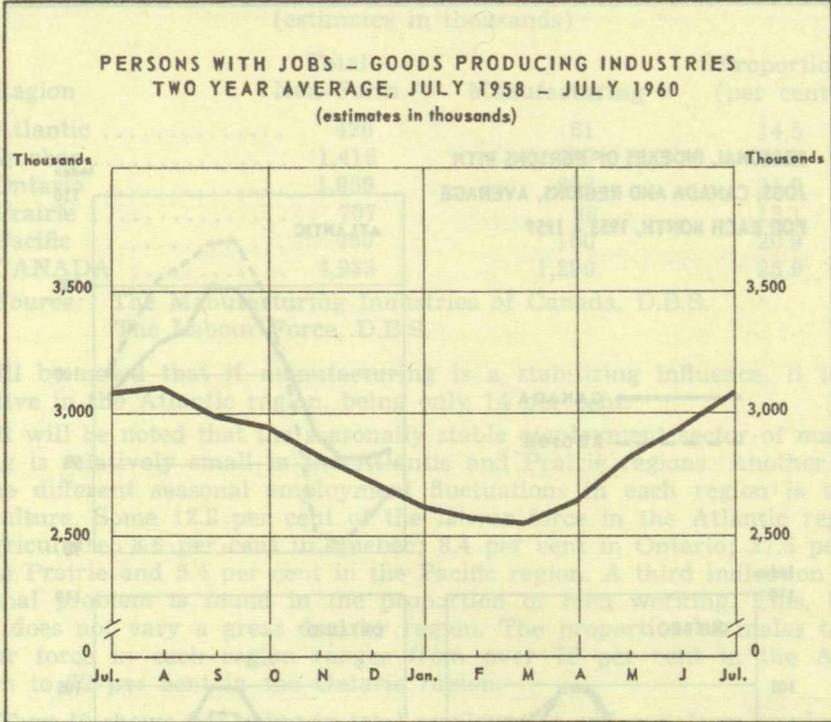
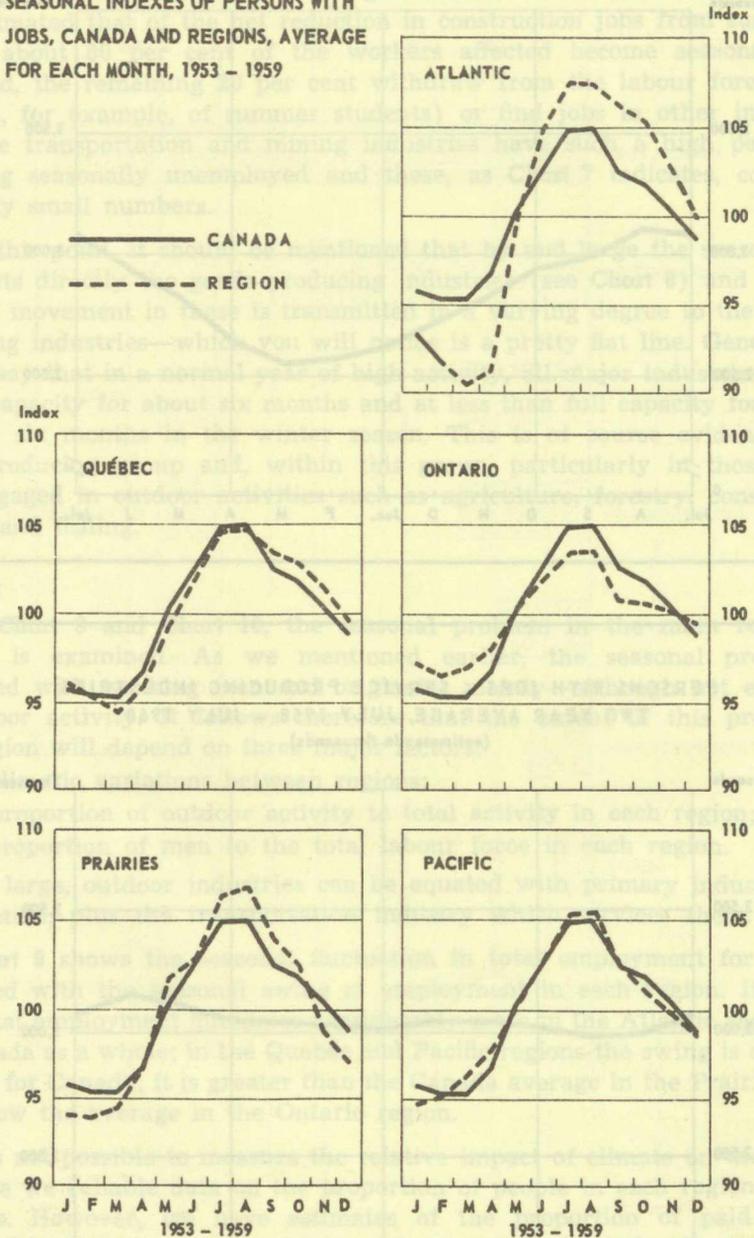


Chart 9

SEASONAL INDEXES OF PERSONS WITH JOBS, CANADA AND REGIONS, AVERAGE FOR EACH MONTH, 1953 - 1959



Source: Labour Force Survey, D.B.S. Original data, Seasonally Adjusted by Univac Method II

Manufacturing and Non-Farm Employment by Region, 1958
(estimates in thousands)

Region	Total Non-Farm	Manufacturing	Proportion (per cent)
Atlantic	420	61	14.5
Quebec	1,416	429	30.3
Ontario	1,959	606	31.0
Prairie	707	93	13.1
Pacific	480	100	20.9
CANADA	4,983	1,290	25.9

Source: The Manufacturing Industries of Canada, D.B.S.
The Labour Force, D.B.S.

It will be noted that if manufacturing is a stabilizing influence, it is least effective in the Atlantic region, being only 14 per cent.

It will be noted that the seasonally stable employment sector of manufacturing is relatively small in the Atlantic and Prairie regions. Another factor in the different seasonal employment fluctuations in each region is that of agriculture. Some 12.2 per cent of the labour force in the Atlantic region is in agriculture; 8.6 per cent in Quebec; 8.4 per cent in Ontario; 27.5 per cent in the Prairie and 5.4 per cent in the Pacific region. A third indication of the seasonal problem is found in the proportion of men working. This, by the way, does not vary a great deal by region. The proportion of males to total labour force in each region ranges from over 76 per cent in the Atlantic region to 72 per cent in the Ontario region.

Chart 10 shows the swing in total employment and non-farm employment. Let us examine non-farm employment. It will be noted that the summer to winter swing is by far larger in the Atlantic than in any other region. As we see, the index of non-farm employment shows a 6-year average low of about 92 per cent at the low point in winter and rises to almost 106 per cent in summer. The logging, lumbering, construction and fishing industries contribute strongly to this seasonal employment pattern.

Similarly, fishing, fish processing, canning, logging, lumbering and construction are major contributors to the strong seasonal patterns in Quebec and British Columbia. The construction industry is the prime seasonal factor in the Ontario and Prairie regions where the seasonal swing of non-farm employment is relatively low.

Seasonal Unemployment:

We now turn to examining the result of the seasonal variations in the labour force and employment. As noted earlier, the summer to winter swing in employment exceeds the swing in the labour force, indicating that a number of workers remain in the labour market when seasonal activities decline or close down entirely. These workers are said to be in the labour market when they have indicated to the Labour Force Survey enumerators that they are not working, but neither are they retired, nor attending school, nor keeping house, nor permanently too old or unable to work, which are the principal activities of the adult population outside of the labour market—in other words, they are unemployed.

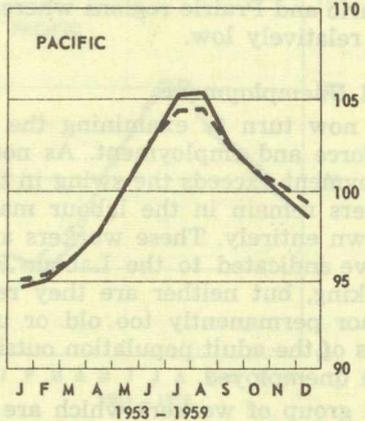
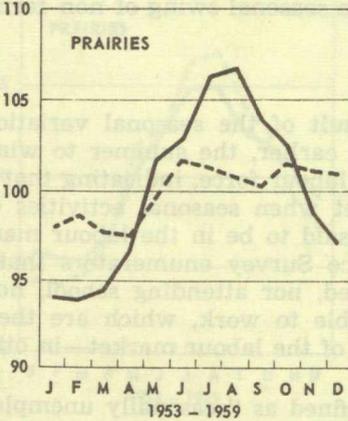
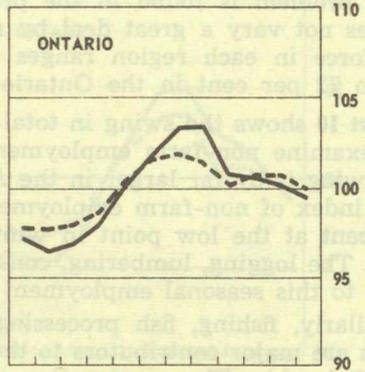
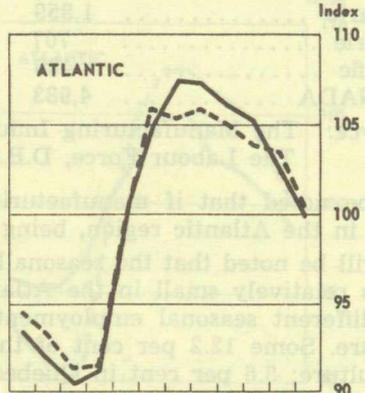
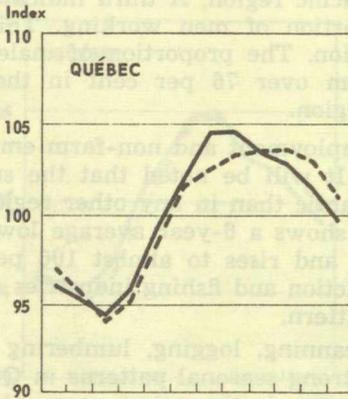
The group of workers which are defined as “seasonally unemployed” will now be examined.

Chart 11 shows the per cent of the labour force unemployed for the last five years. It is important to note that regardless of the level of total unemployment, the seasonal pattern of unemployment is unmistakably significant.

Chart 10

SEASONAL INDEXES OF PERSONS WITH JOBS IN NON-AGRICULTURAL INDUSTRIES IN CANADA'S FIVE REGIONS, AVERAGE FOR EACH MONTH, 1953 - 1959

— Total Employment
 - - - Non-Agricultural Employment



Source: Labour Force Survey, D.B.S. Original data, Seasonally Adjusted by Univac Method II

Chart 11
PERSONS WITHOUT JOBS AND SEEKING WORK, 1956 TO 1960
 (Percentage of the labour force)

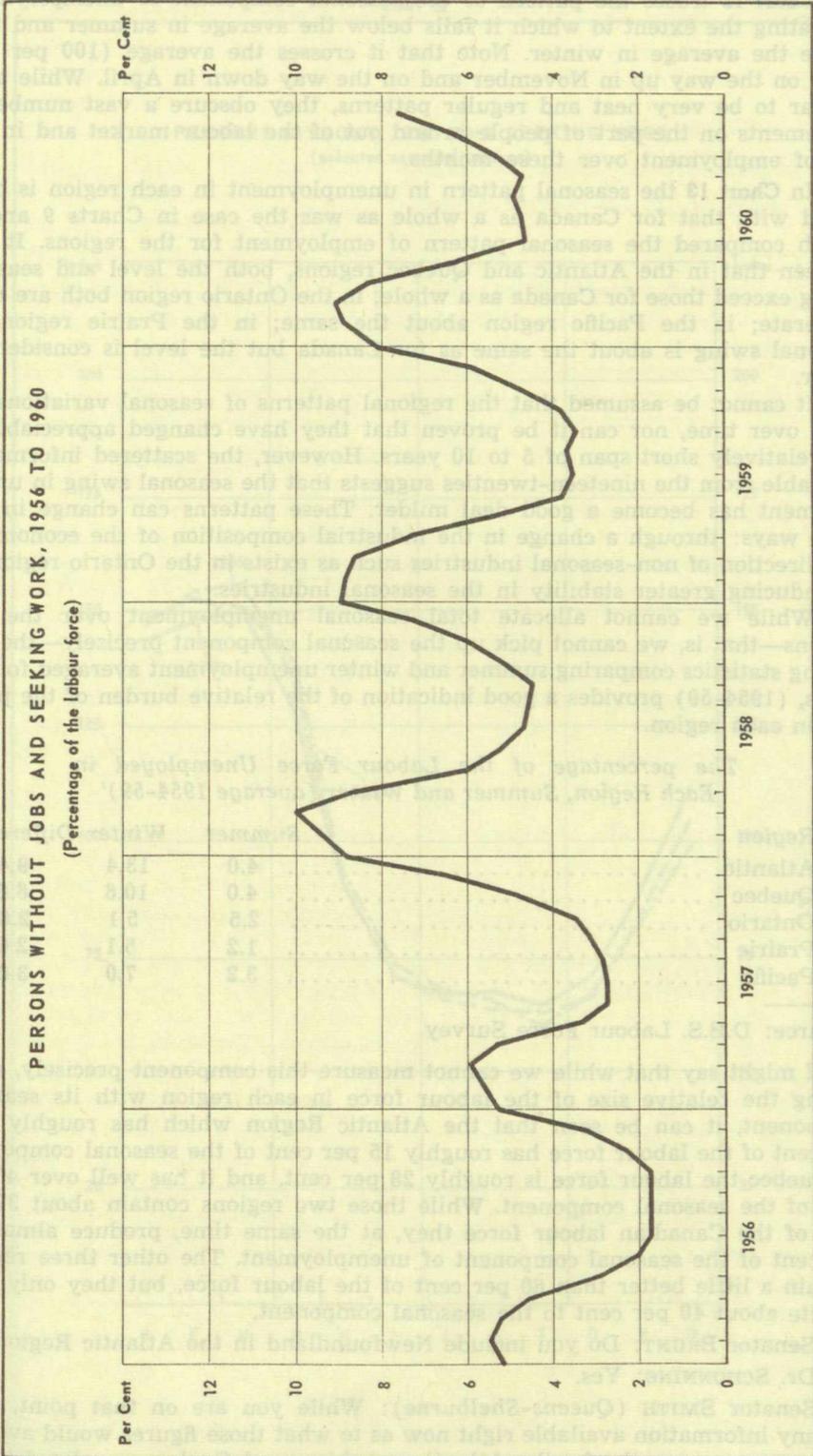


Chart 12 traces the pattern of the seasonal component of unemployment, indicating the extent to which it falls below the average in summer and rises above the average in winter. Note that it crosses the average (100 per cent line) on the way up in November and on the way down in April. While these appear to be very neat and regular patterns, they obscure a vast number of movements on the part of people in and out of the labour market and in and out of employment over these months.

In **Chart 13** the seasonal pattern in unemployment in each region is compared with that for Canada as a whole as was the case in Charts 9 and 10 which compared the seasonal pattern of employment for the regions. It will be seen that in the Atlantic and Quebec regions, both the level and seasonal swing exceed those for Canada as a whole; in the Ontario region both are more moderate; in the Pacific region about the same; in the Prairie region the seasonal swing is about the same as for Canada but the level is considerably lower.

It cannot be assumed that the regional patterns of seasonal variations are fixed over time, nor can it be proven that they have changed appreciably in the relatively short span of 5 to 10 years. However, the scattered information available from the nineteen-twenties suggests that the seasonal swing in unemployment has become a good deal milder. These patterns can change in two basic ways: through a change in the industrial composition of the economy in the direction of non-seasonal industries such as exists in the Ontario region, or by inducing greater stability in the seasonal industries.

While we cannot allocate total seasonal unemployment over the five regions—that is, we cannot pick up the seasonal component precisely—the following statistics comparing summer and winter unemployment averaged for five years, (1954-59) provides a good indication of the relative burden of the problem in each region.

*The percentage of the Labour Force Unemployed in
Each Region, Summer and Winter (average 1954-59)¹*

Region	Summer	Winter	Difference
Atlantic	4.0	13.4	9.4
Quebec	4.0	10.6	6.6
Ontario	2.5	5.1	2.6
Prairie	1.2	5.1	2.6
Pacific	3.2	7.0	3.8

¹ Source: D.B.S. Labour Force Survey.

I might say that while we cannot measure this component precisely, comparing the relative size of the labour force in each region with its seasonal component, it can be seen that the Atlantic Region which has roughly nine per cent of the labour force has roughly 15 per cent of the seasonal component. In Quebec the labour force is roughly 28 per cent, and it has well over 40 per cent of the seasonal component. While those two regions contain about 37 per cent of the Canadian labour force they, at the same time, produce almost 60 per cent of the seasonal component of unemployment. The other three regions contain a little better than 60 per cent of the labour force, but they only contribute about 40 per cent to the seasonal component.

Senator BRUNT: Do you include Newfoundland in the Atlantic Region?

Dr. SCHONNING: Yes.

Senator SMITH (*Queens-Shelburne*): While you are on that point, have you any information available right now as to what those figures would average in the summer months for the Atlantic provinces and Quebec as related to the percentage of unemployment in Canada?

Chart 12

PERSONS WITHOUT JOBS AND SEEKING WORK
(selected seasonal indexes)

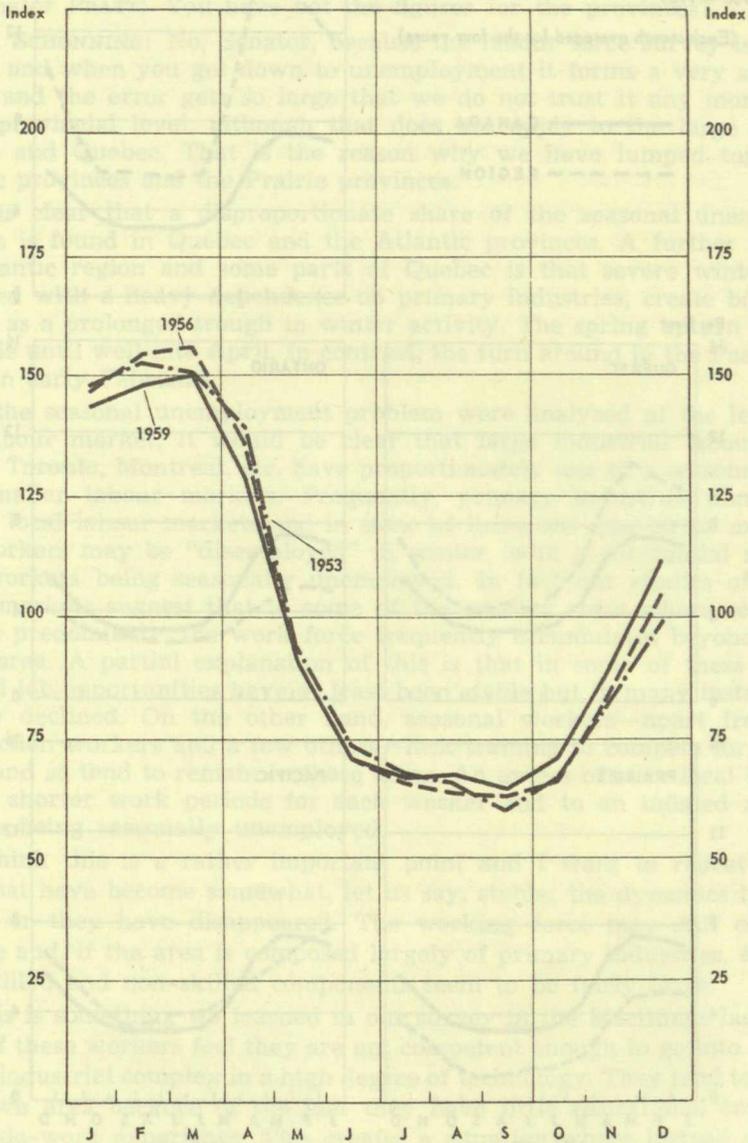
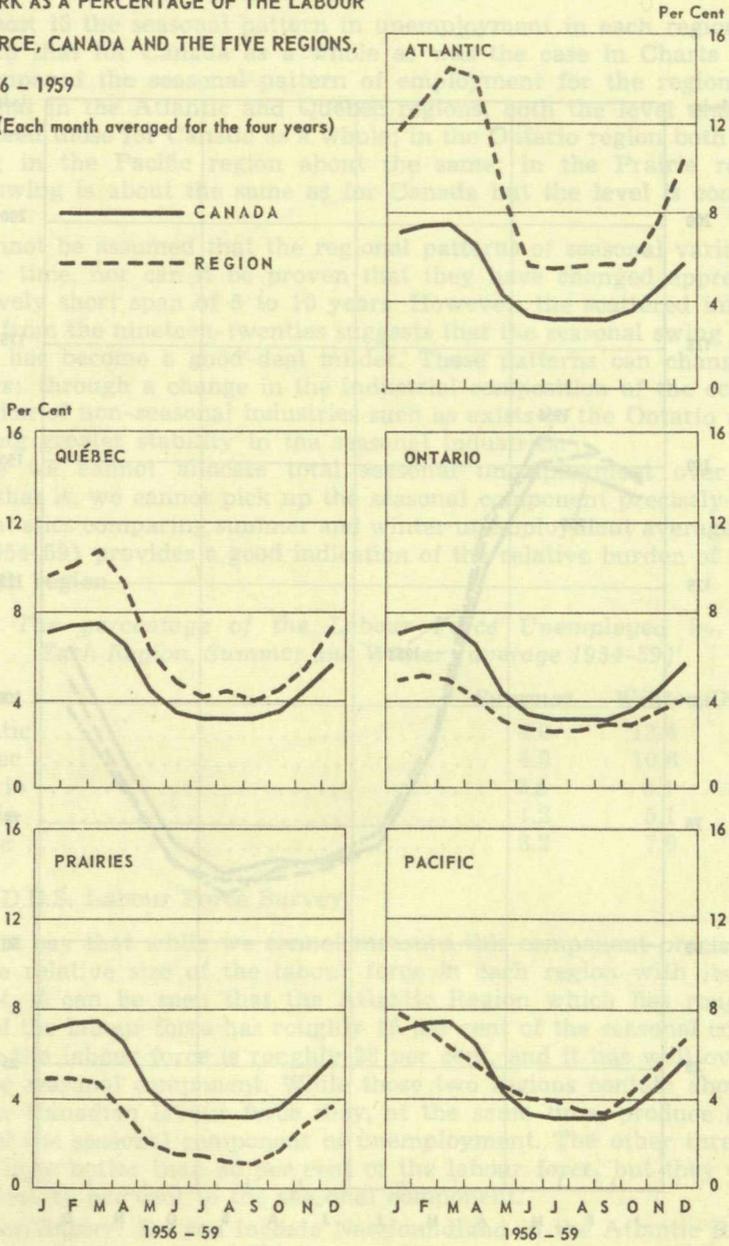


Chart 13

**PERSONS WITHOUT JOBS AND SEEKING
WORK AS A PERCENTAGE OF THE LABOUR
FORCE, CANADA AND THE FIVE REGIONS,
1956 - 1959**

(Each month averaged for the four years)

— CANADA
- - - REGION



Source: Labour Force Survey, D.B.S.

Dr. SCHONNING: The proportion? No, I have not that information here, but I would be happy to get it for you.

Senator SMITH (*Queens-Shelburne*): If you had it available it would be good to hear it, but having seen these figures I think they would be in the same proportion.

Dr. SCHONNING: Yes, I think they are.

Senator PRATT: You have not broken the figures down into provinces? These are regions.

Dr. SCHONNING: Just the regions, yes.

Senator PRATT: You have not the figures for the provinces?

Dr. SCHONNING: No, Senator, because the labour force survey is a sample survey, and when you get down to unemployment it forms a very small component and the error gets so large that we do not trust it any more. That is at the provincial level, although that does not apply to the large provinces, Ontario and Quebec. That is the reason why we have lumped together the Atlantic provinces and the Prairie provinces.

It is clear that a disproportionate share of the seasonal unemployment problem is found in Quebec and the Atlantic provinces. A further feature of the Atlantic region and some parts of Quebec is that severe winter climate combined with a heavy dependence on primary industries, create both a deep as well as a prolonged trough in winter activity. The spring upturn is not appreciable until well into April. In contrast, the turn around in the Pacific region comes in early February.

If the seasonal unemployment problem were analyzed at the level of the local labour market, it would be clear that large industrial labour markets such as Toronto, Montreal, etc. have proportionately less of a seasonal problem than smaller labour markets. Frequently, primary industries dominate the smaller local labour markets and in some of these one quarter or more of the paid workers may be "disemployed" in winter, with a substantial number of these workers being seasonally unemployed. In fact our studies of the local labour markets suggest that in some of the smaller areas where seasonal industries predominate, the work force frequently accumulates beyond the need of the area. A partial explanation of this is that in some of these areas the seasonal job opportunities have at least been stable but in many instances have actually declined. On the other hand, seasonal workers—apart from skilled construction workers and a few others—lack training to compete for jobs elsewhere and so tend to remain in these areas. An excess of such local labour can lead to shorter work periods for each worker and to an inflated number of workers being seasonally unemployed.

I think this is a rather important point and I want to repeat there are areas that have become somewhat, let us say, stable; the dynamics have never existed or they have disappeared. The working force may still continue to increase and, if the area is composed largely of primary industries, at least the semi-skilled and non-skilled components seem to be fairly large.

This is something we learned in our survey in the Maritimes last summer. Some of these workers feel they are not competent enough to go into areas with a large industrial complex in a high degree of technology. They tend to remain in their own area because of the fact they have little educational training and lack wide-work experience. This creates a situation where instead of working eight or nine months they work six or seven. They begin to share, you might say, what is there and this means that more of them are occupied in the few job opportunities in the area. In the wintertime more of them are consequently seasonally unemployed.

In **Chart 15** the summer and winter distribution of total employment among five major industry groups is indicated. Note particularly the position held by the construction industry. Now examine the two adjacent circles in **Chart 14** showing the contribution to unemployment of these five industries in summer and winter. Note the inflated position assumed by the construction industry especially in winter. Next we look at the contribution of these industries to seasonal unemployment in the single circle above. Note again that the construction industry is by far the largest contributor to this problem—in fact more than two-fifths.

Selected Characteristics of the Seasonally Unemployed:

A frequently asked question, apart from how many are seasonally unemployed, where located and what industries contribute to this problem, is who are they? This question will be dealt with somewhat briefly as this subject is covered fully in the Department of Labour's study on seasonal unemployment mentioned earlier. As might be expected, and as shown in **Chart 15**, about one half of the seasonally unemployed are labourers and construction workers. If we add the primary group and transportation occupations, about 80 per cent have been accounted for. In **Chart 16** the effect of seasonal influences on large occupational groups of males is shown. It will be noted that about three times as many labourers are unemployed in winter as in summer; about four times as many in the construction occupations are unemployed in winter and about three times as many from the primary occupations. It will be noted also that relatively few male workers are unemployed either summer or winter in the service occupations.

A considerable amount of variation in the seasonal swing exists for particular occupations within each of the above large occupational groups. By and large, the rule holds that the more an occupation is exposed to weather the greater is the seasonal swing. For example, within the construction occupations, the most severely affected are the bricklayers and tilesetters. Another general rule is that the degree of skill is not a strong determinant of the seasonality of an occupation. The kind of skill a person has is, of course, very important. The principal determinant of seasonal fluctuation of an occupation is the industry. However, given the industry, the extent to which an occupation varies seasonally depends largely on how exposed it is to the seasonal factor. Another important determinant among the skilled occupations is the degree of their transferability from one industry to another; for example the electrician who can work in construction and other industries as well is less affected by seasons.

All age groups are affected by seasonal fluctuations in employment. However, relatively fewer workers in the young and old age groups become seasonally unemployed. One explanation for this may be that some of the old workers choose to retire in winter and some of the young choose to return to school.

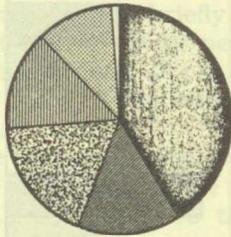
There is no precise information about the duration of unemployment among the seasonally unemployed, but what is available suggests that the average duration might be about three to three and a half months. It is extremely difficult to determine when a particular individual worker is unemployed for seasonal or other reasons. Investment in construction might be declining for example and this might lead to early seasonal layoffs or a slower pickup in the spring. Basically, workers so affected should be termed as "cyclically disemployed".

A final observation is that while it can be reliably predicted that between 200,000 and 300,000 workers will be seasonally unemployed each winter, this is of course a constantly changing group of workers. Apart from those leaving the seasonal industries for various reasons and others coming in, the same workers are not necessarily seasonally unemployed every winter. For example,

Charts 14 and 15

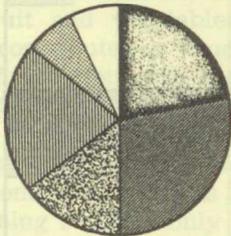
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PERCENTAGE DISTRIBUTION OF UNEMPLOYED MEN, CANADA,
AVERAGES 1958 - 1960

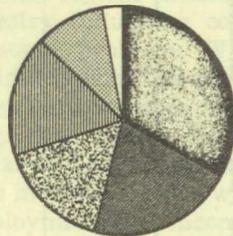


SEASONALLY UNEMPLOYED

-  Construction
-  Manufacturing
-  Primary
-  Trade, Finance, Insurance & Service
-  Transportation & Public Utilities
-  No Work Experience



SUMMER 1958-59



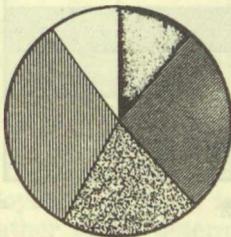
WINTER 1959-60

Source: Labour Force Survey, D.B.S. Unpublished data tabulated for this report.

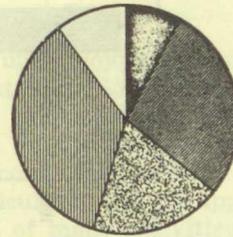
15

PERCENTAGE DISTRIBUTION OF EMPLOYED MEN, CANADA,
AVERAGES 1958 - 1960

-  Construction
-  Manufacturing
-  Primary
-  Trade, Finance, Insurance & Service
-  Transportation & Public Utilities



SUMMER 1958-59



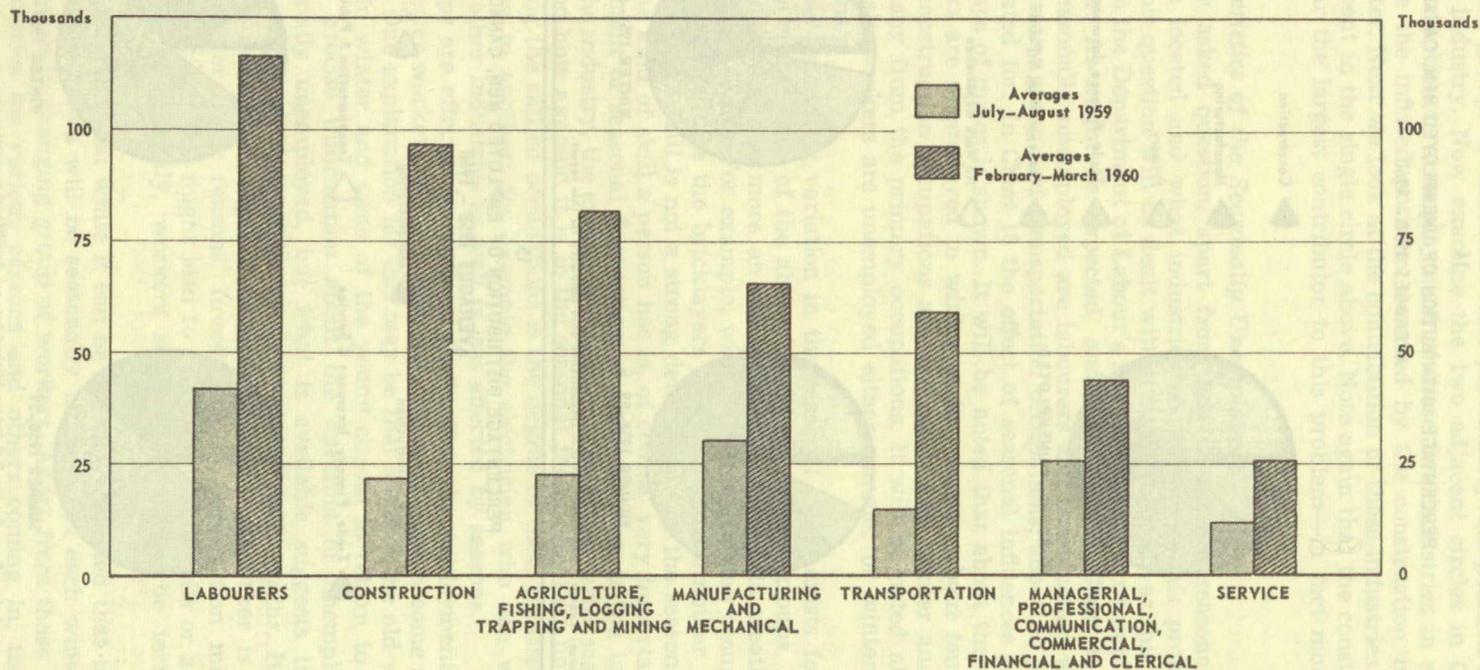
WINTER 1959-60

Source: Labour Force Survey, D.B.S. Unpublished data tabulated for this report.

Chart 16

MALE WORK-SEEKERS BY OCCUPATIONAL GROUPS, CANADA SUMMER 1959 - WINTER 1960

(Labour Force Survey estimates)



while well over 100,000 workers become seasonally unemployed in construction, some 350,000 work in construction in winter. Depending on the type and size of projects as well as on the timing of the start of projects, particular workers might be seasonally unemployed one winter but not the next. This may alter somewhat the incidence on whom the seasonal problem falls, but not the degree of unused manpower involved.

Summary:

I would now like to briefly summarize our discussion so far. When total unemployment is at a winter peak, some 250,000 workers are unemployed for seasonal reasons. At least 40 per cent of these workers come from the construction industry; most of the remainder come from the primary industries and transportation.

While the manufacturing industry shows only a modest seasonal pattern, that is, taken as a whole, some of the most seasonal industries are located in this group. Among these are the food, fish and fruit processing and wood products industries. When one or more of these industries are concentrated in a local labour market, the work force in that area may be subject to a substantial amount of seasonal unemployment.

The amount of seasonal unemployment in a region depends upon its industrial composition and its climate. Seasonal unemployment is lowest in Ontario where the manufacturing and service industries dominate employment. It is highest in the Atlantic, Pacific and Quebec regions where fishing, fish processing, fruit and vegetables and the forestry industries combined with construction contribute so much to the seasonal problem. While seasonal employment fluctuations are high in the Prairie region, seasonal unemployment is relatively low, in part, because agriculture does not contribute substantially to seasonal unemployment. A partial reason for this is that farming in the Prairie region is highly mechanized and dominated by self-sufficient economic units. This is less in evidence in other regions where in many instances farming supplies only part-time employment and income.

Seasonal unemployment tends to be substantial in local labour markets dependent on seasonal industries. An excessive amount of seasonal unemployment can develop when the seasonal or other industries fail to expand in line with the growth of the labour forces in these areas.

The analysis suggests that the industries from which most of the seasonally unemployed come are employers of men. That is, the seasonal unemployment problem is predominantly a male problem hence relatively more serious from a social point of view. Also, apart from the skilled and semi-skilled construction workers, a large proportion of the seasonally unemployed consists of unskilled men. As might be expected, while a great variety of occupations are affected by seasonality, the construction occupations predominate.

What Has Been Done and What More Might Be Attempted:

The main factor in Canada's seasonal unemployment problem is the weather, and nothing much can be done about that. Some industries such as agriculture, fishing, inland shipping and some parts of forestry have seasonal patterns that are dictated by the weather and by the fact that practically all the work in the industries takes place outdoors. The problem of changing seasonal employment patterns is therefore difficult. It will be appreciated that while the weather factor determines the level of many activities from season to season, science, technology and research have gone a long way toward overcoming this factor; in some instances work can be carried out in winter but at a great deal of extra cost, in other instances with little or no extra cost.

The construction industry—which is by far the greatest contributor to seasonal unemployment—is dependent on the weather, but other factors subject to human control play a major role as well. That is why it offers the brightest prospect for stepping up winter work, and why it is important to encourage contractors to undertake in the winter at least those things that are not limited by the weather. Not only is the industry itself a major employer (about 500,000 workers) but increased activity in construction leads to stepped-up activity in related industries such as transportation, manufacture of building materials and, in the case of housing construction, the manufacture of household furniture and appliances.

It is because of the many ramifications that flow from activity in the construction industry, as well as its importance as an employer, that this industry is the major focus of what has come to be known as the National Winter Works Campaign.

This program began in a small way in the late 1940's when local offices of the National Employment Service, recognizing the need to draw attention to seasonal unemployment, began to establish winter employment committees whose job was to stimulate work in the slack season. Since 1954, these local efforts—numbering now some 200—have been incorporated into a national winter employment promotional and educational program conducted jointly by the Department of Labour and the National Employment Service of the Unemployment Insurance Commission. The purpose of the national program is to inform the public about the seasonal problem and to encourage organizations and individual citizens to support the Winter Employment Campaign.

Since 1955, directives have been issued to all federal departments and agencies to plan their activities so as to create maximum employment during the winter months. An inter-departmental committee is charged with responsibility for seeing that this policy is carried out. As a result, a large part of construction work and purchasing has been shifted to the winter months. Provincial governments generally follow a similar policy.

The National Winter Employment Campaign was broadened in the fall of 1958, following a National Conference on seasonal unemployment in July called by the Minister of Labour, by the introduction of the Municipal Winter Works Incentive Program. Under this program the Government of Canada offered to pay 50 per cent of direct labour cost on those municipal projects that were normally not carried out in winter.

During the first year of this program (October 31, 1958 to May 31, 1959), more than 700 municipalities participated; almost 2,000 projects were approved involving expenditures of almost \$90 million. This provided employment for some 35,000 workers who averaged 41 days of work. Possibly an equal number of workers retained or obtained employment off site as a result of this work. All provinces participated.

This program was repeated in the winter of 1959-60 and more than 50,000 workers were employed on approved projects.

The program was broadened for the winter of 1960-61 by the inclusion of additional types of construction. By February 1961,—the last figure I have—some 1,800 municipalities were participating and had obtained approval for about 5,600 projects valued at over \$250 million, requiring about 100,000 workers. The indirect employment effect of this program is not known, but it would be substantial.

This program suggests that it is at least physically possible to increase winter construction. Some parts of construction may of course cost a little more. We assume that an important by-product of this program is that in carrying out certain projects that would not otherwise be done in winter,

there is built up a body of experience that will lead to improved technology and planning which will in turn lead to more efficient construction under winter conditions throughout the country on private as well as public construction projects.

Among other actions that the government has taken to promote winter work are these:

- (a) it has for some years made funds available, through CMHC, for housing at strategic times so as to increase housing starts in the autumn. CMHC direct loans to builders have been an important feature of these loans as far as affecting winter employment is concerned;
- (b) it has stimulated further the training of the unemployed by increasing the Federal contribution from 50 to 75 per cent on provincial expenditures on training of the unemployed. (Schedule M);
- (c) it has encouraged the Department of Labour to carry on research on the seasonal problem.

With respect to research, the Economics and Research Branch of the Department of Labour has carried out a number of projects over the years, including the overall study referred to earlier, issued last year.

At the request of the Vancouver Employment Committee, a study of seasonal unemployment in British Columbia was undertaken in 1958. The study was financed jointly by the Federal and Provincial Governments and was carried out by the British Columbia Research Council under the direction of an Advisory Committee. A technical expert from the Department of Labour was a member of this committee. A report entitled, *Seasonal Unemployment in British Columbia* was published in the summer of 1960.

In brief, the study was to serve the following purposes:

- (i) bring together the available information and data relevant to both seasonal employment and unemployment in British Columbia with comparisons as needed with other parts of Canada;
- (ii) provide a thorough analysis of the causes and special characteristics of seasonal fluctuations in employment as they occur in British Columbia;
- (iii) provide an indication as to where and how possible remedies should be sought.

Of interest to the Senate Committee may be the recommendations that came out of this study. These can be found in Appendix A at the back of this report.

A year ago, the federal government entered into an agreement with the provinces of New Brunswick and Nova Scotia to carry out on a joint basis a study of seasonal unemployment in these provinces. Last summer, population interview surveys were carried out in the National Employment Service areas of Bathurst, N.B. and New Glasgow, N.S. The objectives of these studies are—among other things—to determine the magnitude of the seasonal problem in these areas and through a detailed examination of the characteristics of the people involved learn to understand more fully this problem. Preliminary data from these surveys suggest that in some areas a very large proportion of the work force depends on seasonal work. Because many of the seasonal jobs do not require a highly trained work force, workers in such areas tend to be poorly educated and trained. When this feature is combined with a large proportion of seasonal workers being away from work for lengthy periods each year, relatively low incomes result. Our studies verified this, and also that many of the younger people who are able to obtain better education and training leave the area. Tentative plans are being developed for surveying additional areas in these provinces.

At this time, it may be appropriate to ask: Are we solving the seasonal unemployment problem? That is, is the proportion of the labour force seasonally unemployed in winter declining? Looked at in terms of decades, this is certainly true. Proportionately, a great many more people worked in the winters of the 1950's than in the 1920's. However, in the past 10 years or so, we have barely held the line despite major additional efforts to cope with the seasonal problem. (See Appendices B and C at pp. 1102, 1103).

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, just for the purpose of clarification. I do not quite understand why you say that the problem is levelling off to some extent when the base in the years '53 to '55 is 143,000 and now the base is almost double that.

Dr. SCHONNING: That is total unemployment. That is the base that you have for the lowest point in the summer.

Senator SMITH (*Queens-Shelburne*): For the lowest point in the summer, that is the total unemployment?

Dr. SCHONNING: That is right.

Senator PRATT: That is used to demonstrate the seasonal aspect of it.

Senator SMITH (*Queens-Shelburne*): Now I understand it.

Senator CAMERON: Is there not another factor due to the activities that have developed in the last few years which have approximately absorbed the increase in the labour force?

Dr. SCHONNING: The labour force has gotten bigger and so you would have more seasonal unemployment, that is true. We have at least done enough to cancel out the increase.

Senator BUCHANAN: What you have done is to hold the line.

Senator LEONARD: The base cancels it out but the seasonal aspect still remains the same?

Dr. SCHONNING: That is right. We have held our own, if you want to look at it that way. If these programs had not been carried out I dare say our seasonal unemployment would have been a great deal worse.

Senator BUCHANAN: Don't you think a great deal more could have been done in the construction industry through earlier planning in the first place, to bring the work out at the proper times? I speak of that because that has been my experience; I am in the construction industry. And while we talk of planning, and planning our work, it would seem to me in fact that it is not being done. The designers are behind in their work, the financing at the different levels of Governments has not been done at the proper time and in the end tenders are not called for in time, so all in all you get a job started at the wrong time to classify it as winter work. It could be done in winter, because we have developed ways of taking care of winter work which, if given an opportunity, it could almost level off construction activity except of course in the fields of paving and outdoor work. I am talking particularly about the building industry.

Dr. SCHONNING: I would agree with you wholeheartedly, Senator Buchanan, on that. I remember a few years back I was sent to the Scandinavian countries to study this problem and I spent some time in the three countries. When I came back I made a report to the effect that there they take certain steps, steps which probably would not be politically advisable to take here, and one was that they insisted on a permit or licensing system in construction. This led to a new kind of planning, and I presume, Senator Buchanan, that is what you are referring to.

Senator BUCHANAN: That is right.

Dr. SCHONNING: This system forced them to plan every structure with respect to the season of the year. Of course, it takes time to learn to plan seasonally, especially if there are no pressures of any kind to do so. I do not say we should do this, all I am saying is that this forced the people of those countries to think about planning with respect to seasons. Better planning is gradually coming through experience here, and I think the municipal winter works program is doing a great deal in that direction, gathering experience about winter works problems; and, how to build in the winter time. But the planning end, I would think, is almost as important as any incentive; the planning of any type of project, particularly projects that last roughly a year or more should be planned so that activity might go on in every season and be built in 12 months rather than 1½ years.

Senator BUCHANAN: That is correct, and a lot of the trouble right here, in different branches of our Government, is getting together and bringing out their plans at the right time, and all along the line, as far as that goes. The construction industry itself could solve the problem, if given the opportunity to do so, because they can go ahead and keep their workers busy, if the planning above is sufficient to allow them to do it. That is the point I am making.

Dr. SCHONNING: I might add, it may be that we are blaming the construction industry itself a little unjustly, because there are many factors over which they have no control. It is true once they have gotten the contract and are all ready to go, then it is up to them, to a great extent, how they plan depending on the termination date, and so forth, set by the owners. That is one element in this part of society that we have not gone after in our educational program: we have not gone after those who own or pay for construction.

Senator BUCHANAN: I think you are absolutely right. We can handle it, given the opportunity, but we cannot press that phase of it.

Senator CAMERON: As part of this program of planning which seems to be increasingly necessary, has your department or any other made available statistics on increased costs of doing certain jobs in the winter as compared to the summer? For example, if a contractor or municipality knew that they could do a certain job in the summer time at, say, 10 per cent lower cost, this could be planned for. Have you any figures of that kind?

Dr. SCHONNING: No, but I wish we had. There are a lot of them. There are as many cost figures as investigators, and that figure might be multiplied by the different projects that are carried out in winter time—a regular catalogue of different extra costs. The Scandinavian countries, which forced through such a building program, said it was on an average probably in the neighbourhood of 5 to 10 per cent higher.

Senator BUCHANAN: I think it would be much less than that. I think, if properly planned, there is very little difference, if you can carry that continuity right through.

Dr. SCHONNING: It just depends on the location and the type of project you are talking about, whether it is in North Bay or Windsor.

Senator BUCHANAN: I am talking about general building construction work, and not pavements and that sort of thing—even bridges.

Senator CAMERON: In terms of national cost it would be quite small probably.

Senator BUCHANAN: I am sure.

Senator BURCHILL: But it varies with the location in Canada.

Senator CAMERON: We are building the trans-Canada highway, and highways all over the shop. I cannot see any much greater difficulty in doing the preliminary road work in winter time than summer time, and if it is planned it can be done.

Senator PRATT: Take an area such as Newfoundland. There you have the extremes in winter, with heavy snow falls and ice, and a tremendous difference in the summer time compared to the winter. You cannot operate road works programs in the winter.

Senator SMITH (*Queens-Shelburne*): In the part of Nova Scotia I come from there are many winter months when you could do this type of winter work. We have green Christmases and green winters—and that is what makes for increased costs, if you try to do that same work up in North Bay. Then your costs are going to be sky high.

Senator PRATT: It depends on the location.

Mr. DOUCET: In the study of seasonal employment for British Columbia, referred to before, the problem of winter construction was not one of cold and frost, but one of mist and mud. Indeed, they are thinking of a way of consolidating the ground, freezing it, so that they can transport materials over it. I think also in relation to cost in many cases the difference between doing something in summer as against doing it in the winter is less than the difference on two contracts on the same item done in the summer. I do not know of any construction man, contracting, whose estimating of costs for contracts is so good that on large jobs he could get within 3 per cent. I think it may be the difference in costs have been over-emphasized a little bit.

Senator PRATT: Are you referring to construction such as factories and residences?

Mr. DOUCET: Yes, large contracts.

Senator LEONARD: Sometimes you might even get a better price on winter construction.

Mr. DOUCET: That is right.

Senator MACDONALD (*Queens*): I wish to put on record this information if you have it: have you the figures of what the average increase in the labour force of Canada is from one year to another? I know our population has jumped.

Dr. SCHONNING: Roughly 1.7 or 1.8 per cent, annually or the decade.

Senator MACDONALD (*Queens*): Have you it in total figures?

Dr. SCHONNING: Last year, of course, it was more than that. Our increase in the labour force last year was for the most part women. I have nothing against that, mind you.

Senator BUCHANAN: Is that going to be the case over the next few years?

Dr. SCHONNING: Over 100,000 women came in last year and there was a lower than usual intake of men, roughly 70,000, which makes the total increase almost 3 per cent. This is considerably higher than our 10-year average. This is due, to a great extent, to an influx of over 100,000 women. Normally the influx of women would be in the neighbourhood of 25,000 to 30,000. That is the normal sort of long-run figure.

Senator INMAN: What caused the increase?

Dr. SCHONNING: The increase in the number of women has reflected the surge of the service industry expansion. This has been a rapidly growing one over the whole post-war period. But in the first 10 years or so we were pre-occupied with building factories and pushing resource development, with some lag in the services end. As you know, there has been a turn-around

now. In the last few years the goods producing industries have come to somewhat of an impasse while the services have continued both to expand and proliferate. These jobs are suitable to women rather than men. Mind you, a lot of men have found employment in the service industries as well.

Nevertheless, it is pretty evident that in the absence of the programs outlined above, the seasonal problem would have become a good deal worse. Two suggested reasons for this modest result are: first, the economic growth of the economy has been slower in recent years than in the earlier post-war period; seasonality tends to expand under such conditions. Secondly, non-seasonal employment for men has failed to expand appreciably in recent years while the male labour supply has increased. This has led to an over-supply of workers associated with the seasonal industries that are active in the summer months.

Finally, what are the possibilities for reducing seasonal unemployment further? Experience suggests that some kinds of activity entail extra cost in winter. Set against this cost is the amount of social cost incurred when manpower and other resources lie idle. I would suggest—and there is support for this—that the stimulation of a higher winter activity produces a higher Gross National Product than if this were not done. That is, it is not just a matter of shifting activity from summer to winter, although even this would have a beneficial effect on our manpower resources. One argument in support of an increased volume of winter work is that some of the large expenditures that now support idle manpower resources each winter is a drain on savings which might be more fruitfully applied to the creation of wealth. Another supporting argument is that a stable permanent work force is a more efficient one than when part of the work force is idle for a part of each year.

Several ways have been suggested for reducing seasonal unemployment. Among these are:

- (1) stabilize employment in seasonal industries;
- (2) through technology reduce the number attached to these industries (as logging and agriculture);
- (3) create a better balance between peak activities of some industries and trough of others;
- (4) stimulate growth of the non-seasonal industries;
- (5) shorten the inactive season in winter.

Nos. (1), (2) and (4) are the important ones.

Objectives such as these suggest both a long- and short-run approach. The long-run approach includes a great deal of further research on manpower use and training, technological improvements and the promotion of markets for goods and services from the non-seasonal industries. One short-run approach—and not entirely separated from the long-run—includes studying local labour markets where seasonal activities are heavily concentrated with a view to encouraging through incentives or other means more winter work. An important by-product of such studies would be to develop alternative employment for surplus manpower which often accumulates in places where the seasonal industries dominate. Getting these surpluses out of these areas through training or in other ways and into non-seasonal industries would contribute significantly to the reduction of the seasonal unemployment problem.

One overriding factor in keeping the seasonal unemployment problem in check lies in our ability to maintain a high level of economic development and growth. However, over and above this, we need to learn to do more than we are now doing in winter. Better planning of some of our seasonal activities, pushing ahead with technological change that will conquer the climate, and changes in some of our attitudes and habits toward winter activities, could go a long way toward achieving this objective. No one assumes that the seasonal unemployment problem can be entirely done away with, but many believe that it can be substantially reduced.

APPENDIX "A"

RECOMMENDATIONS MADE IN "SEASONAL UNEMPLOYMENT IN BRITISH COLUMBIA", A REPORT PREPARED BY THE BRITISH COLUMBIA RESEARCH COUNCIL ON BEHALF OF THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF BRITISH COLUMBIA

Recommendations and suggestions made in the report are set out below as they appear to apply to the various levels of governments, industry, labour or a combination of these:

Federal:

1. That mortgage funds be made available on a stable year-round basis.
2. That improvements be made in medium-range weather forecasting.
3. That the "Unemployment Insurance Commission make a detailed study of the application of seasonal differentials in contribution rates".
4. That the federal government extend its program of publicity and education to promote winter work, and that this extension be aimed at specific industries.
5. That the federal government intensify its research activities on: (a) winter building techniques; (b) winter transportation in rainy areas; and (c) the preserving of foods from the time of the harvest until they are required by the consumer.
6. That the federal government give longer notice of its intention to make assistance available to municipalities under the Municipal Winter Works Incentive Program.
7. That the federal government extend the Municipal Winter Works Incentive Program to include: (a) a greater variety of projects and (b) a sharing of non-labour costs.

Provincial:

1. That a winter tourist industry be developed.
2. That the provincial government give financial assistance to the municipalities for types of projects not now eligible for federal aid under the Municipal Winter Works Incentive Program.
3. That the provincial government extend its program of publicity and education relating to the winter works campaign.
4. That the provincial government establish an interdepartmental committee "to co-ordinate government activities affecting seasonal unemployment".
5. That a "detailed study be made of the employment potential of a Forestry Works Program, and of methods of putting such a program into effect".
6. Development of detailed plans for road and highway construction programs over a longer term.
7. Tax remission at provincial or municipal levels on property improvements or materials put in place during winter season.

Joint Federal-Provincial:

1. That "the federal and provincial governments jointly undertake a substantial expansion of the program for providing trades training for unemployed persons".
2. That in each training area the courses be timed to be available during the period of maximum seasonal unemployment.

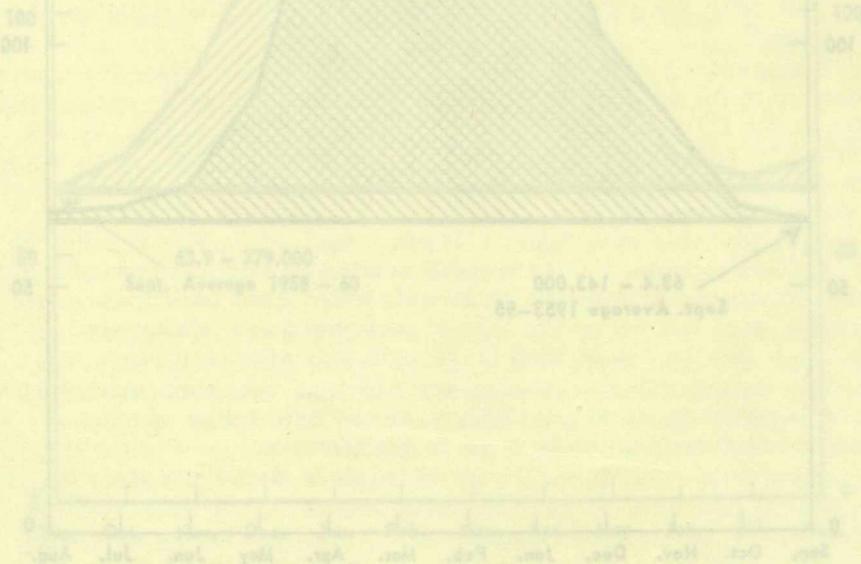
Municipal:

1. Tax remission on improvements made on real estate during winter months.

2. Revision of municipal building codes.
3. Improvement in development of residential subdivisions.
4. Longer terms of office for municipal officials and alternative timing of elections now held in December.
5. Longer-range planning of undertakings.

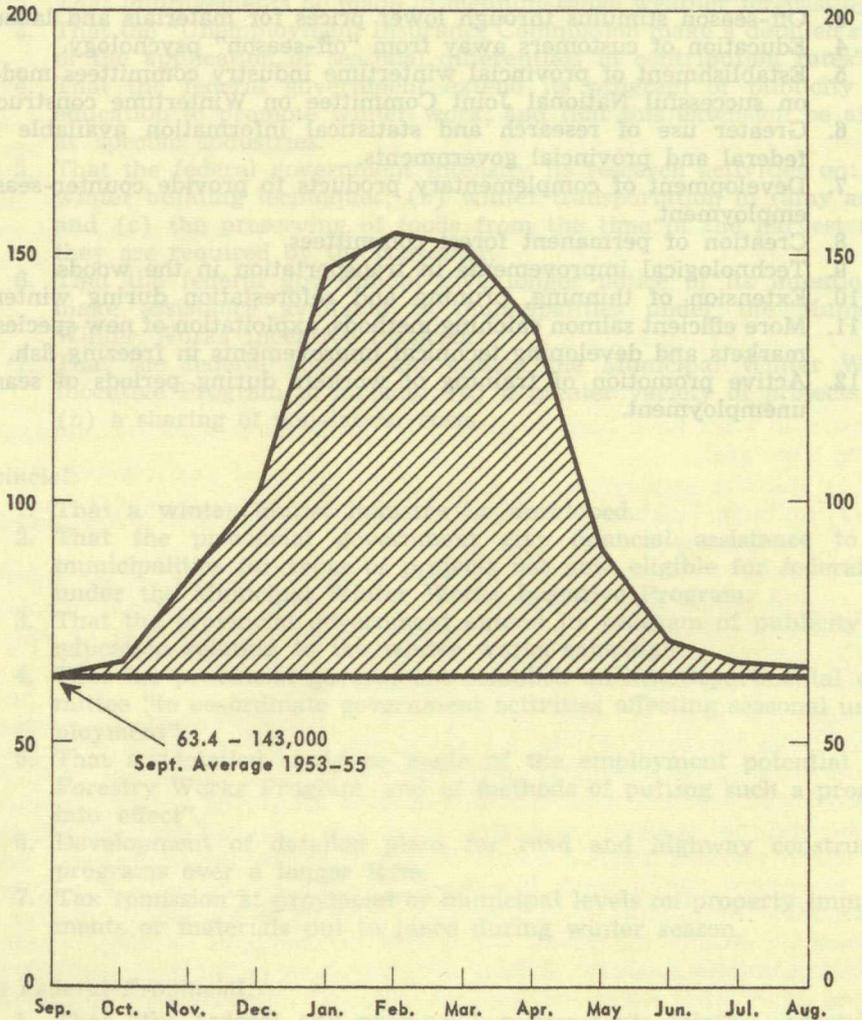
Industrial and Organized Labour:

1. Encouragement and demonstration of valuable work done by the Division of Building Research of National Research Council on techniques of winter construction.
2. More effort by builders to create confidence in winter construction at little or no additional cost.
3. Off-season stimulus through lower prices for materials and labour.
4. Education of customers away from "off-season" psychology.
5. Establishment of provincial wintertime industry committees modelled on successful National Joint Committee on Wintertime construction.
6. Greater use of research and statistical information available from federal and provincial governments.
7. Development of complementary products to provide counter-seasonal employment.
8. Creation of permanent forest committees.
9. Technological improvements in transportation in the woods.
10. Extension of thinning, pruning and reforestation during winter.
11. More efficient salmon catching methods, exploitation of new species and markets and developing technical improvements in freezing fish.
12. Active promotion of training of workers during periods of seasonal unemployment.



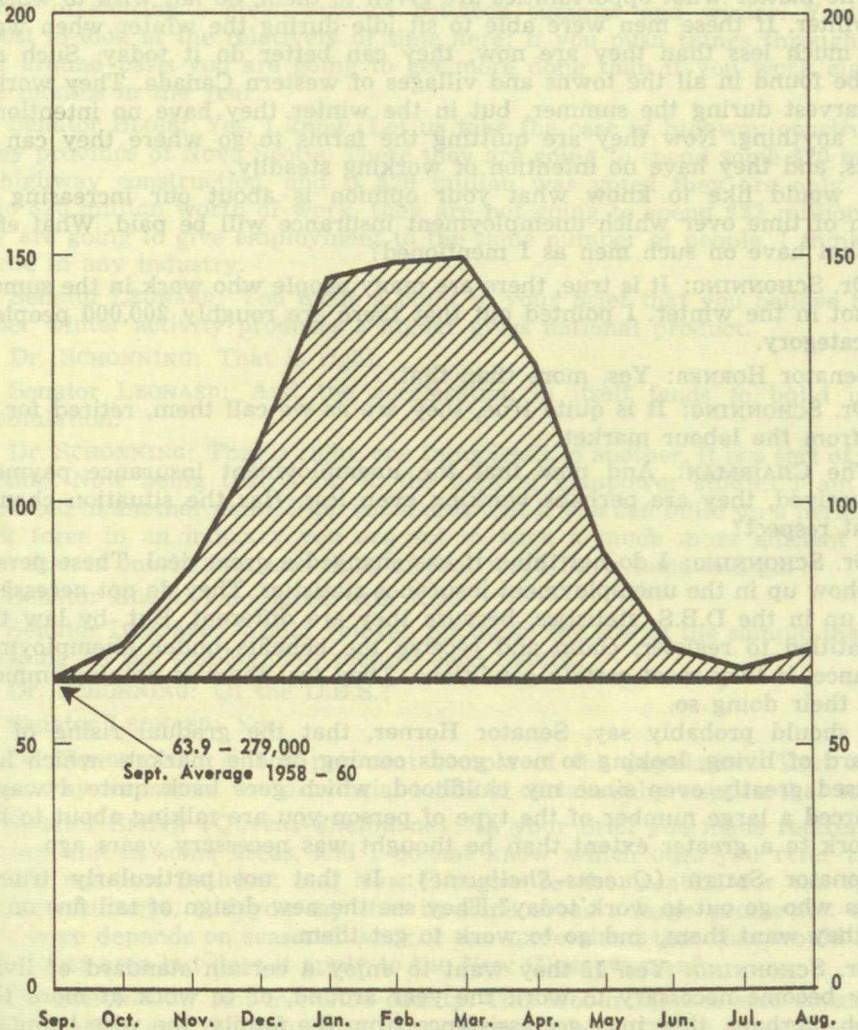
Appendix B

SEASONAL COMPONENT OF UNEMPLOYMENT
IN CANADA
(Monthly Averages 1953-55)



Appendix C

SEASONAL COMPONENT OF UNEMPLOYMENT
IN CANADA
(Monthly Averages 1958 - 60)



Senator HORNER: Mr. Chairman, the great factor as I see it with respect to seasonal unemployment, is that to cope with it you would have to set about to change our attitude and, if need be, change human nature itself. My experience in employing men in the days when wages were not as high as they are now, was that they worked well during the summer, but they returned to the town in the winter, where they kept a cow and had the produce from a small garden, and they did no work during that season. They were splendid men and could be useful with livestock in the winter months, but I was never able to persuade them to work in that season.

I believe there are a couple of hundred thousand men in this category who, no matter what opportunities are given to them, do not wish to work in the winter. If these men were able to sit idle during the winter when wages were much less than they are now, they can better do it today. Such men may be found in all the towns and villages of western Canada. They work in the harvest during the summer, but in the winter they have no intention of doing anything. Now they are quitting the farms to go where they can get tickets, and they have no intention of working steadily.

I would like to know what your opinion is about our increasing the length of time over which unemployment insurance will be paid. What effect will that have on such men as I mentioned?

Dr. SCHONNING: It is true, there are many people who work in the summer and not in the winter. I pointed out that there are roughly 200,000 people in that category.

Senator HORNER: Yes, more than that.

Dr. SCHONNING: It is quite true, they are as we call them, retired for the year from the labour market.

The CHAIRMAN: And now that the unemployment insurance payments are received, they are perhaps working even less. Has the situation changed in that respect?

Dr. SCHONNING: I do not think it has changed a great deal. These persons now show up in the unemployment insurance statistics. They do not necessarily show up in the D.B.S. statistics, because they are different. But, by law they are entitled to register, claim and receive the benefits under unemployment insurance, if they meet certain conditions. They feel there is nothing immoral about their doing so.

I should probably say, Senator Horner, that the gradual rising of the standard of living, looking to new goods coming on the market—which have increased greatly even since my childhood, which goes back quite a ways—has forced a large number of the type of person you are talking about to look for work to a greater extent than he thought was necessary years ago.

Senator SMITH (*Queens-Shelburne*): Is that not particularly true of women who go out to work today? They see the new design of tail fins on the cars, they want them, and go to work to get them.

Dr. SCHONNING: Yes. If they want to enjoy a certain standard of living, it may become necessary to work the year around, or to work at more than one job; perhaps, they may get assistance from the family, the wife being one of them. This I think is obvious to any one as being a gradual development in our society.

Senator BLOIS: Mr. Chairman, we are talking about spreading work, about getting more work done in the winter time, largely in the construction industry, and we are increasing manpower hours by doing this. But, if more work is done in the winter, we will have less work to be done in the summer. For instance, in the category of highway work, each province is spending all the money it has for that purpose now; and if the work is done in the winter

months, there will be less work done in the summer months. In other words, we are not giving more work to more people; rather, we are spreading the work. The same is true in the house-building industry: contractors are building all the houses required today; therefore, we are not creating more work by spreading it over a longer period. Am I right in that?

Dr. SCHONNING: Let me say this: we cannot look at investment in total, as we once looked at the wages fund theory and say that there is so much money to go round. I am convinced that through, for instance, the Municipal Winter Works Incentive Program, more in total is achieved by higher activity in the winter months. That, I believe, adds to the total investment. It is not just a matter of sharing a given amount between summer and winter. You have almost to look at the relatively of time here; if you push things through on a year around basis you are going to get more done than if you work eight or nine months in the year.

Senator BLOIS: Yes, I know. Let us take the case of highway construction in my province of Nova Scotia. There they are going to spend some \$20 million on highway construction, and if \$20 million was voted they are only going to do \$20 million worth of work, they are not going to spend \$22 million, and they are going to give employment to the same number of people. I think that is true in any industry.

Senator LEONARD: You made a point in your brief that you believe that a higher winter activity produces a higher gross national product.

Dr. SCHONNING: That is right.

Senator LEONARD: And the acceleration in itself tends to build up an accumulation.

Dr. SCHONNING: That is right, one thing leads to another. It is a sort of chain reaction. Now being that I am in the field of manpower studies I am very interested in another point. I am convinced that if you can build up a permanent work force in an industry you are apt to have a much more efficient work force than if one-half or one-third of that work force come and go.

Senator BLOIS: I do agree with that.

Senator LEONARD: Would you tell me again the size of the sample that you are doing on the employment picture each month?

Dr. SCHONNING: Of the D.B.S.?

Senator LEONARD: Yes.

Dr. SCHONNING: A one per cent sample of the population. That is one reason why we cannot use provincial totals of certain subgroups in that survey.

Senator SMITH (*Queens-Shelburne*): In your brief you made reference to the fact that in some areas, and I do not know which ones you refer to but you did mention Bathurst and New Glasgow as the location for the special interview surveys, and you say that in some areas a large proportion of the work force depends on seasonal work. I can understand that that would apply to Bathurst area but does it apply to the New Glasgow area?

Dr. SCHONNING: Not in Pictou county. This labour market area constitutes three counties, and the industrial complex there is in Pictou. Employment in the other two counties is very seasonal, much the same as the areas lying outside of Bathurst town itself.

Senator SMITH (*Queens-Shelburne*): Let us get this clear. The New Glasgow employment office is the centre for three counties, Pictou, Antigonish and Guysborough?

Dr. SCHONNING: Yes.

Senator SMITH (*Queens-Shelburne*): Now I understand.

Senator HORNER: With the high standard of living that you keep boasting about I am not so sure that a man really needs to work twelve months in a year. Our teachers, for instance, only work eight months a year. I think that if a man works nine months a year possibly he should have three months off to enjoy himself before he gets up to the age where he likes to go fishing or hunting. I am not too sure that that could not be worked out. Perhaps if we did not have unemployment insurance we would have very little talk about unemployment at all. That is my experience.

Dr. SCHONNING: A long winter vacation with half pay is very attractive.

Mr. DOUCET: Mr. Chairman, may I say here that we have been concerned for some time about the measurement of employment in terms of hours rather than measuring months. In other words, how many hours in a year does a man work? In the fishing industry for example, a man may work five or six months, perhaps the equivalent of 1,600 or 1,700 hours of work a year which is only some 300 hours below what is considered a normal work year. Unfortunately we cannot measure employment at the moment in these terms. We cannot say that if a man has worked in the construction industry for ten months he has worked 2,000 hours. He may have worked just as long as a man in the automobile industry or any other industry in a year.

Senator LEONARD: Having in mind your brief Dr. Schonning, we can almost look forward to the same problem in the winters of 1961 and 1962. Should not planning and decisions be made at an earlier time than perhaps we have been making them in the past?

Dr. SCHONNING: You are speaking of municipal works?

Senator LEONARD: Yes, the municipal end of it, and Government action.

Senator SMITH (*Queens-Shelburne*): The housing policy as well as these other things.

Dr. SCHONNING: These of course are requests that come regularly to the Government from municipalities and anyone else affected. Last year I suppose it probably could be said that maybe the announcement was early enough. I suppose the best way to do it would be if there was a standing invitation.

Senator BLOIS: The provinces are doing their work now in winter. They are letting contracts in November and December so that contractors can get on the job as quickly as possible the following spring as the condition of the earth allows them. I would say that most of the provinces in these last few years are planning their work much earlier than was the case five or ten years ago.

Dr. SCHONNING: That is the experience we have.

Senator SMITH (*Queens-Shelburne*): Wouldn't you think that earnest consideration should be given to the making of a definite policy statement by the Central Mortgage and Housing Corporation with regard to the quantity or the percentage of direct loan activity they are going to embark on so that builders of large housing projects could make their plans knowing that direct loans are going to be available starting, say, in November. This would enable the builders to plan their work in the spring of that year and thus housing itself could get under way in a great many parts of Canada during the seasonal unemployment period. I do not know just what the committee would say about C.M.H.C. announcing that they are going to make direct loans, but it strikes me it was quite late in the year when the last announcement was made and a number of loans had to be processed in January. It strikes me if they were processed earlier, and plans made earlier we would have more of a chance of getting housing work done earlier in the season.

Dr. SCHONNING: I think that last year, Senator Smith, the announcement was made fairly soon. I think they gave direct loans to builders quite a time

ahead and the builders were able to plan ahead. For seasonal reasons we have always recommended if these direct loans are used that we would like to see them come into being around August or September, so that contractors could get a start before the winter sets in, and last fall I think we had a pretty good experience with that. You know, housing was pretty low last summer, and the direct loans to builders helped a great deal last fall to pick up this slack.

Senator SMITH (*Queens-Shelburne*): Do you remember the date on which the announcement was made?

Dr. SCHONNING: I think it was in the spring, if I remember right.

Senator SMITH (*Queens-Shelburne*): It strikes me it was just the opposite.

Dr. SCHONNING: I wouldn't like to set a date.

Senator SMITH (*Queens-Shelburne*): As I understand it, last spring announcement was made that the Government intended to make available to builders a very large proportion of the total sum of money which was voted by Parliament to C.M.H.C. But it was not until late in the fall that they started to cause housing to pick up. I know that we passed legislation early last summer or late last spring to permit C.M.H.C. to increase their direct loaning.

Dr. SCHONNING: That is quite right.

Senator SMITH (*Queens-Shelburne*): But I do not recall that the technique of making dollars available came into effect until quite late in the fall. It may be, Mr. Chairman, that is not a fair discussion for Dr. Schonning to enter into because we might be getting into a question of Government policy, but it seems to me it is quite important that the matter should be mentioned.

Dr. SCHONNING: As a member of the working committee that is pushing the seasonal program I may say we are for anything that will improve this. We are in favour of using C.M.H.C. funds where it is feasible, so that the maximum amount of winter construction of housing can take place.

Senator HORNER: The thought that sometimes concerns me in that connection is, will there be a saturation point reached? Will we not reach the point where we have completed the program, of necessary building, that is, if there is not a large increase in population?

Dr. SCHONNING: Do you mean of housing?

Senator HORNER: Yes, in the housing industry.

Dr. SCHONNING: The saturation point concerning new houses, possibly, but we now have an old housing stock that is of considerable magnitude. Probably that would need a little renovation. It is true that in the new housing market we have to watch the trend in family formation.

Senator HORNER: Of course, Mr. Bates was very optimistic concerning the figures for the number of children in our schools and the time they would need homes. He said we could not overdo it. But I know that in parts of the United States, in many respects, they have way over-built, in motels and what-not, right now. I suppose they are still carrying on. I think they are giving consideration to building projects, but it is possible for the saturation point to be reached.

Senator SMITH (*Queens-Shelburne*): I think one of the main points that Dr. Bates made several years ago was this great bulge in family formation, as a result of the post-war birth rate, would start in 1965 or 1970.

Dr. SCHONNING: They will enter into the picture before that; they are beginning to trickle in now.

Senator SMITH (*Queens-Shelburne*): That will be the middle of it then?

Dr. SCHONNING: That is the peak, probably. I might say, Senator Horner, while we, of course, in the Department of Labour, are concerned with the general level of activity in housing, we are under the seasonal program more

interested in seeing that there is an even flow of activity in the construction industry, including housing. No matter what the general level may be, whether we are building 100,000 or 150,000 houses, we would like to see them spread evenly over the seasons, as far as possible.

Senator LEONARD: If there are no further questions, I would like to express the thanks of the members of the committee to you, Dr. Schonning and your colleagues, for the contribution you have made here. This is a very important part of our study, I think, and Dr. Schonning is really not only giving us a brief, but he and his colleagues are doing something about this seasonal unemployment. So we are grateful to them not only for the brief but for the very practical consideration that they are giving to the problem itself. I am sure we all agree on that.

Some hon. SENATORS: Hear, hear.

The CHAIRMAN: Gentlemen, we were supposed to have a representative from the Maritime Lumber Bureau with us.

Senator BURCHILL: The brief of the Maritime Lumber Bureau was to be presented by Mr. Murray, but they have sent the brief to me and have asked me to read it. I would like Dr. Schonning and his colleagues to stay, because it fits in with and follows what they have been saying this morning; but this is the story from the seasonal industry in the Atlantic provinces. Mr. Chairman, I will now read the brief prepared by the Maritime Lumber Bureau.

SUBMISSION OF MARITIME LUMBER BUREAU

Honourable Chairman and Senators:

1. This submission is made to your committee by the Maritime Lumber Bureau, which is a trade promotional organization of the Maritime lumber industry. It is a non-profit association and its members are engaged in all branches of the production, manufacture and distribution of lumber in New Brunswick and Nova Scotia.

2. This bureau desires to express its appreciation for the opportunity afforded to it of presenting to your committee the information and suggestions set out in this submission.

3. The lumber industry is of basic importance to the economies of New Brunswick and Nova Scotia. It ranks third in importance among the industries therein and provides a gross income somewhat in excess of \$40,000,000 annually. The lumber industry in the Maritimes has a long and interesting history and for many years has been one of the largest employers of men in the area. The industry has been traditionally seasonal in nature where the logging or woodwork was done in the winter, the logs driven to the mill by river-drive in the spring, and the lumber manufactured at the sawmill in the summer. Due to weather conditions this is still a familiar pattern in northern New Brunswick; but in eastern and southern New Brunswick, and in all of Nova Scotia, the logging season extends over the full year, except for short periods of "mud season" in spring and fall; and the hauling of logs, the milling and the transportation of lumber, have also become a year around industry. This industry change has affected the employment picture and has made logging and lumbering less seasonal in nature and gives steadier employment with fewer seasonal lay-offs.

4. The skills required of a sawmill worker have changed very little in recent years and still demand a well trained and experienced man. Woodworkers have always been considered as unskilled labourers but recent

mechanization with power saws, tractors, skidders, etc. has put the average woods labourer in at least a semi-skilled occupation and many jobs are definitely skilled occupations. These changes have resulted in higher take-home pay, better living and better working conditions.

5. The number of men in woods and mill employment in the Maritime region is difficult to determine, but from statistics the force is more than adequate as 11,000 were registered as unemployed woods and mill workers on December 30th, 1960. The demand for workers of course depends upon the lumber production, and this latter is dependent upon market conditions. Presently market conditions are very poor and production for the winter months will be greatly decreased, lessening the demand for workers. Up until recent years the industry had very little difficulty in recruiting its work force, but in the past few seasons several camps have had to be closed and several other jobs were severely restricted when sufficient woodworkers could not be obtained for the jobs available during the winter season. This has been particularly noticeable after December 1st, when seasonal benefits are available to workers, and this is also the beginning of the winter logging season when the operator depends upon moving logs on the frost and snow.

6. We agree that the Unemployment Insurance Act as it was originally intended was good and necessary legislation to provide relief for those who were unable to obtain reasonable employment. The act originally was based on insurance actuary formulae; recent changes in the act seem to have taken no regard for the original concept, and because of these changes the average worker has come to look upon unemployment insurance as a subsidy to keep him while he loafs, and as long as he can get enough employment in the year to entitle him to benefits he is satisfied. Such an attitude cannot help but interfere with the production of goods and services and be detrimental to the whole economy of Canada. Recent changes in the Act, the addition of seasonal benefits, have further aggravated this situation by making it easier for a worker to obtain benefits and this has had a direct effect on woods production. As pointed out above, the season from December 1st, onwards is the time of year when woods operators plan to get their largest production and it also coincides with the time of seasonal benefits under the Unemployment Insurance Act. After December 1st, those with sufficient stamps to entitle them to seasonal benefits begin to drift away from the camps and it is impossible to entice them back or to get replacements, necessitating the closing of the operation or the cut back in production. These men leave, not to go to another job, but to "go on Unemployment", which has become a way of life because they say "why should I work hard in the woods, long hours, deep snow, freezing cold, for \$50.00 per week when I can stay home and draw \$30.00 Unemployment. I would be a fool to go to the woods and work because all I would make would be \$20.00".

7. The Unemployment Insurance Commission will point out that a man who voluntarily leaves his job cannot draw benefits if his employer states on the separation form that work was available and the man left of his own accord. He can draw benefits after a six weeks waiting period, which is not too long for some to wait, and he can draw it sooner on his own word if his employer neglects to return the form in a reasonable length of time. We must admit that most employers do not report a man as leaving a job before it is completed, thus stopping his benefits, and this is because the Unemployment Insurance Act has placed the woods operator in a very awkward position. In most places in the smaller lumber camps in the Maritimes the labour force is recruited from the local area. The workers are neighbours and often relations of the contractor, and the contractor will do anything he can to avoid antagonizing his men with whom he has to live and on whom he depends for next

year's labour force. The Unemployment Insurance Commission will point out also that if the operator were to give them a list of men known to be available for work, that they, the Unemployment Insurance Commission, would either put them to work or stop their benefits, but the operator refrains from this action because, although he is not named, he knows his former employees will hold him responsible for stopping his payments. Even if this were done and the Unemployment Insurance Commission forced the men back to work they would be of little use to anyone when they are forced to work against their will.

8. We have some suggestions we would like to advance for your consideration as possible ways of stopping this abuse of the Unemployment Insurance Act. Presently seasonal benefits are available after December 1st in each year and are undoubtedly started at that date to help those laid off from construction trades. We do not advocate the abolition of seasonal benefits entirely at this time but we would recommend that the date for seasonal benefits be put back two months, say until February 1st. There is plenty of employment in woods work until that date, and even later in the eastern sections where snow is not a great problem, and there is no need for woods or mill workers to draw extra benefits before then.

9. We would strongly recommend that the requirements of 15 contribution weeks after the preceding March 31st, to entitle a recipient to a minimum of 13 weeks and a maximum of 24 weeks benefit, be increased to 20 weeks. This will help by forcing a man planning to loaf all winter to work at least five weeks longer in the summer and make the benefit more difficult to obtain. Any conscientious person, especially in the construction industry for which this was designed, should have no difficulty in finding employment for 20 weeks after March 31st in any year.

10. We would recommend also a program of Public Works projects for those drawing benefits during the period December 1st to May 15th. There are many projects which could be started, such as cleaning out the brush and debris from the sides of our public roads, building access roads for forest fire protection, jobs which require manual rather than machine labour. The pay to workers on this job would be the same amount as their entitlement under the seasonal benefits and we would thus get some small value for the money being paid out. Anyone refusing to work on such a project should automatically be disqualified from benefits.

11. As employers and large contributors to the Unemployment Insurance fund, we are naturally disturbed at the current excessive drain on that fund.

12. The basis of the woods labour force in the lumber industry in the Maritimes is the two-man crew working as partners for an operator and normally considered as insurable under the Act. One operator in Nova Scotia, a member of the Maritime Lumber Bureau, was advised by the Unemployment Insurance Commission in June of 1960 that one man in each crew employed by him was to be considered as a contractor and therefore uninsurable and this man would have to refund any benefits paid to him in past seasons where he had worked for this lumberman. This case has been appealed, with no word from the Commission at this date, but in the meantime the workers have left this lumberman to work for others where they are considered insurable and his business has suffered as a result. The industry is concerned about this case for we feel that the men are insurable under the Act as they do not fall in the class of principal operators. If this appeal is not allowed it will be even more difficult to obtain suitable woods labour in the east and we feel that this is one case where the Act is being abused by the Commission and not by the employees or employers.

13. In summing up we submit:

- (a) That the seasonal benefits available to workers during December to May make it difficult to hire men for woods work during this period.
- (b) That the seasonal benefits should not apply to woods workers or that at least the benefit period should be shortened to February to May.
- (c) That the required contribution period for seasonal benefits be extended to at least 20 weeks.
- (d) That those drawing seasonal benefits be required to work at a public service project for their money.
- (e) That employees working in the woods at piece work and not qualifying as a principal operator continue to be insurable under the Act.

I wish to thank you on behalf of the members of the Maritime Lumber Bureau for the opportunity which you have afforded us to appear before your Committee and to make these submissions on behalf of the Maritime Lumber industry.

J. G. Burchill,
Chairman,
Maritime Lumber Bureau

R. R. Murray,
Chairman,
M.L.B. Unemployment
Insurance Committee

Senator BURCHILL: May I say, Mr. Chairman, that there were sent to me copies of *The Northern Light*, which is a newspaper published in Bathurst, the centre of the area where the previous witness made a survey. This newspaper contains a lengthy article under date of February 2, 1961, followed by pictures of camps which had been built and were closed because of lack of labour.

Senator SMITH (*Queens-Shelburne*): What is the headline in the newspaper?

Senator BURCHILL: "Manpower Shortage Hits Industry". These camps were closed because they could not get men.

Senator SMITH (*Queens-Shelburne*): I would not wish to ask Senator Burchill any questions that would embarrass him. He is not here as the spokesman for this industry, but as a senator, and he has been good enough to pinch-hit for a member of the bureau. However, I am quite interested in the headline and the news comment which he has drawn to our attention. Is this a situation which happens only occasionally, or does it go on all the time during the seasonal benefit period?

Senator BURCHILL: The first instance we had of it was I think two years ago, when one large pulp and paper company was asked by the provincial Government of New Brunswick—and Mr. Fowler spoke of this the other day in the submission by his organization—to keep its camps open to help solve the unemployment situation.

Senator HAIG: One does not have to go that far to find an example of that situation—it happens right here in Ottawa. This morning I said to my taxi driver, "You are late." He replied "I would like to get two men to work as drivers, but they wouldn't come because they get unemployment insurance."

Senator BURCHILL: If I may follow up the point, Mr. Chairman, two or three companies had a similar experience, though I first heard of it two years ago. This newspaper article refers to another company in Bathurst, in the northern area of the province.

May I say, that I do not think the lumbermen or the operators blame the men. We are all human, and if these men can earn as much by staying home, they will not fight snow and contend with all the discomforts of a logging

camp in the winter time to work. What we say does not reflect on the men. They are entitled to these benefits from the Government, and why should they not take them?

Senator SMITH (*Queens-Shelburne*): This example you have given us, I take it, happened last year. Is this typical of the whole northern area, or does it apply only to one camp?

Senator BURCHILL: I think it applies to several camps. It is a disease throughout the industry.

Senator BLOIS: And other industries as well.

Senator BURCHILL: Yes, other industries too.

Senator HORNER: But are we not tied by the words "suitable employment"? A man does not wish to leave home because a prospective job does not suit him, or his health is not satisfactory.

Senator BURCHILL: That does enter into it. But we find that snow conditions have an effect. Ordinarily in past years a certain depth of snow would not bother them—they would keep on—but now the minute the first snowstorm comes everybody it out.

Senator LEONARD: Is there not a minimum wage law in New Brunswick?

Senator BURCHILL: Yes, but these men are nearly all employed on a contract basis. They are paid so much a cord or a piece.

Senator MACDONALD (*Queens*): This article says that a good woodsman with a power saw can make an average of \$40 a week. I think the brief says he can make \$50 a week.

Senator BURCHILL: It depends on the chance.

Senator HORNER: Has all this not something to do with the attitude that there is no need to work? I know that in the Dryden pulp and paper limits woodsmen have power saws and in the summer they would cut jack pine, and they made an average of \$24 a day. I met some of them on a train one time and I found out that they were going on a holiday, they did not need to work. I myself have had considerable experience along that line. At one time I had four or five teams of horses working for Abitibi Pulp and Paper Company, and I got acquainted with the people in the office, and one day they pointed out to me a fellow who didn't have a power saw, he only had a cross-cut saw and an axe, and he was going out of camp with \$5,000 in the spring. Well, he didn't need to work the rest of the year. They pay so much a cord to their cutters, and I gave you some examples of their earnings. So why should they work a full year? They don't need to.

Senator MACDONALD (*Queens*): This article mentions that a woodsman is paid \$4.50 per cord and it lists what he has to do. He must do all this for the same wage that he worked for ten years ago. Has there been no increase in wages since then?

Senator BURCHILL: Wages were pretty much the same in 1951 as they are today. I do not think there has been much change. I think pulpwood is selling for about the same price as it was selling for in 1951. Now, Mr. Chairman, I don't want to leave any false impression with the committee. I had a letter from a pulpwood operator of Bathurst who saw the remark that I made at one of these committee meetings. It was published. He wrote me to say that he can get all the men he wants, and that we are not fair to the woods workers. He said that his difficulty was to get a contract for his pulpwood, saying that if he could get a contract he could get all the men he needed. So we must be fair on this point. He drew to my attention that he thinks the men have not been able to put their side of the story on record.

Senator BUCHANAN: Who does he deal with?

Senator BURCHILL: He is a pulpwood contractor and sells to the larger companies. He says that he cannot get a contract now and therefore these men are out of work but if he could get a contract, I take it from his letter, he could get lots of men.

Senator BUCHANAN: I suppose that is a matter of overproduction?

Senator BURCHILL: The pulpwood people keep that pretty well in hand.

The CHAIRMAN: Was it a question of price or overproduction?

Senator BURCHILL: Overproduction.

Senator SMITH (*Queens-Shelburne*): If that is the case I cannot see how this employment shortage has developed in that area.

Senator BURCHILL: Well, it was a neighbour who wrote to me.

Senator SMITH (*Queens-Shelburne*): If the newsprint and pulpwood people are getting enough pulpwood I do not see how there can be no men to get it out for them.

Senator BURCHILL: This man sells his pulpwood to different companies.

Senator SMITH (*Queens-Shelburne*): The experience of the man who wrote to you is quite different from the experience of the man who wrote the article.

Senator BURCHILL: It was not a bitter letter. He just stated that he did not think the men were given equal prominence with their side of the argument. He said the woodsmen were not getting much publicity.

Senator HORNER: I would say that he is very diplomatic—he wants to keep on the right side of his men.

Senator SMITH (*Queens-Shelburne*): Senator Burchill, I know you have some personal knowledge of this situation but isn't it a fact that this winter there has been a surplus of pulpwood or a potential surplus in your province?

Senator BURCHILL: Yes there is no doubt about a surplus of pulpwood.

Senator SMITH (*Queens-Shelburne*): And if we were to devise some scheme to put all these men back to work there will be no work for them next fall.

Senator BURCHILL: In our part of the country there are only certain times of the year that they can cut pulpwood.

Senator HORNER: There is still a market for pulpwood in Europe. A lot of pulpwood is being sold to Europe.

Senator BURCHILL: When I went home at Christmastime I was greeted by one of our oldest logging contractors. By the way, Mr. Chairman, we produce saw logs, not pulpwood. This contractor was in the office and he was very dejected. He said, "I guess I will quit now and go home." He said that he had a contract to cut one million feet and that he had a great chance to cut it, this being the best winter season that we ever had, and he said that he had been able to cut only 400,000 feet. He told me that he travelled 1,000 miles—of course he was exaggerating this a bit and he said that everywhere he went looking for men they had these—and these are his own words, Mr. Chairman—"bloody uninsurance stamps." He said he could induce nobody to come to work for him, so instead of cutting one million feet he was able to cut only 400,000. As a matter of fact he was all ready to throw up his hands and quit. I think that is the experience of every operator.

Senator HORNER: That is also the experience of some farmers who tried to keep livestock in the west. I know a farmer who had two men working for them and they left so he just set up a self-serve system for his cattle, he cut holes in the wheat granaries and let the cattle help themselves.

The CHAIRMAN: Honourable senators, if there are no further questions we will adjourn. Before we do, I must say that we are very grateful for the explanations given by Senator Burchill.

The committee adjourned.

Senator Burchill: The pulpwood people keep that pretty well in hand.

The CHAIRMAN: Was it a question of price or overproduction?

Senator Burchill: Overproduction.

Senator Smith (Queens-Shepstone): If that is the case I cannot see how this employment shortage has developed in that area.

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Senator Burchill: Yes there is no doubt about a surplus of pulpwood in the province.

Senator Smith (Queens-Shepstone): And if we were to devise some scheme to put all their men back to work there will be no work for them next fall.

Senator Burchill: In our part of the country there are only certain times of the year that they can cut pulpwood.

Senator Horner: There is still a market for pulpwood in Europe. A lot of pulpwood is being sold to Europe.

Senator Burchill: When I went home at Christmas time I was greeted by one of our oldest logging contractors. By the way, Mr. Chairman, we have drawn saw logs, not pulpwood. This contractor was in the office and he was very excited. He said, "I guess I will get now and so on." He said that he had a contract for one million feet and that he had a great chance of cutting out it this being the best winter season that we ever had and he said that he had been told to cut only 400,000 feet. He told me that he travelled 1,000 miles of course he was exaggerating this a bit and he said that everywhere he went looking for men they had them and there are his own men. Mr. Chairman, "broad minimum range." He said he could make 100,000 men come to work for him so instead of cutting one million feet he was able to cut only 400,000. As a matter of fact he was all ready to throw in the hands and quit. I think that is the experience of every operator in the world.

Senator Horner: That is also the experience of some farmers who tried to keep livestock in the west. I know a farmer who had two men working for them and they felt so he just set up a self-serve system for his cattle. He cut holes in the wheat granaries and let the cattle help themselves.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON

MANPOWER AND EMPLOYMENT

No. 16

WEDNESDAY, MARCH 8, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

The Chemical Institute of Canada

F. H. G. Michael, General Manager, C.I.C.; Mr. W. N. Hall, President, C.I.C.; Mr. F. W. Slightfoot, Vice-President, Shawinigan Chemicals Ltd., Montreal; Dr. Leo Marjot, Vice-President, C.I.C.; Mr. F. W. McKen, National Research Council; Mr. G. K. Wright, Director of Public Relations, C.I.C.

ROBERT BRANTON, 1960
GENERAL PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, ONT.

The CHAIRMAN: Honourable senators, if there are no further questions we will adjourn. Before we do, I must say that we are very grateful for the explanations given by Senator Burchill.

The committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 17

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The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

The Chemical Institute of Canada

Mr. T. H. G. Michael, General Manager, C.I.C.; Mr. W. N. Hall, President, C.I.C.; Mr. P. W. Blaylock, Vice-President, Shawinigan Chemicals Ltd., Montreal; Dr. Leo Marion, Vice-President, C.I.C.; Mr. F. L. W. McKim, National Research Council; Mr. G. K. Wright, Director of Public Relations, C.I.C.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connolly (<i>Ottawa West</i>)	Leonard	White
Courtemanche	MacDonald (<i>Queens</i>)	Wilson—(33)
Croll	Macdonald (<i>Cape Breton</i>)	
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ERRATUM

Proceedings No. 10—

Page 754, paragraph 3, line 6: Delete “three charts” and substitute “a chart”.

Page 754, paragraph 3, line 8: Delete “Charts 3, 5 and 7” and substitute “Chart 3”.

Page 756: Delete paragraphs 1 and 2.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

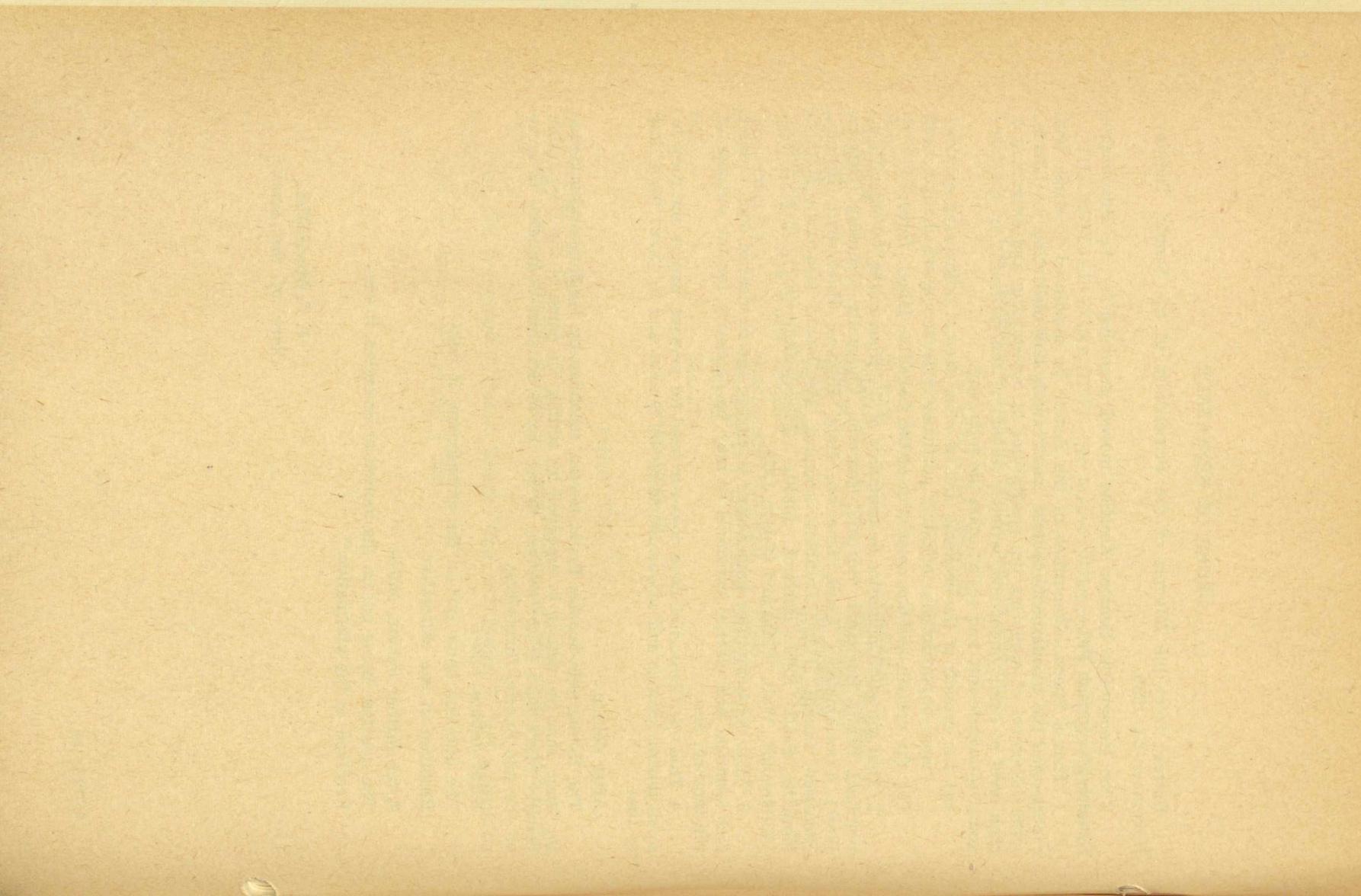
After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

WEDNESDAY, March 8, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators: Méthot, *Chairman*; Buchanan, Burchill, Connolly (*Ottawa West*), Croll, Haig, Horner, Hugessen, Inman, Irvine, Leonard, Macdonald (*Cape Breton*), MacDonald, Pratt, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson and Wilson.—18.

The following were heard:—

For the Chemical Institute of Canada:

Mr. T. H. G. Michael, General Manager, C.I.C.

Mr. W. N. Hall, President, C.I.C., and President, Dominion Tar & Chemical Ltd., Montreal.

Mr. P. W. Blaylock, Vice-President, Shawinigan Chemicals Ltd., Montreal.

Dr. Leo Marion, Vice-President, C.I.C., and Senior Director, National Research Council, Ottawa.

Mr. F. L. W. McKim, National Research Council, Ottawa.

Mr. G. K. Wright, Director of Public Relations, C.I.C., and General Manager, B.A.—Shawinigan Ltd., Montreal.

At 11.30 a.m. the Committee adjourned until Thursday, March 9th, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Wednesday, March 8, 1961.

The special committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. Leon Méthot in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. We have with us this morning The Chemical Institute of Canada, and Mr. T. H. G. Michael is going to read the brief and introduce his colleagues, if he wishes.

Mr. T. H. G. Michael, General Manager, The Chemical Institute of Canada, Ottawa: Honourable senators, it is a privilege to be presenting this brief to you this morning, and I would commence, as you suggest, Mr. Chairman, by introducing to you those who are with me. Probably the way in which they are sitting is the best way in which to introduce them.

On your extreme right is Mr. P. W. Blaylock, Vice-President, Shawinigan Chemicals Limited, Montreal.

Mr. W. N. Hall, President, The Chemical Institute of Canada; and President, Dominion Tar and Chemical Company Limited, Montreal.

Dr. Leo Marion, Vice-President, The Chemical Institute of Canada; and Senior Director, the National Research Council, Ottawa.

Mr. G. K. Wright, Director of Public Relations, The Chemical Institute of Canada; and General Manager, B.A.-Shawinigan Limited, Montreal.

Mr. F. L. W. McKim, National Research Council, Ottawa.

Mr. G. T. McColm, National Research Council, Ottawa.

And Mr. D. W. Emmerson, Editor, "Chemistry in Canada", The Chemical Institute of Canada, Ottawa.

Mr. Chairman and honourable senators, the Chemical Institute of Canada is honoured by the request of the Senate Special Committee that it present a brief on the matters which are the subject of the Committee's enquiry, and welcomes the opportunity to express views on these matters which have long been considered by the Institute.

Introducing the Chemical Institute of Canada

The Institute is the national professional organization of chemists and chemical engineers in Canada. It grants professional membership only to scientists and engineers qualified under its by-laws. It is not a disciplinary body which regulates the classification or the employment of chemists or chemical engineers in any part of the country. Since no person is denied the right to practice the profession of chemist or chemical engineer because of non-membership in the Institute, the latter does not necessarily represent all shades of chemical opinion. It is, however, representative of more than half of the Canadians qualified to practice these professions in Canada.

As a non-political organization, the Institute has generally avoided the expression of an official opinion on economic questions which might have controversial political aspects. While, for this reason, it has attempted to avoid presenting opinions or conclusions which might be better presented by economists, it feels itself qualified to discuss the impact of the sciences of chemistry and chemical engineering on, and the role of chemists and chemical engineers in, the Canadian economy.

Besides graduate chemists and chemical engineers, the Institute's professional membership includes persons who do not hold academic degrees, but who have passed the Institute's qualifying examinations. Non-professional (Associate) membership is open to any person interested in chemistry; many members of this class are non-technical employees of the chemical process and related industries. All these, and in addition a large number of student members at universities and colleges across the country are among the people for whom this brief speaks.

Prepared by a small committee, this brief has been circulated widely for comment and has received the detailed attention and approval of the Council and the Board of the Institute.

The Chemical Institute of Canada, has, on occasion, been identified with the Canadian chemical industry. Although many of those holding responsible office in the Institute are employed in the chemical industry, the organization as a whole cannot properly be identified with it. The Institute is rather to be identified with chemists and chemical engineers, and is devoted to the advancement of the sciences of chemistry and chemical engineering.

What Chemistry is

Chemistry is the science of matter and of the conditions under which changes in matter occur at the molecular level; for example, chemistry deals with the conditions under which the gas hydrogen and the gas oxygen combine to form water. A few examples of chemical reactions of industrial importance are:

(1) The decomposition of common salt (sodium chloride) to yield chlorine and sodium hydroxide (caustic soda)—their production in Canada in 1959 totalled 287,000 tons and 340,000 tons respectively.

(2) Sulphite pulping of wood in which the lignin portion of wood reacts with calcium bisulphite to form calcium lignosulphonate which is water soluble. On this reaction depends the Canadian sulphite pulp industry.

(3) The reaction of sulphuric acid and phosphate rock to form superphosphate, an important fertilizer.

(4) The combination of oxygen from the air with metallic sulphides, commonly known as the roasting of sulphide ore, and the subsequent reduction of the metallic sulphides to yield metals.

(5) The oxidation of hydrocarbons to yield a miscellany of organic oxides, acids, aldehydes, alcohols and ketones, together or separately—the principal reaction of the petrochemical industry. Canadian production of products of this reaction were sold in 1958 for considerably more than \$100,000,000.

What Chemist and Chemical Engineers do

The chemist is usually concerned both with investigating and seeking to create and control the conditions under which these, and literally millions of other changes in molecular matter, occur; while the chemical engineer is usually concerned with designing, building and operating equipment by which controlled chemical processes will produce desired or demanded results.

In general, chemists are employed as teachers in universities, colleges and schools, in research and in control; chemical engineers work in design, con-

struction or operation of plants using chemical processes. Both chemists and chemical engineers enter sales, market research and management, where their technical background is often necessary for the effective solution of commercial problems.

Many research chemists today hold the Ph.D.—Doctor of Philosophy—degree, while many persons working as chemists hold Masters' degrees or Bachelors' degrees with honors in Chemistry. Most chemical engineers hold Bachelors' degrees, some having the Ph.D.

Technological Changes Bring Progress

The Committee has been asked to enquire, among other things, into the effect of technological change on employment. The whole history of the modern western nations has been a demonstration that technological advance leads to a higher standard of living within an economic unit. In world competition, an advanced degree of technological skills leads to increased employment, and a lack of technological advance results in a lower standard of living. Solomon Fabricant, of the National Bureau of Economic Research in the United States, has found that during the period 1871 to 1951 technological advance accounted for 90% of the rise in U.S. output per man-hour, as against 10% for increased capital. Robert Solow, of the Massachusetts Institute of Technology, found that from 1909 to 1949, 87.5% of the growth in output per man-hour was due to improving technology, only 12.5% to the increase in capital equipment. And Benton F. Massell, of the Rand Corp., studying the more recent period 1919-1955, finds that technological change accounted for about 90% of the rise in output per man-hour.

The supply of jobs for all Canadians is affected to an important degree by our ability to maintain a high level of educational, scientific and technological achievement. Canada's forward economic progress, essential to an ample supply of jobs, depends to an important extent on technological advance.

Areas of Chemical Influence

Such a wide range of industry is now chemical process industry—either in techniques, processes, or products—that chemical knowledge and control is vital to a wide segment of our industrial activity. The chemist and chemical engineer are employed to apply new technology to manufacturing and sales operations. Their services are essential in making Canadian products more competitive in their own and in world markets. Without them, a large part of Canadian industry would be seriously handicapped.

Canadian defence, in particular, depends heavily on the scientific community, but important contributions have been and will continue to be made to our raw materials industries such as forest products and mining, as well as to agriculture. Secondary manufacturing, of course, depends for its very existence on its own resourcefulness.

Of the areas in which the employment of scientists such as chemists and chemical engineers has an influence on the efficient and prosperous operation of the economy. These include research, fundamental and applied, and process operations including process development, process control, and process supervision—we propose to discuss at some length the stimulation of research and its promise of yielding substantial economic benefits. It must be emphasized, however, that such benefits will accrue only to process operations staffed by highly competent people, and it is necessary that Canada train and educate a sufficient quantity of competent chemists and chemical engineers.

Importance of Research

The continued maintenance and enlargement of our scientific community is believed by this Institute to be essential to the retention of a competitive position in the world.

The place of research in economic life is clear. Without it industrial civilization as we know it today would not exist. Chemical contributions to our advance have been made in new molecular combinations ranging the gamut of human activity from materials like synthetic fibers, plastics and rubbers, to synthetic drugs, as well as in better and more efficient ways of making such familiar things as steel, paper, glass, rubber, and cloth.

Canada, in common to varying degrees with all countries, has depended extensively on the utilization of research information developed in other countries. Without a capable scientific and engineering community, utilization of such information would have been impossible.

Support of research by government and total expenditures on research in industry (including government funds) have been considerably lower in Canada in comparable terms than in either the United States or Great Britain. Government support of research in the three countries—a total of all funds expressed as a percentage of the gross national product of the country concerned—was, in 1958: United Kingdom, 1.40%; United States, 1.57%, Canada, 0.57%.

Total expenditures on research in industry, again as a per cent of gross national product, in 1958, were 1.22% in the United Kingdom; 1.86% in the United States, and only 0.41% in Canada. Substantial portions of the research undertaken by industry were paid for by funds supplied by the governments in all three nations. The percentage supported by government in 1958 ranged from 58% in the United Kingdom, to 56% in the United States, and to 49% in Canada. Virtually all industrial research supported by government in the three countries is defence research. (See **Table 1**).

Areas of research particularly important to Canada are those relating to important Canadian natural products—for instance that on the structure and properties of the complicated constituent of wood, lignin; and that on the recovery of metals from base metal ores by processes involving chemical leaching, instead of smelting.

Fundamental research, attracting the finest and most original minds, brings to the chemical profession men whose presence lend it stature and prestige. The recruitment to the profession of brilliant younger men and the holding of older men in the profession, and more particularly in Canada, depends to an important degree on this atmosphere of intellectual stature and stimulation. These people are vital to developing inspired teaching, and are an invaluable asset in providing industry with competent informed advice.

Applied research, defined as that research performed for a specific practical purpose—to improve a process or product, or develop a new one—is also of great direct importance to Canada. There is a continuing need for such work, in determining optimum utilization of our resources, in designing processes suitable to Canadian climatic, geographic and economic conditions, and in adapting products or developing new ones specific to Canadian needs.

The country has benefited to a great degree from applied research done in other countries, notably the United States, the United Kingdom, and Germany,

and will undoubtedly continue to do so. This has been an important asset for industry since the relatively smaller size of the Canadian market frequently limits the amount that can be justified as a research expenditure. While, for example, in 1957 the research performance costs, as a percentage of sales of firms in the Canadian chemical products industries reporting research-development expenditures, were about 14%; the research and development costs as a percentage of "net" sales in the U.S. chemical and allied products industry were about 3%. The statistics available do not permit a valid comparison to be made with the United Kingdom chemical industry. Much of the Canadian chemical industry's new technology is supplied by affiliated or associated companies in other countries.

There is a trend, however, to a greater research expenditure in Canada, as the technology gets more complex and as the need for the solutions to particularly Canadian problems grows. Examples of extensive Canadian work by Canadian subsidiaries and affiliates of foreign companies are given by Ayerst, McKenna and Harrison Limited, Canadian Industries Limited, Imperial Oil Limited, Dow Chemical of Canada Limited, Du Pont of Canada Limited, R.C.A. Victor Co. Limited, and others.

Mr. P. W. Blaylock, Vice-President, Research, of Shawinigan Chemicals Limited, has pointed out that research is as exportable a product as is Canadian newsprint. "Over the last twenty years," writes Mr. Blaylock, "Shawinigan has realized more than \$6 million as a result of selling abroad the results of research undertaken in Canada."

Senator CONNOLLY (*Ottawa West*): In terms of products?

Mr. MICHAEL: Royalties.

The country's total industrial research effort is determined in thousands of decisions by individual elements of Canadian industry. As in every country this creative effort adjusts itself to the economic and social environment in which industry operates. The incentive for undertaking industrial research is the ultimate realization of a profit—it is not an activity for which government research can serve as a substitute. However, to the extent that government and business can together enlarge domestic and foreign markets available to Canadian industry, the number of incentives for research and development programs will increase. The Institute believes that tax and tariff policies should take the above factors into account.

Present provisions of the Canadian Income Tax law are more liberal than those of, for example, the United States and the United Kingdom, in that they allow capital expenditures for research facilities to be written off in the brief period of three years. They are not more liberal in other respects.

There is a provision that no more than five per cent of net income of the previous year may be claimed as a tax deduction for the expense of research carried out in Canada, unless a request to engage in a greater volume of specific research has been made to and approved by the Minister of National Revenue, who may seek the advice of the National Research Council. It is the feeling of The Institute that this provision, though it has been interpreted liberally, should be removed from the Income Tax Act, so that no limit is placed on expenditures for research to be deducted for income tax purposes. This is the practice followed in the United States.

Further and more far reaching tax concessions to encourage research have been suggested. The general taxation rate on a company's net income should be

reduced on a sliding scale in proportion to the percentage of net income (over a certain minimum) spent on research. Accelerated depreciation of development expenses should be permitted.

In "cost plus" or "target price" contracts, research expenditures are disallowed by the Federal Treasury Board. Liberalization of this policy is recommended to permit some research expense to be included when computing costs.

Much highly competent and useful research work is done by a number of Federal Government bodies. The Forest Products Laboratories, the Fisheries Research Board, the laboratories of the Department of Mines and Technical Surveys and of the Department of Agriculture and, of course, the Defence Research Board and the National Research Council constitute only a partial listing. Valuable work is also contributed by competent Provincial organizations. Such work in areas important to Canada, where research cannot be effectively undertaken by private enterprise, should be encouraged and expanded. Where co-operative research within an industry is desirable, the Government might well consider additional support similar to that which has been provided the Pulp and Paper Research Institute of Canada. For example, such an activity could conceivably take place in the mining and metallurgical industries or in the textile industry.

Such measures as these are designed to stimulate the doing of research and might stimulate greater research effort by companies presently relying heavily on work done in other countries.

The Institute considers it to be of first importance that the standards of work and competence of Canadian chemists and chemical engineers be maintained at a high level. It is generally felt, though somewhat difficult to document, that some improvement is possible in the teaching of chemistry—and more generally, of science—in our schools. It is also possible that the demands of a healthy research effort and a strong economy in Canada may require some adjustments by the universities in preparing themselves to satisfy such a demand. It is essential that educational establishments attract the best minds and that all steps that might contribute to such an end be carefully considered, and that measures to assure the economic health of universities receive first priority. It is important, of course, that the staff members of educational institutions receive adequate remuneration in relation to other professional persons, and that they have adequate facilities for the performance of their tasks.

In this latter connection, it is recommended that ways be found to grant Government funds for capital expenditures in the fields of the sciences similar to those powers possessed by the Canada Council with regard to the arts and the humanities. Such powers are not presently possessed by the National Research Council.

The Institute also recommends that steps be taken to ensure that no individual fails, for the lack of funds to complete his education to the limit of his ability.

It is of interest, in view of the terms of reference of the Senate Special Committee, to report the latest figures we have been able to uncover on the source of our chemists and chemical engineers in Canada.

Whereas there were 360 graduating chemists and chemical engineers in Canada in 1958, there were, in that year, 137 emigrations (the latter without reference to the year of graduation). In 1959, the figures were 351 new grad-

uates and 115 emigrations. It seems likely that the number of emigrations is continuing to decline and, as a percentage of new graduations, to be about 20% at the moment.

In 1958, there were 255 immigrant chemists and chemical engineers (185 chemists and 70 chemical engineers) and, in 1959, 256 (180 chemists and 76 chemical engineers). It seems doubtful that this influx can be expected to continue at these rates. It is of course difficult to estimate the gain or loss in quality of minds in these shifts.

The difference in salary levels for Canadian and United States scientists makes it remarkable that this country does not lose an even higher percentage of her young people. The average 1960 starting salary for Ph.D.'s in the United States private industry is over \$10,000 per year, in Canadian private industry, \$8,000. The difference in government employment is comparable. In the United States, Ph.D.'s started in government at \$9,200 in 1959 and in Canada at \$6,900 in 1960.

This bears out the general contention that what scientists require is not alone high wages, but a challenge. If challenging opportunities are available in Canada, Canadians will remain—or will return after studying in other countries—to take advantage of them, always provided, of course, that the economic penalties for returning to or remaining in Canada are not prohibitive.

The adequate impingement of knowledge upon industry, as well as the increasing complexity of technology itself requires that the educational standards of the whole population be maintained at a high level and that the entire labour force continues to improve in training. While workers themselves will require a deeper and more extensive understanding of the machines and processes, the need will also grow for adequately trained people to build, install, service and repair machines and equipment. It is to be expected, generally, that the demand for the unskilled will decline.

Technicians in particular are performing under direction an increasing range of industrial scientific work. "With the slackening of immigration, Canadian industry was becoming aware that more must be done to provide a steady supply of Canadian trained technicians; but, in general, technician training was a field of education in which Canada was still deficient." [Excerpt from O.E.E.C. (Office for European Economic Co-operation) Annual Review, 1958-1959.]

With regard to chemical technicians in particular, The Institute has prepared and promulgated a set of standards and is presently engaged in establishing means of certification. It would welcome any opportunity to cooperate with the appropriate government bodies in a wider program devoted to ensuring the competence of all technicians.

Summary

The Institute has emphasized the importance of technological advance in the maintenance of our standard of living, and has related particularly technological advance in the fields of chemistry and chemical engineering to the maintenance and nourishment of a competent community of chemists and chemical engineers.

These sciences have become important throughout industrial activity and have made and are expected to continue to make important contributions to our ability to produce competitively our raw materials, our agricultural products and our manufactured goods.

The importance to the scientific community of a group engaged in fundamental research has been outlined and measures suggested which would encourage the conduct of applied research in industry. The Institute has emphasized its preference for the encouragement of work by industrial initiative, with government action directed toward developing an optimum industrial economic environment, and with government research devoted to those activities in the broad interests of Canada which will be unlikely to be undertaken by private initiative.

Measures to assure high standards of competence among Canadian chemists and chemical engineers have been given in general terms, including the need to staff educational establishments with the best minds available. These staffs must be provided with adequate facilities and remuneration for the performance of their tasks.

Our specific recommendations are:

(1) Allow all expenditures on research in Canada to be deducted from taxable income.

(2) Reduce the tax rate in proportion to the ratio of research to net income.

(3) Allow the inclusion of research expense in "cost plus" or "target price" contracts.

(4) Consider extension of Government support of co-operative industrial research establishments.

(5) Give first priority to the assurance of the economic health of, and the maintenance of high standards in, our universities; and in particular the granting of Government money for capital expenditures in the fields of the sciences.

(6) Insure that no student fails, for lack of funds, to complete his education or training to the limit of his ability.

The Institute appreciates this opportunity of submitting its views to the Senate Special Committee on Manpower and Employment and would welcome any request for elaboration of any of the points presented. It would also welcome any request which may result from the Committee's deliberations to utilize the services of The Institute.

THE CHEMICAL INSTITUTE OF CANADA SENATE BRIEF

TABLE 1

RESEARCH AND DEVELOPMENT EXPENDITURES
1958

	Canada			United States			United Kingdom		
	\$ Million	Dist. %	As per cent ^{a)} of G.N.P.	\$ U.S. Million	Dist. %	As per cent ^{b)} of G.N.P.	£ Million ¹⁴⁾	Dist. %	As per cent ^{c)} of G.N.P.
Performed by:									
Industry.....	133.6 ¹⁾	48.6	0.41	8,243 ⁷⁾	74.9	1.86	279.6	58.5	1.22
Government.....	111.1 ²⁾	40.4	0.34	1,723 ⁸⁾	15.6	0.39	158.9	33.3	0.70
Other.....	— ³⁾	—	—	1,040 ⁹⁾	9.5	0.24	39.3	8.2	0.17
	275.0	100.0	0.84	11,000 ¹⁰⁾	100.0	2.48	477.8	100.0	2.09
Financed by:									
Industry.....	74.0 ⁴⁾	26.9	0.23	3,700 ¹¹⁾	33.6	0.83	143.8	30.1	0.63
Government.....	187.0 ⁵⁾	67.9	0.57	7,000 ¹²⁾	63.6	1.57	319.8	66.9	1.40
Other.....	—	—	—	300 ¹³⁾	2.7	.07	14.2	3.0	0.06
	275.0 ⁶⁾	100.0	0.84	11,000	100.0	2.48	477.8	100.0	2.09

See accompanying notes on sources of research and development expenditures, page 15.

- a) Gross National Product at Market Prices \$ 32.6 billion
- b) Gross National Product at Market Prices \$444.2 billion
- c) Gross National Product at Market Prices £ 22.7 billion

RESEARCH AND DEVELOPMENT EXPENDITURES
CANADA, UNITED STATES AND UNITED KINGDOM
1958

Sources for Table I:

- (1) "Industrial Research-Development Expenditures in Canada, 1957," Dominion Bureau of Statistics, Page 13, Table 2.
- (2) "Federal Government Expenditures on Scientific Activities, Fiscal Year, 1958-59," Dominion Bureau of Statistics, Page 27, Table 1.
- (3) Probably between \$25 and \$50 million but taken for this calculation to be about \$30 million performed and about \$14 million financed.
- (4) "Industrial Research-Development Expenditures in Canada, 1957," Dominion Bureau of Statistics, estimate based on data for 1957 and projections for 1958. Includes payments by industry for research and development by others in Canada on behalf of industry. Excludes payments by industry for research and development outside Canada.
- (5) "Federal Government Expenditures on Scientific Activities, Fiscal Year, 1958-59," Dominion Bureau of Statistics, Page 27, Table 1, plus an estimate based on data in source cited in Footnote 1 for research and development part of Government procurement contracts.
- (6) Excludes payments for research and development outside Canada. The 1957 Survey recorded payments outside Canada of \$19.8 million, an amount which may very likely understate the actual cost of research performed in other countries on behalf of Canadian industry.
- (7) "Funds for Research and Development Performance in American Industry, 1958," Reviews of Data on Research and Development, No. 20, May 1960.
- (8) "Federal Funds for Science—VIII. The Federal Research and Development Budget, Fiscal Years, 1958, 1959 and 1960." National Science Foundation, Washington, 1959.
- (9) "Funds for Research and Development in the United States, 1953-59," Reviews of Data on Research and Development, No. 16, December, 1959, Page 3.
- (10) *Ibid*, Page 3. See also source cited in Footnote 7, Page 1.
- (11) See source cited in Footnote 7. Company financed industrial research amounted to \$3.6 billion in 1958 and on basis of past experience provided about another \$100 million to universities and other research organizations.
- (12) \$4,649 for research and development in industry, \$1,723 for research in the Federal Government and the balance for research performed by other organizations.
- (13) In 1957-58 Colleges, Universities and other non-profit institutions provided \$260 million for research and development. See "Funds for the Performance of Basic Research in the United States, 1953-58," Reviews of Data on Research and Development, No. 22, August, 1960, Page 4, Table 4.
- (14) "Annual Report of the Advisory Council on Scientific Policy 1959-60," London, 1960, Page 26. Figures overstated in comparison with Canada and the United States by £55 million on account of inclusion of £73 million capital expenditures and exclusion of £18 million for depreciation in industry.★

Senator SMITH (*Queens-Shelburne*): I should like, Mr. Chairman, to ask the witness this question. In view of the present use being made of chemists and chemical engineers, what is the ratio of the number of graduates in these fields who are remaining in Canada to the demand for the services of such people? Is there a shortage?

Mr. MICHAEL: Mr. Chairman, could I call upon Mr. Hall to answer that question, for he has been particularly interested in it.

Mr. HALL: The evidence seems to be that we have a shortage of honour chemists who stop at the bachelor's or master's level, and we have a shortage of chemical engineers. I don't know the extent of the shortage. I am just measuring this by the rapidity with which they obtain employment after they graduate, and the fact that a substantial number of these two groups of people remain in Canada. There is no emigration right after graduation. On the other hand, because of the shortage of research being done here, which has been emphasized in this brief, there is a considerable number of Ph.D. chemists who are leaving the country after they finish their education. It is simply because there is no employment for them in this field in Canada, or not sufficient employment.

Senator BURCHILL: While we are on that subject, are we to assume that there is no unemployment today in Canada in the field of chemical engineers?

Mr. HALL: I think "no employment" would be a bit of an overstatement. There is always some frictional unemployment, I think is the term, but there is no pool of unemployment.

Senator CONNOLLY (*Ottawa West*): When they leave where do they go?

Mr. HALL: These Ph.D's that I have spoken of?

Senator CONNOLLY (*Ottawa West*): Yes.

Mr. HALL: Most of them go to the United States; practically all.

Senator HUGESSEN: I notice from your brief that there has been a decline in emigration in the last two years of chemists and chemical engineers.

Mr. HALL: That is right.

Senator HUGESSEN: In other words, more have come into the country than have been lost through emigration?

Mr. HALL: That is correct.

Senator HUGESSEN: Do you feel that the facilities for training chemists and chemical engineers in our universities are sufficiently wide at present, or do you think that the universities ought to increase facilities?

Mr. HALL: There is a requirement for some increase, which it would appear is now being met by universities. There was a period of two or three years, I think particularly when the number of people enrolling in honours chemistry, for some reason, was down, when all the facilities were not being used, but this situation has been changed and the enrolment figures are up to the peak again. There is no surplus capacity in our universities to train these people. As we grow we will need more capacity. There is no question about that.

Senator CROLL: May I ask if someone can tell us whether the industry takes full advantage of the 5 per cent allowance that is now made? How much of that allowance is taken full advantage of?

Mr. MICHAEL: I am afraid that is not a question for which I have an answer. I don't know whether anyone else has a complete answer to it either.

Senator CROLL: My point is this. If you are not taking advantage of the 5 per cent, why ask for the full allowance?

Mr. MICHAEL: Advantage is very definitely taken of it by some companies but not, I would think, by all.

Senator HUGESSEN: It would vary from industry to industry?

Mr. MICHAEL: Very much so.

Senator LEONARD: And from company to company?

Mr. MICHAEL: Certainly from company to company in the chemical process industries.

Senator LEONARD: And the important consideration is the company which really wants to spend more than 5 per cent, is it not?

Mr. MICHAEL: Yes.

Senator CONNOLLY (*Ottawa West*): Plus probably the additional capital investment that might be required, even if only to gain the advantage of the 5 per cent, I suppose, in certain companies.

Mr. MICHAEL: This could certainly be a factor.

Mr. HALL: May I suggest that part of the answer to that question would appear under the heading of the brief, entitled, "Importance of Research", which reads:

For example, in 1957 the research performance costs, as a percentage of sales of firms in the Canadian chemical products industries reporting research-development expenditures were about $1\frac{1}{4}$ per cent;

Senator BURCHILL: That is research cost, Mr. Hall?

Mr. HALL: Yes, that is right; the cost of doing the research is $1\frac{1}{4}$ per cent of the sales dollar. Five per cent of net income would have to be less than $1\frac{1}{4}$ per cent for this thing to come out. Expressed differently, if $1\frac{1}{4}$ per cent of sales represented 5 per cent of profits, this would be the thing. Then you would have to have about 20 per cent of profit on sales in order to justify this, and that just is not the case. So that industry in this particular section is spending quite a little over 5 per cent, and getting consent so to do. I think practically all the large companies do spend over 5 per cent; and it must be said that there is no difficulty in getting this permission.

Senator CONNOLLY (*Ottawa West*): In exceeding the 5 per cent.

Mr. HALL: In exceeding the 5 per cent, yes.

Senator CROLL: Under the same heading in the brief, reference is made to \$6 million in royalties, I believe. Is there some figure available in some way to indicate what we spend in royalties generally in the industries, that is, royalties we pay out to other people?

Mr. HALL: I don't know, sir. It may be available. I do not know that figure at all.

Senator CONNOLLY (*Ottawa West*): May I put that question a little differently? Under the same heading of the brief you talk about Canada having benefited to a great degree from other research done in the United States, the United Kingdom and Germany. I suppose that the value of that research is available to Canadians in the form of patents that emanate from those countries, and that for the use of those patents Canadian industry pays very substantial royalties. I suppose, too, it is fair to say that these royalty payments add to the cost of the Canadian product that comes as a result of the use of those patents. Is that a very substantial element of cost, would you think?

Mr. MICHAEL: Would Mr. Hall or Mr. Blaylock be able to give an estimate of that?

Mr. BLAYLOCK: In our own deals, sir, we came to a figure of roughly 3 per cent of sales.

Senator CONNOLLY (*Ottawa West*): Net sales? Three per cent of sales?

Mr. BLAYLOCK: Right, sir; plus usually a down payment.

Senator CONNOLLY (*Ottawa West*): So it is a substantial item in your cost figures?

Mr. BLAYLOCK: Yes, it is a substantial item.

Senator CROLL: There has been a complaint by the National Research Council of Canada that industry is not taking advantage of the research available to it. Can anyone comment on that?

Dr. MARION: I think that such a statement is based on this, that there are cases of processees, or something of interest to industry which has not been picked up, and not been of interest to any of the industries in Canada, but has been to some industry in another country. However many cases I would not be able to tell you exactly, but there have been a number of cases such as that.

Senator CROLL: Following that, I notice, again under the heading, "Importance of Research", in speaking of extensive work, you talk of Canadian subsidiaries and affiliates, and you mention some that are very well known to us. Then, on the other hand, you talk of federal government bodies doing research. Where are our own Canadian companies that are neither affiliates, nor foreign companies, nor subsidiaries? How is it they were left out of this brief, or are there certain companies that are doing considerable valuable research?

Mr. BLAYLOCK: There certainly are.

Mr. HALL: I think it was a serious oversight that they were left out. There has been so much criticism of American companies not doing it that we rather felt we should rise to their defence, and I am afraid we rather let ourselves down.

Senator CROLL: You assumed we knew that.

Senator LEONARD: With regard to this 5 per cent of expenditures, I presume there is some reason for putting that in in the first place, and it may have been a ceiling just in order to see what would result, or because there was fear of some abuse. From experience, is there any danger of abuse at all if there was no ceiling, if it was treated as an ordinary expenditure incurred for the purpose of earning the taxable profits of the company? Do you know of any possible abuse in connection with it?

Mr. MICHAEL: I find it very hard to think of any possible abuse. Certainly no responsible organization is going to make research expenditures to the point of bankrupting itself. That would be the ultimate *reductio ad absurdum*.

Senator LEONARD: I find it difficult to see a reason for the limitation, and I was wondering if you could help us in that connection.

Senator THORVALDSON: Can you give us the date or the year the limitation was set? Is it recent, or has it been in force for some time?

Mr. MICHAEL: It has been in for some considerable time. I do not know the precise date, but a fair number of years.

Senator CROLL: But there is an "out" for that. As you indicated, and as I think one of the witnesses stated, the Government has liberally interpreted any application for a greater allowance, and I think one of the witnesses said there had been no complaint on that basis.

Senator LEONARD: That may be true, but companies that otherwise would go beyond the 5 per cent may not wish to do so, because it means making an application for a special permit.

Mr. MICHAEL: It is quite possible to envisage a condition where a company would not wish to make a detailed application which might divulge the lines upon which it proposed to work. This is one of the drawbacks of this provision.

Senator CROLL: Does the income tax department advise in matters of that kind?

Senator LEONARD: The National Research Council might.

Mr. MICHAEL: The Department of National Revenue is allowed to seek other advice in making a decision on an application.

Senator CONNOLLY (*Ottawa West*): Does the success of the application and the amount, if more than 5 per cent, depend upon a certificate from the National Research Council or some such body that the tax department calls in?

Mr. MICHAEL: I believe that is the intent of the provision.

Senator HORNER: Mr. Chairman, it was mentioned a little while ago that royalties paid by Canadian industry to foreign interests amounted to perhaps 3 per cent of costs. Is Canadian industry receiving any royalties in turn from foreign industry?

Mr. MICHAEL: We very definitely have done such development work for which we are receiving royalties. There is a mention of that in the brief.

Senator SMITH (*Queens-Shelburne*): Could you tell us what the products are that the research is related to, on which Canada does obtain royalties.

Mr. BLAYLOCK: Referring back to that specific \$6 million I can tell you exactly where those royalties come from.

Senator HORNER: I am more interested in the products or processes on which these royalties are received.

Mr. BLAYLOCK: I can give you that information, Senator Horner, if I may read from a paper of mine that treated of the impact of changing resources and technology, and which I delivered at Queens University in June, 1959. I read:

"In the past twenty years, we have been granted over two hundred patents. Some were trivial. Others, such as acetylene black, acetic anhydride and the acetal resins were of considerable importance. During this period, we have collected over \$6 million in royalties. Inventions were sold to Union Carbide Corporation, E.I. Du Pont de Nemours & Company, American Cyanamid Company, in the U.S.A.; to Imperial Chemical Industries Limited and The British Oxygen Company Limited, in the U.K.; to Pechiney in France; to Badische Anilin- & Soda-Fabrik Akt. in Germany."

Senator CROLL: What period does that cover?

Mr. BLAYLOCK: A 20-year period. There was an unearned increment much greater than the \$6 million, which refers to your question, Senator Croll, and that is the manufacturing problem involved. In order to exploit that we had to go to the United States to form a Canadian-owned subsidiary there, and that has grown almost to the size of the parent company. But there still is not a market big enough in Canada.

Senator THORVALDSON: Mr. Chairman, may I draw attention to the third paragraph in the brief which indicates discrepancies in salaries paid chemists and chemical engineers in Canada and the United States. I was wondering if some of the gentlemen in the delegation would care to expend on that. For instance, I note that you say that private industry in the United States pays over \$10,000 a year to Ph.D's compared to \$8,000 paid by private industry in Canada. Would you care to suggest whether that results in the best brains

that we have crossing the border and going to work in the United States? Just how does that discrepancy affect the employment of chemists in Canada and the United States?

Mr. MICHAEL: Perhaps Mr. McKim would care to elaborate on that, at least from the statistical point of view.

Senator THORVALDSON: In other words, I wonder how it is that we keep any of our chemists in Canada with such a large salary discrepancy?

Mr. MCKIM: It is mentioned in the next paragraph of the brief, that where there are challenging jobs to do Canadians are prepared to remain in or return to Canada with some difference in income, as long as that is not too great, and at the present time the difference is apparently not too great; the number of Ph.D. graduates that come out from Canadian universities who go to the United States has been reducing in recent years. Industry is providing more of these challenging jobs as is also the universities because of their expansion. This is perhaps the largest area where new Ph.D. graduates are going.

Senator BUCHANAN: Mr. Chairman, the whole brief, I would suggest, would indicate that industry is not carrying its part of the load, as shown in percentages right through; if they were there would be a greater demand for higher grades of Ph.D.'s and therefore the salaries would be higher.

Mr. MICHAEL: The general theme of the brief is, of course, if a climate which would encourage industrial research were provided industrial research would create, as a consequence, greater employment of chemists and chemical engineers and all the other types of workers who are dependent on this type of activity.

Senator BUCHANAN: I maintain that if industry were really interested they would make that application. There is nothing to it. I mean make application to expend over the 5 per cent and I doubt very much if they would ever be turned down. I maintain that industry is not doing what they should in this regard.

Mr. MICHAEL: This limit on research expenditures is only one factor of a much wider situation, and the other suggestions that we have made are related to this and would provide probably a greater stimulation in themselves for further work than would that particular factor.

Senator THORVALDSON: I was going to say with regard to the responsibilities of industry concerning salaries that we perhaps can point the finger at ourselves, namely, as indicated here, that the starting salaries in Government service in Canada are considerably less than in the same service in the United States.

Senator CROLL: Yes, but there is something else to take into account when we talk about salaries, and I wonder if Senator Thorvaldson is thinking of the difference in the pay that the senators and members of Parliament get as compared to salaries paid to members of Congress. Salaries, Mr. McKim, is an item and a very important item, but there is a great deal more to it than just salaries—there is the cost of living in the United States as compared to the cost of living here, the tenure as compared to the tenure there under certain circumstances, and the impact of income tax as compared to what we pay here. Aren't there other considerations besides the basic salary?

Mr. MCKIM: There certainly are other considerations. Each area has certain advantages. Living costs are higher in some areas than others. For example, the cost of a home might be greater or lower depending on the climate.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I have a special knowledge of a Canadian industry that proposed to several of its rather high-salaried professional employees that they transfer to their New York office.

They consented to transfer only after having visited New York and having made a thorough study of the relative conditions. They found that the difference in the cost of the way of life over there as well as the actual cost of living meant they would have to receive one-third more income in the United States in order to be as well off as they would be living in Canada. I don't think there is too much disparity between the incomes paid to scientists in the United States and those paid to scientists in Canada, particularly when you consider climate and the Canadian way of life, which is a better way of life. I think that comment should be made.

Senator HUGESSEN: Mr. Chairman, I am wondering where the immigrant chemists and chemical engineers, of whom we received 255 in 1958 and 256 in 1959, come from? I would presume most of them would come from the United States?

Mr. WRIGHT: No, most of them come from Europe, particularly Hungary.

Senator HUGESSEN: I suppose as between the European scale of salaries and those offered in Canada they felt they would be better off here.

Senator CROLL: We don't get many from the United States; only those who are sent here to work with subsidiary companies?

Mr. WRIGHT: Yes.

Senator CROLL: In your brief you recommend that the inclusion of research expense in "cost plus" or "target price" contracts be allowed. I don't understand that. Would you explain it, please?

Mr. MICHAEL: Mr. Wright, would you care to elaborate on that?

Senator LEONARD: May I supplement Senator Croll's question by asking whether that relates only to Government contracts?

Mr. WRIGHT: Yes.

Senator CROLL: Start with an ordinary contract and carry it through.

Mr. WRIGHT: There are two kinds of contracts; in one you offer to make a certain product for, say, \$10,000 and you supply it at that amount. The other kind of contract is where you say, "We will do the job and charge you what it costs us." In computing these costs you may not include any research expense. The company involved is capable of doing the job but it is impossible ahead of time to decide how much it will cost. There isn't the time or perhaps the facilities to make that determination. You go ahead and take the reputation of the company, its competence, into account and you say, "Go ahead and do it at cost plus something for profit." My point is that you cannot include research overhead as part of your costs, and such contracts become less profitable than other areas of endeavour.

Senator CROLL: Your target price is the bidding price, and your competitor is in the same position.

Mr. WRIGHT: You are making a distinction between the cost plus and the target price?

Senator CROLL: Yes.

Mr. WRIGHT: That may be a valid distinction.

Senator CROLL: With respect to your cost plus your competitor is in exactly the same position again.

Mr. WRIGHT: Yes.

Senator CROLL: What is the thinking behind that point of view?

Mr. WRIGHT: I have not asked the Treasury Board what their thinking was in making these regulations. Does anybody else here know?

Senator BUCHANAN: After all, is that not just passing it on to the Government, asking the Research Council to do the work? We have to pay for that.

Senator HAIG: Mr. Chairman, I think we have discussed this point long enough. We can't do anything about this money situation in the United States. It does not affect our unemployment at all.

Senator CROLL: In your brief you say: "It must be emphasized, however, that such benefits will accrue only to process operations staffed by highly competent people, and it is necessary that Canada train and educate a sufficient quantity of competent chemists and chemical engineers." How do you find the students and ascertain who needs the training, and how do you provide it for him? Have you any ideas on that?

Senator THORVALDSON: I was wondering whether you meant any student attending university or just chemistry and chemical engineering students?

Mr. MICHAEL: I would think its application would be practically universal. It appears at the present time that those members of the labour force who experience the greatest difficulty in obtaining work are those with the least education. In order to train an individual for work in a community which is becoming increasingly technological it is necessary for him to have the highest amount of training he is capable of absorbing. This would certainly apply to scientists and engineers, and I think it would also apply to all levels of education.

Senator THORVALDSON: I would like to ask if that is the view of all the gentlemen here, the ones in business as well as the ones in scientific endeavours?

Mr. HALL: Speaking for one business, this is the view all right. We don't know quite how this would be accomplished, and I admit that that is a little bit like saying you are against sin.

Senator LEONARD: Do you have in mind a greater extension of scholarships and bursaries for students and others who qualify on the basis of examination results but who are unable to proceed with their education because of lack of funds?

Mr. MICHAEL: That could very well be an outcome of such a suggestion.

Dr. MARION: I think it would apply to undergraduates.

Senator HAIG: Are not all universities adopting that policy right now? I know that the university I am acquainted with is spending a large sum of money in giving special training to persons in the community who want to go into a certain line of work. I know in my day we felt that the man who took university training and got a degree would make a better lawyer than the man who didn't obtain a degree. He did not have to get a degree to become a lawyer. He only had to work in a law office for five years. The man who acquired a degree had to go to university for four years and work in a law office for two. There was that choice. We felt the university-trained man made the better lawyer and we now know that to be so.

The same thing applies here. I entirely agree with you when you say that we should urge the educationists of Canada to devote more attention to every branch of industry and give the students the highest possible education.

Senator HORNER: You would not recommend that we spend more money to increase the number of lawyers.

Senator HAIG: My friend always objects to anything I say because he knows I had a university course. I wasn't very bright but I did win scholarships because I needed the money. But the chaps who didn't take a university course turned out to be second-raters compared with those who did.

Senator CROLL: I was glad you made the broad answer as the result of Senator Thorvaldson's question, when you said there was a lack of funds, and

credit should be given, and that we need skilled people in every line of work in order that they may have opportunities. But why did you leave out of the brief the need for skilled people in, say, the non-white collar jobs?

Mr. McKIM: I don't think we did, Senator Croll. It is referred to close to the end of the section entitled, "Importance of Research".

Mr. MICHAEL: In general we tried to restrict formal submission, as was shown in the introduction to the areas where The Chemical Institute of Canada feels that it has particular competence, and this may be why we did not make specific recommendations in this regard applying to other areas than those required in the fields of chemistry and chemical engineering.

Senator CROLL: You sort of limited yourself?

Mr. McKIM: Yes.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, I have a few questions arising out of that same section of the brief referred to, but before doing so, I gather from what this brief and these gentlemen have said, that among chemists and chemical engineers there is relatively little unemployment and you are not directing your remarks primarily to the current unemployment problems that affect that industry and those people. What you are looking at is the long range point of view of the Chemical Institute of Canada in the general development of the economy so that more and better jobs and opportunities can be provided for Canadians. I suppose that is a fair, long range assessment of what you say. Among the technicians though, would you say that the same situation prevails? Is there unemployment in that group? I take it they are the people who are not university graduates, who have not got the high degree of training these other people have?

Mr. MICHAEL: Yes. We are using the word "technician" in the sense of individuals who have not received university training but who in general have training somewhat beyond the high school level, received from technical schools.

Senator CONNOLLY (*Ottawa West*): Have you any idea of how many there are in that category in your industry?

Mr. MICHAEL: I am afraid I could not give you a specific figure. I can say or can elaborate a little on what was said in the brief that the Institute, because of apparent demand from industry, is setting up a mechanism to certify the competence of technicians in the field of chemistry, and if you were to ask that question say in a year's time I think we would be able to give a very satisfactory answer.

Senator CONNOLLY (*Ottawa West*): Is there constant demand for this kind of technician?

Mr. MICHAEL: Yes, there is.

Senator CONNOLLY (*Ottawa West*): Is there any unemployment in that group?

Dr. MARION: If I can judge from the employment at the Research Council every year, we do need technicians, and quite often we cannot get as many as we could take; and I take it from that that there cannot be so very much unemployment in that group of technicians.

Senator LEONARD: I think other evidence before us has confirmed that, and also that there is a lack of facilities for the education and training of these technicians, as indicated by the report of the Organization for Economic Co-operation and Development. Would your experience confirm that we are short of facilities for the training of technicians?

Mr. HALL: I think that while the Institute on the national scene does not do anything in the way of training of technicians, a number of our local sections, such as Sarnia, particularly, are active in training courses for technicians, and have found a real interest in them, and that they have a high degree of enrolment. There appears to be a demand and shortage within our Institute, actually.

Senator CONNOLLY (*Ottawa West*): And on-the-job training, would you say, in industry?

Mr. HALL: No; we provide evening course training, but most of the people taking it are in related fields during the day.

Senator CROLL: Improving their knowledge?

Mr. HALL: Yes.

Senator CROLL: Not starting from the beginning?

Mr. HALL: That is correct.

Senator CONNOLLY (*Ottawa West*): Then coming back to the long range point of view I mentioned a little earlier, would you say that the field of opportunity for technicians so far as the institute is concerned, in your field, is a very promising field for employment?

Mr. HALL: I would. I don't know that we ever talked about this. I would be interested in what others feel, but I would think it was a promising field for employment that required training for this field.

Senator CONNOLLY (*Ottawa West*): In other words, if the industry continues to expand, and can expand, there are great opportunities for young people here who will not get university training but would take a technical training course, and they would find satisfactory employment?

Mr. HALL: Yes, I would agree with that.

Mr. BLAYLOCK: The Germans have done very well in that respect, sir. They have a much higher ratio of skilled technicians to each chemist than we have. There may be some economic factors involved too. But we hired, during the past few years, two German technicians who came over here, and they are outstandingly good. They came from specialty schools which Germans have for the training of technicians; these are not schools designed to lead to a degree, but they give specialty training in the art of becoming a technician in the chemical industry.

Senator CONNOLLY (*Ottawa West*): Are they publicly owned schools, or are they supported by industry?

Mr. BLAYLOCK: They are not individual industrial schools; they may be partially supported by industry.

Senator HUGESSEN: If I may put it facetiously. Would this not be an example perhaps of Parkinson's Law—more chemists than chemical engineers, and technicians to scratch their backs for them?

Senator SMITH (*Queens-Shelburne*): I wonder if someone here could tell us whether or not other industries, apart from the chemical people, are moving into the certification of technicians? I should think the certification of people of that kind would be quite a valuable thing to them. It strikes me they have never been recognized for their true worth. I do not know the subject too well, but my impression is that it would create a status for them, and it seems to me that the general appreciation of the public of the technician's place in our economy and in industry would be higher if there was a certification in general. Are there other industries going into this too, apart from chemical firms?

Mr. MICHAEL: There are other industries which are taking interest in technicians. This is particularly true in the medical field, in x-ray technicians to a limited extent, in the dental field, and also increasingly in the engineering field as a whole.

Senator BUCHANAN: Very definitely in the engineering field and the construction field.

Mr. MICHAEL: Yes.

Senator BUCHANAN: In the last few years almost every year I pick up one of these technically trained boys from the technical school of Calgary, and they are outstanding. It is a two-year course. These boys are very well trained, and are very competent, too.

Mr. MCKIM: A new school has been established here in Ottawa, the Eastern Ontario Institute of Technology. It is one of these schools that has been under development in the last two or three years. I think graduates in chemistry, electronics and other subjects will be coming out this year for the first time.

Senator CROLL: What would be the total enrolment of that school?

Mr. MCKIM: I am not sure, but the number of graduates is of the order of a dozen in each of these fields.

Senator CROLL: Is the school supported by the provincial Government?

Mr. MCKIM: Yes.

Senator CROLL: Does the federal Government contribute to its cost of operation?

Mr. MCKIM: No, it is a provincial school.

Senator CROLL: Mr. Michael, have you any indication at all of the number of immigrant chemists who came to Canada in 1960? You have given the figures for 1958 and 1959.

Mr. MICHAEL: I do not think we have complete figures for 1960 yet, but the indication is that it was lower than it was in 1959.

Senator MACDONALD (*Queens*): Mr. Chairman, there has been nothing said yet about recommendation No. 5. I wonder if someone would comment on that and explain particularly what is meant by maintenance of high standards in universities.

Senator THORVALDSON: Mr. Chairman, as a supplement to that question may I add: Is it not a fact that a great many scientific people in Canada would like to see a development such as the Canada Council which devotes itself to the development of the arts and social sciences, namely, that they would like to see a similar effort along scientific lines in Canada.

Mr. MICHAEL: The Honorary Advisory Committee of Science fulfils many of the functions in the science field that the Canada Council fulfils in its field, but it has imposed on it certain limitations one of which we have specifically suggested in this brief be removed, and this done would come closer toward equating the activities of these two councils.

Senator CROLL: One of my colleagues asked you if there was any possibility of abuse once there was no limitation? Are you not saying in effect that there you leave room for a great deal of discretion. Suppose for instance that the Shawinigan Company decides to make a grant of \$10,000 for research to a body that has been set up, and the other gentleman's company decides they will grant \$10,000 towards the cost of that research. Isn't that arrangement likely to lead to some uncontrolled expenditures and lessen the ability of the Government to tax within its field?

Mr. MICHAEL: You are speaking of co-operative research are you not?

Senator CROLL: Yes.

Mr. MICHAEL: I would doubt that this could lead to uncontrolled expenditures in that the performance of research either in an industry or by any other body is one that has to be budgeted for and controlled in very much the same way as any other industrial function. So I do not see that there would be any danger in uncontrolled expenditures in this way.

Senator CROLL: What I was referring to was uncontrolled from the Government point of view, not from the point of view of the company itself. My point is on the question of research expenditures in a co-operative effort, which is the Canada Council method. Recently, if you remember, the president of the Canada Council suggested that they may have to come out and raise money privately aside entirely from the grants. That is what I am having reference to. But in this case he did not suggest it would be deductible from income, but in your case you do suggest it be deducted from income, which is a different approach.

Mr. MICHAEL: I come back to the answer I made a few minutes ago, to the effect that no corporation is likely to extend its research expenditures or to stretch those expenditures beyond its economic capabilities, but that these would, of necessity, be within the general framework, the general size, the general terms of reference of each company.

Senator CROLL: Yes, I understand. A company that earns \$1 million has a tax load of 52 per cent. If it is allowed to grant \$20,000 for research purposes, that comes off the top, and for all purposes the Government is paying a portion.

Mr. MICHAEL: The Government would be paying that on a short-term basis, but the history of such things shows that these research expenditures would result in the development of a new product which would increase the sales of that company and result in turn in a far larger return to the Government in taxes.

Senator CROLL: So you think that as a result of the Canada Council we have more Canadian culture than we had before?

Senator MACDONALD (*Queens*): Mr. Chairman, to get back to the question of the maintenance of high standards in our universities. Do you think the Government should exercise some control over the universities, or do you suggest that any grant made to a university should have some strings attached to it before they get it.

Mr. MICHAEL: In recent years the National Research Council has made very many grants to universities for a specific scientific research project, and I do not think there has ever been any suggestion that it has exercised any control over research or teaching in those universities as a condition of providing these grants.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, may I ask, do you think there is much demand for people of your industry from underdeveloped countries to help out in work that is being done? Is there any drain on your manpower?

Mr. MICHAEL: Very little. From time to time we are asked to suggest the names of individuals who may be loaned to certain countries for short-term projects. There is perhaps not as much of this as we could do.

Senator CONNOLLY (*Ottawa West*): Is there not an opportunity for your institute and for your industry in this field?

Mr. MICHAEL: I think you are probably very correct, Senator Connolly.

Senator CONNOLLY (*Ottawa West*): And the returns to Canada, not only tangible but perhaps especially intangible, would be great?

Mr. MICHAEL: There has been very little of this done but there is the occasional example.

Senator HORNER: Mr. Chairman, I would like to refer to a statement made in the brief where it says that workers themselves will require a deeper and more extensive understanding of the machines and processes. We have had representations before the committee recommending greater expenditures on higher education. I would ask if there might not come a saturation point? In other words, I would look across the fence and ask where is our competition coming from, and how is it brought about? It is chiefly because the labourer in Germany and Japan understands what he is working for. He is working in order that his country may be able to produce an article and he is willing to work long hours and six days a week if necessary. I am somewhat concerned, for in my lifetime I have known cases where people have been perfectly able to take care of their own livelihood while employed in a blue shirt job. They have sent their children to universities where they have taken courses for which they were not suited and they wound up having to be supported by their fathers. I remember meeting one such person when I delivered a car load of horses to Rouyn, Quebec. This man had a large family and he told me he had worked hard all his life, that he had made up his mind he would see to it that his children had a better education than he had. He sent two of his boys through university but strangely enough they were the only two members of his family he had to support later on. The others were making a good living. I am afraid that we may reach a saturation point where we will have too many highly trained people, and we will not be able to find jobs to suit their educational background. You won't find a university-trained man willing to grease some machine. Who is going to carry the grease pail if everybody has an education?

Mr. MICHAEL: May I relate this to what has been mentioned as a lack of technical schools in this country? There have been many instances of men with a borderline mental capacity who have gone to university. They became, for instance, very poor chemists and they have been unhappy in their work. If they had gone instead to a technical school and taken a course of training that was within their capacity they would have been far happier in their vocation.

Senator HORNER: I agree. I remember the late Angus L. Macdonald making a remark that some university graduates would lead a happier life with a shovel or axe in their hand.

Mr. MICHAEL: I would like also to extend this in the other direction. Perhaps thirty years ago those who entered university with the idea of becoming scientists as a career received a bachelor's degree and had no inclination or need to go any further. It has become progressively more necessary to take post-graduate work for a master's degree and then a Ph.D. The man who intends to become a first-class scientist finds it almost necessary to take an additional two years' post-graduate training. So we have this continual raising of standards.

Senator LEONARD: If it is appropriate I would like to express a vote of thanks to the Chemical Institute of Canada for the excellent brief it has presented today. The men who have appeared on behalf of the Institute represent a cross-section of not only the chemical field but of business generally in Canada. They have been very co-operative in answering any questions we directed to them and we are grateful to them not only for their brief but for the fact they have given us the benefit of their experience in the problem we are dealing with, that of trying to create more employment in Canada.

Senator SMITH (*Queens-Shelburne*): I am sure we all agree with what Senator Leonard has said but I hope his little speech will not mean that we are not going to be able to ask one or two more questions. My understanding is that there will be three ways to increase the rate of research in this country. One is through the use of universities, another is through the granting of a tax incentive to industry itself, and another is through the enlargement of research done at the National Research Council. Would anyone care to rate the relative importance of each of these three ways of getting more fundamental chemical research done in this country, or are they all of equal status to your way of thinking?

Mr. MICHAEL: They are all certainly inter-related and of value. I personally would not like to equate one above the other but perhaps Dr. Marion would care to discuss that point.

Dr. MARION: I think one of the activities of the National Research Council which helps to increase research throughout the country is not so much what is done at the National Research Council itself from a research point of view but the action taken by the Council as a foundation through which it hands out to various people in universities sums of money every year to sponsor research. This enables them to assist students who can do research. As this increases and more money is allotted to more qualified persons in universities throughout Canada, enrolments will increase and consequently the number of graduates will increase. More research is being done in Canada as a result of this plan. There is probably more research done now in universities than in the National Research Council laboratories—in one given section, at any rate. More universities are being founded and others are expanding and increasing staff, and more grants are required from the National Research Council with respect to the field of science. As I say, that is one way in which the activities of the National Research Council really help a great deal in expanding the field of research throughout this country.

Senator SMITH (*Queens-Shelburne*): Dr. Marion, there is a definite limit to the time and amount of projects which you can encourage in universities under present estimates of Government departments.

Dr. MARION: Unfortunately there is only so much, yes.

Senator SMITH (*Queens-Shelburne*): Would you say that if you had more money at your disposal to give universities, you could find the research projects and the universities to do them? In the end this would mean an enlargement of employment opportunities in Canada?

Dr. MARION: Undoubtedly, for every year the number of requests exceed the grants that can be made. It is true that some of the requests are unreasonable but the fact remains there is not enough money to satisfy the reasonable requests.

Senator SMITH (*Queens-Shelburne*): As a by-product of this process through universities you would have a larger pool of teaching staff.

Dr. MARION: Yes.

Senator SMITH (*Queens-Shelburne*): To take care of the larger number of students which we must teach in the future.

Dr. MARION: Yes.

Senator SMITH (*Queens-Shelburne*): There is another subject I would like to get a few comments on. I do not know what the technique is, but what exactly is the support given by government to encourage the Pulp and Paper Research Institute?

Dr. MARION: The Pulp and Paper Research Institute is really created by the pulp and paper industry. I believe that each one of the industries in that group contributes so much to the objects of this. Now, at first the federal government made a grant towards it, and also McGill University made a grant. I think it amounted to this, that if they supplied the land where the original building was put up, that would be the basis of the grant, but I do not know to what extent it was. I know that for a long time the federal government did continue its grant to the Pulp and Paper Research Institute. To what extent they still support it now, I do not know.

Mr. HALL: I do not think there is an annual grant. It is my understanding that the federal government provided the physical facilities, and McGill and the industry operated them.

Senator BURCHILL: I think that is right.

Senator SMITH (*Queens-Shelburne*): It seems to me that perhaps that is one area the government on behalf of all the people in the country could give a little more emphasis to, because it is one of our basic and most important industries.

Mr. HALL: Mr. Blaylock and I have been discussing this. The senator who raised the question has since left the room, but it related to this subject. It was stated earlier that it appeared from this that industry was falling short of what it should do on research, and there was an inference I think, that government was doing too much. The figures do not bear this out. Granted the figures make it very clear that Canada as a whole is not spending enough on research. As we say in the brief, as a percentage of the gross national product, the figures in 1958 were, United Kingdom, 1.40 per cent; United States, 1.57 per cent; Canada, 0.57 per cent. But when you get down inside that again it developed that of the industrial research in the United Kingdom, 58 per cent was being paid by government, 56 per cent in the United States, and 49 per cent in Canada. So we have the situation that the total dollars we spent in Canada were very much lower than anywhere else, and that industry was of this small amount carrying a larger amount than elsewhere. I think this is very pertinent to your views that the government should be doing more in universities and elsewhere by the way of spending money for research.

Mr. BLAYLOCK: There is one other point in the same connection. The percentage figures are perhaps deceptive, in that the burden is being carried by relatively few firms. We are still, as Dr. Steacie puts it, a granch plant economy, and there are many large companies in Canada doing no research at all, because it is the policy of their parents in the United States or elsewhere to do the research at home and to operate their Canadian affiliates as production units only. Now, there are notable exceptions, such as C.I.L., which has the biggest research organization in Canada, where obviously a more enlightened view would be taken, but many do not; and if some way could be found to induce these foreign-owned companies operating in Canada to do their fair share of the research, a considerable number of jobs could be created for both scientists and technicians.

Mr. HALL: This was one of the thoughts behind the idea of imposing tax concessions in research in Canada to induce it to be done here rather than elsewhere.

Senator SMITH (*Queens Shelburne*): I have one final question, in another field, which I think perhaps might be directed to Dr. Marion again. I recall that for some years there was considerable money spent by the federal government in association with work being done at McGill University in trying to develop a coal-fired gas turbine. It looked encouraging at the time, but as I

remember the project was more or less dropped. Do you know of any other research which is at present going on in Canada in relation to the use of coal as a source of chemical materials as by-products?

Dr. MARION: Offhand I cannot think of one.

Senator SMITH (*Queens Shelburne*): Is it being done elsewhere in the world?

Dr. MARION: Well, in England there has been for a long time a sort of institute very similar to the Pulp and Paper Research Institute here, which has been for a long time and still is functioning. That is certainly a place where that sort of work would go on. I would feel, although I don't know exactly, that there must be one in coal producing countries, such as Germany and France.

Senator SMITH (*Queens Shelburne*): We do not seem to hear anything about that branch of scientific investigation.

Mr. MICHAEL: Adding slightly to that, there have been carried out in the United States until at least fairly recently some fairly large scale experimental work on the underground gasification of coal.

Senator BURCHILL: Following the comment that the American parent companies are doing their research in the United States at the head office, can anybody tell me what percentage of our Canadian chemical industries are affiliates of American companies?

Mr. BLAYLOCK: There are only two Canadian companies, I think, of any size left, one is Mr. Hall's and the other my own. All the others are either American or British or German.

Senator BURCHILL: Only two essentially Canadian?

Mr. BLAYLOCK: Only two left, yes.

The Committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

No. 18

WEDNESDAY, MARCH 9, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Canadian Association for Adult Education

Mr. A. V. Pigott, Associate Director.

Mr. Eric W. Robinson, Principal, Frontier College, Toronto.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

“The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative.”

J. F. MacNEILL,
Clerk of the Senate.

STATE OF MISSISSIPPI

IN SENATE, January 15, 1890.

REPORT OF THE COMMISSIONERS OF THE LAND OFFICE.

THE LAND OFFICE OF THE STATE OF MISSISSIPPI, created by the Legislature of 1845, has the honor to submit to the Senate the following report for the year ending December 31, 1889.

The first object of the Land Office is to manage the public lands of the State, and to sell them at public auction, in conformity with the provisions of the Constitution and the laws of the State.

The second object is to receive and disburse the proceeds of the sale of the public lands, and to report the same to the General Assembly.

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MINUTES OF PROCEEDINGS

THURSDAY, March 9, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot (*Chairman*), Buchanan, Burchill, Croll, Haig, Horner, Hugessen, Inman, Leonard, Macdonald (*Cape Breton*), Roebuck, Smith (*Queens-Shelburne*), Thorvaldson and Wilson—14.

The following were heard:

For the Canadian Association for Adult Education:

Mr. A. V. Pigott, Associate Director.

Mr. Eric W. Robinson, Principal, Frontier College, Toronto.

At 12.15 p.m. the Committee adjourned until Wednesday next, March 15, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

MINUTES OF PROCEEDINGS

January 18th 1892

The following is a summary of the proceedings of the Board of Directors on January 18th 1892. The meeting was held at the office of the Secretary, and was attended by the President, the Secretary, and the following Directors: [names]. The minutes of the previous meeting were read and approved. The following resolutions were adopted: [text]. The meeting adjourned until the next meeting.

Attest: Secretary of the Board

THE SENATE
SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Thursday, March 9, 1961.

The special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. Leon Methot in the Chair.

The CHAIRMAN: Gentlemen, I see a quorum. We have with us this morning the Canadian Association for Adult Education delegation, headed by Mr. A. V. Pigott, who I would ask to come forward and introduce his associates.

Mr. A. V. Pigott, Associate Director, C.A.A.E.: Mr. chairman, and gentlemen, I would like to introduce the two associates I have with me. Mrs. Donald W. McGibbon, is the Vice-President of the Canadian Association for Adult Education and is closely associated with the Canadian Conference on Education in its preparation for a large gathering in 1962; she is also National Secretary for Education for the I.O.D.E., and immediate Past President of the Dominion Drama Festival.

Mr. Eric Robinson is closely associated with this organization as Principal of Frontier College. He deals under very great difficulties with this problem of upgrading and assisting people in the frontier, and trying to help them to get more education.

Mr. Gower Markle, Director of Education and Welfare for the United Steelworkers of America has not yet arrived; if the planes are flying, he will be here later.

Ladies and gentlemen,

This brief cannot be presented as an official document of the Canadian Association for Adult Education. Time has not given us the opportunity of consulting our many constituent groups across Canada. On the other hand, we have consulted with many people and groups in most of the provinces, and we feel that the argument contained in the brief is not inconsistent with the thinking of our membership.

The Executive Committee of the CAAE has undertaken to submit the brief in the hope that it may add something to the deliberations of the Special Committee of the Senate on Manpower and Employment. We consider the work of this Senate Committee to be of the utmost importance to the future of Canada, and we stand ready to offer any assistance that it may be possible for us to give in developing our Canadian manpower—in the widest sense of the word manpower.

A philosopher has said:

We dislike education, because it was not presented to us in our youth for what it is. Consider it not as the painful accumulation of facts and dates, but as an ennobling intimacy with great men. Consider it not as the preparation of the individual to "make a living" but as the development of every potential capacity in him for the comprehension,

control and appreciation of his world. Above all, consider it, in its fullest definition, as the technique of transmitting as completely as possible, to as many as possible, that technological, intellectual, moral and artistic heritage through which the race forms the growing individual and makes him human. Education is the reason why we behave like human beings.

An adult educator has said:

In mature years the choice for most people is not usually between one kind of education and another. It is more often a choice between activities—those which contribute to the realization of ones capacities as a person and a citizen and those which do not.

“ . . . the modern world is too complicated to be governed except by drawing on the talents and wisdom of the people and their talents must be refined and their wisdom cultivated by continuing liberal education.

Introduction

The Royal Commission on Canada's Economic Prospects, in 1955, looked 25 years into the future and painted a glowing picture of what is to come. We are already one fifth of the way through this period, and find ourselves momentarily hesitating because of our concern with “creeping unemployment”.

Dreams and desirable predictions are made real only through determination, planning and action. Canada has every chance to achieve a high place among the nations of the world. The work of the present Committee of the Senate on Manpower and Employment is an earnest of our will to forge ahead.

The Canadian Association for Adult Education is a voluntary body made up of people interested in the fullest possible self-development of every citizen; it is composed of public and private agencies and organizations from all parts of our country joined together in the belief that, in a world growing smaller and more complex in its inter-relationships, ‘continuous learning’ for all is a necessity. Adult education, we believe, can add new understanding, power and wealth to our society.

There are many areas and sections to our interests. For the purposes of this presentation, we confine our discussion particularly to the area of training and retraining of manpower for employment.

The Gordon Report calls attention to the ever-present problem of producing sufficient trained manpower for our needs. It points out that, in absorbing some 175,000 new workers each year intensive and prolonged training will be required for an increasing proportion of the new workers. Children will spend more years in school. Every branch of education must be expanded. Universities will occupy a key position. Technical and vocational education must be increased to meet the growing need for production; in general, training of the young must necessarily take on new proportions hitherto unmatched. Our record has not been good.

However important the change and growth in schools, we are left with a present deficit in the skill level of our adult manpower. In addition, technology and automation, science and invention demand now, and will demand in greater measure as time goes on, continuous training and retraining of adults. A mere beginning has been made in this regard.

Our present predicament with regard to unemployment seems to demand massive Government-and-industry-supported retraining programmes. These will not be a cure-all. They can withhold some people from the labour market for a while and improve their lot. But how retrainable are these masses of unskilled and semi-skilled people? Are they interested in retraining? Can we provide jobs for them if they are retrained? How should we go about doing the job? Can we afford to do so? These and many other questions arise in our minds, taxing our imaginations, stimulating our interest and often leaving us appalled at our own ineptitude.

Nevertheless we are determined to attack the problems involved. Whenever we do so, new possibilities appear before us. Much has been said about retraining, and we have omitted a great deal of material because it has already been presented to you.

The Importance of Retraining

Increasingly Canada must find its place in markets more complicated and more highly competitive than ever before. To do so requires a high degree of competence and skills on the part of the work force at all levels. It would seem that Canada is by no means in the forefront either in the present competence of its work force or in its system of education and training for full use of human resources. At present the work force is growing more rapidly than the labour market. Unemployment has been increasing for some years. The creative skill of the over-all work force is certainly one of the most potent forces in finding new markets for our production. It is, therefore, of national importance that we upgrade our knowledge and ability on a broad scale.

School Programme is Basic

The Canadian Association for Adult Education finds its main interests in people who have left the school system. We are concerned with the continuing education of all adults regardless of the levels of formal education achieved in school. Nevertheless, we must also be concerned with the success of formal education of young people, for eventually young people become adults.

For this reason we are glad to join with others in finding more efficient ways of keeping young people in school for a longer period of time. Merely raising the school leaving age, offering more financial support or depending on a security of job-opportunities will not answer our problems. We work actively with the Canadian Education Association and others in seeking the answers. In the scope of this brief, we can deal only incidently with school and university education. This whole field is, nevertheless, of fundamental importance. There is no way forward without constant and adequate planning and action to provide the most suitable kinds of in-school education and to involve as many of our young people as possible to the highest level possible within our means.

Adult Education Programmes

This Association is a voluntary agency serving public and private organizations and agencies interested or active in the field of adult education. We work with university extension departments, departments of education, school boards, libraries, voluntary agencies and many others. Our aim is to assist in all endeavours in the world of learning which enhance the individual's chance for full self-development.

In recent years there has been a great growth in attendance at formal classes in the adult education field. At present probably a million people in Canada are in such courses and another million or more are registered in short-term or informal courses. Correspondence courses are taken by 150,000 or more. Add to this the students of "classrooms in the factories" as they have been called and you have an imposing picture.

Here you have business and industry getting into the field of education through necessity; labour is increasingly active, and many individuals on their own seek education for more purposeful living or for vocational improvement.

A third dimension has been added to education. To the two great dimensions, the university and the free public school system, go the honour of laying out the grounds for an educational structure to fit the space age. Adult Education, new only in its increasing organization, ideals and attitudes, brings a third dimension giving new volume, new content to life and work.

The Extension Department of the University of British Columbia has stated the case as follows:

"Much has been made of the statement that education is continuous throughout life, but the fact is that we are the first society which has had to realize this condition for as many persons in the population as are capable of sustaining it. While the essence of the familiar ideal of the 'liberally educated' is that of continuous learning, this has in the past been restricted to the very few. Such a condition is no longer possible. It is our contention that the formal system of education is not yet prepared to appreciate these circumstances.

The most impressive entry into the field of adult education on a large scale is industry. Evidence of this can be found in the recently published work of Clark and Sloan, 'Classrooms in the Factories.'¹

'Factories today have classrooms, organized programs of studies, faculties, textbooks and examinations, and even graduation exercises with diplomas. Education budgets often rival those of good-sized colleges, and expenditures per student are not infrequently two and a half or three times the national average for conventional institutions.'²

The authors continue to describe a wide variety of education programs, including the fact that

'one corporation offers 111 separate courses. There are two semesters a year of either 10 to 16 weeks each, depending upon the subject. Special classes are organized during the summer as needs dictate. Classes meet twice a week, usually from 1 to 3 p.m. or 7 to 9 p.m. accommodate both day and night shifts.'³

and

'One authority estimates that 100,000 business executives and some 700,000 persons of lower business status are currently attending self-development courses of some kind.'⁴

This, of course is in the United States.

The Limits of this Brief

This Association has much to say about the broad force called adult education, but in this brief, attention is being focussed on the use of manpower in employment at a time when there is much unemployment.

Retraining of the Unemployed

Many figures have been produced to show that unemployment occurs mainly among those who lack education and training. Obviously many people could be put back to work if they given suitable knowledge and skill to take advantage of job-opportunities available at our present level of production.

The following is an excerpt from a report of the National Employment Service Advisory Committee for Metropolitan Toronto, on which there are representatives of management, labour, education and welfare.

Re-Training for Specific Opportunities

Our Committee was impressed by a study made in the Regional Advisory Committee on continuing job opportunities appearing in the files of 22 local offices in Ontario. (This was in 1959). In order

¹ Clark and Sloan—*Classrooms in the Factories*, Institute of Research, Fairleigh Dickinson University, Rutherford, New Jersey, New York University Press, 1957.

² *Ibid.*, p. 3.

³ *Ibid.*, p. 97.

⁴ *Ibid.*, p. 119.

of frequency of occurrence they were as follows: Stenography, upholstering, domestic work, bookkeeping, data processing machine operation, diesel mechanics, sign painting, welding, meat cutting, retail selling, barbering, cooking, dry cleaning, silk screen cutting, medical records librarian.

In a further report from our local employment office to the Social Planning Council, it was stated that older workers could be retrained for a number of areas of work with ample assurance of their immediate employment. The fields mentioned were service station attendants, caretakers for large buildings, nurses' aides, hospital aides and a variety of office jobs.

Each day there are many columns of the classified ads in the newspapers calling for people with certain skills. Add to this the lists of job opportunities listed with the National Employment Service and we can find an immediate need for launching re-training programs for adults.

In many cases the skills demanded are of the type that can be learned in courses of one year or less in duration. The immediate implementation of Schedule M would go a long way in rehabilitating workers who are now idle.

This spring the local unemployment insurance office was paying out over \$1,500,000.00 in benefits each week. For many of the people in enforced idleness, suitable courses could have been provided to put them back to work with some degree of permanence. Long periods of unemployment or doing only casual work usually have serious effects on the individual. Evidence of this is found in great numbers in our missions, on our relief rolls and in most of our social agencies. The problem is too serious to be neglected, or is it one that can be avoided by ignoring it. Ultimately we pay many times over for the lack of having taken preventive steps through training and retraining programs.

Immediate Steps Can be Taken

No further gathering of statistics is needed before entering into the use of Schedule M under the Vocational Training Act. National Employment Service can screen and supply a great many suitable candidates for jobs that are said to be there for the filling. It is to be noted that, during the war, we met the demands for skills under legislation that now has fallen into disuse to a large extent. We believe, however, that we are in a state of emergency today. The old explanations of boom-and-bust cycles in industry and the inevitability of seasonal unemployment no longer apply to our basic troubles.

We must depend upon many resources in our fiscal, monetary and trade policies. Nevertheless a prime factor lies in the field of education and training. By combining the facilities of the Unemployment Insurance Act along with those of our educational systems, in-service training in industry and other community resources, we can create a working force in Canada second to none. In most cases requiring further training, subsidization is necessary and should be available in adequate amounts to encourage completion of the course.

This type of report suggests a good starting point. People can be selected from those now out of work can and will undertake courses to fit them for jobs now known to be available. We must not pass by this phase of the problem too quickly. When 10 percent of our people are out of work, it does not mean that there are no jobs open. Even a quick survey shows a surprising number of opportunities. A great many other openings are there,

if trained people are available. What employer will not pick up capable producers who can expand his business?

Every time a few people are added to the work force other jobs are added and services are required from unskilled, skilled and professional personnel.

Simple accounting produces amazing figures when one adds up the possibilities of taking 100,000 people off unemployment insurance and putting them to work. The insurance is set at approximately half the average weekly wage rate of pay. If these people are employed, the money is not paid out unproductively; instead, twice as much (at least) is earned through production. From there on the pyramid of earnings adds to the gross national product.

In addition the social costs of individual deterioration, family break-down and other problems are lessened. One has to be brought close to the effects of unemployment on the individual to realize fully its serious consequences in an industrial age. Nor should we be satisfied merely by having people at work. Suitable employment befitting the ability of the individual can reveal wonders of creative progress in our productivity almost beyond imagination.

The process is self-regenerating, if applied broadly at all levels. Let us not limit our horizon to the training of people only for job openings now apparent.

In 1980 there will be 27 Million Canadians

The high birth rate of the war and post-war periods is making an impact on the labour market of the present time. Unemployment is twice as frequent in the age grouping 16 to 24 years as it is in general. Young people are pouring into the work force, many of them ill-prepared for work and yet expecting to enjoy the standard of living to which they have become accustomed during the prosperity of recent times.

The Commissioner of Welfare in the City of Toronto has shown that, in March 1960, 74% of the heads of families and 48% of the single people unemployed and receiving public assistance were under 40 years of age. During the autumn of 1960 the press carried a statement that nearly 40 percent of the recipients of welfare in Scarborough were under 29 years of age

Rapid Increase in Population in Urban Areas

It is to be noted that Canada has one of the highest rates of natural population increase of the economically advanced countries. This condition imposes a heavy burden on education in providing for the great growth in school population. This is especially true in the suburban sections of metropolitan areas. Indeed the pressure to provide classroom space and teaching personnel has been so great that curriculum development, educational research and the functional relationships of school to the changing communities have undoubtedly received less attention than was their due

The main growth in population will continue to take place in urban, industrial areas.

Surplus Population in Some Non-urban Areas

As has been pointed out in the Gordon Report, there are vast differences in the economic prospects of various regions of Canada. Little immediate hope can be held for further development of coal mining in the Maritime provinces. To meet the employment needs of such an area is not immediately possible without the migration of some of the surplus workers. Education and retraining can increase the mobility of workers.

In a sense, farming in the prairie provinces has been industrialized. In order to survive, farmers require larger farms than in former days. Mechanization and modern techniques of farming require greater skills and more knowledge than was the case early in the century. The Agricultural Rehabilitation

and Development Act now in preparation at Ottawa pays attention to that 30 percent or more of Canadian farmers whose production potential is \$1200 or less per year.

With nearly one third of our farmers getting along at a subsistence level and with little hope of expanding world markets, it would seem that surplus population will drift from agriculture into industry. Here we note a double duty laid upon education and training: on the one hand to produce a group of farmers, smaller in number but far more skilled in modern techniques of management and production; and on the other hand offering adequate opportunities to other members of the farming communities to find places in industrial, urban centres.

There is a considerable difference between the problems of a coal-mining area in Cape Breton and a grain-farming community in Saskatchewan.

If, however, we believe in equality of opportunity as a principle of government, the residents of the areas mentioned must have available adequate chances to prepare themselves for making a living. In either case can the local municipality provide these opportunities through revenues derived chiefly from taxes on land. It is doubtful if provincial subsidies can supply the facilities required. Federal assistance would seem to be necessary. In Canada many people are wary of accepting federal support for education for fear of losing the local autonomy in education which has been so marked in our past history.

The Dilemma of Federal Support

According to the terms of the British North America Act, education is left to the jurisdiction of the provinces. Thus we have ten educational systems with variations that are bothersome to many people in an age of increasing mobility. Moreover, vocational and technical education as well as adult education were not envisioned in their modern aspects when the Act was formed. In the early part of this century much attention was paid to the need for, and importance of vocational and technical training. Again, during the depression the need for more adequate vocational education was felt. It was seen, too, that federal money would be required if adequate progress were to be made.

Accordingly in 1935 the Canadian Vocational Training Act was passed. Shortly thereafter the shortage of trained personnel for World War II brought about a revision of the Act, and a vigorous promotion of training under its various schedules. Much experience was gained and excellent results were achieved.

We should be reminded, too, of the training programmes carried out at the end of the war, partly to relieve the impact of the returning soldiers upon the employment markets. Investments in education of this kind had outstandingly good results. The efficacy of educating and retraining adults no doubt had a salutary effect upon our whole economy and served no small purpose in stimulating our institutions of higher learning into better standards of achievement.

The Present Emergency

The unprecedented markets of the post-war period for Canadian products, both at home and abroad, did not encourage full development of the capacities of our people or our industry.

It is true that much was accomplished, but we were busy with primary industry and semi-manufactured products. The war-devastated areas of the world had great needs, some of which we could supply. Canada became accustomed to a rapid, yearly growth of national product, and to a high standard of living.

The "old" country has been rebuilt in many ways. Markets available to us during the past 15 years are closing or have changed their requirements.

Our forces must be redeployed and used in competition with highly-trained workers and modern equipment of the rebuilt, western nations. All this demands different techniques and greater skills. An analysis of our present employment market shows the decline in demand for unskilled and semi-skilled workers, along with many opportunities for the skilled and the professional groups. I need not repeat figures to show these facts, since they have already been presented to this Committee.

The present growing emergency in waste of manpower through unemployment is of sufficient national importance to merit the same kind of effort and planning as was devoted to the use of our manpower during the last war. The postulates of free enterprise need not be discarded; rather let them be used in the proper setting of a long-term, formal, yet flexible, plan for effective use of our national resources, human and material.

Types of Unemployment

A planned programme seeking to avoid unemployment and depression must take into account the major causes for these conditions. In general they are classified as:

1. *Unemployment due to lack of aggregate demand.* During the 1930's there was a world-wide loss of markets. This is the most dreaded type of difficulty, but it does not present itself seriously at the present time. Unemployment is not rife in western Europe. Tremendous markets would seem to be awaiting development in many parts of the world. International offices and organizations may be able to offset many major cyclical disturbances that seemed inevitable hitherto. Nevertheless precautionary measures in maintenance and development of markets must be watched at all times.

2. *Unemployment arising from lack of capital equipment, or underemployment through inadequate use of resources.* This type of unemployment or underemployment is found mainly in the underdeveloped countries. In Canada we have all the ingredients of successful development available or at hand. The interests of the CAEE, however, lead us deeply into concern about our obligations toward underprivileged countries. The world has become a small neighbourhood, and, as one of the more fortunate nations, Canada has great obligations not only in understanding the plight of less fortunate people, but in becoming actively involved in offering every possible kind of assistance to them. We shall not deal with this subject at the moment, but it is pertinent and worthy of consideration in regard to use of Canadian manpower and resources.

3. *Frictional unemployment* may occur even when aggregate demand is high and the volume of available capital is adequate. There is good reason to believe that our present predicament lies to a considerable extent in the field of frictional unemployment. In other words there is a lack of correspondence between the job demands of trade and other industry and the number of workers qualified and available for the jobs. To bring men and jobs together on a local and national basis is probably at the core of our present problem in Canada. Monetary and fiscal policies, tariff adjustments, tax incentives and other private and public measures are necessary and beneficial from time to time. Such measures must be well manipulated and wisely administered. As people devoted to adult education, we leave to others the important task of dealing with these influences. We also leave to others the task of dealing with benefits and allowances, public and private investment, levels of consumption and public works. Rather would we emphasize that training and retraining services are the key to developing skills and promoting occupational mobility. In the long-term solution of unemployment that nation will fare best which

makes best use of its human resources. There is no better investment for a people than in education and welfare.

The *World of Learning* column of the *Globe and Mail* for February 13th, 1961 had this to say about our educational provision in Ontario:

Leading economists in both Britain and the United States have recently shown that returns in national income vary directly with the national investment in education. As an article in *The Times* of London pointed out the other day, the rate of economic growth is held down by educational deficiency.

The reason Russia and West Germany are exceeding Britain, the United States and Canada in their rate of economic growth is that we do not put as much into education as the Russians and the West Germans do. When are we going to elect government that recognize this?

Senator HORNER: Just at that point. When you mention Russia, surely I could put everybody to work in this country if I had the authority that exists there. I think it is unfair and improper to mention what Russia is doing by comparison with what is being done in a free society.

Mr. PIGOTT: Except that here all we are really calling attention to is that they have a greater investment in education.

Senator HORNER: Who has?

Mr. PIGOTT: Russia.

Senator HORNER: I doubt that, too. You do not know that.

Senator LEONARD: This of course is a quotation from the *Globe and Mail*. It is not a statement of your own.

Mr. PIGOTT: No.

Senator HORNER: Yes, I realize that.

Mr. PIGOTT: To continue:

Those we have still do not seem to realize that the scale of educational expenditure must be radically increased. Ontario Government grants to universities for operating expenditures are, in terms of dollars per student, less than half those in the western provinces. The ratio of Ontario grants to total expenditures in elementary and secondary education is almost the lowest in Canada.

Organization of the Employment Market

In a publication (New Series No. 20) of the International Labour Office *Action Against Unemployment* the following statement is made:

Experience has proved conclusively that the systematic organization of the employment market is an essential condition for the permanent control of the problem of unemployment. It has a vital part to play in eliminating unemployment caused by friction in the working of the economy or by structural changes in industry. This is a principle of action to which the I.L.O. attaches great importance. It considers that the machinery of employment market organization needs to be re-examined and strengthened for this purpose, so that it is continuously equipped to meet new and changing needs. It believes that the international standards adopted by the International Labour Conference relating to the organization and operation of employment, vocational guidance and training services for young and adult workers have an important application in this connection.

The report does on to say that provision must be made for a constant supply of reliable, detailed and up-to-date information on the situation and the trend

of employment before suitable action can be taken. A national service agency would have to collect and analyse the data and make them available systematically and promptly to all concerned.

We can compliment our Department of Labour and others for doing this increasingly.

The Employment Service Recommendation of I.L.O. 1948 points out two basic tasks are to collect material pertaining to (i) current and prospective labour requirements (including the number and type of workers needed, classified by industry, occupation and area). (ii) Current and prospective labour supply (including details of the number, age, sex, skills, occupations, industries and areas of residence of those seeking work).

Increasingly government is gathering and publishing more information in Canada. This trend is to be encouraged.

We can improve ourselves by making systematic use of all that is available.

The National Employment Service has available all statistics on persons receiving unemployment benefits, and of those taking advantage of publicly sponsored training or retraining courses. However, it would seem that with voluntary registration and the limited amount of information gathered, there is room for improvement, if we are to get at the nature of our problems.

Again, the penetration into the field of job vacancies, is not great enough to serve as a basis for sound judgments. In the case of the Labour Exchanges in the United Kingdom much more information can be gathered about supply and demand in the labour market. An employer is required to notify the Exchange of a vacancy even though he intends to do his own hiring.

Senator LEONARD: May I interrupt at that point? The labour exchanges in the United Kingdom correspond to the employment department of our Unemployment Insurance Commission?

Mr. PIGOTT: Yes, and to them all employers, and all applicants must report.

Thus more is known about labour turnover and the reasons for such turnover. Under the present Unemployment Insurance Act, Regulations 39-41 under the heading "Notification of Employer's Requirements", the type of information needed can be gathered now. The regulations have not been enforced.

Regulation 39 states:¹

Every employer who requires to engage an employee in insurable employment shall, after twenty-four hours have elapsed since the employment become available, forthwith notify the local office of such requirement.

Advance notice of large-scale dismissals and lay-offs would be of great advantage, especially where retraining or transfer is indicated.

We would encourage the setting up of a system whereby juveniles leaving school to enter employment should be registered with the youth placement services of N.E.S. In fact the Youth Services should work closely with the guidance services of the schools in encouraging pupils to stay in school. We presuppose here that the variety of courses and their suitability are in phase with the needs of both the pupils and the labour markets.

It is hard to overestimate the job to be done in relating schools and the world of work through the employment service and by direct contacts. The present tendency of channeling pupils into academic courses because these have "status", is to neglect whole fields of motivation that can be most effective in avoiding the present plethora of school drop-outs.

¹ Ref: Unemployment Insurance Regulations: January 1959, Ottawa.

Much has yet to be done in revising our opinions of what is academic and what is vocational. The work of adult education points out that the two cannot be separated. Vocational interests involve the individual in liberal education. It can be held with certainty that our primary aim of conserving human ability involves habilitation, citizenship and training (if that is the word) for the rewarding use of leisure time.

Recruitment Policy

Recruitment, here, is a technical term which refers to the enlisting for education and training the young people.

In a free economy it is difficult to relate people to jobs in a formal manner. Yet we know the wastefulness of laissez-faire and of the frequently contradictory practices of individual employers and trade unions. Yet employers and unions play the most important parts in recruitment. There is little experience in this country in any co-operative approach on the parts of government, labour and management toward an orderly and systematic recruitment policy. Yet the individual worker finds that he can exercise his vocational choice only within the limits of the opportunities which are available or apparent. It is often difficult for an individual either to measure his capacities or to know where he can find the best outlets for his aptitudes. The existence of a considerable number of fee-charging, private agencies in certain fields is an indication of the need for further development of our employment services.

Vocational Guidance and Employment Counselling

We have spoken of these with regard to young people in school. Much has yet to be done to improve our haphazard system and to relate the world of learning dynamically to the world of work.

An unemployed man needs guidance and counselling second only to financial assistance for himself and his family.

The National Employment Service now has facilities for counselling and testing. If a major national scheme for retraining is instituted, the counselling services will require rapid expansion. There is a serious shortage of qualified and experienced vocational counsellors. It would be necessary, therefore, to find means of providing more counsellors and of having a salary schedule that would attract and hold them; until recently it was difficult for the Civil Service to recruit and hold these people in the face of outside job opportunities at higher salaries. We note with some satisfaction that this has been recognized by the Civil Service Commission, and adjustments are being made accordingly.

The Mobility of Labour

One of the great factors in frictional unemployment, in a changing and a growing country such as Canada, is to move working groups not only from an area but from one occupation to another. There are many reasons for the unwillingness of labour to move: dislike of change, expense, lack of skill, lack of information, etc. Yet to solve pockets of unemployment, population sometimes must be moved. They are, in a sense, victims of economic change and are deserving of help; there is no real reason why the economic burden of change should fall mainly on their shoulders.

In cases where families have been moved from a coal-mining area to an industrial city in another part of the country, it has been found that the families tended to return to their original home at the first experience of unemployment. On the other hand employees of large companies, who are transferred (e.g. in a bank, chain store or transportation system) usually move without complaint.

There is a difference, however. In the latter case, the new position offers a continuation of security, new experience and possibly an increase in status or earnings. For the coal miner, there is loss of security in the new surroundings: he is subject to change without adequate orientation, retraining and incentive.

Training and retraining schemes are basic means of facilitating necessary occupational mobility whether in change of area or occupation. During the war the effectiveness of training and retraining was demonstrated on a large scale.

It is generally accepted that the training needs of unemployed young people differ greatly from those of adults. Again the needs of inexperienced adults vary greatly from those of experienced or skilled workers. At this point, however, we need deal only with matters of general interest or importance in retraining as it facilitates mobility.

A Retraining Program for Unemployed Workers

1. Any retraining scheme should be based on an objective analysis of the present and prospective employment market.
2. The Employment Service must offer counselling and information to the worker, and offer assistance in selecting persons for the courses.
3. The Employment Service should assist in developing the courses of training and retraining. Upgrading courses—by this we mean improving their academic standing—apprenticeship, occupational, vocational and supplementary courses will be necessary according to the needs of the clients. That has to be in the light of non-labour markets, of course.
4. Orientation, placement and follow-up will be necessary to assure the best results.
5. Training for “families of occupations” rather than a specific job allows for flexibility. In this day of specialization, industry and business often prefer to give the finishing course or instructions. As the occupation changes, retraining is more easily done if the worker has some background in the “job family”.
6. Training “on the job” or in training centres attached to an undertaking has been found to be most effective. At any rate training should be given in conditions that approximate as closely as possible the conditions of the job.
7. Working conditions and remuneration must be supervised to conform with the interests both of management and labour and with existing collective bargaining agreements. While in training the individual is fully occupied and deserving of payment according to his standard of employment at the time.
8. As an incentive to undertake training, the student should receive allowances beyond those available through unemployment insurance or public assistance. Increased incentives might be offered according to special needs or abilities, and we deal with that later.

Duration of Training

This will depend on the level of skill that is to be achieved. The costs of a re-training program are so great that the courses must be as intensive as is consistent with the ability of the student. In this regard, the teaching methods will differ greatly from those used in the ordinary school.

Experience gained during the war, and in post-war industrial training has shown that an adult of good or superior intelligence can achieve several or many years of ordinary school curriculum work.

The costs may be high in retraining programs, but when measured against the probability of long periods of unemployment and non-productivity, if the training is not given, the social investment is worthwhile.

Young People Have Special Needs

Enforced and involuntary idleness among young people may lead to rapid deterioration. At this period of life it is most important that training, and retraining opportunities are readily available if adequate work is not. A number of points are to be noted.

1. Although there are special features to be considered in dealing with unemployment among young people, the problem must be solved within the ordinary economic policy of the country and its employment market. Point No. 2 explains that in a way.

2. Even in an emergency, works programs or camps cannot replace long-term plans directed toward constructive development and use of the skills of youth.

3. Guidance and counselling should be readily available and expertly done. Orientation, testing, placement—such services can reveal to us productivity and creativity that may remake the national standard of achievement. Put to full use the creative abilities of the tens of thousands of young people now producing at a low level, immeasurable good can come from the investment required.

4. Apprenticeship and other means of giving systematic training to young people should be promoted, made interesting, kept up-to-date and given status.

5. 'Suitable' placement is a key to a young person's career. Thus blind alley jobs can be less of a hazard; the individual can be made aware of preparations necessary for his future job security and advancement. Good personnel policies within companies can go far in this regard. The school, the employment service and the employer have related opportunities to help in the provision of suitable placement for young people.

Employment Services are Pivotal

In utilizing Canada's human resources to the fullest extent possible, The National Employment Service must be kept in a pivotal position. It would therefore, be separated from the Unemployment Insurance function and be directly responsible to the Department of Labour.

The primary functions of the Service is, of course, helping workers to find suitable jobs, and helping employers to find suitable workers. To do these things, however, the employment service has to be closely associated with education and retraining as well as with manpower needs. It must have the confidence of both the employer and the employee. Organization, promotion and research are keys to its success in meeting the needs from both sides. There is a vast job to be done and N.E.S. cannot do it alone. The educational system, business and industry, labour, private and public agencies—all these have parts to play nationally, provincially and locally. The acceptance and the status of the National Employment Service must be at the highest level and requires a sufficient supply of highly qualified staff, good working and research facilities and adequate financial support.

The general function of the National Employment Service is one of facilitation. In performing this it can effect many economies of time, effort and money. Yet it cannot get into fields and functions better left to others such as remedial education and vocational training, or treatment and therapy. The problems of information and referral, counselling and testing, placement and (often) follow-up require great skills and delicate relationships. Considered in the light of 'use of manpower', however, the expense involved is undoubtedly justified.

Unemployment Assistance

Public Assistance offered to the unemployed must be considered within the field of general assistance. We are not competent to deal in detail with this part of a welfare policy, but we do have a responsibility to bring forth certain aspects.

An individual, according to need, should be entitled to public assistance at a level which will enable him to preserve his dignity and self-respect. Otherwise he can be of little use as a prospective source of manpower for the economy. During any full-time course of training or retraining his support need not be limited by unemployment insurance benefits. Variable allowances can be used as incentives to encourage the individual to pursue his self-development.

The aim of our society is to achieve full employment. This implies that an individual has both the obligation and the right to work. Since work in this sense required skill, the individual has the obligation and the right to acquire skill, according to his ability and his needs.

During a period of the unemployment of an individual, a first consideration must be that he has a reasonable degree of security. An assistance programme must work to this end, in order that the unemployed person can have the emotional and mental composure to plan ahead.

Unemployment insurance has an important part to play. However, we leave to others an evaluation of this scheme as presently administered and used in Canada. It can hardly be called insurance since, in some cases the premium has little relationship to the risk. On the other hand its use as a welfare benefit could be handled more suitably by other means as suggested by the Canadian Welfare Council.¹

From the point of view of adult education, unemployment insurance should be adequate to carry a worker over for a reasonable time after loss of employment.

If, at the end of whatever is considered to be a reasonable time, the individual has not been placed in a job, his application should be considered with regard to his need. In a time of cyclical unemployment, special measures must be taken on an emergency basis. If however, the individual is found to be competent, a reason should be sought for his lack of placement.

Where relative incompetency or disability is found, the individual might be classified in terms of employability or unemployability.

As a unit of manpower the individual can then be given a chance to join the work force through whatever channel is most suitable: retraining, rehabilitation, treatment, special counselling or other types of service. Some would no doubt be dropped as statistics from the work force; the great majority would have a more adequate chance to find suitable work.

Use of Incentives for Retraining

It is to the national interest to have a man improve his education and training. The acceptance of this principle is implicit within the provisions of the Canadian Vocational Training Act. Moreover the federal Government through the same act accepts financial responsibility in the fields of vocational and technical training and retraining. If there is good reason to believe that Canada is in need of a higher level of skills in its work force in order to lessen frictional unemployment, then it follows that we should promote upgrading and retraining courses.

Human beings respond to incentives. Can we not, then, through incentives make it more desirable for an unemployed man to undertake training than to remain idle. The Act can be interpreted in such a way that this end can be achieved. However, the Act has been used with an eye to economy rather than to improvement of manpower. During 1959-60 only 4,638 unemployed were trained under the present Vocational Training Projects Agreement in all of Canada—that is, with the exception of Quebec. (1. See table entitled Investing in Vocational Technical Education).

¹ *Social Security for Canada*. Published by The Canadian Welfare Council, June 1958.

Many of the unemployed taking training had to pay for their own courses, and live on unemployment insurance. In Toronto during 1959-60 there was an average of 400 people at any time taking courses at their own expense, usually in privately operated schools.

This is not a great number, but it tells us something of the willingness of people to undertake training. The trainees in these cases had to live on unemployment insurance, which is set at approximately half the average weekly wage rate of pay.

Probably many types of incentive could be worked out. If a man wishes to remain idle, he has available unemployment insurance or public assistance. On the other hand, if he is capable of taking training, and is recommended for a course suited to his prospects and abilities, he should be considered as being fully employed while he is making satisfactory progress.

It would seem feasible, then, to remove him from the rolls of unemployment insurance and grant him adequate public assistance. This can be done within the terms of the scheme. We refer again to the Canadian Welfare Council's recommendations as to the adequacy of the assistance that should be given.

We would go a step further in suggesting that his accumulation of benefits for unemployment insurance be retained for him during the period of his successful pursuit of the course being taken.

Furthermore, if he has children attending school and over 16 years of age, family allowances could be continued as is done in cases by the Department of Veterans Affairs.

There may be many other and better ways of offering incentives to encourage the unemployed to take training. Whatever the means used they should be consistent with the best possible use of manpower in the interests both of the individual and society.

In any systematic manpower and employment scheme, the federal Government has both the opportunity and the responsibility for offering leadership to the provinces and the municipalities in developing and maintaining sound policies. It can promote vocational and technical training vigorously, sponsor programmes of rehabilitation, assist with acquisition of trained staff, offer technical services and carry on research. Much assistance of this kind is now offered; there is great variation in its acceptance and use across the country.

Declaration of National Policy concerning Retraining

There is wide appreciation of the increased grants available under Schedule M of the Vocational Training Act. We trust that the provinces will move as quickly as possible in taking advantage of the offer made by the federal Government to assume 75 percent of the cost including capital equipment.

One of the criticisms of the scheme brought to our attention is that of the termination date. Many people remember the physical fitness plans set up in the war period. Upon the withdrawal of support at the national level, the burden had to be taken on, or the course dropped, by the provinces and municipalities.

Late in 1960 it was announced by the Minister of Labour that under Schedule M of the Special Training Projects agreement the federal Government would pay 75 percent of the cost of retraining, including capital costs. The termination of the agreement is in 1963.

The vision of retraining for employment and use of manpower involves vast organization and large expenditure. Probably a federal declaration of policy is necessary in this regard to encourage provinces to move forward adequately and with some assurance of permanency.

Often, in these days, we hear the term "major break-through". We would consider that a sound organization of the employment and training services assist greatly in the achievement of "full" employment.

Will the Unemployed Undertake Retraining?

There is not enough knowledge or research in this area to warrant many answers to such a question. Social workers and others will attest the fact that after a few years of unemployment or casual employment many people deteriorate to the extent that rehabilitation becomes difficult. There is little doubt that there is great economy in doing enough and doing it in time. The statement should really be rephrased the other way: the saving comes from giving the individual a suitable opportunity and encouragement for determining his course.

It is true that, as a group, the unemployed have less education and training than most of the employed. This does not mean that they cannot learn, or are incapable of taking training. Whenever we undertake to provide suitable opportunities for learning, we are amazed at the capacities which individuals reveal, even though their past experience has not led them to great accomplishments. Of such is the greatest of nations made. The conservation of human abilities offers us a mine and a powerhouse for achieving that greatness.

We have grown out of a past where, in general, an individual did not return to formal education once he had left school. People with a limited experience in school do not see themselves in relation to continuous learning. Yet, with help from a good counsellor, they often have sufficient motivation to undertake intensive training. This was found to be true in our manpower programmes during the war. We must not underestimate the retraining opportunities awaiting development, if a systematic programme is set up and given some promotion. Elsewhere we deal with the various factors to be considered in this regard.

Even very little promotion of retraining courses will be required at the present time to fill any courses we offer. With nearly 7 percent of our work force unemployed throughout the year, we shall have to move fast to keep ahead of the supply of students that can be screened and recommended by the National Employment Service.

No further research is needed to make a brave start. British Columbia has led the way in attacking the problem of upgrading those whose academic qualifications are too low to enable them to undertake more advanced vocational or technical instruction.

The Problem of Upgrading

More than half of the registrants for unemployment insurance have only a primary school education. This is a very large number of people. Among them no doubt are a great many who have good intelligence, and who are willing to undertake training. It will first be necessary to give them an "adult" course in elementary education. This is what we call upgrading.

This type of course was given to many during the war. Special teachers with freedom to meet the needs of the pupils usually showed great success. The adult pupil devoting full time to the work, backed by the experience he has gained in life, can cover the equivalent of many grades in a year.

Through the counselling departments of the National Employment Service such candidates for training can be selected. Schools can be used, as they were during the war, for double shifts; governmental buildings such as armouries, air force facilities, etc. may be available in places; space may be rented or buildings erected.

We would call attention to such a place as Elliot Lake. Not only basic training, but many types of residential instruction at many levels of learning could be provided. There are immense possibilities of national significance to be considered in the use of this modern city, which may be left to fall into ruins at a time when it could be put to valuable use. In this connection there are probably other excellent facilities available across the country. No great capital costs will be involved—the buildings are already there. We have great

need of technical institutes and junior colleges. The growing number of young people will force us to double our school accommodation in the next decade or so. We cannot afford either delay or waste of opportunity.

May I pause to call your attention more closely to the situation at Elliot Lake, once a city of 30,000, now down to something like 12,000 people, and it will become less. Houses are being boarded up. But more than \$400 million investment has been made in the city, which cost has been carried to a considerable extent by the federal and provincial governments. There is much need for upgrading of the unemployed, for the expansion of technical schools, of the nature which I shall speak of in a moment, schools that one does not need academic qualifications to enter. This offers an ideal situation for the earth sciences, so important to the opening up of our north country, and in which we can serve a very basic need in our assistance to countries such as Asia and Africa; people could be brought here to various universities, not as a separate endeavour, but mixed in with other courses. One thinks of such endeavours as seminars that should be carried on, post high school technical work and so on.

Perhaps this is not the place to develop the point, but when did a nation ever find itself with the availability of a beautifully-planned and most adequate and fully equipped community such as Elliot Lake, that could give us an educational background for what we are talking of, a development that could be of tremendous assistance to the nation through the years ahead. I emphasize, the capital cost has already been expended.

Entrance Qualifications for Technical Training

You will no doubt remember that during the last war our need for manpower was such that we looked beyond the limits of school certification for many of our recruits.

At all times we should encourage young people to attain a high standing in school, and thus be more eligible for advanced training or for employment. In considering the present unemployed, however, we find a group of people usually without the necessary qualifications to be admitted to apprenticeship, technical or higher education. Many of them are capable of learning, are in a state of enforced idleness, and have neither the means nor the opportunity to be accepted by any institution of learning. Moreover, the surroundings and the courses of the ordinary secondary school are for younger and less experienced persons than the ones we are discussing.

A retraining school would accept students sent there by the employment services. These students would have received whatever counselling and testing services might be necessary. The retraining school is interested in the prospective student's learning capacity, his motivation and preparing him for self-support and good citizenship. Such a school would require an inspired staff; it would, with proper support and assistance attract such a staff.

The prestige of adult institutions of this kind would grow quickly. The main problem would be, no doubt, to keep them flexible and sensitive to the many needs of training and re-training. It is to be noted that many of our post-high school technical institutes or our junior colleges came from starting at the trade or occupational level. They have come to demand higher and higher entrance standards. We are not complaining: high school work is necessary, but we lack technical facilities. We are all status seekers.

The market for retraining is so large that adult educators spend a great deal of time discussing and planning how the continuous learning needs of the future can be met. It will no doubt be the lot of everyone to return constantly to formal educational or training courses at many periods during his life. There will be no risk of having unused plant, equipment or staff, no matter how bravely we start on our course now.

Some Consideration of Cost

One often hears the comment, "Retraining is a good idea, but how are you going to pay for it?" We are, of course, paying excessive social and financial costs because of unemployment. Probably half of a billion dollars will be paid out this year in unemployment insurance for no productive return. Social agencies, both public and private, not only deplore the increasing amounts of money they must spend, but the increasing amount of casework required as a direct result of unemployment or economic difficulties. Add to all this the loss of productivity on the part of those with no work.

We cannot avoid the costs by turning our back to conditions. By neglecting to attack the problem of unemployment on all fronts we may pay a desperate price for doing so.

Most other countries have compulsory military service for young men. Since we do not have this form of training, can we not afford to invest an equivalent amount of money and time to making efficient citizens through education and training?

To preserve the self-respect of the individual and restore him to self-support at a higher level with a disposition toward further self-improvement should be a social aim in helping the unemployed. The benefits to be derived are far beyond the cost.

Instead of paying unemployment insurance and public assistance benefits to certain people almost in perpetuity, how great is the economic gain if, by retraining, a great many of them can get back into the stream of production—and become taxpayers. The greater cost in retraining lies in not doing the job.

Welfare expenditures, some economists tell us, if properly made, have much to do with the stemming of recessions and depressions. Prevention is always better than cure. It is not enough to offer casework and financial relief for individuals and families deteriorating through economic incompetence. For them a basic element of prevention comes through adequate education, training and opportunities for retraining.

Retraining of the Unemployed Not Enough

Unemployment is a social ill with no simple diagnosis. In this discussion we have confined our considerations to rather narrow limits. We have kept away from fiscal and economic policy, from social security measures and from many other relevant areas of importance. Even within the area of adult education, we have confined our considerations to a minor field of our endeavours of the past and present. Yet we can see ahead of society a great period of new developments in the world of learning that will enrich and ennoble life. The aggregate creativity of people who learn to live, and live to learn throughout life, can make the world a neighbourhood of people healthier, happier and more prosperous than we could have dreamed of a short while ago.

Every life begins anew in the individual. For one hundred babies born, there will be one hundred destinies worked out merely by the passage of time. It is not good enough if the environment impedes their growth unnecessarily, as it has always done. Answers to our problems do not come easily, but as educators we are constantly reminded that we must seek them around the individual and his self-development. Manpower and employment, the topic being pursued by this committee of the Senate, is one which strikes at the roots of many of our troubles. Man may not live by bread alone, but in his prayers he does not forget to ask for his daily bread, even before he mentions the ethics of brotherhood and the desire for virtue.

If, in a free society, we assume for the individual the obligation and the right to work, we also assume that society will help, or facilitate these duties and rights. There is no fine line separating what we must know in order to

live, or to make a living: the practical and the cultural go together, and they must do so both in the school years and in adult life.

In the opening statement of the brief to the Royal Commission on Education, the Department of Extension of the University of British Columbia presents the following:

A new consideration of the functional and ethical relationship between formal and adult education, therefore, is of some urgency. We believe that it is no longer possible to review and revise the curriculum, administration, and organization of elementary and secondary school without taking into consideration two things: *first* the increasing insistence that adults can and must continue with some kind of education or learning throughout most of their lives; *second* that the facilities and organizations necessary to provide these opportunities are already beginning to appear, though not as rapidly as we would like. Indeed we are hopeful that the admission of these possibilities can remove from the secondary system some of the crushing burden of having to teach everything, and render it free enough to do its job properly.

The constant improvement of the creative skills of executives, managers, salesmen and higher technicians is of utmost importance in creating employment. Business, industry, the university and voluntary groups must at all times be encouraged to carry on courses with adults.

A Look Into the Future of Education

Food for Thought, a publication of the Canadian Association for Adult Education, in its issue of October 1960, contains an article by Dr. Margaret Mead: A Redefinition of Education. The following statement further develops what we have said, and possibly gives us a glimpse of a future "which looks so bright from afar."

In today's world, no one can 'complete an education'. The students we need are not just children who are learning to read and write, plus older students, conceived of as minors, who are either 'going on' with or 'going back' to specialized education. Rather, we need children and adolescents and young and mature and 'senior' adults, each of whom is learning at the appropriate pace and with all the special advantages and disadvantages of experience peculiar to his own age.

Each and every one of these is a learner, not only of the old and tried—the alphabet or multiplication tables or Latin declensions or French irregular verbs or the binomial theorem—but of new, hardly tried theories and methods: pattern analysis, general system theory, space lattices, cybernetics, and so on.

Learning of this kind must go on, not only at special times and in special places, but all through production and consumption—from the technician who must handle a new machine to the factory supervisor who must introduce its use, the union representative who must interpret it to the men, the foreman who must keep the men working, the salesman who must service a new device or find markets for it, the housewife who must understand how to care for a new material, the mother who must answer the questions of a four-year-old child.

In this world, the age of the teacher is no longer necessarily relevant. For instance, children teach grandparents how to manage TV, young expeditors come into the factory along with the new equipment, and young men invent automatic programming for computers over which their seniors struggle.

This, then, is what we call the lateral transmission of knowledge. It is not an outpouring of knowledge from the 'wise old teacher' into

the minds of young pupils, as in vertical transmission. Rather, it is a sharing of knowledge by the informed with the uninformed, whatever their ages. The primary prerequisite for the learner is the desire to know.

To facilitate this lateral transmission of knowledge, we need to redefine what we mean by primary and secondary education. We need to stop thinking that free and, when necessary, subsidized education is appropriate only when it is preliminary to an individual's work experience.

Instead of adding more and more years of compulsory education (which would further confuse the meaning of education and the purpose of schools), we need to separate primary and secondary education in an entirely new way:

By primary education we would mean the stage of education in which all children are taught what they need to know in order to be fully human in the world in which they are growing up—including the basic skills of reading and writing and a basic knowledge of numbers, money, geography, transportation and communication, the law, and the nations of the world.

By secondary education we would mean an education that is based on primary education, and that can be obtained in any amount and at any period during the individual's whole lifetime.

After agreeing upon this redefinition, we could begin to deal effectively with the vast new demands that are being made on us. The high schools would be relieved of the non-learners. (It would be essential, of course, that industry, government, or some other social group accept the responsibility of employing or otherwise occupying these persons.)

But, more important, men and women, instead of preparing for a single career to which—for lack of any alternative—they must stick during their entire active lives, would realize that they might learn something else. Women, after their children became older, could be educated for particular new tasks, instead of facing the rejection that today is related to fear about the difficulty of acquiring new learning in middle age.

Whatever their age, those obtaining a secondary education at any level (high school, college, or beyond) would be in school because they wanted to learn and wanted to be there at that time.

In an educational system of this kind, we could give primary education and protection to children as well as protection and sensitive supervision to adolescents. We could back up to the hilt the potentiality of every human being—of whatever age—to learn at any level.

The right to obtain secondary education when and where the individual could use it would include not only the right of access to existing conventional types of schools but also the right of access to types of work training not yet or only now being developed—new kinds of apprenticeship and also new kinds of work teams. In thinking about an effective educational system, we should recognize that the adolescent's need and right to work is as great as (perhaps greater than) his need and right to hold the same job until he is 65.

We cannot accomplish the essential educational task merely by keeping children and young adults—whom we treat like children—in school longer. We can do it by creating an educational system in which all individuals will be assured of the secondary and higher education they want and can use any time throughout their entire lives.

Surely this has to do with a greater employment of our manpower.

What is Vocational Education?

In Russia only the most brilliant are permitted to pursue advanced studies without interruption. Others serve whole or part-time at work after the age of 15 years. In recent years Russia has been giving more and more emphasis to the education of the head as well as the hand.

Practical education has always had a strong emphasis in Canada. Our rapid growth and settlement always kept before us the need for people with "know how". Government, business, farming and construction called for "practical" men.

The need for clergymen, doctors and lawyers led us to build institutions of higher learning. Broadly these are vocational rather than being essentially cultural.

Canada is still a growing country. Vast changes are taking place in the world, and we are caught up in these. We still have need for a strong element of practical education, especially for children brought up in cities where they often lack the early experience of chores and other types of work.

It has become a mark of distinction to belong to an academic class in high school. Technical and commercial courses lack the same status. For no good reason this has come to be accepted by most communities, as were high heels and long fingernails in a former day in France and China.

In his *Aims of Education*, Alfred North Whitehead has said:

The antithesis between a technical and a liberal education is fallacious. There can be no adequate technical education which is not liberal, and no liberal education which is not technical; that is, no education which does not impart both technique and intellectual vision. In simpler language, education should turn out a pupil with something he knows well and something he can do well.

This intimate union of theory and practice aids both. The intellect does not work best in a vacuum. The stimulation of the creative impulse requires, especially in the case of a child, the quick transition to practice. Geometry and mechanics, followed by workshop practice, gains that reality without which mathematics is verbiage.

There are three main methods which are required in a national system of education, namely the literary curriculum, the scientific curricula should include the other two. What I mean is that every form of education should give a pupil a technique, a science, an assortment of general ideas, and esthetic appreciation, and that each of these sides of his training should be illuminated by the others.

Lack of time, for even the most favoured pupil, makes it impossible to develop fully each curriculum. Always there must be a dominant emphasis. The most direct esthetic training naturally falls in the technical curriculum in those cases when the training is for some art or artistic craft. But it is of high importance in both a literary and scientific education.

There is need for a nation-wide look at our attitude toward technical and vocational courses. This is not the place to do more than suggest that these courses should be given new content, variety and relationships. It is most difficult to determine the practical use of a knowledge of, say, the liberal arts in preparing for a job. Probably we have all been guilty of an academic snobbery with regard to vocational subjects, courses and schools. Yet our world of work has always called for 'practical' people. In some way we must make it possible for vocational courses to attract capable people and to offer them a broad and satisfying preparation for life.

Even in a retraining course for unemployed, we must broaden our view of what can be the permissible limits of the studies and the work to be undertaken.

Hitherto our views have been rather narrow. We would suggest that Schedule M can and should be interpreted in generous terms.

The next item is a rather important one, on rehabilitation, and I thought we should pay a little attention to it because it has a great deal to do with adult education.

The Interest of Adult Education in Rehabilitation As a Source of Manpower

It is becoming generally accepted that it is the right and the reasonable expectation of every disabled Canadian to have the opportunity of surmounting the needless consequences of his disability. There are many outstanding examples of achievement in rehabilitation in Canada but the pattern is spotty so that adequate services are offered only to a chosen few. Canadian National Institute for the Blind, the Department of Veterans' Affairs, Workmen's Compensation Board and a few others have demonstrated that the overwhelming mass of their clients can be placed in gainful employment suited to their capacities.

The benefits to be derived from widening the range of services to the disabled, from increasing accessibility and from co-ordinating the efforts of governmental and voluntary services are matters of national self-interest.

Probably it is only through the aggressive leadership of the Government of Canada that effective and widespread programs can be developed to the advantage of all concerned. The local offices of the National Employment Service work closely with agencies offering services in this field. It has become evident that where there are good programs of rehabilitation provided to certain groups of disabled citizens, unemployment is not a serious problem. We are impressed, however, with the need for more services and with the potential social and economic returns awaiting development.

As long ago as 1946 the National Employment Service of Canada made a survey of 463 firms comparing the records of disabled and physically fit workers. The survey showed a splendid record of the disabled in production, attendance, and freedom from accidents. The Department of Veterans' Affairs can add further proof of achievements made possible through preparation of the disabled for competitive employment. We note, too, the success of the programs carried out under the Disabled Persons' Employment Act in the United Kingdom.*

Unskilled manual labour demands almost perfect physical qualification. The demand for manual labourers, however, is declining rapidly due to automation. More and more we find skills being demanded as we go up in the occupational scale. Thus the vocational training and education of the disabled could be provided through schools, training on-the-job, and apprenticeship plans designed primarily for the able-bodied. Special facilities can be provided as the need arises.

So much has been written on this subject that we hesitate to do more than recommend that further leadership be given at the federal level. Additional surveys and the gathering of information is not necessary to make a start. There are many steps which might be taken to implement plans now in the hands of the Minister of National Health and Welfare.

Provisions are made under the Vocational Training Act, Schedule R, dealing with the problems of re-training and upgrading of the handicapped. Greater public awareness of the problems concerned would surely lead to greater use of present facilities.

Whatever the reasons for hesitancy on the part of a province for not taking fuller advantage of, say, Schedule M or Schedule R, they should be thoroughly

* In larger establishments three per cent or more of all employees must be selected from the ranks of the handicapped. Over three quarters of a million people had been registered and received training under the Act in the U.K. by 1959. This is a large addition to manpower use.

investigated with a view to enlisting all possible job applicants in classes or activities which will prepare them for useful places in the work force. The federal Government could create the financial, legislative and organizational structure on which rehabilitation services would flourish and thus ensure the development of further programs by provincial governments and voluntary agencies. Vigorous promotion is needed.

Investing in Vocational and Technical Education

During 1959-60, according to the Annual Report of the Department of Labour, there were enrolled in Canada, excluding Quebec, fewer than 38,000 people in training and retraining. Enrolment under the Special Vocational Training Projects Agreement and the Apprenticeship Training Agreement was as follows:

Training of unemployed persons	4,638
Training in primary industries and homemaking	4,461
Supervisory training	1,600
Vocational correspondence courses	7,000
Apprenticeship training for all nine provinces	19,962

Senator SMITH (*Queens-Shelburne*): Are these figures the same as the total of 38,000 above?

Mr. PIGOTT: Yes, although when I add the first column they do not appear to be the same.

Senator SMITH (*Queens-Shelburne*): It is very close to 38,000. I was wondering whether there was a difference between the special vocational training projects agreement and this?

Mr. PIGOTT: I said 38,000 in round figures. It might be out a few.

Needless to say there is a great deal of education being carried on in industry and business as well as among voluntary agencies, groups and organizations, university extension courses, night schools, etc.

Nevertheless, for the size of the job to be done, the above figures show a most inadequate approach. For instance, to live up to the agreed apprenticeship registration standard in automotive mechanics for Ontario alone, 6,000 apprentices should be registered at all times. This is 30 percent of the total number of all apprentices registered in all provinces, except Quebec. The Province of Quebec, on the other hand, has more apprentices than does the remainder of Canada, according to the figures given in Bulletin No. 1, The Quebec Answer, as published by the Vocational Training Branch of the Department of Labour, Canada.

Only a minority of companies are engaged in organized trades training. In 1956, of 7,360 establishments surveyed, only 28 had programmes, and yet we have a high unemployment rate among young people.¹

Again, look at the table above, item 1 shows only 4,638 unemployed persons received training; adjusted figures for the year show from 6.5 to 7 percent of the total work force unemployed at any one time of the year. Truly this is a mere nibbling at the fringe of the problem.

In the mid-1950's immigration brought to Canada many technical and professional skills. Other reports to the Senate Committee go into the statistics. We note that the Survey of Employment Conditions 1960 showed that 44 percent of immigrants are technically qualified; only 27 percent of non-immigrants are so qualified.²

¹Apprenticeship in Manufacturing, Vocational Training Branch, Department of Labour, Canada.

²Table XXV Page 248. No. 4 of Proceedings Manpower and Employment.

Table XXV

	Immigrants		Non-Immigrants	
	Number	Percent	Number	Percent
Not technically trained or qualified	4,600	27.9	84,300	40.5
Partly technically trained or qualified	4,700	28.1	67,000	32.5
Completely technically trained or qualified ...	7,300	44.0	56,700	27.1
Total.	16,600	100.0	208,900	100.0

(It appears from this that about 64% of the immigrants are technically qualified compared to about 27% among the non-immigrants.)

The flow of immigrants has been cut back sharply; and the type of immigrant coming to our attention recently is not so highly qualified. We feel, however, that if we accept an immigrant, we should be prepared to give him every consideration with regard to employment and training.

A special point can be made here with regard to training in English. The sooner a newcomer is conversant with the language the better he will fit into the life of the community and into a suitable job. English, for him, is a vocational subject. Without a knowledge of the language he is handicapped as an individual and is likely to be less productive than he could be otherwise. We would urge a study of the means and methods of providing every immigrant with the tool of language as soon as possible after his arrival.

In general, we feel, that a generous interpretation of the terms of Schedule M must be given. Training and retraining for employment will demand language instruction and upgrading to give academic standing; occupational, technical and advanced courses. There are special needs to be considered for young people and for the "older worker", for married women and for the handicapped.

The situation calls for the imaginative type of approach such as was shown during the Second Great War. Great cooperation and collaboration was shown between the various levels of government, community groups, labour and management. There is just as great a national emergency today, calling for just as great an effort and proportionate expenditure of time and money. Aggressive leadership is needed to beat out the complacency which seems to hamper us at present.

Employment is at high levels in Western Europe. The new administration in the United States is taking emergency measures to improve the economy, and is pouring huge amounts of federal money into education and training. Canada must act quickly and effectively; it must act with some unity of purpose and a declared policy for manpower and employment.

Motivation to undertake courses is present in many people; many can be guided into courses through counselling; many will await further development of our skills in motivation.

Conclusion

This brief is submitted in the light of others which have been presented to the Senate Committee on Manpower and Employment. We have worked with the Canadian Welfare Council in the preparation of a brief which will be presented to this committee within a short time. Our emphasis here is upon those aspects which have to do with education, particularly at the adult level, and with

regard to "practical" types of learning. The field of continuous learning is, of course, as broad as life itself. In this brief we confine ourselves, in the main, to the following:

1. We should do everything possible to encourage young people to continue in school or university for as long a time as is suitable for the preparatory development of their capacities.

2. In order to attract and hold students a revision of, and a renewed interest in, our vocational, technical and commercial courses is needed.

At present, all too often, pupils enter these courses because they have failed in their academic grades. The status of practical courses is at a low level.

3. Our guidance and counselling services in the schools should be strengthened and enabled to keep closely related to the world of work. A link between the school services and the counselling departments of the National Employment Service should be a close one. On leaving school, students should be in touch with the services of N.E.S.

4. The fullest possible use of Schedule M of the Vocational Training Act can help to rebuild our adult work force. Other schedules of the Act should be revised, where necessary, and applied widely.

5. The Apprenticeship Acts of the provinces should be constantly revised to meet the demands of the day; apprenticeship should be vigorously promoted.

6. We have need in Canada of technical institutes that will admit any person recommended by a proper authority (N.E.S. being one). The requirements for admission should be that he has the ability to learn and the willingness to take a suitable course.

Evening classes cannot serve the needs fully in adult learning.

Recruits for these institutes would come from various sources. Schedule M would supply many; others would be sent by business and industry as is done in the U.K. under the day-release system and 'sandwich' courses. Still others will come of their own accord, when the social climate is such that "taking a course" is an approved and acceptable thing to do.

7. There is a tremendous need for 'upgrading'. A vast number of people with ability are so lacking or 'rusty' in basic education that they cannot take higher vocational or technical training without courses in language and the fundamentals of mathematics and science.

In this regard, a liberal interpretation must be given to the terms of Schedule M and other schedules of the Act.

8. Even though the field of education is left, in general, to the provinces, the federal government should lend assistance by providing information concerning labour markets, encouraging fuller use of employment services, and promoting vigorously the whole field of education training and retraining.

9. It is often the creative ability of executive and management skills that makes possible the employment of workers in occupations at the trade and technical levels. Education, training and retraining at these levels must not be neglected.

The long-term hope for full use of manpower, in its widest sense, lies in the integration of a variety of agencies and services in search of:

- (a) adequate opportunities, flexible and suitable, for basic education and training for all during their preparatory years;
- (b) the provision of guidance, testing and counselling services during both preparatory and adult years;

- (c) readily available opportunities for self-development through 'continuous learning' for people of all ages;
- (d) a well-equipped and adequately-staffed national employment service;
- (e) a flow of information, statistics, research and planning to meet present and prospective production and employment needs;
- (f) the co-operation of labour, management and government in providing leadership in working out national policies.

Senator HORNER: Mr. Chairman, in some respects I am disappointed with parts of this very lengthy brief. I would like to be told what men would be trained for in which there is a possibility of their production being saleable. To my mind, the need in this country is to spend money extolling the virtues of life on the farm. Canada is still an agricultural country, and the world will eventually need the food we can produce, though it may at the moment be in surplus supply.

My sympathies are with the person who today finds himself unemployed in a vast city. But for a country like Canada, our cities have gone far out of proportion in relation to the total area of land we possess. Many people have been enticed away from farm homes, the ideal place for raising a family, and now find themselves unemployed in a vast city. As I say, I sympathize with them, because it is difficult for them to return to the farm at this stage.

Farms in Canada today are largely equipped with power and running water. I disagree with the scheme of things in which the trend is to larger farms, though there may be some cases where it is workable in western Canada. However, I do not think it is in the best interests of our provinces. Why should one man have enough land to grow 100,000 bushels of wheat, for instance? The backbone of western Canada is the family farm; it is the ideal place for children to grow up, where they will have their chores and something to do. Some learning is of course absolutely necessary.

I recall a neighbour of mine who came to Canada from the old country. He had no training in working with his hands, and he always lamented that fact. He felt that his education was more or less wasted, that he could have been better equipped for enjoyment of farm life in Canada.

If the Government is going to spend money, I think one effective medium would be show moving pictures across the country of the abandoned farms, many of them with good buildings, where large families were raised. While this is the picture in the country, great numbers of people are drawing unemployment insurance in the cities. We have become lopsided.

The speaker this morning referred to labour interpreting the acts to their unions. I would like to see labour send some representatives to visit industrial Japan and Germany on an exchange basis, as teachers are exchanged. In that way Canadian labourers would get some idea of what manufacturing and industry in this country is faced with.

One hears so much talk about money, cash, material things, as if they were everything in life. A man on a farm at least acquires a good home and the benefit of the best of living conditions. He is a free man, and is not tied down in any way. Though he may not be considered wealthy, he usually manages very well, and in most cases leaves behind him a good home.

As I say, I think we should emphasize through motion pictures what is happening on the farms today, and educate the people to get back to them. You may have some prospects of increasing the labour force to produce something, but what it will be and where it will be sold, I do not know.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I have a question to ask. Mr. Pigott referred to the retraining of unemployed, and stated that many people could be put back to work if they were given suitable knowledge

and skill. No doubt there are many in that class, but is there any source from which he can give figures as to how many of the present unemployed could be put to work if they could fill vacancies that now exist by being given special training.

Mr. PIGOTT: That situation, honourable senators, varies from time to time. This statement came from the Employment Advisory Committee for Metropolitan Toronto, and was based on a statement for the southern region of Ontario, which said that these are continuing needs. There may be a peak of seasonal employment, where, for instance, there may not be a need for welders or certain classes of workers. This was expressed in the report of the regional committee and was transmitted through the local committee; they do keep track of this situation, and are finding difficulty in placements.

We say this is a beginning; we should try to meet present needs. To get back to what Senator Horner said, a hundred years ago we did not say, "let us populate the west and then we will build a railway there." Things do not work in that way. The National Employment Service is pretty well equipped to give figures on this from time to time, and I know that our intimate associates in the local committee in Toronto are anxious to do that. They always have a considerable number of people who can be replaced, but here we have them in enforced idleness when they can undertake training.

Senator SMITH (*Queens-Shelburne*): Can I follow this up for a moment? I do not think we have had presented to us any information of that nature in any of the tables of statistics. It would be interesting to know the total number of jobs which are vacant at any one particular time in the country. I notice also that the opportunities you specify here, perhaps with the exception only of diesel and welding, are in the main related to the service industries. You do not think, do you, that there are jobs today waiting for people who are trained in the goods producing industries? We have been informed that up to, perhaps, 20 per cent more goods can be produced by approximately the same labour force as we have today in those industries.

Mr. PIGOTT: Our local information in Toronto is that any one who comes up with a degree of competency in any of the areas mentioned here—of course, you might have seasonal unemployment for two or three months, but over the year they are not considered as presenting unemployment problems in many of these areas. It is true that greater production can be obtained, but I am not competent to talk about that. The N.E.S. local offices issue at the end of each month a statement showing the vacancies and the jobs notified, but that information cannot be related to anything. It is not like the labour exchange. They do not have adequate information. You might find there are so many thousands of carpenters at the present time, and I have taken the trouble to dig into this. Apprentices in carpentering are practically wiped out. Anyone who has hammered a nail is registered in this particular category, and thus, as far as the statistics go, they are meaningless.

Senator SMITH (*Queens-Shelburne*): Am I right in assuming that your whole brief is related and directed to future needs rather than the needs of today and next year?

Mr. PIGOTT: That is right. Reverting to the farmers, Senator, may I say that we work very closely with the Farm Forum and the Citizens' Forum. In our association we have co-operatives and the Federation of Agriculture.

Senator CROLL: I think you should point out that you are a fairly new Torontonian, and that you were born and brought up in the west, and have spent all your life there. Tell us a little about your life.

Mr. PIGOTT: I was 52 years in the west. If Senator Wall were here—and he was a school principal in Winnipeg—he would confirm that we were saying

this same thing 25 years ago. We have a core of people who will not be used, and we have come to the conclusion that skills are necessary and that is why we have the National Vocational Training Act.

We had a period of grace during the war when everyone could be employed, and then there was another period of grace after the war when everybody wanted the goods that they could not buy during the war and there was the catching-up to be done after the depression. It is the period following this ten year post-war period of grace that is causing so many problems.

In Winnipeg we built the Manitoba Vocational and Technical School in an endeavour to relate these lines of industry to labour, but its endeavours were interrupted by the ten year post-war period because the employers were there ready to take the youngsters and encourage them to leave school and earn \$60 or \$70 a week with practically no training. If a person moved in this period there was a job for him, and there was no call for the youngsters to go on in school.

Senator CROLL: Mr. Chairman, speaking for myself, I was stimulated by the presentation made here today. I think it is one of the very best that we have had before us, but I would like the witness to elaborate upon it. He departed a bit from the brief, and imaginatively called for what I would call a technical university at Elliot Lake. What exactly did you have in mind, Mr. Pigott? Would you elaborate on that because that rather interested me?

Mr. PIGOTT: Mr. Eric Robinson, the principal of Frontier College, might follow up with what I am going to say. In Canada when somebody has left school and has become an adult and then wants to obtain further training, no matter to what technical school he wishes to go he finds he must have some sort of academic qualifications. For instance, at Ryerson they ask: "Have you your grade B?", and if you do have it then they ask: "Do you have an average of 65 per cent or better in six papers set by the province?". An adult just cannot get into a university unless he has a high academic standard.

Ryerson, the Manitoba Technical Institute and others across the country started at the trade level. During the war when they got started they had to take people in, and as long as those people had brains, ability and a willingness to work those schools said: "All right, we will take you", and wonderful things happen when the adult goes in for full-time education. But, today you cannot get into an institution of this kind, even if you can support yourself.

Elliot Lake is a city with 112 miles of paved roads and a population of about 12,000. It has the most modern apartment buildings and homes; it has two theatres, nine schools and eleven churches. I need not go on.

Senator SMITH (*Queens-Shelburne*): Does it have empty schools buildings?

Mr. PIGOTT: They are not all empty, but there are classrooms that are empty, and many more will become empty. There are thousands of trailer homes which are not just parked anywhere but in planned parks with sewers and hydro service. Here we are in Canada with seven million people with an education of less than the high school level, and we are living in a country of automation where things can be done.

Who has more strikes against him than a blind person in a technological country? Yet, there is no unemployment amongst the blind.

Here we have this city for which we cannot find a use, and which we will not need for ten or fifteen years at least, and if we did need it it would not matter. Could we not have a type of college or technical institute which would not need an academic background or certification or qualification as a prerequisite for entrance? Could not such a college take a good Canadian who has ability and say: "Here is a fellow with an I.Q. of 125. Whether he is qualified

or not we think we can make some arrangement for him. We need this fellow performing to his capacity"? That is what utilizing the manpower of this country really means.

We are going to build 20 universities in 15 years—or 15 universities in 20 years; I forget just which—and we are going to spend many millions of dollars on them. They do not have to be built in Toronto, and here is a place in the pre-Cambrian shield, in an area of lush vegetation, complete with houses and trailer camps, and what have you. It is there and it is paid for. We do not have to put up 75 per cent of the cost, and all that sort of thing, with the federal and provincial Governments holding debentures. The whole thing is there ready and available for provincial or national use. It could possibly be used by the United Nations as part of our obligations to that body. Paul Hoffman at the University of Toronto indicated that those obligations include providing the African countries with two million trained people who can go out there and do the technical things that have to be done to carry on their countries. There is no hope of peace unless we do something in this respect.

I am leaving here hopefully this afternoon and flying out to Banff to speak to the School of Advanced Management—Senator Cameron was president of the Canadian Association for Adult Education, by the way—to which people come from all over Canada and the United States to study.

Now, within 100 miles of Toronto we could set up similar facilities. I do not think they will interfere with the registration at the Banff School of Fine Arts, but it might grow. Toronto is interested in having another university, and the cities of Sault Ste. Marie, Sudbury and North Bay are interested. We constantly hear about the great need for junior colleges. We lack that very type of thing we are talking about where academic qualifications are not necessary for admittance. This thing has tremendous possibilities.

Senator CROLL: One of the things that must be bothering us around this table, and which we are constantly faced with, is this: do you think we have enough information at the moment in answering the question, "Training for what?" That is bothering all of us.

There are two questions I pose to you on, "Training for what?" "Have we enough information and have we enough direction?"

Then I would like you to take a single man and a married man. Make him any family size you like, and take him through school for me. Let us see you carry him through school for me.

Mr. PIGOTT: First, "Training for what?" I suggest a limited attack can be made on this area by getting reports of areas of continuing need from the National Employment Service—and you have quoted one regional survey that was made. There is room in this sort of area; and, as I indicated a moment ago, just putting a thousand or a few thousand to work has a tremendous effect on others.

The next thing is we feel that your Department of Labour, and whatever other research groups you have, have to look, as we did with the Gordon report, 10 or 15 years ahead. That is, you do not train for a need tomorrow. We have to look at this and start recruitment right in the schools.

There is another thing to look at. Here you have a great number of people who are constantly in casual employment. I do not know the statistics across the country, but 48,000 dropped out of school in 1959, in one year, in Ontario without completing the year in which they were. The majority of these were under Grade 10, which is no preparation for entering into the world of industry unless we have other provisions. It was 10,000 in metropolitan Toronto, and 7,000 a year in the city of Toronto. There is no future for those people, except unemployment or casual employment, at best.

Let us suppose the N.E.S. starts to screen people—and nobody goes out of high school without being put in touch with them. They also keep in touch with those who have gone out. Does it pay to say, "We can give him five months' employment"? Would it not pay us to keep him off casual employment and screen out of those the most capable and start right away with guidance and testing, in the light of job opportunities, and then start to open our courses? This will keep us busy for a long time to come. Then they will gradually grow into the adult education system. We will use them more and more. Going back again to the idea of building a railway to the west: this is self-regenerative; and this would be preparing people for the areas of employment that are apparent persistently across the years. We should make use of the unemployed and the casual people and fit them in, rather than say, "You can have five months on, seven months off, and five months on again." This is extremely expensive. There is a whole field open here, and to go after this, we felt—whether it is the Adult Education Association should do this or not—there are many things that can be said in this regard. We do not have to wait to get into the extensive field of re-training, and at present you have not any plant for this sort of thing. You can start. In the war situation I was superintendent of schools, and at that time we needed more manpower; there was a crying need for manpower. So we doubled our school shifts, from 8 to 3 and 4 to 10. They tripled their shifts in Toronto, and we rented old factories and built Quonset huts.

Senator CROLL: You are a little off the track now. We have got you as far as Elliot Lake, and you draw a picture.

Now I would like you to carry a single man and a man with a small family through for me. Say you decide to train him for something.

Mr. PIGOTT: Suppose I were a person who had come from Stoughton, Saskatchewan, and because farming was not good there I quit at Grade 6 or 7—drop-outs are higher in the agricultural areas than others—and suppose I have drifted to Toronto or some other large city. I am now 35 years of age, a married man, and am trying to get along, but I have not any skill. I am strong in wind and limb, and have an I.Q. of 120, which puts me in the university category. There is nothing wrong with my ability. Suppose I have survived all the shocks of casual employment and the defeatism of being in inadequate jobs. Supposing schedule M is available to me. I could go to the National Employment Service, but it does not bring me in for counselling, I have to ask for it. The demand is so great and the resources so limited, you have to have some entré to get this. Supposing I do get the entré, and I go in. I would get testing and counselling, and would decide, in the light of opportunities in the future, I would like training in this particular area. We have insisted under schedule M we will train him for a specific job. It is not quite good enough. This person can be trained for certain areas, and industry will do the finishing of that job. It is not very good, but that is all that is available under schedule M. Suppose I am assigned to an upgrading course, and I cannot get it anywhere but in British Columbia. In British Columbia they will say, "With an I.Q. of 120, 35 years of age, and with the rudimentary training that he had before, we can get him into technical training, but he has to have Grade X, and he will get that in a year." We did this sort of thing during the war, and they were given three or four grades during the war, and this applied not only to the students in school but also to mature adults.

Senator CROLL: Now you have him at Grade X, say in the city of Toronto.

Mr. PIGOTT: Yes.

Senator CROLL: He has been unemployed for some time, and let us assume that he has no means, and his only means of existence is the unemployment insurance. What do we do then?

Mr. PIGOTT: What I have tried to say, first, is that as soon as he is placed in that way we say this is to the national advantage to have him complete his course. We do not think he should be receiving unemployment insurance; he is occupied, as far as we are concerned. As an incentive to him I would like to say, "As soon as you go into this training, whatever benefits were coming to you under unemployment insurance, we will make that up for you. So you will retain those benefits and you will get this course." If he is going to live on the equivalent of unemployment insurance he has to worry about rent, his family and so on, he cannot study, and we can do nothing for him, because unemployment insurance is half the going rate. In Ontario the allowance for a single man, at home, is \$2.50 a day, five days a week, and it goes up to \$6 a day for a married man with a family. Living away from home, taking a course, he can have unemployment insurance or that whichever is the greater. He cannot get along on any allowance we have.

I think it is to the national advantage to have him improving himself. We have examined him and have said that he is worthy, of, and is willing to accept, improvement. We refer to public assistance and what the Canadian Welfare Council has said as to how much a person needs to get along and I think they will get along on very little. Do not worry about the willingness and the ambition of people to take jobs. I am chairman of the advisory committee in metropolitan Toronto. We had an average of 400 out last year in Radio College and private schools, paying for their own courses at great personal sacrifice, and using up whatever savings they had, depriving their families and living on unemployment insurance. When 400 people do that, I wonder how many, if given a reasonable chance, would also do it? We are always surprised at the number of people who will do such a thing. But at the present time it is physically impossible for a single married man, unless he has good savings or lives with somebody else, or can get help, to complete this course of training we are talking about.

Senator ROEBUCK: May I make an observation? It seems to me this is a splendid brief, but where I see a hole in it is, I do not think they are shooting high enough. What we are attempting to do is increase employment and get rid of the unemployment situation. The people who can do that are the managers, the organizers—what the French call *entrepreneurs*. We are providing no training of such persons. We should be taking men who are in employment and teach them how to organize, manage and make a success of business. Such men are the hard to find and are in great scarcity. So far as I know, we are doing nothing along this line.

Mr. PIGOTT: All we did in this brief was to mention that we cannot get along without the creative skills at the higher levels, and attention should be paid to this fact. It is true that it is such people as you mention who make room for others.

Senator ROEBUCK: There is a great deal of skill in our communities. The automobile has made us a nation of mechanics. If we advertised for welders or tradesmen with similar skills, we could get them by the score; but if we advertise for a man who can organize and run a business, who knows how to pay attention to details such as bookkeeping, selling and so on, necessary to the successful management of a business, you can find almost no one in that class, except those who may have nerve enough to apply but very little skill to offer. The only field in which we have schools teaching such management

skills is in agriculture. My friend Senator Horner has emphasized what should be done with regard to agriculture. I would point out that we have schools in which we teach students how to run and how to manage a farm. But it ends there.

Senator HORNER: We do not have enough of them. I say there is a lack of advertising of life on the farm. All our efforts are towards boasting about industrial and city life.

I do not wish to take up too much time, Mr. Chairman, but may I refer to what the gentleman said about the lad in Saskatchewan with an I.Q. of 120, who moves to Toronto. I say a young man with that ability doesn't need to go to Toronto. He can borrow money from the Saskatchewan Government through the university funds, get his education and repay it later. I could name families in which that has been done.

Senator BUCHANAN: Mr. Chairman, I wonder if the speaker could elaborate on this question of more work being done along the line of apprenticeships. Are we falling down in that respect at the present time?

Mr. PIGOTT: My experience in this regard is mostly in Ontario. I may say that I left teaching for ten years and went into the automotive industry, so I know something about this situation. There we have an agreement that they will take so many apprentices. There are two certified trades in Ontario, automotive mechanics and hairdressers. We can drop hairdressers for the moment. In every automotive dealership every mechanic working in the shop must be a journeyman tradesman; and the dealers agree that for every five journeymen tradesmen he hires, he will carry one apprentice. This would take care of 6,000 in a year. There are 2,700 registered in Ontario. We have got along so far with immigrants who have come in. In the electrical trade as of last June there were 1,019 registered apprentices for all Ontario. It would take thousands to keep up the standard in this field. There were 453 in the metal work trades.

Senator BUCHANAN: That is what I thought you had in mind. The problem is to get some kind of arrangement between management and labour in order to be able to take in more apprentices. I think a great deal could be done in this field, and a lot of unemployed could be absorbed in that way. In some cases only one apprentice is allowed for 15 or 20 journeymen. I think something should be done to correct that situation, to try to get management and labour together so that schools could be created right in the plant to provide the necessary training.

Mr. PIGOTT: We would like to spend a lot more time on this, because it is a tremendously important subject. Labour has something to do with it, and so has management and also teachers. The average teacher has an academic training, and does not fully comprehend the guidance problem. Society is perhaps to blame for the low status of apprenticeship in Canada. As a teacher I recall calling in parents and pointing out to them that their son had an aptitude in a certain mechanical line, and that he should not be frustrated in the academic field. Their reply often was: "What, my son! He is not going into business." That is a kind of snobbery, I suppose, but it becomes rather complicated. We would like to deal with it, but it is not possible to do so fully in one brief.

Senator LEONARD: Mr. Chairman, I have a question to ask, and I do not wish to make a speech. In connection with Senator Smith's inquiry as to the number of job opportunities or vacancies, is it not a fact that we have not got adequate statistics on this aspect of the problem?

Mr. PIGOTT: That is very true. The statistics we have are not accurate. That is why we mention that the figures have to be broken down in order to be meaningful. To say that a 1,000 plumbers are out of work is meaningless.

Senator LEONARD: Something is to be done in getting adequate information as to job opportunities.

Mr. PIGOTT: That is right.

Senator LEONARD: My second question has to do with in your reference in the brief to the fact that British Columbia has led the way in attacking the problem of upgrading those whose academic qualifications are too low. What has British Columbia done?

Mr. PIGOTT: There are three cities in British Columbia—Vancouver is one, and I am not sure of the other two—which, under the supervision of the Department of Education are taking in persons who have been screened by N.E.S. This scheme started in September and is being tried for this year. In British Columbia, unlike Ontario, grade 10 is junior matriculation and grade 12 is senior matriculation. The students are taken in for upgrading to grades 10, 11 or 12. There might be three classes in one year, for the student who has the ability to carry them. There the upgrading is being done, and these people will become eligible for entry into various types of technical training programs.

Senator LEONARD: Is the British Columbia program, in providing facilities for upgrading, also providing some financial incentive to the applicant?

Mr. PIGOTT: So far as the financial incentive goes, the province makes an allowance in accordance with the need, and in addition to unemployment insurance which the person gets automatically. Furthermore, British Columbia interprets schedule M not as a training for a direct trade.

Senator LEONARD: Where is the British Columbia plan set out?

Mr. PIGOTT: A report is being prepared and will be available through Mr. John White.

Senator LEONARD: Could you send copies of that report to us?

Mr. PIGOTT: All we have are reports in various papers at present, but if a report is prepared and is made available—it might be available now from the Department of Education of British Columbia.

Senator BURCHILL: I was very much impressed with the figures you gave of the large number of young people who leave school early in the city of Toronto. The figures of the young people who left school only last year before the course was completed are startling. First of all, I would like to know why these people leave school. In all provinces during the past few years millions and millions of dollars have been spent on attractive school buildings, nice appointments and all that sort of thing in order to make schools more congenial and to encourage young people to stay in school. The taxation that is imposed on the citizens of this country to pay for education is crushing, and it is growing all the time. We have done very much, it seems to me, towards providing good conditions so far as teaching and all that sort of thing is concerned, and yet these people are leaving school before they should. If they leave school early then it seems to me they have no quest for knowledge. They are not interested in study. I am ready to admit that there are many pupils who are just not doing any good in school and who might as well get out and work, but are you going to reform those people who at one time had the opportunity and did not take it? Are you going to make students out of them? Apart from the academic schools we have all sorts of vocational schools. If a pupil does not like the academic course he can turn to a vocational course. In spite of that these pupils are leaving. It seems to me that the solution to the problem goes deeper than just the provision of good schools. We have to go beyond that factor to the homes and the family.

Senator HORNER: You will have to invent some sort of shock to give them.

Senator BURCHILL: I do not think that education is the whole answer.

Mr. PIGOTT: This is a huge problem in itself, and we can set down all categories of reasons. Let us look at the apprentice system in the United Kingdom, and the lengths that they go there in preparing their people for gainful employment. It is a better record than ours. West Germany, Holland, and so on, do a great deal more, and pour a great deal more into education, than we do and consequently have been more successful than we have. Whether we can do the same thing or not I do not know. We have the second highest living standard in the world. We have come through a tremendously lush period. These young people did not live through the depression. They are very largely brought up in pretty posh circumstances.

I think what has been presented to you already shows that 76 per cent of our youngsters in Ontario—and I think over the whole country the figure is 84 per cent—are in academic courses or general courses, or courses leading to the universities. This is not the youngsters' fault. When you sit down to counsel them you find that many of these youngsters would rather do other things. This is the result of the prosperous adult-post-war attitude towards a general course, and it has got so bad that people believe in it. When people come in and apply for a job they are generally asked: "Have you your grade 12 or grade 13? Do you have your matriculation?" I did hear the story of one chap who, when he was asked the question: "Do you have your matriculation?", said: "I have my arts course", to which the reply was: "Arts course, hell; if you don't have your matriculation then we don't want you".

But, what about these dropouts? When you examine them you find that they are boys who have been shoved into something for the honour of the family. They struggle on and on until they are completely frustrated, and then when they are out they are really out.

We have not the time here to talk about how to get people to respect the apprenticeship system, and to honour the blue-collar vocations and a technical and vocational education.

For instance, in commercial schools in Toronto one out of seven is a boy, and nobody who has any competence in an office at the present time in Toronto is out of a job. There is a great shortage of office competency, yet boys will not go to the commercial schools. It just is not done. That is not the youngsters' fault. Our schools have gotten out of whack with business and industry. The guidance teachers are doing a good job in guiding these pupils along in a course and getting over personality difficulties, and that sort of thing, but the guidance teacher knows very little about the world beyond. In this respect we are bringing up youngsters without an appreciation of the world of reality.

Senator CROLL: Mr. Pigott, what are you doing about the blue-collar complex in the C.A.A.E.?

Mr. PIGOTT: We are just starting to do things. I think this is my own personal influence, and we find in visiting the provinces that there is all kinds of interest in this. In the past we have dealt with this in only certain areas. Perhaps Mr. Robinson from the Frontier College can speak about this. Do you know about the Frontier College? What are we doing about this, Mr. Robinson?

Mr. ERIC W. ROBINSON, *Principal, Frontier College, Toronto*: Mr. Chairman and honourable senators, at the Metropolitan Social Planning Council there was a weekend or Saturday conference, and in the plenary session I heard the chairman stand up and say: "We must break down our attitude towards the apprentice as being in a lower class of endeavour". The doctor does an internship and the lawyer does an articling; why is an apprentice such a lower animal? This was a group composed of lawyers, doctors, housewives and others, and there was one effort being made towards a recognition of the need of the blue-collar worker, and the apprenticeship system as being a worthy endeavour for their children. These people will go back into their local P.T.A.'s and Home

and School Associations and communities, and pass this information on. I can go further on this, but I do not want to take up your time.

Mr. PIGOTT: I think we must admit we have not done a successful job in this new area of emphasis which we are attacking. We are one of the two national bodies in education. There is nothing that has come from the government, except the National Vocational Training Act which provides a bit of money. The National Education Association deals with the in-school education, and the Canadian Association for Adult Education, which is a voluntary association, deals with education out of school, the two being related. Of such importance do we consider our attitude in this whole thing that when the Canadian Conference on Education was set up there were eight topics for discussion one of which was Continuing Education. We said that we want to devote more of our time to being very close to this business of education for employment, so a ninth category has been set up, and in 1962 at the Canadian Conference on Education I shall be the chairman of this ninth section which will deal with education for employment.

We have to operate on a budget which we pick up out of the air, and I am quite sure that after visiting eight provinces—and I shall be in the ninth and tenth provinces very shortly—that we will place a great deal of our emphasis on this whole field of what we can do in co-ordinating all public and private agencies across the country on this matter, and I think you will find us doing everything we can possibly do in respect to it. However, we are a voluntary agency, and we have to pick up our support as we go along. We do not need large gobs of money because we may find that we cannot undercut our largest donor. We have to be free and independent in this endeavour.

We will really devote a major portion of our time to this whole thing. We are meeting for three days, on October 30, 31 and November 1 of this year. All provinces will be represented. They will have had a previous conference this spring and will come with their collective thinking; and this will be one of the big areas of emphasis.

Senator MACDONALD (*Cape Breton*): You mention a more liberal interpretation is needed of schedule M. Is that on the part of the provinces?

Mr. PIGOTT: Yes, schedule M has within it a great deal of latitude. If re-training for employment in a specific job qualifies a man for a job, but the individual is without the English language, you defeat a great area of possibility.

Senator MACDONALD (*Cape Breton*): In the provinces, should the Department of Education or the Department of Labour have charge of this vocational training and re-training?

Mr. PIGOTT: They are both implicated, and we are in great difficulty about this, I would hesitate to give any advice on the matter. I think you can hardly get away from the Department of Education doing the job. They have to have the co-operation of the Department of Labour, and there has to be a combined set-up of the two. The advisory committee was set up for this sort of purpose, to give that liaison.

Senator SMITH (*Queens-Shelburne*): I think a very important point is mentioned in your brief under the general heading, "organization of the employment market." You say that you encourage the setting-up of a system whereby juveniles leaving school to enter employment should be registered with your placement service of the N.E.S. You go on to talk about "Youth Services," and you use capital letters. Is there such a thing as a Youth Service branch of the department?

Mr. PIGOTT: There is in a large place like metropolitan Toronto, but it is not adequate. Only where you have a very large population, such as Winnipeg, Vancouver and Toronto, do you get this. Yet here is a whole field which is

extremely important. The average youngster will come out of school and take a \$60 job in preference to a \$50 job. He is in a blind alley and is in trouble for the rest of his life, possibly, and then we pay the bill.

Senator SMITH (*Queens-Shelburne*): Would you agree these youth offices should begin to operate in the early years of high school?

Mr. PIGOTT: Yes, right in high school.

Senator SMITH (*Queens-Shelburne*): And work along in conjunction with any vocational guidance which may be given in high schools—which is deficient in most of our high schools?

Mr. PIGOTT: This is of tremendous importance, the relationship of the guidance staff of the high school to the national employment position. It offers tremendous possibilities. Guidance teachers in the school, at the present time, are not related to the world of industry. The N.E.S. does not have good access to the schools.

Senator SMITH (*Queens-Shelburne*): I have been told—and I think it is common knowledge—that the attitude of many graduates of our high schools system is that they come out and go to the employment service looking for a job and say, "I have graduated from high school, where is my job?" They have been told so many times, "You have to graduate from high school," but there are no jobs that a particular boy or girl is competent to fill at the particular time he or she leaves. I think this is something we should give some real thought to, and I am glad you have mentioned it in your submission to us.

Mr. PIGOTT: This is very important. We are still at the point that if you have graduated from high school you will not be long out of employment. But industry is beginning to kick and is saying, "We have to screen the people, and we are doing too much of the schools' job in screening them."

Senator SMITH (*Queens-Shelburne*): The second question I would like an answer to, at some time—related to that overflowing pocket of unemployment which exists today in general in the Atlantic provinces, but which within a matter of months is going to present a very serious problem, and I refer to the approximately 3,000 coal miners who are going to be apparently suddenly out of work this summer—is: What kind of advice would you give to those who may be charged to deal with that problem of training these people for jobs; what kind of jobs would you have them train for; and where would you suggest they go to get those jobs? I do not expect an all-encompassing answer to that question now, but could you discuss it for a minute?

Mr. PIGOTT: I have been down there in recent months, and there is a great deal of thinking going on, and adult education conferences have been held about it. Unemployment is a national problem. The trouble, first of all, is that we are applying our education and our vocational training in this sort of thing on a local basis, and we have not got the two together. I have dealt here with just one little area, and that is mobility. If you are going to move labour—and it looks as though you are, and you are not going to have industry go and start in Cape Breton—then you are going to have hundreds of these people who will not find work unless you transfer them elsewhere. We feel you can do a great more about about this if they are oriented and have good vocational counselling and guidance. Then a man will say, "There are opportunities in this area of employment, and I am going to be re-trained for this." Then the individual gets a feeling of competency and a feeling of security, and he will move. At the present time, if you just go and move him, then you have taken him away from his hills and his trees, his cousins and aunts, and the first little bit of trouble that arises, he goes back to them. It is not true of, say the Imperial Bank. If you take a chap in the Imperial Bank in Cape Breton, say, and say to him, "We will put you in Sarnia, and this offers an opportunity for re-training," then he will move.

Senator SMITH (*Queens-Shelburne*): Do you not think these points should be kept in mind? Say it is possible some day, because of re-training, that 3,000 people are going to be persuaded, after receiving that training, to go to Sarnia. They abandon their streets, their water systems, their housing, schools, and so on, and they go to Sarnia. Then somebody is going to have to provide that social investment there. Do you not think that in the national interest consideration should be given to using national money to encourage industry to settle in that area in order to salvage that social investment?

Mr. PIGOTT: Yes, but we keep out of this field of policy, as adult educators.

Senator SMITH (*Queens-Shelburne*): You stress mobility; there must be some mobility; and there is mobility going on all the time. I think there has been a net migration from Nova Scotia of 24,000 people in the last four years, and it is going to be a lot more than that unless something is done to balance the loss of social capital.

Senator MACDONALD (*Cape Breton*): Do you not think that we are stressing too much mobility of labour and not enough that some means should be found to increase the mobility of industry, if we are to have a united Canada?

Mr. PIGOTT: Mobility, to us, does not only mean people moving about the country. That is only one type of mobility; and there is also the mobility between different types of job. The railways have dropped off 25,000 in the number of their employees in five years, with automation coming along, and you have great mobility in industry. This is why you are probably doing a disservice. You train a person for his first job, and by the time he is trained the first job has disappeared. We talk to industry—the Ontario Society of Training directors, and so on—and they will take up a man and do the finishing off, but they want a person with a broad enough background so that they can re-train him.

Senator MACDONALD (*Cape Breton*): We have always talked about training labour to be mobile, to go from one geographic location to another. But, on the other hand, we have not given too much thought to making industry mobile, whereby you can place an industry, so that you have a stronger Canada, rather than having industry concentrate in certain areas.

Mr. PIGOTT: As educators we can express opinions, but we would not be considered authorities on that, so we have dodged that issue.

Senator HORNER: I saw somewhere where a check was made on students, and students with cars, automobiles, did not do near as well as students without them. You spoke of Germany getting along better; and there, I suppose the students have a bicycle or walk.

Mr. PIGOTT: It is a little different with them. Here is a devastated country, and you have to re-build the country, and you are doing these things. With us, we are pretty easy.

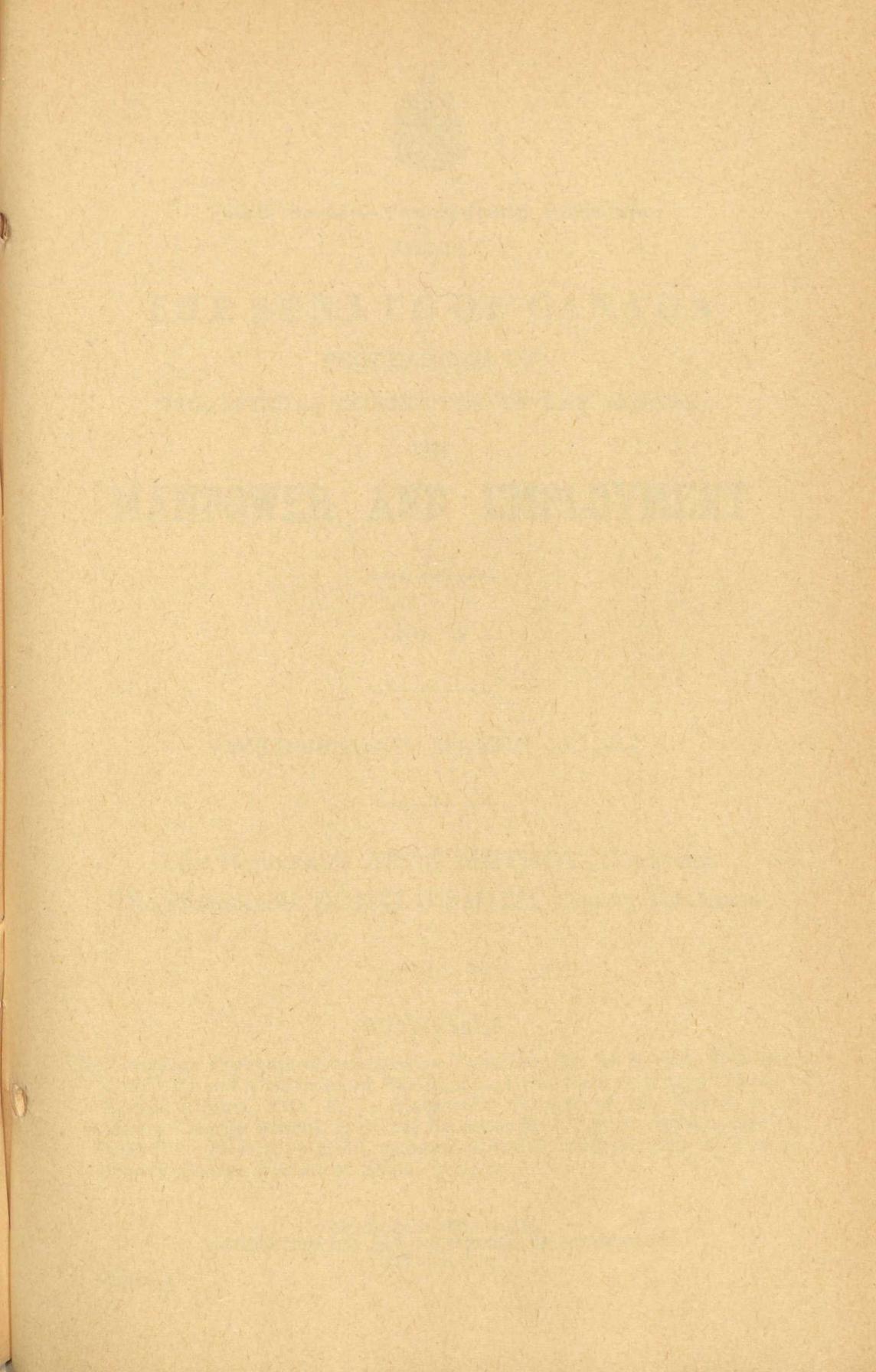
Senator HAIG: Cannot they do what Winnipeg started to do this fall? Here is what they have started to do. A lot of young women would like to be dietitians, but you cannot qualify except after quite a long course. They have started to teach that subject as one of the courses in grade 1 in the public schools. A graduate dietitian, who also has a teacher's certificate, is there to teach that course for two or three years in the public school. In that way, students in that field go into university having two or three years primary training in the subject, and they save about three years university time.

Mr. PIGOTT: This type of program is carried on in certain other countries. In Ontario we put through some 2,000 engineers a year, but we train only a mere handful of technicians to support them. In other words, we are using engineers as technicians; we have many highly trained people whom we are not using to their full capacity. In Germany, for instance, there are five

technicians for each engineer, and they do not train as many engineers. We are using a great many highly skilled people for duties that could be done by others who have taken shorter courses. That is to say, we are using nurses when nurses aids would serve the purpose. That is a big field and requires considerable time to deal with it.

Senator CROLL: Mr. Chairman, may I on behalf of the committee thank Mr. Pigott, Mrs McGibbon and Mr. Robinson for the presentation of this very well prepared brief and for the informative manner in which our questions have been answered. The brief has stimulated us greatly, though we realize there is still much to be done in this field. Please accept the thanks of the committee for the service you have rendered us in our deliberations.

The committee adjourned.





Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 19

WEDNESDAY, MARCH 15, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

The Canadian Research Committee on Taxation: Mr. B. Sevack, Chairman, C.R.C.T., and Chairman of the Board of the Henry George School of Social Science; Mr. P. J. Blackwell, member of the Board of the Henry George School of Social Science; Mr. J. P. R. Perron, member, C.R.C.T.; Miss S. Walton, member, C.R.C.T., and Director of Studies, Henry George School of Social Science.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ERRATUM

PROCEEDINGS NO. 16

Page 1098, paragraph 11: Delete "Dr. Schonning: Roughly 1.7 or 1.8 per cent, annually or the decade." and substitute "Dr. Schonning: Roughly 2 per cent, annually over the decade."

PROCEEDINGS NO. 18

Title page: Delete "Wednesday, March 9, 1961" and substitute "Thursday, March 9, 1961".

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 15, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot, *Chairman*, Buchanan, Burchill, Connolly (*Ottawa West*), Croll, Haig, Higgins, Horner, Hugessen, Irvine, Leonard, Macdonald (*Cape Breton*), Pratt, Roebuck and Smith (*Queens-Shelburne*)—15.

The following were heard:

For the Canadian Research Committee on Taxation:

Mr. B. Sevack, Chairman, C.R.C.T., and President, Tripar Stamping & Mfg. Co. Inc., and Chairman of the Board of the Henry George School of Social Science.

Mr. P. J. Blackwell, Communications Branch, Department of Personnel & Labour Relations, C.N.R., and Member of the Board of the Henry James School of Social Science.

Mr. J. P. R. Perron, Finance Div., Canadair Ltd., and member, C.R.C.T.
Miss S. Walton, Director of Studies, Henry George School of Social Science, and member, C.R.C.T.

At 11.15 a.m. the Committee adjourned until Thursday, March 16, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE
SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT
EVIDENCE

OTTAWA, Wednesday, March 15, 1961.

The special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. LEON METHOT in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. The Canadian Research Committee on Taxation is going to present its brief this morning, and I will ask Senator Roebuck to introduce the delegation.

Senator ROEBUCK: Honourable senators, I was, in some respects, responsible for suggesting that this committee hear from this organization, and in consequence I would like to say a word or two about it. It is a non-profit organization. It represents no business interest. It has no axe to grind. Its members are just good citizens who have a philosophy of life and, I think, a very extensive knowledge of economic matters. They have come here at their own expense to assist us in our very difficult task of understanding the situation that is presented to us and, perhaps, formulating some proposals that will, at least, ameliorate the situation where some 700,000 people are out of work, and generally improve the economic conditions of Canada.

The chairman of the Canadian Research Committee on Taxation is Mr. B. Sevack. He is president of Tripar Stamping and Manufacturing Company Incorporated which, however, has no more interest in this than an intellectual one. He is also chairman of the board of the Henry George School of Social Science. The school is maintained by the ladies and gentlemen here and others interested in the thoughts and principles which they will advocate.

Mr. Sevack, would you introduce the other members of the delegation?

Mr. B. Sevack, Chairman, Canadian Research Committee on Taxation: Thank you, Senator. The other members of the delegation are Mr. P. J. Blackwell, employee Communications Branch, Department of Personnel and Labour Relations, C.N.R. and who is also a member of the board of the Henry George School of Social Science. Miss Ruth Hilling is supervisor, Group Annuity Department of the Sun Life Assurance Company. She is also a member of the board of the Henry George School of Social Science. Miss S. Walton is director of studies at the Henry George School of Social Science. Mr. J. P. R. Perron, who is on my far left, is in the Finance Division of Canadair Limited.

As Senator Roebuck pointed out our committee is a non-profit, non-political organization. Its purpose is to study methods of taxation at all levels of Government, and to recommend constructive taxation policies in order to develop a revenue program that will create employment and foster the economic well being of the Canadian people.

At this point, Mr. Chairman, I would like to turn over the reading of the brief to Mr. Blackwell.

Mr. P. J. BLACKWELL: Mr. Chairman and honourable senators, it is the intent of this brief to advocate a necessary modification of fiscal policy. This change may be applied not only at the federal level, but also at the provincial and

municipal levels of government. We believe its widespread application will promote employment and national prosperity.

For the purpose of this brief, the term "land" and the term "natural resources" may be considered synonymous.

We submit that a tax based on the value of natural resources will foster employment. Such a tax can reduce or replace other existing direct and indirect taxes, and thereby raise the real wages of all workers. It will bring more money into public treasuries. It is the only tax that has no depressing effect on the nation's economy, but instead encourages business activity and increases employment.

In submitting this brief, we are aware that other factors are important in our economy. For example, international trade and monetary policy, though exerting a profound influence on the business cycle and on employment, are outside the scope of this brief and deserve separate, thorough treatment.

In April 1960, a time of year when employment is generally on the upswing, the Dominion Bureau of Statistics reported 517,000 people unemployed in Canada.

There is no justification for the tragic waste in human lives, the needless waste of skills and aptitudes of over half a million Canadians who are willing and able to work. Given the opportunity, they will earn their living by producing goods needed in our country and in other countries of the world. It is a conservative estimate to multiply any unemployment figure by at least three to reflect the families of the unemployed. The distress of these Canadian families is growing more acute with every passing day—and this is happening in a country endowed with resources enough to support a population three or four times the present 18 million.

Obviously our management of the access to these resources is at fault.

Short-term plans to promote employment are indispensable. Unemployment insurance helps cushion the immediate shock to the family of a man who is laid off. Public works are a needed stop-gap measure. But unless we go back to pick-and-shovel methods, public works no longer employ men in sufficiently large numbers to absorb hundreds of thousands of unskilled and semi-skilled workers. As a former Minister of Public Works once pointed out, the Strait of Canso causeway, a \$23 million project, employed only about 200 men. Too often short-term plans achieve only short-term results. A long-term policy is essential as well—a policy to create permanent full employment.

As a cause of unemployment, general over-production can safely be dismissed. When people need houses, clothes, food, and haven't got these things in sufficient quantity, any apparent surplus is not real. Goods piled up on the shelves, houses unoccupied, do not mean that production is more than adequate. They reflect a harrowing degree of involuntary under-consumption.

The Canada Year Book for 1959 reveals this picture of under-consumption:

15%	of Canadian homes don't have	running water
39%	.....	central heating
23%	.....	flush toilets
29%	.....	bath or shower
29%	.....	electric or gas range
14%	.....	electric or gas refrigerator
39%	.....	a vacuum cleaner
21%	.....	a telephone

The most recent Canadian census—1956—gave the rural population as 5,365,936, the urban population as 10,714,855. A great number of these 16 million people, or 1960's 18 million, would be happy and willing to consume more.

So much for the myth of over-production!

With the growth of population, and with the demand for more and ever more services, the pressure mounts on federal, provincial and municipal governments to obtain more revenue. On the Federal Government falls the additional burden of an expensive defence program.

Money is needed in ever greater volume and the authorities are faced with the difficult task of making ends meet. Incurring a deficit is a politically unsound practice, and never a final solution. It is difficult to decide the type of tax to impose: some sources of revenue, such as income tax, cannot be easily increased because of political considerations. Others, such as excise and sales taxes, are easier to impose, but their effects on purchasing power, and ultimately, on employment can be most harmful, as will presently be shown.

Indirect taxes are probably the least desirable. They attach themselves to the materials that go into production and become an indistinguishable part of the retail price. The consumer can rarely be sure what portion of the price he pays finally reaches the national treasury.

It is revealing to compare the price the consumer pays, when the federal sales tax of 11% is imposed, with what he would pay if no sales tax were added to the manufacturer's price.

In the following example the assumption is that the jobber or distributor adds a 30% mark-up, and that both the wholesaler and retailer add a 50% mark-up. If the manufacturer's price for a given item is \$100, the sales tax increases it to \$111 and that is what the jobber or distributor pays. A 30% mark-up equals \$33.30, making the jobber's price to the wholesaler \$144.30. A 50% mark-up is \$72.15, making the wholesaler's price to the retailer \$216.45. The retailer's 50% mark-up is \$108.22, making the price to the consumer \$324.67.

But if the 11% federal sales tax did not exist, the manufacturer's price to the jobber would be \$100. The jobber's price to the wholesaler would be \$130. The wholesaler's price to the retailer \$195; and the retailer's price to the consumer \$292.50.

Instead of paying \$292.50, the consumer pays \$324.67 because of the tax. He pays an additional \$32.17. Note that he pays not only that 11% tax, but \$21.17 more. In fact, almost three times as much.

The government receives \$11 revenue. The consumer pays \$32.17. This is how indirect taxes are pyramided by the normal business process of jobber's, wholesaler's and retailer's mark-up. The consumer has less money left to spend on other needs.

If this sales tax alone were abolished, the gross loss of revenue to the Federal Treasury would be about \$700,000,000, based on the Public Accounts for the fiscal year ended March 31, 1958. This loss would be compensated for by the expanded income of all the people of Canada. Consumers could buy more goods and pay for more services. Even if no other tax changes were made, this one corrective action would increase employment.

An important point to bear in mind is the maximum "safe" level of taxation for any given economic system. Excessive taxation, especially of the indirect type, can have a depressing effect on production. It is not known what share of total production can safely be taken to maintain all levels of government, but we suspect that the breaking point is now dangerously near. It is futile to point an accusing finger at taxation after the collapse has occurred and while innocent people are suffering through years of slow recovery. The time to exercise wisdom is now.

It is possible by unjust and unwise taxation to destroy all industry, and this could happen if we continue to increase existing taxes. It is also possible

by just and sane taxation to destroy monopolies and to create such a permanent demand for labour as to eradicate unemployment forever.

Not enough attention has been given to the social injustice inherent in taxing food and clothing. This practice has the harshest effect on that part of the population least able to face economic disaster. These older people contributed enormously to Canada's economic growth. In the past they worked ten, twelve, even fourteen hours a day. Now many of our senior citizens can barely stay alive on old age pensions. They have been put out of the way, in many cases by compulsory retirement, and we blandly disregard the fact that today we are reaping the fruits of their economic activity of yesterday.

Taxes on the simple necessities of life are placing older people in a most difficult position. When these taxes are indirect, and when creeping inflation adds to the burden, the purchasing power of every dollar is dangerously eroded. It is not surprising that many are existing close to starvation level.

Is this a just and fitting reward for a lifetime of service?

A mere examination of unemployment, whether by an overall survey, or broken down by various trades, or by types of unemployment, may lead to the adoption of short-term, local, or limited measures—measures whose scope is small, whose results are inadequate, but very expensive to promote. To place the problem of unemployment in the right perspective, and to find a permanent solution, it is necessary to look at the positive side of employment.

For the purpose of employment, the economy can be divided into three sectors:

1. Heavy industry and manufacturing.
2. Services (such as transportation of raw materials and finished products, secondary processing, etc.)
3. Agriculture and food production generally.

Every five jobs created in the first sector will, on the average, result in one person being employed in each of the second and third sectors.

It is obvious that when one man produces a given item in industry, others are required to bring the raw materials to him and to ship out the finished products. These employed persons, in turn, create a greater demand for the products of the farm. This applies to all human needs—additional people are employed.

The way to banish unemployment is to create conditions that foster employment in the first sector of the economy. This can be done by making it profitable for private industry to produce from our abundant natural resources.

All man's needs—food, clothing, shelter, indeed all the material things that make life possible, must come, in the last analysis, from the land, a term that in this context includes all the natural resources of the world about us. To make the bounty of nature available and useful, labor is always necessary—we must discover, extract, produce, fabricate and transport the raw materials if they are to serve us. Therefore, whatever is to support government must be obtained either by levies on land values, the source; or by levies on labor, the means of production.

In practical terms, this means that government must be supported either by a charge against the value given land by the activities of the whole community; or by taxes on the use of land by labor. The choice is between collecting land rent for the support of government, or taxing labor values.

The basic economic facts about employment are of the first importance because of the direct relationship between employment and access to land and natural resources. In its simplest terms, production results from the

application of labor to land and natural resources. That's where our consideration has to begin.

What interrupts this natural process? When speculation in land holds land out of use, employment lags. As an important example, here is how the construction of housing bogs down when urban building sites are held by speculators and not used.

A survey made by *The Montreal Star* reveals some illuminating facts. The Island of Montreal, one of Canada's large population centres, contains 130,000 acres. In 1959, 60,000 of these were not built up. Within a 40-mile radius of Montreal 610,000 acres of land were held by speculators. One hundred per cent of the land available for building on Jesus Island was so held; 60 to 70% of the land on the South Shore opposite Montreal; 60 to 70% in the western end of Montreal Island; 60% in the eastern end; 90% of the land in the nearby St. Jerome-St. Therese area.

Why do people buy land and then not use it? Because our growing population creates a growing demand for land. This demand may rise or fall from month to month and from year to year, but the trend of land prices over a long period is upward. Drawing on the lessons of past experience, the land speculator knows that whatever the price of land is today, next year the probability is that it will be higher, and higher still the year after.

Here are some advertisements, taken from recent issues of *The Montreal Star*, inviting the public to cash in on a profitable venture:

8 LAND, LOTS FOR SALE

(Continued)

[YOUR MONEY MULTIPLIES FAST
WHEN INVESTED IN LAND]

CHOICEST LOTS IN
FABULOUS BOOM AREA AT:

CHAMBLY

only 15 minutes from Montreal

Trans Canada Highway from new Champlain Bridge will bring Chambly within six miles of Montreal.

Proposed Richelieu-Hudson Inland Waterway from Montreal to New York will pass through Chambly canal and locks.

[LAND VALUES BOUND TO SOAR
GET IN NOW ON THE GROUND FLOOR
WHILE PRICES ARE STILL LOW]

ONLY \$3 A WEEK. BALANCE OVER
35 MONTHS. NO INTEREST OR TAXES.

Enjoy fishing, swimming, boating and golf. Shopping centres, schools, churches, within a few minutes distance; also fire station and new filter plant.

Phone for free literature on "Beautiful Cham-
bly." REgent 3-3424.

LAND BOOM AT PLATTSBURGH!

Investors, Speculators

... THIS IS YOUR OPPORTUNITY

Six farms at Plattsburgh offered at the fantastic low price of . . .

LESS THAN **1 $\frac{1}{4}$** C. A FT.

THIS OFFER MAY NEVER AGAIN BE POSSIBLE

Imagine your profitable tomorrow . . . and insure it today. Land investment is your best protection against inflation.

A total of 12 missile sites already approved by the U.S. Government will bring millions of dollars in permanent industry to Plattsburgh, creating unlimited employment.

NOTHING INCREASES LAND VALUE LIKE AVAILABLE JOBS

- Farms located within three miles of Plattsburgh
- Suitable for FHA approval for future homesites
- Northway Autoroute to Canada now under construction in Plattsburgh, passes right through some of these farms
- Proposed Richelieu-Hudson Inland Waterway hits Plattsburgh in Lake Champlain
- Large frontages on main highways
- Plattsburgh Airforce Base, now fifth largest in the world, to be increased in size
- Long terms — 10 years — to pay
- Smallest farm for sale — 110 acres



Adjacent farms presently appraised at 2 $\frac{1}{2}$ to 3c a foot



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"More money has been made in real estate than in all industrial investments combined."

said
Andrew Carnegie

According to the Central Mortgage and Housing Corporation, housing costs have risen since 1950. A comparison of the percentage increases in the factors comprising these costs is both illuminating and alarming. Since 1950 the cost of materials has risen 22%. The cost of labor has risen 65%. And the cost of land has risen 222%.

Little wonder that shrewd land speculators continue to hold on.

What is the result of this far-sighted inaction? According to the Dominion Bureau of Statistics, residential building in Canada in 1958 was valued at \$2,189,000,000. The estimate of intended residential building for 1960 was \$2,153,000,000—a decline of \$46,000,000. In the face of an increasing population, this decline is significant. Homes that are needed are not being built.

Industrial building for 1956 was \$604,000,000. The estimate for 1960 was \$443,000,000. A decrease of \$161,000,000.

When building enterprise seeks land sites, the price is often too high. The American publication *House and Home* puts the problem pungently: "Let's not pay 1970 prices for 1960 lots."

For these reasons, when there is speculation in land and natural resources, workers in the building trades find less employment. Fewer people are employed in the manufacture of building materials. Home furnishings are produced in smaller quantities, and so the trend toward stagnation continues to spread through the whole economic fabric.

Land speculators invest enormous sums of money in land. If speculation were curbed, this money could be channeled into productive investments, in mining, in oil drilling, in factories or farms. Thus the same money that is now keeping men out of work would be used to provide employment.

Dun and Bradstreet of Canada reported that in 1958 approximately 25% of the volume of business failures in Canada was in the construction industry. Though less as a percentage of the total, in 1959 construction industry failures were even higher than in 1958.

The construction industry is one of the foremost employers of unskilled labor, exactly the type of labor to suffer the earliest and hardest impact of unemployment. A thriving construction industry promotes employment.

Natural resources must no longer be held out of use when they are so urgently needed. They will not be held out of use when a logical system of taxation makes this too expensive for the speculator. By making it unprofitable to hold land out of use, vacant land and underused land is brought into the market. The Royal Architectural Institute of Canada has recommended the study of urban tax assessment based on land alone.

Here is a comparison of the diametrically opposite effect of a tax falling on buildings only, and on land sites only:

BUILDINGS ONLY

Vacant land escapes all tax.
Investment return is reduced by the tax.
Capital investment in buildings is reduced and diverted to . . .
. . . Increased investment in sites.
Land speculation is encouraged.
Price of land is increased.
Cost of buildings is increased because the annual tax on them is a cost.

LAND SITES ONLY

Land, used or not, pays all the tax.
Return to investment in the building is unaffected.
Investment in vacant sites is reduced and diverted to . . .
. . . Increased investment in buildings.
Speculation in land is diminished.
Price of land is reduced.
Cost of buildings is not increased.

In almost every large city—and Toronto and Montreal are obvious examples—would-be home owners have to go past good building land to cheaper land at the margin of the city. The result is that a city spreads over a far greater area than necessary, increasing the difficulties of local authorities in providing good roads, water, sewerage, street lighting, police and fire services. This suburban sprawl, a trend that is growing in frequency and magnitude, encroaches unnecessarily on good farm land. The gradual disappearance of orchards in the Niagara Peninsula bears this out.

Today, cities don't expand in an orderly, economical way. The larger ones are disintegrating, and spreading the pieces over miles and miles of countryside. It is not a shortage of suburban land that causes this—not a shortage, but waste: the unnecessary land waste, dollar waste, and time waste of the checkerboard pattern called suburban sprawl. The present system of taxation makes this inevitable.

Suburban sprawl is what follows when land developers cannot assemble at a profitable price the tracts they would like to buy first. So they have to leap-frog out to find land cheap enough to build on, here, there, and everywhere—often five or ten miles farther out. Suburban sprawl occurs when owners whose land is wanted next for suburban expansion—the nearest land, the land that would cost least to connect to existing streets, sewers and utilities—hold out for tomorrow's price today, and fail to find a buyer willing or able to pay it now.

Suburban sprawl frustrates the very purpose of cities, which is to let more people live and work together, and so enjoy the maximum efficiency of community facilities and community enterprises, with easy access and cheap distribution. Tracts of vacant and undeveloped land keep people apart. Even if suburban land had no alternative use, such as for farming and market gardening, it would still pay many a city to draw itself together.

Suburban sprawl is the exact opposite of planning satellite centres or self-contained new towns, each surrounded by its own green belt. It is just the city spreading out over miles and miles that are neither truly city nor truly country.

This process penalizes farmers who want to farm instead of speculate. It excites speculative hopes that inflate land prices far above the level farming can support. It discourages farm improvement, for who knows how soon the orchards may be cut down, the barns leveled, the machinery auctioned?

Suburban sprawl defies good local planning. The need for better planning in cities is obvious, but far-sighted planners have little chance against the profit motive working in reverse, when quicker profits are the reward of bad land use. Planners cannot induce speculators to release their land as it is needed if the speculators think they can double their profits by sitting tight. Planners cannot check premature subdivision. They cannot prevent farmers ten miles out selling off their frontage to exurbanites and so spoiling the neighborhood potential for orderly development later on.

It must be emphasized again that present forms of taxation in Canada tend to discourage production. For one thing, sales taxes become part of the price, thus diminishing sales and reducing employment. Income taxes penalize earning, limit the amount of investments, and therefore retard employment. Real estate taxes on buildings are a penalty imposed against both the original structure and against additions and improvements. It follows that they also militate against employment.

But a tax on land tends to hold land prices down; and an increase in this tax, up to but never beyond the annual rental value of the land, tends to reduce the price of land. This restraint on the price of bare land is of profound social importance. Cheaper land means that the would-be producer requires less capital to get started. At the same time, the instruments of production can be freed from local taxation. Above all, the cheaper land is, the easier it is

to acquire. Only rich men can buy dear land; more men can buy cheap land. By stopping the aggregation of land into huge blocks of value, and keeping its price down, the taxation of land values promotes the widespread ownership of land. Thus it fosters that ideal of free men—a property-owning democracy.

All Canadians should be property-owners, if they so desire. This desire should not be thwarted by the monopolistic practices of land speculators. Businessmen and industrialists should have access to this country's natural resources without paying tribute to a parasitic system that draws the life-blood of the Canadian economy without producing.

An impressive number of lawgivers and economists have said that landed property is different from all other kinds of property. To name a few: Moses, Baruch Spinoza, John Locke, William Blackstone, Adam Smith, Tom Paine, Thomas Jefferson, John Stuart Mill, Abraham Lincoln, Herbert Spencer, Leo Tolstoy, Henry George, Dr. Sun Yat-Sen, Sir Winston Churchill.

Indeed, unimproved land differs in three ways from any other kind of private property:

1. Unimproved land is the only kind of private property that the owner did nothing to create. He found it ready-made; or he bought it from someone who found it ready-made.
2. Unimproved land is the only kind of private property whose value grows, not because of anything the owner does, but because of what thousands of other people do.
3. Unimproved land is the only kind of private property anyone can own for years without doing anything, or assuming any responsibility to maintain and protect his investment, other than paying a tax, which is usually small.

This truth is winning recognition. In the province of Alberta, oil royalties are used to reduce public debt. Since 1947 about \$1 billion has been derived by the province from oil and natural gas. An accumulated reserve fund of about \$350,000,000 enables the province to embark on an extensive building program that includes 50 homes for the aged, a hospital and medical centre, a museum, large-scale highway improvement, and grants to country towns for the construction of community halls and libraries.

Though this collection of oil and gas royalties is only a partial application of the method we advocate, it does illustrate two facts:

Natural resources belong to all the people.

Natural resources can be used in such a way that they pay off past accumulations of debt, and also greatly reduce present taxes.

Both phases encourage production and increase employment.

Every citizen's right to the land is the right to share in the common patrimony of mankind granted by the Creator. No one can maintain that the earth was created for the benefit of the few to the exclusion of the many.

This goes to the heart of the vital question of man's relationship to the earth, perhaps the most ancient realm of social conflict. Modern society suffers from a disease often called monopolistic capitalism. The chief evidence of this is the ownership of natural resources by the very few. One violent reaction to this disease has been communism. The alternative to both these evils is a property-owning democracy.

The value of natural resources is created by the activities and growth of the community. This is a new, large source of public revenue that should be tapped before any other taxes are imposed. By doing so, it will be possible to eliminate a number of existing taxes—taxes that are at present discouraging enterprise. At the same time, the high cost of collecting a multitude of taxes can be enormously reduced.

Deriving public revenue from a tax on natural resources discourages land holding and speculation in natural resources; it promotes the most intensive use of land, and therefore promotes maximum employment.

Summary

The tendency of present forms of taxation is to discourage production and, therefore, to retard employment. Employment can be increased by taking much of the tax burden off production.

Local, temporary or superficial measures to relieve unemployment will not create the desired result—that is, permanent full employment.

We must eliminate the basic economic causes that militate against enterprise. When initiative is freed of as many restrictions as possible, production grows and employment increases.

We need measures to ensure that the cost of government is largely, if not entirely paid for by revenue derived from natural resources. Land speculation must be prevented because it retards production and places in private hands what could be and should be public revenue.

We should keep down the price of natural resources so that they will be used as they are needed. This nation's natural resources belong to all the people. Natural resources not only supply the raw materials of all production; they can also supply the revenue needed for all levels of government.

When the right economic basis is established, full employment will follow as a natural result.

Senator HORNER: This theory is quite startling. Of course, we have heard this type of taxation discussed before. I have one question to ask, Mr. Chairman. It seems that the suggestion by this delegation is that when a man acquires land he should have it practically taxed away from him, despite the fact that he, while his companions slept or wasted their substance, purchased property. Surely we are not going to deprive that man of the right of ownership of the land which he purchased with money he saved. Surely there is some commendation for that man, who invested his money, while the waster did not invest in land.

Mr. SEVACK: I would say, Mr. Chairman, that because we have an injustice in the monopolistic practice of land speculation, we should not perpetuate that injustice. For instance, in the southern States there was at one time the ownership of human beings as slaves, and they were considered private property. With the abolition of slavery a lot of people lost considerable wealth, because they had legally paid for the slaves.

Senator PRATT: That does not seem a very appropriate illustration in the circumstances.

Mr. PERRON: This is not penalizing the private individual who saved his money in order to invest in a farm. The crux of the matter is that the value of the land in the hands of an individual is not acquired by that individual through his own efforts; the value comes to the land due to the efforts of the community. The private individual would not be penalized because of his efforts, because the land tax would be on just and fair prices. Let us say that a private home owner is taxed on his land, not on his home; but when it comes to improvement of his home, such as the building of a recreation room in his basement, when the assessor comes around he notes that the building is worth more, and the owner is penalized for his efforts and for providing employment.

Senator HORNER: May I point out that there is no tax on improvements on farms.

Mr. PERRON: We are not talking about farms.

Senator HORNER: The taxation is merely on the productive capacity of the land.

You mentioned Alberta. There the oil royalties amount to considerable sums, but half the oil produced cannot be sold. Yet in a province where there is so much oil, Alberta has just now increased the tax on gasoline to their own consumers by perhaps 12 or 18 cents; the diesel fuel used by the farmer has been increased by somewhat similar amount.

Mr. BLACKWELL: There I would say they are obtaining revenue from the wrong source.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, may I ask if someone can explain to me the application of the theory which is advanced here. Perhaps it is more than a theory, but what is its application to the federal responsibility? The taxing system that is in effect in the provinces, in the cities and in the towns is to tax the land. You speak of the products of labour, rather than land values. The federal Government does not seem to enter into that matter.

Mr. BLACKWELL: I think we have to acknowledge that there has been a strange division in Canada: the land is in the hands of the provinces and municipalities; the federal Government transferred the land to the provinces some years ago.

Senator SMITH (*Queens-Shelburne*): Of course all of the older provinces retained what they had. Nobody transferred anything to Nova Scotia, for example.

Senator HAIG: I have one question, Mr. Chairman. I happen to come from the city of Winnipeg. About 40 years ago there lived in that city a man by the name of Enderton, who bought a piece of land along the Assiniboine River. There was plenty of other land, but he chose about 300 acres in that area, and said that the the lots would be 120 by 50, water would be put down every street and sewers would be installed, and you could build on the land only houses worth \$5,000—that would mean perhaps \$10,000 today.

That was about 50 years ago, and today that area is the most beautiful in the city of Winnipeg. The individual entered into the increases in land value over the years. A few individuals may buy lots and make a profit, but the big money is made by geniuses in their development and layout schemes. People want to be in a district such as the one I mentioned; they want to be where the well-dressed people are. I own a house in that area, and I am often asked how I got hold of one there. I reply that I just bought the house after it was built. My reason for going there was because it offered better school accommodation than any other part of the city. I had personal experience for 10 years in the building business, and I know something about land values. We made money on our lots, and then we went into construction, but before it was ended we hit the depression of the 30's. We had the lots to build on so that we could give our men employment the year around. You cannot guarantee anything if you don't own the lots. But, as I say, the depression hit us and we could not sell the houses. We let them go to the city, and they were sold for taxes.

Of course, a few people buy lots after a city has developed. For instance, if you go to Winnipeg, Toronto or Montreal and buy lots on the main street where the traffic is going, you are sure of an increase in value because the buildings are already there.

Mr. PERRON: May I say that you are defining the case of the land developer, which is not the land speculator.

Senator HAIG: Unless the land can be sold to developers, he won't speculate.

The CHAIRMAN: I know what happened in Montreal in the 30's. The land was taken by the city for taxes, and it could not even be sold. That land could have been bought by anyone, but it was not bought.

Mr. PERRON: The situation at that time was there had been a tremendous amount of land speculation and prices were artificially high, and a lot of money was tied up in the high-priced land. Then when the depression came along the prices deflated and the land returned to its real value, but even then it could not be bought because there was a depression.

The CHAIRMAN: Not only did it deflate to its real value but in, for instance, Ville de La Salle the land was offered by auction, it wasn't sold, and the corporation had to take it back.

Senator HORNER: In that case the speculator lost every cent of his money. I recall in Saskatoon some years ago there were land speculators who thought they were worth millions of dollars; they had been pyramiding their sales on contracts and so on, and they were away outside the city limits with their speculation. Finally it developed that those land speculators that you talk about lost every dollar they had invested, and the city finally settled back to being a compact city.

Mr. SEVACK: May I comment on that? In 1911 there was a peak in land prices, and in 1929 there was a peak, but after these peaks we had a series of depressions. Now that land prices are as high as they are, and there is not too much activity on the part of the speculators, we have perhaps reached a peak again and are headed for another depression, and in a depression land speculators lose as well as everybody else.

Senator HORNER: Is it not true that in our economy and the way it works a man's losses are often as great as his gains, even in land speculation. This brief should be presented, first of all, to the towns, cities and provinces of Canada rather than to the federal Government, in my opinion. Of course, if you are going to change the whole order of things and start in with a master plan and a master dictator then you cannot be beaten if you have the right type of man at the head. But as long as human nature is what it is you are going to have these ups and downs. I fail to see your argument here when we cannot sell the production of which we are capable at the present time. How will your proposal create a market abroad, for instance, for the produce of labour.

Mr. SEVACK: It would lower our costs generally. It would lower our manufacturing costs. By reducing the rent of land it would reduce the cost of manufacture and, therefore, reduce the cost of our exports. It would help.

Senator HORNER: Having regard to the way many of our industries are established today the cost of land is a very small item.

Senator BUCHANAN: You are advocating the single tax?

Mr. SEVACK: Not necessarily. We believe in the exemption of all improvements, but we do not—

Senator BUCHANAN: We went through that in Edmonton back in 1914, and we got to the point where the city owned all the land because it was taxed to the point where the people had to give it up. The city owned it all for years, but it simply could not raise enough taxation.

Miss WALTON: At that time there was nothing like a single tax. They did not begin to tax the land to its full rental value, and since they did not tax the land nearly enough naturally they could not get enough money with which to run the city. If they had raised their taxes on land they would probably have been able to run the city. Of course, other things enter into it. We went into a depression after that. All of you gentlemen seem to be talking about something we had in Canada 40 years ago. At the present time the price of land is so high that the average workman cannot own a house. We have a

present situation of land speculation which has stopped the growth of the building industry, and unless we are going to do something about it, it is going to go on and on and our young people still will not be able to own a home.

In Montreal there are families of six, eight and ten which are crowded into very small apartments. Why? It is because the land becomes too expensive for the building of houses. A section starts up and a few little houses are built, but as soon as they are built the price of the land around them goes up and then you see the flats built. That does not take very long. So, you have this horrible spectacle of Canada with large families living in small apartments simply because they cannot afford a piece of land on which to build a house.

I can go back a long time, too, and I can remember when I was young in a small city when almost any man could get a piece of land for next to nothing and commence to build his house himself upon it. That age is past and it is past largely because of this system in which we do not tax land. Land assessments in many places have gone away down instead of up, whereas the assessments on buildings have gone away up. That is something which is detrimental to the establishment of a good life for our young people in Canada, and that is what we are thinking about.

Senator PRATT: Is it not the practice in cities such as Toronto, where land is required for development, and where very few speculators will lay out a project completely with water and sewerage systems because of the cost, for the cities, and in some cases the provinces, to expropriate an area and set out building lots? I know I can give an instance of this in Newfoundland. In St. John's thousands of acres owned by people have been taken over, and that land has been taken over at a properly appraised value. It has been developed and then has been put up for sale as building lots which people can buy on a land rental basis or on a basis of straight sale. We have not experienced any difficulty whatever in St. John's, Corner Brook or any of the other various places in Newfoundland which have been developed. I have not seen any difficulty whatever in being able to obtain appropriate land for general construction purposes.

Miss WALTON: That may be true of Newfoundland, but it is not true of the province of Quebec.

Mr. SEVACK: It is a question of town planning, and we should not be discussing that here. There are examples like the Don Mills project in Toronto where one land developer developed a whole area beautifully, and that one land developer was able to control that much land, but as a rule land developers are not able to obtain large tracts of land because there are speculators, and I don't mean small lot owners but owners of farms who stand in the way. Of course, if a municipality takes action and expropriates the land then this difficulty can be overcome. Municipalities have that power. The point is this: If the cities expropriate why should the people pay bootleg prices, as it were, for slum lands or land held by speculators; why should they pay that money?

Senator PRATT: If it is obtained by way of expropriation then the price is established at the appraised value.

Mr. PERRON: It is an artificially high price.

Senator PRATT: The price is based on the price at which the land around has been bought and sold. The value of the land is established in that way.

Mr. SEVACK: The supply of land is limited. A shortage of land makes the price higher than it would be normally. If the speculators own all the land in a certain area, and the recent sales from speculator to speculator are recorded on the books, then it is those sales which establish more or less the value for expropriation.

Senator PRATT: Your thought here is to put a tax on land, and thus make it an uneconomic proposition for anybody to hold the land unless it is used?

Mr. SEVACK: Unless it is profitably used.

Senator PRATT: You have to establish a broad general practice, otherwise that would take all the land away from all the people who are not using it; is that right?

Mr. SEVACK: Yes.

Senator SMITH (*Queens-Shelburne*): Are you not also saying in another way that if the tendency continues an incentive should be provided for the moving of some of these projected areas to where they are needed in order to give employment to people who are now living there? In that way you would not encounter this great problem which exists in the artificial value of land in cities.

Mr. SEVACK: Industries are moving out to cheaper land, and houses follow out to the cheaper land.

Senator SMITH (*Queens-Shelburne*): There is a great deal of cheap land in this country.

Mr. SEVACK: I know there is, but the purpose of cities is to make work more economical.

Miss WALTON: You cannot live 50 miles out of Montreal, and work in Montreal.

Senator SMITH (*Queens-Shelburne*): That is my point. Industries are needed out in the country. If there was any overall planning to them—and we cannot work this under our present system—these industries would not be built in Montreal, but down in the Maritimes or in some other rural area.

Senator HORNER: I know something about many towns and villages in the province of Quebec. I do not know so much about Montreal, but I do know many towns and villages which are ideal for industry and where land could be obtained at a very reasonable price.

Miss WALTON: But, if you are moving a factory out to the country you must have somebody there to work in the factory, and you have to build homes for the workers, and then the land price goes up so high that you cannot afford to build homes for people.

Senator HAIG: I know of a house in Winnipeg that cost \$900 to build. In 1909 I wanted to buy that house. My wife liked it very much. Our children were pretty well grown up and we did not need a large house. My wife said: "How shall we get at the value?" and I said that we would talk to the man who owned it. He said: "Get Oldfield, Kirby and Gardner to make a valuation, and I will sell it for whatever valuation they put on it". They knew the house, and said its value was \$12,000, and I said that we would take it. About four years later a man came along and wanted to buy it from me. I said we wanted \$15,000 but he didn't want to buy it at that price. We had an evaluation made and it was valued at \$15,000. I could have sold it then for that amount but I decided not to. My wife died two years later and when the estate was being settled the house was valued at \$17,000. Now, nothing had happened during all those years except the city had become more prosperous and had grown and people wanted that kind of a house.

Miss WALTON: Yes, and everybody who had come to the city in the meanwhile, together with those who were born there, added to the value of the land and that is what brought the price of the house up from \$12,000 to \$17,000. The house itself did not go up in value because a house, by its nature, must depreciate.

Senator HAIG: Well, the house next door was worth about \$2,000 and the whole thing could have been bought for \$3,000. The lot was just as

good as mine but the man didn't want it. He wanted the kind of a house that I was living in.

Senator HORNER: How would you proceed to find the capital to create all these industries? Do you believe it is possible to print the money?

Mr. SEVACK: We are not suggesting that the public or the Government should create more industries. The private sector of the economy would supply the industry. Savings are high. There is plenty of money around.

Senator BUCHANAN: There is one point I would like to ask you about. You commend the system Alberta is following when, in fact, it is following exactly the same system as an individual who acquires and holds valuable property and the public has to pay for it. I am not talking about oil but about timber resources. A few years ago you could acquire certain timberland for \$3 per thousand. What happens now? It is put up for auction and the highest bidder gets it and it is going sometimes at \$18 per thousand. It is true that the Government needs the extra tax but the timber resources are now being held by large operators who are willing to pay a higher price to acquire and hold the land. That is how the Alberta Government is getting some of its money.

Mr. SEVACK: How long can they hold it?

Senator BUCHANAN: I don't think there is any limit.

Mr. SEVACK: It should be auctioned every year or two.

Senator BUCHANAN: You have commended the Alberta Government for the way it has handled its oil lands, but the same thing happens there. Auctions are held and the big oil companies bid against each other. They pay millions of dollars for the privilege of holding the land. Who really pays for this? It is the individual who has to pay later.

Mr. SEVACK: We are suggesting that the collection of revenue from the oil wells in Alberta by the Alberta Government is a good example of a means of collecting revenue.

Senator BUCHANAN: They sell the land and as it is being developed they get the benefit from royalties. That is how they built up the wonderful fund, which you suggest is the proper thing to do.

Mr. SEVACK: Isn't that the way private oil millionaires and governments of the Middle East get their money, by way of royalties?

Senator BUCHANAN: I don't know how they operate in the Middle East.

Mr. SEVACK: In the case of oil millionaires the money goes into the individual's pocket, but in Alberta it goes into the public treasury.

Senator BUCHANAN: You condemn the practice in the case of the private individual but it is all right in the case of public interest.

The CHAIRMAN: It must be remembered too that oil millionaires pay heavy taxes.

Mr. PERRON: You have been talking about oil companies getting hold of timberland.

Senator BUCHANAN: I have just illustrated the difference in the way they operate.

Mr. PERRON: In Alberta the oil companies have access to certain areas and they must use it within a certain period of time. They cannot hold large tracts of land indefinitely.

Senator BUCHANAN: They have to do a certain amount of development, yes. They have to prove that oil is there.

Mr. PERRON: In Alberta they do the right thing in the case of the oil areas but perhaps not in the case of timber.

Miss WALTON: Would you prefer that a few individuals take the oil revenue out of Alberta and grow wealthy rather than the citizens of the province getting some benefit through the royalties?

Senator BUCHANAN: No. I am just suggesting that the Alberta government is getting everything it can at the present time, and the individual who buys gas has to pay more because of this.

Miss WALTON: The individual who buys gas doesn't pay any more than he does anywhere else. The price of gas is not determined by royalties. Royalties have nothing to do with it. Incidentally, I have a picture here showing an old folks' home which Alberta has built from oil revenue. I think that is a good example of what can be done by taxing natural resources. We are not advocating that as the only way. Alberta has the best way of doing it and it is giving the people the benefit of some of the revenue from the natural resources, and this is something people are not getting in other places.

Senator BUCHANAN: You are assuming it is done entirely by royalties but actually they get millions of dollars as a result of one oil company competing against another for certain privileges.

Mr. SEVACK: The revenue a speculator gets goes into his pocket, but in Alberta the money the Alberta government gets from competing oil companies goes into the public treasury. We do a lot of talking about our natural resources. We should get the benefits from them, and in Alberta the people are getting the benefits of their natural resources.

Senator SMITH (*Queens-Shelburne*): Have you not lost sight of one point, that when these various companies bid for the right to explore certain areas in the province of Alberta they are taking on a considerable risk. They have to do a lot of drilling and sometimes they find dry holes. Therefore, what the population in general is benefitting from is not successful exploration but all exploration rights within the province. And are you not also losing sight of this point, that in the end what the people of the province have been getting back from a natural resources tax is a levy on the consumption of whatever product may be developed from these resources?

Mr. SEVACK: No.

Mr. BLACKWELL: The eventual price of a product would be the same under all circumstances because what the consumer pays—

Senator SMITH (*Queens-Shelburne*): What the consumer pays is what the traffic will bear.

Mr. BLACKWELL: Yes.

Senator SMITH (*Queens-Shelburne*): There are certain areas in the country where, because of the kind of competition, conditions are such that people are paying more for oil than they would be at the end of a pipe line coming in from some foreign source.

Mr. BLACKWELL: What I would like to point out here is that the price to the consumer will be on the average the same whether the oil royalty goes into private hands or into public hands.

Senator HORNER: Of course, a great many millionaires have not been prevented from making millions on oil or gas in Alberta; and I would like to say to the ladies that Alberta is not the only province that has old folks' homes.

Miss WALTON: I am awfully glad to hear it.

Senator HORNER: I have been at receptions in these homes, and I have often wondered how happy the inmates are. Even in England they found they

had to cut them down to small-sized homes, or the people are not happy. Again, thinking back 50 or 60 years ago, I wonder if anyone would have suggested then to a family, notwithstanding the circumstances, that father and mother had to be taken to a home to be looked after. There would have been a battle royal on your hands if you suggested it in those days.

Miss WALTON: I think it should be remembered that when you have three or four people in a four-roomed apartment it is not possible to take care of the older folk because of the crowded conditions.

Senator HORNER: The old people were much happier sometimes under the old system.

Mr. SEVACK: That of course is a social problem. We are discussing other problems.

Senator SMITH (*Queens-Shelburne*): We have certainly got away from the main subject of the brief, and I am sorry there has not been more attention given by some of us to the principles involved in your discussion here today. I know that Senator Roebuck has discussed this very principle. I have never had an opportunity to read on the subject very much, but I know that it is a subject that cannot be dismissed with a snap of the fingers; it is a very interesting subject. For a long time I have been alarmed at the ability of so-called land speculators to hold land, who with the apparent connivance of the assessor in these areas are not taxed enough to make the lands saleable the next day or the next year, and I think that is a horrible situation.

Mr. SEVACK: I have here some graphs which were printed *House and Home*, a publication which goes to architects and builders, and so on. These graphs show the rising price of land in comparison with the prices of the consumer index and the stock market. In the corner you will notice a thin black line, which runs from 1952 to 1960, showing a very slight rise. The Dow-Jones stock market averages show a more erratic but slightly higher rise. The land prices line shows an alarming increase, almost vertical by comparison.

Senator ROEBUCK: That is, they have gone up very rapidly, and particularly so in the past ten years?

Mr. SEVACK: Yes. This deals with the past ten years, from 1952 to 1960, actually. Here is another graph showing the booms and depressions from 1830 to 1955 in the United States. The white graph in the middle is the index of industrial productivity. The depression is shown in 1929, as well as the postwar boom. You will notice the line going up and down in wide swings, and that is the land values, which have a tendency not to follow the general business conditions but to swing with each generation. The peaks of the land booms are much farther apart than the peaks of industrial production, because people hold on to land longer, and speculators are able to do so by paying very little tax on it. They do not have to lower prices, as the manufacturer does in order to stay in business.

Senator BLOIS: In essence, your theory in regard to land values is that the increase in land values is due to the action of the community and that it should go back to the community rather than the private owner?

Mr. SEVACK: That is right.

Senator PRATT: There is a general statement in the brief which indicates a matter of policy by the committee, I presume, which says:

"We need measures to ensure that the cost of Government is largely, if not entirely, paid for by revenue derived from natural resources."

What are the natural resources you have in mind which would make up the revenue of practically if not entirely the whole cost of Government? What are the particular resources you have in mind?

Mr. SEVACK: All of them.

Senator PRATT: What are they?

Mr. SEVACK: Forests, the iron ore mines.

Senator PRATT: You would put a tax on the owners of forests who are developing pulpwood?

Mr. SEVACK: Yes, a royalty; that is done now.

Senator PRATT: What about the mines, they are taxed, too?

Mr. SEVACK: In varying degrees, but not all the royalty goes to the Government.

Senator CROLL: Can you tax fish?

Mr. SEVACK: Well, the ocean is a very good example of the system operating. Anyone has free access to the ocean.

Senator PRATT: I am sorry you put a statement like that in, because I think it damages your submission, unless you can explain what are the natural resources and how you can proceed to raise money to pay partly if not entirely the whole cost of Government.

Mr. SEVACK: Well, if the Alberta Government can pay its expenses, no doubt others can. Every province in Canada has some resources. Quebec is rich.

Senator BUCHANAN: You have picked out a rich province which has developed and raised a lot of money in the past few years out of resources, but that province is in a more favourable position in that regard than any other part of Canada. Therefore, you selected that province, but you cannot do that all over Canada.

Mr. SEVACK: What about the iron ore in Quebec, and the same with nickel and copper?

Senator PRATT: It took \$600 million to develop the iron ore in Labrador, and that has already been spent, and they are producing up to ten million tons a year. It is transported a long distance, and they are getting a very small revenue on the investment.

Senator HORNER: It was the bad speculators that did that.

Senator PRATT: How are you going to get the money from the iron ore resources to pay the cost of the Government of Canada?

Mr. SEVACK: Well, I mentioned oil because they are actually collecting oil royalties. It makes no difference to the oil companies to whom they pay the royalty, whether to a private millionaire, to the Alberta Government, or to anybody else; it makes no difference whatsoever.

Senator PRATT: How can you determine how to pay the costs of the Government from these resources?

Mr. SEVACK: Of course, we have not the financial ability to make the necessary research to ascertain that.

Senator HORNER: Speculators in oil and gas in Alberta have never received their money back on their investment.

Mr. SEVACK: Well, that is their problem. They would have to pay royalties, too, to the private millionaire, the private owner of mineral resources.

Senator ROEBUCK: Mr. Chairman, I should like to make a comment or two on this brief. To begin with, I think we are indebted to these ladies and gentlemen for coming here and giving us this submission. It is a new idea so far as we are concerned here, but not new to me. I have studied and read this particular subject practically all my adult life, and I hate to see the general principles frittered away in small arguments.

Senator Smith made that statement a few moments ago, that there is something in this big idea. Never mind the small details and whether you can take all the revenue, whether partially or entirely, or something of that kind. I agree with Blaine Lake for once.

Senator HORNER: I could be wrong.

Senator ROEBUCK: The fellow who has the forethought and has staked out these properties should not be dispossessed, and nobody here is proposing that he should be dispossessed; but he did not stake out the value that attaches to it by reason of the community. That was produced by the community, and I think is a reasonable source of income which should go to the community in part, or in practical steps.

Somebody—I think it was you, Senator Horner—suggested what was the practical suggestion. There is no practical suggestion here, so far as the dominion is concerned. I happened to be in New Zealand not very long since, and there the federal Government levies a tax—very badly done, I know, but nevertheless they do it—on the land values of all New Zealand. It is not a large tax, and it is graded in some foolish sort of way, but they get quite an amount of revenue in that way. I think the province of Ontario, for instance, would have been very much wiser if instead of putting out this recent sales tax—which is going to increase the cost of living and make it more difficult for people to keep up the standards of living we have developed, and which will prove a real hardship for some of our poor people—they had levied a 1 or 2 per cent tax on the land values of the province. It would have assisted in pushing valuable land into use, would have hurt nobody and would have helped the economy of the whole province of Ontario.

Somebody has raised the question of forests, mines and so on. That is a very difficult subject to deal with. I very nearly became Minister of Lands and Forests in Ontario. I realized how difficult it would be to make a just arrangement as between the people who developed the forests and the public which has an interest in the forests. However, I took another portfolio.

Once again there is that principle, you cannot brush aside the public and say "You have no interest in our forests"; and we do not do that. Our administration has been pretty bad, but we do not do it. We do not do it entirely with mines, but we do levy our taxes on mines, I think, in an unscientific way. If we dealt with the value of the mine itself rather than its output we would be better off in the end. It would be a more scientific and sounder method of proceeding.

Take my city of Toronto now. When I went there a number of years ago we had a couple of hundred million dollars in land assessment. Today, I do not know what the figure is, but it would be something like \$1 billion. There was a fellow who owned a piece of land just on the outskirts; he was a farmer. He sold his farm for \$2 million. That was Henry. They divided it up into building lots and the working people of the town have to pay that off; and perhaps for the next 20 or 30 years they will be paying it off. If we had eased up on our taxation on houses, which is the heaviest taxed thing in the world, and increased our land values he would not have been able to sell for \$2 million. He would have had to let it go at less than that, if we had assessed the land at a proper price and had charged him for holding it. By that means we would not have a great blanket of cold, unused land all around our city, past which we have to build roads, sidewalks, sewers and goodness-knows-what. You call it municipal sprawl. If we increased our taxes on the land values a small amount, that would not occur. Years ago we levied a tax on unused mineral lands in Ontario. I have lost the figures, I am sorry to say, but it was a very small increase in the land holdings. I think now we charge \$2 for 40 acres per annum. If we had made that \$10

there would be a lot less unused land held in our mineral areas. You cannot discount this thought. It may have to be applied with wisdom and care and, perhaps, with some degree of patience, but the time must come when these tremendous values in land contribute more rather than less to the public treasury.

I spoke to Mr. Howe at one time about it, and he said, "Well, we have an understanding with the provinces that we will leave the taxation of natural resources to them." I said, "The sooner you get rid of that understanding, the better." There is no reason why the dominion, with the right to every mode and system of taxation—that is, the British North America Act—should limit itself to indirect taxation, such as tariff, sales and excise taxation; and there is no reason why we should not add something to our public treasury by the taxation of the values that attach to the natural resources, by reason of the activities of the community.

Having worked in this problem for many years, my own thought is that we would not have an unemployment problem if we did not have a natural resources problem. The two things hang together. At the present moment is it not a fact that if you started at one coast and went all the way across to the other, to look for a natural resource you could buy at a price where you could make a profit, you would reach the other coast and not find a single thing. I think our depression is based on these two facts. Our land values have been increasing for the last 10, 15 or 20 years, until they are several times what they were just a few years ago.

In the city of Toronto you used to be able to buy a lot to build a house on for \$1,000. I attempted to build a house recently, in the last four, five or six years, and I found I could not get a lot for less than \$6,000, just to get somebody out of my way to build it. I did not build a house. You could go all the way across the country and find the same situation, where you could hardly buy anything.

Senator HORNER: That would be a serviced lot, with water and sewers, you are speaking of, and there would be the cost of putting those services in.

Senator ROEBUCK: Yes, but that was not where the price lay. It lay in the monopolistic value of that land, which the owner wanted to take from me before he would let me build a house.

The tremendous increase in taxation and the tremendous increase in the cost of Government—in the case of this Government it is up to about \$7 billion—added to the tremendous increase in land values, which is a charge by ownership against industry—these two together have grown to such fantastic figures that they have made business unprofitable in this country.

Honourable senators, I want to say that I am obliged to this delegation for coming here and giving us their thoughts. As I said at the opening of this hearing, they have no axes to grind and they have nothing to gain, except what everybody else would gain by their efforts. It has been a piece of high public service, and I, for one, thank you for coming.

Senator HORNER: Senator Roebuck, you and the former William Aberhart would agree that everybody should receive a dividend from the others who provide the profit. Do you agree with that?

Senator ROEBUCK: I do not see any connection between Mr. Aberhart and myself at all.

Senator LEONARD: You are alive!

Senator HORNER: It sounds awfully similar to me.

Senator ROEBUCK: You think it over.

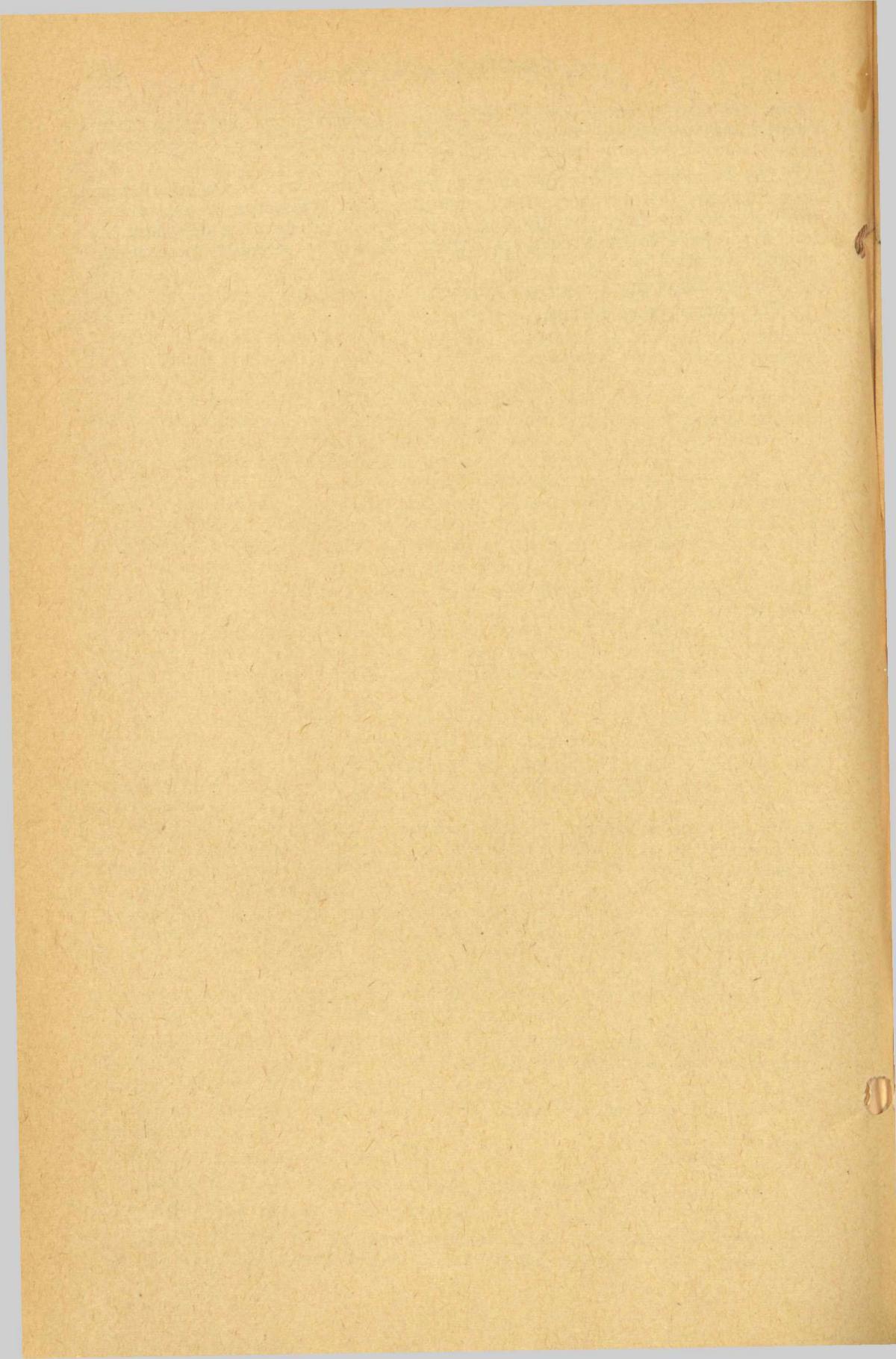
Senator HORNER: In all my experience, when the country is prosperous, and you are able to pay people unemployment insurance, and so on, land

values are high. If you secure a lower price, it seems to me that rather than mend things you would create greater difficulty than we have at the present time.

The CHAIRMAN: Tomorrow morning we will have two long briefs. It has been suggested that members of the committee read them before we sit, otherwise we may not have enough time for those two briefs to be delivered in full. If you have not received them already, you will be receiving those briefs through the mail.

Senator LEONARD: I move we adjourn.

The committee adjourned.





Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

No. 20

THURSDAY, MARCH 16, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

For Canadian Welfare Council: Mr. Kenneth LeM. Carter, President; Mr. Robert A. Willson, member, Board of Directors; Dr. George M. Hougham, Director of Research; Mr. Richard E. G. Davis, Executive Director; Miss Phyllis Burns, Director of Welfare Services.

For Department of Labour: Mr. C. R. Ford, Director, Canadian Vocational Training Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Léon Méthot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators:

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Méthot	
Haig	Monette	

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vailancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purposes of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

REPORT OF THE

COMMISSIONERS OF THE
LAND OFFICE
IN RESPONSE TO A RESOLUTION
PASSED BY THE HOUSE OF REPRESENTATIVES
ON FEBRUARY 28, 1890
RELATIVE TO THE
LANDS BELONGING TO THE STATE

ALBANY: J. B. WHITTAKER, STATE PRINTER, 1891.

MINUTES OF THE PROCEEDINGS

THURSDAY, March 16, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators: Méthot (*Chairman*); Brunt, Buchanan, Connolly (*Ottawa West*); Croll, Haig, Horner, Hugessen, Inman, Irvine, Leonard, Macdonald (*Cape Breton*); MacDonald (*Queens*); Pratt, Smith (*Queens-Shelburne*) and Wilson—16.

The following were heard:

For Canadian Welfare Council:

- Mr. Kenneth LeM. Carter, President.
- Mr. Robert A. Willson, member, Board of Governors.
- Dr. George M. Hougham, Director of Research.
- Mr. Richard E. G. Davis, Executive Director.
- Miss Phyllis Burns, Director of Welfare Services.

For Department of Labour:

- Mr. C. R. Ford, Director, Canadian Vocational Training Branch.

At 12.45 p.m. the Committee adjourned until Wednesday next, March 22nd, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Thursday, March 16, 1961.

The special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. LÉON MÉTHOT in the Chair.

The CHAIRMAN: Honourable senators, as we have a quorum we will commence our proceedings right away. I understand that the briefs we are to deal with this morning were delivered to members of the committee yesterday and therefore at least a few of us should have had an opportunity to look at them. The first submission is by the Canadian Welfare Council. Mr. Kenneth LeM. Carter, the President, is going to give us a resume of the Council's brief and he will be ready to answer questions.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, before Mr. Carter starts we should say we are grateful to the Council for submitting its brief ahead of time. It has been a matter of practice in the committee that some briefs not be submitted before our meetings, and there are good reasons for that. In this case, however, because of the nature of the brief, we are particularly pleased to have had it and I would like the Council and the delegation here this morning to know that.

Mr. KENNETH LeM. CARTER, President, the Canadian Welfare Council: Mr. Chairman, I would like to introduce our delegation. I am accompanied this morning by Mr. R. A. Wilson, Member of the Board of Governors and Chairman of the Special Committee which prepared this brief. I am also accompanied by Mr. Horace Racine, Member of the Board of Governors, and by Mr. R. E. G. Davis, senior member of our staff, our Executive Director. I am also accompanied by Miss Phyllis Burns, who is on the staff of the Council as Director of Welfare Services. We are fortunate indeed to have Miss Burns with us today, for she leaves us in a few days, I regret to say, to take up a job at the United Nations. Had we had this appointment a week later we might not have had Miss Burns here. We also have with us Dr. George M. Hougham, Director of Research.

The Canadian Welfare Council is indeed privileged to appear before you.

The Council is a voluntary association of public and private agencies and of citizen groups and individuals interested in policies and programs which affect individual well-being and social welfare in Canada. Its aim is to help ensure for the people of Canada social security measures and social services that are adequate in extent, of high quality and soundly administered.

In the preparation of its briefs and policy statements, the Council endeavours to catch up and reflect the knowledge and judgment of the appropriate and interested sections of its membership. This submission is an illustration. The brief has been prepared under the direction of a special committee of the Council's Board of Governors. The committee obtained expert advice and guidance from consultants in government, industry, trade unions, welfare agencies and universities. It was assisted by members of the Council's

professional staff who undertook several special studies at the committee's request. In its deliberations, the committee was aided also by information and opinions solicited through local social planning councils and other Council members across Canada. Finally, the Board of Governors, which represents all sections of the Council's constituency, has carefully reviewed and revised the work of the committee.

During the past forty years, the Canadian Welfare Council has on many occasions brought to public and governmental attention its conviction about the need both to maintain the highest possible level of employment and to ensure adequate provisions for those unable to obtain work or unfit for it. We welcome another opportunity to comment on these matters because they are so vital to the well-being of every Canadian and of the country as a whole.

Mr. Chairman, at this point I am going to turn over the presentation of our submission, with your permission, to Mr. Willson, Chairman of our Committee which prepared this brief. He is more familiar with the matter than I am.

ROBERT A. WILLSON, Chairman, Special Committee on Submission, Canadian Welfare Council: Mr. Chairman and honourable senators: Echoing Mr. Carter's comment, we esteem it a privilege to appear before you. My mission will be to tell you of the background, the principles underlying the brief we present, and then subsequently to call on Dr. Hougham, who is the author of the highlights of the brief we propose to read to you. We think this would serve to refresh your memory of the examination you have already made of the formal submission; and we can assure you that it is indeed a summary of all of the submission, and it may serve your purposes to hear it read in short form rather than to have the full submission read which is in your possession now.

Senator CONNOLLY (*Ottawa West*): That would be very good.

Mr. WILLSON: Thank you. Mr. Chairman and Senators:

The Council is making this presentation on behalf of hundreds of welfare agencies and organizations across Canada. The submission is based on their intimate knowledge, painfully gained in day-to-day work with individuals and families, of the human costs of irregular employment, underemployment and unemployment. The lack of a satisfying job at an adequate wage can do serious damage to family morale and solidarity. It may lead to deterioration in the individual's capacity for gainful employment and thus create dependency. It can undermine an individual's self-respect and parental status in the home, especially in a society where we properly expect each individual to assume responsibility, as far as possible, for meeting his own needs and those of his family. And it can be equally damaging to young people who are entering the labour market for the first time and who are beginning to establish new homes and families.

First hand evidence in support of these statements is provided through the 12 case histories illustrating the human costs of unemployment which are contained in Appendix A of this submission.

On this particular point we will ask Miss Phyllis Burns to speak immediately following Dr. Hougham.

These histories are a section of this submission to which the Council attaches particular importance. In our judgment, unemployment is too frequently considered exclusively in economic or statistical terms. Of equal significance is the impact of being without work and its resultant insecurity on the breadwinners concerned and those dependent on them.

GUIDING PRINCIPLES

The Senate Committee on Manpower and Employment has responsibility "to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment". Within this broad and timely mandate, the Council's comments and recommendations are directed primarily to four specific areas of concern, as follows:

I. The adequacy of information about the Canadian labour market and labour force to guide the selection and development of appropriate and effective manpower policies and programs;

II. The significance and adequacy of income maintenance measures and associated services such as casework and counselling in relation to such policies and programs;

III. The vital role of a competent employment service in the most efficient utilization of our human resources and the most effective staffing of our productive capacity;

IV. The employment problems and related needs of certain special groups in the population.

In the preparation of its submission, the Council has been guided by the following points of principle:

1. The nation's people are its most valuable asset. The full value of this asset can only be realized if two conditions are met. First, through appropriate opportunities for education, training and employment, every individual should be enabled to develop and use his or her physical and mental capacities to the full. Second, within the limits imposed by family circumstances, every individual has the obligation to be self-supporting and, to this end, should accept a continuing responsibility to improve his or her education and skills.

2. The opportunity of gainful employment is a basic condition of human well-being and self-respect. The human dividends from gainful employment may be difficult to measure. The adverse effects of irregular employment or of continuous unemployment on individuals and families are much more readily demonstrated. They are, in fact, part of the daily experience of almost every worker in the field of welfare.

3. A high level of employment is also in the best interest of Canadian society as a whole. When members of the labour force are idle, the nation suffers an irretrievable economic and social loss in the form of the facilities, goods and services which the unemployed could be working to produce.

4. One major emphasis in the Council's presentation is on the importance of adequate income maintenance programs and related services. These programs stand on their own merits as remedial measures to meet the financial and other needs of unemployed workers and their dependents. By helping to maintain purchasing power and increase employability, they are also integral parts of any well-rounded policy in support of full employment.

5. Adequate income maintenance programs cannot be expected by themselves to solve the problems of particular areas or regions which are economically depressed, or of particular groups of the working population with relatively low incomes. Indeed income maintenance programs will tend rather to reflect these underlying conditions in inadequate coverage and low benefits.

Action to correct such conditions, as well as to promote a high level of income and employment generally, may involve additional public policies such as general transfer payments, counter-cyclical budgeting, public works, tax and tariff incentives, and the like. The relative merits of such policies or the most effective combination and coordination of them is outside the framework of this presentation.

Now with your permission, Mr. Chairman, I will call on Dr. Hougham to read to you a capsule summary of the highlights of our brief, which will refresh your memory of the submission itself.

Dr. GEORGE M. HOUGHAM, Director of Research, Canadian Welfare Council: Mr. Chairman and honourable senators, the following is a summary of the Canadian Welfare Council submission to the Special Committee of the Senate on Manpower and Employment.

Part I of the submission discusses the broad subject of National Manpower Planning and Services. Section A of Part I outlines the need, as a basis for such planning, for more information than is currently available on the Canadian labour market and labour force.

PART I: MANPOWER PLANNING AND SERVICES

Canada is confronted today with a situation of serious and growing unemployment concurrently with a continuing though relatively slow growth in the size of the employed labour force and the national product, with a persistent scarcity of labour in certain trades and occupations, and with, generally speaking, relatively high prices, high wage and salary levels, and a high standard of living.

The anomaly of "unemployment in the midst of plenty" illustrates the fact that, in the complex modern economy, policies and programs to encourage or ensure a high level of employment must be carefully selected and effectively tailored to meet the requirements of the particular set of circumstances.

We have had to make do in the past with relatively crude measures and gross indices of our manpower situation. Today we must have much more complete and detailed information. Otherwise the measure or combination of measures that is selected to grapple with a particular unemployment problem may not only be inappropriate, but largely ineffective or actually harmful.

Nor can we afford any longer to rely almost entirely on remedial action. If our social, economic and educational programs are to be positive and effective, they must also be based on sound knowledge concerning the probable course of our future development.

The Council has 3 interrelated recommendations to make in this connection. The first is that:

Consistent and detailed information concerning job openings should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

At the present time, information which may be relevant to a clear and comprehensive picture of Canadian labour demand is collected and presented in a variety of different ways. What is required, we believe, is a single monthly report of statistics and commentary on labour demand which will be intelligible to the interested layman, adequate to the needs of the specialist, and germane to the formulation of national policies. Most of the statistics necessary for such a report may already be available among existing sources. To the extent that they are not, a monthly labour demand survey or some other suitable instrument should be devised to obtain them.

The second recommendation is that:

More detailed information concerning the unemployed than is currently published should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

What is required is a comprehensive monthly report on the number and characteristics of the unemployed. Some of the necessary information may already be gathered through the labour force survey. In order to provide other comparable data which are needed, it may be necessary either to broaden the scope of the survey or to develop other specialized survey instruments.

The Council's third recommendation on this subject is that:

More detailed information concerning the probable size and character of future labour demand and supply than is currently available should be continuously developed, co-ordinated and analyzed and regularly made available to the public.

The children and youth who are now enrolled in schools and universities will be the working men and women of Canada in the decades ahead. Their employment opportunities will be determined, in large measure, by present policies and plans, public and private, effecting the size and character of future manpower requirements. Their employment qualifications and job satisfactions will be shaped, in large measure, by the nature and quality of present and planned educational and training programs and facilities.

Today as in the past, economic and educational policies and programs in Canada are framed primarily in relation to knowledge of current manpower needs and resources. If these policies are to be appropriate and effective, they must also be shaped by sound knowledge and judgment of our probable manpower requirements and resources in the future. What is required is the further development of projections and forecasts concerning future labour demand and supply.

The second section in Part I of the Council's submission discusses the role of the National Employment Service. A common concern of Canada's welfare and manpower policies should be the full and effective utilization of our human resources. The National Employment Service is, we believe, one of the essential agents to achieve this goal. Its scope and effectiveness will depend on the coherence and clarity of the objectives which are set for it and the adequacy of the administrative structure and resources to sustain and advance them.

In assessing the performance and potential of the National Employment Service, the Council has been guided by a number of broad assumptions:

The first of these is that the primary function of a national employment service should be to assist unemployed workers to obtain suitable jobs and employers to recruit suitable workers. In the present day economy, the effective discharge of this responsibility is vital to the smooth functioning of the labour market.

Second, because of its role in the labour market, the National Employment Service should be so organized as to be readily available as an instrument and agent for the implementation of national manpower policies.

Third, if NES is to play a significant part in facilitating the operation of the labour market, it should operate in the whole field of employment needs. Concurrently, if NES is to act as an instrument of manpower policies, it must be free to direct its staff and resources as required to groups for whom there is a particular demand or who need specialized help.

The Council's fourth point is that, if the National Employment Service is to perform its primary function adequately, it should not be preoccupied with the procedural requirements of the unemployment insurance program, or dominated by the regulatory responsibilities associated with it. However, this would not prevent NES from assisting in the administration of the unemployment insurance program by testing the "availability for suitable employment" of unemployment insurance beneficiaries.

Many persons seeking work require training as a prerequisite to suitable and stable employment. The final point is that, in order to assist such persons in the labour market, NES should be competent to provide them with employment counselling and to direct them to appropriate resources for vocational guidance and training. This requires the closest liaison and co-ordination between NES and the federal and provincial agencies concerned with training programs and facilities.

In light of these principles, the Council recommends that:

The National Employment Service should be separated from the Unemployment Insurance Commission and become a branch of the Department of Labour in order to be directly responsible to the Department which must develop and help implement national manpower policies.

What is required, we believe, is to free the National Employment Service from its past heritage, to elevate its sights and extend its range, and to give it the additional resources to carry increased responsibilities. In short, the entire organization and operation of the National Employment Service must be strengthened in keeping with the enlarged mandate which it should be given and for which it should be held directly responsible as an integral part of the Department of Labour.

Then we come to Part II of the council's submission.

Senator HUGESSEN: Before you go on, can we discuss these parts individually, Mr. Chairman?

The CHAIRMAN: Certainly.

Senator HUGESSEN: I think that might be more convenient. Just before you go on to Part II I want to ask the council whether their recommendations 1, 2 and 3 really should be joined up with recommendation 4, in the sense that it should be the National Employment Service which should be charged with the responsibility of constantly collecting this information about unemployment and jobs. Is that what you mean? If you read recommendations 1, 2 and 3 by themselves you ask that a great deal of additional information be supplied and be kept up to date, but you do not suggest the agency which you believe should do it.

Dr. HOUGHAM: I do not think in the preparation of this brief we went that far, senator, as far as deciding the appropriate auspices. I do not think there is any question, however, that there is a very close connection between the first three recommendations and the fourth. What I am thinking of is that the labour force survey, which collects some of the kind of information which is needed, is done, as I understand it, as a joint operation of the Department of Labour and D.B.S. The economics and research branch of the Department of Labour already does some of the statistical analysis and commentary which we suggest needs expansion in our first three recommendations. Certainly, there is a close link between this and the operation of the National Employment Service, if it were directly responsible within that department.

Senator HUGESSEN: It would seem logical that the one department should do all these jobs.

Senator BRUNT: Would you favour the municipalities preparing their own reports and surveys, which is now being done by certain municipalities in the province of Ontario?

Dr. HOUGHAM: In what field do you mean?

Senator BRUNT: As to the number of unemployed within the municipality.

Dr. HOUGHAM: We are certainly in favour of much more statistical information than we currently have in the field of unemployment assistance, which is where municipalities are directly involved.

We have a committee operating in the Canadian Welfare Council at this moment, trying to encourage comparable statistics on the unemployment assistance program. I might say that this committee arose out of the interest of a number of the major municipalities and provinces to get just this kind of information.

Senator CONNOLLY (*Ottawa West*): They have to have it for their unemployment assistance programs, in any event, do they not?

Dr. HOUGHAM: Yes.

Senator CONNOLLY (*Ottawa West*): But I think Senator Brunt asks you more specifically, though, if the direct effort by given municipalities in Ontario to collect statistics on the actual number of unemployed within the municipality is a helpful piece of statistical information.

Dr. HOUGHAM: It is a step in the right direction, but I do not think we have adequate statistics in this area.

Senator CROLL: It is usually used, of course, for the purpose of going to the provincial government and getting more money to help them pay their relief costs, and those statistics are, I would say, not too reliable.

Senator BRUNT: I know of municipalities that do not use it for that purpose at all.

Senator CROLL: They would not use it for anything else.

Senator LEONARD: Are you speaking from experience?

Senator CROLL: I am.

Senator BRUNT: Times have changed.

Senator CROLL: Not that much.

Senator SMITH (*Queens-Shelburne*): I wonder if Senator Brunt also has in mind the collection of information which no one has in any particular community, as to the number of people in various skills, assessing skills, categorizing those who are looking for jobs, with the aid of volunteer workers interviewing these people and finding out just what category their skills might lie in. This is tied in with a movement to secure the kind of industry that will fit into those skills that would be available in that particular community. I do not think it can be done on a national scale, but I think it is a very useful thing for municipalities to be doing when we are searching for industries to take up the slack in employment.

Mr. DAVIS: It should be part of the total plan, under the direction of some competent group.

Senator BRUNT: The data and information must come into a central place. I do not think that each municipality, working by itself, would attain very much. I do not think anything would be gained by that; it is of little or no advantage.

Dr. HOUGHAM: Turning now to Part II. Part II of the Council's submission is concerned with income maintenance programs and related services such as casework and counselling.

PART II: INCOME MAINTENANCE PROGRAMS AND RELATED SERVICES

The only fully satisfactory remedy for unemployment is, of course, employment. Yet, even with manpower policies which succeed in encouraging a high level of employment, there will always be need for adequate income maintenance programs.

The principle income maintenance measures for unemployed workers and their dependents are the unemployed insurance program administered by the federal government and the unemployment or general public assistance programs administered by the provinces and municipalities. Under the federal Unemployment Assistance Act, 1956, the cost of assistance under the latter programs is shared, subject to certain conditions, by the federal government.

With respect to the first of these income maintenance measures, the Council's recommendation is that:

A fundamental review and revision of the present unemployment insurance program should be undertaken immediately.

Current criticisms and concerns about Canada's unemployment insurance program are, in our view, only symptoms of a more fundamental problem. The basic need is to work toward consistency, clarity and consensus about the pur-

poses which the program can and should be expected to serve in today's radically altered and rapidly changing labour market.

What is required, in other words, is a thorough study of the entire program, directed toward resolving such basic questions as the following:

1. The financial and other needs of the unemployed can only be met through an adequate and balanced system of unemployment insurance, unemployment assistance and other welfare programs and services. Many of the Current problems of unemployment insurance have arisen because the provisions of the legislation have been stretched and amended in an effort to compensate for weaknesses and gaps in these other programs. In the whole field of income maintenance and services for the unemployed, what are the proper role and limits of unemployment insurance and of other welfare programs and what is the appropriate relationship between them?

2. Under unemployment insurance, the length of the benefit period depends not on the duration of the period of unemployment, but on the number of prior contributions made by the applicant. Under all other social security programs, once entitlement is established, the period of protection is independent of the period of contributions. Can this differential treatment under unemployment insurance be justified?

3. Under the present program, an applicant's benefit is determined solely by the level of his prior earnings and by whether or not he has dependents.

Current benefits under unemployment insurance are approximately 50 per cent of average earnings. For many recipients and their families, such a level of benefits is inadequate. What is the appropriate relationships of benefits to prior earnings, in order to prevent hardships and maintain purchasing power without affecting incentives to work?

Should the system of benefits distinguish between applicants with and without dependents? If dependents are taken into account, should the level of benefits be scaled according to the number of dependents? Should it take account of employment and earnings of other members of the household?

4. Is it reasonable and appropriate to expect the same program to provide protection against short-term frictional or seasonal unemployment and prolonged unemployment due to structural, technological, cyclical or other factors? Should the level of benefits remain the same regardless of whether the period of unemployment is brief or prolonged?

5. In the modern economy, what are reasonable and administratively feasible tests of "recency of attachment to the labour market"? Of "availability for suitable employment"?

6. Under the unemployment insurance program, an unemployed worker can continue to draw benefits when referred for vocational training. What is the appropriate role of the unemployment insurance system in support of this or other programs to increase employability? What additional or alternative support and incentives are required?

7. The current low level of the unemployment insurance fund is due, in large part, to the drain of seasonal benefits. It may be appropriate for the same agency to administer programs of regular and of seasonal unemployment benefits. Is it equally appropriate to finance both forms of benefits from identical sources? Within the same schedule of required contributions? What, more broadly, is the most equitable and effective way of financing a modern unemployment insurance program?

8. The unemployment insurance program is administered by a Commission which reports to Parliament through the Minister of Labour. The Commission is assisted by an Unemployment Insurance Advisory Committee composed of an equal number of representatives of management and labour. Is this form

of organization and representation best suited to the administrative needs of the program, the relevant concerns of employers and workers, the appropriate interests of Parliament and the public?

The second major income maintenance program in Canada, general public assistance, is the basic or residual program. In the context of national welfare and manpower policies alike, the dominant characteristics of such a program should be breadth and flexibility. General assistance should be available to anyone who can establish need, whether or not he is already drawing benefits under unemployment insurance or some other social security measure. It should be available regardless of race, creed or citizenship; of place or length of residence; of political affiliation, personal characteristics or individual "worthiness". General assistance which is sufficient only for subsistence is inadequate; it should be provided in a manner and at a level to preserve individual dignity and self-respect within the community. An integral part of any adequate general public assistance program will be those counselling and other services which may be necessary to help prevent deterioration of the recipient and, within the limits of his capacity and circumstances, to enhance his employability and capacity for self-support.

The Council's submission includes 6 recommendations looking toward fulfillment of these requirements for a good general public assistance system. The recommendations are as follows:

1. The Federal Government should encourage and assist the provinces to interpret and administer their programs of general public assistance so as to ensure that assistance is available on proof of need to all unemployed persons who are presumptively members of the labour force, whether or not they are in receipt of benefits under another income-maintenance program, as well as to those persons whose needs are not necessarily related to lack of employment.

The Federal Unemployment Assistance Act should be amended where necessary to give the program the broader scope envisaged and its title should be changed to be the General Public Assistance Act.

2. The federal government should encourage the provision of general public assistance at adequate rates by allowing federal sharing of costs under The Unemployment Assistance Act only if the procedures for determining rates of assistance assure the recipient at least a minimum standard of health and decency.

3. Through revision of The Unemployment Assistance Act or otherwise, the Federal Government should enable and encourage the provinces to extend their general public assistance programs so as to include, when required, the payment of living costs during periods of training or retraining.

The fourth recommendation is that:

The provision for federal sharing of costs in The Unemployment Assistance Act should be extended to include not only the actual costs of assistance but the cost, when not otherwise shared, of such physical and social rehabilitation services as may be required to maintain the recipient's self-respect and restore him to self-support.

The Council's fifth recommendation is that:

The Federal Government should assist and encourage the provinces to develop and maintain high standards in their programs of general public assistance by sharing in all administrative costs, by making available consultative and technical services by offering assistance with staff recruitment and training, and by conducting or supporting appropriate research and statistical projects.

The Council's final recommendation in this field is that:

The proportion of the cost of assistance borne by the Federal Government under The Unemployment Assistance Act should progressively increase as the total number of persons on general public assistance in a province mounts beyond predetermined percentages of the province's total population.

As has been indicated earlier, a good program of general public assistance is a necessary element in any national policy to maintain and enhance the employability of the Canadian labour force and to encourage a high level of economic activity and employment. Through the present cost-sharing arrangement, the federal government has already acknowledged an interest in and responsibility for such a nation-wide general assistance system. Because the federal government has the major resources and primary responsibility for public policies in support of full employment, it can and should provide the provinces with assurance of an automatic increase of federal assistance in abnormal times. An escalator clause written into the federal act would relieve the provinces and their municipalities of any apprehension they may have about their ability to support a general assistance program, and would avoid the administrative and political problems attendant upon negotiations taking place after an abnormal situation develops.

PART III: EMPLOYMENT PROBLEMS OF SPECIAL GROUPS

The final part of the Council's submission is concerned with the employment problems of certain special groups in the population. The ultimate objective of all our manpower policies should be to ensure that every Canadian has the opportunity to engage in productive employment to the full extent of his or her needs, capacities, skills and potentialities. A critical measure of the efficacy of these policies, and a major concern of the social welfare field, is the sensitivity and adequacy of our programs and services to meet the needs of groups in special circumstances or with special employment problems.

This section of the Council's submission is concerned primarily with the needs and problems of 5 groups:

The first group is young persons who have entered or are about to enter the labour market, especially those with insufficient basic education and/or vocational training for stable employment and satisfactory career development.

Second are workers at all ages who lack saleable skills either because they have never had sufficient basic education and/or technical training or because their skills have become obsolete as a result of technological change, automated processes and the like.

Third are women with dependents who require either the income from gainful employment or sufficient alternative income to assure a reasonable level of living and economic security.

The fourth group is workers who, at the point of retirement from a particular job, may wish either to withdraw from the labour force or to seek alternative employment.

Fifth are persons with physical, emotional or social handicaps which are sufficiently serious to affect their opportunities for, or to make it impossible for them to secure, gainful employment in the competitive labour market.

A critical problem which will face Canada during the next decade or more is the inadequacy of obsolescence of a large part of her labour force in the face of a rapidly advancing technology. Although the full ramifications of the problem are still to be discerned, the information already available is sufficient to indicate the broad pattern. It is clear from several of the studies prepared for this Senate Committee that the level of education and training required of workers in Canadian commerce and industry is steadily rising. Current statistics on unemployment naturally reflect this trend; a very large proportion of the

unemployed have had very little education or training. And the situation is likely to get worse instead of better. Among young persons who have recently entered the labour market, the rate of unemployment is alarmingly high. And if the present educational pattern persists, far too many of today's pupils will also lack the education and occupational skills for stable employment and satisfactory career development.

The Council has 3 recommendations to make with regard to this problem. The first is that:

Through fuller use of The Technical and Vocational Training Assistance Act and other legislation, Canada's investment in vocational guidance and vocational training should be greatly increased, the facilities and personnel should be expanded and improved, and more people should be encouraged and enabled to enrol in training programs.

A closely related recommendation is that:

Combined training-employment programs, apprentice schools and similar techniques which are employed in some other countries should be tried out in Canada, in order to meet the needs of young people of school age who are unable to benefit fully from exclusively formal schooling and of adult workers who can still benefit from improvement in their basic education, vocational training or occupational skills.

In light of the direct relationship between lack of education and unemployment, action is urgently needed to enlarge the opportunities for both young people and adult workers to acquire or improve occupational skills. The provisions required to assure adequate income maintenance for unemployed workers while taking vocational training were explored in an earlier section of this submission. The changes required to strengthen the necessary counselling and employment services have also been indicated. The situation also calls for much more aggressive action to enrol the many thousands of additional people who can benefit from further education and training. New training programs and imaginative training arrangements will likewise be required.

The Council's third recommendation with respect to this problem is that:

There should be an immediate and intensive study, followed by appropriate action, concerning the interrelated educational, training and employment needs and problems of youth.

Senator CONNOLLY (*Ottawa West*): When do you think that study should be carried out? Is this, again, an operation to be conducted by the group we were talking about earlier? Do you think this is something to be directed from a re-organized national employment service or an agency of the Department of Labour? Is this what you have in mind?

Mr. WILLSON: Mr. Chairman, in answering the honourable senator's question, I will say that we do not have a conviction as to the auspices which would be most appropriate for such a study, but we do believe that it should be nationally based. We feel urgently that this should be done by a body which would be representative of the entire spectrum of interests in youth problems. Whether this would be an expanded national employment service, whether it should be a new royal commission, whether it should be under the aegis of the Senate, or whatever it is, we suggest that it is of sufficient urgency that it needs separate attention.

Senator CONNOLLY (*Ottawa West*): It seems to me that you are not going to get what you look for by some temporary or casual inquiry by a royal commission or by a committee of the Senate. I would think what you are urging, and what you want, is a continuing interest in this problem in all of its aspects which will vary as the economy changes and develops. What I

think you are looking for—and I may be wrong about this—is a permanent body that has this, among other things, to look at, and which will always have it as a problem under review. am I right about this?

Mr. WILLSON: Mr. Chairman, Senator Connolly's point is very well taken. We, as a matter of fact, believe that there is responsibility for Canada's young people shared by all levels of Government—federal, provincial and municipal. We feel also that there is interest in this problem on the part of organized labour, industry, commerce, adult education associations, commercial training establishments and voluntary welfare. In other words, it is indeed a national problem and, echoing Senator Connolly's comment, we think it should be an ongoing and continuing body which would effectively administer the study, and put it into action.

Senator LEONARD: That is what you are saying in effect in the last paragraph in this section.

Dr. HOUGHAM: Yes. I think, Mr. Chairman, since we have just had some discussion on this point I might omit that part of my summary which contains the supporting arguments with respect to this recommendation, and go to the last section.

The last section of the Council's submission is concerned with certain groups with unusual occupational problems. The first group is women with dependents and men and women at the point of retirement from a job. These people occupy a special position in relation to the competitive labour market. They may want productive employment and may as individuals have the capacity or potential for it. Alternatively, they may want and need to remain out of the labour force or to withdraw from it.

When manpower was in short supply during World War II, every avenue was explored to recruit as many of these people as possible into productive employment. When the level of unemployment is relatively high, as at present, there is an inclination, by contrast, to adopt the attitude that they should be discouraged from seeking employment or, at best, that their needs and problems have a very low priority.

From the standpoint of manpower and welfare policies alike, the Council believes that such a philosophy is wholly unacceptable. The only adequate and acceptable approach is that these groups should not, on the one hand, be forced into the competitive labour market or, on the other, be prevented from entering it. Within the context of sound labour standards, we cannot afford as a nation to discourage anyone who wants employment from seeking and obtaining it.

The Council therefore recommends that:

Women with dependents should have the conditions of an effective choice between staying out of or entering the labour market. And that workers at the point of retirement from a job should likewise have the conditions of an effective choice between remaining in or withdrawing from the labour market.

The requisite conditions of an effective choice are set forth in the supporting argument which follows this recommendation in the complete text of the Council submission.

Another group with special occupational problems are persons with physical, emotional or social handicaps. The Council recommends in this connection that:

The handicapped person should have the obligation to work and opportunities for gainful employment within the limits of his capacity and potential, and should receive such rehabilitation services as are required to assist him to be self supported. The person whose handicap eliminates any possibility of gainful employment should be enabled to remain outside the labour force.

Three conditions are required to carry out this recommendation:

First, under the federal-provincial rehabilitation co-ordination agreements or otherwise, screening and employment services and rehabilitation and training programs for the handicapped should be improved and extended.

Second, similar programs and services should be available to meet the needs of persons who are frequently handicapped in seeking employment by public attitudes and pressures. The group includes persons under treatment for a mental illness or disturbance and ex-inmates of correctional institutions.

Finally, the handicapped person who cannot compete in the ordinary labour market should be assured sufficient alternative income and community services such as sheltered workshops, for a reasonable level and conditions of living, useful activity within the limits of his capacity and satisfying social relationships.

Senator HORNER: Mr. Chairman, this is a very long list of recommendations, and I notice one point is stressed, and that is the respect of each individual. I fear that in many cases well-intentioned welfare work and so on, rather than enhancing the dignity and self-respect of the individual, has accomplished the very opposite. It is my view that we have reached a point, with all the automation and machinery such as we have now, where we are not going to be able to maintain year-round employment. My suggestion would be that one year's labour would consist of nine months and that the workers would put in a six-day week or even a seven-day week, if necessary. I have had considerable experience with farm help and I found that hard and steady work never caused any trouble. The men got along well together and with me. But I dreaded a holiday or a long weekend because there was bound to be trouble when they started back to work again. If they didn't have some difference with me they would quarrel among themselves. This present five-day week leaves our roads and highways cluttered with holiday seekers. People tear out in the country to spend their week's savings whereas I am sure they would be much happier and better off to work a nine-month year at six days a week and then take three months to do some work for themselves. Then the young people you have spoken about would have a chance to earn money to continue their education. I think we are certainly coming to something like that.

Senator PRATT: What class of workers are you referring to?

Senator HORNER: Every class. It is my suggestion that no labourer be required, expected or allowed to work more than nine months a year.

Senator PRATT: I thought you were referring to farm labour.

Senator HORNER: No, I am referring to every kind of labourer. We are in the position of competing against countries where the labourers toil six days a week. I appreciate that there are many operations which must be continuous. It costs a lot of money to cut them down over a weekend and they must carry on. We all had great hopes about unemployment insurance but I know of cases where rather than helping the individual to maintain his dignity and self-respect it has done the very opposite. Men were once satisfied to take any kind of job they could get. They saved their money as much as they could but now they draw unemployment insurance and they expect it will go on forever. They spend the money and injure themselves. They put nothing back in.

Mr. Chairman, I am sorry to have taken up as much time as this but these are ideas I have given considerable thought to. I do believe we are coming to a system like that. You have the evidence of it now. Many employees receive two or three months' holidays now. We would accomplish more and produce much more cheaply than we are at the present time if we were to follow this system.

Senator CROLL: Mr. Chairman, I move that the entire brief, together with its appendixes, be made part of today's proceedings.

Motion agreed to.

(For full text of brief see pages 1240 to 1274.)

Mr. WILLSON: Mr. Chairman, with respect to the motion which has just been adopted we would like to ask Miss Burns to comment upon the cases that are Appendix A to the brief. As a matter of fact, Senator Horner's comment has given us an excellent lead into this, for he has emphasized our concern for restoring the ability of the individual citizen to be self-sufficient. This is paramount in our thinking. Miss Burns will comment on this point.

Miss BURNS: Mr. Chairman and honourable senators, the 12 case histories appended following the main body of the brief are selected from a large group of actual cases provided by public and private agencies in all parts of the country. They have been edited to preserve confidentiality and for the sake of brevity, but they are the best device we could think of to illustrate the impact of unemployment upon people; in other words, the human costs of unemployment.

Without taking time to read details from each case, I will try to summarize what these cases tell us about individuals and families suffering from unemployment.

The first question, perhaps, is what kind of people are they? I think you could agree that they are typical Canadian families with the breadwinner varying in age from 21 to his late sixties. Almost all of them are married and almost all of them have school-age children. Some are immigrants, but they are all heads of families who have shown a genuine desire to support their families by their own efforts and to provide some kind of opportunity for their children. The majority have limited education, as little as grade 2, and none, as far as we know, with more than grade 11. Almost none have a trade or skill, and even those who do have one now find that it is obsolete or else it is no longer something that is wanted.

Most of the people concerned have fallen on hard times and have become unemployed because they have not had a marketable skill, and they therefore belong to what we call the "last-hired, first-fired" group, always having irregular employment or having become unemployed due to illness. This also may be related to the fact of inadequate income. Many of these families, if they were ever in insurable occupations, have exhausted their credits under Unemployment Insurance, and almost all of them have always lived on marginal incomes and nearly all have accumulated debts.

What have been the consequences of this kind of situation for these families? First of all, because they have had no personal financial resources in the sense of savings, their standards of living have fallen very quickly, and at the same time their debt situation has become serious.

One of the things that impresses me most about these kind of cases is the extent to which health problems have been multiplied and aggravated. There are a number of instances here where, as you see, fathers have left hospital long before they should have because of the feeling of pressure to get back into a job so that they can support their families more adequately. They have neglected care for themselves and their children in order to avoid incurring additional expense. Basically too, because of inadequate diet and worry and that kind of thing, many members of a family have been shown to fall prey to illness. Perhaps even more serious is the fact that obviously the self-confidence and the morale of the breadwinners concerned have been seriously undermined by repeated failure to find employment, or if they have found employment their jobs are progressively poorer and of a more temporary nature. This loss of self-respect and morale also affects their relationship with

their family. For instance, where it is reported that a father has resorted to physical abuse it is explained by the fact that he has to show some way of proving that he is still the head of the house. Situations are aggravated in other instances. Perhaps a wife can find some sort of more or less adequate employment, which means she assumes the role of breadwinner, while the father stays at home—the effects of which are obvious. Then there is the loss of self respect which comes about when a person has to go from one place to another, ending up with inadequate unemployment insurance and other means of support. The basic thing that happens to the family as a whole, I think, is all too obvious in some of these cases, and has the effect of family disintegration. In some cases, in order to meet an emergency a family separates, the children going to relatives, and the parents going to other relatives. In other instances, homes which had a reasonable degree of serenity and good feeling and affection deteriorate in the face of the strain of economic insecurity, and where the needs of the children are not being met adequately. Often prison terms result from criminal behaviour. Every effort is made to get help to the family, but such conditions represent a kind of desperation which permeates not only the parents concerned but also the other members of the family.

Senator HORNER: Mr. Chairman, may I be allowed to complete my argument concerning the six day week. A six day week would enable farmers to secure help who are unable to do so at present because of the five day week offered to our young men in the city. I suppose many people read the Bible. My favourite passage is about the story of the unemployed who organized a delegation to go and view the Promised Land, and they came back with the report that it was a land flowing with milk and honey. The men were all giants those days, and no doubt they were willing to go to work and milk the cows in order to get milk, and were willing to be stung by bees in order to get honey. Now, Canada is a land flowing with milk and honey, but how many people are capable of even providing for themselves? The Government is being asked to spend more and more all the time. Our greatest asset in Canada, or any other nation, is its human beings. I agree 100 per cent with anything that will encourage the initiative of the individual, so that as a people we will be self-dependent and the nation will not become weakened.

Senator CROLL: May I say first how much I have looked forward to this brief from the Canadian Welfare Council. I do not feel that I am flattering them when I say I believe in fact they are the keepers of the social conscience of the country. The first question I want to ask is one that was posed by John Critchley, in an article in a publication which the Canadian Welfare Council issues. I wish to read from the article:

“Why should Mr. Smith and his family, because of unemployment, over which he has no control, have to adjust themselves to living on \$35 a week instead of \$75? Why shouldn't we share with them the previous income until Mr. Smith is re-employed?”

What have you to say on that, because I understand from a quick reading of the brief that you suggest that after he has drawn whatever benefits, unemployment and otherwise, which are coming to him, other assistance should come through public assistance. That troubles me considerably. What do you say to that, Dr. Hougham?

Dr. HOUGHAM: I think I would say, first of all, Senator Croll, that we argue in the brief that both in unemployment insurance and unemployment assistance there is a serious question about the adequacy of the benefits that are being provided. Whether it should be, as Mr. Critchley suggests, in effect, 100 per cent of earnings is, I suppose, a matter of social and economic policy and conscience; but I do not think there is any question that we can and should

go higher than we are going. Also in terms of the economy as a whole there has been discussion recently, for example, about stimulating the economy by lowering the income tax. It is my own personal feeling that we might have a much greater impact if we raised the benefits under these unemployment programs, because we do know one thing, that families on these programs are going to spend every dollar.

Senator CROLL: But in presenting your brief you present us with vital and important questions, and our trouble here is that we have had very few answers. My thought was that one would think you had some concrete suggestions, even if some people might have said they were outrageous, and that you would have said, "This is what we think should be done". Now, you pose questions that everyone poses to us here, but no one brings in answers or too well-founded suggestions.

Dr. HOUGHAM: We are already on record, Senator, on the question of the level of benefits to be provided, in our social security policy statement, namely at least two-thirds of previous earnings, rather than the average of 50 per cent at the moment. On the other question I gather you are raising, though, I think I would speak for the Council in saying that we cannot envisage a situation where unemployment insurance will take care of all need, so that there must be both an unemployment insurance program and an unemployment assistance program, and the problem is how to mesh these two together effectively.

Senator CROLL: Now we are getting to understand each other. You now take a man out of training, and you agree we must train and re-train, and what you are saying to him is that he is entitled to \$30 or \$35, and then you suggest he go on public assistance for the balance of his needs. That is where you and I differ.

Senator LEONARD: I think they are saying that is what happens at the present time.

Senator CROLL: No, no. There was something in the brief by way of suggestion, and it struck me at the time, and I have no reason to change my mind at the moment, as being very vital, because the one thing certain is that we will not get the best out of our men in training if they get public assistance whether in fact they are getting unemployment insurance or not. The utmost a man can get, I think, is \$6 a day with family. Well, that means \$36 or \$42 a week with family. You people live with this problem. Where are some concrete suggestions on the list as to what shall be done? They might not be acceptable, but who is there better than yourselves to tell us, who represent these agencies, and for the Welfare Council to suggest these people be put on public assistance upsets me a little bit.

Dr. HOUGHAM: I think you are referring to Recommendation 8, in the summary of the list of recommendations. Our thinking was that this was a part of the general argument that unemployment assistance is a residual program, and the governing words there are in a little phrase in between the commas, "when required."

Senator LEONARD: You would have no objection if they were put on some sort of pay rather than assistance when taking the training?

Senator CROLL: You say in your brief under Recommendation 8, under the sub-heading "Supporting Argument":

"A high proportion of those who are subject to irregular employment or prolonged unemployment need education and/or vocational training in order to obtain secure employment in today's labour market. Any such people who are not already receiving adequate income maintenance under some other program "should be eligible for general public assistance during periods of training."

That is my point.

Mr. DAVIS: You will note the words "some other program". If there are means of providing payments for people undergoing training that is another program. We are saying there is no other program.

Senator CROLL: But another program is not general public assistance.

Mr. DAVIS: It might be a training program.

Senator CROLL: But that is a training program in the same sense you use it throughout the brief. I know what public assistance is. We have the Public Assistance Act. I know what they mean. When you make that point, that is the general meaning.

Mr. WILLSON: There may be some difference in meaning in terms of public assistance, which is giving us the difficulty.

For people to take additional training, new training, the acquisition of new skills, we feel that with a lack of financial incentives to take this training we will not accomplish our purpose, to get people to acquire skills relevant to today's labour needs.

Senator CROLL: You and I talk the same language at the moment. I agree with everything you say, but we need incentives for people to take training. My point is that putting them on public assistance is not an incentive, and they are making a great mistake.

Dr. HOUGHAM: I do not think this is what we are proposing. If you look at page 25, the last sentence before the recommendation, it says:

"And financial or other direct incentives may be needed in addition to income maintenance to encourage adult workers and persons seeking employment to undertake additional education or training."

The point is we are arguing for a basic income maintenance, but we also suggest the need for additional financial incentives.

Senator CROLL: I see what you are saying, but that was such an important point I would have thought the Welfare Council would have made that pre-eminent, because that is the field we are going into at the present time, and that is the most important aspect in addition to public assistance. I am sure what you say is what you intended to say, but it struck me that was not what the brief said, in effect.

Miss BURNS: I wonder if there is a misunderstanding of what was intended. There are already under existing training programs certain grants available for people who take training. Other people may be eligible for unemployment insurance, but family circumstances and needs vary so much that what we were trying to say here, and what I think the recommendation number 8 does say, is that the unemployment assistance program should be available to supplement, to meet any special needs that cannot be met by the best generalized program you may have, in the way of training grants and so forth. There should be adequate income to meet the needs of the family while the breadwinner is in training and a number of resources, of which public assistance is one, from which that help can be drawn.

We would also like to see the status of the public assistance program elevated in the eyes of the public, so that people would not feel it was the last resort, but that this is a program which is provided under public auspices to meet the need of people who have a special need and have a right to that assistance. I think it would not be a disincentive, which I think Senator Croll thinks it would be.

Senator CROLL: I was thinking about this last night, and I want to ask this question. You might not like my premise. This submission is a fair indictment of our present system, and a pretty general one and not untrue. No one is particularly responsible for it. I am not making it a political issue. We who were in office share the responsibility with those who are there now. But

it strikes me at the present time—and I would like your comment, Mr. Hougham—that about 80 per cent of our people today are doing pretty well and living comfortably, while about 20 per cent are doing badly and suffering. It is my view that the 80 per cent just do not give a damn about the 20 per cent, or could not care less.

Mr. DAVIS: Is this anything new?

Senator CROLL: If it is not new, I should think someone would challenge the thought in the statement. What do you say, Mr. Hougham?

Senator HAIG: I thought we were trying to discover a way to develop more work for the unemployed. My honourable friend wants us to pay the unemployed when they are unemployed, and pay a man if he does not want to work and says he will not take a job. A man might say, "I don't want that job, and I don't want to work in that fellow's office. I worked there, and I did not like the attitude, and therefore I quit. So I want the people of my city to pay my wages, and if I do not get it the Government will make them pay it." That is what it amounts to, to bring it down to cases. That is not what we are here to do. We are here to see if we cannot create more jobs, to see if we cannot qualify men and women to do certain work they cannot do now because they do not know how to do it. That is the problem we are facing.

This delegation has given us the best ideas yet, we have had as far as I am concerned as to how we can improve the training and education of men and women, and especially the younger people who come along and fill these jobs. It may be that my honourable friend is right, and it may be that the people of Canada will do what he suggests; I do not know.

Senator CROLL: Mr. Coyne says they will do it.

Senator HAIG: Mr. Croll says it.

Senator CROLL: Mr. Coyne, the chairman of the Bank of Canada, says they will do it.

Senator HAIG: Senator Croll may know something about politics, but I have been in politics a day or two myself, and I have experienced a few elections along the road. You can only achieve much if the people really want you to. I am not and never have been persuaded that the fellow who does not want to take a job because he does not like the work should be helped, and is going to be helped, by the people. A lot of people will not take a job when you offer it to them. They will say, "We do not want to work in Haig's or Brown's office. We want to work in Croll's office, but Croll hasn't a vacancy, and, therefore, we want support." I want to say that this is one of the best briefs we have had presented to us, and I want to thank you, on my own behalf and, maybe, on behalf of other people, for sending this brief in in advance. It was a very great help. We have had a chance to look over it. Although I only glanced through it myself, when the questions came up I understood what it was about and what they were going to deal with.

One of the papers in this country recently criticized our not getting the briefs in advance, and I felt very badly about that criticism because it is true. By having the brief presented in advance, it gives us the opportunity to study the problem as they see it, and then we are in a better position to understand what they are driving at. I think this morning has been one which has been well spent, and these men and women are to be congratulated for the kind of evidence they have put before us.

Senator CROLL: Do you care to make a comment, Mr. Hougham?

Dr. HOUGHAM: I would like to make a comment on Senator Croll's question. It may be an over-generalization, but it seems to me the adequacy of any social security measure is a reflection of the collective conscience of society.

One of the functions we see for ourselves, as a welfare council, is to provide that conscience. We do what we can. I think you are suggesting we are not as effective as we might be. We recognize we can do better.

Senator LEONARD: Mr. Chairman, I want to ask—

Senator CONNOLLY (*Ottawa West*): I do not know whether my colleague is completely fair when he talks of 80 per cent not caring much about the position of the other 20. I think some of the voluntary agencies in this country, and the work that is done through, first of all, the spark that is provided by the Community Chest organizations and other organizations that do not belong to the chest, do reflect the fact that there is a conscience in the country in respect of these social problems. Sometimes I wonder whether the conscience is growing to such an extent that the financial requirements can continue to be met from such voluntary sources. This is something we must think about because the Government does not do it all, and I hope the day will never come when Government will be expected to do it all. The initiative must come from such private agencies.

Mr. CARTER: I am chairman of the United Appeal in Toronto. If one turns to the Toronto papers at the moment, it is particularly apparent that the depiction of troubles in Toronto makes good copy and sells newspapers. I think that indicates there is a conscience, and a care for the 20 per cent by the 80.

Senator LEONARD: Mr. Chairman, I want to ask this, if I might get a question in: the brief presents a number of questions of principle, and they are good questions. Have the members of the Canadian Welfare Council any answers to those questions or suggestions as to what the answers should be—not necessarily all of them? Some of them may be a little general. For example, question No. 2, on the differential treatment between unemployment insurance and other forms of social security, in that case the question is: can differential treatment be justified? Does the Canadian Welfare Council feel it cannot be justified? Have you some suggestions, or are you simply posing the questions with the idea that perhaps having posed them somebody else might have to answer them?

Mr. DAVIS: I think the fair answer is that we do not have the solution to all these questions. On the other hand, I think we might have a few suggestions that would not necessarily carry the full support even of our own group. On the question of the duration of benefit, I think some of us at least would feel happier if our unemployment insurance program after, say, three months of benefit became rather—I was going to say “tough” but perhaps I should say, “looked at the cases rather realistically.” We would not care too much about the first three months. There is a lot of talk about abuses under unemployment insurance, but if benefits are low for the first three months, and if an employer, in collusion with members of his staff, wants to see some old employee get benefits after retirement, it only goes on for three months. The same would apply in the case of married women. But after the three months' period, it seems to us it would be desirable to look at the people on unemployment insurance and make a realistic assesment of their situation—Are they still employable? Are they still employable? Are they being realistic in holding out for a job which may never develop? At that point we would like to see decisions made as to what that man really needs. If he can be made employable, he may need a certain course of training. He should be required to take that course of training—perhaps “required” is too strong.

Senator CONNOLLY (*Ottawa West*): Perhaps it is not too strong.

Mr. DAVIS: Perhaps through a combination of incentive and compulsion, with adequate financial assistance, and with a higher benefit at that point under Unemployment Insurance than he gets for his first three months, that man would be assisted to prepare himself for another job.

Senator CONNOLLY (*Ottawa West*): That leads immediately to the question of counselling. How extensive are the counselling services that are available?

Mr. DAVIS: You are looking at me, Senator Connolly. I happen to be a member of the National Employment Committee, which is a body set up to advise the National Employment Service, and I would be prepared to say that this committee is trying its best to improve its service.

I have just returned from Winnipeg where I attended a meeting of this committee. I know many of the workers in the field and in the local offices; I would say they are a devoted band of people and are a great credit to our country. But I do think that in terms of remuneration available to them, we cannot expect and do not get the level of competence in this group that would be essential if the National Employment Service were to work at the desired level. This is not because the heads of the service do not recognize the problem, and it is not that they do not press it upon the Unemployment Insurance Commission and on the Treasury Board. There has been within the past 12 months a reclassification of the workers in this special placement area, and some adjustments have been made. But I feel, if you saw the figures, you would agree that the pay is little more than that of a good stenographer.

Senator CONNOLLY (*Ottawa West*): That is the pay for a counsellor?

Mr. DAVIS: Yes, for a counsellor in most of these offices.

Senator SMITH (*Queens-Shelbourne*): Are they full-time counsellors?

Mr. DAVIS: They work for the National Employment Service; and in some instances members of the National Employment Service are required to help on the insurance end of problems; however, I think it fair to say that some are engaged full time on the employment end of the job.

Senator PRATT: Can you estimate the number of such counsellors there are throughout Canada?

Mr. DAVIS: That is available. That was reported at our meeting in Winnipeg, and also the number of additional persons they would like to have.

Senator Croll may talk about Utopia: we are not in Utopia, and it may not be desirable. It may ultimately be that we will give a man who is unemployed as high an income as one who is employed. Perhaps in a good society that will happen, but it will not happen in my lifetime; I have given up thinking about it. I am interested in getting the level up a little higher than it is now. The National Employment Service recognizes the need for more highly qualified people to do this delicate kind of service, which is dealing with another person's life, directing him in the course he should take vocationally. But when they come to deal with the Treasury Board and with administrative matters, they settle for something like \$200 more a year. That is the way things move.

I would say in support of our idea, that we should get this function separated from Unemployment Insurance, and give more status to the employment service part of the general manpower program.

Senator CONNOLLY (*Ottawa West*): Would you suggest that it be put into the Department of Labour?

Mr. DAVIS: I would think so. If we were to approach this problem of training and retraining of our labour with the same degree of imagination that we did with the training and retraining of our veterans at the end of the war, when we took care of perhaps a quarter of a million men, we could accomplish something. Then we had the best educators, psychiatrists, and everybody else who co-operated for a number of years, and the program paid off. It gave us some of the best skilled manpower we have had to help us during this period of expansion in the last decade.

Senator CROLL: I am glad you brought up the matter of the training of veterans, because that is a good example. Let me remind you how it was done. When we gave them money to carry out training, we did not suggest they go any other place for it than to the Government—to Veterans Affairs. Some of the returned men had benefits coming to them, and when they ran out of benefits during their training period we made sure they were able to continue in such a way that they not only carried on to the completion of their training but they were at the same time able to marry and have families, and today they are some of our best citizens.

Mr. DAVIS: We are still doing that with members of the armed forces.

Senator CROLL: That is the kind of training I envisage, and it is not Utopia, but it is not too bad.

Senator CONNOLLY (*Ottawa West*): Let us come back again to the question of the work of the counsellor, and in particular as to the power he has not only to direct people into a training program, but how far he can go in insisting upon such a course. Can he withhold benefits that a man might otherwise have if he did not take the course? In other words, how much authority is behind the counsellor's suggestions at the present time?

Mr. DAVIS: Mr. Chairman and Senator Connolly, there is in the Unemployment Insurance Act as it stands now a clause—I do not recall its number—which gives the Unemployment Insurance Commission the authority to direct a recipient of unemployment insurance benefits to a certain line of training, if in the opinion of the officers this training is desirable.

Senator LEONARD: Are there any penalties attached to failure to comply? Is it the point that we do not have facilities for carrying out those directions at the present time?

Senator CONNOLLY (*Ottawa West*): Do we have the training facilities?

Mr. DAVIS: You will probably hear more of this from Mr. Ford, but I think the general consensus in the National Employment Service is that they do not exercise it to the extent that they might because of lack of facilities.

Senator CONNOLLY (*Ottawa West*): Because of the lack of training facilities?

Mr. DAVIS: The lack of training facilities.

Senator CONNOLLY (*Ottawa West*): In other words, there is no place to send a man who they feel should be trained?

Mr. DAVIS: There are some places to send him.

Senator CONNOLLY (*Ottawa West*): But they are not adequate facilities.

Mr. DAVIS: They are not adequate.

Senator SMITH (*Queens-Shelburne*): If that question has been fully answered, may I ask Mr. Davis to spend a moment for my benefit on seasonal benefits. You ask the question as to whether it is equally appropriate to finance both benefits from identical sources. Having given this matter some thought and being a member of the advisory committee, do you feel that the seasonal benefit plan should be a separate entity from the unemployment insurance service and financed separately?

Mr. DAVIS: I don't know that I have any strong feeling on that point, and I am not responsible for the question. Certainly, it ought to be recognized that at the present we do have these two components in the fund. The figures at the bottom of that page indicate that when we talk about the serious financial position in which the fund is today, this is largely the result of seasonal benefits that have been paid out.

Senator SMITH (*Queens-Shelburne*): Mr. Davis, I did not like that mathematical formula at the bottom of the page, and I was going to comment on it.

Mr. DAVIS: Go ahead.

Senator SMITH (*Queens-Shelburne*): Would it not be just as easy to say that the position of the fund is due to the fact that too many construction workers have drained it, or that too many of any other classification have drained it? If you will look at the figures as to the balance of the fund at various times, you will see that from 1950 to 1958 the fund was growing, and that the impact of seasonal unemployment was considered nothing to worry about. But it is only because of the larger drain that has taken place on the fund in the past four years. I am not placing the responsibility for that on anybody in particular. We are now in a phase when we have more unemployed persons, and, therefore the \$43 million a year on the average for 10 years, when added together, makes it appear to be the cause of the whole problem. But the problem must be a lot bigger than that of seasonal unemployment benefits. There are people who say that the drain on the fund is due in large measure to manipulation of the fund.

Mr. DAVIS: I do not have any strong convictions on that subject. Certainly these seasonally unemployed have to be looked after, whether through this source or some other means.

Senator SMITH (*Queens-Shelbourne*): I am a little sensitive on this subject, because I am growing tired of hearing a lot of people say that the fishermen are responsible for the depletion of the fund. That is ridiculous. True, seasonal benefits are a big thing in this country. I know one area in the Maritimes where more than 40 per cent of the labour force is unemployed during the winter, for an average of more than six months. That presents a terrific problem, and it is growing all over the country. But you cannot blame the depletion of the fund wholly on seasonal unemployment benefits; it is bigger than seasonal benefits.

Senator HORNER: We heard recently of Maritime lumber camps that were closed down because they were unable to get men for them.

Senator SMITH (*Queens-Shelburne*): Yes, that applied to one time only. But I would point out that if they had cut the lumber at that time, they would not have cut it the next spring.

The CHAIRMAN: Are there any other questions?

Senator LEONARD: Mr. Chairman, may I express the appreciation of the committee to this group for the very fine presentation they have given us and for the informative answers we have received to our questions. As Senator Haig has said, this is one of the most important briefs we have received. I know something of the Canadian Welfare Council and of the organizations of which it is composed, and probably nobody in Canada knows the problem, the human elements of the problem, better than the group before us today. They come from various parts of the country, and we are very grateful to them for what they have done in presenting their brief and helping us in our problem by appearing here.

Mr. CARTER: May I express our appreciation for being able to appear before you. In doing so, I should like to reaffirm a couple of our convictions. The first principle is that each individual in Canada has an obligation to be self supporting so far as that is possible, and also a responsibility to take full advantage of education, training and rehabilitation facilities to this end.

The corollary I think that I would like to state is that educational authorities at all levels have the responsibility, which unfortunately has not always been fully discharged, to provide vocational guidance and counselling and appropriate training opportunities geared to the needs of the labour market. In saying that, I would like to add that industry also has a vast responsibility for apprenticeship and more formal training. Certainly, unless education and industry together can meet the challenge presented to them Canada will continue to be confronted with the anomaly of unfilled vacancies for workers, while thousands of ill-equipped or unskilled workers are without work.

May I repeat my pleasure and satisfaction in our appearance before you this morning.

(Full text of brief follows.)

SUBMISSION TO SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

BY

THE CANADIAN WELFARE COUNCIL

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LIST OF RECOMMENDATIONS

PART I: NATIONAL MANPOWER PLANNING AND SERVICES

Recommendation 1

Consistent and detailed information concerning job openings should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

Recommendation 2

More detailed information concerning the unemployed than is currently published should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

Recommendation 3

More detailed information concerning the probable size and character of future labour demand and supply than is currently available should be continuously developed, co-ordinated and analyzed and regularly made available to the public.

Recommendation 4

The National Employment Service should be separated from the Unemployment Insurance Commission and become a branch of the Department of Labour in order to be directly responsible to the department which must develop and help to implement national manpower policies.

PART II: INCOME MAINTENANCE PROGRAMS AND RELATED SERVICES

Recommendation 5

A fundamental review and revision of the present unemployment insurance program should be undertaken immediately.

Recommendation 6

The federal government should encourage and assist the provinces to interpret and administer their programs of general public assistance so as to ensure that assistance is available on proof of need to all unemployed persons who are presumptively members of the labour force, whether or not they are in receipt of benefits under another income maintenance program, as well as to those persons whose needs are not necessarily related to lack of employment.

The federal Unemployment Assistance Act should be amended where necessary to give the program the broader scope envisaged and its title should be changed to be the General Public Assistance Act.

Recommendation 7

The federal government should encourage the provision of general public assistance at adequate rates by allowing federal sharing of costs under the Unemployment Assistance Act only if the procedures for determining rates of assistance assure the recipient at least a minimum standard of health and decency.

Recommendation 8

Through revision of the Unemployment Assistance Act or otherwise, the federal government should enable and encourage the provinces to extend their general public assistance programs so as to include, when required, the payment of living costs during periods of training or retraining.

Recommendation 9

The provision for federal sharing of costs in the Unemployment Assistance Act should be extended to include not only the actual costs of assistance but the cost, when not otherwise shared, of such physical and social rehabilitation services as may be required to maintain the recipient's self-respect and restore him to self-support.

Recommendation 10

The federal government should assist and encourage the provinces to develop and maintain high standards in their programs of general public assistance by sharing in all administrative costs, by making available consultative and technical services, by offering assistance with staff recruitment and training, and by conducting or supporting appropriate research and statistical projects.

Recommendation 11

The proportion of the cost of assistance borne by the federal government under the Unemployment Assistance Act should progressively increase as the total number of persons on general public assistance in a province mounts beyond predetermined percentages of the province's total population.

PART III: EMPLOYMENT PROBLEMS OF SPECIAL GROUPS

Recommendation 12

Through fuller use of the Technical and Vocational Training Assistance Act and other legislation, Canada's investment in vocational guidance and vocational training should be greatly increased, the facilities and personnel should be expanded and improved, and more people should be encouraged and enabled to enrol in training programs.

Recommendation 13

Combined training-employment programs, apprentice schools and similar techniques which are employed in some other countries should be tried out in Canada, in order to meet the needs of young people of school age who are unable to benefit fully from exclusively formal schooling and of adult workers who can still benefit from improvement in their basic education, vocational training or occupational skills.

Recommendation 14

There should be an immediate and intensive study, followed by appropriate action, concerning the interrelated educational, training and employment needs and problems of youth.

Recommendation 15

Women with dependents should have the conditions of an effective choice between staying out of or entering the labour market. Similarly, workers at the point of retirement from a job should have the conditions of an effective choice between remaining in or withdrawing from the labour market.

Recommendation 16

The handicapped person should have the obligation to work and opportunities for gainful employment within the limits of his capacity and potential, and should receive such rehabilitation services as are required to assist him to be self-supporting. The person whose handicap eliminates any possibility of gainful employment should be enabled to remain outside the labour force.

INTRODUCTION

The Canadian Welfare Council is a voluntary association of public and private agencies and of citizen groups and individuals interested in policies and programs which affect individual well-being and social welfare in Canada. Its aim is to help ensure for the people of Canada social security measures and social services that are adequate in extent, of high quality and soundly administered.

In the preparation of its briefs and policy statements, the Council endeavours to catch up and reflect the knowledge and judgement of the appropriate and interested sections of its membership. This submission is an illustration. The brief has been prepared under the direction of a special committee of the Council's Board of Governors. The committee obtained expert advice and guidance from consultants in government, industry, trade unions, welfare agencies and universities. It was assisted by members of the Council's professional staff who undertook several special studies at the committee's request. In its deliberations, the committee was aided also by information and opinions solicited through local social planning councils and other Council members across Canada. Finally, the Board of Governors, which represents all sections of the Council's constituency, has carefully reviewed and revised the work of the committee.

THE HUMAN COSTS OF UNEMPLOYMENT

During the past forty years, the Canadian Welfare Council has on many occasions brought to public and governmental attention its conviction about the need both to maintain the highest possible level of employment and to ensure adequate provisions for those unable to obtain work or unfit for it. We welcome another opportunity to comment on these matters because they are so vital to the well-being of every Canadian and of the country as a whole.

The Council is making this presentation on behalf of hundreds of welfare agencies and organizations across Canada. The submission is based on their intimate knowledge, painfully gained in day-to-day work with individuals and families, of the human costs of irregular employment, underemployment and unemployment. The lack of a satisfying job at an adequate wage can do serious damage to family morale and solidarity. It may lead to deterioration in the individual's capacity for gainful employment and thus create dependency. It can undermine an individual's self-respect and parental status in the home, especially in a society where we properly expect each individual to assume responsibility, as far as possible, for meeting his own needs and those of his family. And it can be equally damaging to young people who are entering the labour market for the first time and who are beginning to establish new homes and families.

First hand evidence in support of these statements is provided through the 12 case histories illustrating the human costs of unemployment which are contained in Appendix A. These histories are a section of this submission to which the Council attaches particular importance. In our judgment, unemployment is too frequently considered exclusively in economic or statistical terms. Of equal significance is the impact of being without work and its resultant insecurity on the breadwinners concerned and those dependent on them.

GUIDING PRINCIPLES

The Senate Committee on Manpower and Employment has responsibility "to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining

and extending a high level of employment". Within this broad and timely mandate, the Council's comments and recommendations are directed primarily to four specific areas of concern, as follows:

I. The adequacy of information about the Canadian labour market and labour force to guide the selection and development of appropriate and effective manpower policies and programs;

II. The significance and adequacy of income maintenance measures and associated services such as casework and counselling in relation to such policies and programs;

III. The vital role of a competent employment service in the most efficient utilization of our human resources and the most effective staffing of our productive capacity;

IV. The employment problems and related needs of certain special groups in the population.

In the preparation of its submission, the Council has been guided by the following points of principle:

1. The nation's people are its most valuable asset. The full value of this asset can only be realized if two conditions are met. First, through appropriate opportunities for education, training and employment, every individual should be enabled to develop and use his or her physical and mental capacities to the full. Second, within the limits imposed by family circumstances, every individual has the obligation to be self-supporting and, to this end, should accept a continuing responsibility to improve his or her education and skills.

2. The opportunity of gainful employment is a basic condition of human well-being and self-respect. The human dividends from gainful employment may be difficult to measure. The adverse effects of irregular employment or of continuous unemployment on individuals and families are much more readily demonstrated. They are, in fact, part of the daily experience of almost every worker in the field of welfare.

3. A high level of employment is also in the best interest of Canadian society as a whole. When members of the labour force are idle, the nation suffers an irretrievable economic and social loss in the form of the facilities, goods and services which the unemployed could be working to produce.

4. One major emphasis in the Council's presentation is on the importance of adequate income maintenance programs and related services. These programs stand on their own merits as remedial measures to meet the financial and other needs of unemployed workers and their dependents. By helping to maintain purchasing power and increase employability, they are also integral parts of any well-rounded policy in support of full employment.

5. Adequate income maintenance programs cannot be expected by themselves to solve the problems of particular areas or regions which are economically depressed, or of particular groups of the working population with relatively low incomes. Indeed income maintenance programs will tend rather to reflect these underlying conditions in inadequate coverage and low benefits.

Action to correct such conditions, as well as to promote a high level of income and employment generally, may involve additional public policies such as general transfer payments, counter-cyclical budgeting, public works, tax and tariff incentives, and the like. The relative merits of such policies or the most effective combination and coordination of them is outside the framework of this presentation.

PART I: MANPOWER PLANNING AND SERVICES

A. LABOUR MARKET AND LABOUR FORCE INFORMATION AND PLANNING

Background

Canada is confronted today with a situation of serious and growing unemployment concurrently with a continuing though slow growth in the size of the employed labour force and the national product, with a persistent scarcity of labour in certain trades and occupations, and with, generally speaking, relatively high prices, high wage and salary levels, and a high standard of living. The anomaly of "unemployment in the midst of plenty" illustrates the fact that, in the complex modern economy, policies and programs to encourage or ensure a high level of employment must be carefully selected and effectively tailored to meet the requirements of the particular set of circumstances.

The situation may be one, for example, of substantial and prolonged unemployment even though there is full employment in the sense that there is a reasonable overall balance between the number of job openings and the number of persons without jobs and seeking work. The difficulty under these conditions is a lack of fit between labour demand and supply rather than any serious shortage in the total demand for workers. Policies and programs designed to raise the general level of labour demand might only serve to aggravate the basic problem. If ample employment opportunities are already in existence, we would do better to concentrate on expansion of training and retraining programs, extension of rehabilitation measures, improvement in placement services and the like. The objective should be, in other words, to raise the employment qualifications of unemployed workers and to increase the volume and quality of placements in already available jobs.

The situation, by contrast, may be one in which the total number of unemployed workers greatly exceeds the number of job openings. Although they may be required for other reasons*, programs to improve the employability of persons without work will have little, if any impact on this particular problem. The need is rather for measures to overcome a gross shortage of labour demand. And the solution will probably lie in the adoption of broad economic and fiscal policies designed to stimulate economic activity and promote a higher general level of employment.

A third and more likely possibility is, of course, some combination of the situations described in the preceding two paragraphs. Indeed, the current unemployment problem is a combination of this sort.

Although this analysis is deliberately theoretical, it has important practical implications. We have had to make do in the past with relatively crude measures and gross indices of our manpower situation. Today and in the future, we must have much more complete and detailed information.

One need today is for a regular flow and co-ordinated analysis of consistent and detailed information concerning the number, location and characteristics both of jobs without workers and workers without jobs. Otherwise the measure or combination of measures that is selected to grapple with a particular unemployment problem may not only be inappropriate, but largely ineffective or actually harmful.

In the field of manpower policies and programs, we can no longer afford to rely almost entirely on remedial action. If our social, economic and educational programs are to be positive and effective, they must be based on sound knowledge concerning the probable course of our future development. An equally important need, therefore, is for a regular flow and co-ordinated analy-

* See below, Recommendations 12 and 13.

sis of information concerning both the number and job qualifications of tomorrow's citizens and workers and the manpower requirements and employment opportunities of tomorrow's society.

Recommendation 1

Consistent and detailed information concerning job openings should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

Supporting Argument

At the present time, information which may be relevant to a clear and comprehensive picture of Canadian labour demand is collected and presented in a variety of different ways. The major sources of potentially useful data are:

- (1) the monthly labour force survey of a selected sample of households;
- (2) the monthly mail survey of employment in industrial establishments employing 15 or more workers;
- (3) the annual census of manufacturing industries;
- (4) the quarterly employment forecast survey of a sample of industrial establishments;
- (5) the monthly reports on unfilled job vacancies (and on classifications of labour markets) derived from the operating statistics of the National Employment Service and published in the Labour Gazette.

Each of these sources has significant limitations. Although the first three make possible some analysis and commentary on trends in labour demand, the statistical information that they provide is actually on employment, not on job openings. Where the labour force survey provides an occupational breakdown of persons without work, the survey of employment does not allow for any such detailed analysis. The employment forecast survey does involve projections of labour demand but its results have to be interpreted with considerable skill and caution and are therefore not available in published form. It is well known that the statistics on unfilled job vacancies are far from complete. Employers list their vacancies with local offices of the National Employment Service on a voluntary basis and it is understood that the number of listings as a proportion of all vacancies varies markedly both among local offices and with different occupational categories of labour demand.

What is required is a detailed monthly report of statistics and commentary on labour demand which will be intelligible to the interested layman, adequate to the needs of the specialist, and germane to the formulation of national policies. Most of the necessary statistics may already be available among the sources mentioned above. To the extent that they are not, a monthly labour demand survey or some other suitable instrument should be devised to obtain them.

Recommendation 2

More detailed information concerning the unemployed than is currently published should be continuously collected, co-ordinated and analyzed and regularly reported to the public.

Supporting Argument

Since September 1960, the only official and accepted source of information on the total volume of unemployment in Canada has been the labour force survey. Some of the unemployment statistics from the survey are compiled and analyzed in a monthly press release on employment and unemployment; additional tabulations from the survey are available on request.

The press release together with the supplementary tables now provide information on unemployment by duration, occupation and industry, and by

the age, sex, family composition and marital status of the unemployed worker. Statistics are still lacking, at least in the public releases, on such significant characteristics of the unemployed as education, work experience, and family employment and income.

What is required is a more comprehensive monthly report on the number and characteristics of the unemployed. Some of the necessary information may already be gathered through the labour force survey. In order to provide other comparable data which are needed, it may be necessary either to broaden the scope of the survey or to develop other specialized survey instruments.

Recommendation 3

More detailed information concerning the probable size and character of future labour demand and supply than is currently available should be continuously developed, co-ordinated and analyzed and regularly made available to the public.

Supporting Argument

The children and youth who are enrolled in schools and universities will be the working men and women of Canada in the decades ahead. Their employment opportunities will be determined, in large measure, by present policies and plans, public and private, affecting the size and character of future manpower requirements. Their employment qualifications and job satisfactions will be shaped, in large measure, by the nature and quality of present and planned educational and training programs and facilities.

Today as in the past, economic and educational policies and programs in Canada are framed primarily in relation to knowledge of current manpower needs and resources. If these policies are to be appropriate and effective, they must also be shaped by sound knowledge and judgment of probable manpower requirements and resources in the future. What is required is not only more detailed descriptive data concerning the present employment situation*, but the further development of projections and forecasts concerning future labour demand and supply.

A beginning has already been made in the report of the Royal Commission on Canada's Economic Prospects, some of the occupational studies of the federal Department of Labour, and the special research projects completed for this Senate Committee. The work should be continued and expanded; it should be conducted on a consistent and co-ordinated basis under the guidance and encouragement of the Department of Labour; and through that Department and otherwise, more effective machinery should be developed to make full use of the findings in every aspect of manpower policy determination and program planning.

B. EMPLOYMENT SERVICES

Background

A common concern of national welfare and manpower policies should be the full and effective utilization of Canada's human resources. The National Employment Service is one of the essential agents to achieve this goal. Its scope and effectiveness will depend on the coherence and clarity of the objectives which are set for it and the adequacy of the administrative structure and resources to sustain and advance them.

The following list of objectives and functions should guide any assessment of the performance and potential of the National Employment Service:

1. The primary function of a national employment service should be to assist unemployed workers to obtain suitable jobs and employers to recruit suitable workers. In the present day economy, the effective discharge of this responsibility is vital to the smooth functioning of the labour market.

* See Recommendations 1 and 2 above.

2. Because of its role in the labour market, the National Employment Service should be so organized as to be readily available as an instrument and agent for the implementation of national manpower policies.

3. If NES is to play a significant part in facilitating the operation of the labour market, it should operate in the whole field of employment needs. Concurrently, if NES is to act as an instrument of manpower policies, it must be free to direct its staff and resources as required to groups for whom there is a particular demand or who need specialized help.

Such a mandate does not, of course, preempt the field for the National Employment Service. On the other hand, to the extent that NES has appropriate terms of reference, qualified staff and adequate resources, there should be less need for other employment services, public and private.

4. If the National Employment Service is to adequately perform its primary function, it should not be preoccupied with the procedural requirements of the unemployment insurance program, or dominated by the regulatory responsibilities associated with it. However, it may still be expedient for NES to assist in the administration of the unemployment insurance program by testing the "availability for suitable employment" of unemployment insurance beneficiaries.

5. Many persons seeking work require training as a prerequisite to suitable and stable employment. In order to assist such persons in the labour market, NES should be competent to provide them with employment counselling and to direct them to appropriate resources for vocational guidance and training. This requires the closest liaison and co-ordination between NES and the federal and provincial agencies concerned with training programs and facilities.

Recommendation 4

The National Employment Service should be separated from the Unemployment Insurance Commission and become a branch of the Department of Labour in order to be directly responsible to the department which must develop and help to implement national manpower policies.

Supporting Argument

Past efforts of the National Employment Service to carry out the kind of positive assignment set forth above have been hampered, in large part, by its history. Some people still associate NES with the regulatory requirements of Selective Service during World War II. There has been confusion and conflict in the public mind (and probably, on occasion, among NES personnel) between the role of the National Employment Service in "policing" unemployment insurance and its positive responsibilities as an employment agent. The success of efforts to improve physical facilities, expand resources and upgrade staff has been restricted by the concept of an administration concerned primarily with the routine operation of an income maintenance program.

What is required, is to free the National Employment Service from its past heritage, to elevate its sights and extend its range, and to give it the additional resources to carry increased responsibilities. The Service must be given higher status, as well as better physical facilities and additional qualified staff where required, in order to command greater confidence among employers seeking workers and among persons seeking employment. It should be enabled to expand its programs of liaison and interpretation with employers and its efforts to seek out and list all available employment opportunities. For persons without jobs and for workers interested in changing their employment, the Service must be better equipped to provide expert employment counselling, including skilled advice and encouragement concerning prospective job and

training opportunities. It should be able, when required, to recruit and deploy additional personnel competent to provide a high-quality placement service for groups with special needs or problems*.

In short, the entire organization and operation of the National Employment Service must be strengthened in keeping with the enlarged mandate which it should be given and for which it should be held directly responsible as an integral part of the Department of Labour.

PART II: INCOME MAINTENANCE PROGRAMS AND RELATED SERVICES

The only fully satisfactory remedy for unemployment is employment. Yet, even with manpower policies which succeed in encouraging a high level of employment, there will always be need for adequate income maintenance programs. As already noted, such programs are themselves part of a positive policy in support of full employment. In this section of the Council's submission, however, the focus is on the adequacy of these programs and related services to meet the financial and other needs of the unemployed and, thereby, to maintain or increase their employability.

The principal income maintenance measures for unemployed workers and their dependents are the unemployed insurance program administered by the federal government and the unemployment or general public assistance programs** administered by the provinces and municipalities. Under the federal Unemployment Assistance Act, 1956, the cost of assistance under the latter programs is shared, subject to certain conditions, by the federal government.

A. UNEMPLOYMENT INSURANCE

Background

The Unemployment Insurance Act 1940 grew out of unemployment experience of the 1930's and borrowed from the legislation of other nations, particularly Great Britain. The life of the program now spans a period encompassing both the era of full employment during World War II, and the post-war period of high labour demand alternating during the past decade with conditions of recession. Frequent, and in some instances major, amendments have been made with respect to such important aspects of the program as coverage, level and duration of benefits and rates of contribution. A program of seasonal benefits and, more recently, of benefits for fishermen has been superimposed on the basic measure.

In recent years, Canada's unemployment insurance program has been the subject of growing criticism and concern. There has been criticism that some people draw benefits who do not "need" them. It is claimed that some beneficiaries are not, as required by the act, "available for suitable employment". For various reasons related to the nature of their business operations, some employers are alleged to take advantage of the program. In some cases, benefit levels are inadequate, especially for the unemployed worker with a number of dependents***. Other cases are cited where unemployment insurance benefits are made to serve as a substitute for sickness cash benefits, maternity benefits or retirement benefits. There is serious criticism of the seasonal benefit program, and of its financing within the regular schedule of unemployment insurance contributions. Questions have been raised about the program of benefits for fishermen because many of them do not work under a "contract of service". And there is mounting concern about the solvency of the unemployment insurance fund.

* See also Part III below, Employment Problems of Special Groups.

** In various provinces, general public assistance is known as poor relief, unemployment relief or assistance, social aid, social assistance, social allowances or public charities.

*** For some evidence concerning the inadequacy of benefits, see Appendix B.

Recommendation 5

A fundamental review and revision of the present unemployment insurance program should be undertaken immediately.

Supporting Argument

Current criticisms and concerns about Canada's unemployment insurance program are only symptoms of a more fundamental problem. It is undoubtedly tempting and it may be considered feasible to go on patching the legislation in an effort to correct inadequacies and so-called misuses and abuses. The basic need, however, is to work toward consistency, clarity and consensus about the principles and purposes which the program can and should be expected to serve in today's radically altered and rapidly changing labour market.

What is required is a thorough study of the entire program, directed toward resolving such questions of principle as the following:

1. The financial and other needs of the unemployed can only be met through an adequate and balanced system of unemployment insurance, unemployment assistance and other welfare programs and services. Many of the current problems of unemployment insurance have arisen because the provisions of the legislation have been stretched and amended in an effort to compensate for weaknesses and gaps in these other programs. In the whole field of income maintenance and services for the unemployed, what are the proper role and limits of unemployment insurance and of other welfare programs* and what is the appropriate relationship between them?

2. Under unemployment insurance, the length of the benefit period depends not on the duration of the period of unemployment, but on the number of prior contributions made by the applicant. Under all other social security programs, once entitlement is established, the period of protection is independent of the period of contributions. Can this differential treatment under unemployment insurance be justified?

3. Under the present program, an applicant's benefit is determined solely by the level of his prior earnings and by whether or not he has dependents.

Current benefits under unemployment insurance are approximately 50 per cent of average earnings. For many recipients and their families, such a level of benefits is inadequate. What is the appropriate relationship of benefits to prior earnings, in order to prevent hardship and maintain purchasing power without affecting incentives to work.

Should the system of benefits distinguish between applicants with and without dependents? If dependents are taken into account, should the level of benefits be scaled according to the number of dependents? Should it take account of employment and earnings of other members of the household?

4. Is it reasonable and appropriate to expect the same program to provide protection against short-term frictional or seasonal unemployment and prolonged unemployment due to structural, technological, cyclical or other factors? Should the level of benefits remain the same regardless of whether the period of unemployment is brief or prolonged?

5. In the modern economy, what are reasonable and administratively feasible tests of "recency of attachment to the labour market"? Of "availability for suitable employment"?

6. Under the unemployment insurance program, an unemployed worker can continue to draw benefits when referred for vocational training. What

* For example, see below, B. Unemployment Assistance.

is the appropriate role of the unemployment insurance system in support of this or other programs to increase employability? What additional or alternative support and incentives are required?

7. The current low level of the unemployment insurance fund is due, in large part, to the drain of seasonal benefits*. It may be appropriate for the same agency to administer programs of regular and of seasonal unemployment benefits. Is it equally appropriate to finance both forms of benefits from identical sources? Within the same schedule of required contributions? What, more broadly, is the most equitable and effective way of financing a modern unemployment insurance program?

8. The unemployment insurance program is administered by a Commission which reports to Parliament through the Minister of Labour. The Commission is assisted by an Unemployment Insurance Advisory Committee composed of an equal number of representatives of management and labour. Is this form of organization and representation best suited to the administrative needs of the program, the relevant concerns of employers and workers, the appropriate interests of Parliament and the public?

B. UNEMPLOYMENT ASSISTANCE

Background

For most members of the labour force, Canada's unemployment insurance program should be a first and sufficient protection against the hardships occasioned by unemployment. In the modern armoury of income maintenance measures, a program of unemployment assistance is, nevertheless, essential. Even with the best unemployment system, there will always be some workers who are not covered by it. Even with a high level of employment, there will always be those who exhaust their period of entitlement to benefit. There will also be some for whom the amount of the unemployment insurance benefit is insufficient. And there will be others for whom the benefits under other social security measures are inadequate or who, for a variety of reasons, slip through the meshes of their provisions.

General public assistance is, in other words, the basic or residual income maintenance program. In the context of national welfare and manpower policies alike, the dominant characteristics of such a program should be breadth and flexibility. General assistance should be available to anyone who can establish need, whether or not he is already drawing benefits under unemployment insurance or some other social security measure. It should be available regardless of race, creed or citizenship; of place or length of residence; of political affiliation, personal characteristics or individual "worthiness". General assistance which is sufficient only for subsistence is inadequate; it should be provided in a manner and at a level to preserve individual dignity and self-respect within the community. An integral part of any adequate general public assistance program will be those counselling and other services which may be necessary to help prevent deterioration of the recipient and, within the limits of his capacity and circumstances, to enhance his employability and capacity for self-support.

Because general public assistance is administered by the provinces and their municipalities, much of the initiative to improve present programs must come from the provincial governments. Nevertheless, the federal government

* The extended or seasonal benefit program began in February, 1950. The following figures give a rough indication of the drain on the fund from seasonal benefits:

Balance in the fund, March 31, 1950	\$582,646,000
Add all seasonal benefits paid to December 31, 1960	\$431,289,000
	Total
	\$1,013,935,000
Actual fund balance, December 31, 1960	\$ 320,903,000

has the responsibility and opportunity to do a great deal to encourage and support provincial and local action.

Recommendation 6

The federal government should encourage and assist the provinces to interpret and administer their programs of general public assistance so as to ensure that assistance is available on proof of need to all unemployed persons who are presumptively members of the labour force, whether or not they are in receipt of benefits under another income-maintenance program, as well as to those persons whose needs are not necessarily related to lack of employment.

The federal Unemployment Assistance Act should be amended where necessary to give the program the broader scope envisaged and its title should be changed to be the General Public Assistance Act.

Supporting Argument

The federal Unemployment Assistance Act, 1956, created the framework for an effective federal-provincial partnership in the development of a strong general public assistance program throughout Canada. By November 1959, all provinces and territories had signed agreements to participate and the legislation has already encouraged a number of improvements and extensions in provincial and local programs. However, to realize the full potential of the federal-provincial partnership, a number of important legislative and administrative changes are still required.

Certain classes of persons in need, such as single unemployed men and ex-inmates of mental hospitals or correctional institutions, may not be eligible for assistance in every province or municipality. There continue to be cases where residence requirements are a barrier to assistance, both between and within provinces. The federal act itself does not recognize, for purposes of federal sharing, either the cost of assistance to certain groups or the cost of certain unpredictable, but inescapable components of need, such as medical, dental, optical, and nursing care, drugs and dressings.

The Council believes that Canada's provinces and municipalities would welcome the aid of the federal government toward the fuller development of a universally available general assistance program.

Recommendation 7

The federal government should encourage the provision of general public assistance at adequate rates by allowing federal sharing of costs under the Unemployment Assistance Act only if the procedures for determining rates of assistance assure the recipient at least a minimum standard of health and decency.

Supporting Argument

The amount of financial assistance which is provided under a general public assistance program must be determined in relation to the needs of the individual applicant and his family and the general cost of living in the particular area. As a number of studies have demonstrated*, however, one effect of the need to allow for administrative flexibility at the local level is that the actual amount of assistance that is granted is frequently inadequate.

* See Appendix B, and also Social Planning Council of Metropolitan Toronto, *Municipal Welfare Department Cases Who Received Supplementation from Voluntary Agencies*, November, 1959; Community Chest and Council of Greater Vancouver, *The Adequacy of Social Assistance Allowances in the City of Vancouver*, September, 1958.

Through appropriate special studies and research, the federal government should establish uniform components for a public assistance budget that are sufficient to assure at least a minimum standard of health and decency, and that make provision for disparities in such living costs as rent. It should then amend the Unemployment Assistance Act. to allow federal sharing of the cost of assistance only where these components are used as a basis for determining the actual amount of assistance to be granted.

Recommendation 8

Through revision of the Unemployment Assistance Act or otherwise, the federal government should enable and encourage the provinces to extend their general public assistance programs so as to include, when required, the payment of living costs during periods of training or retraining.

Supporting Argument

One test of a good general public assistance program is that recipients are helped, within the limits of their capacity and circumstances, to become self-supporting.

A high proportion of those who are subject to irregular employment or prolonged unemployment need education and/or vocational training in order to obtain secure employment in today's labour market*. Any such people who are not already receiving adequate income maintenance under some other program should be eligible for general public assistance during periods of training.

Recommendation 9

The provision for federal sharing of costs in the Unemployment Assistance Act should be extended to include not only the actual costs of assistance but the cost, when not otherwise shared, of such physical and social rehabilitation services as may be required to maintain the recipient's self-respect and restore him to self-support.

Supporting Argument

If the public assistance recipient is to obtain secure employment or, failing that, be as self-sufficient as possible, he may need services such as counselling or casework in addition to, or in place of, vocational training. As essential components of general public assistance, as of a well-rounded national manpower program, the cost of all services of this kind which are not already shared under some other federal-provincial agreement should be made eligible for federal sharing under the Unemployment Assistance Act.

Recommendation 10

The federal government should assist and encourage the provinces to develop and maintain high standards in their programs of general public assistance by sharing in all administrative costs, by making available consultative and technical services, by offering assistance with staff recruitment and training, and by conducting or supporting appropriate research and statistical projects.

* See Part III below, "Persons With Insufficient Education and Skills".

Supporting Argument

In most Canadian provinces, the general assistance program is administered by the municipalities. Many of them do not have the resources to finance their share of the cost of adequate assistance. Because administrative improvements are frequently regarded as a luxury rather than an essential investment toward an effective and efficient program, there is a tendency to skimp on the costs of administration. Most local units of government, moreover, are too small to employ a staff sufficiently large or varied in competence to effectively administer good general assistance programs. An additional problem is that, especially in the public services, the shortage of professionally trained and other appropriately qualified welfare personnel is widespread and acute. The dearth of consistent and comparable statistics, of administrative studies and of basic research is equally serious.

The federal government should assist and encourage the provinces and municipalities to develop and maintain higher standards in the administration of general public assistance by sharing the administrative costs of the program. As in the public health field, it should also assist by making available consultative and technical services, by offering assistance with staff recruitment and training, and through appropriate research and statistical projects.

Recommendation 11

The proportion of the cost of assistance borne by the federal government under the Unemployment Assistance Act should progressively increase as the total number of persons on general public assistance in a province mounts beyond predetermined percentages of the province's total population.

Supporting Argument

A good program of general public assistance, as the foregoing makes clear, is a necessary element in any national policy to maintain and enhance the employability of the Canadian labour force and to encourage a high level of economic activity and employment. Through the present cost-sharing arrangement, the federal government has already acknowledged an interest in and responsibility for such a nation-wide general assistance system. Because the federal government has the major resources and primary responsibility for public policies in support of full employment, it can and should provide the provinces with assurance of an automatic increase of federal assistance in abnormal times. An escalator clause written into the federal act would relieve the provinces and their municipalities of any apprehension they may have about their ability to support a general assistance program, and would avoid the administrative and political problems attendant upon negotiations taking place whenever an abnormal situation developed.

PART III: EMPLOYMENT PROBLEMS OF SPECIAL GROUPS

The ultimate objective of all our manpower policies should be to ensure that every Canadian has the opportunity to engage in productive employment to the full extent of his or her needs, capacities, skills and potentialities. A critical measure of the efficacy of these policies, and a major concern of the social welfare field, is the sensitivity and adequacy of our programs and services to meet the needs of groups in special circumstances or with special employment problems.

The major groups with which this section of the Council's submission is concerned comprise the following:

1. Young persons who have entered on or about to enter the labour market, especially those with insufficient basic education and/or vocational training for stable employment and satisfactory career development.

2. Workers at all ages who lack saleable skills either because they have never had sufficient basic education and/or technical training or because their skills have become obsolete as a result of technological change, automated processes and the like.

3. Women with dependents who require either the income from gainful employment or sufficient alternative income to assure a reasonable level of living and economic security.

4. Workers who, at the point of retirement from a particular job, may wish either to withdraw from the labour force or to seek alternative employment.

5. Persons with physical and/or emotional handicaps which are sufficiently serious to affect their opportunities for, or to make it impossible for them to secure, gainful employment in the competitive labour market.

The section also directs attention to the employment needs and problems of a number of other "handicapped" groups including "older workers" (roughly between ages 45 and 65), persons under treatment for a mental illness or disturbance and ex-inmates of correctional institutions.

The major groups listed above form two identifiable categories. The first category comprises the young people and adult workers who are already or will shortly be fully attached to the labour market, but who lack marketable skills and/or the basic education on which such skills can be built. The second category comprises women with dependents and workers at the point of retirement. These people may be distinguished from the first group in that they should have a choice between attachment to the labour market and withdrawing from or remaining out of it.

The handicapped group includes persons who fall into each of these two broad categories. Persons with physical or emotional limitations that are not a vocational handicap are attached to the labour market and obliged to seek gainful employment. By contrast, persons with more severe handicaps should be assisted to make use of their remaining abilities in suitable occupations and, when unable to compete in the ordinary labour market, should have suitable opportunities for sheltered employment. With access to modern methods of treatment and rehabilitation, many of those who might otherwise be regarded as totally disabled may be restored to some degree of independence and useful activity, if not to full self-support.

A. PERSONS WITH INSUFFICIENT EDUCATION AND SKILLS

Background

A critical problem which will face Canada during the next decade or more is the inadequacy or obsolescence of a large part of her labour force in the face of a rapidly advancing technology. Although the full ramifications of the problem are still to be discerned, a few available statistics and acknowledged facts may be sufficient to indicate the broad pattern and to give some clues to its likely dimensions:

1. Currently, young persons entering the Canadian labour force at a rate of 35 to 40 thousand per year. It is estimated that a peak of 50 to 60 thousand entries per year will be reached by about 1965 and that entries will continue on or around this high plateau for some years thereafter. This means that between 4 and 5 hundred thousand young persons will enter the labour force during the next 10 years.

2. In 1960, about 1,430,000 members of the labour force, or 22.4% of the total, were under age 25.* In 1970, it is estimated no less than some 2,100,000 members, or 25.9% of the total, will be under age 25.**

3. If the present pattern persists, the educational qualifications of all these young Canadians will be as follows:

- (a) Roughly one-third of them will have left school with no more than, and in some cases less than, a full elementary school education.***
- (b) Another one-third will have dropped out before obtaining a junior matriculation standing or its equivalent. Only some 15% of these will have taken a program of courses which was vocationally oriented.
- (c) Less than 20% of the new entrants will have senior matriculation standing and only some 6% will have completed a university or college course.

4. Detailed data on the volume and characteristics of labour demand are not now available.† However, two sets of recent statistics on the occupational distribution of employment give some indication of the relationship between the above pattern of educational and training attainments and the probable trend in labour market demand for formal school and occupational skills:

- (a) In 1958-59, the occupational distribution of Canadian employment was as follows:

Occupations	Percentage
Professional	9
Skilled	17
White Collar††	29
Semi-skilled and unskilled	31
All others†††	15

It is not possible, unfortunately, to relate most of these occupational categories directly to the levels of formal schooling. It is known, however, that at least all jobs in the first two categories as well as many of those in the third require a relatively high level of education and/or training.

- (b) Statistics on the trends in employment of these occupational groups are equally suggestive. Over the previous 9 years, the relative rates of growth were as follows:

Occupations	Percentage Growth 1949-50 to 1958-59
Professional	+71
Skilled	+38
White Collar††	+34
Semi-skilled and unskilled	+19
All others†††	-27
ALL OCCUPATIONS	+19

* Proceedings, Senate Committee on Manpower and Employment, No. 1. November 30, 1960, page 35, Tabular Appendix E. The "low" projections were selected in this table to coincide most closely with the projections of the Gordon Commission (see next footnote below).

** Royal Commission on Canada's Economic Prospects, "Output, Labour and Capital in the Canadian Economy", by W. C. Hood and A. Scott, February 1957, p. 189.

*** The figures and analysis that follow are from J. P. Francis, "Some Preliminary Observations on the General Findings of the Skilled Manpower Training Research Project", Department of Labour, December, 1959.

† See Recommendations 1 and 3 above.

†† "White Collar" includes managerial, clerical, commercial and financial.

††† "All others" includes agriculture, fishing, logging, trapping and mining.

5. The impact of these conflicting patterns has already begun to appear in some of our statistics on unemployment:

- (a) The average rate of unemployment during 1960 was 7.0% of the total labour force. The rate among new entrants to the labour market (14-19 years of age) was 13.0% or almost twice as high. The only other segment with a rate higher than the national average (9.2%) was the group aged 20 to 24.
- (b) In February, 1960, the overall unemployment rate was some 9% of the total labour force. The rate among persons who had completed primary school, but had not completed secondary school, was 8%. Among those who had completed secondary school, it was only 3%. By contrast, the rate among persons who had not completed primary school was a staggering 19%.*
- (c) The relationship between educational levels and unemployment also shows up in a classification of the total number of unemployed by levels of schooling. In February, 1960, some 44% of all unemployed persons had not completed public school. An additional 26% had only a Grade 8 education. Twenty-two per cent had had some secondary education. Only 8% of the unemployed had finished or gone beyond secondary school.

6. For workers in the 45 to 65 age group, the problems arising from lack of education and training or from occupational obsolescence take a somewhat different form. These "older workers" seem to compete successfully in the labour market in the sense that their unemployment rate is consistently lower than the national average. But they do so at considerable financial and psychological cost. As a number of studies have demonstrated**, many older workers manage to maintain job security only by moving downward in the occupational scale. The risk of losing retirement benefits may discourage others from seeking alternative and more satisfactory employment. Still others are forced to move from steady to temporary types of work and may eventually be forced into unemployment or out of the labour force completely.

A second problem for workers in the 45 to 65 age group concerns the duration of their unemployment when it occurs. Although the vast majority manage to remain employed, the older worker who is without work may have particular difficulty in obtaining a job. Some employers maintain a reasonable age balance in their overall labour force. But further encouragement is required to ensure that all employers hire workers on the basis of qualifications without age discrimination.

Recommendation 12

Through fuller use of the Technical and Vocational Training Assistance Act and other legislation, Canada's investment in vocational guidance and vocational training should be greatly increased, the facilities and personnel should be expanded and improved, and more people should be encouraged and enabled to enrol in training programs.

Supporting Argument

Under the Special Vocational Training Projects Agreement and the Apprenticeship Training Agreement, the federal government shares in the cost

* Proceedings, Senate Committee on Manpower and Employment, No. 1, p. 30.

** See S. D. Clark, "The Employability of the Older Worker: A Review of Research Findings", Department of Labour, 1959, particularly pp. 22-6.

of a number of different training projects and programs. During 1959-60, the total enrolment in the relevant programs was as follows:*

Program	Number Enrolled
Training of unemployed persons	4,638
Training in primary industries and homemaking ...	4,461
Supervisory training	1,600
Vocational correspondence courses	7,000
Apprenticeship training	19,962

In light of the earlier data on the direct relationship between lack of education and unemployment, action is urgently needed to enlarge the opportunities for both young people and adult workers to acquire or improve occupational skills. The recent federal offer of increased financial assistance, subject to certain conditions, for provincially-administered training schemes constitutes one step in the right direction. But the magnitude of the problem demands bolder leadership and action at both the federal and provincial levels.

The provisions required to assure adequate income maintenance for unemployed workers while taking vocational training were explored in earlier sections of this submission.** The changes required to strengthen the necessary counselling and employment services have also been indicated.*** The situation also calls for much more aggressive action to enrol the many thousands of additional people who can benefit from further education and training. Moreover, if the enrolment is to be at all commensurate with the need, the action will have to be on a number of related fronts. Any age and similar barriers to apprenticeship and vocational training should be eliminated. There will have to be a sizeable expansion in training resources and facilities including for example, the creation of new institutes of technology. And financial or other direct incentives may be needed in addition to income maintenance to encourage adult workers and persons seeking employment to undertake additional education or training.

Recommendation 13

Combined training-employment programs, apprentice schools and similar techniques which are employed in some other countries should be tried out in Canada, in order to meet the needs of young people of school age who are unable to benefit fully from exclusively formal school and of adult workers who can still benefit from improvement in their basic education, vocational training or occupational skills.

Supporting Argument

The solution of Canada's training problem requires as well the development of new training programs and arrangements. Great Britain, for example, has had considerable success with a co-operative arrangement between employers and public authorities under which workers are employed in industry for four days of the week and have the fifth day off to attend special educational and training classes. And Norway has developed a system combining occupational apprenticeship with formal schooling. In Canada, every feasible expedient must likewise be explored to upgrade the occupational skills both of young people still in school and of people already in the labour force who are currently in "dead-end" jobs or trades that are becoming obsolete.

* Department of Labour, Annual Report, 1959-60, pp. 71-4.

** See above, page 1250, point 6, and page 1253, Recommendation 8.

*** See above, Part I, B. Employment Services.

During and immediately after the second World War, the Canadian nation exhibited the resourcefulness and found the means to mount a massive program of varied vocational and occupational training. A vital element in the success of this endeavour was the extent of the co-ordination and collaboration which was achieved among the government departments concerned, between levels of government and with such community groups as labour and management. The development of imaginative and effective training arrangements and training incentives demands an equally determined and concerted effort today.

Recommendation 14

There should be an immediate and intensive study, followed by appropriate action, concerning the interrelated educational, training and employment needs and problems of youth.

Supporting Argument

One of the most critical aspects of Canada's manpower problem is the persistent imbalance between the levels and type of education of young people leaving school and the occupational requirements and career possibilities of an urban and industrial society. The correction of this imbalance requires, as a first step, immediate and intensive study of the following:

1. The preparation of young people still at school for employment, including the adequacy of present arrangements and facilities for vocational guidance and of present vocational and other types of training and education.
2. The process whereby young people bridge the gap between formal education on the one hand and stable employment and career commitment within the labour force on the other.
3. The needs and problems of young people who have recently entered the labour force, but who lack suitable education and/or training for stable and satisfying employment.

The young people who are today attending Canada's schools are, of course, tomorrow's workers, parents and citizens. It is inevitable, therefore, that the educational, training and employment needs and problems of these young people should involve the interests of a wide variety of public and voluntary agencies, services and disciplines.

The relevant public responsibility for Canada's young people is shared among all levels of government. Within government, it is divided among educational institutions, training agencies, vocational guidance specialists, employment and counselling services, and departments of education, welfare and labour. The needs and problems of youth are likewise of interest, directly or indirectly, to organized labour, industry and commerce, adult education associations, commercial training establishments, voluntary welfare agencies, and so on.

With the number and variety of agencies and interests that are involved, the conduct of a study along the lines indicated will require the development of special procedures and techniques of co-ordination and co-operation. An arrangement will be needed whereby sponsorship and direction of the study is appropriately shared among all levels of government. If the study is to bring prompt and adequate action, effective machinery for consultation and collaboration with the various private and voluntary groups will also be essential.

B. PERSONS WITH UNUSUAL OCCUPATIONAL PROBLEMS

Background

Women with dependents and men and women at the point of retirement from a job occupy, as already noted, a special position in relation to the competitive labour market. They may want productive employment and may as individuals have the capacity or potential for it. Alternatively they may want and need to remain out of the labour force or withdraw from it.

When manpower was in short supply during World War II, every avenue was explored to recruit as many of these people as possible into productive employment. When the level of unemployment is relatively high as at present, there is an inclination, by contrast, to adopt the attitude that these people should be discouraged from seeking employment, or at best, that their needs and problems have a very low priority.

From the standpoint of manpower and welfare policies alike, such an approach is wholly unacceptable. The relatively high standard of living which our society enjoys is the fruit, in large measure, of our ingenuity in using all our human resources to the full. A high level of gainful employment helps, in turn, to generate the level of individual income and consumption required to support our industrial productivity and to sustain and stimulate our economic momentum. The individual's opportunity to seek gainful employment within the limits of his capacity and circumstances is equally essential as a condition of personal dignity and self respect.

The only adequate and acceptable approach is, therefore, that these groups should not, on the one hand, be forced into the competitive labour market or, on the other, be prevented from entering it. There is always a risk that groups such as these may be exploited as a potential source of cheap labour. Within the context of sound labour standards, however, we cannot afford as a nation to discourage anyone who wants employment from seeking and obtaining it.

Recommendation 15

Women with dependents should have the conditions of an effective choice between staying out of or entering the labour market. Similarly, workers at the point of retirement from a job should have the conditions of an effective choice between remaining in or withdrawing from the labour market.

Supporting Argument

The conditions of a free and effective choice of occupation are as follows:

A. For Women with Dependents

1. The woman who has decided it is better for herself and her family to remain at home should have, either through the general public assistance program* or some other income maintenance program, sufficient income and related services to ensure a reasonable level of living for herself and her dependents.
2. For the woman who wants to seek gainful employment, adequate community services in the form of day care programs, homemaker services and the like should be available for the care of her dependents. Counselling, training programs and employment services** should also be available to assure her of the possibility of productive employment to the full extent of her capacities.

* See above, Recommendations 6 to 10.

** See above, Recommendations 4, 12 and 13.

B. For Workers at the Point of Retirement from a Job

1. The worker who wants to withdraw from the labour market at the point of retirement from a job should have sufficient retirement income, in the form of pension benefits and/or old age assistance or the old age security pension, to assure a reasonable level of living. He should also have appropriate social services and community facilities, including housing, social centres for senior citizens and the like, to assure reasonable conditions of living and satisfying social relationships.
2. The older worker who wants to remain in the labour market should have access to training programs and counselling and employment services** adequate to assure the possibility of productive employment within the limits of his or her physical and mental capacities.

Recommendation 16

The handicapped person should have the obligation to work and opportunities for gainful employment within the limits of his capacity and potential, and should receive such rehabilitation services as are required to assist him to be self supporting. The person whose handicap eliminates any possibility of gainful employment should be enabled to remain outside the labour force.

Supporting Argument

The requisite conditions for carrying out this recommendation include the following:

1. Under the federal-provincial rehabilitation co-ordination agreement or otherwise, screening and employment services and rehabilitation and training programs for the handicapped should be improved and extended. The objective should be to ensure that every handicapped person in Canada has the possibility of gainful employment through reasonable access to any rehabilitation measure from which he can benefit.

The substantial dividends from rehabilitation are illustrated by a few recent statistics from the Civilian Rehabilitation Branch of the federal Department of Labour. It is estimated that the care of a group of 5,266 handicapped men and women, with a total of 3,881 dependents, was costing their families or their communities some \$3,878,000 a year. Eighty per cent of these handicapped persons were without any earnings at all and half of them were receiving public assistance. After rehabilitation, the same 5,266 people together earned some \$9,633,000 annually. They are now self supporting members of society, leading useful lives and making a worthwhile contribution to the economy.

2. Similar programs and services should be available to meet the needs of persons suffering from a special kind of handicap. The group includes persons under treatment for a mental illness or disturbance and ex-inmates of correctional institutions. With modern drugs and methods of therapy, the mentally ill person frequently remains in the community and suitable employment may be required as part of the treatment process. Such a person, as well as the individual who has been in a correctional institution, is frequently handicapped in seeking employment by public attitudes and pressures.

In order to provide these people with opportunities for gainful employment, the work of the relevant public agencies must be closely co-ordinated with the efforts of those voluntary agencies and citizen groups which provide service and assistance in these fields.

4. The handicapped person who cannot compete in the ordinary labour market should be assured sufficient alternative income and community services such as sheltered workshops, for a reasonable level and conditions of living, useful activity within the limits of his capacity and satisfying social relationships.

APPENDIX A

THE HUMAN COSTS OF UNEMPLOYMENT

INTRODUCTION

A full accounting of the tremendous human costs of irregular employment, underemployment and unemployment may never be possible. These costs are no less real, however, simply because they are not susceptible to calculation in any conventional balance sheet.

One way to illustrate the impact of unemployment on individuals and families is through case histories. The histories that follow are representative of a large number provided at the Council's request by voluntary and public welfare agencies across Canada. They have been edited only in the interest of brevity and readability and in order to preserve confidentiality.

None of these histories tells the "whole story" of a family's suffering and deprivation as a result of unemployment. In few instances, indeed, would the family itself be fully aware of or able to calculate all the costs. The Council believes, nevertheless, that the brief stories that follow paint a picture of the human costs of unemployment which it would be impossible to secure in any other way; which is accurate in its broad outlines; and which should be constantly before us as Canada continues to grapple with its manpower and employment problems.

Case No. 1

IRREGULAR EMPLOYMENT PART OF A
VICIOUS CYCLE

Mr. A. age 28, his wife and four children, are a family that suffer from periodic unemployment which has made family separation from time to time necessary and caused frequent friction in the home. Mr. A. has limited education and no trade.

Poor employment record through lack of training.

Because of spasmodic earnings, they were unable to save and got into debt. When Mr. A. became unemployed in 1957, the family was threatened with eviction for non-payment of rent and their home was without heat. They managed with food through the help of a relative. Mr. A. was not covered by unemployment insurance and there was no unemployment assistance program in his particular province at that time. Finally Mrs. A. and the children had to go to her mother in another province while Mr. A. tried to find work and pay his debts with the help of a private family agency.

Debt and lack of services aggravate the problem.

Later in the year Mr. A. did find employment and the family returned. But he was only earning \$50 a week and found it difficult to pay off his debts. They tried to save on food and Mrs. A's health was affected. Considerable friction developed between Mr. and Mrs. A. because of the strain of financial insecurity.

Casework service and employment helped family problems.

In September 1958 Mr. A. also became ill and had to be given financial assistance by the private agency. However, he was able to return to his job and the agency helped the family to work out a budget and consolidate their debts. The family still was heavily in debt but was labouring hard to pay it off. Family relationships noticeably improved.

But the pattern repeats itself.

By September 1960, Mr. A. was again unemployed and Mrs. A. was in hospital with pneumonia so that a homemaker was needed to care for the children. The vicious cycle of irregular employment, debts, poor health and family friction had begun again.

Case No. 2

THE PATTERN OF LONG TERM DEPENDENCY

The K. family presents a picture of dependency beginning in the depression of the thirties and aggravated by special factors.

Widow with dependents left insecure.

Mrs. K. is a Ukrainian by birth and has been a widow since 1944. When her husband was alive, he suffered from a mild heart condition which made it especially difficult for him to obtain employment during the depression. The family received public assistance on a fairly regular basis starting in 1932. Mr. K. was nevertheless able to leave his wife enough insurance to buy a house and furnish it adequately. After her husband's death, Mrs. K. lived on mothers' allowances until her youngest daughter (there are three children) was sixteen, i.e. until 1953 when Mrs. K. was 55 years of age.

Problem of older woman and employment.

Since 1953 Mrs. K. has attempted to earn enough money at the local packing plant each year to pay her taxes and make necessary repairs to her house. However, she has to be helped almost constantly by public assistance. Both before and since her husband's death, a garden and livestock have also been used to help support the family.

The pattern of behaviour towards social aid is now well established. Mrs. K. makes demands on the public welfare office, frequently in the trading form "If you do this, I'll do that". Because she has limited education, Mrs. K. does not understand the ramifications of modern administrative policies and frequently makes demands that cannot be met. Moreover, she has come to believe by this time that "The world owes me a living".

Pattern of dependency established.

A similar kind of pattern is already appearing in V., the youngest daughter. V. who is now 23 is an unmarried mother living at home. Although she is working, she helps in the home on a barter basis rather than by paying room and board. V. has always "lived with" public assistance in one form or another and, like her mother, has had little opportunity to develop a sense of personal responsibility.

And passed on to younger generation.

It is doubtful whether Mrs. K. can be fully rehabilitated at this stage in her life. However, if the employment situation were better it might be possible to get her into a full-time job and perhaps to break the persistent pattern of dependency on public assistance.

Better employment opportunities could help.

Case No. 3

UNEMPLOYMENT + ILL HEALTH = FAMILY BREAKDOWN

The ill health that plagues the N. family will always create problems for them. But their difficulties increase when job openings become scarce.

Mr. N. is now 60 and the two children are 14 and 9. Until 1946 the family had a modest but adequate income and a comfortable home. Mr. N. then contracted TB and was in a sanatorium for over two years; ever since he has had growing difficulty in finding employment within his limited physical capacity. He has no trade.

While Mr. N. was in hospital, the family lived on mothers' allowances, with a small supplement from the city. They got behind on their taxes and the upkeep of the house had to be neglected. After Mr. N. was released from hospital, the situation got worse instead of better. By 1959, eviction was threatened for non-payment of taxes; the house badly needed repairs; Mrs. N. had herself been ill and they could not afford medical attention; and the family became more and more dependent on public assistance.

Illness and unemployment reduce the family's circumstances.

Mr. and Mrs. N. became increasingly discouraged and friction in the family was almost constant. Mr. N. was depressed at his inability to care for the family and Mrs. N. reacted to this and to the unnatural situation of having Mr. N. almost continuously at home by becoming a perpetual nagger.

Family relationships deteriorate.

When Mr. N. is employed, however, the pressure immediately begins to lift and the family again settles into a happier home life. For example, when Mr. N. got a job for three months last year on a winter works project, family relationships noticeably improved.

Employment improves the situation.

Due to Mr. N's age and his inability to do heavy work, it is possible that he may never again be fully self-supporting. However, if employment opportunities improved so that he could have fairly steady work even on a part-time basis, and if more counselling service could be supplied to help the family come to terms with their situation, family relations would certainly be stabilized at a good level. This is particularly important for the children who have quite naturally reacted adversely to all the family's difficulties.

Steady work and services could salvage family.

Case No. 4

OBSOLETE SKILLS DEGENERATE INTO CHRONIC DEFICIENCY

The P's demonstrate the effects on a low income family when the wage earner's skills become obsolete.

Family forced from the farm.

Mr. P., age 45, and Mrs. P. have four children, ages 10 to 21. The parents only have grade 2 or 3 education. Mr. P. farmed for many years, supplementing this by bush work at which he is an expert. His farmland was poor however; he was threatened by eviction for back taxes; and in 1946, he moved to the city, hoping to maintain his family by finding work there. Family ties were strong and the P's were very anxious for their children to get the education that they had been unable to obtain.

Unemployment aggravated by illness.

Mr. P. had no urban skills to offer and labouring jobs in the city were very scarce. Mr. P. did find bush work on a spasmodic basis but there was then the problem of maintaining himself and his family separately when he was in the bush. By 1951 the family was in a bad way and Mr. P. also had a serious illness. His wife had previously spent two years in the sanatorium and was not strong either.

Deterioration and dependency results.

After his recovery from illness, Mr. P. found it even more difficult to get work. The family was on public assistance with Mrs. P. trying to supplement it by baby-sitting or casual housework. The family began to deteriorate, Mr. P. took to drinking, and general apathy set in. The shack they were living in was in very bad shape and cardboard was used to insulate it which created a serious fire hazard.

Counselling service helps temporarily.

It was not until early 1960 that public welfare staff were able to visit the family and subsequently, the situation got a little better. Mr. P. obtained a job in the winter works program and although he spent his first pay cheque on drink, subsequent discussion with the welfare worker produced a family budget plan which worked well as long as his employment lasted. The family was very pleased with the counselling service given them. However, Mr. P. could only get intermittent work out of town during the summer and the winter works program again seems the only hope.

Chronic dependency sets in.

Unfortunately, the burden of his many problems seems to have done permanent damage to Mr. P. The marital relationship is now anything but good; for example, Mr. P. often physically abuses his family, probably in an attempt to show that he is still the head of the household even if he cannot support it. Constant disappointments are making him less and less interested in getting a job. Deterioration has reached the point where a substantial improvement is extremely unlikely, if not impossible.

Case No. 5

WHEN ADEQUATE REHABILITATION SERVICES ARE AVAILABLE

The D. family (Mr. D. age 36, with a wife and a 5 year old child) presents the problem of unemployment affecting a family with a fair standard of living.

Mr. D. completed Grade XI and a business course, but had no other trade training. After a 7 year stint as a bank messenger, which he left because he was not "getting anywhere", he was in and out of unskilled employment, frequently being laid off. In 1958 when the family was on unemployment insurance, Mr. D. got drunk and stole several dollars worth of groceries from a supermarket. He was sent to jail for three months. Unemployment and crime.

Mrs. D. applied for public assistance, and during this time and after Mr. D's release from prison, the public welfare department tried to help the family in planning to meet their problems. The chief difficulty was to get them to accept a reduced standard of living; this was finally achieved, however, and a suitable budget was worked out. At first Mrs. D. seemed very dependent, asking for help with many small family problems. But with financial assistance, she is now discharging her responsibilities as a wife and mother. Mr. D. was very depressed because he was unable to provide for the family and this in turn undermined his initiative in hunting for a job and his confidence in dealing with prospective employers. Family undermined by unemployment but services help.

The agency was successful in getting the family into a subsidized housing unit and also in getting Mr. D. to look at employment opportunities that he had previously thought unsuitable. Finally, at Mr. D's request and with NES approval, he was enabled to enrol in a diesel mechanic's course at a technical institute. Rehabilitation through training begins.

Mr. D. has now passed the probationary period and this achievement alone has given him more confidence in himself.

Since the family has obtained reasonably adequate financial help and the services they require, there is an excellent possibility that they will get back on their feet.

Case No. 6

THE PROBLEMS OF THE SINGLE TRANSIENT

Mr. V. is typical of the young man separated from his family because of lack of job opportunities in his home-town.

Mr. V. came from a good though not well-to-do family background. Although of normal intelligence, he seemed backward at school, only completed Grade VII, and has no special skills. Able to find only temporary and seasonal employment at home, he tried another province where he managed to support himself through temporary jobs. However, lack of employment finally drove him to a public hostel for single men and there he got into bad company. Shortly thereafter, he was convicted of car theft and placed on probation for a year. Unstable employment leads to crime.

Up to his conviction, Mr. V. had shown considerable initiative in obtaining employment within his capabilities and a good deal of pride in being able to look after himself. With the stigma of a criminal record, it was now even more difficult to get jobs and Mr. V. was forced to regularly make the rounds of charitable organizations to get food and lodging. This in turn took up so much of his time that he had little opportunity to look for work of any kind.

Mr. V. began to deteriorate both in appearance and self-confidence and the probation officer found it very difficult to help him get work. He had very little to offer an employer and the unskilled Confidence undermined by unemployment.

jobs he could do were swamped with applicants. At one point he returned to his home where he got summer employment but he was again laid off and as he was unable to find other work, he went back to the other province. Nevertheless, by the end of the probationary period, regular employment had been found for Mr. V. (through the efforts of the John Howard Society) and he was beginning to regain his self confidence.

Steady employment the only answer.

In regular employment, Mr. V. is steady and reliable. The problem is that, without education, skills or accessible family support, this kind of person deteriorates quickly when unemployed and may, as Mr. V. did, slip into parasitic or even criminal behaviour.

Case No. 7

UNEMPLOYMENT, CRIME AND FAMILY BREAK-UP

Mr. B. came to Canada in 1957 as a refugee after the Hungarian revolution. He was then 18 years old—a strong, healthy, young man with some experience as an auto-mechanic.

Financial and family pressures lead to crime.

Mr. B. found work on a temporary construction job, then on farms, until 1958. After the harvest that year he was unable to find work and, because he was not covered by unemployment insurance, his savings were quickly exhausted. In addition, he had married and was now being nagged by his in-laws who were also newcomers to Canada and who were equally harassed by financial difficulties. In desperation, Mr. B. consented to the plan of some acquaintances to break into a store. He was promptly arrested and sent to a reformatory.

Efforts to use skills fail.

Mr. B. worked in one of the trade shops in the reformatory for nearly half a year and when he was released, he tried to make use of this training. He was unemployed for some months, however, and then with the help of the John Howard Society, succeeded only in getting some work as a cleaner in a hospital. A few months later he left to take a job in a machine shop for higher wages which were now badly needed because by this time he also had a child to support. Again after a few months, the machine shop went bankrupt and Mr. B. was once more out of work.

Family break-up.

Mr. B. was still not covered by unemployment insurance and in the circumstances, the family decided to split up. His wife went to live with her parents and Mr. B. moved in with a married sister. As time went on, Mr. B. became more and more hopeless and despondent. He is currently being sought by the police in connection with a theft of \$20.

Prognosis poor.

There is no doubt that the chances of re-establishing this family are now very poor indeed.

Case No. 8

A SEASONAL OCCUPATION MAKES INDEPENDENCE DIFFICULT

Mr. J. is now 68 and, after a lifetime of hard work, is in serious difficulties through no fault of his own.

Hard and faithful worker.

Mr. J. came to Canada from Russia in 1913 with the equivalent of Grade VIII education and the skilled trade of a cabinet maker and builder. Although his first two years here were hard, working in unskilled jobs, by 1915 he was able to get into carpentry.

From then on he worked mainly with construction companies in seasonal employment except for a four year period when he had his own shop. When the business failed, he went back into construction work, finally obtaining his Canadian journeyman papers in 1951. Mr. J. has always been very independent and takes great pride in his work. He has never married but has learned to look after himself very well in rooms, rather than living in a boarding house or hostel.

Between 1948 and 1958, employment became more and more difficult to find. And from the beginning of 1958 to February 1960, Mr. J. had only 9 months work out of a possible 26. By the end of this period, he had exhausted all his savings and with great reluctance applied for unemployment assistance. It was a terrible blow to Mr. J's pride to ask for aid but he was very grateful for the help given him. He did not want to apply for old age assistance because he was determined that he would again be self-supporting.

The problem caused by a rising level of unemployment.

In April 1960, Mr. J. became ill and was not able to work for several months. Since then he has only been able to find one brief job and has been forced to move out of the room he has occupied for many years and find a cheaper one. Quite naturally, he is most unhappy and depressed.

Sickness and unemployment undermine morale.

Mr. J. is a very independent man, fighting to the end to be self sufficient and is most eager to work if any work were available for him. Had his work been other than seasonal throughout most of his work years, he would certainly have had enough savings to meet his needs in his old age without having to ask for outside support.

Lifetime of independence threatened.

Case No. 9

FALSE ECONOMY OF INADEQUATE PUBLIC ASSISTANCE

The L. family is a good example of how unemployment can lead to problems and possible costs in the care of children.

The household at present consists of a grandfather and two married daughters, one son-in-law and 11 grandchildren, living in a rural community. The only income is the grandfather's wages of \$45 per week. The social agencies who knows the family are satisfied that it is a good home and a happy and secure one for the children. But obviously financial help is needed.

Dependents need maintenance.

If necessary, the married daughters and son-in-law could move out with their children and apply for assistance on their own. This would still leave 3 grandchildren whose mother and father have deserted them and who are completely dependent upon the grandparents. The public welfare department was asked to assist in maintaining these children since their own home cannot be re-established, and a totally inadequate allowance of \$5 per week currently being paid.

Poor level of public assistance.

The break-up of the home and probably foster home care for these three children seems inevitable, simply because of inadequate public assistance. If the amount were doubled to even \$10 per week, the cost to the municipality would only be about \$8 per month since the province refunds 80%. Failure to provide such assistance may well result in the destruction of a strong family group, and the necessity of foster care for three children at a total cost to the taxpayers of some \$210 a month.

Shortsighted economy.

Case No. 10

YOUNG PEOPLE WITH INADEQUATE SKILLS

Although Mr. F. studied as a radar technician during five years in the Royal Canadian Navy, he has been unable to secure civilian work in this trade.

Unemploy-
ment, debts
and family
break-down.

Mr. F. is about 25 years old, with a wife and two children. He has gone from job to job and in 1958, was laid off from work in a steel plant at which time he needed public assistance until his unemployment insurance benefits began. Mr. F.'s parents also helped the family. Early in 1960, he again became unemployed and, although his parents helped once more, he again had to apply for public assistance. Although he finally got a low-paying job as a cook, by this time the F's had over \$1,000 in debts for a refrigerator, stove, etc. His wife had become so demoralized by their economic problems that in September 1960, she took the two children and left.

Through the services of a family agency, the family were reunited but soon Mr. F. was again laid off by his employer. The family lived on public assistance (approximately \$150 a month) while Mr. F. waited to qualify for seasonal unemployment insurance benefits.

The drift
toward
long-term
dependency.

Mr. F.'s prospects for stable employment have grown increasingly slim. He does not have any marketable skill; he seems to have become more and more dependent on the help of his parents and of public assistance; and he has gradually lost his initiative in searching for work.

Case No. 11

MULTIPLE PROBLEMS CAUSED BY CHRONIC UNEMPLOYMENT

The Z. family may have a particular handicap because they are immigrants. But their problems are common to many people suffering from chronic unemployment.

Desire to
work hard
not enough.

Mr. Z. is married and there are four children ranging in age from five to ten years. He has no skills and although he is a steady and conscientious man who does not hesitate to assume responsibility, he has had only spasmodic employment ever since coming from England 8 years ago.

Poor hous-
ing, debts,
lack of
food.

The Z.'s live in a squalid little house in a poor neighbourhood a long distance from public transportation. Although they budget their small income rigorously, they are still not able to meet their obligations and have built up a backlog of \$350 in debts which is a source of constant anxiety for them. From time to time the family has literally had insufficient food and no money for dietary supplements or to meet small needs of any kind.

Lack of
medical
care, other
deprivations.

Because Mr. Z. is in debt to the doctor, he has stopped asking for medical advice when anyone in the family is ill. He is too proud to beg for this kind of help and now consults a medical dictionary to treat the children himself. In Mr. Z.'s constant efforts to remain independent, the whole family has suffered a number of deprivations of this sort.

Mr. Z. finally went to a private agency asking that contact be made in England to see if his family could be sent back there. Although he would really prefer to stay in Canada, he no longer has any hope of steady and adequate employment. A British social agency sent some money to help the Z.'s and they were extremely grateful. But they still have debts outstanding and the employment situation is no better. Enquiries are going forward about repatriation.

Services help somewhat.

Because of good family relationships, the Z.'s have thus far been able to stand up to their difficulties fairly well. However, in spite of their valiant struggle, they have failed to remain independent. Bad physical effects have already begun to appear and there is a growing danger of emotional strain and break-down in the family.

But family deterioration is still likely.

Case No. 12

THE RESULTS OF INADEQUATE UNEMPLOYMENT INSURANCE

Mr. B., with a wife and two children, had many years of modest but sufficient earnings as a purchasing agent in a large manufacturing firm.

When he was laid off in March 1960 and could not obtain other employment, the family struggled for a few months on their savings and unemployment insurance, which was \$130 a month plus family allowances of \$12. Their very tight budget (which included payments on debts and insurance) came to \$218.56 a month. Of this amount only \$57 was spent on food, as compared to the visiting homemakers' minimum food budget of \$88 for a family of this size. The budget also did not include clothing, recreation, and miscellaneous household expenses.

Years of security ended by unemployment.

The family was not eligible for public assistance, and since Mrs. B. was an experienced secretary, she managed to get a job, arranging for the care of the children through a neighbour. Psychological tensions arising from her return to work are threatening the whole structure of the family. The more she succeeds as a breadwinner, the more her husband feels his failure. Unemployment and inadequate provision of unemployment insurance bring about many such cases of family dislocation and friction.

The family is undermined.

APPENDIX B

THE ADEQUACY OF UNEMPLOYMENT ASSISTANCE AND
INSURANCE BENEFITS

A. INTRODUCTION

At the request of the committee which prepared the Council's submission, the Research Branch of the Canadian Welfare Council undertook, late in 1960, a survey through a limited number of local voluntary agencies. The purpose of the survey was to explore, on an illustrative basis only, the adequacy of the financial assistance and benefits being provided under the unemployment assistance and insurance programs as reflected in the extent and nature of the income-maintenance burde being carried by voluntary agencies.

The survey questionnaire was sent to 10 local welfare councils who were invited to select appropriate local agencies and request their co-operation in completing it. The agencies were asked to provide information for the month of September 1960.

Replies were received from 19 local agencies. Six agencies did not have sufficient complete statistical data to provide the required information. The statistics in this report are a composite of the situation in the following 13 agencies:

Calgary: Catholic Family Service; Salvation Army Social Service Centre.

Edmonton: All Peoples Mission; Jewish Welfare Society.

Halifax: Family Service Bureau.

Metropolitan Toronto: Catholic Family Service; Neighbourhood Workers Association; North York and Weston Family Service Centre; Samaritan Club.

Ottawa: Children's Aid Society; Catholic Family Service; Family Service Centre.

Vancouver: Returned Soldiers Club.

B. STATISTICS ON SUPPLEMENTATION OF
UNEMPLOYMENT INSURANCE AND ASSISTANCE

During the month of September 1960, the above 13 agencies had a total caseload of 3,844 clients. Of these clients, 592 were receiving unemployment assistance and 133 were receiving unemployment insurance.

1. *Clients on Unemployment Assistance*

The 592 clients on unemployment assistance were made up of 180 individual persons and 412 families.

Of the 180 individual persons, 97 received supplementary financial assistance from the voluntary agency. Of the 412 families, 227 received supplementary financial assistance from the agency.

Supplementary financial assistance was provided on an emergency basis to 88 individual persons and 165 families and on a continuing basis to 5 individual persons and 66 families.

In roughly 2 out of every 3 cases where supplementary financial assistance was provided, it was given because the unemployment assistance was, in the judgment of the voluntary agency, inadequate. In most other instances, assistance was given while the individual or family was waiting to receive unemployment assistance.

2. Clients on Unemployment Insurance

The 133 clients on unemployment insurance were made up of 22 individual persons and 111 families.

Of the 22 individual persons, 20 received supplementary financial assistance from the voluntary agency. Of the 111 families, 63 received supplementary financial assistance from the agency.

Supplementary financial assistance was provided on an emergency basis to 20 individual persons and 49 families and on a continuing basis to 14 families.

In some 60% of cases where supplementary financial assistance was provided, it was given because the unemployment insurance was, in the judgment of the voluntary agency, inadequate. In most other instances, assistance was given while the individual or family was waiting to receive unemployment insurance.

3. Agency Revenue and Expenditure on Supplementation

During the month of September, the 13 agencies spent a total of \$4,727 in supplementary financial assistance to clients on unemployment assistance and \$1,070 to clients on unemployment insurance.

Roughly 95% of this money came from the local community chest or united fund.

Eight agencies were able to tell from their records how much they had spent in the last complete fiscal year on supplementation of unemployment assistance and insurance. The total amount of such supplementation was roughly \$40,000. Two of the 8 agencies spent additional much larger sums on financial assistance to other individual persons or families in their caseload.

C. ANALYSIS AND COMMENTARY

1. In over 50% of all cases (324 of 592) where the agency's client was receiving unemployment assistance, the financial assistance was supplemented in cash or kind by the voluntary agency.

In over 60% of all cases (83 of 133) where the agency's client was receiving unemployment insurance, the insurance benefit was supplemented in cash or kind by the voluntary agency.

It does not follow, of course, that unemployment assistance or insurance is inadequate for over 50% of all recipients. A majority of recipients may never have reason to seek the services of a voluntary agency. On the other hand, the figures would seem to suggest that, even with the unemployment assistance and insurance programs, voluntary agencies still carry a substantial burden for "relief" in cash or kind. Where inflexibility or inadequacies appear under the public programs, they are balanced, at least to some extent, by the possibility of greater flexibility or discretion in voluntary agency programs.

2. During September 1960, agency expenditure per client for financial supplementation was roughly \$14.25.

Although the average amount of supplementation per client is small, supplementation is usually on an ad hoc rather than a recurrent or continuing basis. In over 3 out of every 4 cases (322 of 407), the supplementation was on an "emergency" basis. Comments received suggest that supplementary assistance is frequently granted to help with such items as debt, a medical bill, a rent payment and the like. In a sizeable number of cases (some 35%), the returns reveal, the assistance is provided while the individual or family is waiting to receive benefits under one of the public programs.

3. During September 1960, about \$5 out of every \$6 which the voluntary agencies spent on supplementation went to supplement unemployment assistance.

There are a number of possible explanations of this relative weighting:

- (a) A recipient of unemployment insurance may be able, in some jurisdictions, to obtain additional financial help under the unemployment assistance program.
- (b) The unemployment insurance recipient is more likely than the unemployment assistance client to have other resources in the form of assets, access to credit, etc.
- (c) The amount of unemployment assistance paid to an applicant is determined within the framework of a budget schedule for a series of specific components in the individual or family budget. Where actual expenditures, for whatever reason, exceed the amount allowed by the public department, the individual or family must try to find additional financial help. Unless they succeed in obtaining a special grant or allowance from the public department, they are forced to look to private "charity". The proportion of voluntary supplementation going to clients on unemployment assistance indicates that the voluntary agencies and the public authorities are likely to differ in their judgment as to how much financial assistance is adequate for individual or family needs.

The CHAIRMAN: We have the advantage of having with us, Mr. C. R. Ford, Director of the Canadian Vocational Training Branch, of the Department of Labour. I understand he will present his brief personally.

C. R. FORD, Director, Canadian Vocational Training Branch, Department of Labour: Mr. Chairman and honourable senators, it is a pleasure for me to appear before you this morning to give you this report upon technical and vocational training in Canada.

Introduction

This report on technical and vocational training in Canada has been prepared by the Training Branch of the Department of Labour in consultation with the provincial government departments actively engaged in the joint Federal-Provincial technical and vocational training program. The provinces were asked for their advice and recommendations on any problem areas, deficiencies and difficulties in providing an overall, effective program.

Senator BRUNT: How many provinces are engaged in this?

Mr. FORD: At the present time, ten.

Senator BRUNT: In some phase or another, all the provincial governments are engaged in it?

Mr. FORD: Yes, all the provincial governments, and the two territories.

Senator BRUNT: Thank you.

Mr. FORD: Technical and vocational training, which means any form of instruction the purpose of which is to prepare a person for gainful employment in any primary or secondary industry or in any service occupation, or to increase his skill or proficiency therein, has increased substantially in Canada since World War II. However, training needs are becoming much more insistent because of the pace and nature of technological changes in industry, and large numbers of young people and adults are coming forward to obtain more education and training. The most recent reports from the provinces indicate that the new Technical and Vocational Training Assistance Act is likely to provide a large impetus to the development of a more effective program during the next few years.

This report is in two main sections; the first, a descriptive summary of present technical and vocational programs at the three levels, high school, post-high school, and trade and other occupational training; the second part deals with problems, deficiencies and recommendations.

Vocational and Technical High Schools

Vocational courses in Canadian high schools are offered in variously named institutions: vocational, technical, technical-vocational, commercial and composite high schools. The name of the school does not always signify the kind of program offered and the words 'technical' and 'vocational' are often used interchangeably. Although the names of schools and courses differ, the purpose is the same, that is, to prepare students for entry into employment while completing their general education.

Academic high school programs which provide shop or commercial options or electives are not truly vocational programs but are extensions of the Industrial Arts and Home Economics programs offered in the elementary or junior high schools, as part of the general education program. Although elective or optional courses do not have a vocational objective, they have an important place in the regular high school program. They provide general education experiences centred around the industrial and technical aspects of

modern society and provide explanatory experiences which help students to make realistic occupational choices according to their interests and abilities. They are not intended to prepare the student directly for employment in a specific field and therefore are not considered vocational or technical courses. These are the optional courses.

Senator BRUNT: Are there vocational or technical courses for women? Do they not prepare them as well as men?

Mr. FORD: I think this program may cause a little confusion. I said optional courses, which are exploratory in nature. They are not considered vocational.

Technical and vocational high school courses are designed mainly to prepare the student for an occupational goal. The student is prepared either for employment upon graduation or for further training at a trade school, for entry into apprenticeship, or for further training in a technological field. The emphasis is upon the development of skills and technical knowledge and an understanding of the application of the principals of science and technology to design, production, distribution and service. Applied mathematics, applied science, language and technical or trade theory, directly related to a vocational area, are important parts of the program. In provincial technical and vocational training agreements, 50% of the students' time must be devoted to vocational preparation; the remainder of his program may be devoted to general education.

The technical and vocational high schools provide a three or four year program to graduation. However, a number of such schools offer terminal courses of one or two years' duration in specific occupations, to equip students who leave school before graduation with marketable skills.

Students who enter apprenticeship after graduation usually receive credit for approved vocational courses completed during high school but the credit granted varies from province to province. Vocational high school graduates, especially those who obtain matriculation credits in mathematics and science subjects, have the background to undertake further advanced training. Therefore, students in increasing numbers are going on to obtain training as technicians or technologists at institutes of technology or proceeding to university for engineering or scientific studies. For this reason, vocational and technical high schools will in future make an even more important contribution to the overall vocational program.

Senator BRUNT: This is for my own information. Do you know whether, in the province of Ontario, for instance, these men who take this training and go on and become, say, garage mechanics, get credit?

Mr. FORD: Where there is an approved course in a vocational high school, they usually get a year off from apprenticeship.

In some provinces the trend has been to stress general education and to reduce the emphasis on specific occupational objectives. In this case, the student depends upon pre-employment training or on-the-job training after graduation for a more specific occupational training. Some industries, with established in-service training programs, encourage this viewpoint and prefer to recruit young employees with a high school education who are capable of absorbing extensive on-the-job training.

In other provinces, vocational high school courses are closely related to the requirements of industry and commerce in the area. This close relationship is achieved in most cases through the use of advisory committees which include employer and employee representatives. Consultation with these committees is the principal means of checking on the effectiveness of training programs since no province has a comprehensive, continuing follow-up and evaluation program.

TABLE I
VOCATIONAL HIGH SCHOOL PROGRAMS
ENROLMENTS BY FIELD OF SPECIALIZATION BY PROVINCE—1958-59

Field of Specialization	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Canada
Agriculture.....	—	—	103	—	—	—	—	73	20	631	827
Commercial Art.....	—	—	—	24	—	659	49	52	—	—	784
Commercial.....	303	115	460	2,250	10,912	29,014	1,991 ^(a)	1,831	4,950 ^(a)	5,880	57,706 ^(a)
Home Economics.....	—	—	6	514	7,262	208 ^(a)	—	318	685	—	8,993 ^(a)
Service Occupations.....	—	—	27	39	—	216	19	—	—	57	358
Automotive.....	—	—	66	—	—	—	131	204	1,642	—	156 ^(b)
Construction.....	—	—	152	—	—	—	13	782	1,696	—	437 ^(b)
Drafting.....	—	—	35	—	—	—	71	402	—	—	271 ^(b)
Electrical and Electronics.....	—	—	52	1,593 ^(b)	—	20,366 ^(b)	176	183	880	—	413 ^(b)
Mechanical and Metal Working.....	—	—	52	—	—	—	122	93	663	—	622 ^(b)
Printing.....	—	—	—	—	—	—	52	—	123	—	— ^(b)
Miscellaneous.....	—	—	—	—	—	—	—	21	—	—	— ^(b)
TOTAL.....	303	115	953	4,420	18,174	50,463	2,624	3,959	10,659	8,467	100,137

(a) Estimated figures.

(b) Breakdown not available.

TABLE II
VOCATIONAL HIGH SCHOOL PROGRAMS
GRADUATIONS BY FIELDS OF SPECIALIZATION BY PROVINCE—1958-59 (d)

Field of Specialization	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Canada
Agriculture.....	0	0	(e)	0	0	(e)	0	(e)	(e)	(e)	—
Commercial Art.....	0	0	0	2	0	68	8	17	0	0	—
Commercial.....	107	51	184	449	1,534 ^(a)	3,696	428	446	(e)	(e)	—
Home Economics.....	0	0	6	110	833	40	0	117	(e)	0	—
Service Occupations.....	0	0	19	14	0	41	1	0	0	(e)	—
Automotive.....	0	0	7	—	0	227	22	55	(e)	(e)	—
Construction.....	0	0	44	—	0	99	9	240	(e)	(e)	—
Drafting.....	0	0	9	—	0	409	12	146	0	(e)	—
Electrical and Electronics.....	0	0	8	274 ^(b)	0	464	36	54	(e)	(e)	—
Mechanical and Metal Working.....	0	0	19	—	0	361	10	32	(e)	(e)	—
Printing.....	0	0	0	—	0	59	2	0	(e)	0	—
Miscellaneous.....	0	0	0	—	0	78	0	6	0	0	—
TOTAL.....	107	51	296	849	2,367	5,542	528	1,113	(a)	(e)	—

(a) Estimated figures.

(b) Breakdown not available.

(c) Figures not available for graduates.

(d) Totals for Canada not available because of lack of some provincial figures.

TABLE III
FACILITIES

Provinces and Territories	No. of Vocational, Technical and Composite High Schools	Number of High Schools Offering Vocational Courses in the Following Categories:				
		Commercial	Technical Trade and other occupational courses	Agriculture	Service Occupations	Commercial and Applied Arts
Newfoundland.....	3	3	0	0	0	0
Prince Edward Island.....	2	2	0	0	0	0
New Brunswick.....	35	34	16	2	1	1
Nova Scotia.....	2	2	2	0	1	0
Quebec.....	*	—A	0	0	0	0
Ontario.....	54	51	51	—C	3	5
Manitoba.....	41	41	6	1	1	1
Saskatchewan.....	31	26	13	4	0	0
Alberta.....	10	10	8	—B	—B	—B
B.C.....	57	55	10	7	1	0
N.W.T.....	1	1	1	0	0	0
Yukon.....	0	0	0	0	0	0
Totals.....	236	225	107	14	7	7

* High Schools in Quebec do not offer vocational courses other than commercial.

—A—Figures are not available for commercial courses in Quebec high schools.

—B—Figures not available.

—C—Ontario high schools provide for training in Agriculture in two ways:

- (1) Agricultural science options—as alternatives to general science, physics, and chemistry in Grades 9 to 12.
- (2) The creation of a Department of Agriculture in a school and the organization of a two-year course for Grades 9 and 10. Includes agriculture and shop work for boys and home economics for girls as elective subjects comprising 10% of the school term.

(In September 1959 there were 102 high schools in Ontario with a Department of Agriculture).

Tables I, II and III outline available facilities and enrolments and indicate the predominance of commercial and trade courses in the vocational high school programs in Canada. Referring to Table I, about 58% of the total enrolment is in commercial courses and consists largely of young women. If enrolments in home economics and commercial courses are combined, it is evident that approximately 67% of the total vocational enrolment in vocational high schools is in courses provided primarily for young women. Almost 98% of the total enrolment is in commercial, home economics, and industrial (trade and technical) fields of specialization. Enrolment in trades and other occupational courses is confined chiefly to the automotive and building construction trades and, to a lesser extent, the electrical and metal working fields. Although employment opportunities are increasing, and will probably continue to increase, in the service occupations, only 358 students, or less than one-half of one per cent of the total, are enrolled in service occupation courses.

Senator BRUNT: Ontario has no specialist course in agriculture at the secondary school level?

Mr. FORD: That is right, not where the students spend 50 per cent of their time in preparing themselves for agricultural pursuits.

Senator SMITH (*Queens-Shelburne*): But there may be subjects related to agriculture.

Mr. FORD: Yes, there are subjects related to agriculture, but the criteria which is used in determining those courses which should be included in this table is that the student spends 50 per cent of his school time preparing for employment in this field.

Senator BRUNT: In other words, to be eligible for federal financial assistance?

Mr. FORD: Yes.

The foregoing indicates the need to provide a wider choice of training opportunities by broadening present programs and establishing new courses.

The large enrolment in commercial courses reflects the continuous demand for office workers resulting from business expansion and the high turnover rate in this occupational field. It is also a field which is particularly suited to the employment plans of most young women, and school facilities are relatively inexpensive and easy to provide.

Senator LEONARD: If you do not mind interruptions as we go along—

Mr. FORD: Not in the least.

Senator LEONARD: The figures for enrolment are very large in Table I, but the tables for graduation are relatively small in Table II. For example, in Ontario, in commercial, 29,000 enrolled and 3,696 graduated.

Mr. FORD: I think the answer is the graduations are those students who complete a four-year course, and there are a great many of them who go out to work before they complete the fourth year of their program.

Senator LEONARD: That seems to be all the way through.

Mr. FORD: Yes.

Senator SMITH (*Queens-Shelburne*): If you have 5,000 students in each of four grades, then you have only 5,000 students graduate at any one time, but you will have enrolment of 20,000.

Mr. FORD: Their graduations were 3,696 and yet their enrolments were 29,000, in a four year program.

Senator CONNOLLY (*Ottawa West*): Their wastage is about 50 per cent?

Mr. FORD: Yes, their wastage is about 50 per cent.

Senator CROLL: Not "wastage".

Senator CONNOLLY (*Ottawa West*): Well, drop out.

Senator CROLL: What do those figures tell you?

Mr. FORD: That there are employment opportunities for persons who have not full occupational competence in that field.

Senator CROLL: Does it tell you there is a need for these people—

Mr. FORD: Yes, we need more people.

Senator CROLL: No, that there are employment opportunities for the less qualified in the commercial field, and there is the need in the family for these people to get out and earn money?

Mr. FORD: Or urgency on the part of the individual.

Senator HORNER: Have you any record of their returning afterwards to complete the four-year course?

Senator LEONARD: It would be shown in the statistics, anyhow.

Mr. FORD: We will run across some of these people a little later, but not very many of them.

The concentration of enrolment in the courses mentioned illustrates, to some extent, the tendency of vocational training authorities to offer traditional or basic trade and other occupational courses which can be easily justified in terms of present employment opportunities, instead of acting now to meet future requirements.

Senator CROLL: You are used to answering questions, so perhaps you can answer this.

Senator BRUNT: To a degree!

Senator CROLL: When I take a look at this table I look at the printing trade—

Senator BRUNT: Which table?

Senator CROLL: Either Table I or Table II. When I look at the printing trade I realize that the table indicates that only in Ontario they are taking courses in the printing trade. I think Alberta has some too. That is a trade in which I would think there are considerable opportunities.

Mr. FORD: For some reason or other there has been considerable difficulty in orienting the programs that are given at secondary school level with the printing industry.

Senator CROLL: I know the reason, and you do, but you are not saying it.

Senator BRUNT: Would you like to come out in the open?

Senator CROLL: I want to save time; I do not want to over-inform any of you.

Let us deal with the automotive trade. The tendency today is for each service station to have a qualified garage mechanic. I should think there would be ample justification there for that sort of a course, and yet I see very few people going into it. Again, there Alberta is to the fore.

Senator BRUNT: I can well understand why you do not get any in Ontario.

Senator SMITH (*Queens-Shelburne*): If you look at the table you will see the footnote:

“(b) Breakdown not available,” and that runs from the automotive down to miscellaneous. Is that correct?

Mr. FORD: We do not have them.

Senator SMITH (*Queens-Shelburne*): So you have not any breakdown for the automotive trades?

Mr. FORD: No.

Senator BRUNT: These lads go to school for two years high school training and then go into a garage and take additional training and obtain their certificate. You cannot get a mechanic's certificate today in Ontario without serving an apprenticeship with a garage. So they take a year or two of high school, and into the garage they go.

Mr. FORD: I think we are going to find another group of persons trained in this industry under the apprenticeship program. There is a significant figure, I think on Table I, and that is the number of persons who are registered in vocational programs in Canada, and the figure which is reported to us is about 100,000. That is the last figure on that page. We have incomplete figures on graduations.

Senator BRUNT: So you did not put them in?

Mr. FORD: No, we do not have them.

On Table III, the first column, shows that there are 236 vocational, technical and composite high schools; and we have a breakdown across the page of the number of high schools offering vocational courses in commercial, technical trade and other occupational courses, agriculture service occupations, and commercial and applied arts.

Post High School Technical Training

Post high school technical education, commonly called technician training, may be considered as that area beyond secondary school graduation by two to three years, yet below that of university graduation. Its major purpose is to prepare individuals for technical positions and specialized areas of activity in the engineering, scientific and business fields. The curricula are similar

in nature to, but briefer and more practical in content than engineering or the professional curricula corresponding to the course taken. The area in which the individual educated to this level would find employment would be in the semi-professional area, about midway between the trade level and the professional level.

There is a number of divisions into which post-secondary technical education may be divided. Two of the more common divisions are (a) the engineering or scientific fields; (b) the business administration, service administration and similar advanced fields.

An engineering or scientific technician may be defined as one who can apply, in a responsible manner, the techniques which are common to a branch of engineering or science, or those techniques specially prescribed by a professional engineer, a chemist, a physicist or a member of another professional group. The technician frequently carries out his duties and responsibilities under the direction of a professional engineer or scientist. He requires sufficient education and training of an advanced nature to provide an understanding of the reasons for and the purposes of the operations for which he is responsible.

The nature of the work performed by the technician varies greatly. Some jobs require the ability to analyze and solve problems; others require considerable aptitude in mathematics and the ability to visualize objects from drawings. Design jobs require creative ability; others require the knowledge of one or more of the skilled trades although not necessarily the ability to perform as a craftsman; some jobs are of a supervisory nature and require both technical or specialized knowledge and the ability to handle people.

In considering training for engineering and scientific technicians we must constantly be aware that the science and research of yesterday becomes the engineering of today and will be the technology of tomorrow. In the technology of tomorrow the well-trained technician must be capable of working within a range of related types of work.

The administrative field of post-secondary education is more difficult to define than the engineering or scientific field. This field may be considered to include such areas as retail merchandizing, business administration, executive secretarial, accountancy, market-management, food administration and so on. Those students who take this type of post-secondary education and then obtain a considerable amount of work experience, frequently advance to such positions as executive secretary, accountant, office manager, credit manager, real estate and insurance broker, sales and advertising executive, or purchasing agent; others who are trained food administrators may choose to be food managers, or dieticians; while others in the merchandising field may choose to become buyers, advertising specialists, personnel supervisors, department and store managers. These responsible positions are growing in importance and show a promising future for those individuals who have the interest, aptitude and ability for administrative positions. Such positions are available only to those individuals who are willing to work their way up and can apply their theoretical knowledge in a practical way.

Senator BRUNT: And occasionally one becomes a general manager or a president?

Mr. FORD: Yes.

In Canada there were 29 institutes of technology established and in operation in 1960. In three of the provinces only technological courses are given in each institute.¹ In four other provinces both technological and trade courses are given in the same institute.² In three other provinces who are planning

¹ Ontario, Quebec, and Nova Scotia.

² British Columbia, Alberta, Saskatchewan, and New Brunswick.

their first institute, provision is being made to give both technological and trade courses in the same building.¹ By this arrangement, the same administrative staff can be used for both divisions. Also, much of the shop equipment of the trade division can be used for the practical work of the technological division, thus avoiding the duplication of expensive equipment.

If both technological and trade training is given in the same building, it is important to specify, define and identify each division in order that the general public, the employer, the parents and the students may be fully aware of the training given and the level of competence attained. There is always the possibility that the institute administrators will neglect one division and concentrate on the division that gives the institute the greater social prestige. There is a tendency at the present time to identify qualifications by the name of the institution. For instance, a Ryerson graduate means something; in other words the qualification is identified by the name of the institution. That is wrong.

Senator CROLL: Why is it wrong? We have been suffering in this country from a low grading of any standard short of university. For instance, a boy does not want to go to a technical school; he would rather go any other place. We have been suffering from that attitude. It used to be, if one was a graduate in medicine from McGill, or in engineering from Toronto or Queens, or in the humanities from Laval, that meant something—it gave him a status in the world.

I do not see any reason why we should not recognize a deserved status. Is not such a status a good thing for the vocational people in order to try to give the kind of face we want it to have.

Senator HUGESSEN: And to boost morale.

Senator CROLL: Yes.

Senator HORNER: You failed to mention the leading university, the University of Saskatchewan.

Mr. FORD: You are correct, Senator Croll. However, we are both talking about the same thing. I say I do not favour identifying a qualification by the name of an institution. We should identify a qualification by a name. We have not yet in Canada established a qualification which will identify the graduate of this kind of course from all the schools from which they come. We are identifying him as a Ryerson graduate, or as a graduate of the Institute of Technology and Art of Calgary, and we ask, "how do they compare?" There are invidious comparisons being made between the graduates of these institutions that tend to depreciate one or the other. Therefore, we need to identify the qualifications, give it a status, rather than identifying the qualification by the name of an institution.

Senator LEONARD: You would say, he is a qualified chemical technician?

Mr. FORD: Identify the qualification in some way. You identify the individual as a technician: I want an identification for the qualification. In the university we talk about a bachelor's degree, a master's degree or some other degree, and we talk about the qualification irrespective of what institute the graduate comes from. We must do the same thing in the technological field.

Senator SMITH (*Queens-Shelburne*): Mr. Ford, are you searching for national certificates?

Mr. FORD: I hesitate to say "national".

Senator SMITH (*Queens-Shelburne*): It is a phrase I have read.

Mr. FORD: We are searching for a national qualification, if you like, by which the graduate at this level could be identified, irrespective of which institute he comes from or the field in which he happens to have taken his training.

¹ Manitoba, Newfoundland, and Nova Scotia.

Senator HORNER: I am reminded of what Stephen Leacock said about Oxford: they sat and smoked at them.

Mr. FORD: To continue.

In 1960, of the 29 institutes of technology offering courses of two to three years' duration beyond secondary leaving¹ the areas of instruction and the number of institutes of technology offering these courses are as follows:

A. <i>Engineering and Scientific</i>		C. <i>Business Administration</i>	
Electronics	15	Merchandising Admin.	1
Electrical	14	Business Admin.	1
Mechanical	7	Secretarial Science	1
Chemical	5	Accountancy	1
Metallurgical	5	D. <i>Service Administration</i>	
Aeronautical	3	Food Service Admin.	1
Architectural	3	Hotel and Restaurant	
Refrigeration	3	Administration	1
Civil	2	E. <i>Design</i>	
Surveying	2	Furniture Design	2
Textiles	2	Interior Design	2
Mining	2	Dress Design	1
Gas	1	Ceramics	1
Petroleum	1	F. <i>Printing</i>	
Instrumentation	1	Printing Administration ...	2
Photogrammetry and		Graphics Arts	2
Map Drawing	1	Journalism	1
Paper Making	1	G. <i>Education</i>	
Marine Engineering	1	Pre-school Education	1
Forestry	1	Home Economics	1
Navigation	1	H. <i>Others</i>	
Dairying	1	Radio & Television Arts	1
B. <i>Medical Health</i> ²		Photography	1
Medical Laboratory	3		
Radiological	2		
Public Health	1		

Prior to 1952-53 few institutes of technology existed and hence no reliable statistics on enrolments and graduations are available. Table IV shows the enrolment and the graduations from 1952-53 to 1960-61.

TABLE IV
POST-HIGH SCHOOL TECHNICAL TRAINING
ENROLMENT AND GRADUATIONS IN CANADA

Year	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
Full time enrolment Post-Secondary Technical Courses.	3,010	3,312	3,900	4,600	5,857	6,393	7,482	8,304	9,443
Graduations from Post-Secondary Technical Courses.....	677	674	749	962	1,027	—	1,556	1,730	2,000*

* Estimated graduations for 1961.

The full time enrolment in Canadian institutes of technology in the fall of 1960 has reached 9,443 students, an increase of 13.6% over 1959. New facilities account for more than 6% of this increase, therefore only 7% of the

¹ Junior matriculation or equivalent.

² There are additional courses offered by approved hospitals and health centres across the country, but at present they have no direct connection with institutes of technology.

increase can be credited to courses established before 1959. Of the student enrolment only 5% are female and few of these are registered in engineering and scientific courses. Enrolment in engineering and scientific courses accounts for 87.6% of all post-secondary vocational courses and shows an increase of 12% over 1959.

The percentage distribution of the total enrolment (9,443 students) by provinces is as follows:

Nova Scotia.....	0.3%	Saskatchewan.....	1.1%
New Brunswick.....	0.7%	Alberta.....	9.6%
Quebec.....	54.1%	British Columbia.....	1.5%
Ontario.....	32.7%		

TABLE V
POST-HIGH SCHOOL TECHNICAL TRAINING
FULL TIME ENROLMENT AND GRADUATIONS BY FIELD OF SPECIALIZATION 1953-59
"E" — number of students enrolled "G" — number of graduates

Field of Specialization	N.S.	N.B.	Que.	Ont.	Sask.	Alta.	B.C.	Canada
<i>(a) Industrial by Divisions</i>								
Aircraft.....	{E —	—	—	77	—	100	33	210
	{G —	—	—	11	—	19	30	60
Architectural, Bldg. Const. Civil, etc.....	{E —	—	211	186	25	23	—	445
	{G —	—	48	27	—	3	—	78
Chemical.....	{E —	—	—	178	—	60	—	238
	{G —	—	—	26	—	18	—	44
Drafting.....	{E —	16	—	—	—	105	40	161
	{G —	10	—	—	—	20	34	64
Electrical and Electronic.....	{E —	28	1,463	804	—	160	45	2,500
	{G —	28	248	117	—	36	32	461
Land Surveying.....	{E 21	—	—	—	—	57	—	78
	{G 19	—	—	—	—	10	—	29
Mechanical and Metal working of various types.....	{E —	11	947	332	—	19	—	1,309
	{G —	7	184	48	—	3	—	242
Printing.....	{E —	—	188	33	—	—	—	221
	{G —	—	48	9	—	—	—	57
Textiles.....	{E —	—	72	19	—	—	—	91
	{G —	—	20	3	—	—	—	23
Miscellaneous.....	{E —	—	577	127	—	—	—	704
	{G —	—	110	45	—	—	—	155
Total for the above Division.....	{E 21	55	3,458	1,756	25	524	118	5,957
	{G 19	45	658	286	—	109	96	1,213
<i>(b) Others by Divisions</i>								
Commercial Art.....	{E —	—	11	237	—	112	142	502
	{G —	—	—	46	—	6	—	52
Commercial.....	{E —	—	—	491	—	—	—	491
	{G —	—	—	131	—	—	—	131
Home Economics.....	{E —	—	—	94	—	—	—	94
	{G —	—	—	27	—	—	—	27
Horticulture.....	{E —	—	—	23	—	—	—	23
	{G —	—	—	7	—	—	—	7
Marine Communications.....	{E 225	—	62	—	—	—	68	355
	{G 72	—	11	—	—	—	32	115
Service Occupation.....	{E —	—	—	42	—	18	—	60
	{G —	—	—	6	—	5	—	11
Total for Other Divisions.....	{E 225	—	73	887	—	130	210	1,525
	{G 72	—	11	217	—	11	32	343
Grand Total.....	{E 246	55	3,531	2,643	25	654	328	7,482
	{G 91	45	669	503	—	120	128	1,556

During the past few years much has been said about the ratio of technicians to professional engineers. The ratio commonly mentioned for engineers to technicians has ranged from 1:1 to 1:5. The number of registered engineers in Canada is 34,914.¹ The estimated number of engineers who graduated in 1960 is approximately 2,200,² while the number of graduates from engineering and scientific technician courses of two or more years' duration in 1960 was 1,217.² These figures would indicate that for even a 1:1 ratio of engineers to technicians, our engineering and scientific technician program should be greatly accelerated.

Table V shows enrolments and graduations by broad fields of specialization in post-secondary institutes of technology under two divisions, (a) industrial fields, (b) other fields. The totals for each division and the grand totals are also shown.

It is interesting to note that the increase in full-time enrolment for the years 1952-53 to 1958-59 is 248%, while the increase in graduations during the same period is 230%. In 1958-59 the total enrolment in the industrial division was 5,957 or 80% of the total enrolment, but since a few miscellaneous groups were included, the percentage of engineering and scientific technicians would be slightly less.

At the request of four provincial governments, a survey in each respective province was conducted by a federal-provincial team to determine "the kinds and the numbers of technicians required". Over 400 individuals in business and industry were interviewed. As a result of these personal interviews the following observations are worthy of note:

1. Industry requires individuals with a thorough training in engineering and scientific fundamentals on a lower than university level, that is, individuals who have specialized theoretical training, coupled with practical knowledge and skills.

2. The general trend in industry is to devise ways and means of effecting more efficiency, accuracy and productivity. To do this means more automated equipment is being used. To maintain and operate this automatically-controlled equipment requires individuals with more theoretical knowledge, hence the need of a higher type of technical training.

3. Many individuals who are not particularly oriented toward a theoretical university course, now enter university because there is no other intermediate form of post-secondary education of a more practical and applied nature available for them within their province.

4. Many firms have branch plants, service departments and district offices in various parts of the country. This necessitates a mobility of semi and professional manpower. A mobility of manpower requires some uniformity of levels of education.

5. The unanimous opinion of those interviewed was that a level or levels of technological education should be established, which would be nationally known and accepted. This would suggest that similar courses should have similar, not uniform, theoretical content, yet the application of the theoretical content should have a provincial and local bias, as well as a national approach.

6. It was commonly stated that the aims and objectives of technological education should be different to that of university education; that there was a need for basic theoretical engineering and scientific fundamentals, but the application of the theoretical facts should be demonstrated and emphasized.

¹ Economics and Research Statistics.

² Dominion Bureau of Statistics.

7. The rapid acceleration of the need for the intermediate level of technological education was emphasized. If each province and Canada as a nation, are to compete industrially we must develop our manpower resources, as well as our material resources. The establishment of technician education with nationally recognized standards, therefore becomes a necessity.

Trades and Other Occupational Training

This level of training is designed to prepare youths and adults, who have left the regular school system, for employment in a specific skilled or semi-skilled occupation at the operator, tradesman, journeyman, service mechanic, clerical, or comparable level. It also provides trade improvement or upgrading training for employed persons who wish to advance in their chosen occupation.

In general, these programs are offered in trade schools, technical or vocational institutes operated by provincial governments. Evening classes are offered also by individual municipalities and in one case, Vancouver, the municipality operates a vocational institute.

As I said a little earlier, you can never tell what is going on in a school by its name. We have a new institution in this field in Canada, known as the College of Trades and Technology; it is in Newfoundland.

(See Table XII for the number of schools and institutes in Canada.)

Various methods of providing this level of training are used including (1) full time courses from three or four days' to two years' duration, (2) part time day or evening, (3) correspondence courses, and (4) apprenticeship.

For example, in the trade of motor mechanics one or more of the following programs are offered in each province:

(a) apprenticeship programs of one or five years' duration during which the apprentice works on the job with an employer and also attends full time or part time trade classes during a portion of his time when he is instructed in the skills and theory of his trade;

(b) full time pre-employment programs in trade or technical institutes or schools, with these courses, ranging in duration from 6 months to two years. These programs provide training in trade skills and theory, and in the case of apprenticeable trades, carry credits towards completion of apprenticeship;

(c) full time upgrading programs of a few days or weeks duration in a particular phase of the trade, e.g., automatic transmissions, for those employed in the trade;

Senator SMITH (*Queens-Shelburne*): Are you talking about correspondence courses?

Mr. FORD: No; the courses given in these trade schools and the total number includes somewhere between 60 and 100.

(d) part time day or evening programs for those employed in the trade offering training in specialized areas of the trade or in the whole trade;

(e) correspondence courses, for those employed in a trade, offering trade theory and related subjects.

These programs offer courses in a wide variety of occupational fields including agriculture, art, automotive, building construction, barbering and hairdressing, cooking, commercial, drafting, electrical and electronics, fishing, forestry, mechanical, metal working, needle trades, papermaking, practical nursing, shipbuilding, shoe repair, textiles, watch and jewellery repair, wireless communication. Table VI shows complete enrolments in pre-employment

courses for 1958-59. There are not given by individual course but by broad field of specialization, each of which includes one or more courses in trades related to the particular field. For example, the field of building construction in Table VI includes courses in carpentry, bricklaying, plastering, painting, sheet metal, plumbing.

TABLE VI
TRADE AND OTHER OCCUPATIONAL TRAINING PROGRAMS
FULL-TIME ENROLMENTS IN PRE-EMPLOYMENT COURSES BY BROAD FIELD OF SPECIALIZATION, 1958-59

Field of Specialization	Nfld.	P.E.I.	N.S.	N.B.	Que.*	Ont.	Man.	Sask.	Alta.	B.C.	N.W.T.	Canada
Agriculture.....	—	—	35	127	844	418*	49	88	235	8	—	1,804
Commercial.....	28	—	154	25	—	—	262	—	—	368	—	837
Fisheries.....	302	—	428	—	29	—	—	—	—	—	—	759
Forestry.....	—	—	—	166	388	349	—	—	—	—	14	917
Marine and Radio Communications.....	112	—	—	—	152	—	21	—	41	—	—	326
Service Occupations.....	31	—	64	53	677	71	128	75	108	324	57	1,588
Automotive.....	67	22	74	56	1,185	12	154	—	99	283	40	1,992
Building Construction.....	41	28	24	37	860	—	—	—	—	188	55	1,233
Drafting.....	17	9	—	—	—	—	160	—	—	—	—	186
Electrical and Electronics.....	22	10	—	23	1,376	—	162	—	—	79	2	1,674
Mechanical and Metalworking.....	31	18	167	20	1,587	14	157	—	201	230	—	2,425
Miscellaneous.....	43	—	—	13	328	—	194	—	16	15	30	639
Total.....	694	87	946	520	7,426	864	1,287	163	700	1,495	198	14,380

* Including pre-employment courses for apprentices.

Senator CROLL: Table VI, headed "Trade and other occupational training programs" shows that Quebec has a very large number compared to the other provinces, and I am impressed by that fact. As a matter of fact, half of them are in the province of Quebec. What is the reason?

Mr. FORD: May I have your question again?

Senator CROLL: Take a look at Table VI. Half of the trainees are in the province of Quebec.

Mr. FORD: There is a reason for that. That is a matter of classification of the schools. In Quebec they have a program of junior trade schools which take people from Grade VIII and give them a two-year course. They do not have any vocational high schools. A lot of students identified here as being in trade school, in the vocational high schools in Ontario. I would like you to note the number in full-time pre-employment classes, 14,380.

Indentured apprentices usually serve four or five years, depending upon the trade involved, including on-the-job training with an employer and school instruction where trade theory and skills are taught. In recent years, the trend in Canada has been for the apprentice to leave his employment for a period of full time school instruction extending for periods of five to ten weeks in duration. The number of such school periods required varies in different provinces. In some provinces apprentices attend full time classes twice during their apprenticeship, in others it is necessary for apprentices to attend for a period of time in each year of apprenticeship. When full time classes are not provided for apprentices, they are required to attend special part time classes, usually in the evening, for two evenings per week during the winter months.

In the province of Quebec, school training for apprentices is given in pre-employment courses and enrolments for these courses are included in Table VI.

Table VII shows the number of indentured apprentices attending full time apprenticeship classes in provinces other than Quebec.

TABLE VII
FULL TIME SCHOOL ENROLMENTS OF APPRENTICES BY BROAD FIELD
OF SPECIALIZATION 1958-59

Field of Specialization	Nfld.	N.S.	N.B.	Ont.	Man.	Sask.	Alta.	B.C.	Canada
Automotive.....	78	195	—	820	143	229	1,014	19	2,498
Building Construction.....	45	245	—	855	308	270	1,027	391	3,141
Drafting.....	—	—	—	31	—	—	—	—	31
Electrical and Electronics.....	16	135	89	629	126	164	516	63	1,738
Mechanical and Metalworking..	7	—	—	230	41	149	803	140	1,370
Miscellaneous.....	29	—	—	—	20	—	30	—	79
Total.....	175	575	89	2,565	638	812	3,390	613	8,857

NOTE: There is no apprenticeship program in Prince Edward Island.
Quebec apprentices take pre-employment courses and are included in Table VI.

Senator BRUNT: You are now getting engineering courses in universities. The University of Waterloo is the best example.

Mr. FORD: Yes, there are a few. What I have called on several occasions the Canadian pattern of apprenticeship is a pattern whereby a student will spend perhaps 10 or 11 months each year working, and one or two months each year in school getting related training in order to attain full occupational competence. Chart VII shows enrolment in classes, the number attending classes at that particular time.

TABLE VIII
TOTAL NUMBER OF APPRENTICES REGISTERED WITH
PROVINCIAL GOVERNMENTS—SEPTEMBER 30, 1960

—	Nfld.	N.S.	N.B.	Ont.	Man.	Sask.	Alta.	B.C.	Total
Aeronautical Mechanics.....	—	35	—	—	—	—	—	—	35
Auto-Body and Fender Repair Men.....	56	53	85	—	74	38	295	—	601
Barbers.....	—	—	—	49	—	59	—	51	159
Blacksmiths.....	—	—	—	2	1	—	—	—	3
Boiler Shop Workers.....	—	6	—	2	—	—	—	16	24
Boat Builders.....	—	—	—	—	—	—	—	46	46
Bricklayers and Masons.....	6	20	18	111	112	37	64	20	388
Cabinet Makers.....	—	—	1	3	—	—	—	—	4
Carpenters.....	74	98	99	290	168	234	286	265	1,514
Cooks.....	—	—	—	—	—	—	34	—	34
Draftsmen.....	1	1	5	31	—	—	—	—	38
Electrical Construction Workers	138	118	164	1,014	319	190	661	323	2,927
Electrical Maintenance Men....	2	43	25	132	11	—	—	—	213
Glass Workers.....	—	—	—	—	—	—	—	14	14
Hairdressers and Beauty Culture.....	—	—	—	401	—	82	—	63	546
Instrument Makers.....	1	—	6	34	—	—	—	—	41
Jewellery and Watch Repair Men.....	—	—	—	—	—	—	—	5	5
Lathers.....	—	—	—	71	14	—	6	—	91
Linemen.....	—	—	67	—	—	—	—	—	67
Machinists.....	17	55	23	105	—	—	53	184	437
Heavy Duty Mech.....	—	—	—	—	—	—	105	71	176
Diesel Elect. Eng.....	16	—	—	—	—	—	—	—	16
Millworkers (Factory Woodworkers).....	—	—	3	5	18	—	—	—	26
Millwrights.....	13	—	23	26	—	—	7	16	85
Motor Vehicle Repair Men.....	179	118	279	3,119	444	326	1,208	282	5,955
Moulders.....	—	—	—	4	—	—	—	14	18
Office Mach. Mechanics.....	—	—	—	—	—	—	—	11	11
Painters and Decorators.....	—	—	2	61	86	3	78	29	259
Pattern Makers.....	1	1	1	5	—	—	—	6	14
Plasterers (1).....	—	—	—	112	58	—	62	55	287
Plumbers and Pipefitters.....	133	90	149	864	253	165	486	259	2,399

TABLE VIII—*Concluded*TOTAL NUMBER OF APPRENTICES REGISTERED WITH
PROVINCIAL GOVERNMENTS—SEPTEMBER 30, 1960—*Concluded*

	Nfld.	N.S.	N.B.	Ont.	Man.	Sask.	Alta.	B.C.	Total
Printers.....	—	—	7	7	—	—	—	13	27
(Maintenance and Radio Repair Man).....	—	—	—	—	—	41	99	—	140
Refrigeration Workers.....	—	—	—	13	11	—	46	11	81
Sheet Metal Workers.....	3	2	22	430	94	134	262	127	1,074
Ship Fitters and Shipwrights..	—	13	—	—	—	—	—	—	13
Sign Painters.....	—	—	—	1	—	—	—	7	8
Stationary Engineers.....	173	—	39	2	—	—	—	—	214
Steamfitters (2).....	—	29	—	351	85	—	283	—	748
Steel Fabrication Workers.....	—	—	—	—	—	—	—	59	59
Switchboard Operators.....	—	—	8	—	—	—	—	—	8
Tilesetters (3).....	—	—	—	—	21	—	—	—	21
Welders.....	3	—	58	8	—	58	594	—	721
Knitting Machine Adjusters....	—	—	—	4	—	—	—	—	4
Iron Worker.....	—	—	—	3	—	—	—	29	32
Miscellaneous.....	13	1	—	9	—	—	—	17	40
Total.....	829	683	1,084	7,269	1,769	1,367	4,629	1,993	19,623

* Figures for Quebec not available.

No apprentices in Prince Edward Island.

- (1)—Included with bricklayers in New Brunswick.
- (2)—Included with plumbers in British Columbia.
- (3)—Included with bricklayers in British Columbia.

Senator CROLL: I am continually embarrassed by the large number of people under all these schemes who come from Alberta. Are there better facilities? Do they have a better way of reporting, or what? Take a look at any of the tables, and you find that Alberta is one of the leaders, comparatively speaking. On Tables VI, VII, VIII Alberta is well up.

Senator BRUNT: There is no table that shows the amount of money spent per capita.

Senator CROLL: What is the answer to that?

Mr. FORD: There is one table which shows this. I would suggest that Table I shows this. Maybe the figures that are given there for Alberta would have to have some further interpretation.

Senator CROLL: Forget it. The next table is out. Take a look at the table on post-high school technical training, Table V. Look at Alberta, Saskatchewan and British Columbia. Alberta stands well out. Take a look at Table VI, Alberta stands well out again. Just look at Alberta, Saskatchewan and even Manitoba.

Mr. FORD: Consider Tables VI, VII and VIII. As far as an occupational training program for adults and people who have left the school system is concerned, Alberta established facilities and a program probably earlier and more extensively than some of the other provinces. They have extensive facilities at Calgary. Their apprenticeship program has had the highest ratio of apprentices per capita in Canada.

Senator CONNOLLY (*Ottawa West*): Is not the reason for that the tremendous development in the petroleum and natural gas industry there?

Mr. FORD: No, it is not. It is a policy on the part of those responsible for training in the province. The programs are well directed, fostered, sponsored, and well organized, and an excellent course of training has been developed. Policy has had a lot to do with that.

Senator CONNOLLY (*Ottawa West*): I do not say policy did not have a lot to do with it, but was it policy set up since the war because of the great requirement in these fields? I have talked to engineers who have graduated from western Canadian universities, and they talk about the oil companies that are in the exploration and development field agreeing not to raid each other and to try and sit down and work out amicable ways of sharing the engineering graduates who are coming from these universities. There has been a shortage. Would not that shortage apply also at the lower levels, in the technical field, to support the work these engineers do. Whether it is the exploration work, the building of plants, or operating of the equipment that is needed to produce, has it not been a significant thing out there?

Mr. FORD: The apprenticeship program was established in Alberta in 1944 and has been growing rapidly ever since. That was before the oil development.

Senator HORNER: They had two splendid institutions at Vermilion and Olds. They were away ahead of other provinces in the fields of sciences and agriculture.

Mr. FORD: I do not think there is any one factor which determines this thing, but a combination of them. There must be a consciousness of the need and a willingness to meet it.

To go on:

In the apprenticeship program progress has been made in establishing national standards of achievement and competence where formerly there existed a different standard in each province. This has been brought about through co-operation between provincial and federal governments and industry. Sixteen of the apprenticeable trades have been analyzed as a base for uniformity in the teaching of these trades. Additional trades are being analyzed at the rate of two or three per year.

Also uniform final examinations have been accepted by all provinces, except Quebec, in motor vehicle repair, electrical construction and plumbing. Two more examinations—that is interprovincial examinations—one in carpentry and the other in sheet metal are ready for use on a trial basis in 1961 when final adjustments and corrections will be made prior to official use in 1962.

As a further aid in establishing uniformity in apprenticeship programs, a project has been undertaken to develop Information Sheets and Course Outlines which will be used as a common base for instructional material in each province.

Senator HUGESSEN: Have you any indication of whether the province of Quebec is now likely to join with the other provinces in these matters?

Mr. FORD: Yes. That province is now participating in the training program for unemployed, and there is every indication that it will join the other provinces in the agreement.

Senator HUGESSEN: Quebec is rejoining Canada.

Mr. FORD: Co-operation of this kind between the provinces is producing a greatly improved training program and would have been considered impossible to accomplish in any field of education five years ago.

Within the trade and occupational area of training, there is provision made in federal-provincial agreements for programs for several different groups of people, such as unemployed persons, physically disabled persons and persons employed in or desiring to become employed in primary industries.

In general, these persons are referred to regular courses operated as a part of the overall provincial vocational training program. When such regular courses are not available or when the numbers involved require it, special classes may be established.

(Enrolments in these special groups are included in Table VI.)

Unemployed persons.

There has been a growing demand for retraining and upgrading of workers who are unemployed for one reason or another. This program was introduced in 1945, largely as a stand-by emergency measure. Through various developments, in the meantime, it has become an integral and important part of the overall vocational training program. There has been a decrease in the percentage of jobs available for unskilled workers, due to the increased rate of technological changes in manufacturing processes. At the same time, the demand for skilled tradesmen and technicians has increased. In view of these circumstances, it has become necessary to supplant the regular long-range training programs with short-range programs for upgrading the skills of unskilled, unemployed workers and for retraining those tradesmen who become unemployed because their skills are become obsolete.

These courses for unemployed persons are of three months to one year in duration. Tuition is free in some provinces a subsistence allowance is paid to students while in training.

Senator CROLL: Have you any examples of that, or can you give us the amounts of the allowance?

Mr. FORD: I have a table on that matter and I can supply it to you.

UNEMPLOYED WORKERS

Province	Single at Home	Single Away	Heads of Families at Home	Heads of Families Away
	\$	\$	\$	\$
Newfoundland.....	30.00	30.00	30.00	30.00 per month
Nova Scotia.....	1.50	2.25	3.00	3.75 per day
New Brunswick.....	8.00	15.00	19.00	24.00 per week
*Saskatchewan.....	1.15	1.50	2.15	3.00 per day
Alberta.....	2.00	2.75	3.50	4.50 per day
British Columbia.....	2.00	3.00	3.50	4.50 per day

* Saskatchewan

Nursing Assistants

Single trainees.....	\$15.00 per week
Married trainees.....	\$20.00 per week

Commercial Trainees

Non-resident trainees.....	\$ 6.00 per week
Resident trainees.....	\$ 3.00 per week

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SCHEDULE M' UNEMPLOYED WORKERS

Province	Single at Home	Single Away	Heads of Families at Home	Heads of Families Away
Quebec.....	Up to 1.25	Up to 3.00	Up to 3.75	Up to 5.50—day
(Outside where course is given) ..	— to 2.00	—	Up to 4.25	— — day
(Outside where course is given) ..	Up to 8.75	Up to 21.00	Up to 26.25	Up to 38.50— week
Ontario.....	— to 14.00	—	Up to 29.75	— — week
	2.50	3.50	4.50	6.00 — day

National Employment Service co-operates very closely with the provinces in the training of unemployed persons. Local and regional employment officials assist in an advisory capacity in determining the most suitable types of training and in the selection of persons for training. Persons who are eligible for Unemployment Insurance benefits may draw these benefits while on training courses, whether these courses are offered by the provinces or are approved private schools.

The training of pipeline welders is an example of the value of this program. A few years ago it was necessary for pipeline contractors to import skilled workers from the United States to do the welding on 20" to 30" pipelines. During each of the past four winters the western provinces have trained unemployed Canadians in this welding technique, and as a result the number of welders imported from the United States has declined each year. Last summer a large majority of the pipeline welders were Canadians, which is a reversal of the situation of five years ago and can be attributed mainly to this training program.

Realizing the need to expand the training program for unemployed persons, the federal government this year agreed to contribute 75% of the cost provided the provinces exceeded a specified minimum volume of training.

Physically disabled persons

The training program for disabled persons, which is also carried out in co-operation with the provincial governments, is developed specially to suit the needs of such persons who are capable potentially of undertaking gainful employment. These persons are referred to regular provincial training courses; their tuition is paid and adequate subsistence allowances are provided to enable them to maintain themselves during training.

Senator CROLL: Have you a similar table on that matter?

Mr. FORD: I have, and I will be glad to incorporate it in the record at this point.

ALLOWANCES DISABLED PERSONS

Province	Single at Home	Single Away	Heads of Families at Home	Heads of Families Away
	\$	\$	\$	\$
Newfoundland.....	40	75	75	100 per month
Prince Edward Island.....	10	20	20 ⁽¹⁾	30 ⁽¹⁾ per week
Nova Scotia.....	10	17	20	25 per week
New Brunswick.....	8	15	19	24 per week
Ontario.....	(see next page)			
Manitoba.....	1.00	2.50	1.00	2.50 per day
Saskatchewan.....	25	75	50	100 per month
Alberta.....	50	70	80 ⁽²⁾	100 ⁽²⁾ per month
British Columbia.....	(see next page)			

⁽¹⁾ \$5.00 a month additional for each dependent child of married trainees.

⁽²⁾ With one dependent only—

\$10 extra for each additional dependent—
Maximum of 4 additional dependents.

DISABLED PERSONS—Continued

ONTARIO

Classification	Monthly	Permitted Yearly
	Maximum Amount of Maintenance Allow.*	Maximum Amount of Income from all Sources**
	\$	\$
Unmarried.....	60	960
Unmarried with dependent child or children...	90	1,380
Married, living with spouse no dependent child or children.....	105	1,560
Married, living with spouse, and dependent child or children.....	115	1,680

* An additional amount not to exceed \$15 per month may be granted in each classification "where the need is apparent to the Director".

** Including the amount of maintenance allowance granted.

BRITISH COLUMBIA

Per Month

1. Single Trainee living with parent or guardian	
(a) Basic Allowance.... per day—\$1.60.....	\$ 48.00
(b) Where public transportation is required add.....	6.00
(c) Total Maximum Allowance.....	54.00
2. Single Trainees living away from home:	
(a) Basic allowance.... per day—\$2.30.....	69.00
(b) When public transportation is required add.....	6.00
(c) Total Maximum Allowance.....	75.00
3. Trainee with one dependent (a wife or child)	
(a) Basic Allowance.... per day—\$3.40.....	102.00
(b) When public transportation is required add.....	6.00
(c) Total Maximum Allowance.....	108.00
4. Trainee with two dependents (wife and one child or two children)	
(a) Basic Allowance.... per day—\$3.80.....	114.00
(b) When public transportation is required add.....	6.00
(c) Total Maximum Allowance.....	120.00
5. Trainee with three dependents	
(a) Basic Allowance.... per day \$4.20.....	126.00
(b) When public transportation is required add.....	6.00
(c) Total Maximum Allowance.....	132.00

NOTE: Each additional dependent adds \$12.00 per month to the basic allowance. Seven days allowance constitutes a full week.

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Persons in primary industries

This program provides special short term courses for persons employed in or desiring to seek employment in farming, fishing, mining or other primary industries, including homemaking. These projects have been quite successful, especially in improving the knowledge and techniques of farmers and fishermen.

SPECIAL COMMITTEE

ALLOWANCES

TRAINING IN PRIMARY INDUSTRIES

Province	Single at Home	Single Away	Heads of Families at Home	Heads of Families Away
	\$	\$	\$	\$
Newfoundland.....	1.50	2.25	3.00	3.75 per day
Prince Edward Island.....	—	12.00	—	12.00 per week
Nova Scotia.....	(see below -1)			
New Brunswick.....	(see below -2)			
Ontario.....	—	—	—	—
Manitoba.....	—	—	—	—
Saskatchewan.....	—	—	—	—
Alberta.....	1.75	1.75	3.50	3.50 per day

Nova Scotia: -1

N.S. Outport Courses

Single, owners or part-owners of fishing boats.....	\$ 18.00 per week
Single, not owners or part-owners of boats.....	9.00 per week
Married trainees.....	18.00 per week

N.S. Pictou Centre Fisheries Courses

All trainees.....	4.50 per week
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N.S. Special Navigation Courses

All trainees.....	35.00 per course
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N.S. Rural Training

Trainees at Truro.....	7.00 per week
Other Trainees.....	4.00 per week

New Brunswick: -2

N.B. Fisheries Courses and Agricultural Courses

Men.....	\$ 10.00 per week
Women.....	9.00 per week

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TABLE IX

TOTAL CLASS ENROLMENTS IN ALL PROGRAMS BY PROVINCES—1958-59
TRADES AND OTHER OCCUPATIONAL LEVEL

Type of Training	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	N.W.T.	Canada
Full time— Pre-employment.....	694	87	946	520	7,426	864	1,287	163	700	1,495	198	14,380
Full time— Apprenticeship.....	175	nil	575	89	(A)	2,565	638	812	3,390	613	nil	8,857
Part time day or evening	1,051	463	6,507	4,645	72,810	65,406	15,181	10,140	9,774	13,216	136	199,329
Correspondence.....	109	nil	448	81	875	475	2,305	nil	1,380	2,978	nil	8,651
TOTAL.....	2,029	550	8,476	5,335	81,111	69,310	19,411	11,115	15,244	18,302	334	231,217

(A) Full time apprenticeship enrolments for Quebec are included in pre-employment figures.

TABLE X

TOTAL FULL-TIME SCHOOL ENROLMENTS IN CANADA BY FIELD OF SPECIALIZATION IN
 VOCATIONAL HIGH SCHOOL, POST HIGH SCHOOL, AND TRADE OR OCCUPATIONAL PROGRAMS—1958-59

Field of Specialization	High School	Post High School	Trade or ² Occupational	Total
Agriculture.....	827	23	1,804	2,654
Land Surveying.....	—	78	—	78
Fishing.....	—	—	759	759
Forestry.....	—	—	917	917
Construction.....	—	445	4,374	4,819
Automotive.....	—	—	4,490	4,490
Aircraft.....	—	210	—	210
Drafting.....	—	161	217	378
Electrical and Electronics.....	—	2,500	3,412	5,912
Mechanical and Metal Working.....	—	1,309	3,795	5,104
Printing.....	—	221	—	221
Textiles.....	—	91	—	91
Chemical.....	—	238	—	238
Marine and Radio Communications.....	—	355	326	681
Service.....	358	60	1,588	2,006
Commercial Art.....	784	502	—	1,286
Commercial.....	57,706	491	837	59,034
Home Economics.....	8,993	94	—	9,087
High School Trade and Technical Occupations.....	31,184 ¹	—	—	31,184
Miscellaneous.....	285	704	718	1,707
Total.....	100,137	7,482	23,237	130,856

¹ Includes construction, automotive, drafting, electrical, metal working and printing for which enrolments are not broken down—See Table I.

² Includes class training for apprentices.

TABLE XI
TOTAL ENROLMENTS BY PROVINCE IN ALL VOCATIONAL AND TECHNICAL PROGRAMS—1958-59

Level of Training	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	N.W.T.	Canada
Vocational and Technical High School Program—Full Time Table I.....	303	115	953	4,420	18,174	50,463	2,624	3,959	10,659	8,467	—	100,137
Post High School Technical Program—Full Time Table V.....	—	—	246	55	3,531	2,643	—	25	654	328	—	7,482
Trades and Other Occupational Program—Full Time pre-employment Table VI.....	694	87	946	520	7,426	864	1,287	163	700	1,495	198	14,380
Full time apprenticeship Table VII...	175	—	575	89	—	2,565	638	812	3,390	613	—	8,857
Part time Table IX.....	1,051	463	6,507	4,645	72,810	65,406	15,181	10,140	9,774	13,216	136	199,329
Correspondence Table IX.....	109	—	448	81	875	475	2,305	—	1,380	2,978	—	8,651
TOTAL.....	2,332	665	9,675	9,810	102,816	122,416	22,035	15,099	26,557	27,097	334	338,836

NOTE: Enrolments in part time and correspondence not available for Post High School Technical program.

TABLE XII
TRADE SCHOOLS AND TECHNICAL INSTITUTES IN CANADA—1960

	Trade*	Technical	Combined Technical and Trade
Newfoundland.....	1	—	—
Prince Edward Island.....	1	—	—
Nova Scotia.....	4	1	—
New Brunswick.....	3	—	1
Quebec.....	34	17	—
Ontario.....	5	6	—
Manitoba.....	2	—	—
Saskatchewan.....	2	—	1
Alberta.....	3	—	1
British Columbia.....	1	—	2
Total.....	56	24	5

* Includes schools of agriculture and fisheries.

Table XII above shows that of the 56 trade schools, 34 are in Quebec. That is in part an answer to the question asked by Senator Croll. I may point out, these schools used to be called "arts and crafts schools".

Senator CROLL: Yes, but there are 17 technical schools in Quebec, as against 6 in Ontario.

Mr. FORD: Quite right. Then there are combined trade and technical schools.

Problems, Deficiencies and Recommendations

The following comments and suggestions, based on the views of provincial officials and others actively interested in this area, relate mainly to current problems and deficiencies in present programs in Canada. The problems posed are so inter-related that it is impossible to place them in any order of priority. They are all of importance and need almost equal consideration in developing over-all plans for providing a complete training service for Canadians and the Canadian economy.

1. Need for Additional Training Facilities

The first sections of this report indicate that there are 56 trade or occupational training schools, 24 institutions providing post high school technical training, and 5 institutes that offer both trade or occupational and post high school technical courses. In addition to these schools, approximately 223 technical, vocational, or composite high schools provide commercial, technical, trade or other occupational training programs.

Notwithstanding the service provided by these schools, the greatest shortage or deficiency in the field of technical and vocational education in Canada is that of facilities. Reports from the provinces indicate that this shortage of facilities is found at all levels. The estimated cost of the new buildings and equipment to provide for present and prospective needs for the next 10 years is approximately \$190,000,000.

One of the important changes which has taken place in the field of technical and vocational education in Canada since 1940 has been the development of technical, trade, or occupational training programs for persons who have left the regular school system. However, the shortage of training facilities for these programs in all provinces is marked by long waiting lists of students.

Practically all the provinces are planning additional facilities of this type at the present time. During the past four years, where the Vocational and

Technical Training Agreement has been in effect, approximately 90% of the capital funds have been used to provide training facilities for persons who have left the regular school system.

This means that of the capital fund provided by the federal government 90 per cent of that amount was used to provide facilities for people who had left the regular school system.

However, this has not been a total gain since many of these new facilities replaced temporary schools which were in use since World War II.

At the post high school technical training level where requirements are developing rapidly, the shortage of training facilities is very acute. These programs have developed more rapidly in Alberta, Quebec and Ontario. However, the demand for this level of training comes from all provinces, and the facilities are not available to meet the growing needs.

It has been estimated that there is a need for facilities for an additional 15,000 persons in full-time day classes at the trade, occupational and post high school technical levels.

To explain that, this means 15,000 additional training stations to be available at any one time.

2. Shortage of Trained Teachers of Technical and Vocational Courses:

There is an urgent requirement for the development of vocational teacher training programs in Canada to provide both basic and advanced professional training for the growing number of teachers who will be required. At the present time, there is a serious shortage of adequately trained instructional staff and, with the building of the additional facilities, the shortage will become more serious. An estimated 1,000 to 1,500 additional trained technical and vocational teachers will be required during the next 10-year period.

The programs for training vocational teachers have never been as well developed in Canada as the programs for this purpose in the universities in the United States. Consequently, our Canadian technical and vocational teachers have had to go to American Universities for advanced training in these fields.

Senator HUGESSEN: Do you expect to get your teachers for these courses trained in universities?

Mr. FORD: We hope their training will continue on to a university qualification.

Senator HUGESSEN: No, I am talking about the teachers.

Mr. FORD: I would hope that first they would be competent in their field and then receive professional training. I would hope their professional training would lead on to professional status, with a degree from a university.

Senator HUGESSEN: In none of our universities have they training course for teachers in technical schools?

Mr. FORD: They do take courses but they are in the academic field. Now, there are vocational teachers in Ontario schools who get degrees in science, or in some branch of pedagogy.

Senator HUGESSEN: But they are not specifically trained in universities?

Mr. FORD: No, not professionally in vocational education.

Senator SMITH (*Queens-Shelburne*): Where is one to get this training from, if one cannot get it in Ontario?

Mr. FORD: For training technical teachers we have associated with the University of Toronto a vocational teachers training centre giving a 1 year course. In Moncton, New Brunswick, they have a vocational teachers training centre, which gives a certificate. They have short term courses given in

British Columbia and Alberta and Manitoba; but the type of organized program I refer to here, which will take a person who is occupationally competent and provide instruction in the subjects which would prepare him as a teacher in a vocational or technical field, do not exist in Canada at university level. There is no university in Canada which grants a degree in a vocational or industrial field, or vocational or industrial education.

There is also a shortage of supervisors and administrators for these programs. These persons usually come through the ranks of the vocational teaching staff but they require training which will prepare them for the responsibilities of directing programs and improving the standards of instruction.

An adequate supply of well trained and highly skilled teachers and staff will, to a large measure, improve the present level of application of good teaching methods and techniques.

3. Need for Additional Research:

Although there has been an increase in research during recent years the importance of expanding this is mentioned frequently by provincial officials and others interested. There is a great need for accurate information about the future requirements of the employment market and the effectiveness of the training programs. Provinces have requested that development be undertaken in the field of course content, training aids, national examinations, and practically all the provinces have pointed out the need for the development of national standards.

4. Enlarged Guidance Services:

There is an immediate need for many more competently trained guidance personnel for:

- (a) educational and vocational guidance at approximately the grade 7 and grade 8 level;
- (b) educational and increased vocational guidance at the high school level;
- (c) vocational counselling at the adult level.

Adult counselling is particularly important and is needed to assist workers to adjust to the changing employment requirements.

Senator SMITH (*Queens-Shelburne*): Could you give us any information as to how many competently trained counsellors we have in this country?

Mr. FORD: No, I really cannot.

Senator SMITH (*Queens-Shelburne*): It strikes me we have relatively few. I know some schools which take a stab at guiding and counselling. I think there is a great lack of this, and it is something that has been brought to our attention from time to time during our hearings. Is there a special university course which leads to what you would call a competently trained personnel counsellor?

Mr. FORD: Several of the universities in Canada to give courses in this field of guidance. One of the most important areas is a good acquaintance with the world of work.

Senator CONNOLLY (*Ottawa West*): A lot of people in guidance work in the high schools of Ontario may not know too much about the opportunities in vocational and technical schools.

Mr. FORD: The opportunities in the world of work.

Senator CONNOLLY (*Ottawa West*): Right.

Mr. FORD: Information about the world of work is the thing we need on the part of persons giving guidance and counselling to young people as they are coming through the schools.

5. Need to develop Training Standards on a National Basis:

There is general agreement in all comments that all of the various programs and levels of training should be more closely integrated. Also that standards of competence or achievement for each level of training, i.e., the operator, the craftsman or journeyman, and the technician or even professional level, be clearly defined. Thus workers should be able to progress towards higher levels of qualification with full credit for previous training and experience.

Interprovincial and nation-wide acceptance of established standards and levels of qualification is developing in the apprenticeship program. This must be extended to other programs, not only for the benefit of workers but also for the good of our industrial economy.

At the root of most of these deficiencies in the vocational training programs in Canada are two basic factors. One is the lack of public interest and concern. The other is the lack of an adequate and complete concept of what is required of a total vocational training effort in meeting the needs of the present and the future.

In the first instance, vocational training has not been given the same status and importance as it has, for example, in some European countries. An awareness of, and an appreciation for, the importance of technically trained people must be impressed on all segments of our society, particularly parents and young people, if our productive capacity is to remain competitive, and if our young people are to be prepared adequately to take their place in our work force and in society.

In the second place, those responsible for education and training must recognize their responsibility for providing a complete and adequate program including the necessary training opportunities for persons who have left the regular school system as well as those attending school. Retraining and upgrading of persons within the labour force is becoming more and more important to our economy and should be considered a part of our overall program.

6. Closer Coordination Needed between Training Institutions and Industries:

A much closer relationship between industry and our training institutions must be established if we are to develop the complete and adequate training programs required. A number of genuinely interested individuals from both labour and management have contributed a great deal to the development of present programs, both at the local and national levels, and some firms have operated their own training programs for many years. However, a recent survey of training within industry, made by the Economics and Research Branch of the Department of Labour, indicates that although 31% of manufacturing establishments surveyed had training programs, the number of tradesmen involved was only 21,000 in a work force of a million. It was found also that the number of technicians involved in plant training programs was even more meagre than for tradesmen. Provincially operated apprenticeship programs, as indicated in **Table VIII**, are providing for only 19,623 skilled tradesmen of which one-third are in automotive repair trades, one-third in building construction, and the remainder in miscellaneous manufacturing and service trades.

On the other hand, our training institutions have concentrated mainly on pre-employment courses in the more traditional trades, and training officials have concerned themselves primarily in operating these courses without sufficient regard for or research into the changing needs of our work force.

Because of the increasing rate at which traditional skills and occupations are becoming redundant and the rapid change in techniques and increase in complexity of many other occupations, it is necessary to consider vocational

training as a continuous process throughout the working life of many workers. The responsibility of training institutions no longer ends with the graduation of a pre-employment class or the completion of an apprenticeship, and industry must provide more than training in the day-to-day routine of a specific operation.

A more active interest and participation by industry and a broader viewpoint of the overall training needs of our work force on the part of our training officials is needed. Boundary lines and limits to separate distinct areas of responsibility should disappear in favour of a coordinated, fully participating effort on the part of both groups.

In order to implement this overall program, the following suggestions and comments have been made by provincial and other interested officials:—

1. High school programs should be broadened in scope and opportunity so that students throughout the country will have the opportunity to remain in school long enough to develop their potential, whether in a general or academic field or in preparation for entry into employment.

2. Vocational high schools should be established on a regional basis where individual communities are too small to support a school of their own.

3. The development of co-operative training programs was also suggested. In these programs the student spends a portion of his day at school where he is taught theory and related subjects, while the remainder of his day is spent on the job in the community where he gets the practical experience necessary in his occupation. This type of training would provide wider opportunities for training in occupations where there are not sufficient numbers to establish facilities or courses and full time classes.

4. In the post-high school technical education field the need is:

- (a) to expand and develop technological education in regular full-time classes in all provinces;
- (b) to develop and make it possible for persons who are employed to acquire technological qualifications by way of:
 - (1) part-time or evening courses,
 - (2) sandwich courses,
 - (3) correspondence courses.

5. As pointed out previously in this report, the greatest deficiency in the program for those persons who have left the regular school system is that of facilities. Recommendations have stressed the importance and necessity of providing additional facilities in order that the scope as well as the volume of training can be expanded. With the increased volume of training made possible by increased facilities, it is important that those directing the programs provide a wider range of courses and not be confined to traditional trades. Many new occupations are emerging and new materials and processes are changing techniques of existing occupations. If our future work force is to be kept informed and up-to-date, these new occupations and changes in existing occupations must be provided for on a broader basis than at present. It is not enough to provide facilities and operate them efficiently. It is necessary that those responsible for the direction of vocational and technical training programs develop and maintain a policy which has as its objective the full development of the potential of Canada's labour force.

6. Special schools should be established in appropriate areas to provide for the national need for training in specific fields when there is not a sufficient requirement for the establishment of schools in each province. For ex-

ample, the establishment of a marine school in a maritime area such as Nova Scotia, with the objective of providing marine engineering, navigation, training of ships' cooks and all other training which would be associated with marine industry, would seem to have merit.

7. A reassessment of the apprenticeship program in the light of present conditions of employment and in relation to the growth of pre-employment training is suggested.

8. Part-time courses, day release and sandwich programs for workers should be expanded and course content should provide full scope for present and future requirements of manufacturing processes of all kinds.

9. None of these deficiencies and problems can be overcome by education officials only. Industry must become a full partner in the development of manpower resources. Only through full co-operation and in mutual understanding between education and industry can a complete and adequate effort be made to provide the integrated training programs that this country needs.

Senator LEONARD: Mr. Chairman, I have one question. I refer to the point stressed in the brief on the subject of shortage or deficiencies in the field of technical and vocational education in Canada. An example was given to us the other day by a representative of the Council for Adult Education, indicating that the facilities at Elliot Lake might offer an opportunity for immediate use for vocational training purposes. Have you any comment to make on that suggestion?

Mr. FORD: No, I have not. I do not know what facilities are available at Elliot Lake; I did not know there were any vocational training facilities there.

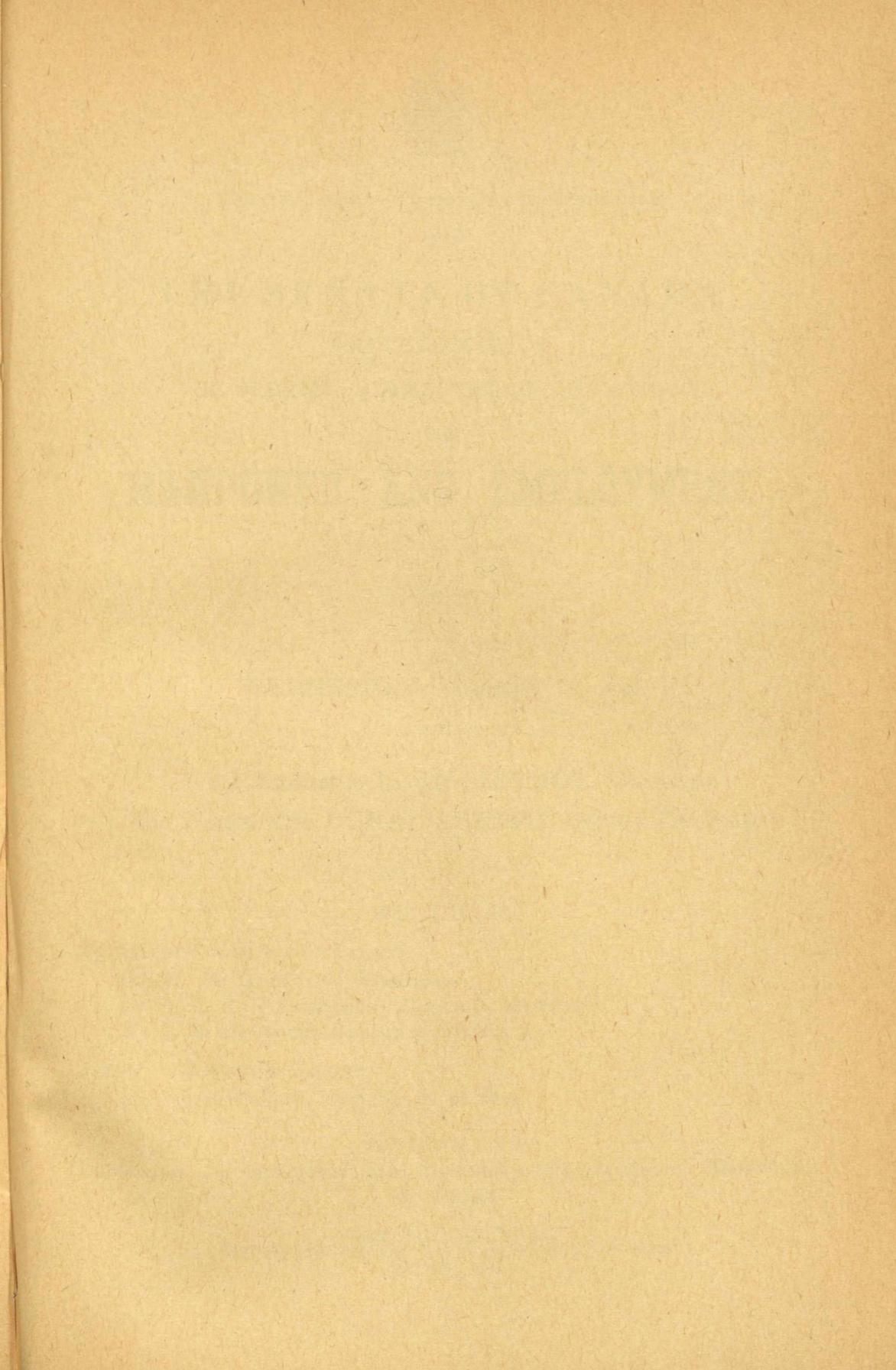
Senator LEONARD: Only in the form of buildings.

Mr. FORD: I am not familiar with the situation at Elliot Lake. Of course emergencies are sometimes met, but usually facilities are provided fairly close to where people live, in large centres of population.

Senator HORNER: Mr. Chairman, this has been an excellent brief, and in this instance we have had the pleasure of having the man present it who really knows something about the subject. I move a vote of thanks to him.

Senator HUGESSEN: I have much pleasure in supporting it.

The committee adjourned.





Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 21

WEDNESDAY, MARCH 22, 1961

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Agricultural Institute of Canada

Dr. W. M. Drummond, Chairman.

Dr. J. E. R. Greenshields, Honorary Secretary.

Mr. J. E. McCannel, Executive Secretary.

School of Economic Science

Mr. Harry Pollard, Director of Studies.

APPENDIX

Submission by Machinery and Equipment Manufacturers' Association
of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman.*

The Honourable Donald Smith, *Deputy Chairman.*

The Honourable Senators

Blois	Higgins	Monette
Bouffard	Hnatyshyn	Pratt
Brunt	Horner	Reid
Buchanan	Hugessen	Roebuck
Burchill	Inman	Smith (<i>Queens-</i> <i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape</i> <i>Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig		

(Quorum 9)

WITNESSES:

Mr. Harry Pollard, Director of Studies,
School of Economic Science
Mr. J. E. McCannell, Executive Secretary,
Dr. J. E. R. Greenfield, Honorary Secretary,
Dr. W. M. Drummond, Chairman,
Agricultural Institute of Canada

APPENDIX

Submission by Machinery and Equipment Manufacturers' Association of Canada

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Asetline moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said committee be composed of the Honourable Senator Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, Macdonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vailancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—

Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

SPECIAL COMMITTEE ON MANPOWER

WEDNESDAY, March 22, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators Methot, *Chairman*, Buchanan, Burchill, Cameron, Croll, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Macdonald (*Cape Breton*), Pratt, Roebuck, Smith (*Queens-Shelburne*), Vailancourt and Wilson—18.

The Honourable Senator Croll moved, seconded by the Honourable Senator Smith (*Queens-Shelburne*), that Mr. James E. Coyne, Governor of the Bank of Canada, be requested to appear before the Committee.

After discussion, the said motion was adopted.

The following were heard:

For Agricultural Institute of Canada:

Dr. W. M. Drummond, *Chairman*, A.I.C., and Economic Advisor, Agricultural Stabilization Board, Canada Dept. of Agriculture.

Dr. J. E. R. Greenshields, *Honorary Secretary*, A.I.C., and Associate Director of Program (Crops), Research Branch, Canada Dept. of Agriculture.

Mr. J. E. McCannel, *Executive Secretary*, A.I.C.

For School of Economic Science:

Mr. Harry Pollard, *Director of Studies*.

On Motion of the Honourable Senator Smith (*Queens-Shelburne*), a submission from the Machinery and Equipment Manufacturers' Association of Canada was ordered to be printed as an appendix to these proceedings.

At 12.30 p.m. the Committee adjourned until tomorrow, Thursday, March 23rd, at 9.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

OTTAWA, Wednesday, March 22, 1961.

EVIDENCE

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. Leon Methot in the Chair.

The CHAIRMAN: We have a quorum, so I think we can proceed.

Senator CROLL: Mr. Chairman, before proceeding with the hearing this morning, I wish to present something to the committee. We are now reaching the end of our hearings; we have this meeting this morning, and there will be another tomorrow morning. I think it is well at this time to make an examination of what has been done. The staff studies by our own group have been appreciated by this committee as very good and have been valuable. It has been indicated that we have concluded our organizational briefs, which have been good, but somewhat inconclusive for they have not come up with too many solutions. They have been more concerned and involved with problems which affect their respective trades and callings, and have seen things from their own point of view. I think we have now to turn to others who are knowledgeable, competent and who have a sense of responsibility, who can give us the over all picture. If we do not do that our study will be incomplete and inconclusive and we will have failed in our mission. The public expects us to call before the committee anyone or any group of persons who can assist us in our present very difficult plight. The latest reports indicate that unemployment in this country is still growing. One such person is the Governor of the Bank of Canada. From his public utterances it would appear that he has some solutions that have not yet been advanced or fully examined by anyone. He should be given an opportunity to explain the policies he advocates, the pitfalls that are to be avoided, in a language we can understand. We owe it to him and to ourselves to hear him; I feel it is our responsibility. If we do not, we shall have failed in our first step. I therefore move, seconded by Senator Smith (*Queens Shelburne*) that the Committee on Manpower and Employment requests the Governor of the Bank of Canada to appear before it at its sittings on Thursday, March 23 next, for the purpose of hearing his views on the ways and means of mitigating fluctuations in employment.

Senator SMITH (*Queens-Shelburne*): I second the motion, Mr. Chairman. May I add something to what has already been said? I do not think it requires any argument to have the committee accept that suggestion. One of the most important papers we had presented to us was by a very well known and highly respected gentleman, Professor William C. Hood of the University of Toronto. He presented us with arguments to support conclusions which appeared to some of us to be diametrically opposed to other views expressed in public and those views have been expressed very forcibly in the past few years by Mr. Coyne himself. I want to remind this committee that the opinion of Professor Hood was that foreign ownership of resource and manufacturing industries is in no way responsible for the slower rate of demand for Canadian output. I quote this from notes of his summary. He thought, for example, that import of

capital during the boom period following 1952 lessened the degree of inflation, and therefore was a good rather than a bad thing. There are other items like that which I could select from his paper. It strikes me that we should get some kind of balance between these two schools of thought in order to put us in a position to draw the conclusions that are the best conclusions we can draw, and if Mr. Coyne finds it possible on rather short notice to appear before us, I think we should certainly hear him. I know we want to conclude the hearings as soon as possible, to clear the agenda and get a report out, and I thought it might be helpful in order to get a more complete picture if his views were presented before the full committee for their approval.

The CHAIRMAN: Have you conferred with the Governor of the Bank of Canada?

Senator CROLL: In my motion I used the word "request". I did not say I had spoken to him.

The CHAIRMAN: I do not think it would be possible to have him here on only one day's notice, though.

Senator CROLL: I stated a date, but it is up to the Chair to arrange an appropriate time. If not now, after the Easter recess. That is for the Chair to arrange.

Senator HORNER: I doubt very much if he will be able to help in committee at all. We have read his speeches. Bankers are something like the economists. If I could find two or three of them who agreed I would be more satisfied to follow them.

The CHAIRMAN: Has anyone anything more to say about the motion?

Senator ROEBUCK: I am in favour of it.

Senator CAMERON: I think we should also invite Professor Clarence L. Barber, of the Department of Political Economy, University of Manitoba, who has some definite ideas on this subject and seems to be in disagreement with Mr. Cyne. This is a matter to which the committee might give some consideration.

The CHAIRMAN: Is the motion carried?

Some Hon. SENATORS: Carried.

The CHAIRMAN: We have with us this morning Dr. W. M. Drummond of the Department of Agriculture, who will present his associates to you.

Dr. W. M. Drummond, Economic Adviser, Agricultural Stabilization Board: Honourable senators, I should like first to introduce my colleagues on this representation. Mr. W. D. Porter, Assistant Director, Agricultural Division, Dominion Bureau of Statistics, and at the present time Director and Executive Member of the Agricultural Institute of Canada.

Dr. J. E. R. Greenshields, Associate Director of Program (Crops), Research Branch of Canada, Department of Agriculture; Dr. Greenshields is also serving as Honorary Secretary of the Agricultural Institute of Canada.

Mr. J. E. McCannel, Executive Secretary of the Agricultural Institute of Canada.

Senator BURCHILL: Mr. Chairman, could the witness tell us one or two things about the Agricultural Institute of Canada? Is it a voluntary organization, how old is it and so on?

Senator ROEBUCK: How many members does it have?

Dr. DRUMMOND: My introductory remarks will, I think, explain that.

Mr. Chairman and honourable senators, this brief is being presented to you by a committee representing the Agricultural Institute of Canada. For the benefit of those of you who may not be completely conversant with the

history, the present status and the specific functions of the Institute, we may say that it is the over-all official organization and spokesman of the professional workers in the agricultural field of this country. It was first organized shortly after World War I under the name of the Canadian Society of Technical Agriculturists, a title which was retained until 1945 when the present one was substituted. The Institute operates in all parts of Canada there being no less than 32 local branches at the present time. The central headquarters has always been located here in Ottawa. The various locals hold regular meetings throughout the year while the annual convention of the Institute provides an excellent opportunity for consideration of matters of general concern to the entire membership.

Senator ROEBUCK: Do I understand by changing the name you have changed the purpose of the Institute in any way? It was known as the Canadian Society of Technical Agriculturalists. Are you still technical agriculturists?

Dr. DRUMMOND: I should say so, Senator Roebuck. I think my colleague Mr. McCannel, the Executive Secretary, will be able to inform you in more detail on that point. As I recall, the main aim in changing the name was to give it a more respectable handle, as it were.

We should probably also mention the fact that the various societies which are concerned with specific aspects of scientific agriculture are affiliated with the Institute. We are referring to such bodies as the Agricultural Pesticide Technical Society, Canadian Agricultural Economics Society, Canadian Society of Agricultural Engineering, Canadian Phytopathological Society, Canadian Society of Agronomy, Canadian Society of Animal Production, Canadian Society for Horticultural Science, Canadian Society of Soil Science and the Canadian Society of Rural Extension. From this list it will be obvious that the tasks of our present-day agricultural scientists are both varied and numerous.

A major function of the Institute is the publication of several periodicals. At the present time three scientific journals, the Canadian Journal of Plant Science, Canadian Journal of Animal Science and Canadian Journal of Soil Science, publish the purely scientific results of research while the broader trends of social and scientific developments relating to agriculture are dealt with in relatively non-technical language in the Agricultural Institute Review. It might be added that just over 3,000 of the professional agricultural workers in Canada today are members of the Institute. Should any of you honourable gentlemen desire further details regarding the Institute and its program of work, Mr. McCannel, the Executive Secretary who is present today, will be very pleased to supply them.

Before proceeding further we should like to make it clear that the purpose of this brief is to present for your information and consideration certain facts relating to that particular segment of the Canadian labour force which is concerned with the discovery and practical application of more scientific and economic ways of producing, marketing and distributing agricultural products. We are not dealing here with the farm labour situation as it relates to farm labour generally. We understand that the Canadian Federation of Agriculture and possibly other bodies have already made a detailed presentation to your committee with respect to the general farm labour force and related problems.

In connection with professional or scientific agriculturists there are two things which we wish to emphasize. The first relates to the present and prospective demand for workers in this special category. The second relates to the ability to maintain a sufficient supply of these workers.

In connection with the demand aspect, the first thing to note is that the demand for professional agriculturists tends to increase as the business of producing and marketing agricultural commodities becomes more scientific and indirect and as a rising standard of living results in more and more services of

various kinds being supplied to consumers along with the food proper. It must also be realized that the increasingly scientific and roundabout nature of the industry is the inevitable result of the general drive after ever greater efficiency.

Honourable senators are well aware that at an earlier period of this country's development the great majority of our people were engaged in agriculture and that farming accounted for most of our economic activity. As time went on, however, more efficient ways of producing farm products were developed and applied. As this happened fewer people were needed to operate the farms and those not required were left free to enter other occupations. The general result has been the gradual development of the widely-diversified, highly specialized exchange economy which exists today. It should never be forgotten that our present many-sided exchange system and the high standard of living which emanates from it could never have developed if scientific workers had not been able to find ways and means of producing farm products more efficiently.

If further appreciation of how and why the demand for scientific agriculturists is increasing is desired, one need only note how the very nature of agriculture is changing. It is common knowledge that farming is becoming increasingly commercialized, increasingly specialized, increasingly mechanized, more highly capitalized, more intensive and more keenly competitive. A more commercialized agriculture means increased farmer requirements for price and market information and development of physical equipment and a procedural technique specially designed for each of the many types of farming. More mechanization means steady improvement of the kinds of machines already in use, development of machinery to perform functions not previously mechanized, and an increasing need for providing mechanical instruction to those who have to operate the mechanical equipment. A more highly capitalized agriculture means more scientific planning on the part of both the suppliers and the users of capital as well as a need for special legal or other assistance in connection with the transference of farms from one generation to another. More intensive farming means that the number of productive factors being combined is increasing and that it is necessary to know the physical, economic and sociological results of combining this larger number of agents both quantitatively and qualitatively.

What is true of the production area is equally true of the marketing sphere. As time passes it becomes necessary to discover and apply new methods of performing each and all of the functions which together make up the total marketing job. The reduction of marketing costs in general, the maintenance and improvement of quality, the development of new food products, the perfecting of methods and facilities for transporting, grading, storing, processing and preserving which will achieve the three-fold objective of reducing costs, improving quality and providing greater variety,—these and many other desirable results can only be achieved if there is a very steadily increasing number of well trained scientists.

We may give some idea of the nature and extent of the demand for scientifically trained agricultural workers by noting the broad areas or fields in which they find employment. Generally speaking these areas include agricultural research, agricultural extension, agricultural education, agricultural services, agricultural conservation, agricultural communications, agricultural industry, agricultural business and actual operation of farms either as owners or hired managers. While this grouping serves to indicate the wide variation in both the employment and the employers, it tends to indicate a degree of separation which does not always exist. Agricultural research, for example, is undertaken by industrial and commercial concerns as well as by government agencies and educational institutions.

Fundamental and applied research in natural and social sciences on problems relating to agriculture is done by the Canada Department of Agriculture, the provincial departments of agriculture, the National Research Council, provincial

research councils, colleges and universities, foundations and by a steadily growing list of industrial and commercial firms. The research results are disseminated by agricultural colleges, provincial and federal departments of agriculture and by the other agencies which engage in research. Scientific agricultural education is provided by the colleges and universities, agricultural vocational schools, high schools, international agencies such as F.A.O., and by means of innumerable special conferences, short courses, etc. Laboratory and field work relating to the conservation of soil, water, forest, fish and wildlife resources is undertaken by all three levels of government. Advisory, regulatory and promotional services are provided by municipalities, by provincial and federal governments and by business concerns. Industries which employ agricultural graduates to do research and to provide management and sales service include those manufacturing machinery and equipment, food processors, grain and seed processors, fertilizer manufacturers, manufacturers of agricultural chemicals, pesticides and herbicides, feed manufacturers, meat packers, producers of fats and oils and many others. Similarly, commercial agencies which require people with scientific training in agriculture include the commercial banks, the government farm lending agencies, insurance companies, co-operatives and agricultural marketing boards, the many marketing firms, the agencies providing land appraisal services, farm management services, storage and warehousing services, transportation services and many others. In the agricultural communications field people with special agricultural knowledge are required to edit and write articles for the farm press, to make agricultural films, to provide radio and television programs relating to agriculture, to prepare and supervise agricultural exhibits, to conduct agricultural promotional programs, etc.

While the present demand for professional agriculturists is both large and widely varied, there is every indication that the demand will expand as time goes on. The demand seems likely to increase for three reasons. There is little doubt that the production and marketing of farm and food products will become even more commercialized than at present. As this happens and as the farms become fewer and larger, the competition among farmers will increase in intensity. And success in this competition will tend to vary directly with the ability to obtain and apply the very latest in the way of scientific information. In the second place demand will increase due to the very fact that general economic development is taking place and that increases in the average income of Canadians may be expected to result in consumers demanding still further attention to such things as quality, convenience foods and increased marketing services. To the extent that this happens the demand for those capable of providing these things will naturally increase. Finally it seems fairly obvious that many more people with a wide variety of specialized knowledge concerning things agricultural will be needed if we are to make significant progress in solving or ameliorating the special problems of that large number of Canadian farmers who are in the low-income category whether because of inferior or insufficient land, insufficient capital and managerial resources or for other reasons. If a really serious attempt is to be made to implement the sort of program envisioned by those responsible for the recently introduced rural development and rehabilitation legislation, it will certainly be necessary to enlist the services of large numbers of professional agricultural workers.

In addition to the foregoing, we would suggest that more workers with the best possible training will be needed if the agriculture of this country is to maintain a satisfactory competitive position vis-a-vis other countries. Expanded scientific efforts will be needed in this country if only because similar efforts are certain to be made elsewhere. In a competitive, dynamic and increasingly scientific world such as ours, Canada cannot possibly refrain from expanding her scientific agricultural endeavours. Such a program is an integral part of the kind of drive which the incoming productivity council is expected to foster.

Everything said thus far refers only to the purely domestic or Canadian demand for agricultural scientists. We suggest that, quite apart from and in addition to our own requirements, there is now and is certain to be in future a virtually unlimited demand for this class of worker in connection with the various programs designed to improve the methods of producing and marketing farm products in the underdeveloped regions of the world. It is common knowledge that a very large percentage of all the people in the world are at present underfed. They are in this underfed condition simply because they are unable to produce enough food or enough other goods which they can exchange for food. This being the case it follows that the gap between the food requirements of underdeveloped areas and their ability to produce or buy food can only be closed to the extent that their agricultural and/or industrial methods can be improved. In making this statement we are fully aware that giveaway programs can minimize food shortages to a certain extent. It is our feeling, however, that surplus disposal programs cannot possibly do more than relieve temporary and more or less emergency situation, and that any really large scale operations of this kind cannot prove acceptable over any considerable period to either the taxpayers in the surplus-producing countries or the people in the receiving countries. Any really significant and permanent improvement can only occur as the underfed regions, become more able to produce or buy additional food themselves. Recent experience makes it very obvious, however, that a major prerequisite of any worthwhile improvement in the structural organization and technical methods of agriculture in these areas is large scale technical assistance from more advanced nations like Canada. Honourable senators will probably agree that it is most desirable on general economic and political as well as on humanitarian grounds that nutritional and general living standards in underdeveloped areas be raised both as much and as soon as possible. If there is general agreement in this regard and if we are genuinely concerned about this matter, it would seem that we cannot consistently refrain from providing as many people with technical agricultural "know-how" as we possibly can. It is obvious, however, that we can only do this to the extent that the supply of agricultural scientists in this country permits.

The Problem of Meeting the Requirements for Professional Agriculturists

While the demand for agricultural scientists has been increasing and seems likely to continue expanding, the best available evidence indicates that the supply is not keeping pace with the demand. Surveys made by the Economics and Research Branch of the Department of Labour indicated a continuous increase in the requirements for agricultural graduates. Some 5.9 per cent more agricultural scientists were employed in 1957 than in 1956 while a survey covering the years 1958, 1959 and 1960 showed that an annual increase of 5 per cent in the number employed was expected during this three-year period. The same surveys showed that 14.5 per cent of the employers of these scientists had difficulty in hiring in 1956-57 while about 12 per cent expected to have difficulties during the 1958-60 period. It is significant that the difficulties experienced by colleges and universities and by government agencies were far greater than those encountered by the industrial employers. The above figures refer, of course, to the demand situation in Canada alone.

Further evidence that the supply of agricultural scientists has tended to lag behind demand in recent years is supplied by a report prepared in 1958 by a special committee appointed by the Agricultural Institute of Canada to investigate the situation in respect of student enrolment in Canadian colleges and universities. The committee's report showed that while there has been a small increase in the absolute number enrolled in agriculture over the years, the percentage of all students who enrolled in agriculture was only about

half as large in 1958 as it was in 1940. The steady decrease in the percentage since 1940 is in marked contrast to the percentages enrolled in Commerce, Engineering, Education and some other major fields. The same investigation showed only a slight increase in the number of students in the graduating year in our agricultural colleges during the five years 1953-57 inclusive. Indeed the number in the four western universities actually declined during this period.

This decline in the number and percent of students enrolling in agriculture is probably due to several things. Without doubt the fact that so much of the post-war economic expansion has been non-agricultural in character has induced large numbers of students to favour courses such as commerce and engineering rather than agriculture. In the second place, the very fact that agriculture has tended to represent a steadily smaller part of the total economic activity of the country has probably had its effect. Students may not have wanted to become associated with an industry which was destined to assume a relatively smaller place in the general scheme of things. There is also the very real possibility that many students have simply not been able to appreciate the real potentialities of professional agriculture as an occupation.

It would also appear that far less financial assistance in the form of scholarships and loans of various sorts has been available to students in agriculture than those taking many other courses. Still another and probably quite important factor has been the traditional tendency to pay relatively low salaries to agricultural graduates and to agricultural students during summer employment periods.

Senator ROEBUCK: Now you have put your finger on it. They don't pay large enough salaries to get good men.

Dr. DRUMMOND: I think you are quite right, senator. Then again, it must be realized that our agricultural population has been decreasing **absolutely** as well as **relatively** during the past twenty years. And while students who elect to specialize in agriculture do not all come from farms, the fact remains that the farm population is the most natural source from which such students may be expected to come. Finally, there is reason to believe that many students who were particularly interested in obtaining a thoroughgoing training in fundamental science have deliberately avoided the agricultural training program on the ground that it tended to place too much emphasis on the purely operational or practical aspect of agriculture as distinct from the purely academic and scientific aspect. Those who have looked upon the college agricultural program in this light have tended to regard a degree in agriculture as representing considerably less in the way of higher educational achievement than a degree obtained in some other fields. And while it can be justly claimed that any justification which may have existed for this attitude toward agricultural training and the agricultural degree has been largely removed by the staff and curriculum changes of more recent years, there can be little doubt that the attitude itself still exists to a considerable degree.

The financial requirements of our agricultural colleges deserve special mention. The operation of an agricultural faculty, with the extensive experimental and research facilities it must maintain is inordinately costly in comparison with many other faculties. Adequate facilities for conducting fundamental research work are essential for the development of productive and imaginative agricultural scientists. A program of Federal assistance in the agricultural sciences comparable to the Canada Council for the arts and the National Research Council for the physical, biological and medical sciences does not exist. In agriculture, a major part of the fundamental research is carried on by the Canada Department of Agriculture in its own laboratories across Canada. Assistance from this department for fundamental research in the universities

is at a minimum. This situation is by no means comparable in other fields such as medicine, physics and chemistry where, in addition to the National Research Council, significant financial assistance for research is given to the universities by such Federal agencies as the Department of National Health and Welfare and the Defence Research Board. The undesirable results of this situation for our agricultural faculties whereby they are seriously restricted in their ability to perform adequate research, are that the best qualified potential academic staff are not attracted to work in this environment and the number of well-trained research graduates is seriously reduced both in terms of quality and quantity.

From all the foregoing your committee will have surmised that we are primarily concerned about the apparent fact that the future supply of scientifically trained agricultural workers may not be sufficient to meet the requirements both at home and abroad. Indeed it is our considered view that, unless there is an early and pronounced reversal of the trend of recent years, the supply will fall very far short of meeting the demand. In view of this prospect, it is our hope that your committee will consider this matter to the end that ways and means may be found of increasing the supply of suitably trained workers in this field. We may say that the Agricultural Institute which we represent today has been very much aware of this problem and, in recent years, has made serious concrete efforts to do something about it. It has, for example, made a special study of the student enrolment situation as already mentioned. It has been also instrumental in raising over \$50,000 since 1956 from its own members and business concerns with an interest in agriculture to provide a limited number of scholarships for postgraduate study in agriculture. The Institute has also given increased publicity to agricultural courses and the advantages and opportunities for higher agricultural education. In this connection it has published a special A.I.C. booklet entitled "Careers in Agriculture".

In considering what might be done to improve this situation, we believe that action should be taken to:—

- (1) increase the number and value of scholarships and bursaries which are offered to really promising high school students who undertake university training in agriculture.
- (2) take special measures to acquaint potential college students with the nature of the opportunities being offered to agricultural graduates and also with the facts concerning the financial assistance available to students in agriculture.
- (3) carefully examine and modify the policies of the Government of Canada with a view to enabling the universities to undertake an expanded program of fundamental agricultural research.
- (4) do everything possible to maintain and improve the standard of work performed by both staff and students in institutions of higher agricultural education so as to raise the prestige of the agricultural profession and degree in the eyes of potential students and the general public.

In closing we wish to thank you Mr. Chairman, for giving us the opportunity to present this brief. We trust that the statements made and views expressed will serve to better acquaint the members of your committee with a situation which has seemed to us sufficiently important to warrant their serious consideration. We are pleased to extend to your Committee any of the services of the Institute that may be of value in your future deliberations.

Senator HORNER: Mr. Chairman, this brief is fine from an agricultural scientist's point of view but this is a committee on manpower and what we are anxious to get, and what we have failed to receive from anyone, is any suggestion as to how to bring about more employment. I have had long years

of experience in farming in both Quebec and Saskatchewan. We had a famous man out there, Dr. Sigler Wheeler, a farmer homesteader. No doubt you have heard of him. Anyway, he did more than perhaps any university man to increase production and to develop grain suitable to our part of the country. I remember one occasion when rust hit the crops. Well, I got four or five binders out and I did what I thought was the only thing to do, and that was to cut the crop down as rust was destroying the grain. However, word came out from the University of Saskatchewan not to cut it down but to leave it stand. Some practical farmers did not listen to the university and went ahead and cut their crop as fast as they could. All my life I regretted to see students graduating from the university and, instead of coming back and conducting their own farm on a scientific basis, they sought employment elsewhere and they immediately developed into men who wanted to tell the farmer how to farm. We hear a lot of talk today about mechanization of the farms and much of that has taken place to the detriment of the farmers and for the benefit of the farming machinery companies who have loaded up farmers with machinery not economic for the type of farm they operate. Thousands of farms in Canada today would be much better off using horses than farm machinery. I expected that in your brief you would have said something about the glowing picture of life on the farm and encourage people to go back and stay on the farm. If that was done it would create employment. However, no mention was made of that and it appears that I am left alone apparently to depict farming as the ideal life. In your brief you call for higher education, you call for higher pay for agricultural scientists, but who is going to support all that? What we need in this country are people capable of going back and making a living on all this vacant land in Canada and making a real home there. No city life can equal it for raising a family and that sort of thing. But give me the practical farmer who has gained his knowledge by experience and he will come out on top any old time.

Senator CAMERON: Mr. Chairman, I would like to suggest to Senator Horner that if it had not been for agricultural scientists he would not have had any wheat to cut.

Senator HORNER: That's not quite right.

Senator HNATYSHYN: Could any of you gentlemen give an estimate of the number of students, not necessarily students taking degree courses but short-term cultural courses and even vocational courses in agricultural subjects throughout Canada?

Mr. McCANNEL: I am afraid, senator, it would be a guess. I have not the figures with me but I would estimate there would be roughly in the neighbourhood of 500 to 600 across the country in the diploma courses, i.e. below degree courses. Those boys are studying for one or two years in agricultural schools either associated with or not associated with a degree granting college.

Senator HNATYSHYN: Is there not the possibility of a tremendous increase in farm boys taking those courses. Your brief has outlined that there is a demand for trained agriculturalists in various fields.

Mr. McCANNEL: Yes, but I think the case that is made in the brief is more for the men with a degree than with the type of boy I am talking about. I think there is also a case to be made for more training in these diploma courses because the boys who are going to stay on the farm are under great pressure to improve their own educational standards in order to carry on farming today.

Senator CROLL: You say in your brief that a survey showed that 14.5 per cent of the employers had difficulty hiring in 1956-57, and you think that 12 per cent are expected to have difficulty in 1958-60. What does that represent in bodies?

Dr. DRUMMOND: The number of people?

Senator CROLL: Yes, the number.

Dr. DRUMMOND: I do not know whether any of our people here can give the approximate number of bodies but I can estimate that.

Senator CROLL: Go ahead.

Dr. DRUMMOND: I would think that the total number of people graduating in any one year would be in that particular year 246 people across Canada.

Senator CROLL: What particular year?

Dr. DRUMMOND: 1956-57, 246, and 14.5 per cent of employers had difficulty in hiring in that year.

Senator CROLL: What about 1958-1960?

Dr. DRUMMOND: 1957-58, the number graduating was 259; in 1958-59, 302; in 1959-60, 280.

Senator CROLL: So there was a drop of almost 40 students between 1960 and 1959?

Dr. DRUMMOND: Yes.

Senator CROLL: We are talking about graduates, aren't we?

Dr. DRUMMOND: Yes.

Senator CROLL: How do you explain that, in view of the employment possibilities that there are with a particular appeal to the farm boys? How do you explain that when the need is there?

Mr. MCCANNEL: I think, Senator Croll, the explanation lies in the fact that the numbers quoted for 1959-60 represent freshmen in 1954, and this was the real top in freshmen enrolment in agricultural colleges. There was a large increase after the war up to 1951 and then it dipped down to about 1954. Since then it has been picking up, not dramatically but steadily.

Senator CROLL: By the way this is a very frank brief and you certainly made your confession this morning before us. But how do wages compare for these people with others having a comparable degree?

Mr. MCCANNEL: If you take the civil service as an example and if you analyse the classifications and the salary classes for various professional groups you will find that those with agricultural degrees theoretically receive the same treatment as do engineers, chemists and lawyers and other professionals.

Senator CROLL: In the civil service?

Mr. MCCANNEL: Yes, but when you analyse beneath the surface and find out what goes on in these classifications you will find the standard administering the advancement of people is highly variable, and this is where we quarrel, because the Government of Canada is the major employer of professional agriculturalists and they are in a position to call the tune pretty well and we have proven conclusively time and again that their administration for advancement out of these classes within the Government is not uniform. In other words, it will not take an engineer as long to get to a certain level as it will a man that has the same or better qualifications in agricultural training. This is a question we are continually discussing and negotiating with the appropriate people. This reflects itself all the way down the line, because the federal Government is the largest single employer and the standard that it sets is always one that has to be considered.

Senator CROLL: The Department of Agriculture over the years has been aware of that, and must have been aware of that. You brought it to their attention many times, and I cannot understand the discrimination between the two, particularly when the Department of Agriculture has as its purpose and objective to improve the agricultural facilities and opportunities in this country, and I think they do it.

Senator BURCHILL: I want to congratulate Dr. Drummond. I think this is one of the best papers we have had presented to us. I do not agree with my friend Senator Horner in his attitude at all, speaking as one from our community in the maritime provinces. I do agree with Senator Horner sometimes but—

Senator HORNER: I think we would be dull people if everyone agreed.

Senator BURCHILL: But I don't agree with you this morning. The first farmer we sent to an agricultural college in our community many years ago went to Truro, and when he came back he not only improved his own farm to a remarkable extent but did an immeasurable amount of good to the whole community among his neighbours, teaching them the better methods of agricultural improvement.

Senator HIGGINS: He worked his own farm, did he not?

Senator BURCHILL: I think we should do everything possible to induce people to go back to the farm, and to induce those who are out of work to choose agricultural pursuits. I think we have to adopt these methods in order to do that. It is all right to make the farm a happy place to live on and to paint a picture of good living, and all that sort of thing—that is fine, but you have got to have this program along with it. I think we have gone crazy here in Canada in the past ten years in our industrial development, and so on, and have forgotten the foundation of the country, which is agriculture. The fact that we are not paying the salaries that should be paid is due to the fact that these other industries are paying engineers, for instance, higher salaries than can be obtained in agriculture, and the departments here have to compete with industry or these people will step out and go into industry. I think we have to exalt agriculture in this country and face up to the fact of its importance, because it is the basis of the prosperity of Canada. The land and forests of Canada are the foundation of her wealth. We have just gone wild over secondary industries; that is my view.

Senator CROLL: Am I right in concluding that your quarrel, Mr. McCannel, is with the Civil Service on the question of salaries? If I am wrong, just tell me.

Mr. McCANNEL: Perhaps it is oversimplifying to say this is our quarrel in that sense, because the Civil Service can always answer that, using the argument that with the salaries they offer they have been able to fill positions, but we are concerned because this has not given enough stimulus to students to study agriculture and to come along in adequate numbers to meet the situation we have outlined here. Sure they have been able to fill positions, but they have secured a good many people who are likely to be attracted by industry.

Senator HORNER: Mr. Chairman, when I was a young man it never entered my head that the Government should in any way be responsible for finding me a job. I felt that that was entirely my responsibility. It appears that we have got away from that idea. A farmer with sons on his farm cannot expect his boys to work away all week and all weekend, while the men in the city work five days a week and go up to the lake on holidays for the weekend. That has affected life on the farm considerably. The importation of vegetable oil, and margarine, have also hit agriculture. I should like to hear a point of view about the difference in hours worked on the farm and in the city. One reads the newspapers and how the people in the cities want to go greater distances than they used to in order to get a holiday weekend, and many of them drive to their death by trying to rush back home 75 or 100 miles in time for work on Monday. Now they are talking of reducing the five day week

to a four day week, of 38 hours. How can the economy of the country stand this, while others work 10 hours a day 6 days a week in other countries?

Dr. DRUMMOND: These are truly fundamental issues, Senator Horner. I question very much, however, whether we who are representing this institute today are expected to pass judgment on the philosophy of life of the people of Canada, and whether we are expected to define and advocate a particular brand of standard of living.

Senator PRATT: Can you tell us if the results of research laboratory work and methods as applied to agriculture, and the methods that have been devised for processing, and so forth, are freely accessible to industry here? I am thinking now in terms of industry generally through research, patent rights, and so on, limited to certain firms and places, and so on. In agriculture, it is pretty well on an across-the-board basis, is it not?

Dr. DRUMMOND: That is a very worth while point, senator. I think Dr. Greenshields can answer this particular question better than I can, because I am a bit out of date on this particular aspect, but offhand I would say that Canada, and perhaps this is the outstanding example, has managed to get a great deal in the way of our so-called technical information as a result of research done across the line. We have been able to import a great many ideas from elsewhere. That works both ways, of course, and as I indicated here, a very large part of the world today, as we all know, is what we call underdeveloped. They have almost a complete lack in many cases of research and extension facilities and of people who are in any worthwhile sense technically trained in agriculture. I think we all know that in most of these cases the fact that they are still called "underdeveloped countries" means that the great majority of the people in those countries are completely dependent on agriculture for their very existence.

Therefore, it seems to me that we have to think not only of the possibility, and it is a very real one, of getting research results which have been developed in the more developed countries, bring them into Canada and use them here. We have also to think of developing results here and taking them to these other areas.

Senator PRATT: Mr. Chairman, may I ask a question? As we all know, agricultural research and development programs are relatively small and spread out across the country. What means is there for disseminating information that is obtained and spreading it abroad throughout the world, as well as putting it to use among our own farmers? What agency or organization within the field of agriculture is responsible for the disseminating of information?

Dr. DRUMMOND: Perhaps Dr. Greenshields would like to comment on that question.

Dr. GREENSHIELDS: First, may I give an example which is in part an answer to the question. Dr. Asselberg, as you may have recently read in the press, has developed a process for making potato flakes. This will start a new industry in Canada for the use of potatoes, and it will help the farmers and industry generally. This is an example of how research is applied and how the results get out and are put to use.

We are working on applied problems, and as you say, we are spread all across the country. This of course is a necessity in agriculture, because the problems differ from one location to another. The scientists do the work, they publish articles on their work, and then there are agricultural representatives at the provincial level who are also trained men, who take the results and see that they get out to the public. Furthermore, we are all available to assist in spreading the results of research in any way we can,

by making speeches or giving publicity in other ways such as press releases, and so on. We are very much aware that our results must get out.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, may I ask where are these potato people who produce mashed or flaked potatoes which our wives now have on their pantry shelves?

Dr. DRUMMOND: These are put out by Salada-Shirriff-Horsey.

Senator SMITH: What is new about the process?

Senator HAIG: Mr. Chairman, may I interrupt to ask a question? I want these men to tell me just one graduate in agriculture from the University of Manitoba who has amounted to anything. I can tell you ten to one in other professions who have amounted to a great deal. I was born on a farm—I was not brought up in a store—in the province of Ontario, on the lakeshore. There used to be 150 acres to the farm, but the lake stole 50 acres of it. My father left there and homesteaded in Manitoba. Let me tell you this story briefly.

I was the eldest son, and my mother used to send me to the village two and a half miles away on horseback to sell butter rolls at from 15 to 18 cents a pound and three dozen eggs. From the proceeds I bought tea, icing sugar and salt, and I tried to save 20 cents, 10 of which my mother gave to the church and 10 was for me to spend on candy for the rest of the family. Now, of all the boys and girls who went through that little school and went to university, not one of them in the whole municipal district ever went back into agriculture. They all went into such professions as medicine, law, pharmacy, industry or something of that kind, and with few exceptions they are all successful in their fields. But of the fellows who went into agriculture, none have amounted to anything.

I can tell you of a man who sat in the House of Commons from Manitoba, and when he was beaten at the last election he found himself without a job. He was a graduate in agriculture in the province of Manitoba, and was a topper too.

The truth of the matter, as I see it, is that agriculture is not capable of doing what you men think it is. Maybe it ought to do it, but I don't think it is capable of doing it in competition with the other professions. We do not want to know what you can do to employ a few men here and there; we want to know where you can place 100,000 or 200,000 who are looking for jobs. We are failing dismally in our task of finding the answers to the overall unemployment problem.

Take the case of a young taxi driver, just 22 years old, who said to his boss, "I am quitting because my girl friend says that I must not work in the evening, that we must have time to go out together". That young man quit his job, and is now drawing unemployment insurance benefits.

That mentality exists all over the country, and we must try to drive home the necessity for stopping it.

Senator ROEBUCK: The necessity for stopping what, courting the girls at night? I think that is entirely reasonable.

Senator HAIG: My point is that when a young man gets a job he should stay with it and make some progress.

But to get back to the question: I could never find a graduate of agriculture from the University of Manitoba who ever amounted to a sixpence; but I can find many druggists, barristers, doctors and others in other professions who have done remarkably well.

Senator HORNER: I think my friend had better be careful in what he is saying; he is going a little far.

Senator HAIG: The distinguished senator from Saskatchewan did not tell you that two or three of his boys did not stay with farming. I will tell you

that those boys did make a success in the field in which they entered: one went into medicine and another into law. The one son who went to farming has been successful too, but he does not come within a mile of making the money the others do. That seems to be the outstanding thought in people's mind these days, to make money.

Senator ROEBUCK: Mr. Chairman, have we another brief?

The CHAIRMAN: Yes.

Senator ROEBUCK: Then let us get to it.

Senator PRATT: Mr. Chairman, may I just follow up the question I was asking with respect to the spreading of the results of research. Dr. Green-shields mentioned how publicity was given to these results and how the information was spread. May I ask this further question: what agency or what means is available for following up the results that have been spread about? Is there any close liaison between the research division in Canada and that in the United States?

Dr. DRUMMOND: I would say that relationships exist, but they are not relationships between an agency here and an agency there. The relationship is really between individuals here and individuals there. It is really the key research workers keeping in contact with people doing similar work elsewhere, plus, of course, scientific publications in each country. For example, there are all kinds of American agricultural technical journals that people in Canada regularly subscribe to, and by which they can keep up to date on developments over there, and vice versa.

Senator HUGESSEN: I do not think you have answered Senator Pratt's question. What Senator Pratt was asking, and what I want to know, is whether there is any international system whereby agricultural discoveries in one country are made available to other countries. I want to know whether the Food and Agricultural Organization of the United Nations does anything in this respect.

Dr. DRUMMOND: Yes, I was going to suggest that very thing.

Senator HUGESSEN: Would you tell us about that?

Dr. DRUMMOND: The Food and Agricultural Organization of the United Nations is, of course, concerned with this very thing. It is, first, developing research results, and then broadcasting them.

Senator HORNER: There was the case of Ethiopia.

Dr. DRUMMOND: Yes. I had the privilege of serving for eight or nine months in Korea on a special U.N. mission, which used a lot of these results.

The CHAIRMAN: Thank you very much, Dr. Drummond.

Senator CROLL: Although I am not an agriculturist may I say, on behalf of the committee, how much we appreciate the agricultural institute of Canada's coming here today with such a frank and excellent brief.

Senator ROEBUCK: I would like to add something to that. Senator Haig said: "Let us hear from the cities". I come from the city, but I spent my boyhood on a farm and I own a farm now, and I want to say that I have had the very greatest of co-operation from the agricultural experts. They have answered questions I have asked fully, intelligently and usefully.

It seems to me that our troubles stem from the fact that we are going through a transition period in agriculture. I have represented railway unions many times. The coming of the diesel has been a wonderful thing for the railways, but it has made the divisions all too short. Agriculture is in somewhat the same position. Farms are either too small, or the system of agriculture is not sufficiently intensive—one or the other—and I think that time is going to change this situation.

Your difficulties with the Civil Service, for instance, lie in the fact that you have not any other alternative proposition. That is why you are not paid as well in the Civil Service as some of these other men, such as engineers who can build a bridge or construct a railway, or do something else of that kind. They have an alternative proposition to go for, and, therefore, they get better wages than you do.

Time is going to cure this. The forces of competition and so on are going to change your situation, and, of course, the sooner it does the better I will be pleased. As I see it, your difficulty at the present moment on the farms, from the point of view of farm labour and skilled labour, is the lack of adequate wages.

Dr. DRUMMOND: Thank you, Senator.

Senator ROEBUCK: I wish to join with Senator Croll in thanking you for this brief.

Dr. DRUMMOND: Thank you. I might just say, Mr. Chairman, that I am in considerable sympathy with the sentiments expressed by Senator Horner. He may not fully appreciate this at the moment, but I happen to have been born and brought up on a farm not too far from where he was brought up, and I am familiar with the Pontiac area. I understand the kind of life on the farm he was talking about, and I appreciate the set of values he was talking about, but I also realize, whether it is good or bad, that we have chosen as a people to proceed, by our actions if not by our words, in a certain direction. All you have to do is to look at the census figures, and you will see that from 1881 down to the present the percentage of people on the farms of this country has become less and less as time has progressed. You may say that this should not have happened, but it did happen. It is part and parcel of our deliberate desire, apparently, to become more efficient, and to obtain this thing which we call a higher standard of living. It may be a mirage, but, nevertheless, it is what people are heading for.

Senator IRVINE: Do you think that mechanization has caused the greater percentage of our farmers to leave the land?

Dr. DRUMMOND: On that point, Senator, mechanization is a major factor. There is no question about that at all. I think it is a question of which came first—the hen or the egg. If you look at what has happened since World War II, for example, you will see that 40 per cent of the farm labour force has left agriculture in Canada. There are several reasons for this. As Senator Roebuck has said, there was presented an alternative opportunity for people to get work at good wages—wages which they never had the opportunity of earning before. Many left because of this. Many were induced to go. Many others were virtually forced to go because they could not stand the competitive pressure, and they could not meet the requirements of the new agriculture.

Here is another thing; many of the people who left were people who were hired workers on farms. Many were the farmers' sons and daughters, and many were the farmers themselves. They left, and as they left the supply of labour on the farms got small. As it got small naturally it became a scarce article, and farm wages went up. The practising farmer simply had to say: "How am I going to get my farm work done? Is there any other way in which I can get it done more cheaply than by hiring a man at this high wage rate?" Then, he thought of machinery, and he looked at the price of machines, and he said: "These are going up in price, but relative to the wage rate rise they are not going up as fast. Therefore, it is good economics for me to substitute a machine for a man". That is part and parcel of this whole thing.

The CHAIRMAN: Thank you very much, Dr. Drummond.

Hon. DONALD SMITH, Deputy Chairman, in the Chair.

The DEPUTY CHAIRMAN: Honourable senators, we have another brief, that on behalf of the School of Economic Science. This brief will be presented by Mr. Harry Pollard, the Director of Studies of that school. I introduce Mr. Pollard to you now.

Mr. Harry Pollard, Director of Studies, School of Economic Science: Mr. Chairman, the School of Economic Science is a non-profit, non-sectarian, non-political, educational institution. Extensions and sister schools are active in many countries of the world including the United States, the United Kingdom, Australia, New Zealand, Denmark, Spain, the Philippines and the Island of Formosa. Correspondence courses cover much of the rest of the free world.

The school believes that an informed citizenry offers the surest hope for the future of our country and of the world.

This brief is profoundly critical of many suggestions which have already been offered to this committee, and it may well be that I will tread on some toes during my reading of it.

You will find during my reading of the brief that I am somewhat anti-Keynes. However, there is a quotation with which I agree, and which I have taken from Roy Harrod's "Life of Keynes". It is as follows:

"There is no doubt that Keynes . . . thought that all was fair in argument, and that a man should not have a grievance if he were refuted without mercy . . . If sensitiveness was not in place in a game, still less was it so in the discussion of public affairs or economic problems."

The intention of this brief is to point to a basic cause of unemployment and offer suggestions for its elimination.

Many of the remedies for unemployment placed before the Committee have been like the ubiquitous cold remedies advertised so extensively on television. They make no claim to cure the ill: rather they concentrate on relieving the symptoms of the malaise. The problem remains and although symptoms may disappear, it is a temporary alleviation with a recurrence of the disease quickly in evidence.

The analogy can be carried further for just as there is no known remedy for the common cold so it is accepted that unemployment also will always be with us.

This view places severe restriction on any analysis of our sick economy for all attention is directed to the kind of "cold tablet" rather than to the disease itself. The acceptance of involuntary unemployment as a normal condition paralyzes enquiry into its cause.

Suggested remedies:

Among the "cold tablets" already suggested are the following: winter works programmes; construction incentives; tax "breaks"; tariff and quota restriction; and the training of the unskilled.

Winter-works programmes do nothing to solve unemployment. They are a variation of the Community Chest. Winter works allow politicians to warm glow of charitable giving. To be charitable with other people's money enhances the altruism while reducing the pain. The "deserving" unemployed do not want hand-outs—they want the right to earn their keep.

Construction incentives include direct loans, lowered down payments, longer mortgages, low-rental housing, "un-noticed" illegal second and third mortgages and similar schemes.

These policies share a common inability to repeat a success. They sometimes show good results for a short while but then they become ineffective.

Tax "breaks" show similar characteristics, for the advantage gained one year is lost the next. When a particular sector of the economy is privileged it is at the expense of the rest. Some industries may benefit by burdening others. Subsidies have the same effect.

Import restrictions also aid one area of activity to the cost of another. Like a stone thrown into a pool an import restriction spreads ripples through the economy effecting areas unthought of when the imposition was inflicted.

Protection for coal leads to cost increases in the steel industry. Steel asks for help and the cost of every product made from steel rises. Soon the farmers need higher prices to pay for increased machinery and transportation costs. The higher cost of living causes the miners to ask for more money—and the circle is closed. It can be categorically stated that import protection does not lessen unemployment.

Training the unskilled is the current suggestion for dealing with the problem. The particular attraction of this may be that society is somehow able to throw the blame for their misfortune back on to the shoulders of the unemployed. They are to blame for being underskilled. In a thriving economy the search for labour will ensure that if the skill will not fit the job, then the job will be altered to fit the skill. Wartime conditions mean that unskilled women build aircraft—perhaps the most complicated of production jobs. This is done by reducing the job to suit the labour available.

We have not a thriving economy, so the unskilled are unemployed. When jobs become scarce it is evident that the man with nothing but labour to sell is in an unfortunate position when confronted by men with greater adaptability, more general skills and better education. It is not surprising that the people who lose out in the competition for jobs are those with least to offer.

So much for some of the palliatives that have been suggested to cure unemployment. Rather more profound proposals have stemmed from an alarming alliance of professors and politicians. Based on an academic cornerstone of unproven Keynesian dogma, these policies are buttressed by a belief in the New Deal that transcends the fact of its failure.

The argument is that as the economy sags from under consumption, the simplest and surest way to regain full activity is to place purchasing power in the hands of people. They will begin to buy again and the boom will resume.

The building of public works is a way to put money into people's hands. It is now called "increasing the share of the public sector". People then spend this money and by some curious "multiplier" effect it chases around the economy and ends the slump.

The money spent on public works is taken (by taxation) from other activities, so any increase in work is offset by a corresponding decrease elsewhere. Increasing "the public sector" of activity will not reduce unemployment.

So we arrive at the most obvious method of "injecting money into the economy". This is to inject money into the economy. Couched in cautious terms, inflation is considered to be the remedy most likely to succeed. It is always referred to as "mild" or "creeping" and is said not to frighten the man who advocates it. It is reputed to create a reduced interest rate and this is apparently necessary for adequate "growth".

This jargon serves to obscure important facts about a deliberate policy of inflation. Although the bad effects are admitted, it is argued that they must be endured if unemployment is to be fought successfully. It is pointed out that inflation will reduce the rate of interest and that this in itself will spur the economy.

A measure of the rather dubious thinking followed by advocates of this proposition is shown by a letter which appeared in the *Toronto Globe and Mail*. It was signed by two University of Toronto economists.

Among the advantages of an artificially induced lower rate of interest was said to be that this would "bestow capital gains on holders of assets . . . to finance additional expenditures on both productive facilities and consumption".

This appears to say that if the Government would only take steps to make wealthy people wealthier, the spoils would be spent to keep Canadians employed.

Should the committee agree with this policy, the Director of Studies of the School of Economic Science would like to volunteer his full co-operation and will guarantee that any money given to him will be spent quickly and efficiently for the good of the Canadian Economy.

Senator ROEBUCK: You would do it yourself, would you?

Mr. POLLARD: I will offer to spend any money given to me to help Canadians get work.

The reason for this confusion is treated briefly in **Exhibit "A"**. It is unlikely to be cleared until the Science of Political Economy is given a thorough house cleaning.

An inflation of the currency may reduce interest rates for a short period, but as soon as people become aware of the inflation the rate of interest rises and will probably reach an equilibrium higher than before.

The economy adjusts to any meddling and as each "certain" remedy fails so grows the clamour for further "creeping interference" by government in the affairs of the people.

This brief has poked fun at some of the suggestions made by other organisations, but this is a serious subject and if apology must be made it is done so with a reservation. Before a gardener cultivates his plot, he first clears the ground. Then he sows his seed.

Conditions that lead to economic recession:

Three factors of production cover "the multifarious costs of production" (See **Exhibit "A"**). They are Labour, Capital and Land. To illustrate the meaning of these terms, one may say:

—LABOUR describes all human exertion whether mental or physical;

—CAPITAL describes the tools of production;

—LAND describes natural resources basic to production.

Under conditions of boom the income to these three factors increases steadily but with a significant difference in the case of LAND. The law of supply and demand operates effectively in the case of both LABOUR and CAPITAL but because of the inflexibility of the LAND factor a monopoly condition is created.

There is competition between various types of LABOUR and between various kinds of CAPITAL—and also between these two factors. Both suffer from the need to work NOW, or LABOUR will starve and CAPITAL will rust.

The factor LAND operates under somewhat different conditions. The most important characteristic of LAND is that it is limited in quantity and fixed in position.

If the wages of LABOUR become high in an area, more is imported and wages tend to reduce again.

If the interest of CAPITAL increases there is a flow of newly created or newly imported CAPITAL to reduce its cost.

If the rent of LAND increases there is no natural reaction to limit it. Land cannot be brought into the city from out of town to help reduce the cost of downtown sites.

As the price of land (determined by its rent) increases under boom conditions, holders of land notice an interesting feature.

The longer the land is held the more they will get. The fact that some land decreases in price, or that some land-holders go broke does not alter the fact that generally land prices increase. It is natural, therefore, that land is not sold for what it is worth but for what it is expected to be worth in the future!

Each new "killing" in a land sale whets the appetite of the land-holders who are left and pushes up the price. Each new action of government to relieve the stagnation that is becoming apparent merely confirms the reasoning of the holders of land and they hang on to their ownership.

Each new "relief" granted to construction—as this basic industry falters and so reduces activity in other parts of the economy—produces the reaction that nullifies it.

Lowered down payments, direct loans, longer mortgages all produce new customers for housing. This maintains the demand for land, prices increase and the customers disappear.

If I may interject here, I see that in the United States mortgages are now amortized over a period of 40 years. When that fails they will presumably push the length of time to 50 years, and so on.

In the Toronto area people are persuaded to buy houses they can't carry by the offer of little or no down-payment. No payment is made to the mortgage and the owner has no equity. In due course the mortgage company has the house again to re-sell. As such happenings increase so do the mortgage companies become more reluctant to risk their money (except under guarantee schemes backed by the Government).

Illegal second and third mortgages to which the Government turns a blind eye also maintains the demand for land and once again prices rise and the position of the buyers becomes more precarious.

Inflation by increasing the dollar value of wages enables the fixed costs of previously bought land to be carried more easily. Once again, as the condition of inflation is noted, so do land prices increase to compensate for the diminishing dollar. This is why the "certain cure" of a mild inflation fails.

This is why there is a "no-man's land" surrounding our great cities. Why subdivisions are built in the hinterland. Why the farmer who doesn't farm; the developer who doesn't develop; the municipality that cannot expand; the builder who cannot build abounds in our society.

Exhibit C which is a reprint of the August 1960 issue of HOUSE & HOME (America's biggest housing industry magazine, with some 125,000 professional subscribers in the U.S. and Canada) documents the facts behind the argument in this brief. The fact of land speculation in the Canadian economy is well known to every member of this committee.

Back in 1954 the Hon. David Croll pointed to the strong belief both in his committee and throughout the country that land speculators "have made a 'killing' while municipalities have allowed them to 'jack up' the cost of land with the result that they have added about \$1,000 to the cost of a house".

Before the Ontario Municipal Board records were produced to show that one 75 acre property in Scarborough, Ontario, had changed hands five times between October 1953, and October 1955. The price had risen in that two years from \$95,000 to \$415,000. At the same time before the Board the case was related of George V. Frost who bought 146 acres of land (in the same general area) in December 1954 for \$90,000 and sold it the same day for \$146,000.

In 1956, Dr. Stewart Bates, president of CMHC, said pressure for home sites had driven up home prices. In Toronto a typical house that had cost \$10,500 in 1960 (including the site) has increased in cost to \$14,500 in 1956. Almost four-fifths of the increase, \$2,800, had been in the price of the land.

In about 5 years from 1950 a Bronte, Ontario, farm purchased for \$19,000 rose in value until it was sold for \$365,700. At a York Township hearing the Board of Education lawyer calculated that developers would make 1,250% on their original investment.

In 1960 a 75 acre farm 2 miles East of Oakville sold for almost \$400,000. A year or so ago a 4-acre block of Toronto land was bought by the Ontario government for \$5 million.

The report of the president of Elder Mines and Developments Ltd., in January, 1960 mentions an independent appraisal of "almost 1,000 acres of the finest industrial, commercial, and residential land in Canada." "A grand total gross income of more than \$18 million is expected from the sale of these lands. Total development costs (excluding profit) is expected to be nearly \$8 million. The difference—some \$10½ million is expected to create an important profit potential for the company."

It is little wonder that HOUSE & HOME in 1957 pointed out that: "Land is so expensive that the land profit on many small houses is as big or bigger than the builder's profit. Land is so expensive that it often costs almost as much as all the manufacturers combined get F.O.B. factory for all the products and materials used in the house".

It may be argued that land is "scarce" and that this accounts for the fantastic prices. This argument is used on occasion even though the entire North American continent is virtually unpopulated.

The evidence to support the emptiness of this continent is mountainous. One overall statistic is interesting. It is gleaned from Harland Bartholomew's "Land Uses in American Cities".

He took 53 "central cities" and "central" means the congested down-town area of a metropolitan region, excluding suburbs and satellites.

He found that 28% of the developed area was occupied by streets and alleys. He also found that about 29% of the "central cities" was undeveloped!

Compare this with the Montreal Star's finding that speculators' holdings around the city were accounting for eight times as much land as the city could use before 1970 and the warning signals are there for all to see.

The danger signals were evident when Alex Kilmer—Assessor for Toronto Township, halfway between Toronto and Hamilton—pointed to the fact that 4,000 acres of the Township were owned by developers and speculators and that some 90% of the 37,000 acres of farmland were held by option.

It is plain that the holding out of use of land and the rampant speculation in land-values is causing our economy to slow down. Other factors may play their part, but they do so only within the framework of an economy hit by land speculation.

Our primary aim must be to solve the primary problem.
Methods of Solution

Five methods of solution are offered in Exhibit C.

The most scientific solution and the one which conforms best to our democratic society appears to be tax pressure (also called incentive taxation in California). The imposition of additional taxation on land according to its value would make too costly the un-use or under-use of land.

This should be the subject of intense study by anybody interested in the cause and cure of unemployment.

Senator BUCHANAN: Mr. Chairman, would you allow a question on Exhibit C, as I have to leave in a few minutes. It has to do with this suggestion on page 1 that winter works programs do not help to solve unemployment. I may say that I absolutely disagree with you on that because I know of many works done in the winter time that gave a good deal of employment and I myself had the privilege of carrying out a number of them. The work was not designed for creating employment in the wintertime. All that we did

was to distribute the work over the year to give employment in the winter when it is needed most, and I think for you to say that it does not help to solve unemployment is absolutely wrong because I know that much of this winter-time work gave a lot of employment in the wintertime and it did not cost anybody any more money.

Mr. POLLARD: What I say Senator Buchanan, is that winter works programs do nothing to solve unemployment and I will stand by that statement for the reasons which I outline in the brief.

Senator BUCHANAN: You say that because it is temporary employment?

Mr. POLLARD: Winter works programs provide work which is not the same as solving unemployment. In other words you can put people to work digging holes in the ground and picking up paper. They will have work but the unemployment problem will not be solved thereby.

Senator BUCHANAN: Yes, but we were not digging holes.

Mr. POLLARD: The first thing we have to do is to find out what causes unemployment and that is why I spent so much of the brief explaining what causes unemployment.

Senator HORNER: From my reading of the brief I would say that you have merely mentioned about speculators in land in and around Toronto. Well, who would want to live in Toronto anyway? What I am interested in is a concrete proposal to solve unemployment.

Mr. POLLARD: Senator Horner, I was forced to live 25 miles outside of Toronto even though my work takes place in Toronto because I could not afford to live there.

Senator HORNER: I am interested in what the man who buys a house there is going to work at.

Mr. POLLARD: What I am interested in is whether he will be able to get any work at all.

Senator HORNER: I read on page 2 of your brief as follows: "It can be categorically stated that import protection does no lessen unemployment". Now that statement cannot be proven, it is merely an opinion of your own.

Mr. POLLARD: If I may answer you, Senator Horner: Wherever protection has been used unemployment has not decreased, and that is a statistical fact.

Senator HORNER: That has not been so in any country of the world.

Mr. POLLARD: I am afraid that it is true but perhaps this is a question that the committee could investigate to find out where protection created employment. It creates employment in one factory but elsewhere unemployment increases.

Senator HORNER: I read your brief very carefully yesterday and I have come to the conclusion that the writer of this article is jealous that he did not get in on some of the land speculation.

Mr. POLLARD: Now, you are imputing my motives.

Senator ROEBUCK: Let us go on with the brief, Mr. Chairman.

Mr. POLLARD: Mr. Chairman, the importance of Exhibit A is that it does point out perhaps why we get these various suggestions made by different economists who very often disagree with each other.

Exhibit A

Economic Terminology

An enquiry into unemployment inevitably draws attention to the science which concerns itself with this phenomenon. Economics, under the scrutiny of the layman, exposes to view only the manifold disagreement among its experts.

The reason for academic conflict is not difficult to discover. It is the result of the confused and confusing terminology used in the science. Any discipline necessarily must be based on *clear* and *consistent* definitions of terms. Such precision is not to be found in the study of economics.

One is led to the conclusion that little progress will be made in the solution of economic problems until first there is a solution to the problems of economics.

A first requirement to this primary solution is that there be an agreement as to terminology. Economists in conference are frequently speaking different languages. Economic writings use technical terms with a careless rapture which should dismay a serious student of the science. Certainly, the chaotic procedures are unlikely to instill confidence in the conclusions of the economists.

An analysis of economic definitions was made by E. C. Harwood in his book "Useful Economics" (American Institute for Economic Research: 1956).

He took a representative selection of economic text-books and examined the basic definitions therein. The 12 text-books were published between 1948 and 1954, and are used at: Virginia University, Carnegie Institute of Technology, Illinois University, Pennsylvania State College, Yale University, Dartmouth College, Pittsburgh University, Iowa State College, Wisconsin University, Linfield College, Michigan University, University College (London), New York University, Wabash College, Temple University, Northwestern University, and many others.

The following quotations are taken from Mr. Harwood's analysis:

"For example, in half the exhibits we find no attempt to use the word "wealth" precisely as the label for anything. . . .

"Of the six writers who make no attempt to indicate a precise application for the label "wealth", four do use the term in an offhand way as though the reader must surely know what the authors intend to specify, and of the other two one uses the term once, casually, and the other apparently does not use the word "wealth" at all.

"Now there is nothing strange about the removal of particular terms from scientific discourse. . . . However it is strange for technical terms to be discarded from a science without general agreement among the experts in that science on the adoption of new terms. . . ."

Mr. Harwood refers to the attempts at definition by the other six writers. One includes land in his definition of wealth and two others define in such a general way that land *and* labour are included within the term.

The attitudes of modern economists can be summed in the prize definition of wealth used in a text-book aimed at high school level where wealth is defined as "anything material, useful, that can be owned".

This does not yet include the moon but it does include pretty nearly everything else.

A widely used book for beginning students at the University of Toronto is "An Introduction to Political Economy" (by V. W. Bladen, University of Toronto Press: 1956). This book makes no adequate definition of wealth or any other term, yet a page is spent to describe "ilth" (bad wealth such as munitions!). It is an understatement to say that this is not conducive to the easy study of a subject which is admittedly complex.

Better procedure is to be found in Professor Currie's work "Canadian Economic Development" (Thomas Nelson: 1956) where in the introduction he takes time to give the economic definitions of LAND, LABOUR and CAPITAL—the classical factors of production.

Mr. Harwood continues his analysis with a discussion of the term "labour":

"In three of the exhibits the authors use neither "labor" nor any other name to specify the human effort applied in processing things, although there

is much discussion of labor problems. And in five others, although the word "labor" is casually used, not even an approach to accurate specification is attempted".

The School of Economic Science uses the classical factors of production: LAND, LABOUR and CAPITAL. The term WEALTH is used to describe the product of these factors.

CAPITAL is defined simply as WEALTH used to produce more WEALTH. This is completely adequate and is not hedged by restriction or qualification.

The modern economist is apparently wary of the danger of precision. B. S. Keirstead is almost apologetic for "narrowing" his concept of capital "so severely that we exclude land, dwelling houses and all forms of durable consumers' goods" in his excellent book "Capital, Interest and Profits" (Macmillan: 1959). He reassures us, however, by pointing out that for more general analysis "more universal concepts would be appropriate". This apparently means less precise but more malleable concepts such as are used by Dodd and Hasek in "Economics: Principles and Applications (South-Western Pub. Co.: 1948)."

These authors—answering their own question "Is land CAPITAL"?—indicate that land may or may not be CAPITAL depending on the usage of that label. This is a remarkable demonstration of the inadequacy of the modern economics text-book.

No fault can be found in the definition of LABOUR given by the same authors. "By labor we mean effort directed to the creation of utility. This concept does not require that any distinction be made between physical and mental effort".

This clear statement is muddled just four pages later by a discussion of someone who brings together the factors of production and "organises" them. This new factor "the entrepreneur" organises the factors without "physical and mental effort" one must presume and is therefore not included within the definition of LABOUR.

To observe mental agility and evasive action of the highest order one has only to ask an economist to separate the entrepreneur from LABOUR.

Perhaps the greatest impact on political and economic theory in modern times was made by J. M. Keynes with his "General Theory of Employment, Interest and Money" (Macmillan: 1957). This book—originally published in 1936 has been described by Professor Samuelson as "arrogant, bad-tempered, polemical... It abounds with mares' nests and confusions... In short it is a work of genius".

Keynes does not use CAPITAL as defined above but does use two terms meaning the same thing. These are "saving" and "investment" which—he says—are "merely different aspects of the same thing". The core of his argument which involves such unproven assumptions as "the multiplier" depends on the separation of "saving" and "investment".

To separate something from itself is truly the action of a genius. Much of Keynes' work is dubious hypothesis but it has somehow achieved an authority based on its constant repetition. Many of the recommendations placed before the Senate Committee have for their basis an acceptance of Keynesian doctrine AS IF IT WERE TRUE.

Had Keynes used the classical definitions in his major work, he could have avoided confusion and saved countless students from unrewarding toil. It is an indication of the stature of the work that LAND is not defined; LABOUR is not defined: and that although "Capital, marginal efficiency of..." and "Capital, schedule of marginal efficiency of..." are defined, there is no definition of CAPITAL.

This is hardly a complete analysis of modern economic theory but it does serve to underline the failure adequately to define fundamental concepts.

This failure, it is submitted, is responsible for many of the peculiar paths into which we are led by the contemporary economist.

The final words should go to Roy F. Harrod—protégé and biographer of Keynes, and George Santayana.

The history of economic science, which is still in an early stage of development, has largely been the history of appropriate concepts.

Our thinking about economic matters was revolutionised, for instance, when it was pointed out that all the multifarious costs of production could be grouped exhaustively under the three heads of land, labour, and capital. This made immense progress possible, and the whole of classical economics was based on this classificatory improvement.—*The Life of John Maynard Keynes*—(Macmillan: 1951). "One of the peculiarities of recent speculation, especially in America, is that ideas are abandoned in virtue of a mere change of feeling, without any new evidence or new arguments. We do not nowadays refute our predecessors, we pleasantly bid them goodbye".—*Character and Opinion in the United States* —(Scribner's: 1920).

Exhibit B

Comment on the Canadian Construction Association Brief:

After reading the excellent brief submitted by the Canadian Construction Association one is forced to the conclusion that construction generally takes place without the use of land. The "five M's" (the main factors in construction) are described as manpower, materials, machinery, methods and money. One must assume that these factors are put to work on a firm foundation of thin air.

One can quarrel with another aspect of the figures given. In the figures of cost increases, the price of building materials is related to wage rates. This is an unfair comparison. The only fair comparison is to relate the cost of building materials to the cost of labour. Then to relate these costs to the cost of the site.

It is agreed by the C.C.A. that the proportion of cost per house of building materials tends to rise because of prefabrication and new materials, whereas the proportion of cost of labour tends to reduce because of the new techniques allied to the new methods. This is confirmed by two quotations from the brief:

"Building material prices have held quite steady in recent years whereas construction wage rates have tended to rise."

"In 1954 the on-site labour content was 35.6%; by 1959 it had dropped to 32.7%."

Wage-rates could rise while costs reduce in two ways. The first is that labour—with higher wages—could spend less time on the job because of new techniques. The second is that fewer lower paid construction workers are needed, because of these same new techniques, so that the proportion of higher paid workers increases thereby producing a higher average wage rate.

The statistics as stated are therefore somewhat misleading.

Further, the omission of land cost is remarkable when one considers the Central Mortgage and Housing Corporation figures:

Percentage increase in Housing costs since 1950:

Materials	22
Labour	65
Land	222

Senator HORNER: You are just speaking of land in the City of Toronto.

Mr. POLLARD: I am speaking of the average increase in the cost of land for housing.

Senator HORNER: Land cost has not increased by 50 per cent. That has nothing to do with the overall picture, what a few people in Toronto have done.

Mr. POLLARD: I would like to put on record, Senator Horner, that this does not involve a few people. There was a discussion some two or three years ago in the *Toronto Globe and Mail* as to whether the total number of land speculators who made \$1 million since the war was a low of 200 or a high of 600. We are not talking about small speculators here.

Senator HORNER: That has nothing to do with it. Let me—

Senator ROEBUCK: Give the witness half a chance.

The ACTING CHAIRMAN: At this point I think it would be proper to point out that the witness has been referring to page 2 of Exhibit B. He states he has given consideration to Central Mortgage and Housing Corporation figures, and we received evidence before the Senate Finance Committee within the last few years indicating that land costs have gone up something in the order presented here now. I think, therefore, we should let the witness carry on.

Mr. POLLARD:

In January, 1961, a panel agreed at the National House Builders convention that land speculation is the chief housing problem. The expert panel noted that in the previous 7 years the cost of homes had not changed materially, but that land costs had risen as much as ten times in some areas.

An important part of Appendix "A" in the C.C.A. brief was a discussion of the Mackenzie Federal Building in Toronto. It was pointed out that on-site wages \$3,300,000 were paid to 1,300 men for an average period of four months.

The land beneath this great building was owned by the Federal government so no land component was added to the cost.

However, it is interesting to estimate how much an equivalent building would cost if built by private endeavour.

Less desirable land less than a block south of the Mackenzie building but comparable in area sold for \$29.80 per square foot in May 1957. Still less desirable land (daylighted on only two sides) about half a block south sold for \$29.75 per square foot in October 1960. It is a fair estimate to conclude that the Federal Building site price would have been about \$30.00 per square foot or \$1,728,000 for the total area (\$1,306,800 per acre).

To build next to the Mackenzie Federal building a similar edifice would produce a cost comparison as follows:

Labour cost (1,300 men for average of four months)	\$3,300,000
Land cost (i.e. permission to start work)	\$1,728,000

Perhaps the things that were NOT said in the Appendix "A" of the Canadian Construction Association's brief are of greater significance than the information that was included.

Honourable senators, I think that points to the central fact I wish to bring to your attention, that land costs in cities and also in agricultural areas have gone up to such an extent that production slows down and people become unemployed.

Senator HORNER: You can't make me believe that.

The ACTING CHAIRMAN: Senator Horner, let the witness complete his statement.

Senator HORNER: You can't get me to shed any tears for the people in Toronto.

Senator ROEBUCK: Why don't you make your speech when the witness is through?

Mr. POLLARD: The cost of land has increased to the point where production slows and comes to a halt. This is particularly relevant in the case of the construction industry, although their brief mentioned "land" only once throughout its entirety. Apparently they build in thin air. Because of this slowing down we have a condition of unemployment throughout our whole economy. This is not a problem in the cities alone but it is a problem in the suburbs and agricultural areas as well. Land costs everywhere have gone to a point where it is impossible to produce. Unless this problem is solved we will not be able to solve the problem of unemployment. This is my point. My suggestion for dealing with the particular problem is in line, I think, with a number of other bodies and people who have examined this problem. It seems that if increased taxes were placed on land, and this could best be done federally, it would have the effect of making land turn over more quickly, and so force the land into production. This would reduce costs and create work opportunities which are not available for the people of Canada at the present time.

Senator HORNER: Now that you have completed your statement let me say this. First of all, you are assuming that Toronto is all of Canada. You have talked about the cost of land running high. Well, I can buy good, producing farm land in Ontario for less than the cost of the buildings on them. I can go all over western Canada and find the same situation. As far as the federal Government imposing a tax on land, how can that be brought about? That is with the provinces and the municipalities.

Senator ROEBUCK: No, it is not.

Mr. POLLARD: I would point to New Zealand where they have a national land tax imposed by the federal Government.

Senator HORNER: We haven't got that here.

Mr. POLLARD: They have very little unemployment in New Zealand.

Senator ROEBUCK: None.

Senator HORNER: What about their standard of living?

Mr. POLLARD: It is high.

Senator ROEBUCK: Very high.

Mr. POLLARD: The standard of living in any area where they have solved this problem of land speculation is high.

Senator HORNER: I know some people who went there and wouldn't stay because the houses, and so on, were not up to the Canadian standard at all, nor their living in general.

Senator ROEBUCK: I have been in New Zealand too, and that is not true. They have some lovely little houses.

Senator HORNER: All right, we won't argue about that. Are we going into a system of socialism? As far as land is concerned, I am paying more by way of taxes each year on my farm in Saskatchewan than the original cost of the farm.

Mr. POLLARD: You are suggesting that farms are being overtaxed?

Senator HORNER: I am saying the taxes are sufficient now. Provincial and municipal Governments have to have their taxes to build roads and take care of their own affairs, but what would you add to the picture by having the federal Government come along and place a tax on land? No one would want to own land, property or a farm any more.

Mr. POLLARD: I am sorry but this conflicts with the facts. The best example of where land has been taxed in farm areas is Denmark. They tax land values there and according to a United Nations report some 94 per cent of the

Danish farmers own their farms. I read a copy of *Life Magazine* not too long ago which disclosed that this figure is now up to 96 per cent. In the United States, which is second in the world, 64 per cent of the farmers own their own farms. Canada trails behind them. I want to see farmers owning their own farms and operating them efficiently for the good of the people of Canada. I do not think that farmers should first be obliged to spend their life-blood in order to get a piece of ground on which to operate.

Senator HORNER: That's great talk. But who is spending their life-blood doing that?

There has never been a time in the history of Saskatchewan when a greater percentage of farmers have owned their own farms.

Senator MACDONALD (*Cape Breton*): I was wondering what the page reference is in Exhibit (C) with respect to the five main reasons for today's shortage.

Mr. POLLARD: Page 117 of Exhibit (C) sets out the five main reasons for today's seeming shortage. They are speculation, time, overzoning, fragmentation, and misinformation. We can move on to page 130 and 131 which set out, "Other countries are trying five ways to stop the abuse of private ownership of land." They mention:

1. The communist countries did it by executing the landowners.
2. Other countries are redistributing land more humanely.
3. Some countries are freezing land prices arbitrarily.
4. Some countries guide land use by purchase.
5. Some countries use tax pressure.

Senator CROLL: May I suggest for the purposes of fully understanding this presentation that pages 117, 130 and 131 be incorporated in our record?

The ACTING CHAIRMAN: Is that agreed?

Hon. SENATORS: Agreed.

Senator ROEBUCK: Perhaps there are other portions of Exhibit (C) which could be incorporated.

Mr. POLLARD: There is a very good quotation by Winston Churchill who said the whole thing 40 years ago far better than I can say it. It would do no harm to have that in the record, for Mr. Churchill was a very strong supporter of this. There is another quotation in here which I would like to have incorporated.

Today the misuse and overpricing of land add up to a national problem and a national danger of the utmost seriousness, but nobody is talking about it, nobody is thinking about it, nobody is worrying about it, and nobody is looking for even a short-term answer, let alone a long-term solution.

In fact, to quote the report of the House & Home Round Table on money and inflation (H&H, Jan), nobody even seems to know the problem exists except the homebuilders it is helping to price out of the market.

Remember, Mr. Chairman, this is a magazine which is read by 125,000 professionals in the construction industry, and they point out that although this problem is there for everybody to see yet it is virtually unrecognized. This magazine has done a great service to us all by stressing in this particular issue the problem of land speculation and misuse of land.

Senator HORNER: You mentioned something about the abuse of ownership of land.

Mr. POLLARD: I was quoting from this particular article.

Senator HORNER: You should be happy in Russia because nobody owns any land there.

Senator ROEBUCK: And there is no unemployment there either.

Senator BURCHILL: Mr. Chairman, I would like to ask this question: Has the federal Government the authority and the power to put a tax on land in a province?

Senator ROEBUCK: Mr. Chairman, maybe I can answer that question. The British North America Act provides that the Dominion Parliament may raise its revenue by any mode or system of taxation. Those are the exact words in the British North America Act. It gives to the province the right to raise revenue for local purposes by direct taxation. That is the point they are worrying about in this sales tax, they cannot put it on the wholesaler because then he puts it on the next man and so on, so it becomes an indirect tax and they have had to put it on the retailer.

Senator BURCHILL: But I did not know that the federal Government had the power or authority to impose a land tax.

Senator ROEBUCK: There is no question but that they have that power.

Senator CROLL: Mr. Chairman, may I on behalf of the committee, even though many have left this meeting to attend meetings of other committees sitting at the same time, thank Mr. Pollard for coming here and giving us something for us to think about. His manner of presentation indicated that he knew what he was talking about. He has given us a new thought and a new idea which this committee will consider and so, Mr. Pollard, on behalf of the committee I thank you most profusely.

Mr. POLLARD: Mr. Chairman, I thank you, and if I may just add one more word because this quotation by George Santayana seems so appropriate: "One of the peculiarities of recent speculation, especially in America, is that ideas are abandoned in virtue of a mere change of feeling, without any new evidence or new arguments. We do not nowadays refute our predecessors, we pleasantly bid them goodbye."

The committee adjourned.

EXHIBIT A

Economic Terminology

An inquiry into unemployment inevitably draws attention to the science which concerns itself with this phenomenon. Economics, under the scrutiny of the layman, exposes to view only the manifold disagreement among its experts.

The reason for academic conflict is not difficult to discover. It is the result of the confused and confusing terminology used in the science. Any discipline necessarily must be based on *clear* and *consistent* definitions of terms. Such precision is not to be found in the study of economics.

One is led to the conclusion that little progress will be made in the solution of economic problems until first there is a solution to the problems of economics.

A first requirement to this primary solution is that there be an agreement as to terminology. Economists in conference are frequently speaking different languages. Economic writings use technical terms with a careless rapture which should dismay a serious student of the science. Certainly, the chaotic procedures are unlikely to instill confidence in the conclusions of the economists.

An analysis of economic definitions was made by E. C. Harwood in his book "Useful Economics" (American Institute for Economic Research: 1956).

He took a representative selection of economic text-books and examined the basic definitions therein. The 12 text-books were published between 1948 and 1954, and are used at:

Virginia University	Carnegie Institute of Technology
Illinois University	Pennsylvania State College
Yale University	Dartmouth College
Pittsburgh University	Iowa State College
Wisconsin University	Linfield College
Michigan University	University College (London)
New York University	Wabash College
Temple University	Northwestern University.
—and many others.	

The following quotations are taken from Mr. Harwood's analysis:

"For example, in half the exhibits we find no attempt to use the word "wealth" precisely as the label for anything

"Of the six writers who make no attempt to indicate a precise application for the label "wealth", four do use the term in an offhand way as though the reader must surely know what the authors intend to specify, and of the other two one uses the term once, casually, and the other apparently does not use the word "Wealth" at all.

"Now there is nothing strange about the removal of particular terms from scientific discourse However it is strange for technical terms to be discarded from a science without general agreement among the experts in that science on the adoption of new terms"

Mr. Harwood refers to the attempts at definition by the other six writers. One includes land in his definition of wealth and two others define in such a general way that land and labour are included within the term.

The attitudes of modern economists can be summed in the prize definition of wealth used in a text-book aimed at high school level where wealth is defined as "anything material, useful, that can be owned".

This does not yet include the moon but it does include pretty nearly everything else.

A widely used book for beginning students at the University of Toronto is "An Introduction to Political Economy" (by V. W. Bladen, University of Toronto Press: 1956). This book makes no adequate definition of wealth or any other term, yet a page is spent to describe "ilth" (bad wealth such as munitions!). It is an understatement to say that this is not conducive to the easy study of a subject which is admittedly complex.

Better procedure is to be found in Professor Currie's work "Canadian Economic Development" (Thomas Nelson: 1956) where in the introduction he takes time to give the economic definitions of LAND, LABOUR and CAPITAL—the classical factors of production.

Mr Harwood continues his analysis with a discussion of the term "labour".

"In three of the exhibits the authors use neither "labor" nor any other name to specify the human effort applied in processing things, although there is much discussion of labor problems... And in five others, although the word "labor" is casually used, not even an approach to accurate specification is attempted".

The School of Economic Science uses the classical factors of production: LAND, LABOUR and CAPITAL. The term WEALTH is used to describe the product of these factors.

CAPITAL is defined simply as WEALTH used to produce more WEALTH. This is completely adequate and is not hedged by restriction or qualification.

The modern economist is apparently wary of the danger of precision. B. S. Keirstead is almost apologetic for "narrowing" his concept of capital "so severely that we exclude land, dwelling houses and all forms of durable consumers' goods" in his excellent book "Capital, Interest and Profits" (Macmillan: 1959). He reassures us, however, by pointing out that for more general analysis "more universal concepts would be appropriate". This apparently means less precise but more malleable concepts such as are used by Dodd and Hasek in "Economics: Principles and Applications (South-Western Pub. Co.: 1948.

These authors—answering their own question "Is land CAPITAL"?—indicate that land may or may not be CAPITAL depending on the usage of that label. This is a remarkable demonstration of the inadequacy of the modern economics text-book.

No fault can be found in the definition of LABOUR given by the same authors. "By labor we mean effort directed to the creation of utility. This concept does not require that any distinction be made between physical and mental effort".

This clear statement is muddled just four pages later by a discussion of someone who brings together the factors of production and "organises" them. This new factor "the entrepreneur" organises the factors without "physical and mental effort" one must presume and is therefore not included within the definition of LABOUR.

To observe mental agility and evasive action of the highest order one has only to ask an economist to separate the entrepreneur from LABOUR.

Perhaps the greatest impact on political and economic theory in modern times was made by J. M. Keynes with his "General Theory of Employment, Interest and Money" (Macmillan: 1957). This book—originally published in 1936 has been described by Professor Samuelson as "arrogant, bad-tempered, polemical... It abounds with mares' nests and confusions... In short it is a work of genius".

Keynes does not use CAPITAL as defined above but does use two terms meaning the same thing. These are "saving" and "investment" which—he says

—are “merely different aspects of the same thing”. The core of his argument which involves such unproven assumptions as “the multiplier” depends on the separation of “saving” and “investment”.

To separate something from itself is truly the action of a genius. Much of Keynes's work is dubious hypothesis but it has somehow achieved an authority based only on its constant repetition. Many of the recommendations placed before the Senate Committee have for their basis an acceptance of Keynesian doctrine AS IF IT WERE TRUE.

Had Keynes used the classical definitions in his major work, he could have avoided confusion and saved countless students from unrewarding toil. It is an indication of the stature of the work that LAND is not defined; LABOUR is not defined: and that although “Capital, marginal efficiency of...” and “Capital, schedule of marginal efficiency of...” are defined, *there is no definition of CAPITAL.*

This is hardly a complete analysis of modern economic theory but it does serve to underline the failure adequately to define fundamental concepts. This failure, it is submitted, is responsible for many of the peculiar paths into which we are led by the contemporary economist.

The final words should go to Roy F. Harrod—protégé and biographer of Keynes, and George Santayana.

The history of economic science, which is still in an early stage of development, has largely been the history of appropriate concepts.

Our thinking about economic matters was revolutionised, for instance, when it was pointed out that all the multifarious costs of production could be grouped exhaustively under the three heads of land, labour, and capital. This made immense progress possible, and the whole of classical economics was based on this classificatory improvement.—*The Life of John Maynard Keynes*—(Macmillan: 1951). One of the peculiarities of recent speculation, especially in America, is that ideas are abandoned in virtue of a mere change of feeling, without any new evidence or new arguments. We do not nowadays refute our predecessors, we pleasantly bid them goodbye.—*Character and Opinion in the United States*—(Scribner's: 1920)

EXHIBIT B

Comment on the Canadian Construction Association Brief

After reading the excellent brief submitted by the Canadian Construction Association one is forced to the conclusion that construction generally takes place without the use of land. The “five M's” (the main factors in construction) are described as manpower, materials, machinery, methods and money. One must assume that these factors are put to work on a firm foundation of thin air.

One can quarrel with another aspect of the figures given. In the figures of cost increases, the price of building materials is related to wage rates. This is an unfair comparison. The only fair comparison is to relate *the cost* of building materials to *the cost* of labour. Then to relate these costs to the cost of the site.

It is agreed by the C.C.A. that the proportion of cost per house of building materials tends to rise because of prefabrication and new materials, whereas the proportion of cost of labour tends to reduce because of the new techniques allied to the new methods. This is confirmed by two quotations from the brief:

“Building material prices have held quite steady in recent years whereas construction wage rates have tended to rise”.

"In 1954 the on-site labour content was 35.6%; by 1959 it had dropped to 32.7%."

Wage-rates could rise while costs reduce in two ways. The first is that labour—with higher wages—could spend less time on the job because of new techniques. The second is that fewer lower paid construction workers are needed, because of these same new techniques, so that the proportion of higher paid workers increases thereby producing a higher average wage rate.

The statistics as stated are therefore somewhat misleading.

Further, the omission of land cost is remarkable when one considers the Central Mortgage and Housing Corporation figures:

Percentage increase in Housing costs since 1950.

Materials	22
Labour	65
Land	222

In January, 1961, a panel agreed at the *National House Builders convention* that land speculation is the chief housing problem. The expert panel noted that in the previous 7 years the cost of homes had not changed materially, but that *land costs had risen as much as ten times in some areas.*

An important part of Appendix "A" in the C.C.A. brief was a discussion of the Mackenzie Federal Building in Toronto. It was pointed out that on-site wages \$3,300,000 were paid to 1,300 men for an average period of four months.

The land beneath this great building was owned by the Federal government so no land component was added to the cost. However, it is interesting to estimate how much an equivalent building would cost if built by private endeavour.

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Perhaps the things that were NOT said in the Appendix "A" of the Canadian Construction Association's brief are of greater significance than the information that was included.

EXHIBIT C

Extracts from August 1960 issue of *House and Home*.

Inflated land costs threaten to price good housing clear out of the market

In the suburbs sky-high land prices in good locations are driving homebuilding further and further out to find land cheap enough to build on profitably.

This further-out land costs twice as much to buy as land close in cost just a few years ago. It costs twice as much to connect to existing streets, sewers, and utilities. It takes a much bigger slice of the homebuilding dollar—19% today for far-out land vs 12% for close-in land in 1950. The high cost of getting home to this further-out land is a big new factor in housing expense—a bigger factor than mortgage interest for some new houses—and this in turn is driving many families who would like new houses to move to apartments or stay where they are.

So sky-high land prices are the No. 1 reason houses are harder to sell this year, the No. 1 reason merchant builders are finding it harder to offer good enough values in good enough locations to tempt second-time buyers out of their present homes.

Homebuyers balk at paying \$15,000 today for a house little better than the houses they could have bought five years ago for \$12,000—with most of the price difference wasted to pay twice as many dollars for big discounts for less desirable (ie; higher-interest) money, and twice as many dollars for less desirable (ie, further-out) land.

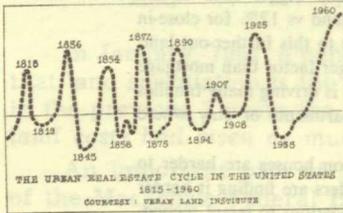
In big cities high land prices are also the No. 1 reason private enterprise cannot build good new housing for middle-income families, so high land prices are the No. 1 excuse for subsidized public housing (in which the supposedly poorest families are housed largely at the tax payers' expense in apartments costing up to \$17,500 per unit), and high land prices are the No. 1 justification for asking federal tax payers to subsidize slum clearance by buying out the slumlords at up to three times the re-use value of their land.

Any apartment builder who pays too much for his land has to pay too much for his building too, for 1) he has to build high-rise to spread his land costs over enough units and, 2) building high-rise costs much more per square foot than building low-rise. Says Jim Scheuer, America's second biggest redeveloper: "Walk-ups are the only apartments anyone can hope to build cheaply enough to serve the middle-income market, and you can't build low-rent family-size walk-ups on land that costs much more than \$35,000 an acre (which would work out to about \$1,000 per unit at FHA maximum density for family-size, two-bedroom apartments in three-story buildings)."

Since 1950, building material prices have climbed 24%; building trades wages have risen 60%; but . . .

Since 1950 land prices for homebuilding have soared anywhere from 100% to 3,760%

Land prices like these are your danger signal; take a look at this graph before you buy today



Ten years ago land was a bargain and builders were smart to buy land ahead. Hundreds of builders got rich, not because they built for less but because they bought land for less and cashed in on their land speculation.

Good timing is the key to speculative profits. There is a time to buy and a time not to buy. It's smart to buy ahead at the bottom of the market, before prices start up. But it is not smart to buy ahead at the top of the market, just before prices start tumbling down again. Suburban land is over-priced today. Just because land was a bargain in 1948 for \$500 an acre does not make it a bargain today at \$5,000.

Don't count on the "population explosion" to guarantee perpetual motion upwards in the price of land. From 1940-50 US population increased by 14%; from 1950-60 by some 20%. But don't forget that:

- From 1810-20 population increased 33%. This did not sustain the land boom that busted in 1819;
- From 1830-40 population increased 33%. This did not sustain the land boom that busted in 1837;
- From 1850-60 population increased 36%. This did not sustain the land boom that busted in 1857;
- From 1870-80 population increased 30%. This did not sustain the land boom that busted in 1873;
- From 1890-1900 population increased 21%. This did not sustain the land boom that busted in 1893;
- From 1920-30 population increased 16%. This did not sustain the farm land boom that busted in 1920, nor the suburban land boom that busted before 1929.

Population increased, yes. But land development increased faster, anticipating more demand than ever materialized, bringing more land into the market than the market was ready to take at the prices asked.

The 100-year graph shows that land prices don't always go up; land prices also fall down. "Land prices go up and go down in bigger and wilder swings than any other prices in our economy," says Nat Rogg, economist for NAHB. Suburban prices have been going up for 27 years now—longer and higher than they have ever gone up in all our history. They are now overdue for a fall. Famed Realty Economist Roy Wenzlick has been warning his high-paying clients for years that the boom could not last much longer. Just because he cried "Wolf! Wolf!"

There is nothing wrong with the air views—
but there is plenty wrong with what they show

What they show is that some of our cities are expanding in an orderly, economical way. On the contrary, they are disintegrating and spreading the pieces over miles and miles of countryside.

too soon does not mean the wolf will never come. And the longer the price break is delayed, the more serious it will be.

Good land may indeed be worth twice what it averaged in 1952; ie, the true value of suburban land may have risen ten times as fast as the 10% rise in the consumer-price index. Good land may even be worth three times what it averaged in 1952; ie, its true value may have risen nearly twice as much as stocks in Wall Street rose from their 1952 peak of \$107.25 to their present level around \$205.

But take a good look ahead before you let today's artificial and temporary land scarcity (see below) scare you into paying land prices you may soon have reason to regret.

Already farm prices outside the suburbs have leveled off and started to fall (see clipping, right). And don't forget that land prices in most central cities are lower today than they were in 1929!

Says Housing Economist Miles Colean: "Present land prices cannot be sustained unless we get a big new shot of inflation, because 1) cheap money did more than anything else to start land prices soaring and 2) today's 6% interest rate makes it much harder for homebuyers to absorb inflated costs (like today's land prices)."

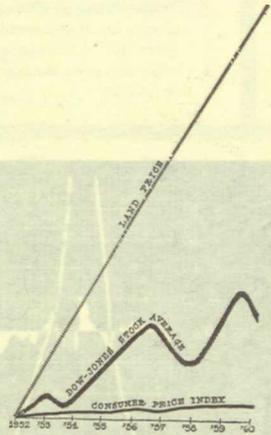
If you want to get better land for less, wait for the market to turn. Suburban land will sell for much less before it sells for much more.

Today's sky-high suburban land prices are predicated on an artificial and temporary scarcity—a scarcity created in the midst of plenty by holding off the market vastly underestimated miles and miles of land in anticipation that vastly overestimated future demands will drive prices still higher.

Today's fancy land prices can be kept high only as long as the illusion of scarcity can be preserved, as long as each buyer thinks the land he pays too much for today would cost more—and sell for more—tomorrow. But what will happen when the inevitable day comes when land prices can go no higher and speculators try to cash in on their paper profits? What will happen and who will get hurt when this land-price boom collapses—as every other land-price boom has collapsed?

Says Professor Fisher in his classic study of premature subdivision: "It takes nearly 30 years to produce a new generation that has to learn by pain and disappointment that while many fortunes have been made in real estate, many paupers likewise have arrived at their destination by the same route. That is one reason the price cycles in real estate are so long."

Says Roy Wenzlick unequivocally: "Land is not in short supply."



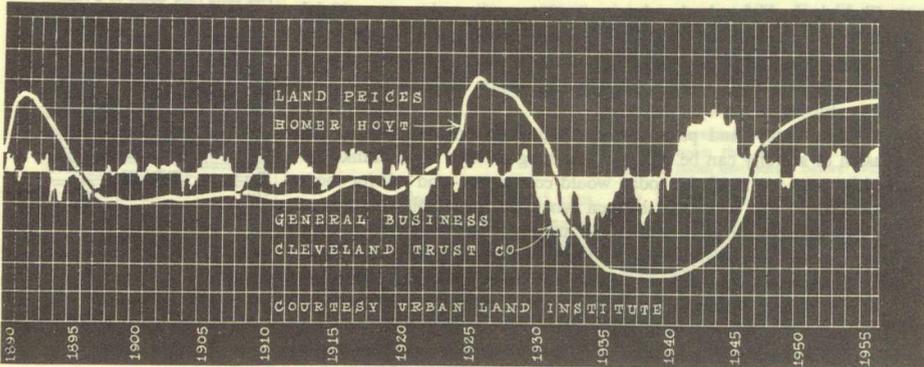
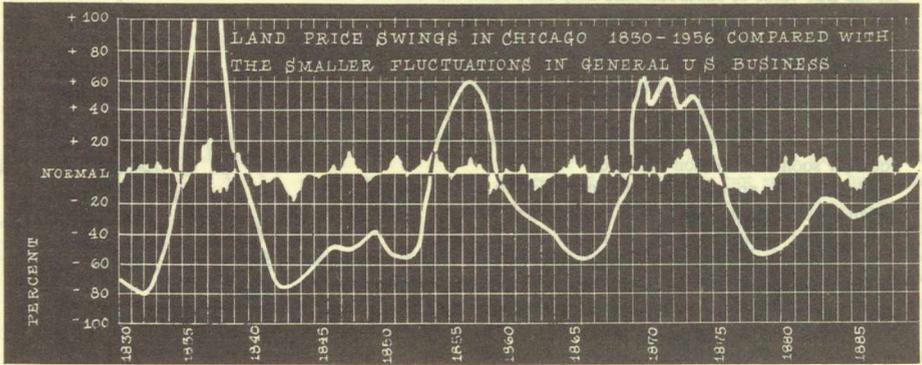
Has Long Rise Come to a Halt?

Land Prices Reach a New High... But the Return Has Dropped

Eight days in price for farm land in Midwest and...
 Signs of Change

[Faint, mostly illegible text from a newspaper clipping, likely the source of the 'Signs of Change' graph.]

Land prices like these are your danger signal; take a look at this graph before you buy today



There is nothing wrong with the air views—
which you saw on the last six pages
but there is plenty wrong with what they show

What they show is that none of our cities is expanding in an orderly, economical way. On the contrary, they are disintegrating and spreading the pieces over miles and miles of countryside.

What they show is not a shortage of suburban land, for there is no shortage. What they show is not shortage—but waste—the tragic land waste, dollar waste, and time waste of the checkerboard pattern of

SUBURBAN SPRAWL

Suburban sprawl is what happens when land developers cannot assemble at a profitable price the tracts they would like to buy first, so they have to leap frog out to find land cheap enough to build on here, there, and everywhere—often five or ten miles further out.

Suburban sprawl is what happens when owners whose land is wanted next for suburban expansion—the nearest land, the land that would cost least to connect up to existing streets and sewers and utilities—hold out for tomorrow's price today and fail to find a buyer willing to pay it now.

Suburban sprawl is what happens when estate owners hold out for capital gains of 1000% to 10,000% above what their acres cost to buy in horse-and-carriage days. (The Whitney estate pre-empted for a single family one-eighth as much land as all of Levittown five miles further out—population 65,000.) Millionaires pay almost no taxes to hold on to their estates; they can deduct up to 91.72% of the local levies from their state and federal taxes.

Suburban sprawl negates and frustrates the purpose of cities, which is to let more people live and work close together and so utilize and enjoy the maximum efficiency of community facilities and community enterprises, with easy access and cheap distribution. Cities exist to bring people together. Suburban sprawl, with its vacant and undeveloped land, keeps them apart. Even if suburban land had no alternative use for farming and market gardening, it would pay many a city to draw itself together.

*The best farmland in Iowa brings only \$600 an acre; the national average last March was only \$111.46 including buildings; the California average was only \$326.70.

**HOUSE & HOME thinks "development ease-it was little or no good to anybody except the owners.

†Before one of the big Westchester tracts was built up, the Los Angeles planning board could not even persuade the Los Angeles

ments" are the worst idea yet. They just aggravate and perpetuate the sprawl by using tax money to keep golf links, orchards, and cow pastures where houses should be built and push homebuilding out beyond to where

school board to buy school sites at the developer's raw-land cost around \$1,000 an acre or the park commission to accept land for playgrounds free, so scores of new houses had to be bought and moved later to clear

the golf links, etc should be. Green belts should be planned for maximum, not minimum, public use and enjoyment of the land. The 1,200-acre Field estate will make a fine state park, but as fenced-in private property

the sites at \$40,000 an acre! And few local planners anywhere, alas!, have been strong enough to get the state and federal governments to coordinate the new highways and their interchanges with the local areas' needs!

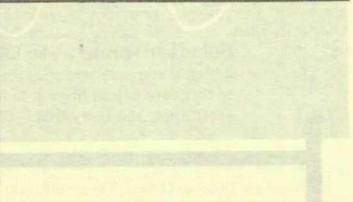
There is nothing wrong with the air views—
but there is plenty wrong with what they show

Suburban sprawl is the direct opposite of planning satellite centers or self-contained new towns, each surrounded by its own green belt. Suburban sprawl is just the city spreading out over miles and miles that are neither fish, flesh, nor fowl—neither city nor county.



Suburban sprawl penalizes farmers who want to farm instead of speculate. It excites speculative hopes that inflate land prices far above the level farming can support.* It discourages farm improvement, for who knows how soon the orchards may be pulled, the barns leveled, the machinery auctioned? (Right now, thousands of acres of California's finest prune and apricot land in the Santa Clara Valley are being blighted because so many farmers, expecting soon to sell, have stopped replacing their aging trees.)

Suburban sprawl is what makes homebuyers drive past miles of unused or underused countryside to get home to their tiny 60' x 120' lots. (Open fields, cow pastures, private golf links, and millionaire estates are fine, but it is much better to drive out five miles *beyond* your home to enjoy seeing them when you want to see them than to have to drive five miles past their "No Trespassing" signs when all you want is to get home.**



Suburban sprawl is why Los Angeles homebuyers must drive 25 miles to Azusa while land much closer to downtown is being held off the market and farmed by land speculators who think they can sell it for ten times the 1950 price in 1970 instead of taking five times the 1950 price today.

Suburban sprawl defies good local land planning and mocks good local land planners.† The need of bigger and better planning is obvious everywhere. But what chance do far-sighted planners have against the profit motive working full blast in reverse and offering quick profits on bad land use? Without vastly increased authority how can the planners force speculators to release their land as it is needed if the speculators think they could double their profits by sitting tight? How can they check premature subdivision when speculators are gambling for big money? How can they keep farmers ten miles out from selling off their frontage to exurbanites and so messing up the neighborhood potential for orderly development later on? How can they keep developers from bulldozing the trees? How can they persuade each separate community to stop zoning out any land use that will not add more to the tax revenue than it adds to the budget?

continued

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Suburban sprawl cries out for area zoning to assure a coordinated land-use pattern conceived in the public interest and to stop the premature urbanization of distant farm land. But area zoning would be just plain disastrous unless it is counterbalanced by a big enough tax increase on the land zoned for housing development to discourage hold-outs. To see how badly area zoning would work without this counterbalancing tax pressure, take a look at what happened in Louisville when the local water company applied its own area zoning to water service and the county health board forbade septic tanks in another big area where sewers were not available. This gave the owners of land already served with water and sewers a field day. Theirs was the only land builders could buy, so its price soared overnight. (In Australia, unimproved land is taxed up 12.4% a year on a valuation based on its "highest and best" use—see page 000).

Suburban sprawl is worse than ever today, thanks to the automobile. In our grandfathers' time the suburbs could sprawl no further than a man could walk to the train or the trolley and his wife could walk to the store, so yesterday's suburbs were tight little towns where only the carriage trade could live on the outskirts. Today, every suburbanite has one car; many have two; five miles mean not much more than five blocks; and the suburbs can sprawl from here to breakfast (provided, of course, nobody minds wasting gas, tires, and depreciation at 8¢ a mile).

Suburban sprawl is why almost every city is surrounded by a blight belt of by-passed land whose owners held out for too high a price and did not sell. *Suburban sprawl* is one big reason why downtown is stagnating and downtown stores are losing trade. *Suburban sprawl* is why almost every city spreads out over three to five times as much land as it uses. *Suburban sprawl* is why so many houses have to waste big money on septic tanks and disposal fields that will be junked when the sewer lines reach them. *Suburban sprawl* is one of the two big reasons why land development costs twice as much as it should—double the cost of more compact expansion with shorter street extensions, shorter sewer extensions, and shorter utility extensions. *Suburban sprawl* is one big reason why money is tight; ie, the money we need to build houses is being misspent to extend urban services far out into rural areas years before they should be needed.

Suburban sprawl, in brief: 1) costs billions of dollars a year, 2) blights millions of acres of countryside, and 3) makes homeowners waste millions of hours and millions of gallons of gas to get home to homes whose land cost they can afford.

There are five main reasons (all short-term) for today's seeming shortage-in-the-midst-of-plenty

Reason No. 1: Speculation

Countless acres are being held in "cold storage" by land speculators hoping for still higher prices tomorrow than their land would fetch today. (Some of these speculators are syndicates formed for the express purpose of land speculation; others are estate owners sitting tight for still bigger capital gains on their property, or farmers more interested in land prices than in crop yields.) This speculation is the No. 1 reason for expecting that great quantities of land will come on the market when the speculators decide prices can go no higher, so it is the No. 1 reason you can be sure supply will eventually overtake demand and bring prices down. (Outside Montreal, for example, the *Star* found that speculators were holding 610,000 acres—eight times as much land as the city's booming growth can use before 1970.)

Reason No. 2: Time

Countless acres now being developed will not be ready for homebuilding for another year or more. For example, the first 209 lots in the great Marin Bay project north of San Francisco did not go on sale until this month—four years after the land was bought by the developers.

Land development takes so long that the supply of land ready for homebuilding responds slowly to the stimulus of high prices, but it responds *massively*.* In Florida, for example, *FORTUNE* found that more land is being developed right now than today's fastest-in-the-nation rate of population growth can absorb before 1980. When all this land hits the market, something is bound to happen to the sky-high land prices that invited overdevelopment.

Reason No. 3: Overzoning

Countless acres are being withheld from economic use today by communities deliberately using wasteful zoning requirements, wasteful street improvement requirements (see page 171), and wasteful building code requirements to keep out tract builders and small homebuyers whose children would cost the town more to educate than their parents would pay in taxes.

These towns hope these 'snob' requirements will one day attract upper-class residents who will pay high taxes, support local merchants handsomely, and send their few children away to school. This is a sort of municipal land speculation on a grand scale. How much longer it can continue is an open question, for two reasons: 1. The courts may not always agree that the health and safety of the people necessitate two-acre lots, 16" truss spacing, worse-than-useless house traps, rigid-conduit wiring, and local streets wider than the transcontinental Lincoln Highway 25 years ago, and

2. The towns themselves may vote out the restrictions when enough local landholders are tempted by the higher land prices they could otherwise get. One New Canaanite has already carried his protest to the Supreme Court, arguing he could get \$250,000 more for his acreage if his four-acre zoning were voided.

Reason No. 4: Fragmentation

Countless underused acres are bypassed because they are broken up into holdings too small for economical development (unless, of course, all the small owners agree to sell at once). Says Dave Bohannon's righthand man Ron Campbell: "Trying to get a big enough piece to develop is a nightmare." Often the land needed to integrate a tract is tied up in an estate and the heirs are scattered or divided. So Nate Maniow and Phil Klutznick had to go out 30 miles from the Chicago Loop to start Park Forest; Bill Levitt had to go 16 miles from Philadelphia and 15 miles from Trenton to start Levittown, N. J.; Frank Sharpe had to go ten miles from Houston to start Sharpestown.

Reason No. 5: Misinformation

Billions of dollars worth of land is bought and sold without either party having anywhere near enough market facts to support his price judgment. Both buyer and seller must grope to decisions by hunch and by guess, for America's biggest industry must get along with more inept and inadequate statistics than any other industry. The federal government spends more money for market research on peanuts than for market research on land and housing. Few communities compile even such simple statistics as the number of lots subdivided each year. Nobody keeps a running inventory of unsold lots; nobody publishes the price at which sales are actually made. So scarcity is exaggerated and prices are inflated by professional optimists spreading inside dope that cannot be checked.

*"The dynamic process of overexpansion seems to work something like this," Professor Gaffney wrote in *Land*.

"High prices over the long period required for the response ultimately stimulate more new supply than the demand can absorb.

"Supply responds very slowly because the process of converting land to urban use involves many steps by several slowly moving, poorly coordinated, frequently reluctant, and sometimes downright obstructive public and private agents and because it

usually takes land holdouts a long time to release and then develop most of the sites for actual service.

"Say a new state-financed freeway begins the process of bringing farmland into an urban market. Besides transportation, the land needs water, sewers, telephones, gas, electricity, schools, fire and police protection, etc.

"Many time-consuming steps must be taken to extend these several services from trunklines out through forks and branches to the ultimate distributive tracery that finally brings

service to each parcel of land. Governments and utilities must decide to extend their lines and networks to individual parcels. Landholders must decide it is time to receive them—that usually means subdividing, dedicating lands for streets and easements for utilities, often paying for part of the utility extensions and street improvements, and perhaps being annexed and saddled with municipal taxes. The landholder today must decide also that his income-tax position is favorable for a sale.

"It would be nice for each party involved if all the others would commit themselves to development before he did—or at least when he does. Then he needs only pluck the ripe fruit from the tree, instead of undergoing years of risk, interest, depreciation, and obsolescence while he waits for complementary investments to help his own pay out. The situation lends itself to a long impasse of after-you-my-dear-Alphonse. At every stage, there is inertia, nostalgia, fear, bargaining, and jockeying."

Sky-high land prices were no problem in America until quite recent times

The Dutch bought Manhattan Island from the Indians for \$24-worth of baubles. Most colonies just took their lands free for nothing. We bought Louisiana, Arkansas, Missouri, Iowa, Minnesota, Oklahoma, Kansas, Nebraska, the Dakotas, Montana, and most of Colorado and Wyoming from Napoleon in 1803 for \$15 million. We bought all Florida from Spain for less than you would have to pay for Key Biscayne today. We gave Mexico \$15 million for California and most of seven other states. Seward paid Russia \$7 million for Alaska, and many Senators thought he paid too much.

What the government got for so little it gave away almost free (unless some earlier government had already given it away in princely grants often exceeding 100,000 acres). We gave the railroads millions of acres free to make it worth capital's while to open up the West. We homesteaded 160 acres of good land free to anyone who would take it up and live on it.

Within the memory of men now living, land outside our cities had almost no price beyond the cost of clearing it; and even on Manhattan Island corner lots sold in our grandfather's time for less than the price of a front foot today.

So it is small wonder that America has given so little thought to developing a constructive land policy to moderate land price inflation.

Unless land inflation is corrected soon, the consequences could be very serious

Many of America's biggest panics and depressions were touched off by over-speculation in land and a bust in land prices that carried hundreds of banks and other lending institutions down with it.

The panic of 1836 came with the collapse of the land boom along the new canals. The panic of 1857 came with the collapse of the land boom along the new railroads; so did the panic of 1873. And the 80% drop in land prices that started late in the Twenties played a bigger part in the bank failures of 1932 and 1933 than the 89% fall in the price of stocks from the 1929 peak.

A land bust in the Sixties could be even more serious if nothing is done quickly to check the inflation, because this land boom is blowing up to such monstrous size. Paper prices for land now total close to half a trillion dollars—nearly twice the national debt, more than six times the federal tax revenue, nearly twice today's price of all listed stocks, more than twice the resources of all our commercial banks.

If this bubble can be deflated quickly and now, little harm will be done. The speculators will lose their unearned paper profits, but that is about all.

There are five main reasons (all short-term) for today's soaring land prices in America until quite recent times

Reason No. 1: Speculation

Speculation has been the chief cause of the high prices because there were no laws to prevent it. Some of the high prices were due to speculation.

But

If we postpone the correction until much more of the land has been sold and covered with buildings mortgaged at prices that cannot be sustained, the credit structure of the country will be deeply involved, as it was before 1932.

Reason No. 2:

So it is high time everyone recognized the need of thinking out coherent land policies that will put a firm land price foundation under our prosperity. No economy can be sound and stable as long as its biggest asset is careening up and down on a \$500-billion roller coaster.

For 350 years our only land policy has been to give the public domain away free or almost free to anyone who would take it and then let him make as much money out of it as he could. This may have been all very well for a frontier nation with nearly two billion acres of wilderness to tame. But a highly industrialized and urbanized nation like America today needs a more positive policy to bring some order into the confusion our past lack of land policy is creating.

Reason No. 3:

Today the misuse and overpricing of land add up to a national problem and a national danger of the utmost seriousness, but nobody is talking about it, nobody is thinking about it, nobody is worrying about it, and nobody is looking for even a short-term answer, let alone a long-term solution.

In fact, to quote the report of the HOUSE & HOME Round Table on money and inflation (H&H, Jan), nobody even seems to know the problem exists except the homebuilders it is helping to price out of the market.

Letting this land-price inflation price America's biggest industry out of the market is bad enough by itself, for a cutback in homebuilding throws more men out of work than a like cutback in autos, or steel, or oil. But . . .

How can we form any sound national policies without giving thought to a policy for land?

Two years ago HOUSE & HOME said land speculation is Public Enemy No. 1 of the homebuilding industry and the homebuying public

Winston Churchill said it much better and stronger forty years ago. Said he:

"Land monopoly is not the only monopoly, but it is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly.

"Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.

"Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position—land, I say, differs from all other forms of property, and the immemorial customs of nearly every modern state have placed the tenure, transfer, and obligations of land in a wholly different category from other classes of property. [Did you ever stop to wonder why property in land is called "real" and why land cannot be "personal" property? See page 128.]

"Nothing is more amusing than to watch the efforts of [the land] monopolists to prove that other forms of property and increment are similar in all respects to land and the unearned increment on land.

"They talk of the increased profits of a doctor or a lawyer from the growth of population in the town in which they live. They talk of the profits of a railway, from the growing wealth and activity in the districts through which it runs. They talk of the profits from a rise in stocks and even of the profits sometimes derived from the sale of works of art.

"But see how misleading and false all these analogies are. The windfalls from the sale of a picture—a Vandyke or a Holbein—may here and there be very considerable. But pictures do not get in anybody's way. They do not lay a toll on anybody's labor; they do not touch enterprise and production; they do not affect the creative processes on which the material well-being of millions depends.

"If a rise in stocks confers profits on the fortunate holders far beyond what they expected or indeed deserved, nevertheless that profit was not reaped by withholding from the community the land which it needs; on the contrary, it was reaped by supplying industry with the capital without which it could not be carried on.

"If a railway makes greater profits it is usually because it carries more goods and more passengers.

"If a doctor or a lawyer enjoys a better practice, it is because the doctor attends more patients and more exacting patients, and because the lawyer pleads more suits in the courts and more important suits. At every stage the doctor or the lawyer is giving service in return for his fees.

"Fancy comparing these healthy processes with the enrichment which comes to the landlord who happens to own a plot of land on the outskirts of a great city, who watches the busy population around him making the city larger, richer, more convenient, more famous every day, and all the while sits still and does nothing.

"Roads are made, streets are made, services are improved, electric light turns night into day, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labor and cost of other people and the

rate payers. To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived.

"While the land is what is called 'ripening' for the unearned increment of its owner, the merchant going to his office and the artisan going to his work must detour or pay a fare to avoid it. The people lose their chance of using the land, the city and state lose the taxes which would have accrued if the natural development had taken place, and all the while the land monopolist has only to sit still and watch complacently his property multiplying in value, sometimes many fold, without either effort or contribution on his part!

"But let us follow the process a little further. The population of the city grows and grows, the congestion in the poorer quarters becomes acute, rents rise and thousands of families are crowded into tenements. At last the land becomes ripe for sale—that means that the price is too tempting to be resisted any longer. And then, and not until then, it is sold by the yard or by the inch at ten times, or 20 times, or even 50 times its agricultural value.

"The greater the population around the land, the greater the injury the public has sustained by its protracted denial, the more inconvenience caused to everybody, the more serious the loss in economic strength and activity, the larger will be the profit of the landlord when the sale is finally accomplished. In fact, you may say that the unearned increment on the land is reaped by the land monopolist in exact proportion, not to the service, but to the disservice done. It is monopoly which is the keynote, and where monopoly prevails, the greater the injury to society the greater the reward to the monopolist.

"This evil process strikes at every form of industrial activity. The municipality, wishing for broader streets, better houses, more healthy, decent, scientifically planned towns, is made to pay more to get them in proportion as it has exerted itself

to make past improvements. The more it has improved the town, the more it will have to pay for any land it may now wish to acquire for further improvements.

"The manufacturer proposing to start a new industry, proposing to erect a great factory offering employment to thousands of hands, is made to pay such a price for his land that the purchase price hangs around the neck of his whole business, hampering his competitive power in every market, clogging him far more than any foreign tariff in his export competition, and the land price strikes down through the profits of the manufacturer on to the wages of the workman.

"No matter where you look or what examples you select, you will see that every form of enterprise, every step in material progress, is only undertaken after the land monopolist has skimmed the cream off for himself, and everywhere today the man or the public body that wishes to put land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior use, and in some cases to no use at all. All comes back to the land value, and its owner is able to levy toll upon all other forms of wealth and every form of industry.

"A portion, in some cases the whole, of every benefit which is laboriously acquired by the community increases the land value and finds its way automatically into the landlord's pocket. If there is a rise in wages, rents are able to move forward, because the workers can afford to pay a little more. If the opening of a new railway or a new tramway, or the institution of an improved service or a lowering of fares, or of a new invention, or any other public convenience affords a benefit to the workers in any particular district, it becomes easier for them to live, and therefore the landlord and the ground landlord, one on top of the other, are able to charge them more for the privilege of living there.

"Some years ago in London there was a toll bar on a bridge across the Thames, and all the working people who lived on the south side of the river had to pay a daily toll of one

penny for going and returning from their work. The spectacle of these poor people thus mulcted of so large a proportion of their earnings appealed to the public conscience, and agitation was set on foot, municipal authorities were roused, and at the cost of the rate payers the bridge was freed and the toll removed. All those people who used the bridge were saved sixpence a week, but within a very short time rents on the south side of the river were found to have risen about sixpence a week, or the amount of the toll which had been remitted!

"And a friend of mine was telling me the other day that, in the parish of Southwark, about £350 a year was given away in doles of bread by charitable people in connection with one of the churches. As a consequence of this charity, the competition for small houses and single-room tenements is so great that rents are considerably higher in the parish!

"All goes back to the land, and the land owner is enabled to absorb to himself a share of almost every public and every private benefit, however important or however pitiful those benefits may be.

"I hope you will understand that, when I speak of the land monopolist, I am dealing more with the process than with the individual land owner who, in most cases, is a worthy person utterly unconscious of the character of the methods by which he is enriched. I have no wish to hold any class up to public disapprobation. I do not think that the man who makes money by unearned increment in land is morally worse than anyone else who gathers his profit where he finds it in this hard world under the law and according to common usage. It is not the individual I attack; it is the system. It is not the man who is bad; it is the law which is bad. It is not the man who is blameworthy for doing what the law allows and what other men do; it is the State which would be blameworthy were it not to endeavour to reform the law and correct the practice.

"We do not want to punish the landlord. We want to alter the law.

Other countries are trying five ways to stop the abuse of private ownership of land

1. The Communist countries did it by executing the landowners.

The Bolsheviks killed off or chased out most of the big landowners in Russia 40 years ago and starved most of their middle-sized landowners to death 30 years ago. They eliminated the satellite and East German landowners in 1945. The Chinese Reds are still busy killing off their landlords, either by starvation or by shooting them in the back of the head.

This kind of land reform has not been a success on the Russian farms, although in the Russian cities it seems to have worked fairly well for everyone except the dead landowners. In the cities it has permitted more orderly land planning than any US city can hope to get as long as thousands of landowners can profiteer on every public improvement and hold up every effort to assemble big enough land parcels for large-scale rebuilding. It has permitted more orderly land planning than you can find anywhere in Western Europe except Rotterdam and Le Havre, in both of which cities all the downtown area was taken over by the government after it was leveled by wartime bombing.

On the farms the Communists seem to have thrown out the baby with the bath water; ie, they have thrown out what was good in private ownership along with what was bad. They threw out a lot of landowners who were living high on their rents without doing enough to earn them, but they have failed to set up a substitute system that would stimulate the good management and the hard work you see on American farms. The Russians are ashamed of their farm failure and try to keep visitors from seeing it; but a cultural exchange of American farmers in 1958 reported that it takes 200 peasants on a mechanized cooperative farm to do the work ten men would do here. And the lag in farm production is one of Khrushchev's big headaches.



2. Other countries are redistributing land more humanely.

They are expropriating the big landowners peacefully (with or without equal compensation) and redistributing the land to small owners who are expected to farm it themselves. For example:

CUBA is trying to force idle land into use by breaking up the big estates and dividing them up among the peons. That is one big reason Castro is still popular despite all the mistakes he has made, and James Reston reports in the *New York Times* that: "In the other Latin American republics there is a great deal of popular support for Castro's land reform."

EGYPT is likewise breaking up the big holdings and parceling them out in small pieces to the fellahin. That is one big reason Nasser is still in power there.

IRAN's handsome Shah is giving big pieces of his own vast estates to the peasants who work them, hoping his example will inspire some of the other big landowners to do likewise. Today 300 families own all the land in Iran, which is twice the size of Texas. The 300 families count their wealth, not in acres, but in villages. The other 15 million people in Iran are landless and most of them have very little property to worry about in case of a Communist take-over.

MEXICO has broken up many great haciendas since the revolution.

ITALY is buying up some thousands of acres to resell on easy terms to small holders. And perhaps the most successful land distribution program of all has been pushed through by Chiang Kai-Shek in Free China (TAIWAN).

Breaking up big estates into small holdings is an ancient but doubtful cure for the land problem. Small farms are becoming more and more uneconomic





and before long slip back into big estates again. The canny Dutch are working on just the opposite tack. HOLLAND's government is pressuring farmers to combine their too-small properties and compensating the farmers so displaced with land newly empoldered on what used to be the Zuyder Zee. The DANES have built the world's most successful farm economy on middle-sized farms.

3. Some countries are freezing land prices arbitrarily.

Commonest method of land-price control is rent control, as applied in FRANCE for nearly 50 years. This is also the worst method, for it also discourages maintenance and inhibits improvements. Housing in France has been decaying for years.



The Dutch have rent control in the cities, but they apply direct price control in the country. When the Dutch extended their national freeway system they took the right of way at the fixed agricultural valuation of the land.

4. Some countries guide land use by purchase.

In SWEDEN, for example, the municipal government of Stockholm bought ahead of the city's growth more land inside and outside the city limits than all the land inside the city. Most of this land was bought before World War I; ie, it was bought far below today's prices. That explains why Stockholm can afford such wide open spaces between its suburban apartment houses. The city rents peripheral land to farmers until it is needed for housing.



In HOLLAND, almost every city over 20,000 population has a land reserve policy; Amsterdam alone owns some 8,300 acres ahead, partly "that the increase in land values may inure to the community." BRITISH cities are empowered to buy land, and some like Liverpool have long owned corporate estates. Land reserves are also owned by cities in GERMANY, AUSTRIA, FINLAND, and DENMARK. Municipal acquisition of raw or blighted land on the outskirts is authorized by the US Housing Act of 1949, but this power has never been used.

5. Some countries use tax pressure. For example:

DENMARK imposes a perpetual 3% a year tax on increased land values. This is such a heavy tax that on a once-only basis it would be roughly 100%. Denmark taxes land at steeper rates than it taxes improvements. And Denmark is making the big landowners pay for the breaking-up of their own estates by imposing a special added inheritance tax on large land holdings.



PAKISTAN has imposed a special 3% tax on unused land, in order to force it into productive use. This was suggested to the Pakistan government by Charles Abrams of New York and Otto Koenigsberger of London, United Nations advisers on housing.



JAMAICA, where most of the land is owned by a few families and most of the people are shockingly poor, is taking advantage of its new dominion status to shift the whole tax load off improvements onto land, in the belief that this will 1) bring much more land into production to earn its carrying charges, and 2) stimulate faster development (waterfront property with a hotel on it will pay no more taxes than the same land paid without the hotel). Four parishes have already been reassessed and put on the new tax basis and two more will be added every year until all 14 are covered. If the Jamaica experiment succeeds its example could have a profound effect in Latin America, where land ownership is similarly concentrated and the landless are similarly poor.

The best examples of how tax pressure works can be found in AUSTRALIA, NEW ZEALAND, SOUTH AFRICA, and Western CANADA.

Unimproved land differs in three ways from any other kind of private property

1. Unimproved land is the only kind of private property that the owner did nothing to create. He just found it ready-made (or bought it from someone who found it ready-made).
2. Unimproved land is the only kind of private property whose value grows, not because of anything the owner does, but because of what thousands of other people do. Said the great Victorian economist John Stuart Mill: "Landlords grow rich in their sleep." Suburban land would command only a small fraction of today's price if the city had grown up somewhere else.
3. Unimproved land is the only kind of private property anyone can own for years without doing anything or assuming any responsibility to maintain and protect his investment (other than paying a tax which is usually small and is always deductible).

If you invest your money in a building, your investment will crumble and decay within 20 years without constant upkeep.

If you invest your money in machinery, it will be obsolete within 20 years.

If you invest your money in stocks they will soon be worthless unless the company is well managed year in and year out.

If you write a bestseller book, your copyright and its renewals cannot run longer than 56 years. If you perfect a great invention, your patent (which is not renewable) can run only 17 years. After that you have no more legal claim to your own brainchild than anyone else.

But unimproved land, which was there for a million years before the Pilgrims landed, will still be there a million years after you are dead, regardless of what you do or do not do about it.

The moral foundation for private property rests on our belief that in a free society every man owns himself and therefore is entitled to own whatever he himself creates. This foundation is very shaky indeed under the private ownership of unimproved land (unless, of course, the owner performs at least some of the essential functions of the land developer, who is surely worthy of his hire). That is why moralists and law givers from Moses to Jefferson and Lincoln have questioned any man's right to hold more land than he can use.

By definition, unimproved land is land whose owner has done nothing to earn a profit. So it is a strange paradox that our laws not only give private ownership of land all the protection they give the private ownership of other property; they go further than that to give the ownership of unimproved land the most favorable possible tax treatment and greater permanence-without-effort-than any other form of private property.

Land speculation gets a better tax break than any other kind of business activity

Ours is a tax-activated, tax-accelerated, tax-directed, tax-dominated economy. Every business decision must be checked and rechecked against its tax consequences. Tax exemption is the No. 1 reason 5¾% FHA mortgages cannot compete with 4% municipal bonds; 52% tax-deductibility is why corporations can afford 8% interest easier than homebuyers can afford 4%. Tax allowances for depreciation make apartments a tempting investment even if they lose money. And many builders, alas!, find it much more important to get a good tax adviser than to get a good architect!

Almost everything is overtaxed. Incomes are overtaxed beyond the point of diminishing return. Corporation profits are so overtaxed that small business is in big trouble and many a big business must depend on accelerated depreciation. Good homes are overtaxed. Homebuilding is overtaxed; nearly 600 hidden taxes inflate construction costs, and some tax experts say all these taxes add up to one-third the cost of building!

But land as land is hardly taxed at all (see page 138).

Under our tax system, said FORTUNE ten years ago, it is no longer possible for anyone to get rich by hard work. The income tax has killed that great American dream that brought millions of eager workers to our shores and inspired the conquest of a continent. The harder a man works today the more of his earnings the Government takes. From the hardest and smartest workers the Government takes up to 91% of what they earn.

But our tax system—local, state, and national—gives land speculation so many special breaks that land speculation has been by far the easiest way to get rich.* So since World War 2 land speculation has made more millionaires than any other form of business or investment.

Said the first Marshall Field, who made most of his \$100 million fortune in land speculation: "Land is not just a good way to make money; it is not just the best way to make money; it is the only way to make money." If that was true before today's big taxes on ordinary income, it is twice as true today.

* The extraordinary tax treatment allowed the oil wildcatter may be justified by the chance he takes of drilling nine dry holes before he strikes a gusher. But land speculation in the suburbs involves no such risk. If the speculator picks his time and picks his land wisely, the double prospect of continuing urban expansion and continuing inflation almost guarantees him a good capital gain.

Today's taxes harness the profit motive ^(backwards) ~~abroad~~; they abet speculation, but penalize development

Today's taxes often make it more profitable to misuse and underuse land than to develop it and use it properly.

They penalize land development, land improvement, and homebuilding by 1) multiplying the local taxes the owner must pay as soon as new houses are built on his land or existing buildings are improved, and by 2) taxing away most of the profit from land development and homebuilding at ordinary income tax rates.

But they subsidize land speculation by 1) undertaxing the land as long as it is left idle or underused, and 2) taxing the profits of land speculation less than half as heavily as the profits of land development and homebuilding are taxed.

"The only cure for land speculation is to eliminate the extraordinarily favorable tax treatment now accorded the land speculator," says Professor John Henry Denton, in charge of real estate studies at the University of Arizona. "No justification for this can be found in economic theory. Unlike speculation in commodity futures or common stocks, land speculation does not support a market or provide a stimulus to production. In fact, it has just the opposite effect. It destroys the marketability of large areas of land by pricing them out of the reach of immediate users. It deprives our communities of many facilities needed for good living (such as parks and playgrounds) by driving the price of land beyond what communities can afford. It limits competition by holding a large part of the land supply off the current market. It channels capital funds away from productive investment into sterile adventures and may be responsible for the present day dearth of private risk capital.

"But our tax system grants this nonproductive and destructive activity the most favorable tax treatment of all.

"There is no way to outlaw land speculation in a free economy, but . . . the principle of public intervention to raise the yields on desirable uses of capital and lower them on undesirable uses is well established by our countless subsidies and tax preferences. The capital gains tax is in itself one of those preferences, but its application to the profits and recouped expenses of buying and selling vacant land is clearly in support of a most undesirable economic activity. Preferential taxation should be reserved for activities that aid the growth and development of a free enterprise system and not for those that are destructive of it."

Says Professor Fisher: "The plain fact is that our present system of real estate taxation, like the whole system of local government finance of which it is the chief part, is obsolete, inadequate, and unsuited to present-day political, social, and economic conditions.

"The need to re-examine and overhaul this whole complex is urgent and imperative, not only for the sake of real estate and housing, but also and a fortiori to save our local governments from bankruptcy—if possible."

Cities subsidize slums by undertaxation, penalize improvements by overtaxation

Most cities are generating new slums faster than they can salvage and rebuild their old slums. Urban decay and blight are spreading into new areas faster than all the billions we are spending for urban redevelopment and public housing can salvage existing slums.

This is bound to happen as long as our urban tax system subsidizes slums by undertaxation and discourages improvements by overtaxation. Overuse of land is easy to stop by zoning, but in a free enterprise economy like ours the only way to stop underuse is to put the profit motive to work and make it more profitable to improve a property than to let it decay.

Says Housing Administrator Norman Mason: "There is a close relationship between our prevailing real estate tax system and our problems of slums, blight, and urban renewal. This question of taxes—tax advantages and tax disadvantages—is inextricably intertwined with the problem of community development." And Mason goes on to quote Professor Frederick G. Reuss of Goucher College that: "By overtaxing good housing we first take away much of the incentive to keep values up; but once an area is blighted we reassess it at a low value and thus pay a premium for poor upkeep."

More than 50 years ago Lloyd George warned the British Parliament that low-rent (public) housing bills "will never be effective until you tackle the taxation of land values." And about the same time Theodore Roosevelt said: "The burden of municipal taxation should be so shifted as to put the weight of taxation upon the unearned rise in the land value, rather than upon the improvements."

Heavy taxation on *good* new city apartments is one of the two biggest reasons for not building them today (the other reason is too-high land prices). Says the ACTION report on rental housing: "Among the costs which determine rent, real estate taxes are among the most important." In FHA apartments around New York City local taxes take four times as big a bite out of each rent dollar as the landlord's profit.

But low taxation on run-down old buildings and slums is one of the biggest reasons why blight is spreading. Said the HOUSE & HOME Round Table on money and inflation:

"Heavier land taxes would make slumlords improve their property to get enough added income to pay their added taxes."

Echoed the HOUSE & HOME-ACTION-Pittsburgh Round Table:

"One big reason slums are so profitable and slum land prices are so high is that slumlords pay such small taxes per unit. They pay such small taxes because their buildings are so nearly worthless that they carry a very low appraisal; the worse the building the lower the appraisal and the smaller the tax. The average slum unit in Pittsburgh is taxed only \$50 a year—less than one-sixth of what the city has to spend for police, fire, schools, health, and other services in the slum areas (where the cost of municipal services always runs higher per capita than in better neighborhoods).

"Don't buy slum property for redevelopment without deflating its bootleg value—even though the federal government stands ready to subsidize a big write-down.

"There is no more excuse for asking federal taxpayers to buy up slums at prices based on the outrageous profits of overcrowding, undermaintenance, filth, and misery than for asking them to buy up a red-light district at a price reflecting the profits of prostitution. "If you increase the tax load on land and lighten the tax load on improvements, you could, at one stroke,

"1. Help deflate the bootleg value of slum property by making the slumlords pay more taxes and so make less profits;

"2. Help harness the profit motive to slum improvement, for you would, in effect, be giving partial tax exemption to any money spent modernizing or rebuilding the slums."

Speculators are subsidized by our system of public improvements for private profit

Suburban land would have little value if someone did not spend millions of dollars to build roads and highways and make it accessible, water and sewer lines to make it habitable, and schools and other community facilities to make it livable.

These essential improvements cost so much money that land speculation would be much less profitable and much less attractive if the speculators had to pay for them. The big profit in land speculation comes when the speculator can take the gains and get the bill paid by someone else—other tax payers and/or future owners.

In 1937 the National Resources Committee urged a study of the increment tax on real estate, "to see whether such a tax would make possible the financing of public improvements more nearly through tax revenue derived from the increased values which these improvements create, and whether such a tax would aid in combating speculation in land. Or the same result could be achieved by a vigorous system of betterment assessments coupled with detriment payments to landowners whose property was depreciated by the improvement (such as farmers whose farm is cut in two halves by a freeway). The Erie Canal, which multiplied land values in upstate New York was financed by a special tax on the land that benefited.

Most obvious example of public improvements that rebound to the land speculators' private profit is the new network of thruways and federal highways. Land values near interchanges along their routes have soared, but their entire cost has been paid by tolls and/or increased gasoline taxes; the landowners who got the windfall pay not a penny. On the contrary, many of them were directly enriched by selling their land for the right of way for far more than it could otherwise have brought.

Less obvious but equally important is the way acreage sellers escape paying more than a small part of the cost of building the new schools without which their acreage would not be worth much for homes. Most of the money for these schools is raised by taxes on houses, for under our local tax system the taxes on houses add up to many times as much as the taxes on raw land. So the owners of existing homes, who get little or no benefit from new houses on the edge of town, pay most of the taxes to provide the schools and other community facilities needed to make the speculators' land salable at a big profit!

Most of the homebuilders' community facilities problems would be eased if raw land were taxed more heavily, so that more of the cost of improved facilities would be paid by the landowners whose land prices are multiplied by the improvements.

“The only way land price inflation can be prevented is to tax land more heavily”

So said the consensus of the topflight economists, mortgage lenders, realtors, homebuilders, and manufacturers at the HOUSE & HOME Round Table on tight money and inflation (H&H, Jan). And they went on to say:

“A substantial part of the local tax burden now carried by improvements (like houses) should be shifted to the land itself.

“Taxes are the only important costs a land speculator must pay, so taxes are the only brake on the price of land, which reflects the capitalized margin between the rent the land can be expected to earn and the tax burden it can expect to carry. The bigger the land tax the smaller this margin will be and the less chance of big profits in land speculation. [In much of Australia and New Zealand improvements are not taxed at all; almost the whole cost of the local government is paid by taxes on land alone. See page 132]

“Taxing land more heavily would make the unearned increment in suburban land values pay the cost of schools and other community improvements needed to convert raw land into housing.

“Taxing land more heavily would let homebuilders offer better homes for less money.

“Taxing land more heavily would reduce the taxes on good homes by increasing the taxes on vacant and underused land.

“And incidentally taxing land more heavily would cut the cost of highway extension by cutting the land costs for the right of way.

“The steepest price inflation of all has been the price inflation in land, but . . . We have no land policy designed to bring the land needed for our population growth on the market when it is needed. On the contrary, we make it easy [by undertaxation] for land speculators to hold their land off the market in anticipation of still higher prices later.”

Twenty-three years ago the report of the National Resources Committee pointed out that taxes on improvements discourage building by reducing the profits the building can earn, whereas taxes on land stimulate building by decreasing the price the builder has to pay for the land he builds on. Its report continued:

“State and local authorities should consider reducing the tax rate on buildings and increasing the rates on land, in order to lower the tax burden on homeowners and stimulate the rehabilitation of blighted areas and slums.”

APPENDIX

MACHINERY & EQUIPMENT
MANUFACTURERS' ASSOCIATION OF CANADA

3405 Cote des Neiges, Montreal 25, Canada

WE. 5-3547

OFFICERS

President: Hugh Crombie, Dominion Engineering Works Ltd.

Vice-president: W. A. R. Dawson, The John Bertram & Sons Co. Ltd.

Treasurer: H. G. Lafleur, Q.C.

Directors: H. J. A. Chambers, F. G. East, F. G. Ferrabee, J. D. Greensward, H. D. Hyman, W. F. Lewis, W. A. Montgomery, H. M. Smith, R. K. Thoman.

March 17, 1961.

The Honourable Leon Methot, Q.C.,
Chairman,
And Members,
The Special Committee of the Senate on Manpower and Employment,
The Senate,
Ottawa,
Ontario.

Honourable Senators,

Mr. J. R. Nicholson, President, The Council of the Forest Industries of British Columbia appeared before your committee on February 1st, 1961.

We would like to comment on certain statements made by Mr. Nicholson.

On pages 380 and 381 of the proceedings he is reported to have said:—

Import Duties on mill machinery, etc.:

Our logging, lumber and paper mill operators are compelled to buy many of their tools of production in a protected Canadian market at a considerably higher price than if they were able to buy these tools in or outside Canada, without having customs duties to contend with. Of the total of our forestry production in British Columbia, 70 per cent is exported and over half of that percentage goes to the United States. So we have to pay these higher prices for the mill, machinery and equipment to produce goods for shipment back to the United States. Canada's farmers can buy their machinery and implements in the United States and import them free of duty, yet, because of our tariffs, operators in Canada producing a wide range of forest products destined for export to the United States and elsewhere must pay higher prices than their United States competitors for many of their tools of production. In this connection, it might well be pointed out at this time that, if Parliament accepts, without qualification, the resolution amending section 2A of the Customs Tariff Act, now before the House of Commons, in one of the resolutions tied in with the baby budget, the forest industries of Canada will be forced to pay still more for much of the machinery and many of the tools of production which they must have if they are to remain competitive on the world scene.

Now, if we could sell most of our production in Canada, that would do one thing, but when we have to go out and sell it in the United States in competition with the Americans, at a time when their own production is increasing, how can we meet that competition and pay roughly 25 per cent more for our conversion plants in Canada? Duties and freight add a minimum of 20 per cent and perhaps nearer 25 per cent to the installed cost of our conversion plants in Canada. That is the first factor of cost—the high cost of tools of production.

The import duties are:—

Tariff Item 411

Machinery for use in sawing lumber, up to not including the operations of planing, and complete parts thereof, not to include motive power, when for use exclusively in saw mills, (for the purpose of this item motive power is defined as equipment for driving the machinery of the saw mill)

B.P. rate 10% M.F.N. rate 12½%.

Tariff Item 411-a

Machinery, logging cars, cranes, blocks and tackle, wire rope, but not including wire rope to be used for guy ropes or in braking logs going down grade, and complete parts of all the foregoing, for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier.

B.P. rate 10% M.F.N. rate 12½%.

Tariff Item 427(6)

Paper machines; machines for calendering (not including super-calenders), slitting, reeling, winding and re-winding paper, n.o.p.; driving mechanisms therefor; parts of the foregoing.

B.P. rate 10% M.F.N. rate 22½%.

A large number of the tools of production used by the logging, lumber and paper mill operators would be covered by the three tariff items quoted above. Most of the others would be covered by one or the other of the following:—

Tariff Item 427

All machinery composed wholly or in part of iron or steel, n.o.p.; parts of the foregoing.

B.P. rate 10% M.F.N. rate 22½%.

Tariff Item 427-a

All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing.

B.P. rate Free M.F.N. rate 7½%.

We find it difficult to reconcile the rates of duty quoted above with Mr. Nicholson's statement that they pay roughly 25 per cent more for their conversion plants in Canada. Particularly as in fact they purchase most of their tools of production in Canada and as it is not correct to assume that the Canadian price is the foreign price plus the duty. Competition takes care of that.

We would direct the attention of the Honourable Senators to Tariff Item 411-a and to the definition of the operation of logging—"the removal of the log from stump to skidway, log dump or common or other carrier."

Previous to 1956, importations under this item were generally restricted to machinery for use exclusively in such operations.

The Deputy Minister of National Revenue, Customs and Excise referred the following questions to the Tariff Board:

- (1) Is machinery for use
 - (a) by a logging company, or
 - (b) by a person under contract with a logging company, exclusively in the construction and maintenance of logging roads, logging camps, log dumps or logging, wharves or docks, or in any combination of such uses, admissible under Tariff Item 411-a as machinery for use exclusively in the operation of logging?
- (2) Is machinery for use by a logging company exclusively for the protection of timber, bridges, camps or other construction, against fire, admissible under Tariff Item 411-a as machinery for use exclusively in the operation of logging?

The Tariff Board on March 5th, 1956 ruled that the answer to both questions was "yes". The result has been that since that time the Department of National Revenue has admitted practically all machinery used by a logging company under Tariff Item 411-a.

Then there is Mr. Nicholson's statement that if Parliament accepts, without qualification, the resolution amending section 2-A of the Customs Tariff Act, now before the House of Commons, in one of the resolutions tied in with the baby budget, the forest industries of Canada will be forced to pay still more for much of the machinery and many of the tools of production which they must have if they are to remain competitive on the world scene.

A copy of the resolution in question is attached.

The resolution provides:

- (a) that goods shall be deemed to be of a class or kind made in Canada if goods of approximately the same class or kind are made in Canada. (There is no change here. When Tariff Item 427-a was introduced in 1936, the Minister of Finance was asked what determined class or kind. His reply was that the fact that similar goods were made here was sufficient. And up until a few years ago that is the way it was administered.)
- (b) that in respect of goods custom-made to specifications, they shall be deemed to be of a class or kind made in Canada if adequate facilities exist in Canada for their economic production within a reasonable period of time.

Of the tariff items quoted above, only one, 427-a, is qualified by the words "of a class or kind not made in Canada". Therefore, we suggest that there is some exaggeration in Mr. Nicholson's statement that the forest industries of Canada will be forced to pay still more for much of the machinery they must have.

On page 381 Mr. Nicholson referred to the new mill of Columbia Cellulose Limited at Castlegar, and the necessity of equipment to prevent certain erosive reactions. He said that unless they can bring in machinery from the United States or elsewhere to help correct that situation, they would have increasing difficulties.

Canadian machinery builders are aware of the problems and difficulties and have supplied and can supply equipment that will satisfactorily overcome them.

On page 382 Mr. Nicholson referred to three mills to be built in British Columbia and ended up by saying:

I think Rayonier will get its plant finished before this amendment to section 2-A catches up on them; but the other two would be very hard hit by this amendment.

Rayonier of Canada, at Wood Fibre, are installing equipment to improve the quality of their pulp and to increase capacity. No additional pulp drying machines are involved. The program is approaching completion.

MacMillan Bloedel and Powell River at Port Alberni are installing a third newsprint machine. This machine is being built in Canada.

B.C. Forest Products at Crofton have announced that they intend to install a newsprint machine. It is hoped that it will be built in Canada. Their pulp-drying machine was built in Canada.

Page 382.

Senator BURCHILL: Are there any figures available to show the comparable cost of construction of a mill, not a newsprint mill, in Canada to-day as compared with the cost of building one in the United States, I mean figures per ton.

Mr. NICHOLSON: Yes, those figures can be secured. The minimum difference is 20 per cent higher in Canada and we think that 25 per cent higher would be closer.

Because of varying conditions and circumstances, it is difficult to obtain precise figures. We would submit the following in rebuttal of Mr. Nicholson's statement, based not only on our own experience but also as the result of conversations with consulting engineers in this field and with mill operating people.

According to a publication of the Technical Association of the Pulp and Paper Industry, 50% of the capital cost of a new mill is represented by purchases of equipment and machinery including freight to site. The machinery and equipment costs but little more in Canada. In fact, two of the people we talked to said that they were about even.

When comparing the cost of construction of a mill in Canada with the cost in the United States, we must look to the southern states because that is where the expansion of facilities in the United States has taken place.

Land prices are about even.

In regard to labour costs on construction projects, they are approximately 20% higher in the United States and less efficient because of work rules and overlapping union jurisdiction.

The cost of the buildings is approximately 30% less in southern states, because of climatic conditions. Construction can be carried out unimpeded during twelve months of the year, and it is not necessary to house in some of the equipment.

Taking all factors into consideration, we believe that it is fair to say that the difference between the cost of a mill in the United States and in Canada is negligible.

The machinery manufacturing industry is a depressed industry. Employment in some companies is but 60% of what it was ten years ago. The average for the industry is about 75%.

We would refer the Committee to the report on the Canadian Industrial Machinery Industry prepared by Urwick, Currie Limited for the Royal Commission on Canada's Economic Prospects. Amongst their conclusions were:

The carrying out of technical development by the industry and the expansion of its activities is severely restricted by the operation of

tariff items 427 and 427-a relating to goods of a class or kind made in Canada and by the administration of Section 35 of the Customs Act relating to the valuation of imports.

The industry has a small share of the domestic market; its total production accounting for only 38% of the total. The industry lacks volume and suffers the resulting disadvantages. Firms produce a diversified line of products in order to make the maximum use of their resources.

On pages 27 and 28 of the Report you will find figures showing the share of the domestic market in respect of different classes of industrial machinery. There are wide variations. It may be noted that at one end of the spectrum, Canadian manufacturers produce over 90% of the domestic market for water wheels and turbines, and on the average, approximately 75% of the domestic market for pulp and paper machinery. At the other end of the spectrum, imports represent almost 100% of the domestic market for printing and publishing machinery and for textile machinery, 85% of the domestic market for metal working machinery, and 75% of the domestic market for mining, metallurgical and oil well machinery. In respect of logging and sawmill machinery, on the average, 55% is represented by imports and 45% by domestic production.

The principal reasons for these variations are the relative size of the domestic market compared to that of the United States from whence come over 90% of all importations of machinery, and the level of protection afforded the Canadian manufacturer.

In respect of practically all of the classes of machinery, the domestic manufacturer is presently obtaining a smaller percentage of the domestic market than he did ten years ago.

The Dominion Bureau of Statistics in Canada and the Department of Commerce in the United States produce figures showing the number of workers employed and the value added by manufacture in respect of different manufacturing groups. In most cases the relative impact upon the national economy of the two countries is much the same. This is to be expected. However, there are two outstanding divergencies. In Canada, the manufacture of paper products ranks high in the list but much lower in the United States. The reverse is true in regard to the manufacture of machinery.

Respectfully submitted,

Hugh Crombie,
President.

MACHINERY & EQUIPMENT MANUFACTURERS' ASSOCIATION
OF CANADA

JANUARY 1961.

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Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

No. 22

THURSDAY, MARCH 23, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

WITNESSES:

Mr. Paul Emile Charron, Assistant Secretary, La Federation des Caisses
Populaires Desjardins du Quebec.
Dr. Gerald Fortin, Dept. of Sociology, Laval University.

APPENDIX

Brief from The Confederation of National Trade Unions.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i>
Burchill	Inman	<i>Shelburne</i>)
Cameron	Irvine	Thorvaldson
Choquette	Lambert	Vaillancourt
Connolly (<i>Ottawa West</i>)	Leonard	Wall
Courtemanche	MacDonald (<i>Queens</i>)	White
Croll	Macdonald (<i>Cape Breton</i>)	Wilson—(33)
Emerson	Methot	
Haig	Monette	

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

“The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, March 23, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 9.30 a.m.

Present: The Honourable Senators: Smith (*Queens-Shelburne*)—Deputy Chairman; Brunt, Buchanan, Burchill, Cameron, Croll, Haig, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Macdonald (*Cape Breton*), Pratt, Vaillancourt, and Wilson—16.

The following were heard:

Mr. Paul Emile Charron, Assistant Secretary, La Federation des Caisses Populaires Desjardins de Quebec.

Dr. Gerald Fortin, Dept. of Sociology, Laval University.

A brief submitted by the Confederation of National Trade Unions was ordered to be printed as an appendix to these proceedings.

At 11.00 a.m. the Committee adjourned to the call of the Chairman.

ATTEST.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, THURSDAY, March 23, 1961

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 9.30 a.m.

Hon. DONALD SMITH, *Deputy Chairman*, in the Chair.

The DEPUTY CHAIRMAN: Honourable senators, I see that we have a quorum.

Before we proceed to the brief which is going to be presented to us today I would like to say that the chairman, who is unavoidably absent this morning, has asked me to report to the committee on the recommendation of the committee of yesterday that Mr. Coyne be asked to appear. The chairman asked me to advise the committee that he communicated with Mr. Coyne by telephone yesterday afternoon, and Mr. Coyne stated it was impossible for him to be here today as was suggested in the motion. Mr. Coyne requested that a copy of the transcript of yesterday's proceedings be sent to him so that he would have an understanding of the purpose of his appearance before the committee. The chairman advised Mr. Coyne that he would communicate with him in a few days when the duration of the Easter adjournment is known, and determine the date of Mr. Coyne's appearance. The chairman expressed to me the hope that Mr. Coyne would be able to appear before the committee during the first week after the Easter recess.

I am now going to call on Mr. Charron to introduce the two other members of his group which is presenting to us this morning a brief on some aspects of unemployment in the province of Quebec.

Mr. PAUL EMILE CHARRON, Assistant Secretary, La Fédération des Caisses Populaires Desjardins du Québec: Mr. Chairman and honourable members of the committee, we thank you for your invitation, which we are pleased to accept, to submit a brief to you on some aspects of unemployment in the province of Quebec.

In 1957 at Levis, Quebec, La Fédération des Caisses Populaires Desjardins du Québec, the general manager of which is the honourable Senator Vaillancourt, sponsored an international congress, the theme of which concerned mainly inflation, consumers' retail credit, savings and family budgets.

Conscious of its responsibilities towards low-income groups of population, and anxious to become better informed of the present standard of living, aspirations and needs of our families which, as a result of industrialization and urbanization, have been undergoing major social changes in the last 25 years, La Fédération des Caisses Populaires Desjardins du Québec, as a conclusion to this congress, has required Le Centre de Recherches Sociales de l'Université Laval, Québec, to put up a survey dealing with these problems. The survey is intended to be the starting point of a long term educational policy dealing mainly with a better understanding by all families of rational savings and credit habits. Le Centre de Recherches Sociales has up to now gathered considerable information covering several aspects of our social and economic way of life.

Dr. Marc A. Tremblay and Dr. Gerald Fortin have already made use of this information in the publication of a preliminary report which deals with certain aspects of unemployment, and the ways in which it affects wage-earning classes in the province of Quebec.

Dr. Fortin will be pleased to read the brief, and with him is Mr. Marc Laplante from Le Centre de Recherches Sociales of Laval university.

The DEPUTY CHAIRMAN: I might say, honourable senators, that Dr. Fortin has indicated that he would prefer to read the brief through in the first instance, because it is relatively short, and that he will be pleased to answer questions afterwards.

Dr. GERALD FORTIN, Professor, Department of Sociology, Laval University: Mr. Chairman and honourable senators, unemployment is a phenomenon which has been analysed mostly in macro-economic terms.

Senator MACDONALD (*Cape Breton*): Would you mind explaining the term "macro-economic"?

Dr. FORTIN: We try to define the problem with all its economic and social variables in terms of a global view. In the more usual studies an attempt is made to determine the size of the number of unemployed in relation to the total labour force, as well as the general causes of the increase in the percentage of unemployed. While we do not deny the importance of this approach, there remain a large number of micro-economic and sociological aspects which have received much less attention from the researchers, but which are also of great importance for economic planning. Let us just note the problem of the regional distribution of unemployment and the problem of its socio-economic repercussions at the level of the families involved.

In the course of the study on living conditions of French-Canadian families—which was undertaken by the Centre de Recherches Sociales of Laval University in co-operation with the Federation des Caisses Populaires Desjardins—we gathered data which enables us to examine unemployment among the workers of Quebec from certain angles.

The research program is not centered on the unemployment problem, but rather on the living conditions of wage-earners, on the structure of the family budget, and on the needs and aspirations of families. The observations which we wish to present here are incomplete and are not the result of a systematic position of the problem. These results, moreover, are all the more fragmentary as the analysis of the data according to an overall plan will not be finished until the summer of 1961.

For the purposes of the study, 1,460 families distributed throughout the Province of Quebec were interviewed during the summer of 1959.⁽¹⁾ The questionnaire used for those interviews furnished data on the family budget during one year (from the summer of 1958 until the summer of 1959).⁽²⁾ The population studied comprises all the complete families (married at least one year), of French origin that are families of wage-earners in the Province of Quebec.

The sample was stratified according to the characteristics of the municipality in which the families live. Six different groups of families were formed in this way: (1) wage-earning families in the metropolitan centres (Montreal and Quebec); (2) families in towns with a population of over 30,000; (3) families in towns with a population of between 5,000 and 30,000; (4) families living in villages of rural municipalities where agriculture is prosperous; (5) families in villages of rural municipalities where agriculture is average; (6)

¹ The regions visited were the following: The Gaspé, Lower St. Lawrence, Quebec region, Metropolitan Quebec, Chicoutimi-Lake St. John, Three Rivers, Shawinigan, Eastern Townships, Metropolitan Montreal, Montreal region, Hull-Mont Laurier, Abitibi-Temiskaming.

² Excluded from the population are those families whose heads receive their main income from work done on their own account. For example: farmers, businessmen, professional men, etc.

families in villages of municipalities where agriculture is poor. It should be noted that the municipalities where agriculture is prosperous are situated near the big cities. Conversely, the more marginal agriculture is, the more it tends to be concentrated in a municipality that is remote from the urban centres (see G. Fortin, "Une classification socio-économique des municipalités agricoles du Québec" (A Socio-economic Classification of Agricultural Municipalities in Quebec) in *Recherches Sociographiques*, vol. 1, No. 2, April-June 1960, pages 207-216).

A generalization of the same kind may apply for the phenomenon of unemployment. Indeed, the percentage of families affected by unemployment increases as we move away from the urban centres. This relationship is clearly illustrated by **Table I**.

TABLE I
EXTENT OF UNEMPLOYMENT BY STRATA

Stratum	Percentage of families affected by unemployment	Percentage of families that have drawn unemployment insurance	Average duration of unemployment (in weeks)
Metropolitan areas.....	18	16	17.8
Towns with population of over 30,000.....	24	22	21.8
Towns with population of 5,000 to 30,000.....	24	23	16.6
Villages where agriculture is prosperous.....	30	28	20.2
Villages where agriculture is average.....	46	43	17.5
Villages where agriculture is poor.....	51	41	19.3
Total.....	29	26	18.8

Before commenting at greater length on the implications of the high percentage of unemployed in rural areas, it is necessary to define the yardstick which we use to measure unemployed. This method is quite different from the measurement used by the government agencies. The Dominion Bureau of Statistics, as well as the Federal Unemployment Insurance Commission, measures the intensity of unemployment by calculating the percentage of the labour force that is without work at a given moment. Thus, we find that in November 1960, 6 per cent of the Canadian labour force was without work, whereas in October 1960, that percentage was 5½. Those rates do not enable us to determine whether the workers who were unemployed in November had also been unemployed in October, nor the average duration of unemployment. The measurement which we use is different in two respects. Firstly, instead of taking the whole labour force into account, undifferentiated, we consider only those unemployed persons who are heads of families, that is, the workers whose instability of employment affects a large number of dependents. Secondly, we take into account the number of families whose heads have been unemployed at any time during the year between the summer of 1958 and the summer of 1959.

Thus if it is found in our study that 29 per cent of French-Canadian wage-earning families were exposed to unemployment at some time during the year (see **Table I**), while the maximum monthly rate of unemployment—as compiled by the government agencies—was 5 per cent during that period, it can be deduced that the heads of families who were questioned were unemployed at different periods of the year. The average duration of unemployment per family—19 weeks—underlines the plausibility of this distribution of the phenomenon in terms of time.

This method of measuring unemployment makes it possible to grasp more clearly the importance of under-employment in the Province of Quebec by laying bare certain phenomena that have been concealed by the other measurements. Thus, during the year 1958-1959, more than one-quarter of the wage-earning families of our sample were affected by unemployment at one time or other. That is a much larger proportion than one would gather from the official statistics. Furthermore, in the rural communities, unemployment affects between 30 per cent and 50 per cent of the families.³ The importance of unemployment is no doubt connected with the structure of occupation in the various communities. We can only present here a brief analysis of the characteristics of various industries and occupations in the urban and rural communities. A more thorough study would be necessary in order to situate the unemployment problems in its total context.

Distribution of Unemployment

We pointed out above that the percentage of families affected by unemployment increases as we move away from the large urban centres. The same relationship exists when we consider the percentage of families who have drawn unemployment insurance during the year. Even if it is the big cities which have the largest absolute number of unemployed, as the official statistics indicate, it is in those centres where their relative number is the smallest. In terms of probability, the urban worker is therefore less exposed to unemployment than his opposite number in the remote rural areas.

It should be noted, however, that the average length of the period of unemployment varies very little from one place to another. It is about four months. (There is no significant difference between the strata). It is therefore not the duration of unemployment which varies from one community to the other, but rather the probability of becoming unemployed.

The preponderance of unemployment in the rural community is illustrated also by the data presented in **Table II**.

TABLE II
RURAL OR URBAN ORIGIN AND UNEMPLOYMENT

Head of family's place of birth	Head of family's present residence	Percentage of families affected by unemployment
Rural	Rural	47%
Urban	Rural	30%
Rural	Urban	22%
Urban	Urban	18%

These data show the relationship between the percentage of families whose heads have been unemployed during the last twelve months, and the rural or urban origin of a family head.

Three relationships appear clearly in **Table II**. Firstly, the place of present residence is the chief factor associated with unemployment. Whatever his place of birth, the worker living in the rural community is more exposed to unemployment than the one living in the city. Secondly, the worker born in the urban community is less exposed to unemployment than the one who is born in the country. This last relationship, however, is especially true if the present place of residence is the country. There is therefore reason to believe that the worker of city origin is better prepared to find steady

³ Bear in mind that farm families are not included in our sample.

employment. An indication of this better preparation is found in the fact that the educational level of the workers is higher in the city than in the country. Moreover, the data in **Table II** reveal another important fact. Workers of rural origins, considerably decrease the probability of being unemployed by migrating to the city. This fact contradicts a number of preconceived notions that are current, (for example, that the rural worker does not improve his lot by migrating). It would seem important to verify this relationship with wider samples before accepting it absolutely. However, a brief analysis of the structure of occupations in rural and urban communities may make it possible to explain in part the lower rate of unemployment that is characteristic of the urban community.

We must bear in mind, first of all, that unemployment affects primarily the unskilled workers. This tendency has been shown by all the studies on unemployment in Canada. In our population 90 per cent of the workers who were unemployed during the year were semi-skilled workers or labourers. It must also be remembered that in Canada seasonal unemployment is one of the main forms, if not the main form of unemployment. Moreover, seasonal industries employ a very large number of unskilled workers (stevedores, lumber-cutters, construction labourers, transport labourers, etc.). As is shown in **Table III**, the level of qualification of the rural workers is lower than that of the urban workers. That may be explained not only by their lower level of education, but also by the nature of the jobs which they find in their community. The great majority of rural jobs are seasonal (bush work, transportation, construction work, road building, mining, etc.) and require few qualifications. Moreover, the rural worker has difficulty finding a job in his locality. At least half of the rural workers must travel to their place of work. Quite often those journeys are so great that the worker is obliged to spend several days and even several weeks away from his home. Once he is out of work, the rural worker may therefore prefer to remain at home and draw unemployment insurance benefits before exiling himself once more in order to look for work.

TABLE III
LEVEL OF QUALIFICATION OF THE WORKERS AND NECESSITY TO TRAVEL,
BY STRATA

Stratum	Level of qualification*	% of workers who must travel outside their locality
Metropolitan areas.....	2.59	19
Towns of 30,000 population.....	2.33	24
Towns of 5,000 to 30,000 population.....	2.54	28
Villages where agriculture is prosperous.....	2.27	56
Villages where agriculture is average.....	2.06	47
Villages where agriculture is poor.....	1.96	51

* The lower the score, the higher the proportion of unskilled workers.

As we pointed out at the beginning, our data make it possible to raise problems rather than solve them. However, it seems fairly clear that we must cease considering the unemployment problem as primarily an urban one. If we take into account the population of the various communities, it is in the rural villages that families suffer most from under-employment.

Socio-economic Consequences

The consequences of unemployment at the level of family life are fairly easy to predict. It is perhaps for that reason that few researchers have attempted to analyze them in terms of concrete examples. The systematic analysis of those consequences is, however, important if we wish to know the exact nature of this social evil, unemployment.

We cannot present data here covering all the repercussions at the level of the unemployed worker's family life. In particular, we cannot analyze the effects of unemployment on the cohesion of the family, on the motivation and psychological balance of the various members of the family. We can however present a few indications concerning the effects of unemployment on the family's standard of living, on the hardships incurred, on the chances of saving and on the necessity of resorting to credit.

As **Tables IV, V and VI** indicate, there is no doubt that the standard of living of families subject to unemployment is lower than that of other families.

TABLE IV
ANNUAL INCOME PER UNIT OF CONSUMPTION

Income (\$)	Families subject to unemployment	Families where the head has steady employment
0- 899.....	48	27
900-1,499.....	35	40
1,500 and over.....	17	33
Total.....	100 (426)	100 (1,034)

TABLE V
STANDARD OF LIVING INDEX*

Score in the index	Families subject to unemployment	Families where the head has steady employment
0- 6.....	26	11
7-10.....	32	22
11-15.....	31	35
16-25.....	11	32
Total.....	100 (426)	100 (1,034)

* The higher the score, the more personal property owned.

TABLE VI

"GENERALLY SPEAKING, ARE YOU UNSUCCESSFUL, FAIRLY SUCCESSFUL OR
 QUITE SUCCESSFUL IN BALANCING YOUR BUDGET?"

Category	Families subject to unemployment	Families where the head has steady employment
Unsuccessful.....	31	14
Fairly successful.....	54	59
Quite successful.....	15	27
Total.....	100 (426)	100 (1,034)

It will be seen that the available income per unit of consumption is decidedly lower.⁴ Half of the families where the head is out of work have an annual income of less than \$900 per unit of consumption. As in our consumption scale, the children are weighted at less than a unity, the per-capita income of those families is lower still. The possession of the personal property common to French-Canadian homes is measured by the index given in Table 5. A statistical test (chi squared) shows that the families where there is unemployment own fewer household goods than other families. Thus, not only is current income lower, but the total investment in goods is lower too. From that it can be assumed that the precariousness of the economic situation is not a recent, accidental phenomenon, but a state which lasts for some time. Finally, we should note that the family of the unemployed worker has much more difficulty than other families in balancing its budget (Table VI). This fact is a logical consequence of the precarious situation of the unemployed worker.

We pointed out in the preceding paragraph that the low value of possessions is a characteristic of the families of the unemployed. However, the unfavourable situation of the unemployed is not expressed only in terms of personal property owned, but also in terms of almost every aspect of family life. This is clearly shown by the data in Tables 7 to 12. (There is a statistically significant difference between the two groups of families in all those tables).

TABLE VII

SECURITY INDEX

Score	Families subject to unemployment	Other families
0-2 (security nil).....	43	1
3-4 (little security).....	48	25
5-7 (acceptable security).....	9	74
Total.....	100 (426)	100 (1,034)

⁴ In order to permit comparison between families, we have used a consumption scale taking into account the age of the members of the family. This scale therefore makes it possible to verify the effect of the family's size on the purchasing power.

SPECIAL COMMITTEE

TABLE VIII

DO YOU FORESEE THAT THE LACK OF MONEY MAY PREVENT YOU FROM GIVING YOUR CHILDREN THE EDUCATION YOU WOULD LIKE TO GIVE THEM?

Answer	Families subject to unemployment	Other families
Yes.....	61	38
No.....	39	62
Total.....	100 (426)	100 (1,034)

TABLE IX

ARE THERE ANY FOODS WHICH YOUR FAMILY WOULD LIKE TO EAT IN LARGER QUANTITIES?

Answer	Families subject to unemployment	Other families
Yes.....	40	22
No.....	60	78
Total.....	100 (426)	100 (1,034)

TABLE X

HAVE YOU TAKEN ANY VACATIONS DURING THE LAST TWELVE MONTHS?

Answer	Families subject to unemployment	Other families
Enough.....	46	58
Not enough.....	54	42
Total.....	100 (426)	100 (1,034)

TABLE XI

DO YOU FIND THAT YOU GIVE YOURSELF ENOUGH OR NOT ENOUGH HOBBIES AND RECREATION?

Answer	Families subject to unemployment	Other families
Enough.....	46	58
Not enough.....	54	42
Total.....	100 (426)	100 (1,034)

TABLE XII

DO YOU DO SEWING FOR YOURSELF?

Answer	Families subject to unemployment	Other families
Often.....	56	39
Occasionally.....	12	15
Never.....	32	46
Total.....	100 (426)	100 (1,034)

It is perhaps in regard to the steps taken to insure the security of the family that the destitution of the unemployed is most pronounced. Table 7 shows the weighting of the families in a security index. The items comprising that index are the possession of life insurance, health insurance, a pension plan, etc. Nearly half the families of unemployed workers have no guarantee of security in case of family disaster, while 74 per cent of the other families have an acceptable combination of insurance plans in case of unforeseen emergencies. The family of the unemployed worker therefore has to suffer not only from the hardships due to the lack of work, but is also vulnerable to all unforeseen calamities which may strike it. From that it can be concluded that the social security measures such as unemployment insurance are perhaps inadequate to ensure the family of the unemployed worker the minimum of security to which Canadian families as a whole aspire.

Another important point is that the unemployed predict that, owing to lack of money, they will not be able to give their children the minimum of education which they consider necessary in our modern society (Table VIII). If this prediction comes true, the children, for lack of adequate preparation, will have to be employed as labourers or semi-skilled workers when they begin their careers. The probability of their becoming unemployed in their turn will therefore be fairly great, especially if we consider the future progress of automation. Unemployment may therefore easily become a heritage that is perpetuated from generation to generation. No doubt, free education at all levels may remedy this situation. However, it should be borne in mind that parents take their children out of school most often, not because they cannot pay the cost of their education, but because they need the wages which the children can earn.

The hardships of the families exposed to unemployment extend to almost all items of the budget. Tables IX to XII illustrate the hardships with relation to food, recreation and clothing. We could add further examples here, but it seems that this would be superfluous. It is sufficiently clear that unemployment is a major catastrophe for the working-class French-Canadian family and that the unemployment insurance benefits, even if they help a great deal, are insufficient to enable the family to lead a normal life. It would be useful to study the consequences of unemployment to single and married workers. Perhaps we would then be led to consider the establishment of benefits which would take into account the family responsibilities of the unemployed worker.

The fact that the unemployed have less chance to provide a sufficient income for their families in case of emergencies or illness is one indication of the difficulty they have in saving. Actually, the premiums of the various forms of insurance necessary for security of the family are savings which the unemployed person does not succeed in making. We find this inability to save when it comes to savings in the form of bank deposits or purchases of bonds. The data given in Table XIII indicate clearly that the unemployed are less successful than other heads of families in saving money.

However, there is another fact which does not emerge from the data in **Table XIII**, but which the interviews showed up fairly accurately. When the family exposed to unemployment does succeed in saving, it does so in order to provide against contingencies that are likely to occur soon. The families whose heads have a steady job ordinarily save for a more or less indefinite and remote purpose—they save for the future. The unemployed person who manages to save usually has to withdraw his savings to meet the necessities of daily life. For all the families exposed to unemployment, the indebtedness during a year is greater than the savings.

TABLE XIII

CAN YOU SAVE FROM ONE YEAR TO ANOTHER?

	Families subject to unemployment	Other families
Yes.....	34	52
No.....	66	48
Total.....	100 (426)	100 (1,034)

TABLE XIV

AVERAGE NET SAVINGS PER STRATUM

Stratum	Savings in dollars
Metropolitan areas.....	- 28
Towns of 30,000 and over.....	- 3
Towns of 5,000 to 30,000.....	+ 15
Villages where agriculture is prosperous.....	- 18
Villages where agriculture is average.....	-122
Villages where agriculture is poor.....	-107

Senator CROLL: Dr. Fortin, in **Table XIV**, which illustrates the average net savings per stratum, you show a figure of minus 122 in villages where agriculture is average, and minus 107 in villages where agriculture is poor. That strikes me as being a little out of balance. What is your explanation?

Dr. FORTIN: The explanation is that the annual income of those families where agriculture is poor is lower, so even if they want to spend or go into debt they cannot because their total income is less, and lenders do not want to lend them money.

The DEPUTY CHAIRMAN: In other words their credit is not as good?

Dr. FORTIN: That is right, Mr. Chairman.

Senator HAIG: Where are these figures taken from?

Dr. FORTIN: From a survey made in the form of a questionnaire we sent to 1,500 families in the province of Quebec.

Senator HAIG: All these figures relate to conditions in the province of Quebec?

Dr. FORTIN: Yes, Senator Haig, on conditions all around the province, from one end to the other. The questionnaire was circulated throughout the province, so we think we have a very good representation of all the problems that can be met.

TABLE XV

HAVE YOU HAD OCCASION TO BUY ON CREDIT OR ON THE INSTALMENT PLAN?

	Families subject to unemployment	Other families
Yes.....	80	71
No.....	20	29
Total.....	100 (426)	100 (1,034)

TABLE XVI

IF YOU HAVE BOUGHT ON CREDIT, HAS IT HAPPENED OFTEN OR SELDOM DURING THE PAST 2 YEARS?

	Families subject to unemployment	Other families
Often.....	48	37
Seldom.....	52	63
Total.....	100 (426)	100 (1,034)

TABLE XVII

HAVE YOU EVER BORROWED FROM A FINANCE COMPANY DURING THE PAST 5 YEARS?

	Families subject to unemployment	Other families
Yes.....	33	26
No.....	67	74
Total.....	100 (426)	100 (1,034)

The data in **Table XIV** illustrate this fact. Indeed it will be noticed that the more unemployment there is in a stratum the more the savings of the families in that stratum are negative. In time of recession, a negative net savings may be a source of renewal for the economy as a whole, like the deficit budget of the government. But the fact remains that at the family level, this situation may be disastrous if it continues.

The family situation is all the more critical as the unemployed worker must not only spend his savings but must go into debt more than a steady worker, as is shown in **Tables XV, XVI** and **XVII**. Having exhausted his savings and being obliged to contract more and more debts, being deprived of any means of security, the unemployed person is thus exposed to distraint and/or considerable difficulties, if his period of unemployment is prolonged in the least or as soon as disaster strikes him.

Conclusions

These few considerations on the geographical distribution of unemployment and on the socio-economic condition of the unemployed worker's family pose more problems, in fact, than they enable us to solve. Unemployment is a major economic and sociological problem. The politicians who seek to find a solution

to it should, in our opinion, base themselves on research centred on two main poles. After defining the various types of unemployment—seasonal, structural, etc.—they should determine the incidence of those types according to the economic regions, urban and rural communities, etc. This analysis should be accompanied by a structure-functional analysis of the regional economies. There no doubt exist some large-scale economic remedies for unemployment, such as increased exports, deficit budgeting, etc. But to be really effective, most of those measures need an organic adaptation to the local situation. No doubt such measures also demand some co-ordination between the various sectors of industry and various levels of government.

However, unemployment does not only have causes, it also has effect on the life of society, on family life and on the life of the individual. Our observations have enabled us to show that the whole phenomenon of unemployment does not strike just any workers, but rather particular classes of workers. Among heads of families, unemployment appears to be a more or less hereditary phenomenon in the less favoured environments. This is not an accident in the career of an individual, but rather a more or less permanent state peculiar to certain individuals. This permanence of unemployment at the individual level, is creating among us a real proletariat characterized by a very low standard of living, the total absence of security in case of emergencies, and the impossibility of aspiring to a better lot for future generations. It is important that this first analysis of the problem should be supplemented by an analysis of the effects of unemployment on the single worker. Likewise, it would be important to determine the implications both for the family and for the single person of various types of unemployment.

Such research would make it possible not only to prepare programs of economic expansion and of co-ordination of industries, but also to ensure greater economic and social security through the adoption of measures proportionate to the needs of the various types of workers. Thus, it would be possible, we hope to nip this emerging proletariat in the bud.

The DEPUTY CHAIRMAN: Honourable senators, are there any questions you would like to ask Dr. Fortin?

Senator VAILLANCOURT: Dr. Fortin, when you investigated the unemployment situation in the rural centres did you include the sons of farmers or just persons in villages?

Dr. FORTIN: We included only married people living in the villages; we did not count the farmers or their sons living on farms.

The DEPUTY CHAIRMAN: At the time you took your sample of 1,500, you excluded completely the farming families.

Dr. FORTIN: Yes.

Senator HORNER: I note you mention that there is a good deal of suffering in the rural areas.

Dr. FORTIN: Yes.

Senator HORNER: Is it not true that there has always been a great deal of seasonal work in the province of Quebec? For instance a man who would work hard and long hours driving logs down in the spring would expect to take a month or two off to rest and visit at home? It seems to me still to be a great province for that type of work; and nowadays the workers are paid sufficiently high wages in the woods that they can afford to work a short season.

Dr. FORTIN: Yes. But there is a factor here that is becoming more and more important: it is that the forest worker used to be a farmer in the summer and a woods worker in the winter. Now these people are only forest workers in the winter, they have no farm, and they reside in a village; they have

no extra income besides that from their work in the woods. This is especially true in the years 1957 to 1960 when cutting in the province of Quebec was very low. In those years the worker was employed three, four or five months of the year, and the rest of the time he was unemployed. There is a minority of farmers who go into the woods, but it is a very rapidly declining minority.

Senator PRATT: And mechanical devices have reduced the cutting time.

Dr. FORTIN: Yes.

Senator BURCHILL: This paper seems to run counter to what we have been told from other sources. It is the first time I have had placed before me the submission that the urban worker was less exposed to unemployment than the rural worker.

I live in the country beside a small town. There we have our unemployment problem but it is not as acute, in the sense that we feel sorry for our friends in a metropolitan area like Toronto. We think it is bad enough to be out of work in a small community, but it is a terrible thing for a man to face unemployment in a city. We have always felt this way. We know that in the country a man has some land and can have a garden; in fact, if he does not have one it is his own fault. There are all kinds of opportunities for him to get land and grow a certain amount of food for his family; whereas in the city he does not have that privilege. Therefore, I have always felt that the unemployed worker in the rural areas was immeasurably better off than the unemployed worker in the city, and this is the first time I have had a contrary view placed before me.

Dr. FORTIN: The rural unemployed perhaps have more opportunity in some respects, but in the small city there is also opportunity to grow some items. Very often a man in a rural area is renting a house or small apartment and he does not have land of his own.

Senator BURCHILL: But there is land of all kinds available and he can get it.

Dr. FORTIN: True, there is land around. However, from what I saw during those interviews I would say it is perhaps more the fault of the rural dweller than the man who lives in the urban centre, for he is more responsible for his own way of life and for being well adjusted; in other words, he has perhaps more responsibility for his own suffering.

But it must be pointed out that the man in the rural area suffers more from lack of security than the man in the urban centre. The urban unemployed has no life insurance, no health insurance, no pension plan. If any misfortune comes to him, such as one of his children gets sick or he faces a bad situation, he is in more serious trouble than the urban worker. In the urban centres there are health services and generally more adequate services for the unfortunate.

There is also a problem of education in the rural centres and small villages, where the children of the unemployed leave school very early; at 14 years they are out of school trying to find some sort of job in the bush or elsewhere to supplement the family income. As I said, it is a kind of perpetuation of the phenomenon. In the urban centres they are more exposed to propaganda about education, and there is more opportunity for it.

Senator BUCHANAN: Would you not find that most of the families living in small villages would be most unhappy if they were moved out of them? They are used to that way of life; they have their little gardens. I have in mind villages where there are families of the type you described, who have never been fully employed, but who have brought up their children and in many cases educated them to the point where they entered the professions. They would not be able to do that in the same way if they moved into the city.

Dr. FORTIN: That is true. In the rural area a man could be unemployed for two months and not suffer too much, except that his income in general is still lower than that of the man in the urban centre.

Senator BUCHANAN: But there are so many little things they can do to help themselves, by way of gardens, and of course they always have their friends.

Dr. FORTIN: I would say the ties of family and friends would be more important than the garden, because from what I could see in the villages gardens are no longer popular; even in the rural areas and on the farms I would say about 10 per cent of the people in the community have their own gardens. The wife prefers to buy vegetables from the peddler in the same way as she buys the bread and so forth. The wife considers after looking at her efforts in the garden and what she can save from that work that she is still better off in buying stuff outside. That is quite a tendency in the rural areas. So, there is that possibility, but they do not take advantage of it, except in those cases where the father is not too well off.

Senator HORNER: You have many textile industries in the province of Quebec, and some are in the small communities?

Dr. FORTIN: Yes.

Senator HORNER: You mentioned greater exports. A gentleman presented a brief to us yesterday and he made the flat statement that protective tariffs created unemployment. Have not your industries been sustained to some extent by a certain measure of protection?

Dr. FORTIN: I do not think they are too well protected by measures of this kind. These economic problems of industry are not my field. I can only give you a personal opinion and not an expert view of it. The textile industry is an artificial industry in the province of Quebec. Since we have to bring cotton from very far away the textile industry in the province of Quebec is in the same position as the textile industry in the New England area. Perhaps it is more artificial in Quebec than it is in New England, and New England is losing the textile industry. I think it is a lost battle. We must try to do something. We must try to find something else in the way of new industry instead of trying to perpetuate that industry.

The DEPUTY CHAIRMAN: I have been looking back over your brief, Dr. Fortin, in an endeavour to find out whether you have made a comparison of the impact of unemployment on the rural inhabitants vis-à-vis the urban inhabitants, and as far as I can see you have not examined one segment of that. All you say is that the percentage of those employed is higher in these rural areas. Is that right?

Dr. FORTIN: Yes. As a matter of fact, there is no difference in the percentage of people having security and those whose children are not able to go to school and who are deprived of food as between the rural and the urban areas.

The DEPUTY CHAIRMAN: The impact is the same in the cities as it is in the rural areas?

Dr. FORTIN: Yes.

Senator HAIG: What has puzzled me right from the start, Mr. Chairman, is that I have heard the problem so often, and this man comes here from Quebec and tells us about the very same problem in the towns, cities and rural districts of Quebec, but none of those appearing before us have suggested a feasible solution to the problem, and that is what I want. I want a solution. I do not care a rap about the problem. I know the problem is there. I lived in a small town for a good many years, and I know the problem connected with the small town. The man in the small town can keep a cow and keep

poultry. I know what I am talking about. He did it in Alexander, Manitoba. I used to milk two cows when I was a boy, and my brother and I delivered the milk, and we made quite a lot of money out of it. That can be done in a small town because the people in the small town will buy milk at five cents a quart. But, what is the solution now? Why has that condition changed? Most of those people run a small store such as a boot and shoe store or a supply store of some kind or other, and then some of the men work on the railroad and some on the highways. Some people were teachers. They all lived in that village, and even in the bad years away back in the early 1890's in Manitoba we did not have unemployment in our village. I admit we had poverty, and we had a lot of it, and I admit that a lot of people suffered quite a bit, but there was not what was considered rank unemployment. Now, you have indicated to me that you have real unemployment in those villages in Quebec. What is your cure for that situation?

Dr. FORTIN: I think the village in Quebec is different from the village in the west. Our villages are pretty large. We have villages of 200 families. The bulk of our rural population is living in the villages on very small urban lots. They are people who are fed up with farming, for one thing, because farming is no longer paying for them. Most of them are sons of farmers who have left the farms and who do not want to farm any more.

Senator IRVINE: Just because we do not want to do a thing should we be allowed to stop doing it and say: "Let somebody else keep us"? I think the whole problem is that nobody wants to work.

Dr. FORTIN: That is right, and the problem is how to make them work.

Senator CAMERON: Your survey was made in towns with populations of from 5,000 to 30,000.

Dr. FORTIN: No, it was made all in villages. Those with populations of from 5,000 to 30,000 comprise only one stratum of the sample. We visited all kinds of villages, we visited very small villages and villages which are not defined as towns but as rural municipalities.

Senator CAMERON: What would be the size of the smallest village, roughly?

Dr. FORTIN: The smallest would be—well, there were two villages of 19 families, but they would be exceptional.

Senator CAMERON: My second question is: Did the survey record the time of the unemployment? Was it December to March, or when was it?

Dr. FORTIN: No. Unhappily, we did not record it.

Senator CAMERON: In other words, you did not establish the extent to which this was a seasonal matter?

Dr. FORTIN: We did record the fact that they were unemployed so many weeks, but we did not record when this unemployment occurred.

Senator CAMERON: Do you not think that would have been a good thing to know?

Dr. FORTIN: Yes, that would have been a good idea, but, of course, the purpose of the study was not with respect of unemployment.

Senator CAMERON: One of the significant things you said was that there has become established a proletariat of a low educational standard. Did you ascertain how far back this situation has obtained? Does it go back one generation or two generations?

Dr. FORTIN: I would say it would go back at least one generation—that is, to the son of the father who was unemployed during the thirties.

Senator HORNER: I would like to ask Dr. Fortin another question. We hear a lot of talk today about a high standard of living, and how we must maintain it at all costs. There has been some evidence that a period of nine months

is about all a great many workers care to work. We had evidence that lumber camps in New Brunswick had to close down because the employees had accumulated enough stamps to draw unemployment insurance and they wouldn't work any more. In the early days it was never thought in Quebec or any other part in Canada that the Government would have to find people jobs or pay them, but that seems to be the thinking now. What do you think of this theory? I think if we want to have a high standard of living we should work nine months a year, six days a week. Nowadays people work a short five-day week and spend their money on the weekends taking trips through the country, and so on. Even the statistician can figure out how many people will be killed on a weekend. That may be a high standard of living to some, but it is abhorrent to me. I would favour the idea of a man working nine months a year and then having a good holiday or rest for three months, getting back to work in plenty of time and all rested up. I believe we are coming to that scheme with modern machinery, and so on. I should like you to go back to your university and think about that plan. The present way is a most wasteful one. Another point is that many plants and factories have to have a period in which to be rehabilitated, and this could fit in with a three-month holiday plan.

Dr. FORTIN: There would have to be a great deal of co-operation between industry and others concerned.

Senator HORNER: Oh, yes it would have to be worked out. Perhaps during this three-month period the younger men, and some of the older ones too, could go back to school or university. The rest could just enjoy themselves. I am afraid the nation cannot stand the present scheme whereby the work weeks are getting shorter and shorter all the time.

Senator BURCHILL: You would have to stagger the three-month period.

Senator HORNER: I am not concerned so much about the monetary end of it but about the welfare of each individuals, and what he might accomplish if he had time off for a thorough rest each year.

The DEPUTY CHAIRMAN: Dr. Fortin, is not one of the important facets of the problem related, in so far as the rural population is concerned, to the fact that there is a market for only so much pulpwood in any region of the province of Quebec—

Dr. FORTIN: Yes.

The DEPUTY CHAIRMAN: —or New Brunswick or anywhere else, and when that market has been satisfied there is no more purpose in the men working an extra day a week, because there would be no place to sell the wood? Is that part of the problem?

Dr. FORTIN: It is, Mr. Chairman. The people we studied work for big companies in the woods. They do not work for individuals or for themselves, and in the last four or five years there has been a variation in the demand for pulpwood.

Senator HORNER: My three-month layoff would cure all that and there would be a market for what could be produced during the other nine months.

Senator PRATT: We can talk about turning back the clock but we can't turn back the calendar and that is what your plan would entail, Senator Horner. You can't go back a generation or two. Let us be realistic about these things. The situation today is such and such and you cannot change it. You talk about having a three-month holiday. That is sheer nonsense.

Senator HORNER: It is not.

Senator PRATT: It is absolute nonsense. You would be tearing industry to pieces from one end of the country to the other.

Senator HORNER: It could be worked out.

Senator PRATT: Let's forget about it. You can't disturb the calendar. It goes on year after year.

Senator HORNER: We are disturbing it now.

Senator HUGESSEN: I think an extremely interesting disclosure in Dr. Fortin's memorandum is that of the relative incidence of unemployment in Quebec as between rural areas and urban areas. He has produced some figures and conclusions completely new to me. Relatively speaking, it would seem the incidence of unemployment in rural areas is higher than in urban areas. In the rural areas you might call it under-employment rather than unemployment?

Dr. FORTIN: Yes.

Senator HUGESSEN: Is it not true that Quebec is going through a rather quick transformation? Normally speaking, in past years many people in the villages depended upon winter work in the woods, and so on, and then they came back and farmed during the summer months, as you have said.

Dr. FORTIN: Yes.

Senator HUGESSEN: With the increase in industrialization isn't the proposition becoming one where it is better for a man to go to one of the towns and get more steady employment?

Dr. FORTIN: I think this is the attitude of the rural people now.

Senator HUGESSEN: Your figures would show that.

Dr. FORTIN: If it is really a good thing for them, that is another problem.

Senator HUGESSEN: I am not talking about the ethics or morals but the possibility of getting steady employment.

Dr. FORTIN: What has happened is that the small farmers realize they cannot stay on their farms and have a standard of living comparable to what they see on television and in the towns and villages, and so forth. The farmer's wife wants the same dress and hat as she sees women wearing on TV. Farm income alone cannot provide this and so the farmer has gone to the woods in the winter months to supplement his income and his wife has carried on the farming duties, looking after two or three cows, and so on. What has happened is that the wife has become tired of this after a few years and as a result the couple move to the village or town. They leave the farm completely. They are fed up with farm life and its standard of living. It is not a good thing to do but that is what they do.

Senator HUGESSEN: Perhaps Senator Horner's remedy for that would be to abolish television from farms, and not give the farmers and their wives these bad ideas.

Dr. FORTIN: Men working for big companies in the woods are very dissatisfied with their work because they have to go far from home and live for as long as three months in lumber camps. There is also the point that from year to year they are not sure of their employment, for the companies work on a cycle of two years with a big production one year and a lower one the next year, and the worker has no security in terms of continuing employment. What happens is that the younger members of the rural centre are not prepared to go to the urban centre; they have not enough schooling and training to be able to compete.

Senator HUGESSEN: And this results in unemployed workers in the towns.

Dr. FORTIN: Yes.

The DEPUTY CHAIRMAN: Dr. Fortin, has there been to your knowledge any other study of a like nature by government, or two governments joined together, in your province?

Dr. FORTIN: Not to my knowledge.

The DEPUTY CHAIRMAN: I notice from your brief that your main conclusion, or so it appears to me, is that more study is required on this particular problem in order to determine the basis for a policy which might make unemployment less in those areas.

Dr. FORTIN: Yes. I think there is also the problem of regional planning, if you take a region like the lower St. Lawrence region in Quebec, where farming is declining pretty rapidly, and people are working in the forests and the mines on the north shore; but this is a very depressed area where under-employment or unemployment is very high. Reports in Matane show that 90 per cent of the people are unemployed most of the year.

The DEPUTY CHAIRMAN: I was very interested in your findings as to income, and noted that of the families subject to unemployment almost half of them have incomes of under \$900 a year. I refer to table IV. Does that figure in transfer payments?

Dr. FORTIN: That would apply to unit of consumption.

The DEPUTY CHAIRMAN: Per unit of consumption?

Dr. FORTIN: Yes; and there are about 3.7 units by families on the average.

The DEPUTY CHAIRMAN: Per person in the family?

Dr. FORTIN: No. You see, what happens is that in our study we tried to find by comparison what people do with their money, and you have to know the size of the family in order to make a comparison. So we use a scale, and an adult is counted as one person, and all people over 16 years of age are counted as one person, but children are counted, according to their age, as half a person, and so forth.

The DEPUTY CHAIRMAN: Then it is pretty difficult for us to get an understanding of what a unit is in relation to income?

Dr. FORTIN: Yes. I have not the figures before me, but if I remember correctly, the average income of those employed is \$3,000 a year.

Senator CAMERON: Which underlines the fact that this is under-employment.

Senator BLOIS: In the last paragraph of your brief you say, "Such research would make it possible not only to prepare programs of economic expansion", and so on. Do you think there is going to have to be some degree of economic planning by governments?

Dr. FORTIN: Well, it could be by government, but co-operation between government and the private sector would be better. I was mostly thinking in terms of regional planning for economic development. If I may go back to the lower St. Lawrence region, there is a private organization there which is composed of the mayors of all the communities and the chambers of commerce, and others, and they are trying now to devise a plan of development for that region in co-operation with the government, but the initiative is a private one, and I think a very good one. Perhaps the government could help by initiating some kind of program like that, but I think the co-operation of the people there is quite necessary if something is to be done.

The DEPUTY CHAIRMAN: There are various other organizations similar to that. I have in mind the Atlantic Provinces Economic Council, and the Eastern Ontario Development Association. Perhaps such organizations could be more helpful.

Dr. FORTIN: Yes. There is also in Saskatchewan a community development program, initiated partly by the university and partly by the government, as well as a community centre operated by the university and the government in co-operation also with the local people, to try to study the problem and do something about it.

Senator PRATT: I have always felt in rural places the provinces of Quebec was outstanding in its handicrafts and folk craft, and so on. I believe a provincial organization promoted this work and its sale. Is that work developing now, or is it falling off?

Dr. FORTIN: This movement is still going on and developing, but I do not think it is a solution for a great many of the problems we are faced with.

Senator PRATT: No, I realize that, but I always felt it was a valuable feature in the life of the rural communities of Quebec, and that it was the sort of work that brought a measure of self-containment to its people, anyway.

Senator HUGESSEN: If you drive down to the Gaspé, senator, in the summer, you will see some of those workers very active indeed in the handicrafts.

Senator HORNER: I would like to reply to Senator Pratt's remarks about industry. I have a letter here. I have not the privilege of divulging the name of the writer, but he was born in Quebec and is a member of one of the oldest, highly respected and largest firms in Canada, bar none. He writes to me to say that he agrees with me 100 per cent.

Senator CROLL: Agrees with you 100 per cent in what?

Senator HORNER: With my proposition that men work six days a week and then lay off, if they have to, for nine months. He says that men are going away for long weekends and leaving valuable lands idle as well as expensive equipment idle, and that they come back with a hangover and are not safe to work around a machine or fit to work at all.

Senator BURCHILL: Is this man an industrialist?

Senator HORNER: Yes, sir. He said I shall be getting some criticism. Well, I do get some unsigned letters. I got one wishing I would drop dead.

Senator HUGESSEN: I would move that Senator Horner be asked to appear as a witness before this committee.

Senator HORNER: The person who expressed that wish was taking a pretty sure bet, because I will not go on for ever, but I would like to assure him that I have not a craven heart like he has, and that nothing he writes will ever kill me.

Senator VAILLANCOURT: If we adopted Senator Horner's plan, all our publicity for washing machines and labour saving devices of all kinds would have to be changed. I do not think we can go back now. This problem of unemployment is not just a problem of labour, but it is tied in with all the advertising on T.V., radio and the newspapers, which are trying to convince the people that they should work less and live an easier and better life without work. That is a human side to the problem that we cannot change now.

Senator CAMERON: I just want to say, Mr. Chairman, that I hope that Senator Horner got that plank incorporated in the platform last week.

Senator BURCHILL: Mr. Chairman, I think this is a most interesting paper and it has provoked a very interesting discussion. This paper addresses itself to pointing up the distinction between the urban and the rural. Now, as we meet conditions in Canada today, which are changed very much in the last few years, aren't those lines being dissipated, that is the lines between rural and urban, as far as labour is concerned. I am thinking particularly about the mobility of labour today. We have eliminated distance, have we not? It is no trick now at all to get from the Maritime provinces to Toronto where great

industry is located and through which the St. Lawrence Seaway runs. Those sources of employment drew a great many workers from my section of the country, and I speak for New Brunswick. Workers can get from the Maritimes to Toronto overnight. I may say that we have had a great exodus from our rural districts in the Maritimes, workers who went to Toronto and who secured there excellent employment at big wages and have written home to their friends, brothers and sisters saying, "We are in clover here, we have a great job and this is the land of promise". Things have now quieted down in Toronto and jobs not so plentiful and these people come right back again to the old home, perhaps to the farm, but they will leave again whenever the opportunity offers. Isn't that what we have to face in the future, that these people will come from different sections where there is unemployment and go to the places where there are jobs.

The DEPUTY CHAIRMAN: Dr. Fortin, would you care to comment on that factor of mobility?

Dr. FORTIN: I think, Mr. Chairman, that is the situation that exists in the province of Quebec, that people move to the village first and from there they move on to the urban centres such as Toronto, Oshawa, Montreal, and other places. Some of them do come back when there is unemployment in the urban centres but I would say most of them remain in the cities. What happens is that migration stops when there is unemployment in the urban centres, and thus the unemployment problem in the rural areas grows bigger. Naturally, if there is a big flow from the rural to the urban areas the rural situation is not going to be as bad. On the other hand, if people cannot leave the rural area then the unemployment in the rural areas does become acute.

Senator BURCHILL: But that does not mean that the people you have interviewed for the purposes of this brief have always been rural people. They may have been working in urban centres and come back at the time you interviewed them.

Dr. FORTIN: Some of them may have, but very few.

Senator HORNER: You will admit, Dr. Fortin, that the five-day week and the shorter hours have attracted the young men away from the farm to industrial areas and have made it impossible to hire help on the farm.

Dr. FORTIN: That is quite right.

Senator VAILLANCOURT: Mr. Chairman, will you permit me to make an observation. I want to emphasize that this has been a study which has been in progress over the last four years in co-operation with the Caisses populaires, trying to determine the exact situation in the province of Quebec. We have spent \$30,000 a year in this study over the past four years but we have not arrived at any definite conclusion yet. We are still studying the main problem, the real problem. After those studies are completed we will hold discussions and try to find a solution, try to find out in what manner it is possible to improve the situation which is especially very bad in the rural areas, for the farmers, and for savings, and so on. I just wanted to point out, Mr. Chairman, that this is a matter that is presently still under study and our presentation does not represent a conclusion.

Senator HUGESSEN: Mr. Chairman, as one of the members of the committee coming from the province of Quebec, perhaps you will extend to me the privilege of moving a vote of thanks to the witnesses and to the institution which has produced this very valuable paper. I think Dr. Fortin has given us most interesting ideas and I do want to point out to the committee that one of the values of this paper is that it results from studies that were made not in

connection with this particular inquiry that our Senate committee is undertaking, but on the other hand it is a study this institution made on the living conditions in French-Canadian families, as a result of which they compiled this particular information which is of great value in our particular studies.

On behalf of the committee, Dr. Fortin, I thank you very much for your kindness in coming here and presenting your brief.

The DEPUTY CHAIRMAN: Honourable senators, before we adjourn I draw to your attention that this will be the last meeting of the committee until after the Easter recess and may I, as your deputy chairman, have the privilege of wishing you a happy Easter.

The committee adjourned.

APPENDIX

BRIEF PRESENTED TO THE
SPECIAL COMMITTEE OF THE SENATE ON

MANPOWER AND EMPLOYMENT

BY THE CONFEDERATION OF NATIONAL TRADE UNIONS

Ottawa, March 23, 1961.

Mr. Chairman,
Members of the Committee.

The Confederation of National Trade Unions (CNTU) is highly delighted at the creation and activity of your Senate Committee set up last spring to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force.

In a period in the life of the nation when unemployment is rampant to a distressing and scandalous degree, when it has reached a dangerous and seemingly permanent level, so that it constitutes the No. 1 problem to which individual and collective goodwill must be addressed, it is reassuring to note the responsible manner in which your Committee has applied itself to the task.

The CNTU has voiced its opinion many times on unemployment, its causes, and its cures, in its annual briefs to the federal cabinet (all the briefs before the one of February 2nd last bear the signature of the Canadian and Catholic Confederation of Labour (CCCL), which name was changed to CNTU at the September 1960 Congress of our central union body), then at the conference on unemployment called some time ago by the Prime Minister of Canada.

There is certainly no need for our organization to list its qualifications for laying before you its views on such a vital problem. Does it not embrace across Canada (and especially in Quebec which is so hard hit by unemployment) some 100,000 workers who, with their families, represent a large segment of the wage earners in the country who are already or may soon become the prime victims for the scourge of underemployment? The labour bodies, as the most authoritative spokesmen of the working class, have the right and duty to bring before the Government authorities and public opinion the distress and want of Canadian workers and to say in a loud and clear voice that labour is determined not to tolerate any longer a situation that is terribly costly to them and to society in its waste of human resources.

Unemployment, a Waste of Human Resources

Beyond the statistics and economic considerations of a general nature (which are necessary, moreover, for the analysis of mass phenomena like the present unemployment) there open up psycho-sociological perspectives which

concern the innermost needs of the individual human being and of the elementary groups to which he belongs. We then cease to speak of economics in the universal sense, with regard to unemployment, and try to discover what becomes of the unemployed Joe Doakes, who is fully able and anxious to work, fully available and in search of work who for months has not found a place in a society where a man is described chiefly by his work activity and where the head of a family should be, and rightly so, the bread-winner. Joe Doakes, the unemployed man, quickly loses his dignity, his pride, and the respect of a family for whose upkeep he does not provide very well, he must now do without certain goods and must soon do without necessities, and he is using up slender savings in an atmosphere of insecurity and dependence. These effects on the psychic balance of the unemployed person and on the cohesion of his family are felt long after the immediate unemployment situation has disappeared. And if, as a result of prolonged unemployment, the father is unable to provide his children with the minimum education demanded by a highly technological system, the unemployment of the father will be passed on to his sons as a heritage, as a taint.

The Basic Principles

From the foregoing it follows that the CNTU subscribes to the following principles:

1. *The immediate fundamental criterion* of economic decisions must be man. The economic institutions and systems must be built directly for the human being and must be subordinated to his fundamental requirements of material well-being, dignity, security, and freedom. Man should not be the slave, the victim of a system. Those are not mere pious assertions, in the prevailing economic situation in Canada. In concrete terms, that means for us that "free enterprise" is not an ultimate end; it is only a means, a structure whose legitimacy lies only in what it does for men. If the price of free enterprise is permanent mass unemployment, men will soon prefer to give up the doubtful freedom they have to live as second class citizens or to die slowly from hunger and shame, in exchange for the security provided by a highly-planned economy centered on full employment.

2. *The principal wealth of a country is its people.* To utilize this wealth fully, it is essential to create conditions which will enable all who can work to pursue their gainful activity and earn their living. In a society which is determined by work, this means affirming *the absolute right to work*; without this, society suffers incalculable economic and social losses.

3. *The working population must be well prepared.* This means recognizing the necessity of an adequate education and technical training *both* for those who are already working *and* for the young people who will be looking for work tomorrow.

4. *Work is not only a right, but a duty* the exercise of which should be promoted by the economy.

These principles will throw light on all the subsequent discussion.

The Statistical Fact of Unemployment

The CNTU does not intend to dwell at length on the statistical magnitude of the phenomenon of unemployment in Canada. Other briefs, and particularly the one presented before your committee by the Canadian Labour Congress (January 26, 1961), have already thrown sufficient light on that aspect of the problem. Except for a few divergences of interpretation according to the sources of the data, all observers are in agreement on the massive, growing, persistent and even permanent character of unemployment in this country

since 1957. They all emphasize the paradox of that widespread unemployment in a period of relative prosperity, unemployment which does not seem to shock some people sufficiently to spur them to action.

The latest statistics (taken from the *Labour Force: "Employment—Unemployment"*, a bulletin of the DBS and of the federal Department of Labour, dated January 14 last) give 693,000 unemployed, or 10.8% of the labour force of 6,396,000, compared to 528,000 unemployed, or 8.2% of the labour force in the preceding month, and with 547,000 unemployed, or 8.8% of the labour force in the preceding year (January 1960). On February 16 last, the Unemployment Insurance Commission had on its files the names of 865,066 unplaced applicants and 17,374 unfilled positions.

It will be noted that the proportion of unemployed is usually determined from the civilian labour force. It would, it seems, be more realistic (and more disturbing!) to determine it from the *wage-earning* labour force (which would exclude a good million individual owners, employers, and the relatives and immediate family working without proper wages for family businesses).

However that may be, each month since July 1960 has brought a record unemployment figure for this country for the postwar period. To situate this phenomenon in the slackening of industrial and trade activity over the past twelve years, here are some figures:

	1948-1952	1952-1956	1956-1960
Rate of unemployment in relation to available manpower	2.4%	3.5%	4.9%
Annual average rate of increase in gross national product	5.5%	3.7%	1.0%
Annual average increase in population	2.4%	2.4%	2.4%
Annual average increase in labour force	1.3%	1.7%	3.9%

In the face of such figures, how is it possible to speak of "temporary difficulties" with regard to the existing underemployment, especially in the context of a steady population growth and a striking rise in the rate of increase in the labour force? To put it briefly, there has been practically no increase in job opportunities, whereas the labour force is growing continually and will no doubt expand further with the arrival on the labour market of the young people born in large numbers during and after the Second World War.

Obviously, such a situation calls for extremely vigorous and permanent correctives, which are something more than poultices applied by short-sighted quacks, because even if we were to give as the "causes" of the present slump the industrial resurgence of some European countries, the excessive increase in our productive capacity compared to a limited consumer's market, the so-called temporary "recession", and the seasonal factors which play such a large part in the Canadian economy, we would nevertheless be forced to acknowledge that without those causes, the present level of unemployment would still be at a dangerously high point of over 6% even if production returned to its record level of January 1960. That is more than double the maximum set by Beveridge. Therefore, our economy is not growing at a sufficiently rapid rate to offer jobs to those seeking them; and, if the present economic conditions persist, the situation in that respect can only deteriorate.

In the light of such facts, what "remedies" can we offer? We shall probably be able to propose this or that piecemeal measure as a temporary solution for this and that aspect of the overall unemployment problem and of the slowdown of the economy, without too much concern for the way in which the various measures will conflict with one another nor for the futility of a particular measure in the light of the problem as a whole. That is the

system of modified *laissez-faire*, of the "mixed" economy with a liberal accent in which the State exerts a real, but *partial* and *intermittent* influence on the economic activities whose private agents (individual or collective) have only a limited view while enjoying a great deal of latitude. The government in this context assumes a supplementary role.

The Real Remedy: A PLANNED ECONOMY

Now, the time has come for the Canadian government to face up squarely to its responsibilities at this critical time in the life of the country, to "make up for" the decidedly inadequate action of the "free" agents of the economy in the private sector. Because the magnitude of the problems and their solutions (which are situated at the national and international levels) is clearly beyond the means and scope of private groups. It is essential at any price to look ahead to new prospects of common welfare. Now, the prime responsibility for national welfare is the federal government. It is the indispensable co-ordinator of many divergent activities, the force for balancing interests and giving order and direction. It is therefore high time, especially in a period of depression, that we cease to regard the State as a sort of big bad wolf devouring the liberties of individuals and groups, or a passive father whose only role would be to see that his children tear one another to pieces, yes, but according to the rules of the game! In the present economic situation, therefore, widespread and serious planning is necessary under the immediate control of the State. In a system which claims to be democratic, its duty is to give direction to the economic life of the country by availing itself of all the advice and special knowledge of the representatives of groups working in it.

Council of Economic and Social Orientation

The CNTU firmly believes that in order to provide an institutional framework for the participation of individuals and socio-economic groups in the federal government's work of economic planning, the immediate creation of a "Council of Economic and Social Orientation" at the national level is essential, such as those that are found in several free countries and in some Canadian provinces.

This Council, established on a permanent basis, would be composed of representatives of the federal and provincial governments, of labour and management organizations, and farmers' and consumers' groups. It could add to its number some specialists in economics, sociology and pedagogy. It would be empowered to form special committees for the study of specific problems such as productivity (the recently formed Council would have its place here), capital investment, external trade, manpower, social security, technical training, etc. Finally, it would take the initiative in creating a federal-provincial commission for economic and social orientation without which its efforts would be vain.

Its duties would consist in *conducting enquiries* on the economic situation, discovering the symptoms and causes of *malaise*, in defining and balancing the types of unemployment, analyzing markets (products and manpower), examining and evaluating the economic structures of the country; in *making recommendations* to the Cabinet regarding effective measures for achieving full employment and prosperity; and in *informing* the public through the dissemination of reports and statistics from time to time. Over and above the general considerations of economics, the Council would take a quite special interest in the various economic regions (and especially those which are less favoured), in the fundamental differences between urban and rural environments, in the idea that global measures (fiscal, commercial or monetary) will produce their effects only if they are organically adapted to the local situations and embodied in a policy of co-ordination between the various sectors of industry and the various levels of government. Finally, this Council would prepare the way for

a *Full Employment Act* acceptable to the provinces. This Act would have the merit of fixing very clearly once and for all the role and prime objectives of the State in the economy of the country, with the precise indication of the essential means to be employed to achieve such an end.

The Council of Economic and Social Orientation would in no way supplant the State, since it would have no powers of decision. It would not be a panacea, but would render great services to the extent that it would be solidly equipped for its important tasks, that it would perform its tasks with responsibility and skill and finally, to the extent that its force of persuasion on the legislator would be expressed in effective measures which it would have recommended itself.

With regard to unemployment more particularly, the measures proposed should bear the stamp of discernment. *The* unemployment will not be cured with a single remedy. It will be one of the essential functions of the Council of Economic and Social Orientation to clearly define what kinds of unemployment are involved (because pure and isolated types almost never occur) in order to apply to them the solutions indicated.

Types of unemployment

1. Cyclic unemployment

Cyclic unemployment is chronic and generalized. It can be said to result from the spread between the increase in the active population and the general level of national production. It is definitely incompatible with a period of rapid economic development. It is related to a considerable successive decline in national production in four sectors of goods, i.e., capital (or production) goods, consumer goods, export goods and goods of the public sector. Instability in one sector is rapidly felt in the others and with added impact. Thus, if the council should discover traces of this type of unemployment, it will immediately suggest specific remedies, such as a reduction in immigration (if production is at a maximum), an acceleration of national production through a specialized labour force well supplied with raw materials, a decrease in taxes for certain industries, the acceleration of public works. It will thus simultaneously promote public spending and consumer spending, an "easy money" policy, temporary government budget deficit and so on. With regard to immigration in particular, the Council will ensure co-ordination between the divisions of the various departments concerned (Employment, Immigration, Welfare).

2. Structural unemployment

Structural unemployment is the result of economic progress or of the "freedom" of choice exercised by the consumers. It is related to changes in techniques or in the means of production (what is known as "technological" unemployment) and in the demand for goods and services (such demand can be global or localized, in other words partial, in which latter case a relative occupational or geographical lack of mobility brings about the same result) on the national or international market.

It is above all the technological aspects of unemployment that should retain the attention of the Council for Economic and Social Orientation. The new technology, particularly in the form of automation, whether for better or for worse, has very extensive social and economic implications. The CNTU does not intend to hold back from technical progress in a vain effort at sabotage. On the contrary, it sees in the new technical processes (machines, materials, the organization of production on new bases) the instruments of long-term economic and social progress for North American society. But, according to Keynes' expression "over a long period of time, we all die".

The CNTU believes that an entire generation should not immediately be sacrificed for the possible advantages of a long-term policy. It believes that a solidly directed economy that has in itself the necessary resources to protect

considerable masses of workers from the human social and economic dislocations which only too often result from the indiscriminate and uncontrolled application in industry of technological inventions.

It will be up to the Council to propose a social evaluation of technological "progress" in such a light that the technical changes will be weighed according to their implications for man and for the labour groups. In particular, the new technology constitutes without a doubt an immense burial ground for the trades. If, on the one hand, it requalifies certain workers, on the other it rejects an even larger number and, above all through its multiplication of productive activity in the sectors it affects, it eliminates the need to resort to a numerous labour force which would have been necessary had it not existed. It can, of course, be maintained that the tertiary sector will eventually absorb the leftovers of the secondary sector, but in what proportion and at the cost of what social upheavals? Is technology a factor of unemployment? The Council for Economic and Social Orientation together with employers, unions and the social research centres of the universities, will have to examine with particular attention the automated sectors of industry to establish the optimum rate for the introduction of technological changes. This rate, of course, is already slowed down by the very cost of new machinery, by the necessity of trade specialists in the new technology after it has been perfected through painstaking efforts, and by the precise limitations of the market. Nevertheless, always in the perspective of the common good, this rate might well be influenced by the government. The Council's studies will settle the matter.

And to the extent the Council discovers large sectors of labour affected by technological unemployment, it will propose compensating benefits which will allow displaced workers to find employment in other enterprise, preferably after professional re-training, the costs of which will be covered by the preceding employer with or without the help of the government. Young people getting ready to enter the labour market will require a solid technical preparation. Are our present institutions able to provide this? An extensive inquiry on a national level is necessary to determine, in terms of our resources in education and technical training, the present and future needs of industry as regards professional qualifications.

The Council will be able to determine the remedies for technological unemployment: more advanced education for entry into the labour market, earlier retirement, a reduced working week, a shorter working day, a broadening of the Technical and Vocational Training Assistance Act, higher unemployment benefits, payment of removal expenses to a new place of work, increased purchasing power through social security measures, etc.

3. Seasonal unemployment

Seasonal unemployment is periodical (hence foreseeable), temporary, geographically limited and variable as to duration and intensity; it also varies according to regions and economic sectors with regard to the time at which it makes its appearance. It affects certain classes of workers more seriously than others. It is linked to the economic situation if not by the time at which it makes its appearance at least by its duration and extent. The Council for Economic and Social Orientation will seek out the causes of the type of unemployment which is at present affecting over 250,000 unemployed in this country. Is it only attributable to the climate or also to consumer habits or production practices (for example, in construction)? Is it demand or production that periodically drops or disappears for a certain length of time? According to the causes it discovers, the Council will be able to propose corrective measures: a reduction in interest rates for home construction during the off-season, an increase in public construction, tax (sales) exemptions for building materials, etc.

4. *Frictional unemployment*

Frictional unemployment arises from the difficulty workers experience in passing from one labour market to another. It can be explained, in brief, by a lack of mobility. This type of unemployment can be explained in various ways each of which calls for a particular remedy; lack of information, lack of coincidence in the duration of periods for which work is in supply and demand. Uncertainty, anxiety preceding the movement from one market to another, trade rules that hinder transferring from one occupation to another, attachment to the factory through all kinds of fringe benefits and to the locality through all kinds of family and friend relationships, social habits, etc.

5. *Recessional unemployment*

Recessional unemployment is generalized unemployment lasting for a fairly long period of time. A high percentage of present unemployment can be explained by the period of recession. The Council will be able to eliminate this by proposing investment policies and adequate monetary, fiscal and budgetary measures.

6. *Regional unemployment*

Regional unemployment in Canada affects the Maritimes, Quebec and British Columbia to a greater extent than other provinces. The Council would be well advised to create the Commission suggested by the Gordon Commission to coordinate efforts for the benefit of the underprivileged provinces. It is not a question of giving charity. On the contrary, business firms will be encouraged to settle in these areas through grants or tax relief which will compensate the losses incurred in choosing such an area for a plant. Moreover, federal legislation has recently opened the way in this direction. Or else the movement of workers out of a labour market that cannot endure will be helped by removal allowances. The Federal Government will favour remote areas by absorbing the additional transportation costs of products, by endeavouring to make purchases in these areas, by granting financial help to economically sound enterprises and to economically profitable regional resources (even if these are slightly less profitable than elsewhere).

This all too rapid enumeration of the types of unemployment with their respective causes and solutions, together with this very summary incursion into various sectors of the economy in which the government can take action indicate, nevertheless, the complexity of the existing problems, the inability of private institutions to exercise any effective influence over them and hence the necessity for the Government, the organizer of the general commonwealth, to establish a master plan that would be sufficiently far reaching to embrace all the necessary data, sufficiently flexible to take care of concrete and highly changeable situations, and sufficiently democratic to be based on the enlightened agreement of the various agents of our economy.

In this brief we have sought to analyze the various forms of unemployment. As we stated before, there is never only one type of unemployment in its natural state. The same applies to the proposed solutions. The remedies suggested for each type of unemployment may be interchangeable, they may neutralize one another or they may not even correspond in the least to the synthesis of types of unemployment. Hence the need for the Council to study the phenomenon of unemployment in its entirety and to propose well-balanced solutions that will be in keeping with the synthesis of unemployment that exists at a given time in our economy.

If, in view of the gravity of the present situation, the Government finally agrees to fully play the part which, by the nature of things, it has to play in the

economy of our country with the help of the Council for Economic and Social orientation, it will be able little by little to bring that order and light into our economic activity which, at present, are so sadly lacking.

For some time now, outstanding industrial and political leaders have expressed amazement at the results obtained in certain European countries. It should not be forgotten that these countries have not hesitated to change their old economic structures and to put an end to the myths created by liberalism. They have boldly undertaken planning and the integration into enterprise of all productive forces.

We must no longer be afraid and we must not maintain the present paralysis to the benefit of small privileged and plutocratic groups. Industry exists for mankind and not mankind for industry. Our economic organization should be based on this fundamental truth.

Respectfully submitted,

(Signed) J. Marchand,

LA CONFÉDÉRATION DES SYNDICATS NATIONAUX
(CONFEDERATION OF NATIONAL TRADE UNIONS)

Quebec, March 23, 1961.

P.S.—The very gloomy statistical forecasts given at the beginning of this brief with regard to the level of unemployment in this country have, unfortunately, just been confirmed by recent figures put out by the Dominion Bureau of Statistics and the Department of Labour. Indeed, the number of unemployed in Canada at the middle of February 1961 amounted to 719,000, that is 26,000 more than the preceding month and 120,000 more than at the same date last year.



ORDER OF REFERENCE

Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS OF

THE SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

No. 23

WEDNESDAY, APRIL 26, 1961

(Quorum 9)

The Honourable LEON METHOT, Chairman

The Honourable DONALD SMITH, Deputy Chairman

WITNESS:

Mr. James E. Coyne, Governor, Bank of Canada.

APPENDIX

Briefs submitted by:

The Frontier College, Toronto.

The Textile Workers Union of America, AFL-CIO, CLC.

The National Joint Committee on Wintertime Construction.

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY

OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman.*

The Honourable Donald Smith, *Deputy Chairman.*

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connolly (<i>Ottawa West</i>)	Leonard	White
Courtmanche	MacDonald (<i>Queens</i>)	Wilson—(33)
Croll	Macdonald (<i>Cape Breton</i>)	
Emerson	Methot	
Haig	Monette	

(Quorum 9)

The Honourable LEON METHOT, *Chairman*
The Honourable DONALD SMITH, *Deputy Chairman*

WITNESS

Mr. James E. Coyne, Governor, Bank of Canada

APPENDIX

Books submitted by:
The Pontiac College, Toronto
The Textile Workers Union of America, AFL-CIO, C.I.O.
The National Joint Committee on Wartime Construction

ROGER DUMAYEL, S.E.C.
GOVERNMENT PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, CANADA

MINUTES OF THE PROCEEDINGS

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- (a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- (b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Méthot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vailancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—

Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF THE PROCEEDINGS

SPECIAL COMMITTEE ON MANPOWER

WEDNESDAY, April 26, 1961.

Pursuant to adjournment and notice the Special Committee on Manpower and Employment met this day at 10.00 a.m.

Present: The Honourable Senators Methot *Chairman*, Blois, Brunt, Buchanan, Connolly (*Ottawa West*), Croll, Haig, Horner, Inman, Irvine, Lambert, Leonard, MacDonald, Reid, Roebuck, Smith (*Queens-Shelburne*), White and Wilson—18.

Mr. James E. Coyne, Governor, Bank of Canada, was heard.

On motion of the Honourable Senator Smith (*Queens-Shelburne*), it was ordered that briefs submitted by the Frontier College, the Textile Workers Union of America, and the National Joint Committee on Wintertime Construction be printed as an Appendix to these proceedings.

At 12.30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A Hinds,

Assistant Chief Clerk of Committees.

THE SENATE

SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

EVIDENCE

OTTAWA, Wednesday, April 26, 1961

The Special Committee of the Senate appointed to study and report upon the trends of manpower and employment, met this day at 10.00 a.m.

Hon. Léon Méthot in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. This morning we are pleased to have with us Mr. James E. Coyne, Governor of the Bank of Canada, who obviously does not need any introduction to the members of our committee. Mr. Coyne will read a brief which I understand will have some reference to charts which have already been distributed amongst you. I will now call upon Mr. Coyne.

Mr. JAMES E. COYNE, Governor of the Bank of Canada: Mr. Chairman and honourable senators, I understand that your special committee appointed to study and report upon the trends of manpower and employment has nearly completed its inquiries. During the past five months you have heard a great many witnesses and advocates, and from them and through the researches of your own staff the committee has covered an immense amount of factual information and analysis, of the Canadian economy, of economic growth in Canada, of labour force developments and of employment and unemployment. A very wide range of proposals or suggestions for improving employment and production in Canada, for increasing the rate of growth, and for reducing the deficit in our balance of payments, have been put before this committee. In addition to information, suggestions and representations from various business interests and labour organizations and others, the committee has heard from a number of specialists and experts. It is not to be expected that all these individuals and special groups would be in agreement, but they have provided enough interesting and constructive suggestions in sufficient variety to enable a comprehensive program to be put together by the committee or by others interested in assessing the material which has been brought to focus on these important economic problems of today.

I am here today at your request. It is not my desire to come before you as an expert, nor to present any specific new analysis or proposal to you. I have done what I could in my annual reports and in public speeches to draw public attention to our economic problems. For what it may be worth, I have given my own analysis of the underlying causes and have indicated in a broad way the principles which I think should underlie efforts to overcome our present difficulties and reverse certain trends which have become increasingly apparent during the past ten years.

Copies of my annual report for 1960 were made available to members of the committee at the time of publication, and I understand extra copies have been distributed this morning, along with some charts which bring some of the figures more up to date. I do not have anything of a specifically new character to add to what I have said in that report, but would be glad to answer questions and explain points which are dealt with in it if such is your desire.

It may be of interest to the committee if I first bring up to date the facts regarding monetary expansion in Canada.

Much of the discussion by proponents of more and easier money seems to proceed on the assumption that there has been no expansion whatever, or indeed even a contraction. In actual fact, we have had over the past year an increase of more than 5 per cent in the total money supply. In the case of the privately-held money supply, that is, excluding Government deposits, the increase has been more than 6 per cent. In each case most of the increase has occurred in the last six or seven months and in each case it has been greater than the degree of monetary expansion in the United States. The same holds true over any longer period that may be chosen going back for many years—the rate of monetary expansion in Canada has been substantially greater than in the United States.

We have had over the past year a substantial expansion of bank loans, as well as of bank holdings of treasury bills and government bonds. Within the total of bank loans there has been a rise in business loans and a somewhat greater rise in personal loans in the nature of consumer credit. The banks are in a position of substantially increased liquidity and are, in my opinion well able to take care of all reasonable requirements for an expansion of loans to business enterprise in Canada.

There has also been a good capital market for the issue of securities in Canada whether by the federal government, provincial governments, municipalities, public utilities or business corporations. We have not had for some months very much in the way of United States dollar borrowings in the United States by Canadian governments and corporations. There has been some continued purchase of Canadian dollar securities by foreign investors, but the main part of the capital inflow for nine months or more has been in the field of direct investment. This type of capital inflow is not affected by interest rate differentials between Canada and the United States, nor by interest rate differentials, which often are in the opposite direction, between Canada and certain European countries.

With the banks in a position to expand their business loans, and in fact facilitating the expansion of business loans to the extent that demand makes itself known, and with securities markets providing funds on a large scale for the capital requirements of Canadian governments and business, I do not feel that a good case could have been made for substantial further action by the monetary authorities. The action which has been taken has not, in my judgment, been out of harmony or at cross purposes with or less aggressive than action in other fields of public policy.

In assessing levels of interest rates it is important to note that they depend primarily on the degree for borrowed funds and on the willingness of those who hold bank deposits to lend them. Insofar as there is pressure on interest rates continuing in our markets I believe it comes chiefly from the rise in the rate of deficit financing by various levels of government. According to figures recently published by the Dominion Bureau of Statistics in its National Accounts, the combined deficits of all levels of government ran at an average rate of \$1,144 million in the last half of 1960, exclusive of capital spending by provincial hydro-electric and telephone utilities, toll roads, government-owned railways and the Central Mortgage and Housing Corporation. This total was very much greater than a year earlier (\$336 million), for reasons which are understandable, but it has perhaps not been remarked that it was also a slightly higher rate of deficit than that which was being incurred in the last half of 1958. In the case of the federal government, the rate of deficit, as defined, was at the rate of \$616 million, not as high as the rate of \$822 million in the second half of 1958.

The most effective way to reduce the pressure on interest rates would be for governments to reduce their demands upon the capital market. Some provincial governments have taken action to this end by recent increases in various forms of taxation.

Looking ahead over the next year or two all the indications are that economic conditions in North America will improve somewhat. There is, however, little ground for confidence that the improvement (except as augmented by measures of public policy) will do much more than absorb the increase in the labour force during the period. It will not apparently be adequate to make a serious dent in the level of unemployment (allowing for seasonal fluctuations). Members of the Council of Economic Advisers to the President of the United States have recently made this point with reference to conditions in that country and there is no reason to believe that our experience would be any better than that of the United States, except to the extent that public policy in this country is more successful in improving employment opportunities in Canada. Expanding business opportunities will improve employment, and in the process will also increase the flow of potential workers into the active labour force, in addition to the normal annual growth. It will take a very substantial rise in employment indeed to bring about any large reduction in unemployment after allowance for seasonal fluctuations.

Your committee has been working in a field of the utmost public importance, and I hope that the results of your studies will be valuable in bringing about better public understanding of the nature of our economic problems and possible lines of dealing with them.

One of the main points I have been concerned to set before public opinion in the past half-dozen years is the futility, and indeed danger, of looking for easy, cheap, painless cure-alls for economic problems. A great deal of ingenuity seems to be expended nowadays in devising schemes which have in common the hopeful illusion that they will enable us to get something for nothing. I do not believe anything can be achieved without effort. The willingness to put forth effort must underlie all useful practical proposals, but the mere willingness to make an effort is not enough. It is necessary to provide opportunities or outlets for that effort, and increasingly in the modern world it is found that governments have an important role, and indeed a vital part to play, in creating or encouraging the creation by others, of opportunities for useful employment, and in facilitating the maintenance of a sustained rate of economic growth at a satisfactory level.

In the field of public policy, expansion of the money supply, expansion of bank credit and other forms of credit, and at times deficit financing on the part of governments, have their part to play. This is all but universally recognized today, but the danger is that too much magic power may be thought to reside in monetary expansion and deficit finance and too little attention be paid to other fields of policy or other kinds of measures which in combination I believe are considerably more important. The mere fact that a certain amount of credit or some degree of expansion of credit may be a good thing does not mean that unlimited quantities of credit will confer unlimited benefits. As Professor Samuelson said in his special task force report on economic conditions in the United States presented to President-Elect Kennedy and published on January 6th of this year, "Planned deficits, like penicillin and other antibiotics, have their appropriate place in our cabinet of economic health measures; but just as the doctor carries things too far when he prescribes antibiotics freely and without thought of proper dosage, so too does the modern government err in the direction of activism when it goes all out and calls for every conceivable kind of anti-recession policy."

A further quotation from Professor Samuelson's report may be of interest to this committee, "Modern stabilization has so many alternative weapons to fight depression as to make it quite unnecessary to push the panic button and resort to inefficient spending devices."

I do not quote these words in order to indicate opposition to government spending as such, and indeed I believe some degree of increased spending in some categories of expenditure is desirable. To rely on deficit finance for such expenditures, however, is to use a very dangerous drug, and I believe its use should be held to a minimum. It is particularly important to emphasize this point since most persons advocating large-scale deficit finance propose or assume that the financing will be carried out by means of large-scale expansion of the money supply.

Approaches to the problems of economic growth and employment appear to fall into four main categories. The first, if it can be called a policy proposal at all, is simply that of laissez-faire or do nothing, let nature take its course, wait for the pressures of hard times to bring about adjustments in the attitude and practices of management and labour, and be content with whatever progress is achieved over whatever period of time. This school of thought is entirely out of harmony with present-day conditions and with what is being done in other countries and, for that matter, what is being done in this country. In the end a policy of laissez-faire would lead to a breakdown of our social and economic system, out of which would come much stricter forms of a managed economy than any of us would care to contemplate.

A second school of thought is fundamentally that which expects to get something for nothing, and relies heavily on monetary expansion, deficit finance and attempted manipulation of interest rates as the machinery for this purpose. If economic problems could really be solved by massive monetary expansion it is surprising that other countries do not resort to it continually. In fact, of course, excessive reliance on these devices leads in the end to inflation, but most proponents of this school either pooh-pooh that idea or say inflation is far off in the future and not worth worrying about, or in some cases come right out and say they would welcome at least a moderate amount of inflation as an aid to business growth and a necessary feature (as they think) of any programme for maintaining reasonably full employment. I believe that proposals of this character are superficial. They do not go to the root causes of our difficulties either in analysis or in prescription. If carried to the extremes which seem to be contemplated by some of their advocates they too would lead to a breakdown of our financial system and a replacement of the private enterprise system by a combination of government controls and government ownership, of a sort which most of those concerned say they would regard with horror.

A third school of thought, or third category of proposals, does indeed accept the necessity and desirability of controls. Some would put various kinds of direct controls on imports, some people would reintroduce foreign exchange controls, some would take specific action to regulate and control the inflow of capital from abroad, others would set up a system of directing the channels into which investable funds may flow and the quantities and timing of such flows, and some would either immediately or as a second stage in the process be prepared to apply widespread price controls and wage controls.

I do not believe you can safeguard the free enterprise system by applying a set of specific governmental controls to it. Nor can you encourage business enterprise, imagination, initiative and risk-taking by having the government or any government agency give directions to the business interests concerned.

The fourth approach in the field of public policy might be called the free-enterprise incentive system. It is designed to encourage better balanced economic growth, sounder economic growth, more consistent economic growth, the maintenance of Canadian enterprise in Canadian hands, and the reduction

of unemployment to minimum levels. This method is one on which we have always relied to a substantial degree in this country, with variations from time to time as circumstances seemed to require. The powers of government are utilized for economic purposes not just in the field of regulation but in the field of government expenditures and in the field of tax adjustments, in order to maximize opportunities for production and employment in Canada and for growth of the Canadian economy. The trend of national economic policy in Canada—and for that matter in all other countries of the western world, though with variations in degree—has been towards stimulating domestic production for the home market and, if possible for export, improving opportunities for profitable operation of domestic enterprises and providing them with incentives to expand. In addition, of course, like all other countries in the world, Canada exercises some control over its foreign trade by various methods which are subject to continuous adjustments, both on the export side and more importantly on the import side.

I have not mentioned one specific proposal which is advanced by some people, namely, devaluation of the currency or depreciation of the international exchange value of the Canadian dollar. This to my mind comes definitely within the group of inflationary or "something for nothing" proposals with its appearance of sleight-of-hand and painless benefits. If it were such a sovereign remedy it would be in frequent use, not just in Canada but in every country in the world. In fact, most countries have come to foreswear this dangerous drug, having learned to their cost how much harm it can do. At best it is a confession of failure, a recognition that the whole cost-price structure of the country has got so far out of harmony with the rest of the world that there is no use trying to conceal the fact any longer. We are not in that position in Canada, and in my view we would do great damage to the Canadian economy as a whole and to many persons and enterprises in Canada by engaging in deliberate exchange devaluation or by utilizing the presumed powers of monetary policy with the definite object of putting the Canadian dollar to a discount.

I do not suggest that it is desirable to maintain a premium on the Canadian dollar, and indeed would hope to see such a change in our economic arrangements as would prevent a premium from developing again, but this is quite a different matter from attempting to bring about the inflation of all prices and all costs which is the chief effect and avowed objective of deliberate depreciation of the national currency.

In the views which I have put forward on a number of occasions I have emphasized the close connection between the deficit in our balance of payments—the large excess of imports over exports—and the trend towards large-scale unemployment in Canada. I believe we can only effect a fundamental change in our economic condition by learning to get along with a smaller excess of imports, and if possible restoring the balance in our balance of payments. To do this does not require a retreat into isolationism, economic or otherwise. It is a matter of degree not of shutting off all imports or blocking trade channels. It is not a question of refusing to buy from those to whom we sell, but of holding our expenditures within our earnings. No country of our degree of development can be expected to go on indefinitely importing vastly more than it can pay for from the net proceeds of its exports. The familiar saying that you must import in order to export should apply to other countries as much as to Canada. It is possible indeed that we (in Canada) shall have to import more from certain countries in the world if we are to continue our exports to them, and more particularly if we desire to achieve an increase in those exports. On the other hand, we must by some means increase our own production of some kinds of goods and services which will compete with and displace some volume of imports, and particularly imports from the United

States, I believe we will come up against insuperable obstacles to overcoming our unemployment problem in Canada if we cannot give our own producers adequate opportunities to provide goods for the Canadian market and bring about a reduction in our excessive imports from the United States. We likewise cannot put an end to the growing extension of foreign ownership and control of Canadian industry, and set about increasing the share of Canadians, and the ability of Canadians to increase their share in Canadian industry, except by somehow reducing the inflow of capital from the United States.

I should like to emphasize again, as I have in the past, the elementary point that you cannot have a continued net inflow of capital without a continued inflow of goods and services in excess of exports, and you likewise cannot have a continued large net inflow of capital, particularly of capital for direct investment which is the major element in our capital inflow now, without finding that Canadian enterprise is bought out or pushed aside in a wide range of endeavours by foreign enterprise.

We naturally wish to increase our exports, and indeed some increase is sure to be achieved, but the increase in exports will be matched by an increase in imports to the detriment of Canadian industry and employment in Canada unless the net inflow of capital declines.

One of the ways in which Canadian investment could be stimulated and Canadian enterprise encouraged to expand is by the provision of additional or expanded facilities for the flow of Canadian savings into Canadian industry. The Industrial Development Bank, which is a subsidiary of the Bank of Canada, is greatly expanding the number and volume of its loans for this purpose and is making a special effort to provide financing for Canadian-owned business enterprises. It is mainly operative in the field of small business, but there is no specific limit on the size of any investment by the Industrial Development Bank the governing consideration being whether the applicant company is unable to obtain funds elsewhere on reasonable terms and conditions. We interpret this to mean that whenever a Canadian business, or a company owned and controlled to a major degree by Canadians, is unable to obtain funds from Canadian investors on reasonable terms and conditions, the Industrial Development Bank should be prepared to make a loan or to invest in the equity of the company or to guarantee its obligations to others, or to assist in the underwriting of public issues in Canada of the securities of such a company. From 1955 to 1960 our volume of new loans to new borrowers per annum multiplied four times and in the 1961 fiscal year the number of new loans and investments is running 40 per cent to 50 per cent above the level achieved during the same period in 1960. I hope to see a very considerable further expansion in the volume of financing undertaken or assisted by the Industrial Development Bank. It may be that other institutions and other methods of assisting the mobilization of capital within Canada for Canadian enterprises could also be utilized on an expanding scale.

Some may question the desirability of operations such as those of the Industrial Development Bank, on theoretical grounds of antipathy to government participation in capital financing. It is my personal view that it is essential in the conditions facing us in Canada today to provide public capital to various sectors of Canadian private enterprise in order to keep private enterprise Canadian, and enable it to expand under Canadian ownership and control. Public capital under private management, Canadian management, can strengthen private enterprise in Canada.

As I have said before, however, the mere provision of capital or making borrowing easier is not enough. You do not do a man a good turn by encouraging him to borrow money or invest his own money in a business unless that business has a good chance of profitable operation. There are many ways,

some of which have from time to time been dealt with by legislation in Canada, by which governments at all levels can remove difficulties in the way of Canadian business enterprises, assist them to carry on research and product development, enlarge market opportunities for them, provide subsidies in some cases, at least on a temporary basis, and give tax concessions, depreciation allowances and so on, on a selective basis calculated to improve the profit-making possibilities of Canadian-owned businesses, encourage and enable them to expand production in Canada, increase employment opportunities in Canada and reduce our dependence both upon foreign capital and upon foreign-produced goods and services. Incentives can be given also to encourage saving in Canada and the investment of those savings in Canadian economic growth.

It is not necessary to contemplate any reduction in the average Canadian standard of living. Indeed, overcoming the slack in our economy and drawing unemployed resources into production, particularly those human resources which are now unemployed or underemployed, together with the expanding application of modern technology by Canadian industry can provide us with a continuously rising standard of living for decades to come. By concentrating our efforts on increasing Canadian production, particularly in the field of capital equipment, machinery and the more advanced technical processes of secondary industry, we can also provide to our own people a wider variety of employment opportunities, and increase the volume of employment of the more productive and more satisfying kinds. We have had a most unbalanced industrial structure, an unbalanced economic growth in the postwar period, leading to a situation where those fields which once seemed most profitable and most eligible for rapid growth have suffered setbacks which are now made evident in excess capacity and under-employment. In the meantime, developments in other fields of industry have been handicapped. More balanced growth and more stable growth from year to year would enable us to avoid those splurges of excessive spending followed by periods of relative stagnation, which do not even average out to a reasonably satisfactory rate of growth or percentage of employment, let alone provide satisfactory conditions at the extremes of boom and slack.

The CHAIRMAN: Are there any questions?

Senator CROLL: Mr. Chairman, may I start the questioning? I refer you, Mr. Coyne, to the Bank of Canada Annual Report for the year 1960, page 16. You discuss unemployment in the middle of that page, and at the bottom you say this:

Large-scale unemployment is an indication of failure on the part of all of us collectively to make the most effective use of the resources of modern technology and social organization. When the economy as a whole operates at less than full capacity, we are not producing the maximum possible supply of goods and services for use today, either for consumption or for increasing our capacity to provide a higher rate of production and a higher standard of living tomorrow. The nation as a whole suffers real economic loss, and it is avoidable economic loss, in addition to the personal loss and frustration of those particular persons who are seeking work and unable to find it. It seems to me only common sense, when considering the economic, social and personal problems of employment, . . .

and please note these words—

. . . that no price is too great for the community as a whole to pay in order to achieve full production and reduce unemployment to the lowest

possible level. (It should be unnecessary to explain that I am speaking of an economic price.) The practical question is... and you go on.

In your speech before the Canadian Club in November you said that the expansion of money supply, massive Government spending, central bank action to depress interest rates and to eliminate the premium on the Canadian dollar were acts of defeatism, a despairing effort to find an indirect way, a magic way, of doing something which can only be done by real effort, and what we need is a real effort and a recognition of real costs. My question to you is this: What are these alternative methods that you refer to, and what is the price that we have to pay, and who pays it and who shares it?

Senator ROEBUCK: What is the price?

Senator CROLL: Yes, that is the question.

Mr. COYNE: I was inviting other people to make suggestions in that regard, Senator.

Senator CROLL: No, you are the expert.

Mr. COYNE: I was trying to stir up interest in these matters, feeling genuinely that many people could make many suggestions in these fields. Indeed, you have had hundreds of them here before you in this committee. No one man has the whole answer, by any means. One of the points I was trying to bring home was that we all lose when some of us are unemployed. It is not just the unemployed themselves who lose. The rest of us lose too, either today or in the benefits we expect to get out of our economy in the future. We should be prepared, however, to take steps to increase production because we cannot lose by doing that. We will get back more as a nation than we put into it. There are certain kinds of action which I do not think are desirable or effective. Other people have other views, as you know, and I have done my best to explain why I do not think certain proposals or certain types of action, or lines of action, are very advisable. My own feeling is that we could spend all night with a group of people getting individual suggestions for specific action which could be taken to increase production, to stimulate expansion and consumption within the country, without involving excessive monetary expansion or very large-scale deficit financing.

Senator CROLL: But, Mr. Coyne, I gathered from this and other speeches that you have made from time to time that you have, without actually endorsing any particular suggestion, other alternatives in mind. As a matter of fact, speaking today you suggested that there were alternative methods for dealing with our present problems. What I am asking is not that you specifically endorse any particular solution but give us the alternative methods of dealing with the problem before us at the present time. Others have come to us and spoken from more or less their own point of view. You have the overall broad picture and what I am asking is that you give us specific solutions which you think are available, and it will be for us to choose whatever we think is wise and necessary. In other words, what should we do?

Mr. COYNE: Senator, I have given some indication of that in what I have said in the past and in the document which I presented to you and in the remarks which I have made here. I would not want to get too specific on definite items of Government policy.

Senator CROLL: I am not suggesting that you recommend anything at all. You could say, "These steps could be taken" and whether they are taken or not is not for you to say. I do not suggest that, but you could say, "Here are eight or nine steps which could be taken which could be effective." You have mentioned a few here.

Mr. COYNE: And some of which are being taken.

Senator CROLL: Yes. Let us have those.

Mr. COYNE: My best answer to you, senator, is that really from what I have seen of the material which has come before your committee you have a very long list of such suggestions already under consideration.

Senator CROLL: Mr. Coyne, we do not think so or we would not have called you. We found we did not have specific recommendations or suggestions that we thought were suitable for the occasion, and for that reason we asked that you come and give us whatever views you have. Surely there must be some thoughts in your mind that would be in the interests of this committee and to the benefit of the country generally to have placed before us, and then let us be the judge whether they are good or bad.

Mr. COYNE: I doubt if I could suggest or think of anything myself which is not included in the list you have received from many quarters already, senator.

Senator ROEBUCK: Are there some of these you approve of and some that you disapprove of?

Mr. COYNE: In general terms the answer is yes, but I would not want to be specific on matters involving Government policy.

Senator HORNER: Mr. Chairman, Mr. Coyne has been making speeches throughout the country in which he has put forward certain ideas. In one speech I read he suggested that Canadians were living away beyond their means, and he has mentioned in his brief this morning something about our standard of living. Of course, each individual in Canada has his own idea about what that standard of living should be. However, Mr. Coyne made specific statements in speeches throughout the country and surely this would be the place to make them. This is the Special Committee of the Senate on Manpower and Employment and I think that it is right here and now that Mr. Coyne should come forward and say in what way we have been living beyond our means and what we should do to correct it. I think this is the public place where you should make your specific recommendations.

Mr. COYNE: On that point which you have raised, sir, what I meant by the nation living beyond its means was essentially that we were importing more than we are exporting, that we were living on other people's products or energy or efforts or capital or savings rather than our own. At times we were more or less fully employed while doing that. At other times, in recent years, a large proportion of Canadians have been unemployed while we have continued to import very large quantities of goods and services from abroad, greater than the amount that other countries have been buying from us. I would still call that living beyond our actual means, consuming more than we are producing in fact—

Senator HORNER: How would we prevent it?

Mr. COYNE: —if I may just finish—but not living beyond our potential means at the present time if we were fully employed. I am prepared to say, too, that I think the great expansion of consumer credit in this country is an example of living beyond our means to an excessive degree. I think it has grown too fast and gone too far. I was quite astonished to find, when it was pointed out to me by a chartered banker, that the volume of consumer credit in this country is as large now as it is in the United States in proportion to personal incomes. I thought we were away below them. We have almost caught up to them.

Senator CONNOLLY (*Ottawa West*): You mean absolutely or proportionately?

Mr. COYNE: The amount of consumer debts—instalment business, bank loans and things of that character all put together—bears almost the same proportion to personal income in this country as in the United States, almost but not quite. I also think, although I do not want to be too specific, that there has been a tendency from time to time on the part of one level of Government or another to increase its debt too fast. I would personally say we would be better off to increase taxes if we have to increase expenditures, rather than to increase debt on the scale which has sometimes occurred. These are examples of matters all bound up in this business of living beyond our means.

Senator LEONARD: Might I follow up Senator Croll's remarks by taking one aspect of Mr. Coyne's statement, and one that he has stressed in speeches throughout the country, and that is the balance of payments, the net inflow of foreign capital. In your speech to the Canadian Club in Toronto you said, "There were many contributory causes to the growing imbalance of the Canadian trade and payments, and the development of chronic or structural unemployment." My own view is that excessive reliance on foreign capital was probably the most important active cause. You stressed that again today. Now, one would infer that the way of dealing with that would be to have some form of control over the import of foreign capital. But in your analysis today of the four categories of methods by which we might deal with this problem, when you came to category 3, including controls in foreign exchange, you, I think, in a word dismissed that as being a desirable alternative.

Mr. COYNE: Yes.

Senator LEONARD: Is there any other alternative to a control of the import of capital in this situation?

Mr. COYNE: Well, one obvious alternative, which has in fact been adopted, is taxation. Something was done about that in the legislation of December 20 last, to make conditions in Canada less attractive for foreign capital if it has been excessively attractive for foreign capital to come here. Another method, which I presume is the most agreeable one, is the variety of methods to be adopted to make ownership of industry more attractive to Canadians, more profitable for Canadians and interesting to them. That is the main method I would like to see followed.

Senator BRUNT: That is the method you approve of?

Mr. COYNE: Yes, sir.

Senator CROLL: Is that what you had in mind, for instance, in your St. John's speech, when you said:

"In addition to controlling their own financial and other operations, governments at all levels can if they wish take other steps to encourage or discourage various forms of economic activity carried out by private individuals and private business."

Now, what did you have in mind at that time?

Mr. COYNE: I think I gave quite a long list of possibilities there without saying which ones I agreed or disagreed with. These are matters which have been subjects of public discussion and on which views have been expressed by many people, including those who brought their views before your committee. My main object was to point out what a wide variety of other things there are besides monetary manipulation, which so many people seem to think is the only possible thing to do. These other methods may be undesirable. That is something to be discussed and hammered out and decided by appropriate people.

Senator CROLL: I think I have a short list of what you indicated at that time. Would you mind reading that portion of it? You have the speech there, and I have only a memo.

Mr. COYNE: I am not sure whether I put in a caveat there or not.

Senator CROLL: Well, I could help you if you haven't got it.

Mr. COYNE: For one thing I said if this was felt to be desirable in the light of all the circumstances; also that some people would be opposed to some or all of such possible lines of action, but if the community as a whole wishes such things to be done there are agencies which can do them outside the field of central banking.

Senator CROLL: And what were those?

Mr. COYNE: I do not think I concentrated attention on any particular activity such as controls.

Senator CROLL: I have a note here, and I could be wrong, that you indicated you had some discussion about controls, possibilities with respect to exports or imports, the distribution of industry, or development of savings, spendings and credit.

Does that appear in your note, or is it a caveat?

Mr. COYNE: Could I read you the whole passage? I will start a little before the quotation you gave:

To return to my general theme, the availability of credit in adequate volume is a necessary but not a sufficient condition to ensure that the economy will operate at a high level, or that all parts of the country will participate equally in growth and development, or that unemployment will remain low in the country as a whole or in a particular region. The central bank does not determine how the total volume of credit will be used, or otherwise exercise any direct influence on the rate of economic activity or any kind of economic activity at any particular place or time. On the other hand, it has long been recognized that governments can and do exert an important influence both on the general level of economic activity and on particular types of activity.

Governments can increase or reduce their own spending. They can increase or reduce their own revenues. Decisions as to spending and taxing, or charging for services, will result in increases or decreases in government debt. Both the nature of the expenditures and taxes, and the related borrowing operations, can have broad effects on financial conditions and the climate of opinion in financial markets, and on various sectors of economic activity.

In addition to controlling their own financial and other operations, governments at all levels can if they wish take other steps to encourage or discourage various forms of economic activity carried out by private individuals and private business. Decisions on such matters have to take account of many different and often conflicting considerations, and are of necessity influenced by the philosophy or outlook of different groups and of the community as a whole. It is important to make clear in this connection the distinction between governments and central banks.

Governments can regulate the allocation of credit, the distribution of income, the conduct of economic activity and the provision of employment in particular industries or areas, if this is felt to be desirable in the light of all the circumstances.

Governments can encourage or discourage exports and imports, or activity in particular industries which provide exports or which compete with imports. They can influence the nature and size of urban development or the distribution of industry throughout the country. Governments can in various ways encourage or discourage the growth of saving, or regulate consumer credit, or influence the rate of house building or the direction of private capital development. They can ensure

that the total volume of spending within the economy is of such a magnitude as to be capable of being financed out of the annual production and the saving out of income of the country as a whole, without involving the building up of a large foreign debt.

Measures of such various kinds are being utilized in one country or another today. All of them have been utilized in Canada at one time or another, but not by the central bank, certainly not in any specific way with a view to specific results. No doubt some people would be opposed to some or all of such possible lines of action. But if the community as a whole wishes such things to be done, there are agencies which can do them—outside the field of central banking.

I want to emphasize the importance of other fields of economic policy in order to refute as strongly as I can the suggestion that the Bank of Canada is in any way opposed to the idea of full employment, or operates with a view to restricting economic growth or preventing increased employment in the supposed interests of monetary policy or of anti-inflationary endeavours.

I really feel, Senator, that we have had a condition of opinion for some time where all the attention was fixed on monetary matters, and I think that was very dangerous; and there has been a lot of theoretical talk about it which I believe to be largely an illusion, and one that could lead us into very dangerous ways. I am trying as hard as I can to point out all the other things, some of which, too, may be dangerous, that people can think and talk about and put into practice if they wish.

Senator CROLL: May I then ask you this: I think you said in one of your speeches, and I believe it was again in the St. John's speech:

“... the Canadian economy as a whole is capable of generating sufficient capital to finance all the capital development that can be absorbed into sound sustainable growth. If properly employed the total of our own savings as a nation would provide us with a rate of economic development greater than that in the United States—in so far as development depends upon investment in tangible physical assets”.

Then I think the question discussed in St. John's was whether the provinces and municipalities and business corporations were unable to obtain capital requirements in this country; and you said that should be treated with scepticism; it is not the availability but it is the willingness to pay interest and for reasons of prestige.

Then in Calgary, in October, you said there was no lack of funds available at reasonable rates. Now, why do these municipalities, provinces and business corporations go to the United States for money?

Senator HARG: They don't all do it.

Senator CROLL: I did not say they all do it.

Mr. COYNE: May I say that there has not been very much done in the last nine months, and especially I do not think there has been any new issue, perhaps one or two at most, since the budget of last December 20. They believe that paying $4\frac{1}{2}$ per cent in U.S. funds on a U.S. loan is better than paying $5\frac{1}{2}$ per cent in Canadian funds on a Canadian loan.

Senator ROEBUCK: You do not think that is sensible?

Mr. COYNE: No, I do not think it is for a Canadian enterprise that has no business interest in the United States or involving United States dollars. An enterprise such as a province or a municipality, whose operations are entirely in Canada and whose revenue is entirely in Canadian dollars, and whose normal expenditures are entirely in Canadian dollars should not, in my opinion, be taking an unhedged exchange position.

Senator CROLL: Even though the rates are from 20 to 30 per cent lower on a long-range loan?

Mr. COYNE: Even though the rate at the particular instant appears to offer them an advantage, because they do not know what amount of interest they are going to pay on a loan before it is paid off, or what amount of principal they are finally going to have to pay when the loan falls due. They do not know the rate of exchange between the foreign currency and the Canadian dollar, in the future.

Senator CROLL: Over the last 10 years, or so, they have done very well in that particular field, have they not?

Mr. COYNE: People did very well in the South Sea bubble, until towards the end!

Senator CROLL: Do you see any comparison between the South Sea bubble and the situation we are speaking of?

Mr. COYNE: I think that for our enterprises to take unhedged foreign exchange positions is imprudent and unwise.

Senator CROLL: You say that there is money available in Canada. In one of your speeches you said there was \$7 billion, is that right, in savings, Canadian savings, here in Canada?

Mr. COYNE: Savings accounts with the chartered banks.

Senator CROLL: Yes, with the chartered banks. Is it your view that can be brought in and made available for investment purposes?

Mr. COYNE: I think a greater part of it could be than has been in the past, yes.

Senator CROLL: Tell me, what pleas, preachments and mobilization would you use to bring that in, since it has not gotten in up to this point?

Mr. COYNE: It has, a certain amount. Like all these questions it is a question of degree. I think borrowers who make a special point of cultivating the Canadian capital market will be able to draw on the savings of the Canadian people. There is a very simple case—and, perhaps, not too good a one from all points of view, but quite recently certain provincial governments found they could raise a great amount of money from their own people by providing them with a form of savings bond, which the people found attractive.

Senator CROLL: In Britain, do you mean?

Mr. COYNE: Whereas previously they thought the only way to get money was to borrow it from outsiders, from large institutions. I think there could be a great deal more done to sell bonds and stocks to the ordinary individual throughout Canada, many of whom have large savings in fairly inactive form at the moment.

Senator CROLL: We agree with the facts, but what particular appeal do you make to these people that is new, that has not already been made?

Senator HAIG: I would like to answer that question, if I may.

Senator CROLL: Let Mr. Coyne answer.

Senator HAIG: You know, others want to ask questions, and it is not right that you should take the whole questioning. Let us have a turn.

Senator CROLL: Let him answer first, and then you can answer.

Senator HAIG: I will answer it. It has been tried in the province of Manitoba in the last four months. The province decided it would not borrow money in the United States and decided to borrow \$20 million from the people of Manitoba. They put out instructions to brokers to sell bonds in the province at 5 per cent, payable any interest day, twice a year. They

not only sold \$20 million worth, but sold \$40 million, and they had to shut it down, because people were clamouring for further opportunities to buy.

They have got \$40 million. What are they doing with it? They are lending money to farmers, at 5 per cent, on their farms. They are doing that to enable them to break up the farm between the boy and the family. It is enabling the father to give his boy a piece of land of his own, subject to the mortgage, of course, the father owned on the whole thing. Thus, the young man on the farm is being given a chance to stay on the farm and own his own piece of land. True, he owes a certain amount of money to the province, but it is at 5 per cent interest, payable every six months. As I say, anybody can realize his money on any interest day; he can give notice that the next time he wants his capital, and he can get it back.

I do not know whether the chairman of the Bank of Canada knows of that, but it is the most marvelous thing that has happened in western Canada for years and years and years. The banks did not subscribe, only individuals. I was surprised, when I got home in March, to find that clients of mine wanted to put money in. I telephoned the treasurer to find out if I could do that, he said, "They close today at 12 o'clock." It was then 10 o'clock. I said, "If I can get a broker to put up the \$10,000 between now and 12 o'clock, will that be all right?" He said, "I will have to deliver it by 12 o'clock or it will not be accepted." That is existing in Manitoba right now.

Senator LAMBERT: Would Senator Haig approve of the objectives of such loans?

Senator HAIG: Yes, entirely.

Senator LAMBERT: Do you approve of the rate of interest?

Senator HAIG: We are trying to get young men to stay on the land, and you cannot get them to unless they own some land themselves. This 5 per cent rate of interest is a very low rate, and by that means you are helping the farmer. This offer was taken hold of. Nobody knows where the money came from; we were all surprised. It just came; everybody seemed to have money.

Senator LAMBERT: Bearing on what Mr. Coyne has said, I think the interesting point is, whether or not these expenditures by provincial governments and municipal governments on capital gains, and so on—and I will not go into details, but I know—

Senator HAIG: The legislature of the province voted unanimously to pass the loans.

Senator LAMBERT: I lived in Manitoba, and then there was an annual budget of \$15 million a year, and it is now \$100 million.

Senator HAIG: The legislature started this year and decided unanimously, I believe to try to use the money of local people to develop the local resources of the province, to assist the people in the province. They said the first attack must be made on the farming community. I have enough cases in my own office where a farmer comes in and says, "I have two sections of land and four boys. I want to divide it up and give each boy a half section." I could not get loans for such a farmer for less than 7 per cent. I said I could not do it. Now they are coming in in droves and are borrowing money at 5 per cent from the government.

Senator ROEBUCK: Mr. Chairman, as a matter of procedure, could we call Senator Haig as a witness later on? In the meantime we have requested the Governor of the Bank of Canada to come here and give us his views, and I would like to hear from him and not other senators.

Senator HAIG: Mr. Chairman, my honourable friend has asked 10 questions to my one.

Senator ROEBUCK: I have not asked a single question yet.

Senator HAIG: I want to ask these questions about Manitoba because I know the Governor of the bank is a very able man, and I want him to know that the province he was born in is setting out and carrying out the various policies that he is advocating; and they are showing great results in my province.

Senator CROLL: Mr. Chairman, may I now have Mr. Coyne's answer to my question?

The CHAIRMAN: Would you repeat your question?

Mr. COYNE: Is that fair?

Senator CROLL: Mr. Coyne knows the question.

Mr. COYNE: The question was how to increase the supply of savings coming forward from Canadians for investment in securities of Canadian Governments and business?

Senator CROLL: Yes.

Mr. COYNE: I have suggested one way by which borrowers can increase the attractiveness of their offerings, by finding a kind of instrument which will appeal to the investor. Another way, of course, is to pay a price which is attractive to the investor; and indeed, that is usually what it comes down to in the case of government borrowings, paying a rate of interest which will induce people to buy government securities instead of investing their money elsewhere.

You could also improve or expand the kinds of institutions which gather up savings from the public. We have the banks, the life insurance companies, and a few other institutions. We do not actually have institutions exactly like the Savings and Loan Associations of the United States, or the Building Societies in the United Kingdom. We do have some institutions which resemble them to a degree and perhaps there could be an expansion of these smaller savings institutions. For some kinds of investment there could be specific inducement provided by government. We have done this to some extent. The tax rate on dividends has been given a certain amount of offset under legislation in this and some other countries.

I would not want to confine myself to any one approach but to suggest that all possible avenues of this sort be actively explored and followed up; as a matter of fact, I think that is going on.

Senator REID: Mr. Chairman, may I ask a further question? Is it not a fact, Mr. Coyne, that many municipalities have gone to the United States to borrow money because of the fact they could not float a loan in their own districts? I have in mind one municipality that could get only 78 cents on the dollar in its own district, and for that reason it had to borrow in the United States.

Mr. COYNE: There may be some specific difficulties of that sort, but I think they are less noticeable today. For example, a number of provinces have set up provincial bodies—you might say, lenders of last resort to municipalities—and in those provinces it is not possible for a municipality to say that money is not available to them, unless there is some decision by the municipal loan board that it does not want to loan any more money to a particular municipality. But I would think that even within their own district a number of municipalities could raise money if they chose to go about.

I have heard of a few cases of towns which decided that they did not want to pay 6 or 7 per cent to an anonymous money lender in the free market, but they felt it might be to their advantage to pay 6 or 7 per cent to their own citizens and keep the money in their own town. I think further progress could be made along those lines.

Senator ROEBUCK: Mr. Coyne you have said something about the \$7 billion-odd that is on deposit in the chartered banks. What do the chartered banks do with that money? Is that money not active now? Is it not loaned to somebody? What has happened to it?

Mr. COYNE: The money has a kind of double use, does it not? A chartered bank makes a loan; the person who gets the loan spends the money; it winds up in somebody else's deposit account, and that somebody can re-lend it to another person if he wants to. The total volume of savings deposits can be turned over many times as one person lends to another, and that person spends it, and the recipients save some of it and re-lend some of it.

Senator ROEBUCK: But that \$7 billion surely is not inactive?

Mr. COYNE: So far as the owners of it go, they can transfer their rights, their claim against the bank.

Senator ROEBUCK: But the bank has the money; the persons who have deposited it have not got the money now, and according to your statement there is \$7 billion of it.

Mr. COYNE: The depositor has spending power; he can write a cheque.

Senator ROEBUCK: That is potential.

Mr. COYNE: He can transfer to another his ability to draw a cheque on the bank.

Senator ROEBUCK: Yes, and when he checks it out somebody else checks some in, and that \$7 billion is maintained. My question is, what does the bank do with that \$7 billion?

Mr. COYNE: This is how the great part of investment is financed; this is the way it is done. It is not done by the banks, but is done by the people who hold claims on the banks and other deposit institutions.

Senator LEONARD: Mr. Coyne, at page 15 of the Bank of Canada Report for 1960 you say—and I read to refresh your memory:

Analysis of our situation seems to me to indicate that the approach to higher employment and output should be through measures designed to reduce the large deficit in our current account balance of payments, and through increases in spending of a selective character likely to increase production in Canada, rather than through measures designed to raise the level of total spending by Canadians. I am sure that there are many more possible ways of setting up incentives directed towards these goals than is generally realized. One would hope for the most imaginative and thorough canvass of the possibilities and widespread discussion by those who are interested. Ultimate decisions must rest with the appropriate governmental authorities in accordance with their best assessment of what the national interest and welfare requires.

The incentives that have been put before us by other witnesses, where they represent Canadian producers who are able to produce goods that would displace the goods that we are now importing, were in the nature of either tariff increases or restrictions on imports, or in some cases tax incentives to the Canadian industry, or actual subsidies. You say there are more possible ways of setting up incentives than we have realized. Have you some in mind, or have you any preference as between these various incentives that have been suggested?

Senator LAMBERT: Surely the last sentence of that paragraph answers the question.

Mr. COYNE: The last sentence reads: "Ultimate decisions must rest with the appropriate governmental authorities in accordance with their best assessment of what the national interest and welfare requires." I would not want

to go into too much detail on that, senator, if you will excuse me. I know you have had a great many suggestions, coming largely within the four categories you have mentioned, but there are a great variety of individual possibilities within those categories.

Senator LEONARD: You yourself have no further suggestions or any choice to make between the ones that have been suggested to us?

Mr. COYNE: I would not care to make any suggestions here on that subject.

Senator BRUNT: Mr. Coyne, if I understand you correctly, you say that you are not in favour of an arbitrary measure to bring about a discount on the Canadian dollar.

Mr. COYNE: Yes.

Senator BRUNT: And the converse would be true also, would it?

Mr. COYNE: What is the converse?

Senator BRUNT: You are not in favour of arbitrary measures to maintain a premium on the Canadian dollar.

Mr. COYNE: Correct.

Senator BRUNT: I have before me the March issue of the Statistical Summary of your bank, and I note that in January 1960 the American dollar was at a discount of 95. The discount dropped until May when it fell to 99. Between April 1 and May 31 your bank reduced its holdings of gold and U.S. dollars by \$101.5 million. Was that done to support the Canadian dollar or to maintain the premium on the Canadian dollar?

Mr. COYNE: That was not done by the Bank of Canada in the sense of dealing with its own holdings. We only hold nominal amounts of foreign exchange. The gold and foreign exchange reserves are held in the name of the Minister of Finance, as they have been since 1939, and operations for his account are made by the Bank of Canada purely in its capacity as banker or agent in accordance with policy instructions which are given from time to time by the minister. The minister has from time to time explained in public what the policy of the Government has been in that regard. You will find there are occasions when the total holdings of the exchange fund have decreased, and other occasions when they have increased.

Senator BRUNT: I cannot find any occasion when there ever was a decrease of an amount like that. Of course, the report I have only covers the months for the years 1960 and 1961.

Mr. COYNE: I think you will find on that page that the official holdings of gold and United States dollars have risen by \$105 million or \$106 million in the first three months of this year.

Senator BRUNT: In three months, yes, but this is a reduction of \$101.5 million in one month.

Mr. COYNE: That particular month was one in which there was a very strong movement in the exchange rate—

Senator BRUNT: That's right.

Mr. COYNE: —and the policy as it has been announced by various Ministers of finance has been to utilize the fund as a stabilizing influence, which generally means you sell United States dollars when their value is going up, and you buy United States dollars when their value is going down, not with a view to influencing the ultimate rate but to minimize day-to-day and week-to-week fluctuations and maintain orderly markets.

Senator BRUNT: In other words, an arbitrary step was taken to maintain the Canadian premium on the dollar?

Mr. COYNE: I think the minister will have to say what his policy is, and whether it is in accordance with the policy of his predecessors, and so on, but I have given you my best understanding of it.

Senator BRUNT: Perhaps I am not right in this but I do not understand the mechanics of it. Who spent this \$101.5 million? Who got rid of it, the Bank of Canada?

Mr. COYNE: There is a very large foreign exchange market in Canada, as you know. The total volume of transactions between Canadian dollars and United States dollars is in the billions every year, mainly carried out by the Canadian banks in Canada and, to some extent, by foreign banks. When the Bank of Canada, as agent for the Minister of Finance, undertakes transactions on behalf of the exchange fund we buy and sell in that market in the same way as do other banks. If we bought United States dollars, the minister paid out Canadian dollars for them. If we sold United States dollars for him, the minister received Canadian dollars in payment. What the actual persons did who got the United States dollars, I do not know. You cannot trace any particular transaction through.

Senator LAMBERT: What about trade bills?

Mr. COYNE: There are exports and imports payments, interest and travel and all the other expenses.

Senator LAMBERT: What about actual merchandise trade bills, imports?

Mr. COYNE: To a certain extent, yes.

Senator BRUNT: You are not suggesting the man on the street decided to support the premium on the Canadian dollar?

Mr. COYNE: The man on the street, or the business on the street, was engaging in transactions with his bank every day in foreign currency, increasing or decreasing his expenditures or holdings because from time to time they decide to hold more United States dollars, or do not bring them back abroad immediately they receive them, or what have you. I would say that the market goes to the exchange fund. The exchange fund does not induce movements in the market. It reacts to movements.

Senator BRUNT: Somebody decided to support the Canadian dollar.

Mr. COYNE: I cannot accept that phraseology for my part. All I can say is that transactions were entered into which involved selling U.S. dollars at that time.

Senator BRUNT: Somebody made a decision to sell United States dollars.

Mr. COYNE: Yes.

Senator BRUNT: Who, in your opinion was that somebody?

Mr. COYNE: The transactions were carried out by the Bank of Canada as agent for the Minister of Finance in accordance with general or specific instructions received from the minister from time to time.

Senator REID: Why is there a difference in the monetary value between the United States dollar and the Canadian dollar? I remember in the days of the gold standard the Canadian dollar was 10 per cent below that of the United States dollar. What are the real mechanics for this difference? What is the reason for, say, the Canadian dollar being above the U.S. dollar?

Mr. COYNE: I cannot give you a very precise answer but I can give you the obvious one, that the number of people desiring to buy Canadian dollars is greater than the number of people desiring to sell Canadian dollars and buy foreign exchange, or the volume of transactions they want to enter into is greater—just as in the case of the market for wheat or stocks and bonds. If there is a greater demand than supply at a particular price level, the price

will move up. We have a regime of fluctuating exchange rates in Canada, which we have had since 1950. Some other countries have this, but most of them have fixed values for their currency, which means that the Government stabilization agency has to be prepared to operate on a very large scale to buy all the foreign exchange that is offered at that fixed price if other people do not want to buy it, and to sell all the foreign exchange that is demanded at that fixed price if other people are not willing to provide it.

SENATOR REID: Does that mean that the Bank of Canada does not enter into the picture at all at that stage?

Mr. COYNE: We do not operate for our own account.

SENATOR CROLL: The Bank of Canada is empowered under the act to control the external value of Canadian dollars to assist in stabilizing employment. Now, in view of your answers I remind you that the Minister of Finance, speaking in February, said, "The Government has no power to exert over the Bank of Canada" and in December last he said, "The Bank of Canada is not responsible to the Government." That means to Parliament. Those are his words. In the light of that, the decision that you told Senator Brunt which was made must have been made by you.

Mr. COYNE: What decision, senator?

SENATOR CROLL: I understood you to tell Senator Brunt that there had been some influencing of the premium rate on the Canadian dollar.

Mr. COYNE: I didn't use that language.

SENATOR CROLL: Didn't you?

Mr. COYNE: No.

SENATOR CROLL: I don't think you used exactly that language but that is the thought I got from what you said.

SENATOR BRUNT: Didn't you intimate to the committee you wanted to stabilize the premium at that time, that there had been quite a reduction on the premium on the Canadian dollar.

Mr. COYNE: Perhaps you are using too broad a pronoun when you say "you".

SENATOR BRUNT: All right, somebody.

Mr. COYNE: As I understand it, the policy ever since 1950 has been to try to minimize daily fluctuations so you will not have a widely fluctuating exchange rate upsetting business transactions from day to day and week to week, but not to prevent longer-run movements which are presumed to reflect basic forces of supply and demand.

The exchange fund may operate any day of the year, or every day of the year, depending on what degree of fluctuation seems to be occurring in the market. The object of the operations, as I understand them, is to minimize those fluctuations from day to day, but not determine the rate over any period of time.

On that question Senator Croll asked, the words in the preamble of the Bank of Canada Act are: "to control and protect the external value of the national monetary unit". I think most of the meaning was taken out of that phrase with the establishment of foreign exchange control in 1939 and the putting into commission at that time of the exchange fund which had been put on the statute books and provided with a certain amount of capital, back in 1934 I think it was, at the time of revaluation of the gold holdings—the profit on the gold revaluation was taken by the government and put in a special account called the exchange fund account and increased with the further revaluation of certain gold holdings at the outbreak of war. During the time of exchange control, of course, the Bank of Canada had no say or influence on the exchange rate. Even without exchange control, if there were

a fixed rate of exchange, fixed by government regulation or statute, as in most countries, the bank of Canada, the central bank, would not have any control over the rate. As it is a fluctuating rate, and the government has a definite policy as to how transactions shall be undertaken on behalf of the exchange fund, I think it would be quite improper for the Bank of Canada to try to influence the rate in any way.

Senator CROLL: Is the stabilizing fund under our control?

Mr. COYNE: Only as banker and agent.

Senator CROLL: Only as banker and agent for—

Mr. COYNE: The minister of Finance on behalf of the government.

Senator LAMBERT: May I ask Mr. Coyne a question? Mr. Coyne, you made a reference to the exchange control board which was set up for the purposes of the Department of Finance under the War Measures Act. Later on, though, a bill was introduced to continue the exchange control board, and at that time its existence was limited to two years. It was after that two-year period that the fund you speak about began to operate?

Mr. COYNE: Well, the fund existed all the time. The foreign exchange control board acted for the minister in connection with the operations of the fund while it existed. More precisely, perhaps, the foreign exchange control board was an intermediary between the Minister of Finance and the Bank of Canada. The technical operations were always carried out by the Bank of Canada. The disappearance of the foreign exchange control board did not change the situation in that regard.

Senator LAMBERT: I do not suppose you would care to express an opinion whether you think an exchange board, similar to the one created during the war, would be of any help in carrying out some at least of the implications in the report here and in some of the speeches you have made?

Mr. COYNE: I had something to do with the thinking and action taken to dispose of the foreign exchange control board. I am not looking forward to seeing it in operation again.

Senator LAMBERT: I was just wondering if the condition had reached a point where you might think it would be a help?

Mr. COYNE: I am not expecting such an emergency.

Senator HORNER: I believe the Canadian dollar was set at 90 cents.

Mr. COYNE: And the transactions that private individuals and businesses engaged in were subject to permit, licence, and regulation.

Senator ROEBUCK: We poured a billion and a half dollars down the drain; we actually did that. May I ask a question Mr. Coyne? You have spoken unfavourably, shall I say, of the importation of American funds and capital into Canada. Have you considered what position we would be in today if we had not received those funds, or what position we shall be in if we do not now receive the funds? Is it not a fact that the American economy a few years ago was built up with English money? Did we not build our railways on English money, and then later on build a great deal of our industrial development on American money? In what position would Canada be today if we had not received these funds, and in what position would we be now if our call for capital was closed off by reason of these attacks?

Mr. COYNE: Again, I would say it is a question of degree. A certain amount of foreign capital undoubtedly is a good thing. One would like to see capital flowing all around the world from one country to another in accordance with economic circumstances. My feeling is that it went much too far in the case of inflow of capital into Canada, especially since 1950, since the Korean war. I think the figures were that the net amount of foreign investment quadrupled

in ten or eleven years. That is fantastic, and I think is going too far. I do not blame anyone for it, and I am talking, as are a great many others, with the benefit of hindsight; I think we might have had a better balanced development if we had had to rely more on our own resources and to exercise our own ingenuity in the ways we were talking about earlier to mobilize Canadian capital and encourage Canadians to invest in our own industry. I think we are going to have to do that anyhow, and I certainly wish we had done it to a greater degree starting ten years ago. The use of foreign capital to build up the United States was never very large in proportion to the whole of the United States.

Senator ROEBUCK: No, but in the early days I am speaking of.

Mr. COYNE: Capital from England in the nineteenth century was quite substantial in various parts of the world, very largely in the field of railroad building and to some extent in the field of loans for harbour works and municipal development. In the case of the United States, according to a study I have by a student in United States, who is a recognized authority, the amount of foreign capital that came in, say, after the Civil War was never of any significant proportions and did not take the form of widespread foreign ownership and control of business enterprises in the United States.

Senator CONNOLLY (*Ottawa West*): On that point, may I ask Mr. Coyne a question? I take it you are directing your remarks particularly, perhaps, to the resource industries and the amount of foreign investment in industries like petroleum, which I think was 70 per cent owned abroad, mining over 50 per cent, and pulp and paper over 40 per cent. Now, is not a good deal of this a matter which the provinces themselves control? They are the people that control the concessions, the licences, they encourage the development of the resource, and is it something that is somewhat beyond the control of central authority to do that? Perhaps connected with that too, do you think that some of our laws with respect to trustee investment made by life insurance companies might curtail the amount of investment that was made in these resource industries? And, of course, there is a speculative element in a good deal of this kind of investment that may be discouraged by restrictions on the type of investment that may be made, either by trustees or even by life insurance companies. A good deal of this kind of financing was done, I think, by insurance companies from the United States.

Mr. COYNE: I certainly agree that the provinces and, for that matter, some of the municipalities have had an influence, or could have exercised an influence in these matters. I am trying to discuss the substance of the questions rather than the particular bodies which may or may not at any given moment take action in regard to them. I also agree that the restrictions on investments by some companies, trustees and so on, have been too restrictive in this country.

Senator CONNOLLY (*Ottawa West*): These are legal restrictions you are talking about?

Mr. COYNE: Yes. There has also been, though, an attitude of management, perhaps, which has caused them to make only minor use of the leeway they do have. We also have other institutions coming along, particularly pension funds—

Senator CONNOLLY (*Ottawa West*): I was going to mention that point.

Mr. COYNE: —which, in many cases, are not subject to these restrictions and which are a very large source of new funds for investment. I saw figures the other day that last year in the United States the purchase of common stocks by pension funds was greater than the total increase in the amount of common stock outstanding in the United States.

Senator CONNOLLY (*Ottawa West*): Is there a trend that way here yet?

Mr. COYNE: Yes. On your preliminary point: the foreign ownership of resource industries may have contributed to excessive development at some time which would not have been undertaken on the same scale at that particular time by Canadian owners. But I feel that foreign ownership of secondary industry also presents very serious problems for Canadian development.

Senator HORNER: On the same line of questioning as that of Senator Connolly, it has been true in the past, has it not, that not only insurance companies but also our Canadian banks were restricted to a far greater extent than the smaller American banks because of our centralization, with head offices, whereas the American banks were located individually and were not restricted to the same extent in making loans?

Mr. COYNE: I think there are two points there, Senator. By law Canadian banks were restricted mainly in that they could not lend upon mortgage security. Though they could buy corporation bonds, which would include first mortgage security, they could not lend directly on a mortgage, pure and simple.

Senator ROEBUCK: Or the equities?

Mr. COYNE: I do not think there is any restriction on the ability of Canadian banks to buy equity stocks.

Senator BRUNT: They are in the chattel mortgage business now.

Mr. COYNE: For specific types of loan they can take a chattel mortgage. They can take a mortgage security on only one category of building, and that is a new house on which the loan is made under the National Housing Act. The broad, general type of security comes under the provisions of section 88. The fact that American banks are confined to single states, for the most part, to single cities, and even, in some cases, to single locations within a city, has undoubtedly led to a difference of practice in the lending of money in the United States and here.

Senator BRUNT: A 10 per cent basket clause for loan and trust companies, that would be helpful?

Mr. COYNE: I will not name a figure.

Senator CROLL: I think on November 14 you said that reliance on foreign borrowing is a major cause of our difficulty. You have repeated it today, I think. The question I ask is this: does foreign borrowing force us to import, or does excessive import force us to borrow.

Mr. COYNE: We have a hen house full of both chickens and eggs! I think it works one way at times, and at other times the other way. There is no doubt that when foreign capital flows in here at a fast rate it tends to put a premium on the Canadian dollar, under the system of the fluctuating exchange rates which we have. That goes to the point of inducing a rise in imports. At other times the eagerness of Canadians to buy something wherever they can get it cheapest would lead them to import in large quantities. This might cause a movement in the exchange rate the other way. A tendency towards a weaker Canadian dollar would encourage more capital to come in. They interact to quite a degree.

Senator CROLL: How do you deal with that problem?

Mr. COYNE: Have I not already given my answer to that question?

Senator CROLL: Well, there is one thing that is bothering me. You did say that Canadians have a higher saving record in the western world, proportionately higher than the United States. How do we manage to save so much and still, you say, live beyond our means?

Mr. COYNE: That bothers me too.

Senator CROLL: What is that?

Mr. COYNE: I say, quite seriously, that bothers me too.

The saving is done, to a large extent, in the undisbursed profits of corporations, plus the very large depreciation, capital cost allowances which businesses are allowed to earn and deduct before taxation. It is in this field that our savings exceed savings in the United States. Personal savings here run a bit below personal savings in the United States, and governments here run bigger deficits than governments in the United States. In total we have not only saved more here, proportionately, than the United States, but we have taken in some of their savings as well. We have put it into intensive capital investment without providing a great deal of employment. It may be of benefit to the country, and it varies from time to time. To some extent this capital investment, or the utilization of savings, has been temporarily non-productive. We have built up extra capacity which is not being utilized. So, as a nation we are losing something, the annual value of our capital, which goes on for several years. Perhaps some of the equipment that has been put in place is growing obsolete—will be obsolete when the time comes for it to be used. I think there has been some dissipation of capital and savings, through the fact that we have not been able to make the full use of the capacity which has been available.

Senator CROLL: In one of your speeches you spoke of the evil concerning the distribution of profits of corporations.

Mr. COYNE: The savings of corporations, which consists of the amount available after taxation which is not distributed as dividend.

Senator CROLL: What do you have in mind should be done about it?

Mr. COYNE: I did not have in mind and would not care to make any suggestion as to what should be done about it.

Senator CROLL: You merely posed the problem?

Mr. COYNE: I think this is one of the sources of the greater level or rate of savings in Canada than in the United States.

Senator CROLL: I understood in one of your speeches, from my recollection, you suggested something should be done about it, or would you say you pointed to the evil?

Mr. COYNE: I do not recall exactly myself.

Senator MOLSON: Mr. Coyne, you have quite rightly drawn attention to the fact that the balance of payments current account is very disturbing. You have also expressed certain views about the net inflow of foreign capital. It seems to be very largely held that our trading position is definitely affected, to a very large degree, by our exchange situation in the last few years. I think it might be helpful if you would say a little more on your views about any action on the part of this country in the exchange market. It would seem to me that what happened in Germany recently, in the revaluing of the deutschmark, was almost the direct opposite of our position here. I am sure there are a lot of people who would like to know why you look on any action in the foreign exchange market as a complete impossibility. To induce our dollar to find a slightly lower level would, I think, improve our trading position. Does one infer that the German Government was wrong in revaluing the deutschmark? Would you care to develop a little the matter of the exchange situation?

Mr. COYNE: What the Germans and Dutch did was to put a premium on their currencies—

Senator MOLSON: I realize that.

Mr. COYNE: —for reasons which they explained at that time: they felt that they were subject to inflationary pressures at home which were threatening

to bring about a rise in prices and a renewal of the wage-price spiral, and by putting their currency to a premium they would encourage imports and reduce the cost of imports and indeed other goods within the country, as an antidote to these other tendencies which were present.

There has been a good deal of controversy in Europe and elsewhere as to whether or not this particular action was the best one to take. I would not want to make any comment on it.

When you spoke of action to make a change in the value of the Canadian dollar, I think you spoke of a slight change. I do not think a slight change would have very much effect.

Senator MOLSON: Let us not pick on the adjective: let us say, a decrease in the value of the Canadian dollar.

Mr. COYNE: Of how much?

Senator MOLSON: I do not say any specific figure. Do you know what figure it should be at?

Mr. COYNE: No, I do not.

Senator MOLSON: Neither do I. However, I think it is generally agreed that if the dollar were less valuable our trade position would be better.

Mr. COYNE: I do not think there is any right figure, other than a conventional one. We can all agree on a figure arbitrarily and say that is the way things are going to be; but if it is proposed deliberately to create an amount of depreciation, one would like to know what degree is contemplated in order to try to assess the consequences, the usefulness or the worthwhileness of doing it.

There are many troubles involved with exchange depreciation: one is that two can play at that game. You are fixing, or trying to fix, the value of your own currency against another currency, and the people who control that other currency may have something to say on the subject.

Another trouble is that you are setting in motion a price rise on all goods which you import, on the domestic value of the goods which you export, increasing the cost of making a great many different kinds of payments abroad, including the interest payments on provincial government bonds floated there. You are inviting or making possible a rise in the price of Canadian goods which compete with imports. A great many people would say that was all right, but it is only one element in the total picture in which exchange depreciation tends to raise all prices and all costs within the country, so that the benefit to any one element is apt to be taken away by the rise in costs, if not immediately, over a period of time. I think there is a great deal of illusion in the idea that a country can benefit by deliberately depreciating the value of its currency.

Senator ROEBUCK: Some classes will benefit at the expense of other classes.

Mr. COYNE: Some people will benefit immediately at the expense of others, quite true.

Senator HORNER: The lowering of the value of the Canadian dollar would assist the exporter and raise the cost to the importer.

Senator ROEBUCK: That is just inflation.

Mr. COYNE: It would raise the cost to the exporter as well.

Senator BRUNT: Mr. Coyne, you were good enough to supply us with a group of charts. I presume that the figures at the bottom of the one on page 3 shows the relationship of deposits of the Canadian Government with the chartered banks.

Mr. COYNE: Yes.

Senator BRUNT: Would you please explain why we have such a fluctuation? I refer again to the March Statistical Summary issued by your bank. I notice that in September the amount on deposit was \$87 million, and by December it was \$612 million. Why does that change take place, or what is the purpose if it? You control that.

Mr. COYNE: No sir; I don't control anything. I hope you take that seriously: the central bank literally does not control, and cannot. Of course the government's bank balance fluctuates for the same reason as our own bank balances fluctuate from time to time. Their expenditures are not equally spaced throughout the year, nor are their revenues, and they get out of phase with each other. There are times when the government is running a surplus and times when there is a deficit; also they borrow from time to time, and if they borrow \$100 million or \$300 million at one time that would inflate their bank deposits. That money is spent, and the level of the bank deposits decline until another operation of some sort takes place.

Senator BRUNT: This seems to vary so much that no chartered bank would be able to rely on government deposits for the purpose of making loans.

Mr. COYNE: Yes, they do, because when the government deposits go down, somebody else's deposits go up. It does not have any effect on the chartered bank. It is merely a transfer between depositors, a matter which goes on all the time when you pay your ordinary monthly bills.

Senator BRUNT: In other words, the total amount of money on deposit with the chartered banks does not vary much.

Mr. COYNE: Not very much, not because of changes in the Government's balance.

Senator REID: I notice that page 3 of your charts indicates that when you include the Government of Canada's deposits and currency outside the banks with the deposits and personal savings, the total is close to \$14 billion.

Mr. COYNE: Yes.

Senator REID: Those four items would seem to total about \$12 billion.

Mr. COYNE: Let us look at them: personal savings deposits are about \$7½ billion; other deposits, that is current accounts, the demand deposits of business and private individuals, \$4½ billion, making a total of \$11¾ billion.

Senator REID: That does not total \$14 billion.

Mr. COYNE: Currency in circulation, \$1¾ billion, and government deposits averaging out something under half a billion—I think that makes up the \$14 billion.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I would like to ask a question. I am sure we are all concerned—at least those of us who think about it—about the balance of payments problem which Senator Molson mentioned a while ago. I was wondering if Mr. Coyne could indicate to us in what sector the transactions take place, that is, the kinds of transactions which add up to the problem with which we are now faced.

I am thinking now of a breakdown of the problem: for instance, tourists' expenditure in the United States, which is very large; municipal and provincial borrowings in the United States. Then there is this huge flow of money which has come over from that country to develop our resource industries of various kinds; it is coming into small industries in little towns all across the country.

My point is, Mr. Coyne, is this latter group I mention as bad or any worse than the first, to the extent to which spending has taken place in the past years? I am trying to separate it from the job-producing investment in Canada that sprang from American investment. Was that bad for us or was a collection

of all the additions of the tourist and Government borrowings at various levels the real rascal in our problem?

Mr. COYNE: It is very difficult to single out any one factor, I think, senator. We have got into a groove, you might say, a set of spending habits not just on the part of individuals but on the part of business where they buy their materials and parts and finished goods, which seem to involve buying very much more from outside of Canada than the amount we export. This relative advantage of importing must have many reasons underlying it. One is that the costs of production in Canada have risen more in certain fields than costs of production elsewhere. Professor Hood gave you a statement on how the very large emphasis on resource development in Canada led to a much bigger rise in wages here than in the United States, and this forced other branches of industry which were not having such profitable opportunities to experience a much larger rise in their wages than wages in secondary industries abroad. This meant they had some influence on the cost comparison between Canadian goods and foreign goods and the volume of imports. I don't know what the reason is for the tourist travel situation but evidently it is increasingly attractive to go south in the wintertime, and we spend a good deal more on Canadians travelling abroad than foreigners do on travelling here.

The growing volume of foreign investment means we have to pay out increasing sums every year by way of interest and dividends, and this is a bit of a time bomb because the amount of interest and dividends to be paid could double in the years ahead even if there were no further imports of foreign capital.

There are other fields of expenditure, management fees, contributions to advertising expenses of foreign businesses, royalties, and things of that sort where there is a considerable outflow from Canada, and payments for research carried on outside Canada for those products of research which we import or get benefit from. We are spending a great deal more abroad in all these fields than we are earning abroad. This has a very strong connection with the fact that so many of our larger business enterprises are owned abroad and run by head offices situated abroad.

On the export side, too, the kind of development of exports that you might otherwise have hoped to see has not taken place. It is not just that the raw material industries have not been able to get as big a share of the world market as they had hoped for, but we have not been able to develop much by way of exports of secondary industry, partly because our natural market to the south is closed to us by tariffs and regulations which are higher against Canadian goods coming into the United States than those imposed on the same, identical American goods coming into Canada; and partly because a large part of Canadian industry represents branch plant activity of foreign-owned enterprises which are not going to do their exporting from Canada to Europe and third countries to any large extent.

In the mass-production industries we cannot expect Canadian costs to be as low as in the United States, so that merely on a cost basis we will not get a share of that export business. Canadian industries do not develop, are not allowed to develop, uniquely Canadian products of a specialty character which might find an export market. What branch plants must produce in Canada is a copy of the same kind of article which is produced in the United States for the American market. I think the degree of foreign ownership of secondary industry has had a very dampening effect on our ability to broaden our range and volume of exports.

Senator SMITH (*Queens-Shelburne*): Mr. Coyne, is there no area at all in our economic development in which you would say at this stage we should encourage American capital coming in?

Mr. COYNE: No, I do not see any need to encourage it.

Senator SMITH (*Queens-Shelburne*): Are there any areas where we should try to let American investors know that they are still welcome under the same terms as Canadians would be welcome in our country, or are we waving a flag and saying, "We don't want any more American capital"? A lot of people are saying that. I don't think you have ever said it or have meant to say it.

Mr. COYNE: I don't think we should be hostile to foreign capital at all. Subject to whatever may be the laws on the statute book, and foreign investors will form their own judgment as to what the effect of those laws is, surely the important thing is not to do without some form of capital merely because it comes from abroad but to make use of more of our own capital and more of our own potential, and if we can make opportunities within Canada sufficiently attractive to Canadians they will do the job and there will be no real opportunity for foreign capital to operate on as big a scale as in the past.

Senator SMITH (*Queens-Shelburne*): Mr. Coyne, if some American industrial group had an idea which no Canadian had, which was a good idea and suited to our own industry, do you believe that the particular investment which would accompany that idea in our country should be encouraged? I want to give you one concrete example of what I have in mind. There is American capital at the present time coming into the province of Nova Scotia in the pulpwood industry. It is bringing with it a new idea involving the use of plastics for the manufacture of wires over which the pulp flows to make various kinds of paper. It has never before been used in Canada. There is real hope that this will prove to be an efficient wire technique in various kinds of paper mills. Here is a case illustrating what I had in mind about an idea being accompanied by American capital. Should we not search out opportunities like that to create jobs, and welcome that kind of capital if it involves a new process or something which is going to have a beneficial effect on our economy, and discount the other effect it may have on the total problem of balance of payments?

Mr. COYNE: Well, we certainly must make use of advanced technology. I would not want to take a position on any particular case whatever, but I think we have suffered greatly from not having enough technological advance within our own industries and within our own country. It is well known, I am sure, to the members of this committee that industrial research in Canada by private industry runs about one-quarter of the level you would expect if it were to be proportionate to research in the United States. The Chairman of the National Research Council and others have drawn attention to this. The Government has done quite a bit to carry on research under government auspices, and even to encourage where possible research to be done by private business; but again as they have pointed out, a great part of the larger businesses in Canada, the larger secondary industries, which you would expect to be taking part in industrial research and developing new products, specifically those for the Canadian market, and providing outlets for Canadian ideas, are under control abroad, and the research is done in that foreign country, mainly with an eye to its own benefit, and rented to us, if we get it at all. This is a very serious gap in our own economic, scientific and social structure, when we are not doing the work ourselves, and giving opportunities to our young men to develop this sort of thing, and developing Canadian production, which indeed might be production for world markets, not just for Canadian markets, in some particular areas like aircraft, where there is unlimited scope for development of that sort by our own people; but considering how much of our industry is shut off from that form of activity by company policy abroad, it is going to take great effort, incentive and encouragement to get it going here.

Senator HORNER: Mr. Coyne, do you not think a great deal could be done with the chartered banks? There has been a great deal of extravagant spending by governments and banks in building. I might call your attention to the new Royal Bank buildings and other such buildings going up all over the country. They are spending millions of dollars in building palaces for themselves, and I should think the very appearance of them would be an invitation to be robbed of their funds. Perhaps it would be better if they increased their dividends to the shareholders rather than expend such large sums on such palatial buildings.

Senator CROLL: May I ask Mr. Coyne a further question? I believe in lower interest rates, and also think that the Bank of Canada can influence interest rates. Now, Mr. Coyne has said from time to time that pushing interest rates down will not solve our fundamental economic problem. Would he mind arguing me out of my belief?

Mr. COYNE: I will try. Do you want to elaborate your own beliefs?

Senator CROLL: Well, I am a great believer in lower interest rates. Tell me why I am wrong.

Mr. COYNE: That is very difficult, because I can never get anyone to tell me why lower interest rates of the degree they want to see are going to work so as to encourage more production. I have seen it suggested that somehow the authorities should put our interest rates down to the American interest rate levels. Another suggestion was, last autumn, I think, that the authorities were lacking in understanding and will power because they would not put the rate on government bonds down to three per cent at the time the American rate was four per cent or more. The first objection is that merely making money cheap does not ensure that anybody is going to find a profitable use for it.

Senator ROEBUCK: What about the lower cost of production?

Mr. COYNE: The cost of interest on borrowed capital is not a significant element, and a variation between four and five per cent is meaningless, for example, except for some very heavily capitalized long-term borrowers like public utilities for hydro-electric development, which might have some influence on their rate structure. The second difficulty is that most of these proposals for lower interest rates are directed towards dealing with business cycles or temporary measures to overcome recessions. Now, when you consider what seem to be the causes or the symptoms of our recessions, they do not appear to me to be very greatly amenable to interest rate changes. Obviously a decline in export markets is not going to be rectified by lower interest rates in Canada to any appreciable extent. The familiar symptom in post-war recessions of a cessation of orderings and reduction of inventories is animated by much more serious considerations than lower interest rates.

Senator CROLL: What are those?

Mr. COYNE: Prospects for sale. When business in Canada reduces its inventories it may be because export sales have fallen off, because domestic sales have fallen off, maybe because they think they can replenish their inventories six months later at a lower cost, maybe because business in the United States is doing the same thing and a psychological atmosphere spreads throughout the country. One of the cases that is frequently being mentioned is that local governments would borrow more if interest rates were substantially lower. I do not much like the sound of that argument; I am not sure it is always right for them to borrow money rather than meet their expenditures out of taxes; I think they ought to be put to the test of forming a judgment of what they want most to do, and one of the factors in their judgment ought to be the economic cost of borrowing money, not some artificial cost by official action. I do not deny there may be times when business is slack that one

would like to lower interest rates rather than when business is booming. This has happened, and is still happening. It sometimes happens automatically because the demand for borrowed money falls off. To some extent it happens because central banks do encourage more expansion of the money supply under those conditions than they do under booming conditions; but I think there is a limit to what can usefully be done there. Another objection to deliberate action to artificially lower interest rates by some sort of massive purchasing of bonds by the central bank is that you upset people's expectations and investors wonder why they should buy bonds at three per cent interest rate, and perhaps next year business conditions may be different and they may be able to buy bonds 20 or 30 points cheaper. If you have these wide fluctuations in interest rates you won't be able to sell to them at lower interest rates once they know rates will be substantially higher within a short time. We have had experience of that since the war.

SENATOR BRUNT: Could you not always sell the Canada Savings Bonds type?

Mr. COYNE: Yes, you could at an appropriate interest rate; but are you speaking of higher interest rates or speaking of demand instruments, and cashing them in later on when higher interest rates come back? Yes, you can do that to some extent, but that will not make you very happy later on, because you would either have to face a big withdrawal of funds when better opportunities come along for investment, or reconvert that debt from year to year—reconvert the whole thing.

SENATOR BRUNT: That is right.

Mr. COYNE: That is rather an expensive way of borrowing money. I was going to say that I think this view I am expressing rather crudely is very widely held, certainly in other countries as well as Canada. We have seen an example of thinking on this subject in the United States just recently. There has been a lot of talk down there about the presumed desirability of getting long-term rates down just a little, some movement, even if it means short-term rates would go up a little. The federal reserve board began, for the first time in years, to do some purchasing of long-term government securities. For a few days this caused a rise in those securities. Later there was a bit of a fall, and they are no higher now than when the board started. I do not say this, in any way, in criticism of the federal reserve. I have no doubt they did right in the circumstances, but it has not had any effect on the major interest rates; and nobody apparently expected it to do so. The main reason for the changes in interest rates is the demand for borrowed money and the willingness of investors to put money out. We have more demand for money in Canada presently, and that is the main reason we have higher interest rates.

SENATOR CROLL: It is the market that fixes it?

Mr. COYNE: Yes.

Senator CROLL: I said you could influence interest rates. The suggestion I made is that you should influence them to make them lower.

Mr. COYNE: I think we have done so to the extent it would be useful and wise, subject to human judgment being in error, of course.

SENATOR CROLL: I am not dealing with human error. You think that keeping them 20 to 30 per cent higher than the United States is the proper place for them?

Mr. COYNE: I do not have any view on the proper level of interest rates. There are many factors at work which create that differential between the interest rates in Canada and the United States. I think it would be unwise for us to make large purchases of government bonds in the market in an

effort to bring down the interest rate on those particular securities and, perhaps, more generally. We could give the market a nudge in that direction. We did that last autumn, and have done so since. We have had quite sizable purchases of government securities by the Bank of Canada, with a consequent increase in the money supply and the purchase of securities by chartered banks. I would hesitate to go very much further, as of today; I might change my mind next month. But under circumstances as I see them, I do not think there is much good to be done by large scale further expansion.

SENATOR SMITH (*Queens-Shelburne*): Those steps you have taken in the immediate past were taken on the advice of the Minister of Finance? I think you have already said that you are the agent, the banking agent, for the government; and that is something you would discuss with the Department of Finance, and then take this particular step? Or when you took the step were you following your general policy, which was approved, in general, by the Minister of Finance?

Mr. COYNE: I think you are talking about two different things. At an earlier stage, where I said the bank is the agent of the Minister of Finance, that is in the operation of the exchange fund, in transactions in the foreign exchange market, and not necessarily in the market for Canadian government bonds.

Senator SMITH (*Queens-Shelburne*): In this case this was the Bank of Canada's action alone, entering into financial transactions in the bonds?

Mr. COYNE: Any action the Bank of Canada takes to add to its own holdings of securities has to be taken on its own responsibility. We may get advice and suggestions from many different places as to what we should do.

Senator SMITH (*Queens-Shelburne*): You have one technique for foreign exchange and another for participation in bonds?

Mr. COYNE: Yes.

Senator BRUNT: Did I understand you correctly to say that of late we have made large-scale purchases of government bonds?

Mr. COYNE: I did not say recently, but last autumn and, to some extent, since.

Senator BRUNT: On October 5 you had \$2,629,000,000; and the latest figure I have is April 5th, \$2,612,000,000.

Mr. COYNE: I will have to look at it in more detail, Senator. October the what?

Senator BRUNT: I have October 5th, \$2,629.3 million.

Mr. COYNE: Let me check my dates here.

Senator BRUNT: I have not the reports here; this is my own table. This is holdings of government bonds and treasury bills.

Mr. COYNE: At the end of March, 1960, we held—

Senator BRUNT: That is over a year ago.

Mr. COYNE: I am going to go by periods. It was \$2,546,000,000.

Senator BRUNT: Yes.

Mr. COYNE: June, 1960, \$2,609,000,000.

Senator BRUNT: September?

Mr. COYNE: September, \$2,625,000,000; but then, October 31, \$2,718,000,000.

Senator BRUNT: I have no figure for October 31.

Mr. COYNE: There has been some decline since in our holdings of government securities, and there are various seasonal reasons which make a comparison difficult.

Senator BRUNT: Of late they have declined, have they not?

Mr. COYNE: The object of our operations in government securities is to affect the cash reserves of the chartered banks and their ability to expand loans and investments. Other things also affect them; the size of certain other balances with us and, more important than anything else, the movement of the note issue. There may be changes in the note issue which add to the money supply without us necessarily adding to our holdings of government securities. If you look at the end product, the total money supply, which is largely the chartered bank deposits in the hands of the public, plus the currency in circulation—

Senator BRUNT: The latest figure I have is March 9, \$13,851,000,000.

Mr. COYNE: During the last 12 months, up to April 15th, the total amount of money supply rose by \$681 million, or 5 per cent.

Senator BRUNT: That is right.

Mr. COYNE: That includes bank deposits held by the government which, in fact, declined during this period. So the money held by the general public increased by \$800 million-odd, or something over 6 per cent during the 12 month period. I could give you details of that in the interval.

Senator BRUNT: Just one other thing. You are the Governor of the Bank of Canada, and you decided to change the discount rate, and have it vary from week to week instead of every three months.

Mr. COYNE: It was quite irregular before.

Senator BRUNT: What is the purpose of making it weekly?

Mr. COYNE: That is going to take a long time to explain.

Senator BRUNT: Then let it go.

Mr. COYNE: I have given the reason in the most recent annual report, and we gave it at the time.

Senator BRUNT: Very well.

Senator BUCHANAN: Mr. Coyne, I had to leave and I am not quite up to date. This is the Special Committee on Manpower and Employment, and so far there has not been too much contributed in that regard following the employment and manpower discussions. You do deal with overcoming unemployment, and intimate that there is no financial obstacle to realizing full employment through carrying out in a non-inflationary way any planned program which is physically possible.

Would it not be possible to outline the specific terms and put down a definite formula of a program which in general terms ought to be possible of implementation? In other words, you say it is physically possible. What is the approach?

I have learned through the years that one cannot think a problem through and reach a solution, or at least the chance of reaching a solution is remote, without specific definitions and terms. If you would be good enough to answer the following questions, I feel sure that we would have a better understanding of what you have in mind.

You speak a good deal about inflation. What is your definition of "inflation", as you use it.

Mr. COYNE: Mainly a condition in which the average of prices is rising.

Senator BUCHANAN: No matter whether the goods are in abundant supply or not, but as long as the average price is rising?

Mr. COYNE: It may arise from a number of causes; unfortunately it can occur in a time of unemployment; it can occur because of conditions outside Canada, or we may experience a rise in prices from causes within Canada. I would not like to see the expansion of money be the cause of further inflation.

Senator BUCHANAN: To you, "inflation" is merely an increase in prices of goods.

Mr. COYNE: Yes—goods and services.

Senator BUCHANAN: When you say that we can reach full employment, what are the processes through which we have to go?

Mr. COYNE: I have been asked that question in various forms already this morning.

Senator BUCHANAN: I realize that, but the fact remains that in your reports which I have read you speak in such general terms that I am unable to tie it down. Being an engineer, I cannot solve any problem unless I can get it down in terms that I definitely understand, and I can go from here to there and carry out a policy. When one is dealing with verbiage that cannot be tied down, it does not help in finding a solution to the problem.

Mr. COYNE: No. I would hope that you and the members of your committee will give us the answers to these questions, that you will give us a synthesis of all the detailed suggestions which you have received.

Senator BUCHANAN: If you have read the reports of proceedings from our committee you will have noted that unfortunately we are pretty well in the same position with other witnesses as we are with you: we get nothing definite.

Mr. COYNE: On the contrary, from what I have read of those reports you have had several hundred concrete suggestions.

Senator BUCHANAN: Little side issues that might not affect the situation very much. The point is this: we have a problem on our hands that has to be solved; it cannot be experimented with over the next four or five years, but must be faced now. I was hoping, therefore, you would have something very specific in mind when you say that these things can be done.

Mr. COYNE: No, I did not have anything very specific or detailed in mind. I mentioned here this morning and elsewhere a number of possible lines of action or for exploration. In addition, you can look at what has been done in other countries. Many of the suggestions have been adopted, some of which you have had before you: some have been more successful than others in avoiding inflation. However, I think there is a very wide range of non-inflationary measures which public authorities at all levels of government as well as private individuals can take into consideration. They do not need to rely on the doctor with his magic bottle.

Senator BUCHANAN: You say at page 16 of your report that monetary policy cannot have much effect on such basic economic problems. Prior to that you mentioned that you had brought this before us on previous occasions, but you do not say in what form. I was wondering if you could restate these basic economic problems to which you refer.

Mr. COYNE: That is a pretty big order, if you are going to be as general as that.

Senator BUCHANAN: The whole thing is a big order.

Mr. COYNE: Surely our economic problem consists mainly of a lower rate of growth than we would like to see, a higher rate of unemployment than we would like to see, and less desirable kinds of opportunities for Canadians. One of the symptoms that I pointed out is the fact that we are importing so

much more from abroad than we are exporting; therefore, we are using our purchasing power or our borrowing power to provide employment in other countries instead of in Canada. Doing something about that by whatever measures possible seems most desirable, and would make an important contribution to the solution of our problem.

Senator BUCHANAN: In other words, we are still talking in general terms; we have nothing specific.

Mr. COYNE: I would not care to make any specific recommendation.

Senator ROEBUCK: Would this suggestion help in formulating an answer to that question? You said in your speech, Mr. Coyne, that there was a desirability of inducing resources into production, particularly human resources. Now, when human resources go into production, they are applied to natural resources; that is, the force of labour to natural resources.

Have you any suggestion to offer as to how we could induce the two, the human resources and the natural resources, to unite, and in that way get into production?

Mr. COYNE: Sir, that is certainly the objective of all our efforts.

Senator ROEBUCK: That is our problem.

Mr. COYNE: I assume we are thinking of our production as operating in a free enterprise environment, a market economy, a price system and the profit motive, which influences men's decisions as to what they are going to produce and sell and so on. We want somehow to make it appear profitable and worthwhile for private business in Canada to increase its production, to draw human resources into production and to increase and sell their output, because otherwise they will not go on producing for very long.

Senator BUCHANAN: You suggest that they reduce costs and then induce a profit motive into the operation.

Mr. COYNE: Yes. Perhaps it is not entirely a question of reducing his costs. It would be some achievement if he did not experience further increases in costs.

Senator ROEBUCK: What are those increases that are subject to our manipulation by Government or by ourselves?

Mr. COYNE: I don't have anything specific in mind as to Government's direct influence on costs, although some people would no doubt mention specific kinds of taxes. This is indeed largely a question for the operation of the individual business, how it can hold down its costs, but I dare say there are things Government can do and has been doing all the time to stimulate production and to stimulate domestic consumption of Canadian-produced goods, and to make it more attractive and more profitable for Canadian producers to go ahead with their operations.

Senator MOLSON: Mr. Coyne, you mentioned the limited possibilities for monetary policy to affect the economy. Is a part, perhaps only a small part, of that problem related to the fact that we have so many credit institutions of various sorts that are not, for example, part of the banking system, and so on? Is that a factor in our overall problem, in limiting the effect of a monetary policy on our economy?

Mr. COYNE: Yes, I think probably it is. This has been pointed out by a number of students, including the members of the Radcliffe Committee which made its inquiry and reported in England a couple of years ago. You cannot draw a strict line and say, "Everything on this side is banks and everything on the other side is something different." There are a lot of institutions which perform banking functions but which are not part of the reserve system. This is a big subject and needs a great deal more study than we have ever

given it in Canada, and I hope there will be a lot of study on it. You may say I am arguing myself and other central bankers out of a job, but we do not think we are as important as other people seem to think we are. We do not think we have as much power or influence as some other people think we have. We think people are allowing their attention to be distracted from reality towards some kind of manipulation or "God-in-the-machine"—

Senator MOLSON: An easy way out?

Mr. COYNE: Yes, an easy way out. It is unfortunate for the public welfare if people are distracted in that way.

Senator MOLSON: There are quite a few misapprehensions in this field such as the contrast between the prime lending rate in Canada and the United States. People here do not realize there has to be a 20 per cent interest free deposit when they borrow in the United States.

Mr. COYNE: That's right.

Senator MOLSON: And there are no overdraft privileges and a number of other things.

Mr. COYNE: Yes, there are many differences. There are certain kinds of interest rates which are higher in the United States than here at times. In some parts of the United States the bank loan rates are higher than in Canada, but not in the case of the big A-1 companies in New York.

Senator MOLSON: Today?

Mr. COYNE: Yes, even today the rate on some bank loans is higher than the maximum 6 per cent rate in Canada. The deposit rates in the United States are higher in some cases than in Canada. The savings deposit rate in the United States is 3 per cent, I think, in the case of the commercial banks, and even 4 to 4½ per cent in the case of some savings institutions. There are cases today when Canadians are finding it advantageous to put money for investment in New York because on some particular kinds of investment they can get a better return combined with liquidity than they can get in Canada. At the same time there is American short-term money coming in to some extent to buy treasury bills and things of that sort, but they hedge themselves on the exchange market so that they do not have any direct bearing on the rate of exchange. There are all kinds of anomalies and you cannot draw everything in one colour or as a homogeneous lump.

Senator MOLSON: In our balance of payments situation, taking the longer term view, it seems probable that our dividend payments and interest payments are going to increase over the years . . .

Mr. COYNE: Yes.

Senator MOLSON: At the same time there is perhaps a possibility that our net capital inflow might reduce.

Mr. COYNE: Yes.

Senator MOLSON: Have you any view on the possible long-term effect of these various changes that can be seen as coming into force on the exchange rate vis-à-vis the American dollar?

Mr. COYNE: No, no specific view on the exchange rate but I can see many factors influencing the movement of capital, and so on, in the future, but one cannot foresee many other things, such as international developments, which could affect the situation.

Senator MOLSON: The balance of payments is going to—

Mr. COYNE: It reflects all these factors, yes.

Senator SMITH (*Queens-Shelburne*): I would like to ask Mr. Coyne this question before we get through. In connection with the price that Canadian

people must pay in order to meet the situation we are in now, is there a price to pay which would result in a quick solution to our unemployment problem or, even if we do pay that price, as uncomfortable or hard as it might be, is this a long-term prospect that we must look into in order to see the day when we will cut down through this hard core of unemployment? I think you mentioned in your statement the prospects were that we would create jobs this year at about the rate that would take care of the increase in our labour force.

Mr. COYNE: What I said was that if you let nature take its course you will get that much expansion this year, and if you wanted more expansion it would depend to a large extent on public policies. It is undoubtedly a long-term problem, in many ways, but I would hesitate to say that substantial progress could not be made in a short time, if people thought it important enough. One wants to see useful, worthwhile profitable production, but any kind of work is better than no work to the person who is unemployed, and perhaps also to the community as a whole. Maybe there are temporary expedients of that sort which would be worthwhile.

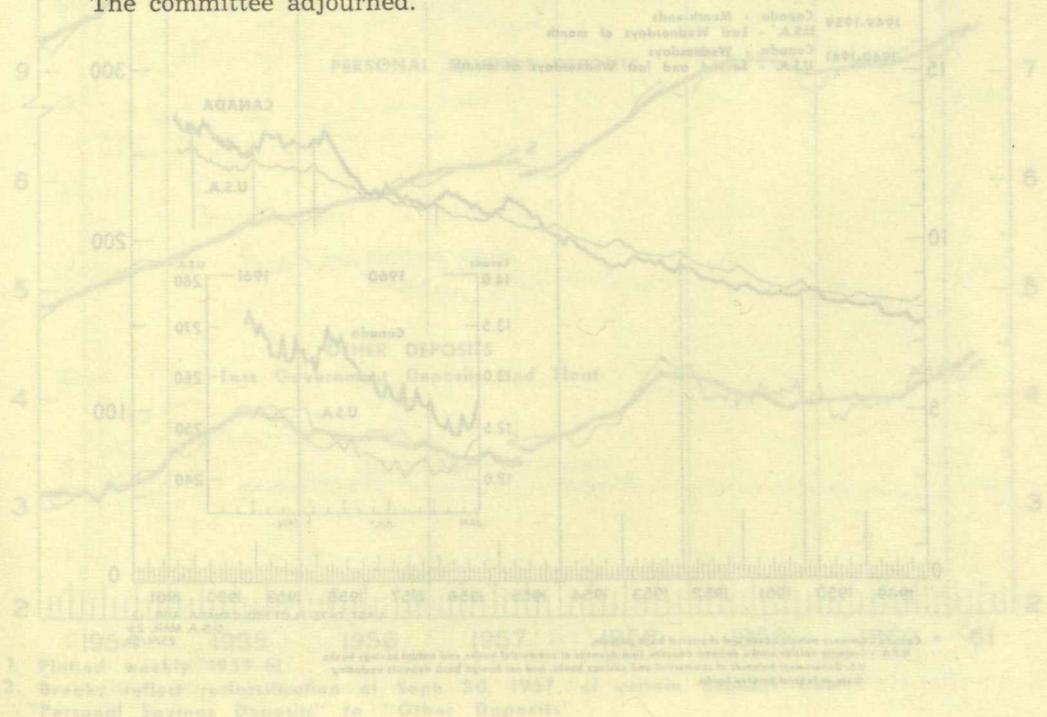
Senator SMITH (Queens-Shelburne): You used the word "production", the increase in Canadian production. Are you not concerned with the effective demand for production as much as the gradual increase in production facilities?

Mr. COYNE: Oh, yes.

Senator CROLL: Mr. Chairman, may I on behalf of the committee express to Mr. Coyne our thanks for his coming. He made himself available. He has to the best of his ability answered the questions we asked him. He has enlightened us I am sure we are still confused about monetary and fiscal policies, but that is not his fault, it is as we find ourselves. On behalf of the committee I want to thank Mr. Coyne for adding to our general knowledge, and we hope this will assist us to come to some solution.

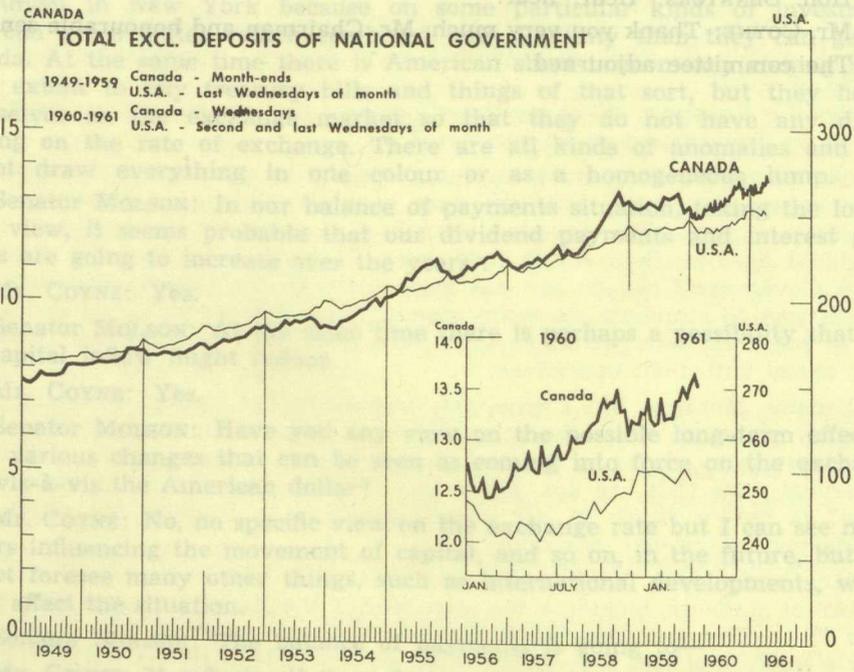
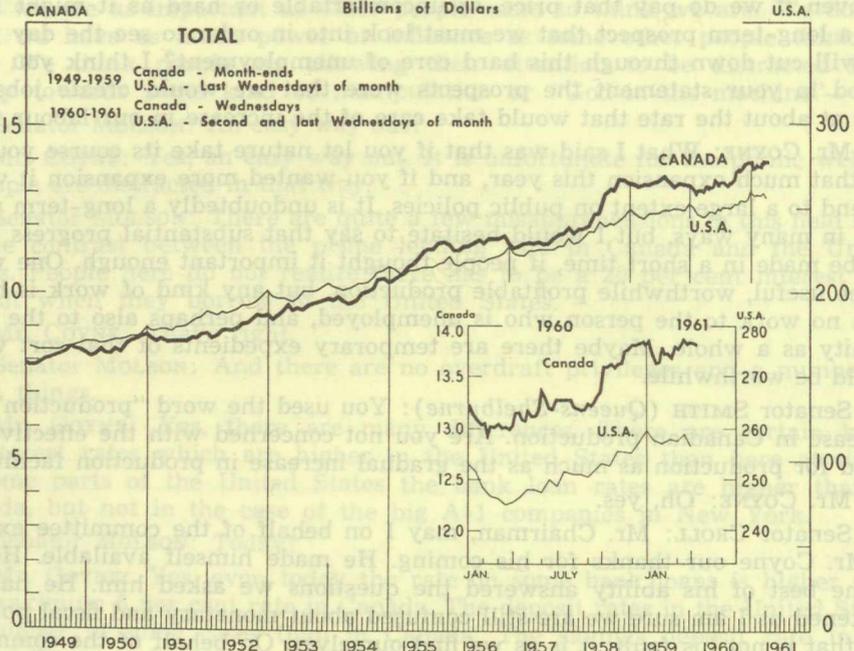
Hon. SENATORS: Hear, hear.

Mr. COYNE: Thank you very much, Mr. Chairman and honourable senators. The committee adjourned.



CURRENCY OUTSIDE BANKS AND BANK DEPOSITS *

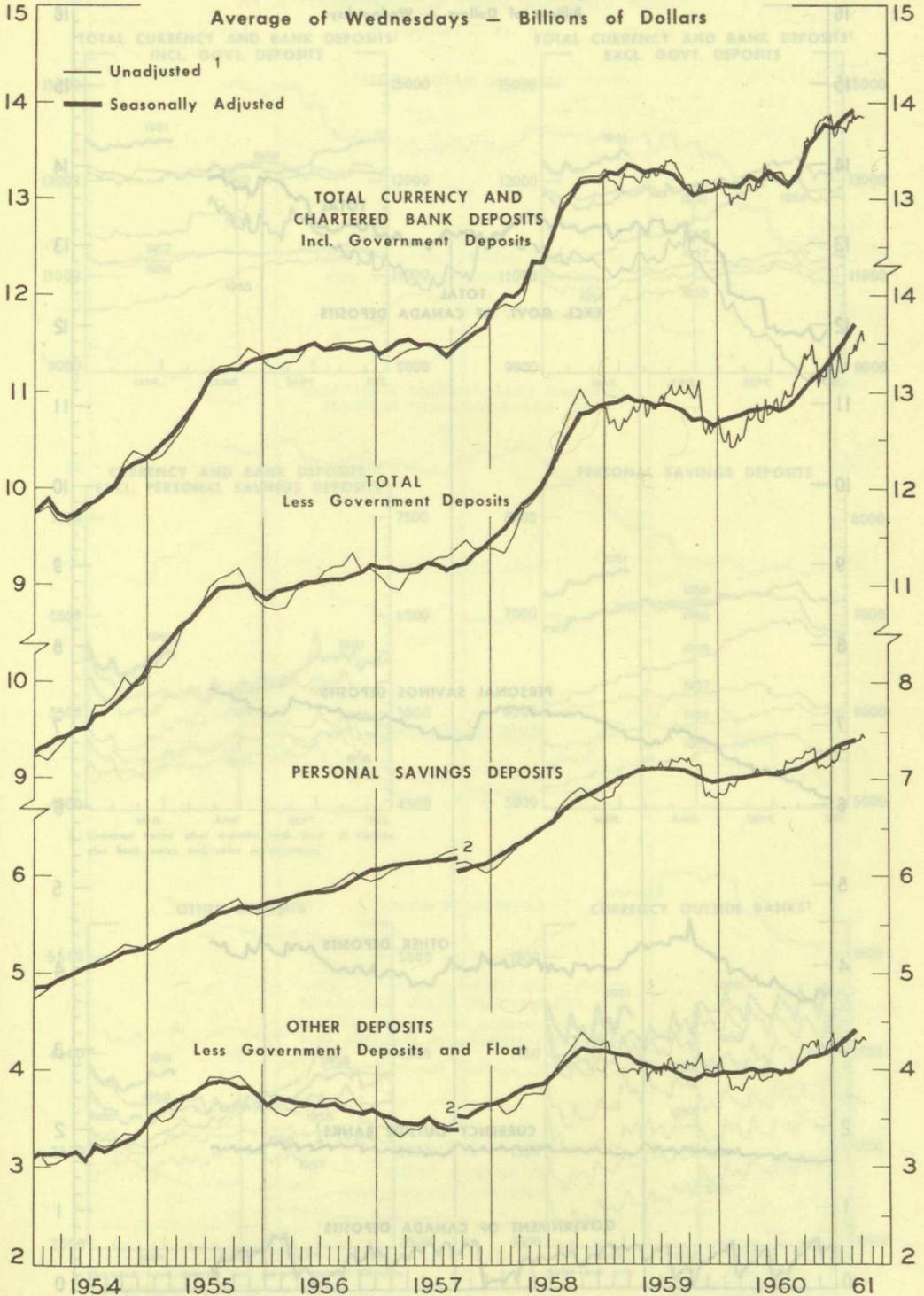
CANADA AND U.S.A.
Billions of Dollars



* Canada - Currency outside banks and chartered bank deposits.
U.S.A. - Currency outside banks, demand deposits, time deposits at commercial banks and mutual savings banks,
U.S. Government balances at commercial and savings banks, and net foreign bank deposits excluding those at Federal Reserve banks.

LAST DATE PLOTTED CANADA APR. 12
U.S.A. MAR. 29
25/4/61

CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

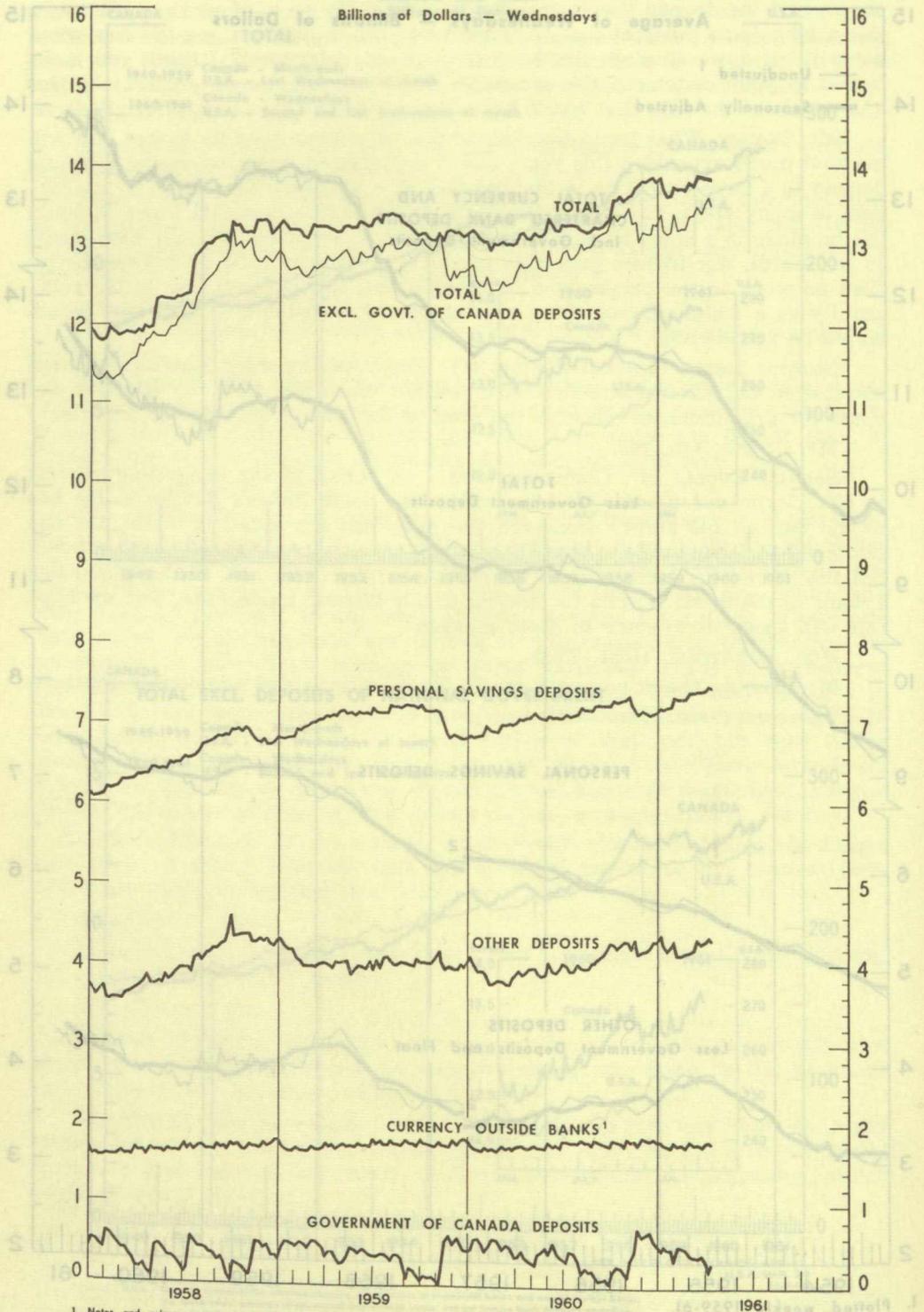


1. Plotted weekly 1959-61.

2. Breaks reflect reclassification at Sept. 30, 1957, of certain deposits from "Personal Savings Deposits" to "Other Deposits"

CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

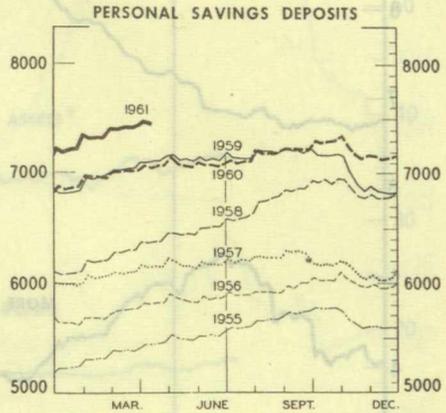
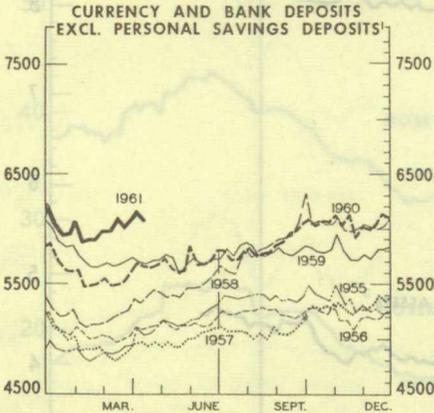
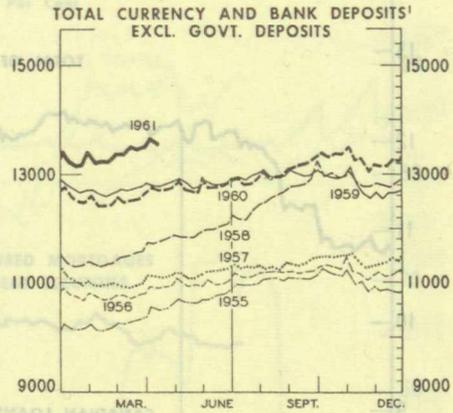
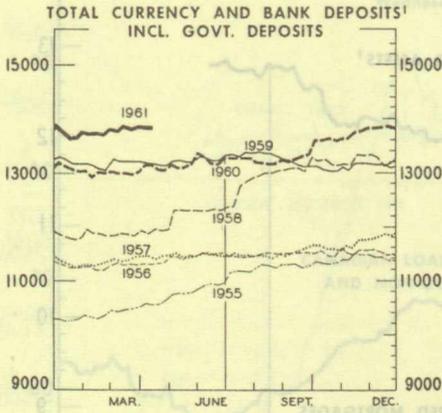
Billions of Dollars - Wednesdays



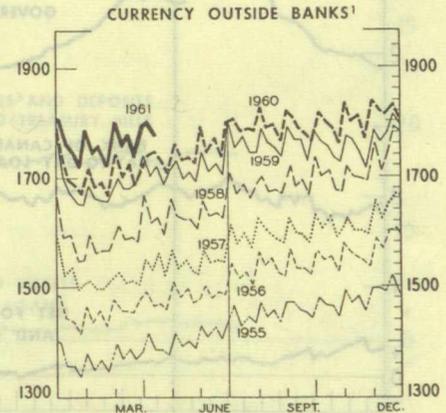
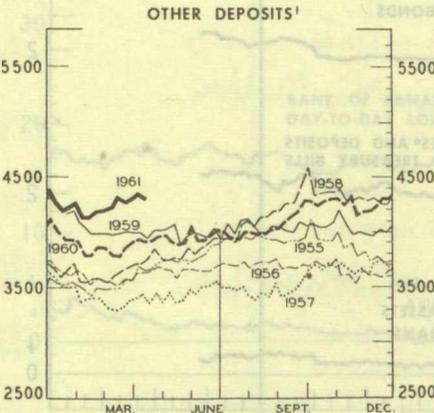
1. Notes and coin.

CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

Millions of Dollars - Wednesdays



1. Chartered banks' other deposits excl. Govt. of Canada plus bank notes and coins in circulation.



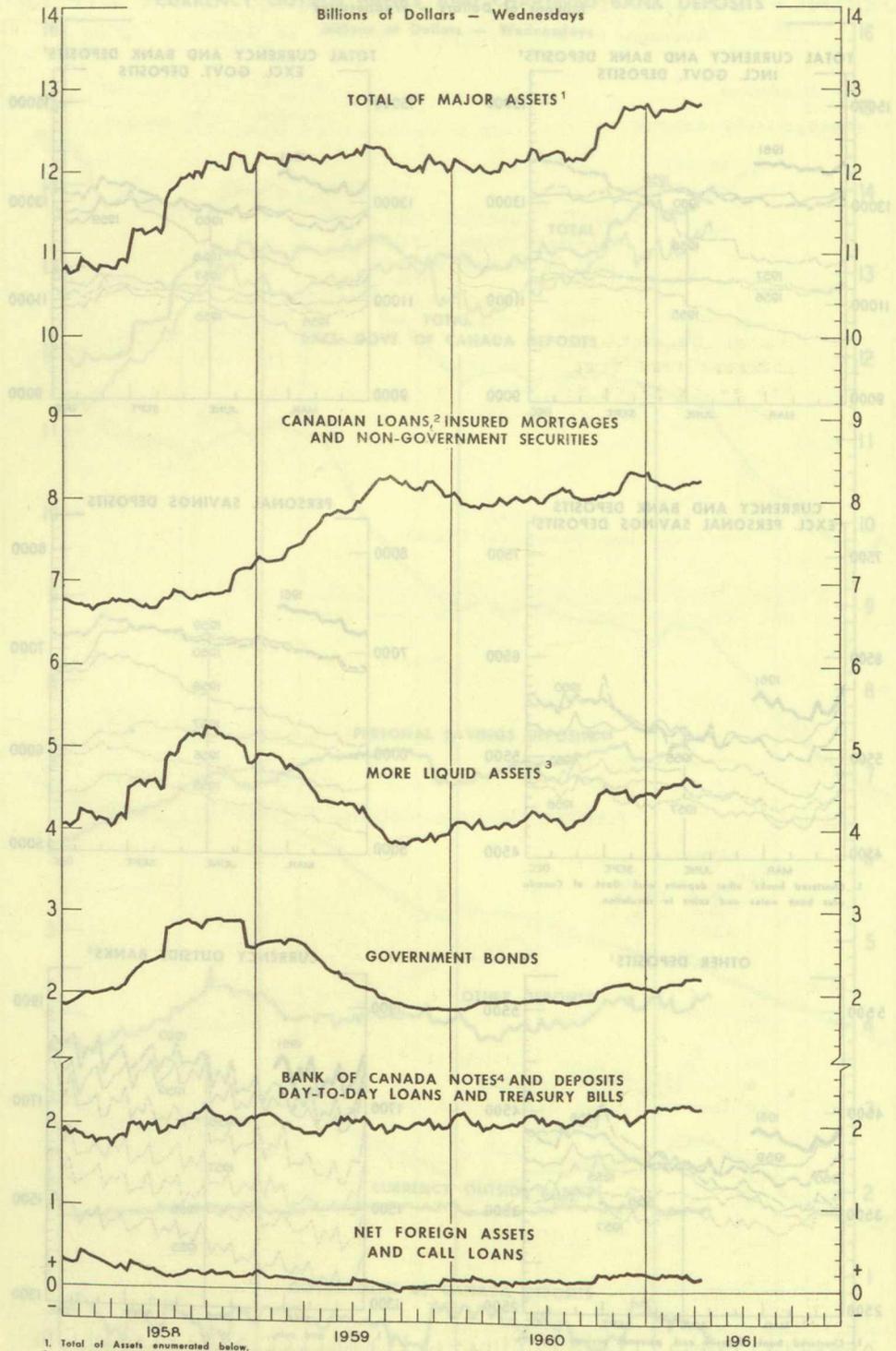
1. Chartered bank deposits excl. personal savings deposits, Govt. of Canada deposits and total float.

1. Notes and coin.

* The deposit balances of religious, educational and welfare institutions and personal accounts used mainly for business purposes were reclassified from "personal savings deposits" to "other notice deposits" at Sept. 30, 1957. The amount of the deposits reclassified was approximately \$140 million.

CHARTERED BANKS - MAJOR ASSETS

Billions of Dollars - Wednesdays

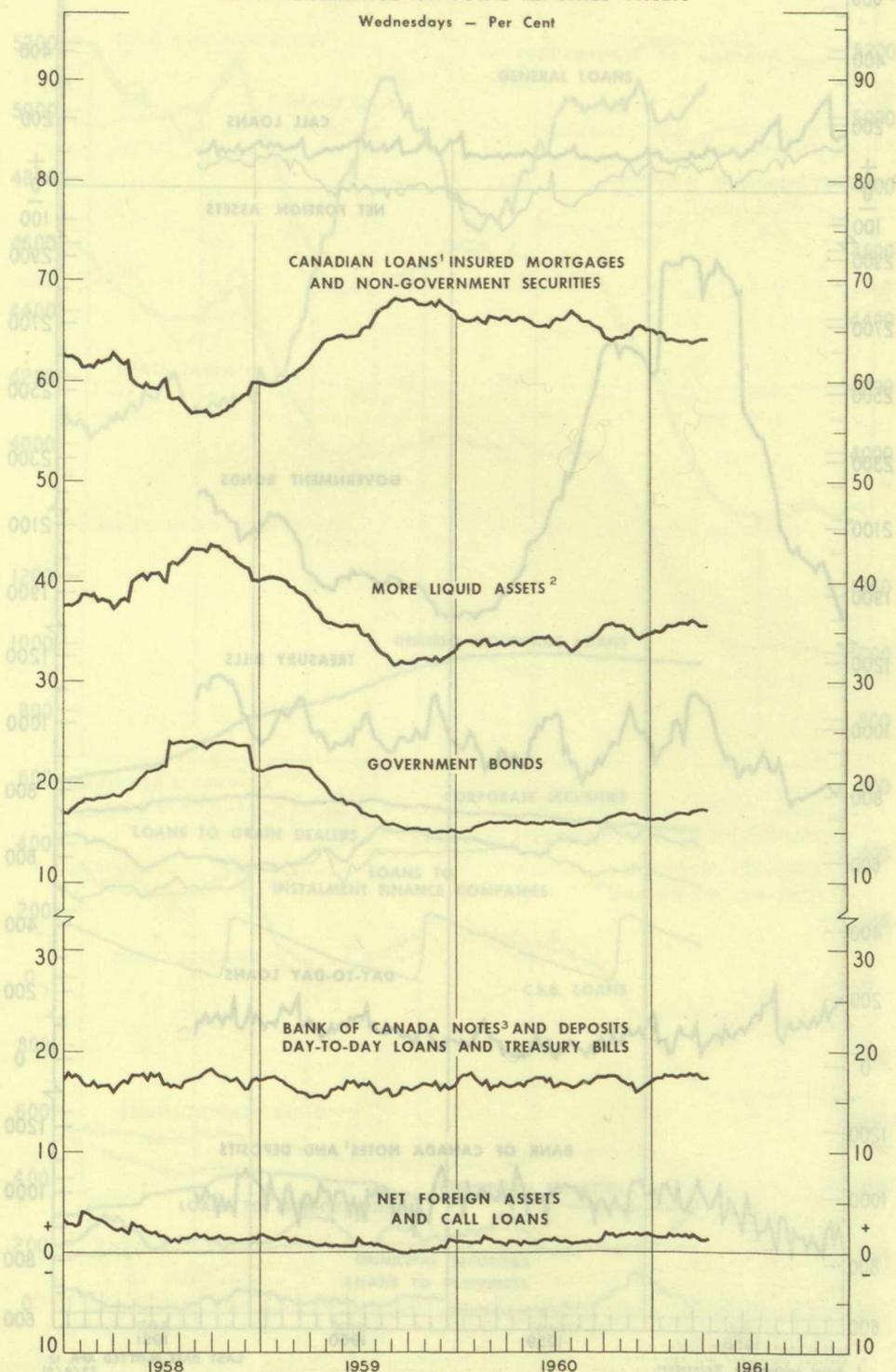


1. Total of Assets enumerated below.
 2. Excludes day-to-day and call loans.
 3. Includes Bank of Canada notes and deposits, day-to-day loans and treasury bills, government bonds, net foreign assets and call loans.
 4. Actual holdings on Wednesday

LAST DATE PLOTTED APR 12 25/4/61

**CHARTERED BANKS - MAJOR ASSETS
AS A PERCENTAGE OF TOTAL REPORTED ASSETS**

Wednesdays - Per Cent

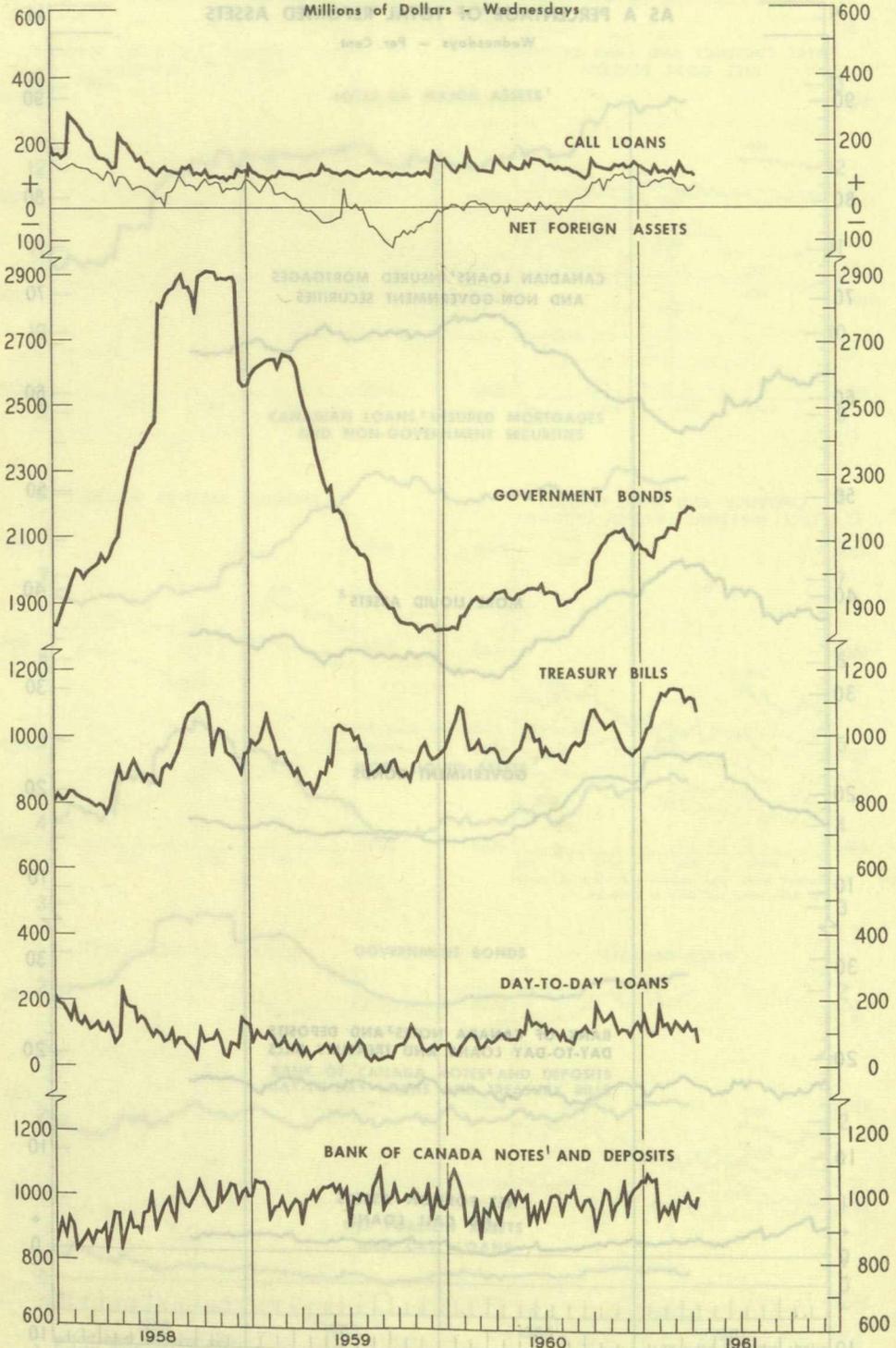


1. Excludes day-to-day and call loans.
 2. Includes Bank of Canada notes and deposits, day-to-day loans and treasury bills, government bonds, net foreign assets and call loans.
 3. Actual holdings on Wednesdays.

LAST DATE PLOTTED APR. 12 25/4/61

CHARTERED BANKS - MORE LIQUID ASSETS

Millions of Dollars - Wednesdays

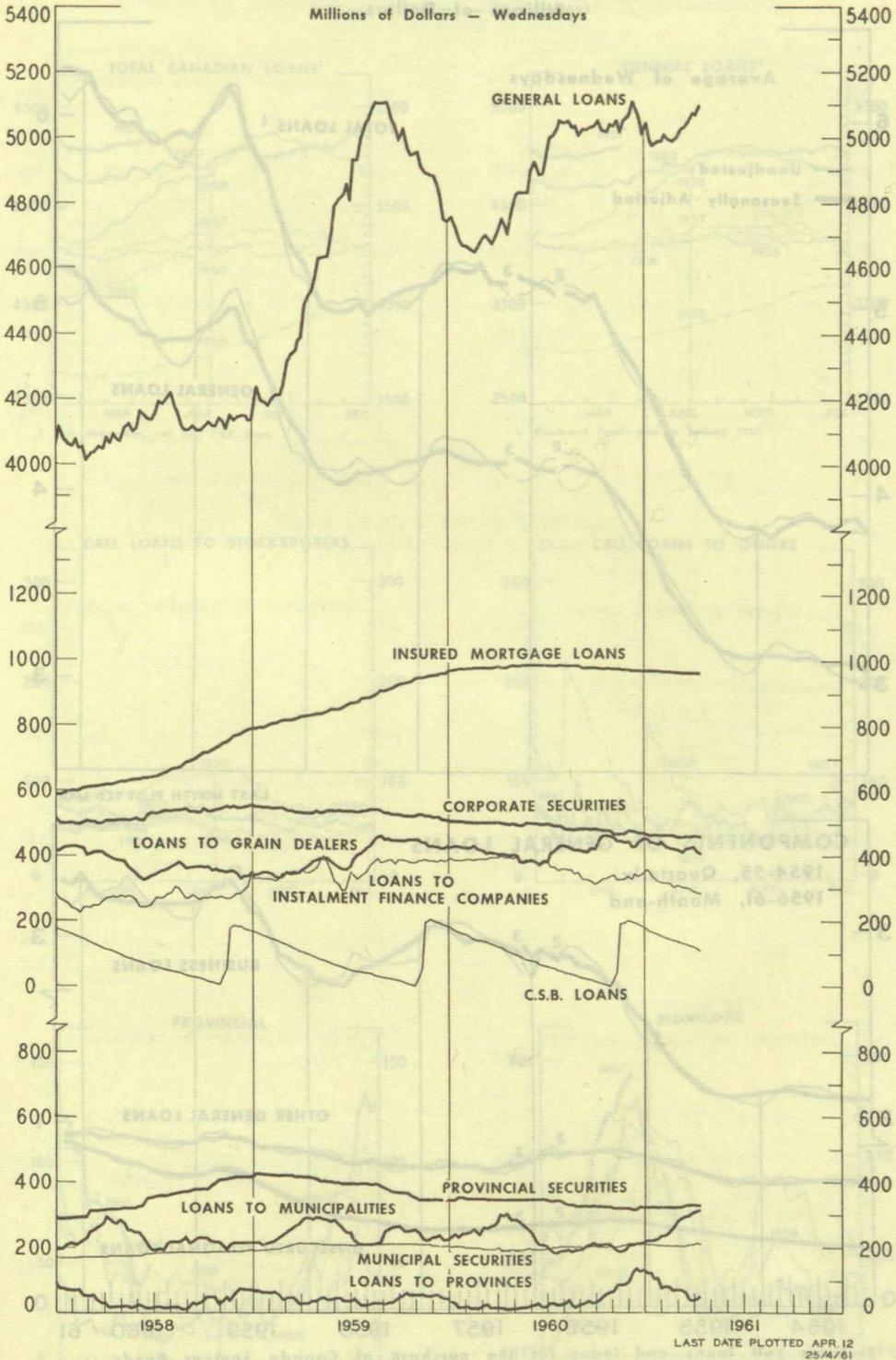


1. Actual holdings on Wednesdays.

LAST DATE PLOTTED APR. 12 25/4/61

CHARTERED BANKS LOANS AND NON-GOVERNMENT SECURITIES

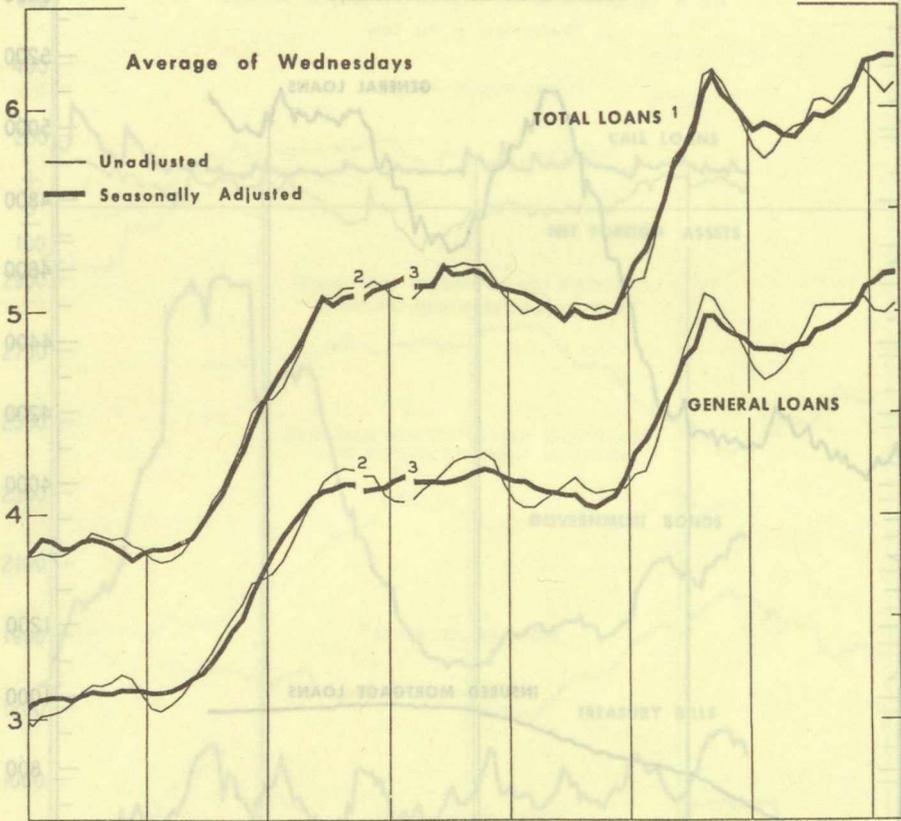
Millions of Dollars - Wednesdays



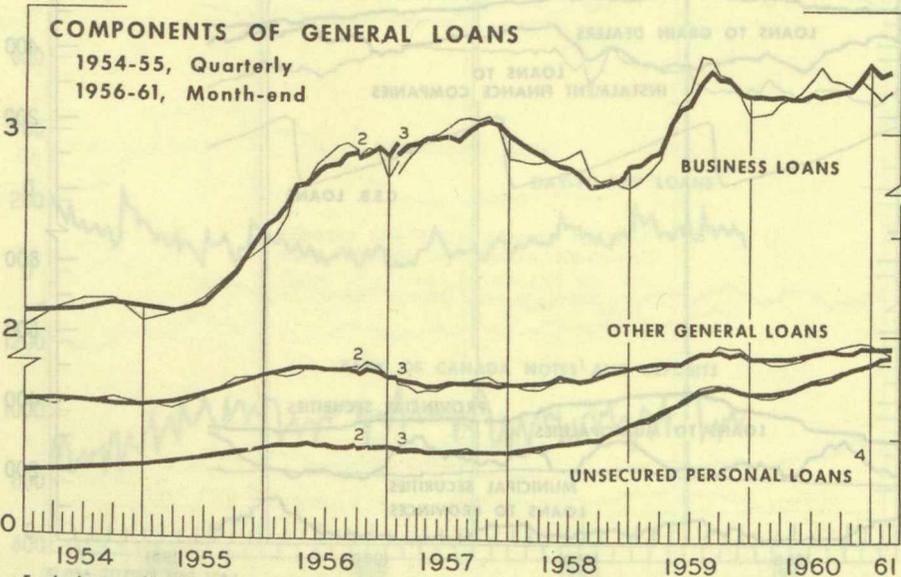
LAST DATE PLOTTED APR 12 25/4/61

CHARTERED BANK LOANS

Billions of Dollars



LAST MONTH PLOTTED MAR.

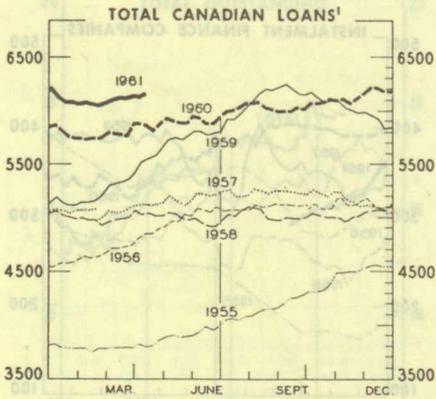


1. Excludes call loans and loans for the purchase of Canada Savings Bonds.
2. Breaks reflect exclusion of certain foreign currency loans previously included in these series.
3. Breaks reflect reallocation of inner reserves consequent upon securities revaluation.
4. Excludes home improvement loans.

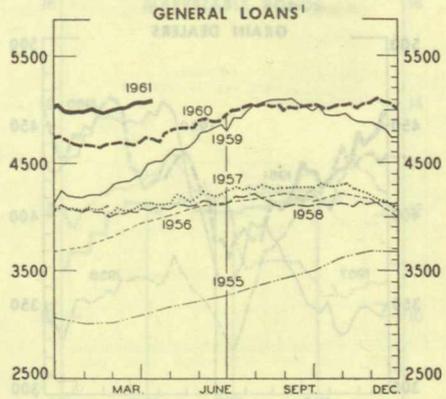
LAST MONTH PLOTTED FEB.

CHARTERED BANKS - LOANS

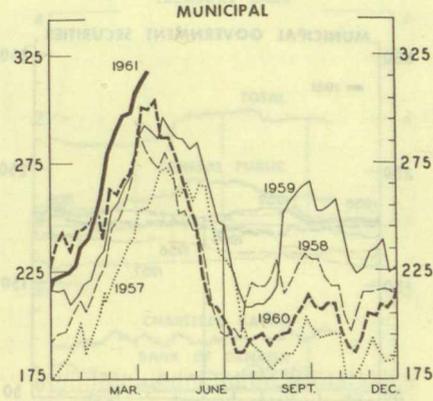
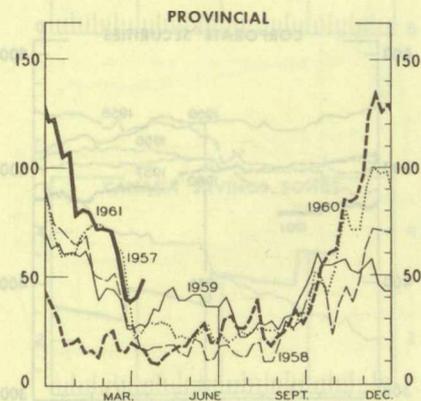
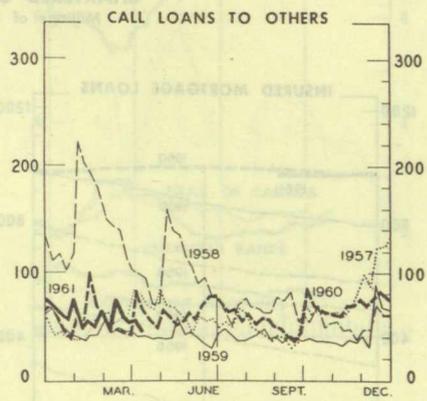
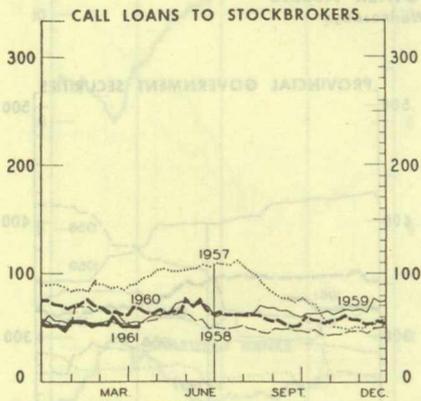
Millions of Dollars - Wednesdays



1. Excl. day-to-day, call and C.S.B. loans.

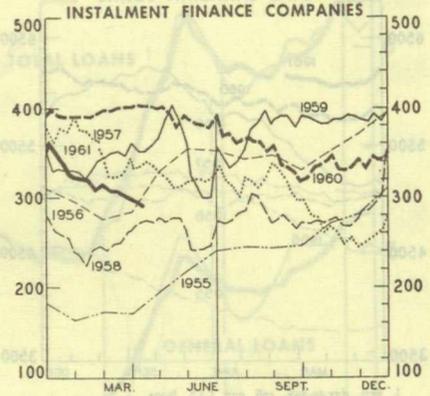
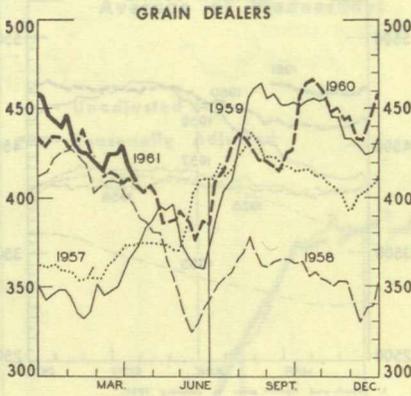


1. Month-end figures prior to January 1957.

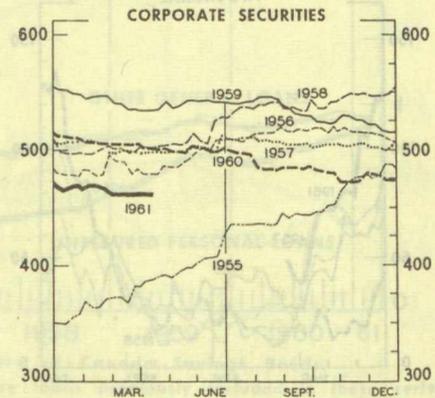
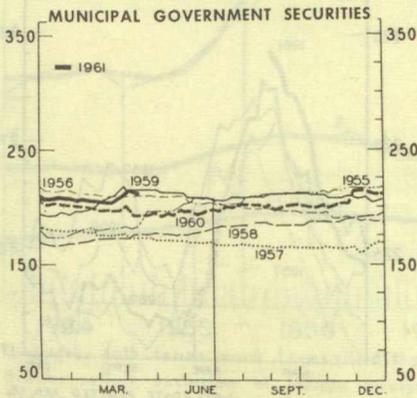
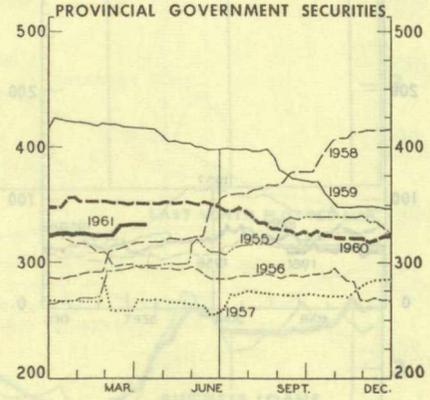
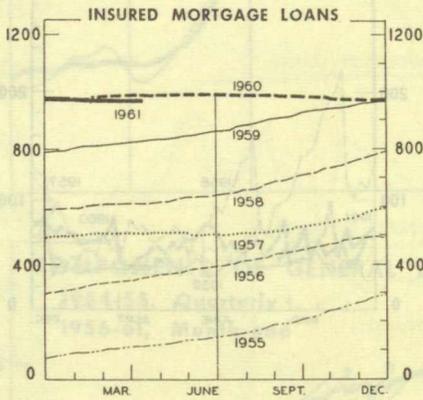


LAST DATE PLOTTED APR. 12 25/4/61

CHARTERED BANKS - LOANS (CONT'D)
Millions of Dollars - Wednesdays

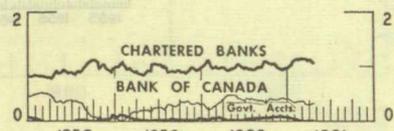
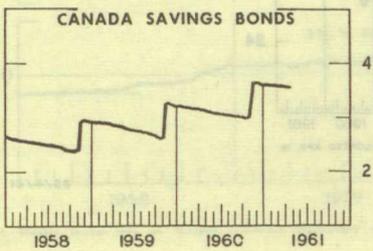
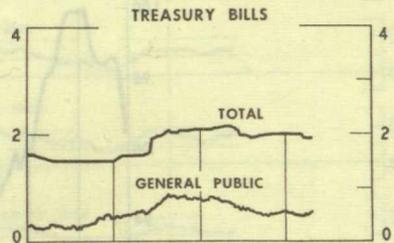
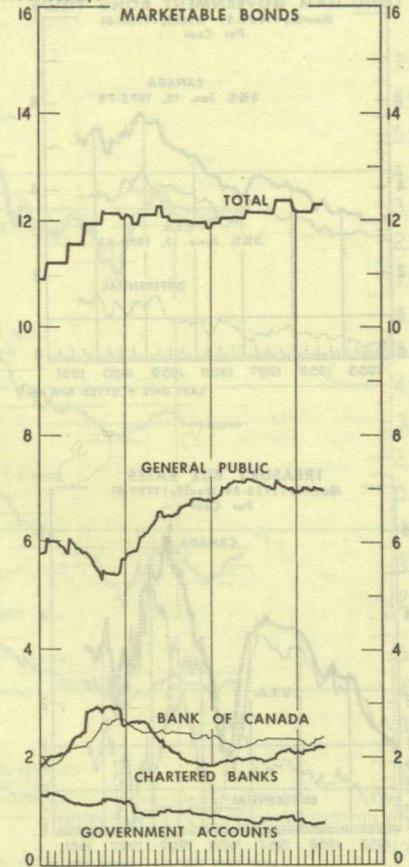
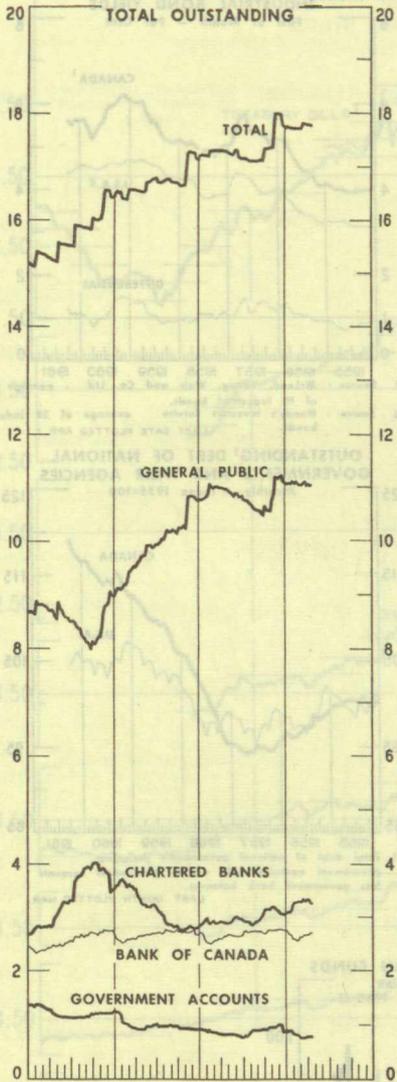


CHARTERED BANKS - OTHER ASSETS
Millions of Dollars - Wednesdays



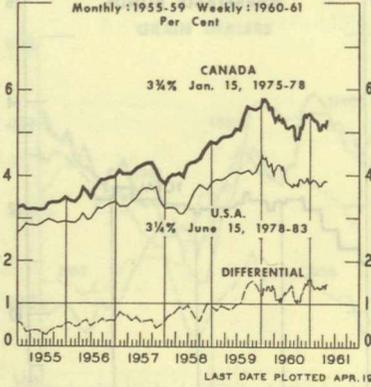
GOVT. OF CANADA DIRECT AND GTD. SECURITIES OUTSTANDING
DISTRIBUTION OF HOLDINGS

Billions of Dollars - Wednesdays

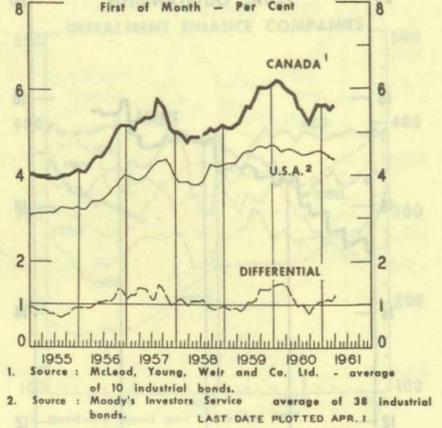


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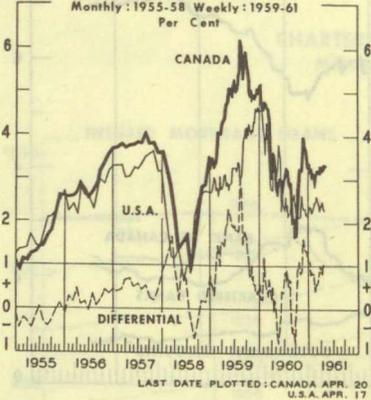
LONG-TERM GOVERNMENT BOND YIELDS



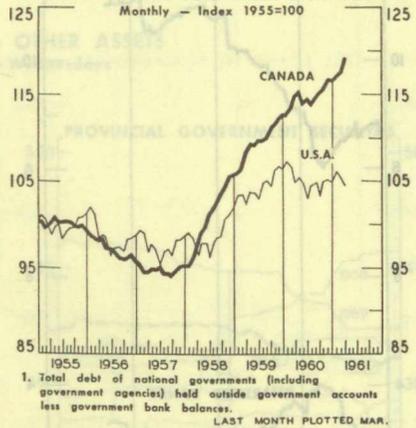
INDUSTRIAL BOND YIELDS



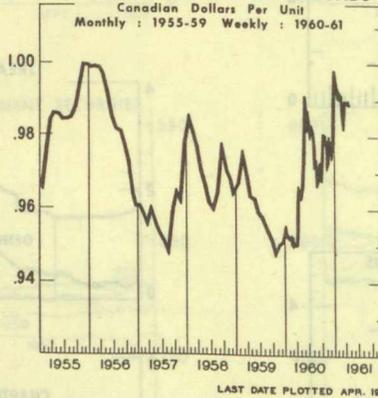
TREASURY BILL RATES



OUTSTANDING DEBT OF NATIONAL GOVERNMENTS AND THEIR AGENCIES

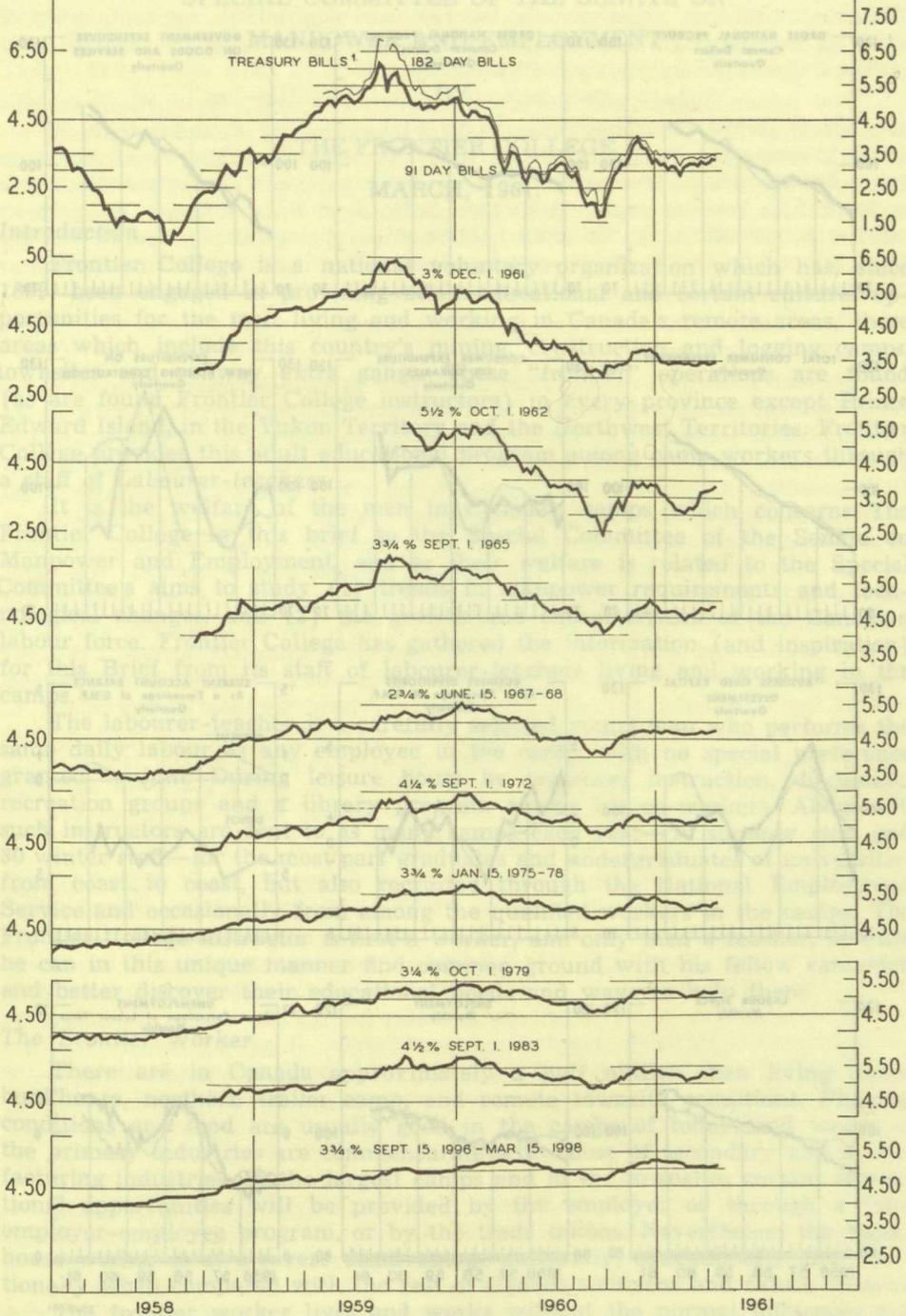


U.S. DOLLAR IN CANADIAN FUNDS



GOVERNMENT SECURITY YIELDS

Per Cent - Wednesdays



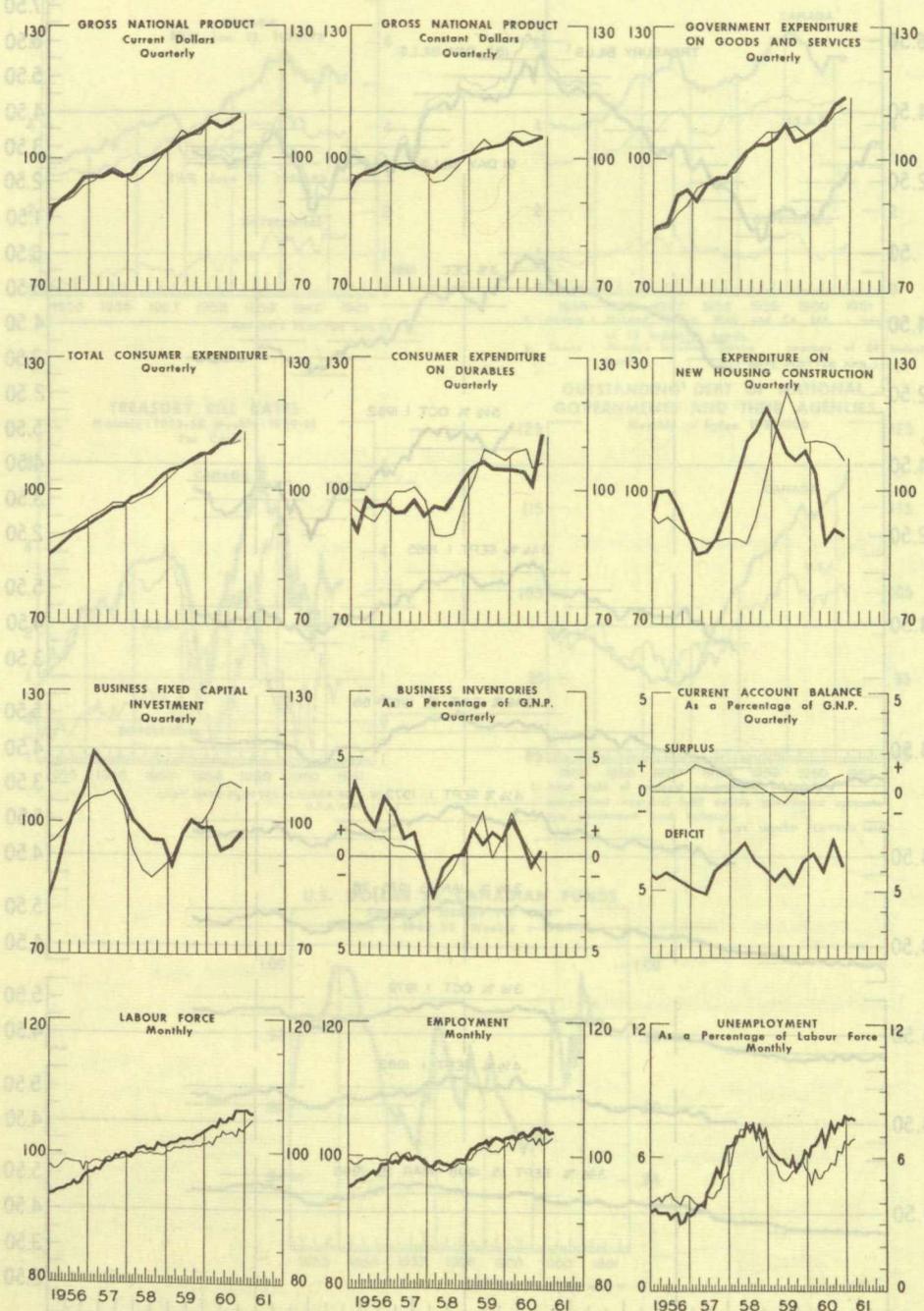
1. Weekly tender rate on Thursday following Wednesday date.

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CANADA - UNITED STATES COMPARISONS

Seasonally Adjusted Indexes 1956-60=100 : Unless Otherwise Noted

— CANADA — UNITED STATES



APPENDIX

A BRIEF TO THE
SPECIAL COMMITTEE OF THE SENATE ON
MANPOWER AND EMPLOYMENT

BY

THE FRONTIER COLLEGE

MARCH, 1961.

Introduction

Frontier College is a national voluntary organization which has, since 1899, been engaged in providing adult educational and certain cultural opportunities for the men living and working in Canada's remote areas, those areas which include this country's mining, construction and logging camps, townsites and railway extra gangs. These "frontier" operations are found (as are found Frontier College instructors) in every province except Prince Edward Island, in the Yukon Territory and the Northwest Territories. Frontier College provides this adult educational program among camp workers through a staff of *Labourer-teachers*.

It is the welfare of the men in Canada's camps which concerns The Frontier College in this brief to the Special Committee of the Senate on Manpower and Employment, and as their welfare is related to the Special Committee's aims to study (1) trends in manpower requirements and technological changes, and (2) the growth and characteristics of the Canadian labour force. Frontier College has gathered the information (and inspiration) for this Brief from its staff of labourer-teachers living and working in the camps.

The labourer-teacher is a carefully selected young man who performs the same daily labour as any employee in the camp, with no special preference granted to him. During leisure hours he organizes instruction, discussion, recreation groups and a library program among his co-workers. About 100 such instructors are sent to as many camps each year—70 summer staff and 30 winter staff—for the most part graduates and undergraduates of universities from coast to coast, but also recruited through the National Employment Service and occasionally from among the qualified workers in the camps. The Frontier College instructor is first a worker, and only then a teacher, because he can in this unique manner find common ground with his fellow campmen and better discover their educational needs and ways to help them.

The Frontier Worker

There are in Canada approximately a half million men living under bunkhouse, northern trailer camp, and remote townsite conditions. Physical conditions and food are usually good in the camps of today, and wages of the primary industries are commensurate with those of secondary and manufacturing industries. In the largest camps and in the townsites certain recreational opportunities will be provided by the employer or through a joint employer-employee program, or by the trade unions. Nevertheless the bunkhouse worker is at a severe disadvantage culturally, educationally and vocationally when compared with the rest of Canada's citizens and future citizens.

The frontier worker lives and works without the normal influences and responsibilities of home and community. The bunkhouse man is left almost

entirely to himself to find his own cultural and spiritual outlets, to seek his own self-fulfillment, to realize his ambitions. The bunkhouse worker lives in an educational, cultural and spiritual vacuum.

With the exception of the man in the mining industry the frontier worker is more affected by seasonal unemployment than others. He is without libraries, librarians, night schools, teachers and counsellors, apprenticeship or other in service training programs, established churches, or the counsel of a National Employment Service officer.

The miner, logger and northern maintenance and construction workers are proud of the part they have played in exploiting Canada's natural resources, especially during the years 1945 and 1955 when they contributed so much to the prosperity which all Canadians enjoyed. Furthermore, as job opportunities for the campman's older skills have been reduced, or as he is seasonally laid off work, he finds he is not psychologically prepared for the change to urban living. *He is not prepared to meet the need for re-training or for the upgrading of his fundamental schooling, or for work in the city.*

Thus the northern worker is most vulnerable during times of reduced employment opportunities.

On March 9th Mr. Arthur Pigott, Director of the Canadian Association for Adult Education, ably presented to the Senate Committee on Manpower the case for adult education in the alleviation of the unemployment situation and for the better use of Canada's manpower. His brief was thorough and Frontier College will not duplicate it. But the labours of the bunkhouse worker are usually unseen by sociologists, educators, social workers and other such professionals who would normally document their behaviour and characteristics with a view to fulfilling their needs. It is possible, therefore, that the camp worker will not have representation as an important section of the total labour force before the Special Committee of the Senate. The trade unions may speak for one segment of the work force, the employer for his employees, but there appears to be no representation for the campman as a class of worker, indeed, a most important and contributing class of worker, but most vulnerable.

Thus Frontier College, for purposes of this brief, presumes to speak on behalf of Canada's camp workers with special reference to the current employment situation.

Trends in Manpower and Technological Change

Employment in the mining industry has increased since 1949, although greater mechanization has reduced the need for unskilled work and increased the need for miners with second skills, such as for automotive, diesel and electrical trades. The logging and forestry industry has reduced its labour force since 1955 (logging in Northern Ontario by one-third), but more pulp has been cut than ever before in recent years. This is due to increased mechanization. Northern construction companies (highway or hydro dam building) have long since solved the problem of carrying on operations in the winter months, providing increasing and non-seasonal employment since 1945. But the northern construction worker is, of course, dependent on the country's economic state. The fewer the northern construction sites the fewer the job opportunities.

The railways employ maintenance crews, called extra gangs, giving seasonal employment to thousands of men each year. Some of these men are farmers supplementing their income while others are quite dependent on their seasonal income. Increased mechanization has reduced the need for unskilled labour, although the majority of extra gang employees are in the category of semi-skilled and unskilled workers. The greatest hazard for the worker dependent

on extra gang seasonal employment is the reduction of these maintenance crews as the railway companies are forced to curtail expenditures and restrict maintenance to the minimum.

The percentage of Canada's labour force working on the frontiers has declined after the post-war boom in the exploitation of our natural resources. Between 1949 and 1959 employment in Canada increased by 24% but employment in agriculture, fishing, logging, trapping and mining decreased by 27%. Today, 41% of the work force is employed in mining, forestry, quarrying, fishing, pulpcutting, saw-milling, and non-ferrous-metal smelting.

New skills have been required of the men who are serving and will continue to serve in Canada's frontier labour force. Many companies are demonstrating considerable ability in organizing vocational education and re-training programs. Many logging employers have reduced the seasonal nature of their operations. But thousands of bunkhouse workers are without equal opportunities with the city worker for a second choice of an education, or for vocational training while employed, and are subject to job insecurity.

Educational Opportunities for the Frontier Worker

The northern employer has cost factors which are not present in industrial areas where communications, construction, labour and housing problems are not formidable. Nor is it reasonable to expect him to provide a fraction of all the adult educational opportunities and cultural and spiritual outlets found in a community and taken for granted by most adults. The northern-based trade unions, too, have problems of organization and communication which make it difficult to give high priority to educational and cultural factors as important as they are considered by union officials.

This is not to say that many northern employers are creating effective adult educational programs in the interests of their operations and, of course, the employee. And Frontier College provides elementary educational opportunities and a certain amount of vocational guidance for 25,000 workers, 1,500 of whom formally enrol in classes of English, French, mathematics, science, and certain other subjects. *For the vast majority, however, the frontier employee is without opportunity for vocational guidance, vocational education, or for up-grading his fundamental schooling to become eligible for publicly organized adult classes in urban centers upon lay-off.*

The highly skilled miner, logger, construction or railway worker is, of course, always in demand. But for the very large number of northern workers who are (1) semi-skilled or unskilled, (2) possessing insufficient education to benefit from company (where in effect) or urban vocational education programs (during seasonal or permanent lay-off), and are (3) without seniority or otherwise insecure in their employment, the future is uncertain. Their difficulties are compounded by the fact that they have lived, as stated previously, without encouragement or social pressures to spend their many leisure hours (in camp) advancing themselves educationally, and are not psychologically prepared for the process of re-education or the up-grading of their fundamental schooling even when the opportunity may be present upon arrival in the larger cities.

There are, too, many camp workers who have "done their part" in building up Canada's northland. They want to leave their northern habitat to seek stable employment in the larger centers and to settle down with their wives, or to marry if single, to join a community. Some of these are New Canadians who wish to bring their wives from overseas. There are no re-educational opportunities for these men in most camps.

Commendations and Recommendations

This section will deal for the most part with recommendations largely found in other statements to the Senate Committee on Manpower (e.g. the C.A.A.E. Brief) or otherwise announced, but selecting those statements which would contribute to the welfare of the bunkhouse worker upon implementation.

Much has been written about Schedule "M" of the Federal-Provincial Vocational Training Coordination Act for unemployed workers. This Brief supports the view that the terms of the Schedule be broadened or interpreted as broadly as possible to include as many vocational education programs as possible. Furthermore, the provinces should be encouraged to implement the terms of this Vocational Training Agreement as far as possible, and the Federal Department of Labour is commended for its efforts along these lines.

The term "vocational education" should be interpreted to include all fundamental school subjects which *in any way* prepare men for regular trade and technical instruction courses.

The basic proposals contained in the Federal Government's legislation on the subject provide for "any form of instruction which will prepare a person for gainful employment in any primary or secondary industry, or in any service occupation, or to increase his skill or proficiency therein... in any of the following occupations: agriculture, fishing, forestry, mining, commerce, construction, manufacturing, transportation or communication, or any occupation which requires an understanding of the principles of science or technology and their application, except when on a university level." (Reported and interpreted by Mr. J. Bascom St. John, Toronto Globe and Mail, based on page eleven, #5, A, Research Program on The Training of Skilled Manpower, Department of Labour.)

Every encouragement should be given the provinces to take advantage of the legislation. Many, many workers who are unemployed or who are experiencing job insecurity or seasonal unemployment have the *desire* and the *capacity* to study, although these attributes may not have matured until long after the normal school age. They would become quite employable if given the opportunity to upgrade their fundamental schooling to the level where they would be eligible to enrol in the regular publicly operated schools for adults. Frontier College is striving to provide this kind of opportunity for camp workers. Other schools should be encouraged to "specialize" in programs for the category of worker discussed here.

The often referred to program consistent with the above broad definition of providing adult vocational education classes is conducted by the Vancouver School Board Adult Education Department. One is led to examine the reasons for this program's success. Dr. B. E. Wales, its Director, attributes the Board's most effective vocational programs to "those that are organized in cooperation with employers, the unions, and the trade or professional associations concerned." (Reported in "Food for Thought", February, 1961, C.A.A.E. publication.)

It seems desirable, therefore, to encourage a cooperative educational effort of those concerned with unemployment: the employer, union, government, and all voluntary organizations in a position to organize and sponsor vocational education programs.

The National Employment Service has rarely been criticized in the many discussions of its activities during these times of reduced employment opportunities. This is as it should be. The examination of the National Employment Service should center around the *tools* with which it is given to do the job. Governmental legislation enabling it to better meet the demand for vocational education opportunities defined in the broadest possible way is commendable, but should include provisions for scholarships, bursaries,

and other such financial allowances to permit workers to up-grade their fundamental school level, and to be guided into training programs. At present there is a terrible onus placed on insecurely and seasonally employed workers, and the unemployed, TO FIND THEIR OWN WAY to meet technological change and the need for an educationally up-graded and "trainable" labour force.

Every incentive to learn must be given to men whose self-confidence has been shaken, whose livelihood has been threatened, who have for years been engaged in daily work and leisure-time pursuits not conducive to developing the learning habit. The experience of The Frontier College is that large numbers of men currently unemployed or subject to unemployment will not be found to lack motivation if their studies are initiated in a climate of understanding.

Summary

Frontier College has endeavoured here to draw the attention of the Special Committee of The Senate on Manpower to an often neglected class of Canadian worker: the bunkhouse man. The College has suggested that in the total labour force this large section is at a severe disadvantage in the matter of receiving equal educational opportunities at a time when such opportunities concern their welfare and even their livelihood. Attention was focused on recommendations, largely issued elsewhere, but which would, if implemented, contribute to the solution of the problems described here.

This study is submitted to The Senate Manpower Committee in sincere appreciation for the opportunity to refer to the needs and problems of a valuable and worthy class of Canadian and New Canadian worker, the employees of our primary industries and in railway maintenance.

STATEMENT OF THE TEXTILE WORKERS UNION OF AMERICA, AFL-CIO, CLC BEFORE THE SENATE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

Mr. J. Harold Daoust, Canadian Director.

Employment opportunities have been declining sharply in the textile industry of Canada during the past decade. Many mills have been liquidated, displacing thousands of workers. Few alternative employment opportunities have been available in the communities affected by the decline in textile activity and severe hardship has been the usual lot of the displaced workers. Older workers and their families have been particularly hard hit as they have had the greatest difficulty in finding new jobs.

Extent of the Decline

Employment in the primary textile industry has fallen from 97,000 in 1950 to 74,000 in 1960, a net reduction of 23,000 jobs, or 24 percent. This decline has affected all divisions of the industry. The largest reduction occurred in the cotton yarn and broadwoven goods branch, in which employment fell from 27,000 in 1950 to 17,000 in 1960, a reduction of 10,000 jobs, or 37 percent. The next-largest decline affected the wool textile division, which fell from 17,000 employees in 1950 to 12,000 in 1960, a decrease of 5,000 jobs or 30 percent. In the synthetic textiles and silk division employment dropped from 18,000 to 15,000 in the past decade, a decline of 17 percent. In hosiery and knit goods, the reduction was 16 percent (from 25,000

to 21,000) and in other primary textiles (cotton thread; narrow fabrics; dyeing and finishing; cordage, rope and twine; coated fabrics; and miscellaneous cotton goods) employment fell from 10,000 to 9,000, a reduction of 10 percent.

This tremendous contraction has caused the liquidation of at least 80 textile plants since 1950. In addition, widespread curtailment of operations in surviving mills has been effectuated. The average work week in textiles (except clothing) declined from 43.3 hours in 1950 to 41.8 hours in 1960. The reduction in working hours accentuated the effects of employment reductions on the living standards of textile workers. While total employment in the cotton, woolen and silk and synthetic textile divisions declined by 29 percent between 1950 and 1960, the man-hours worked in these divisions fell by 32 per cent.

The contraction of the industry has been felt in all parts of the country. The two areas in which the industry have been predominantly located, Quebec and Ontario have been most seriously affected. In Quebec, employment in textile products (except clothing) plants declined by 19 percent between 1949 and 1960, while in Ontario the reduction was 26 percent. The decline in Ontario knit goods plants was more severe (44 percent) compared to a fall of 8 percent in Quebec. In cotton yarn and fabric mills also the Ontario reduction (43 percent) was greater than in Quebec (26 percent). Substantial declines also occurred in the Quebec synthetic and silk textile division (27 percent) and the Ontario wool textile branch (43 percent).

Causes of the Decline

Two factors have been primarily responsible for the marked decline in employment opportunities in the basic textile industry during the past decade: imports have absorbed a sharply growing proportion of the Canadian market, and increasing productivity has drastically reduced the man-hours required per unit of output.

The Impact of Imports

Imports of fabric increased from 234 million linear yards in 1950 to 356 million yards in 1960, a rise of 52 percent. Since total consumption of fabrics in Canada declined during this period (from 694 to 680 million yards), the impact of the rise in imports on Canadian production was severe. Domestic output fell from 468 million yards in 1950 to 340 million yards in 1960, a drop of 27 percent. The share of the Canadian market accounted for by imports jumped from 34 percent in 1950 to 52 percent in 1960. This sharply rising trend of imports has been evident throughout the past decade and, in fact, was accelerated in the latter half of the period. The foreign share of the Canadian market rose from 34 percent in 1950 to 42 percent in 1955, a gain of 8 percentage points, compared to an increase of 10 percentage points in the foreign share during the past five years. The 1960 share of imports (52 percent) compares with the pre-war average ratio of imports to domestic consumption of 29 percent (1935-39 average).

When measured in terms of poundage, the rise in imports has been even more marked. This measure takes into account manufactured textiles (garments and made-up textiles) as well as fabric. The latest available figures, as compiled by the National Industrial Conference Board and the Primary Textile Institute, are for 1959. These show a gain of 117 percent in imports of fabric and manufactured textiles (from 71 million pounds in 1950 to 154 million pounds in 1959) compared to a rise of 57 percent in the yardage of imported fabric from 1950 to 1959.

It is evident that present tariff policy is not geared to the tremendous changes which have taken place in the world textile industry since the war. The rebuilding of the industry in Japan, the proliferation of new textile and apparel industries in the emerging nations of Asia and Africa, and the contraction of operations in the United States have created an entirely new competitive situation for the Canadian textile industry. Under present conditions, the domestic industry is constrained from serving more than a minority of the nations's textile requirements.

The Impact of Technological Change

The Textile industry is in the throes of a veritable technological revolution. Operating speeds have been boosted. The sizes of the packages used for delivery and removal of work have been raised. Entire processes have been eliminated as the production cycle has been telescoped into fewer steps. Many steps have been integrated so that continuous operations have been achieved. Time and motion study has been widely extended to plan production on a straight-line basis, with a minimum of waste and material handling. Material movement has been mechanized. Instrumentation has been advanced so that automatic controls replace manual operations.

A measure of the magnitude of these changes is provided by the data compiled by the Dominion Bureau of Statistics on capital and repair expenditures. From 1946 through 1960 (including a forecast for 1960), the primary textile industry spent \$399 million for new machinery and equipment on capital account, \$108 million for capital construction, \$233 million for repair on machinery and equipment and \$66 million for repair of buildings, for a grand total of \$806 million for capital and repair.

The expenditure of these vast sums has contributed to the upsurge in the industry's productivity. According to Professor Hood, production per man-hour increased by 59 percent from 1949 to 1959. This is appreciably higher than the average for all Canadian industries. In the words of the National Industrial Conference Board report for the Royal Commission on Canada's Economic Prospects, "as regards post-war productivity gains, the Canadian textile industry compares favourably with its counterparts in the United States and the United Kingdom." (*The Canadian Primary Textiles Industry*, p. 61)

Conclusion

Conditions in the primary textile industry during the past decade have not been conducive to growth. On the contrary, domestic production has fallen appreciably and, with technological improvements proceeding at an accelerating pace, employment opportunities have been drastically curtailed. The influx of foreign textiles has reduced the domestic industry to a minority status in its home market.

A reversal of these malignant trends is imperative if the textile industry is to contribute to the balanced growth of the Canadian economy. An effective means of regulating imports of textiles is needed to enable the industry to raise its sights and share in the expanding market for clothing, household products and industrial applications of textiles. Only a flexible system of quotas designed to safeguard the historical level of domestic production can provide the measure of stability required to facilitate the necessary adjustments to technological changes in this industry.

In the final analysis the problem of declining opportunities for employment in the textile industry can be solved only within the framework of a full employment economy. If the federal government assumes its rightful responsibilities for balancing the growth of economic activity and assures the

maintenance of full employment, the market for textiles will expand to such an extent that the problem of technological displacement will be minimized. Fiscal and monetary policies should be dedicated to achieving a rate of economic growth which will assure the opportunity for a job to all who are ready and willing to work. A healthy and growing textile industry is an essential part of such a vigorous and balanced economy.

The maintenance of the textile employment opportunities are important to the Canadian economy for three additional reasons. The industry is the backbone of the economies of many localities. Alternative employments are not available. The Canadian economy is not resilient enough to provide alternative employments. The required amount of capital for alternative employment is far in excess of obtainable capital resources. Ten thousand dollars is needed in textiles as contrasted with 20 to 30,000 in the modern industries. Each lost textile job demands investments of two to three times as much money.

Second, more than forty percent of the employees are women for which alternative employments are not available in view of the limitations on mobility and skill and experience.

Finally, every economy must have a balance of industries. It cannot consist solely of hard goods or raw materials industries. The balance is necessary for diversified employment and for adequate utilization of resources. Only by retaining a series of soft goods industries can it hope to build an economy for the future. Because labour costs are so high in them and the mass markets are lacking in Canada to the degree found in other nations, it suffers in competition and comparative cost. Therefore, it must protect domestic industries of this type.

Canada is a young growing country and cannot rule out the contributions which these diversified industries can make and must not sacrifice long-term gain for short-term advantage.

NATIONAL JOINT COMMITTEE ON WINTERTIME CONSTRUCTION

Construction House, 151 O'Connor Street, Ottawa 4, Canada

April 25, 1961.

John Hinds, Esq.,
Secretary,
Special Committee on Manpower and Employment,
The Senate,
OTTAWA.

Dear Mr. Hinds:

I take pleasure in enclosing thirty-five copies of a brief submission on the activities of the National Joint Committee on Wintertime Construction and it would be greatly appreciated if you could distribute them to the Honourable Members of the Special Committee. Amplification of any of the points contained in the brief will of course be gladly furnished.

It is greatly regretted that the passing last month of the late Raymond Brunet, O.B.E., who acted as Chairman of the National Joint Committee since its inception, prevented him from making the submission. He also served as Chairman of the Canadian Construction Association Wintertime Construction Committee and as Vice-Chairman of the National Employment Committee (U.I.C.). His outstanding efforts dedicated to the promotion of wintertime construction and employment will serve as an inspiration to those who take his place in the above organizations.

Yours sincerely,

Don Chutter

S. D. C. CHUTTER,
Secretary.

SUBMISSION
TO THE
SPECIAL SENATE COMMITTEE ON
MANPOWER AND EMPLOYMENT
BY THE
NATIONAL JOINT COMMITTEE ON WINTERTIME CONSTRUCTION

Honourable Sirs:

The members of the National Joint Committee on Wintertime Construction are pleased to take this opportunity to present to the Special Committee of the Senate on Manpower and Employment a short account of its undertakings to counteract seasonal unemployment in the Canadian construction industry. This Committee has functioned since October 24, 1955 as a joint undertaking of management, labour, the architectural and engineering professions and the Canadian Legion, with advisory assistance from the Federal Government.

It has been suggested to us that your Committee would be interested in the National Joint Committee's experience from the standpoint of its possible application to other industries. Similarly, it has been gratifying to note that the British Columbia Research Council recommended in its 1960 report on a two-year study of seasonal unemployment in B.C. that a winter employment committee be organized by the construction industry in B.C. similar in membership and aims to the N.J.C.W.C. They feel that the success of the national committee indicates that an equivalent provincial committee would be effective also. In New Brunswick an Advisory Committee on Seasonal Employment was established by law in 1959 to advise the Minister of Labour. Its members come from labour, management and government.

It is not intended in this submission to relate in detail either the nature of seasonal unemployment problems in the construction industry or proposals designed to alleviate them. These subjects have already been dealt with at length in the individual submissions of the constituent members of the National Joint Committee. It is hoped, however, to indicate to you the scope and importance of co-operative endeavour by interested organizations in pooling their knowledge and promotional facilities to alleviate a joint problem.

Increased wintertime construction became a major project for the Canadian Construction Association in 1953 following considerable wartime and post-war experience in developing methods and equipment which made such operations practicable. Considerable publicity was given to the desirability and feasibility of increased wintertime operations, with the result that, when requested in 1955 by the Federal Department of Labour to sponsor a Joint Committee to further wintertime construction, the C.C.A. was additionally pleased to do so. Accordingly the National Joint Committee on Wintertime Construction was formed, with representation from the following organizations:

- The Canadian Chamber of Commerce
- The Canadian Construction Association
- The Canadian Labour Congress
- The Canadian Legion
- The Canadian Manufacturers' Association
- The Confederation of National Trade Unions
- The Engineering Institute of Canada
- The National House Builders' Association
- The Royal Architectural Institute of Canada

In addition, the Federal Department of Labour and the National Research Council acted as associate members and subsequently Central Mortgage and Housing Corporation also was represented at Committee meetings.

The National Joint Committee's major functions have been threefold:

1. The Promotion of Wintertime Construction and Employment
—both collectively in the name of the Committee and individually by the member organizations of the Committee
2. Acting as an Unofficial Advisory Council on Wintertime Construction matters to the Federal Government and Federal Agencies
—both with regard to government policies and to the mechanics of executing government publicity programs of a general or technical nature
3. The Exchange of Viewpoints concerning Various Aspects of the Wintertime Construction Program
—both with a view to formulating new policies as a Committee and to encouraging member organizations to discuss certain proposals within their own memberships.

The National Joint Committee early decided that the two main factors discouraging many owners from having their construction work carried out in the winter months were the outdated fears that it would be of inferior quality and of excessive cost. In addition, tradition led many owners to schedule their construction projects for the so-called building season and many had never been called upon to give serious consideration to wintertime construction.

Emphasis was accordingly placed on the following short statement endorsed by members of the National Joint Committee:

“Habit and tradition are largely responsible for the idea that winter construction is more expensive and not of the highest quality. New materials and equipment have resulted in the development of construction techniques which in effect control the weather on a building site. Proper planning of all stages and protection during the progress of certain parts of the work have made it feasible to carry out during the winter months construction of equal quality to that of other seasons. In addition, factors such as the greater availability of skilled labour, construction materials and equipment during the winter months and earlier completion of the project can result in a saving in net costs.”

Similarly, a brief leaflet entitled “Winter Construction—Why Not?” was distributed in the name of the National Joint Committee in large quantities to lending institutions for local use with potential owners. Its text was as follows:

“It was not so very long ago that it was common practice in the Canadian building industry to close down all jobs completely as soon as the first snow fell and to leave them closed down until spring. Today, building practices have changed. Large construction jobs are normally kept going through the winter, and now the same trend is taking place in housing and other smaller construction jobs.

“Technological changes in the building industry provide a large part of the explanation for this. Another factor is the substantial improvement that has occurred over recent years in winter building techniques. These developments have made it both possible and practical to carry on most types of construction throughout the winter even under our cold weather conditions.

“The fact that winter work is feasible does not necessarily mean that it is automatically carried on throughout the winter months. Technological improvements have created a situation where work in most cases can be carried on, but customs, habits, and traditions of former years die hard, and often work

is still closed down anyway. What is needed is a change in our habits of thought which will bring our action more into line with technological possibilities.

"Construction at any time requires careful planning. When this is done architects and construction men agree that any additional costs of winter building are negligible, especially when outdoor work is well advanced when the coldest weather comes. There is usually additional expenses involved for heating the protective shelter during the winter but there are offsetting factors such as the greater availability of skilled labour, building materials and equipment during the winter months, and an earlier occupancy of the building by the owner, which may result in a saving in rents and in financing costs.

"A booklet entitled, WINTER CONSTRUCTION, has recently been issued by the Division of Building Research of the National Research Council in Ottawa in its "Better Building Series." This booklet, which is available at ten cents per copy outlines the essential precautions that should be taken in the wintertime in such things as excavations, painting, concrete and masonry work. It also clearly indicates that building activities can be carried forward during the winter months provided that proper advance planning is carried out."

Representations to Provincial Governments, the Federation of Mayors and Municipalities, the Canadian Bankers' Association, Central Mortgage and Housing Corporation, religious bodies and other groups which either make or influence decisions on the scheduling of large construction programs were made by mail. These letters stressed the main problems to the economy of wintertime unemployment in construction and sought support in the campaign to reduce seasonal unemployment through the scheduling of construction operations.

Member organizations of the National Joint Committee also carried out an active promotional campaign through the medium of speeches, magazine articles, briefs and convention papers and resolutions emphasizing the need and feasibility of changing our habits to bring about the practice of wintertime construction more in line with its technological possibilities. Local affiliates of the national organizations represented on the Committee were encouraged to participate in local wintertime construction campaigns conducted under the auspices of the National Employment Service and in the general publicity campaign.

The trade and professional press have similarly been most co-operative and helpful in printing articles and editorials in the field of wintertime construction. Several have published special issues on the subject.

Since 1955 the Joint Committee has made a number of recommendations to the Federal Government with regard to the adoption of programs and policies which would increase construction employment opportunities during the wintertime. Among these have been the following:

—That additional funds be provided to C.M.H.C. for direct loans under the National Housing Act to eligible borrowers unable to obtain funds from normal lending companies to finance wintertime housebuilding.

—That an increased educational program be implemented using press, radio, television, posters, films, field demonstrations and technical research to educate both the public and the industry in the advantages of wintertime construction operations.

—That government incentive programs designed to encourage wintertime construction be announced as early as possible so that owners can plan their construction program so as to take full advantage of these incentives, and therefore create increased wintertime employment.

—That the scheduling of construction projects and general purchases by the Federal Government and its agencies be such that maximum wintertime employment will result.

—That the National Employment Service Staff be increased so as to improve job location activities.

—That financial assistance be available to Provincial and Municipal Governments for certain construction projects carried out during the winter months.

—That taxation incentives be offered to owners of privately-financed construction projects undertaken during the wintertime.

—That research activities of the N.R.C. Building Research Division into wintertime methods and materials be increased.

It is gratifying to record that subsequent Federal Government action has been in keeping with the above recommendations.

Similarly, on the publicity and technical level, the National Joint Committee has been consulted by the representatives of the Department of Labour and National Research Council concerning the contents of proposed advertising programs, booklets, films etc. financed by the Federal Government and designed to encourage increased wintertime construction and employment.

National Joint Committee meetings have been a forum at which members presented proposals tentatively to gain the reaction of the other groups represented on the Committee. Although all of them have a common interest in wishing to see the seasonal swings of construction employment evened out, there have been different viewpoints concerning suggested means of attaining this objective. Similarly, the experience and attitude of the various groups represented on the Committee have had an influence on the policies of individual member organizations. On occasion a member has been requested to refer an opinion or inquiry to his own group for study. Among the subjects discussed under this general heading have been various types of incentives proposed to encourage private construction in the winter months, housing legislation, the overtime and hours of work regulations on federal projects, and public works programs.

It is believed that the promotional efforts of all members of the National Joint Committee have had quite favourable results in increasing the acceptance among owners of the advantages of wintertime construction.

At the same time, the existence of the Committee has served to keep the subject actively before the member national organizations. The volume of wintertime construction and employment has increased so that now more Canadians are employed in construction operations in the middle of winter than were employed during the middle of the so-called "building season" a dozen years ago. Further advances will require a continuing and co-ordinated program directed at the public generally and buyers of construction specifically made up of speeches, press releases, articles, pamphlets, promotional letters and bulletins, advertising, films and research into wintertime techniques.

The need for continued efforts remains great and may well increase relatively as the size of Canada's labour force grows larger. While the construction industry has a current annual program of about \$7.1 billion, its capacity is such that the annual construction volume could be expanded substantially. During the wintertime construction period, however, there is an even greater excess capacity of men and equipment available. This is borne out by quarterly wage and salary totals published by D.B.S. in its "Estimates of

Labour Income". Fluctuations in total construction wage and salary incomes, by quarters, since 1957 have been as follows: (\$000.000)

	<i>Full Year</i>	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
1957	1,311	237.5	329.6	382.3	325.5
1958	1,329	265.2	340.5	395.5	328.1
1959	1,472	271.4	373.5	449.0	378.1
1960	1,472	291.8	363.4	446.7	369.9

Over the four year period only 19% of construction labour income has been earned in the January-March period (20.0% in 1960). In contrast the July-September period accounts for 30% of the total annual wages and salaries in construction (30.3% in 1960) indicating a current 50% increase in construction employment in the third quarter over that of the first quarter. This variation in construction employment also is borne out by the index of employment in the building and structures section of the construction industry, as published by D.B.S. in its "Employment & Payrolls". The following table covers the period 1955 to 1960 inclusive:

BUILDINGS AND STRUCTURES
INDEX OF EMPLOYMENT (1949=100)

	<i>Feb. 1</i>	<i>May 1</i>	<i>Aug. 1</i>	<i>Nov. 1</i>	<i>Year</i>
1955	97.2	103.1	132.8	136.9	115.0
1956	113.0	125.3	160.7	162.3	131.8
1957	127.3	137.4	163.6	156.2	135.7
1958	101.7	133.3	148.8	129.5	126.2
1959	104.0	133.0	154.5	133.5	130.3
1960	101.9	130.4	146.4	129.9	125.7

The seasonality of construction employment, particularly the decline during the winter months, therefore continues to be a definite problem facing the industry, the N.J.C.W.C., governments at all levels and the Canadian economy in general.

The National Joint Committee on Wintertime Construction recommends that the principle of co-operative action be utilized more fully in the years ahead at national, provincial and regional levels so that maximum effort from all concerned can be directed towards a solution to this joint problem.

Respectfully submitted,

National Joint Committee on Wintertime Construction

S. D. C. Chutter,
Secretary.

Labour Income, Total Construction Wage and Salary Income, by quarter, since 1957 have been as follows: (\$000,000)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1957	322.3	322.3	322.3	322.3
1958	328.1	328.1	328.1	328.1
1959	378.1	378.1	378.1	378.1
1960	388.2	388.2	388.2	388.2

Over the four year period only 10% of construction labour income has been earned in the January-March period (30.6% in 1960). In contrast the July-September period accounts for 30% of the total annual wage and salaries in construction (30.3% in 1960) indicating a current 50% increase in construction employment in the third quarter over that of the first quarter. This variation in construction employment also is borne out by the index of employment in the building and structural section of the construction industry as published by D.S. in the Employment & Payroll. The following table covers the period 1957 to 1960 inclusive:

BUILDINGS AND STRUCTURES

INDEX OF EMPLOYMENT (1957=100)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1957	100.0	100.0	100.0	100.0
1958	101.3	101.3	101.3	101.3
1959	115.0	115.0	115.0	115.0
1960	132.7	132.7	132.7	132.7

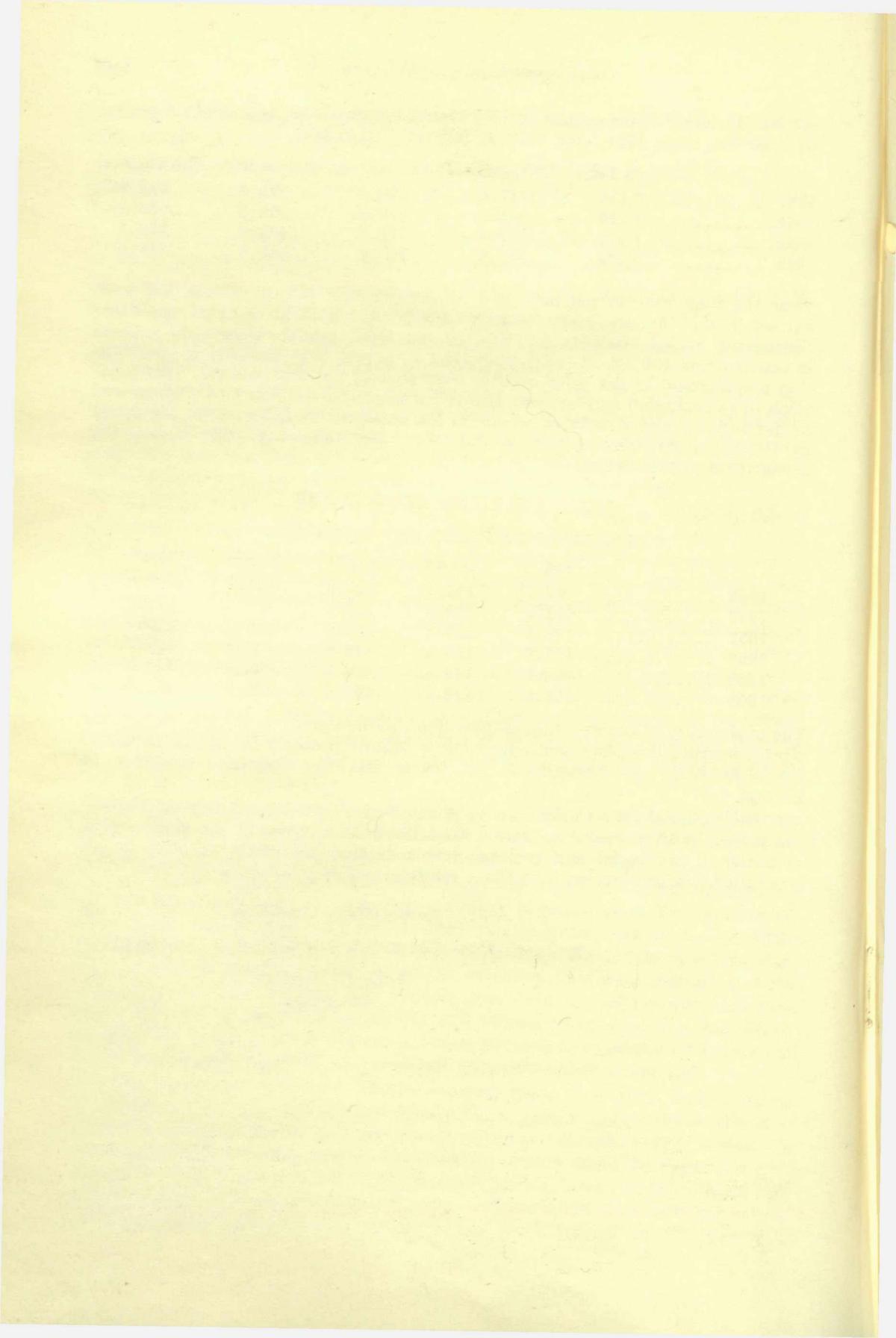
The seasonality of construction employment, particularly the decline during the winter months, therefore continues to be a definite problem facing the industry. The N.T.C.W.C. governments at all levels and the Canadian economy in general.

The National Joint Committee on Winter Construction recommends that the municipal co-operative action be utilized more fully in the years ahead at national, provincial and regional levels so that maximum effort from all concerned can be directed towards a solution to this joint problem.

Respectfully submitted,

National Joint Committee on Winter Construction

S. D. C. Clarke
Secretary





Extract from the Minutes of the Proceedings of the Senate, Tuesday,
November 1, 1960—Fourth Session—Twenty-fourth Parliament

"The Honourable Senator _____ moved, seconded by the Honourable
Senator Macdonald, P.C.— 1960-61

THE SENATE OF CANADA
PROCEEDINGS OF
THE SPECIAL COMMITTEE OF THE SENATE
ON

MANPOWER AND EMPLOYMENT

_____ No. 24 _____

(Quorum 9)
WEDNESDAY, MAY 17, 1961

The Honourable **LEON METHOT**, Chairman
The Honourable **DONALD SMITH**, Deputy Chairman

_____ **APPENDIX** _____
The question being put _____
Resolved in the affirmative _____

Submission by the Government of Saskatchewan.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connoly (<i>Ottawa West</i>)	Leonard	White
Courtemanche	MacDonald (<i>Queens</i>)	Wilson—(33)
Croll	Macdonald (<i>Cape Breton</i>)	
Emerson	Methot	
Haig	Monette	

(Quorum 9)

WEDNESDAY, MAY 17, 1961

The Honourable LEON METHOT, *Chairman*

The Honourable DONALD SMITH, *Deputy Chairman*

APPENDIX

Submission by the Government of Saskatchewan

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 12, 1960.

"The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities, including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, MacDonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

EXTRACT from the Minutes of Proceedings of the Steering Committee of the Special Committee on Manpower and Employment, Wednesday, May 17, 1961:

"Resolved that a brief submitted by the Government of the Province of Saskatchewan be printed as an appendix to these proceedings."

Government of Saskatchewan John A. Hinds,
Assistant Chief Clerk of Committees.

Ottawa, Ontario

April, 1961

Regina, Saskatchewan,
May 9, 1961.

The Honourable Leon McNeil,
Chairman,
The Special Committee of the Senate on
Manpower and Employment,
OTTAWA, Ontario.

Dear Sir:

I am pleased to transmit to your Committee a brief setting forth the views of the Government of Saskatchewan on the questions of manpower and employment the Committee is studying.

Our submission attempts to identify and assess the major factors affecting levels of economic activity and manpower utilization and suggests what we believe are appropriate long- and short-run policies for Canada today.

I hope that our representations will be of some help to you and your colleagues in your deliberations.

Yours sincerely,

MINUTES OF PROCEEDINGS

EXTRACT from the Minutes of Proceedings of the Steering Committee of the Special Committee on Manpower and Employment, Wednesday, May 17, 1961:

"Resolved that a brief submitted by the Government of the Province of Saskatchewan be printed as an appendix to these proceedings."

John A. Hinds,
Assistant Chief Clerk of Committee.

APPENDIX

SPECIAL COMMITTEE OF THE SENATE

ON

MANPOWER AND EMPLOYMENT

A Submission by the

Government of Saskatchewan

Ottawa, Ontario

April, 1961

Regina, Saskatchewan,

May 9, 1961.

The Honourable Leon Methot,
Chairman,
The Special Committee of the Senate on
Manpower and Employment,
OTTAWA, Ontario.

Dear Sir:

I am pleased to transmit to your Committee a brief setting forth the views of the Government of Saskatchewan on the questions of manpower and employment the Committee is studying.

Our submission attempts to identify and assess the major forces affecting levels of economic activity and manpower utilization and suggests what we believe are appropriate long- and short-run policies for Canada today.

I hope that our representations will be of some help to you and your colleagues in your deliberations.

Yours sincerely,

T. C. DOUGLAS,
Premier.

APPENDIX
SPECIAL COMMITTEE OF THE SENATE
ON
MANPOWER AND EMPLOYMENT

A Submission by the
Government of Saskatchewan

Ottawa, Ontario
April, 1981

Regina, Saskatchewan,
May 8, 1981.

The Honourable Leon Marchand,
Chairman,
The Special Committee of the Senate on
Manpower and Employment,
OTTAWA, Ontario.

Dear Sir:

I am pleased to transmit to your Committee a brief setting forth the views of the Government of Saskatchewan on the questions of manpower and employment the Committee is studying.

Our submission attempts to identify and assess the major forces affecting levels of economic activity and manpower utilization and suggests what we believe are appropriate long- and short-run policies for Canada today.

I hope that our representations will be of some help to you and your colleagues in your deliberations.

Yours sincerely,

T. C. DOUGLAS,
Premier.

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I. INTRODUCTION

The Government of Saskatchewan welcomes the opportunity to appear before this Committee and to present its views on what is perhaps the most crucial domestic issue facing Canada today—the fullest possible development and employment of its manpower resources.

There is no need for us to review the nature or dimensions of the problem of unemployment in Canada today. This has been done adequately by the various studies which the Committee has had prepared. However we would like to emphasize what we believe to be the two most serious aspects of the problem. The first is its chronic nature which is reflected in the persistent upward pressure on unemployment rates since the mid-fifties. The second is that the problem seems to have its roots in causes, other than seasonal or cyclical, that relate to a falling off both in domestic and foreign demand and to the decline in our rate of economic growth.

These characteristics indicate the fundamental changes taking place in the Canadian economy and in its trading relationships with other nations against which the familiar counter-cyclical and counter-seasonal policies alone may not be effective. They suggest, and this has been widely recognized, that a thorough reappraisal of our present position is needed which will lead to long-run public policies that can effectively reverse the current trends. The Government of Saskatchewan believes that these changes have profound implications for provincial economies and that provincial governments have an important stake in any public policies developed to cope with them.

No one will deny the close inter-dependence of the national and provincial economies. Each of the regions of Canada has its own distinctive complex of natural resources and productive capacity that both serve and depend on producers and consumers in the other regions. The domestic markets for our output are nation-wide; the income of the western farmer and the eastern factory employee are mutually dependent. National policies such as the tariff structure, while designed for application to only part of the economy, inevitably affect the whole economy. In Saskatchewan, as industrial development and diversification proceeds, our economy is becoming more sensitive and responsive to a wider range of factors that affect the national economy such as the foreign demand for minerals and the general level of investment. At the same time agriculture is still our major industry. National policies which affect the ability or willingness of overseas countries to buy our wheat, or which affect the costs of production of our farmers are still of vital concern to us.

The nature of Canadian federalism binds a provincial economy to the national economy in yet another way. Provincial governments can achieve their social and political goals only in proportion to the resources they have to provide the programs and services that shape these goals. However provincial government revenues depend only in part on local tax sources. In a country such as ours which is federal in political structure, and whose economic structure consists of highly differentiated regions, provincial government revenues must also depend on tax sources that the Federal Government, because of its strategic position and constitutional powers, must cultivate. Revenues from these sources must be redistributed to the provinces, as members of a federal community, on the basis of some principle of equality.

Obviously, provinces are directly affected by whatever influences the yield of these tax sources or their distribution among the provinces.

Finally, the dependence of provincial economies on the national economy gains an added sensitivity from the fact that the provinces lack the financial resources and constitutional authority to cope effectively with their own economic problems. The power to develop and apply measures for increasing the rate of economic growth and to assure the best use of our human and material resources is primarily a power of the Federal Government.

These are the reasons why the Government of Saskatchewan believes it has a stake in the deliberations of the Senate Committee and a responsibility to express itself on the issues that the Committee is facing. Any decisions or actions that result from the Committee's work will intimately affect us.

As we noted earlier it is not our intention to present an exhaustive analysis of Canada's current economic difficulties or a detailed national program for manpower utilization and employment. This is perhaps more appropriately done on occasions other than the presentation of a general brief. Our submission deals primarily with the situation in Saskatchewan and sketches some of the fundamental features of what we would consider an effective national policy.

But while our brief deals with Saskatchewan, the fact that the situation in our Province reflects the major economic issues facing the nation makes the brief illustrative of the larger national scene. For this reason the policies we suggest are valid and relevant not only for Saskatchewan but for Canada as a whole. In fact the inter-dependence of the national and provincial economies makes it virtually impossible to frame public policies that are not national in scope and application.

In outline, our brief first describes the manpower and employment situation in Saskatchewan and the changes that are taking place particularly in rural areas. It then turns to a discussion of the economic forces that have brought the situation about and that are continuing to shape it. And finally it suggests the goals we should set for our manpower policy and the means we should follow to attain them. Our brief emphasizes four major themes.

1. Governments have a major and growing responsibility to underwrite the rate of economic growth in order to achieve full employment, and to assure the best allocation of our material and manpower resources. We believe this function should be accepted without apology and that steps should be taken to perform it as effectively as possible.

2. To plan and guide the direction and rate of growth of our economy involves the use of a variety of general measures and specific economic techniques. The use of these economic instruments will require the co-ordination of private and public interests and the co-operation of all levels of government. This suggests nothing more than that we must recognize the need and develop the methods for effective economic planning.

3. One of the major elements in the total complex of economic policies must be the greater use of public programs—federal, provincial and municipal—to satisfy community needs and to stimulate investment. We do not argue that the public decisions involved in community consumption and social capital accumulation are at all times superior to private choices. But we do believe, however, that the sum total of all private consumer decisions does not automatically assure the most desirable distribution of wealth or allocation of resources.

4. There is mounting evidence that if Canada is to strengthen its competitive position both in the domestic and in foreign markets much greater

attention will have to be paid to the productivity of our industry and in particular the quality and skills of our labour force. This is one of the areas in which government must play a major role. It is also one in which we believe the improvement in the skill and knowledge of our labour force has the greatest contribution to make. For this reason education must play a larger and more vital role in our national economic planning.

II. SASKATCHEWAN'S MANPOWER RESOURCES

One of the major determinants of a community's capacity to produce, and consequently of its national wealth, is the size and quality of its labour force. Viewed from another perspective, the size and quality of the labour force at any given time defines the level at which the economy must operate in order to fully use its manpower resources. Both of these aspects of manpower utilization are important in developing national economic policy. This is true both for Saskatchewan and Canada.

Since our labour supply to a large extent is the product of the changes that have taken place in the size and structure of our population we shall begin by reviewing our population trends and changes in the post-war period.

A. POPULATION

These significant characteristics of Saskatchewan's population history stand out in such a review. Probably the most dramatic and certainly the best known change is the rapid decrease in our farm population. Table 1 shows that between 1946 and 1960 our farm population dropped by about 100,000.¹ In 1946 it constituted over one half of our total population; today it represents less than two-fifths. What we are experiencing in Saskatchewan are economic and social pressures resulting in a decrease in the number and increase in the size of farm units and the displacement of excess farm population.

These pressures have a number of sources. Some date back to the original land settlement pattern and its lack of consideration of the productivity of the land being settled. Another source has been the technological changes resulting in increasing mechanization and the consolidation of smaller farm units in the interests of more efficient operation. The low levels of farm income in recent years relative to the income of the non-agricultural labour force, the high capital cost of entering the industry and the attractions of urban amenities have been effective forces in pushing would-be farmers off the land.

TABLE 1
RURAL URBAN POPULATION DISTRIBUTION, SASKATCHEWAN, 1946-1960

	Urban			Rural					
	Total	Number	%	Total		Non-Farm		Farm	
				Number	%	Number	%	Number	%
1946 ^a	832,688	208,872	25	623,816	75	180,317	22	443,499	53
1951.....	831,728	252,470	30	579,258	70	180,979	22	398,279	48
1956.....	880,665	322,003	37	558,662	63	198,011	22	360,651	41
1960.....	910,000	362,000	40	548,000	60	208,000	23	340,000	37

SOURCE: D.B.S. Census data and inter-censal estimate. Distributions for 1960 based on Saskatchewan Hospital Services Plan data.

^a Based on 1951 definitions of rural and urban.

¹A large part of this decrease, it should be noted, is made up of farmers and their families who have changed their residence to urban centres but who still remain in farming. Nonetheless the trends described here are still marked.

This trend will probably continue in the future as the number of farm units drops to the 75,000 estimated by the Royal Commission on Agriculture and Rural Life as optimum for Saskatchewan. If it does it will mean about 7,000 people leaving our farms each year of which, it is estimated, about 5,000 will be potential entrants into the non-agricultural labour force.

A significant part of those moving off the farms are the youth and young adults. Some indication of this change can be seen in Tables 2 and 3. Table 2 shows that between 1946 and 1956 the age group 15-29 years of age living in rural areas showed by far the largest loss in its numbers—a loss of some 50,000 or over one-third. The change is reflected in another way in Table 3. This table shows that the proportion that this age group constituted of the total rural population fell from over 26 per cent in 1946 to 20 per cent in 1956—the largest contraction that took place in any age group during the decade.

This movement acquires special significance when seen in the light of information supplied by the federal Department of Labour. In their publication, *Monthly Summary of Employment Conditions, Prairie Region*, the National Employment Service reports that in Saskatchewan during the last couple of years they have become very concerned about the large number of children dropping out of school before completing high school. They note that they undertook a campaign to induce these children to stay at school longer, and that while they did achieve some success with children in urban areas, the problem in rural areas in fact increased. This suggests that we are getting a large off-farm migration of young unskilled and untrained additions to our labour force. The implications this has for improved training facilities are obvious.

A second characteristic of our population history is the rapid growth of our urban centres. Between 1946 and 1960 our urban population increased by over 70 per cent, that is at an average annual rate of well over 5 per cent (see Table 1). Economic development and diversification in Saskatchewan in the post-war period have provided sufficient job opportunities to absorb this rate of urban population growth and beginning with the fifties have reversed the decline in the absolute numbers of our population which was taking place up to that time. Unfortunately it has not yet reached the stage where it can absorb the entire natural increase in our population (see Table 4). The growing concentration of our population in urban centres illustrates our increasing dependence on high levels of employment in essentially urban industries—a dependence that is greater now than at any time in our history.

Year	Total		Non-farm		Farm	
	Number	%	Number	%	Number	%
1946	1,000,000	100.0	700,000	70.0	300,000	30.0
1950	1,100,000	110.0	750,000	68.2	350,000	31.8
1954	1,200,000	120.0	800,000	66.7	400,000	33.3
1958	1,300,000	130.0	850,000	65.4	450,000	34.6
1960	1,400,000	140.0	900,000	64.3	500,000	35.7

Source: P.A.C. Census data and other official records. Distributions of 1960 based on Saskatchewan Statistical Service projections. * Based on 1951 definitions of rural and urban. A large part of this increase is due to migration from rural areas and those farmers who have changed their residence to urban centers but who remain in agriculture. The trends described here are still marked.

TABLE 2
POPULATION OF SASKATCHEWAN, BY AGE, 1946-1960

Age Group	1946 ¹			1951			1956			1960
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
0-14.....	241,089	48,485	192,604	255,252	66,627	188,625	286,770	94,675	192,095	308.5
15-29.....	223,462	59,266	164,196	193,355	63,600	129,755	187,231	75,500	111,731	185.9
30-44.....	158,914	43,613	115,301	167,559	52,978	114,581	174,928	65,709	109,219	170.2
45-64.....	154,898	43,013	111,885	148,349	46,750	101,599	153,090	54,878	98,212	162.5
65 +.....	54,325	14,503	39,822	62,213	22,515	44,698	78,646	31,241	47,405	82.8
Total.....	832,688	208,880	623,808	831,728	252,470	579,258	880,665	322,003	558,662	910.0

¹ Based on the 1951 definition of rural and urban.

TABLE 3

PERCENTAGE AGE DISTRIBUTION OF SASKATCHEWAN'S POPULATION, 1946-1960

Age Group	1946 ¹			1951			1956			1960
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
0-14	29.0	23.2	30.9	30.7	26.4	32.6	32.6	29.4	34.4	33.9
15-29	26.8	28.4	26.3	23.3	25.2	22.4	21.3	23.5	20.0	20.4
30-44	19.1	20.9	18.5	20.1	21.0	19.8	19.9	20.4	19.5	18.7
45-64	18.6	20.6	17.9	17.8	18.5	17.5	17.4	17.0	17.6	17.9
65 +	6.5	6.9	6.4	8.1	8.9	7.7	8.9	9.7	8.5	9.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Based on the 1951 definitions of rural and urban.

A third trend in our population history worth mentioning is its changing age composition. Table 3 shows that both ends of the distribution are increasing relative to the middle age groups. Both the under 15 and over 65 age groups comprised a larger proportion of the population in 1960 than they did in 1946, the former rising from 29 to 34 per cent and the latter from 6.5 to over 9 per cent. Both of these changes will affect the future supply of manpower resources and have important implications for public policy.

The increase in the younger age group suggests that the pressure on our educational and occupational training facilities will continue to increase rapidly over the next decade and that unless there are countervailing influences which keep young people out of the labour force the economy will have to accommodate a larger number of these people. At the same time because the older age group is also increasing society is coming under increasing pressure, both for the sake of the individuals concerned and the costs to the community, to change our traditional practices regarding the hiring and retirement of older workers and to arrive at wiser and more humane methods of achieving from a working life to retirement. Unless we provide facilities to train the young workers and make more adequate arrangements for the employment of older workers we can expect these groups to contribute significantly to the unemployment problem in the next decade. These are the groups that are now causing grave concern as much of the evidence before this Committee testifies. Unless steps are taken to meet this problem it will become more acute as the shift in the age composition proceeds.

B. LABOUR FORCE

As suggested above, the character of Saskatchewan's labour force is shaped to a large extent by the way its population grows and shifts. Unfortunately specific information about our labour force is almost totally lacking and we have been forced to develop estimates which at best are very rough. This is a most extraordinary situation and we wish to draw the attention of the Committee to it at this time.

As the Committee knows the Labour Force Survey groups the data for Manitoba, Saskatchewan and Alberta into a single regional figure. The same is true for the maritime provinces. While this is useful for research into national problems it is virtually of no use to the individual provinces concerned. As well, the National Employment Service publishes data on unemployed applicants on a provincial basis. But the deficiency of these data limits

their usefulness. Nonetheless until recently they have been available and we have used them. We have now been informed, however, that we will no longer be permitted even these data for official use. This leaves the prairie and maritime provinces without any statistical measure of unemployment at all.

TABLE 4
NATURAL INCREASE AND NET MIGRATION, SASKATCHEWAN, 1946-1960

Year	Population	Live Births	Deaths	Natural Increase	Net Migration
1946.....	833,000	21,433	6,422	15,011	-12,000
1947.....	836,000	23,334	6,610	16,724	-15,000
1948.....	838,000	21,562	6,496	15,066	-21,000
1949.....	832,000	21,662	6,596	15,066	-14,000
1950.....	833,000	21,546	6,243	15,303	-16,000
1951.....	832,000	21,733	6,440	15,293	-4,000
1952.....	843,000	22,605	6,625	15,980	+2,000
1953.....	861,000	23,703	6,687	17,016	-5,000
1954.....	873,000	24,981	6,323	18,658	-14,000
1955.....	878,000	24,746	6,661	18,085	-14,000
1956.....	881,000	24,059	6,666	17,393	-19,000
1957.....	879,000	23,921	6,743	17,178	-8,000
1958.....	888,000	23,843	6,483	17,360	-3,000
1959.....	902,000	24,319	7,003	17,316	-9,000
1960.....	910,000	24,050	6,767	17,283	

In a country like Canada we find this situation totally indefensible. Provincial governments, in discharging their responsibilities, must constantly assess the economic situation in their respective provinces and for this purpose unemployment data are indispensable. It is most distressing and frustrating to have no useful data with which to work. Surely it is not too much to ask that the Dominion Bureau of Statistics be requested and enabled to gather and publish, on a provincial basis, at least data it now publishes on a regional basis.

1. Size and composition

Using census data we have attempted to develop our own estimates of Saskatchewan's labour force. The method we used is outlined in an appendix to this brief and the results are summarized in Table 5.

TABLE 5
SASKATCHEWAN'S LABOUR FORCE, 1951 AND 1960
(000)

	Total	Male	Female	Agricultural	Non-Agricultural
1951.....	302	251	51	148	154
1960.....	316	253	63	125	191
Average annual change.....	+1.6	—	—	-2.5	+4.1

These estimates are approximations only but the actual numbers of the labour force for the purpose of this brief are not as important as the direction and rate of change. In summary the table shows that for the past decade our total labour force has been increasing at an annual average rate of about 1.6 thousand per year. During this time the agricultural labour force has been decreasing at an annual average rate of about 2.6 thousand per year, while the non-agricultural labour force was increasing at just over 4 per cent per year.

To derive their full significance these data should be viewed in the light of the population trends described earlier. We noted above that each year about 7,000 people leave farm homes of which 5,000 seek work elsewhere. About half of this number represents those who are withdrawing from agricultural pursuits; the other half are persons, mostly young people, who are entering the labour force for the first time. Many in these groups do not have the skills or the training that urban occupations are increasingly demanding.

At the same time each year not less than 15,000 people are being added to the population 14 years of age and over. By a rough rule of thumb we estimate that of these 15,000 at least one-third, or 5,000, will become members of the labour force and seek employment. In all, therefore, in order to provide employment for the 2,500 moving out of farming, the 2,500 from rural areas entering the labour force for the first time, and the 5,000 new entrants into the labour force resulting from population increase, a total of 10,000 new non-agricultural jobs are required annually. In fact in spite of the expansion of non-farm activity in Saskatchewan over the past decade which was to a large extent capital-intensive industries, only about 4,000 new jobs were provided each year. The result of this discrepancy has, of course, been net out-migration of population.

2. *Industrial distribution of non-agricultural workers*

Data on the industrial distribution of Saskatchewan's non-agricultural labour force are very incomplete and will permit only the roughest assessment of the changes that have taken place in the past decade. The data that are available and which are published by the D.B.S. relates only to firms that usually employ 15 or more workers. However some general idea of the changes that have taken place can be formed from even the limited data presented in Table 6. This table shows the greater importance today of our mining industry, the manufacture of petroleum products, construction and public utilities compared to 10 years ago. These are activities which depend on new export markets and on the pace of economic activity in the country as a whole. Saskatchewan's economy is becoming more and more dependent on factors other than those which affect wheat and on industries other than those which serve agriculture.

Unfortunately the limited information on Saskatchewan's labour force does no more than describe in a rough way some of the longer-run changes that are taking place. It lacks the completeness, the detail and the precision needed to help us study the behaviour of the provincial labour force in periods of recession or its response to technological change. Its limitations, further, make it very difficult to adequately assess the short-run manpower problems the provincial economy faces. However, some data are available which permit a rough outline of the current situation.

TABLE 6
 INDEX NUMBERS OF EMPLOYMENT BY INDUSTRY, SASKATCHEWAN, 1951-1960
 (Annual Averages, 1949=100)

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Mining	—	—	—	—	—	—	—	—	262.9	208.6
Manufacturing	99.9	104.7	104.8	106.6	108.1	108.9	116.5	120.4	123.5	123.5
Food and Beverages	95.9	98.9	95.9	96.4	96.0	96.2	105.2	107.9	110.2	109.2
Meat products	93.8	91.2	82.8	79.6	77.8	79.2	100.6	109.9	123.1	117.5
Dairy products	96.1	100.0	98.5	101.2	101.0	100.4	105.5	106.8	108.9	105.5
Products of petroleum and coal	—	—	—	—	—	—	—	180.7	170.6	157.7
Construction	106.9	118.1	127.1	144.5	139.3	141.9	145.7	154.9	168.1	165.5
Building and general engineering	114.2	140.1	145.1	169.1	150.7	159.1	167.1	175.5	181.6	187.6
Highways, bridges and streets	98.4	95.2	110.3	122.2	128.8	126.2	126.0	135.8	148.7	144.9
Transportation, storage, communication	106.7	111.0	111.7	105.8	105.0	114.4	110.3	104.6	104.0	98.7
Public utility operations	—	—	—	—	—	—	262.2	301.9	328.4	341.5
Trade	102.7	106.6	114.4	115.6	112.7	116.1	119.3	120.1	125.7	126.1
Wholesale	103.9	108.3	116.4	117.0	112.0	114.1	115.1	112.0	114.4	113.3
Retail	102.1	105.2	113.3	114.6	113.1	117.4	121.9	125.3	133.1	134.4
Finance, insurance and real estate	110.7	114.9	120.4	127.6	125.0	122.1	125.6	130.1	133.4	139.1
Service	100.5	100.5	110.0	115.0	112.5	109.2	117.1	115.8	114.7	120.7
Industrial composite	106.0	111.4	116.2	118.0	117.0	121.1	125.3	126.6	130.4	127.9

SOURCE: *Employment and Payrolls*, (Annual and Monthly) D.B.S.

C. CURRENT EMPLOYMENT SITUATION

An indication of the impact of the current recession on the Saskatchewan economy can be seen in Table 7. The most serious change has been the cutback in uranium and oil exploration activity and the effect that this has had on employment in the industry. The second largest drop occurred in the transportation industry. Part of this was due to the technological changes taking place in rail transport, and curtailment of branch lines; part was due to the reduction of activity in construction and consequently in the need for truckers used in that industry. The drop in the index for the construction industry was of course due to the significant decline in house-building which uses a high proportion of labour.

TABLE 7
PER CENT CHANGE IN INDEX OF EMPLOYMENT, 1960 OVER 1959

	1960 over 1959	Proportion each sector is of Industrial Composite
Industrial Composite.....	- 1.9	100.0
Service.....	+ 5.2	5.0
Mining.....	-20.7	4.2
Manufacturing.....	—	14.8
Construction.....	- 1.5	17.7
Transport.....	- 5.1	24.7
Public Utility.....	+ 4.0	14.5
Trade.....	+ .3	23.0
Finance.....	+ 4.3	6.0

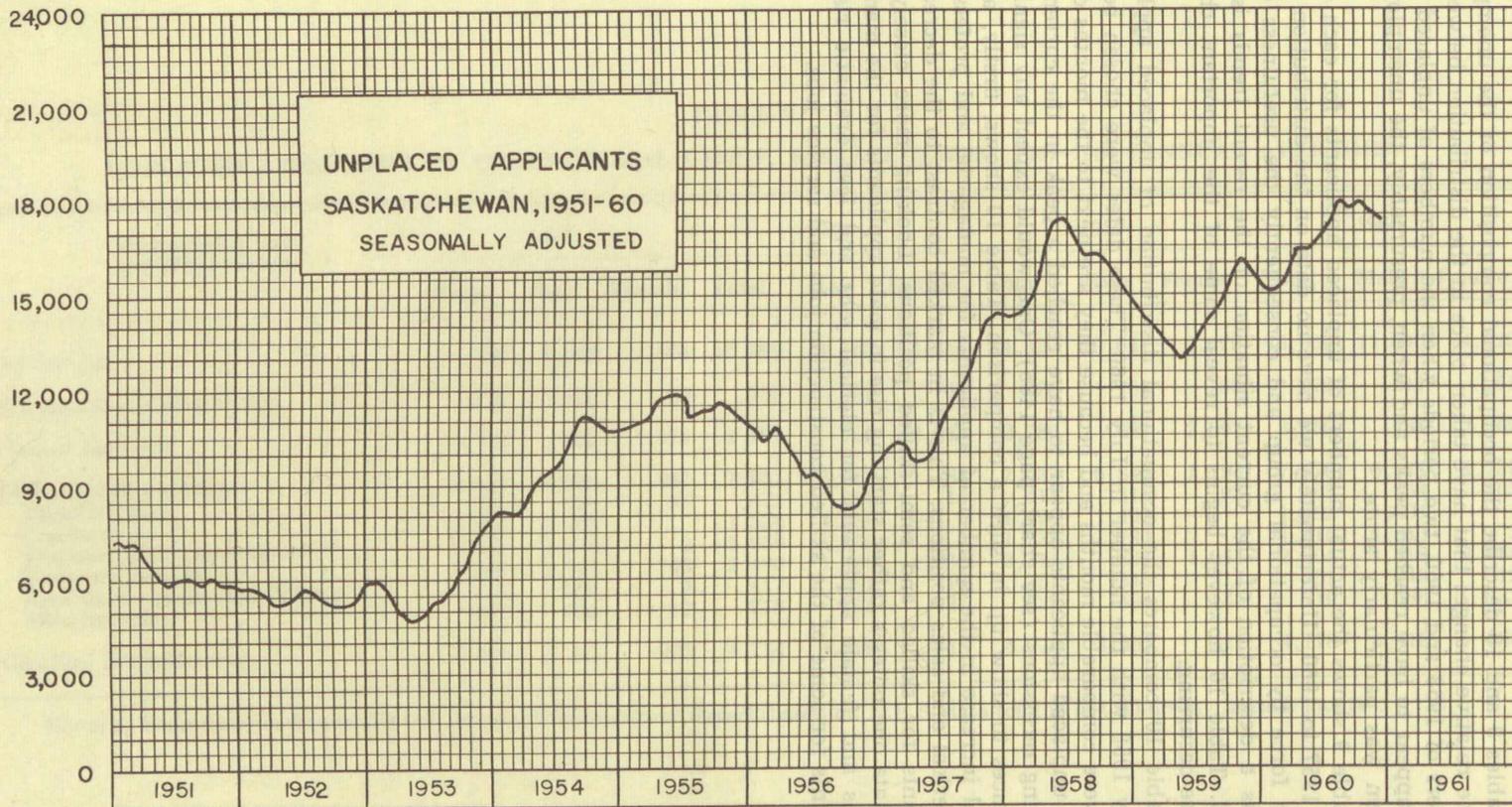
The nature of the unemployment problem in Saskatchewan can be seen in data published by the National Employment Service on unplaced applicants. We are, of course, fully aware of the deficiency of the unplaced applicant data as indicators of the size or nature of the unemployment problem. But unfortunately they are the only published data available to us which attempt to describe the problem; and we are consequently forced to use them to arrive at any measure of unemployment in Saskatchewan.

Table 8 shows the total number of unplaced applicants in the Province by months since 1951. The data have been seasonally adjusted—i.e., the monthly fluctuations due to seasonal factors have been removed and the cyclical pattern exposed. They are charted in the graph on page 1485. In essence they reveal the same long-run increase in unemployment in Saskatchewan since the beginning of the nineteen fifties that have been described for Canada by various studies prepared for the Committee. However incomplete a picture of the current situation the data present there is reason to think the trends they reflect provide a clear indication of what is actually taking place.

TABLE 8
UNPLACED APPLICANTS, SASKATCHEWAN, 1951-1960
(Seasonally Adjusted)

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
January.....	7,150	5,712	5,918	8,090	10,834	10,698	9,748	14,376	14,649	15,139
February.....	7,067	5,777	5,958	8,041	10,930	10,492	10,188	14,486	14,179	15,072
March.....	7,153	5,571	5,480	8,074	11,025	10,819	10,261	14,840	13,735	15,522
April.....	6,607	5,248	4,961	8,698	11,670	10,289	9,846	15,796	13,447	16,407
May.....	6,189	5,256	4,779	9,120	11,804	9,869	9,746	17,260	12,942	16,457
June.....	5,892	5,532	4,969	9,488	11,862	9,181	10,156	17,416	13,318	16,865
July.....	6,007	5,759	5,330	9,644	11,194	9,262	11,027	16,986	13,867	17,221
August.....	6,088	5,669	5,417	10,441	11,310	8,929	11,544	16,203	14,323	17,916
September.....	5,895	5,392	5,823	11,082	11,380	8,291	12,212	16,245	14,974	17,654
October.....	6,029	5,199	6,329	11,041	11,631	8,139	13,193	16,019	15,465	16,913
November.....	5,868	5,261	7,272	10,827	11,340	8,319	14,158	15,589	16,060	16,520
December.....	5,852	5,537	7,773	10,619	11,082	9,207	14,440	15,025	15,644	16,388

SOURCE: *Weekly Labour Reports*, Saskatchewan Department of Labour, based on data supplied by Saskatchewan Regional Offices of N.E.S.



Tables 9 and 10 describe the occupational composition of the unemployed and the relative changes that have taken place in the distribution between the summers of 1958 and 1960, two periods when the numbers of unplaced applicants appear to have reached peaks and when, presumably, the unemployment problem was particularly acute.

Table 9 shows the actual numbers of unplaced applicants for each of the years 1957 to 1960. Unfortunately we have no data on the distribution of the labour force by occupational group and consequently the usefulness of the data as a description of the current situation or the recent trends is very limited. Table 10 however begins to reveal some of the important changes that are occurring.

Table 10 compares the occupational distribution of unplaced applicants in July 1958 with the number in July 1960. These dates were chosen because they were comparable months and because they are next to the months during which unplaced applicants appear to have reached a peak in the current and preceding recessions (see chart, page 1485). One would expect any significant differences to show up in such a comparison. Table 10 shows, firstly, a substantial increase in the number of applicants for managerial and professional, and clerical and sales positions. This is in marked contrast to the decrease in applicants for skilled and semi-skilled positions. Looking more closely into these data one notes a rather startling rise in male applicants for the managerial jobs and female applicants for clerical jobs and less dramatic rises in applicants for some of the skilled construction jobs and service jobs.



TABLE 9
UNPLACED APPLICANTS BY OCCUPATIONAL GROUP, SASKATCHEWAN, 1957-1960 (ANNUAL AVERAGES)

Occupational and Industrial Group	1957			1958			1959			1960		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
All Groups.....	11,128	8,612	2,516	15,369	11,755	3,614	14,320	10,641	3,679	15,969	11,940	4,029
Managerial and Professional.....	175	125	50	232	167	65	226	161	65	272	211	61
Clerical and Sales.....	1,916	542	1,374	2,772	730	2,042	2,780	683	2,097	3,150	781	2,369
Skilled and Semi-skilled.....	5,569	4,702	867	7,651	6,463	1,188	7,037	5,843	1,194	7,770	6,531	1,239
Manufacturing.....	322	229	93	471	356	115	411	318	93	469	364	105
Construction.....	1,200	1,200	—	1,536	1,536	—	1,490	1,490	—	1,802	1,801	1
Transport and Communication.....	1,381	1,379	2	1,959	1,955	4	1,738	1,734	4	1,815	1,813	2
Trade and Service.....	1,849	1,103	746	2,490	1,458	1,032	2,414	1,363	1,051	2,604	1,518	1,086
Agriculture, Lumbering, Mining.....	275	266	9	417	407	10	357	345	12	361	349	12
Miscellaneous.....	542	525	17	778	751	27	627	593	34	719	686	33
Unskilled (all industries).....	3,468	3,243	225	4,714	4,396	318	4,276	3,955	321	4,778	4,418	360

SOURCE: Saskatchewan Department of Labour, *Weekly Labour Report* (based on N.E.S. data for the last Thursday in each month).

TABLE 10

PERCENTAGE INCREASE IN UNPLACED APPLICANTS BY
OCCUPATIONAL GROUP, JULY 1958 TO JULY 1960

Occupational and Industrial Groups	Percentage Change		
	Total	Male	Female
All Groups.....	+ 8.9	+ 2.4	+18.0
Managerial and Professional.....	+31.1	+52.1	- 5.6
Clerical and Sales.....	+21.4	+13.0	+23.7
Skilled and Semi-skilled.....	- .7	- 3.2	+ 7.0
Manufacturing.....	- 1.8	- 6.3	+ 6.5
Construction.....	+12.8	+12.8	¹
Transport and Communication.....	-16.7	-16.3	¹
Trade and Service.....	+10.4	+14.3	+ 6.5
Agriculture, Lumbering, Mining.....	-26.4	-27.6	¹
Miscellaneous.....	-15.5	-18.1	+27.8
Unskilled (all industries).....	+ 6.7	+ 4.5	+22.6

SOURCE: *Weekly Labour Report*, Saskatchewan Department of Labour.

¹ Too few to be significant.

The picture suggested by these data and by the monthly summaries of employment conditions in the prairie region published by the National Employment Service, can be summarized as follows. There has been a decrease in the demand for labour—particularly in the office manager, junior engineer and draughtsman positions, in female occupations and in unskilled occupations. This has been due in part to a cutback in oil exploration, office consolidation in the oil industry and the wholesale trade, and to a decline in construction activity.

The reduction in the demand for labour can take several forms. It is reflected in a decrease in the number of job openings, an increase in the amount of short-time worked and the substitution of temporary for permanent jobs. Unplaced applicant data do not, of course, show up the short-time or temporary employment problems but there is reason to believe these are increasing in Saskatchewan as they are across Canada. (This information as well, unfortunately, is not available on a provincial basis.) For example, the National Employment Service in its monthly summary reports that a large number of people who sought permanent jobs were referred to temporary ones. Thus in addition to the problem of lack of jobs, a good deal of disguised unemployment probably exists in Saskatchewan particularly in the manufacturing and trade sectors.

At the same time there has been an increase in the supply of labour, particularly female workers seeking clerical and sales jobs and both youths and older workers who are reported to be coming increasingly into the labour force. The National Employment Service reports that a large number of women who have not been in the labour force for some time, many of them with no work history since marriage are seeking jobs because their husbands are out of work or on short-time. Although female labour force participation often rises during recessions in non-agricultural provinces, the recent surge of women into the labour force is a new phenomenon in Saskatchewan. Generally with respect to the labour supply it appears that during the current recession more and more persons such as housewives, students and retired persons are beginning to enter the labour force.

One significant development that is not reflected in the unplaced applicant statistics is the decline in the number of job openings in the transportation industry. The reason the data do not show this is that the disappearance of jobs in this industry due to such factors as technological change and cutback in service is a permanent phenomenon and the displaced workers end up being registered in alternative employment. The same thing is no doubt happening in many industries and in many parts of Canada.

The difficulties the young and the older workers are experiencing in finding employment should receive special emphasis and attention. Not only do they reflect the current economic problem in the narrow sense, they also reflect the longer run social and technological changes that are taking place in our society and have tremendous implications for our educational programs and our social institutions and practices.

We have already referred to the trouble the National Employment Service was having in placing school drop-outs (see page 1478). They report that despite their attempts to encourage children to continue their education, the problem is still serious. When the increase in supply of young workers is coupled with a decrease in the demand, the problem becomes worse.

The reduction in job opportunities for the young untrained worker with less than grade 12 education and no vocational skills stems from at least two sources. First it results from the general upgrading of job specifications which occurs in a number of occupations when an increase in the supply of labour coincides with a levelling off in the demand for workers. The National Employment Service has observed this in, for example, white collar occupations. It also results, and this is probably more serious, from the basic technological changes that are taking place in our economy. The current upgrading of job specifications represents more than mere employer "choosiness" in the face of labour surpluses. It reveals the increasing technical complexity of the jobs that are emerging as our technology advances. Because this is so it suggests that the needed solutions will not be found entirely in economic measures to combat the recession and increase the number of jobs. They must be sought in the education and training of the young to equip them to satisfy the requirements that our new occupations are increasingly demanding. This is a new problem and requires a new emphasis.

The immediate effect of a recession or labour surplus on the older worker is very much the same on the youth. In the case of the older worker the upgrading of qualifications has taken the form of setting age barriers to employment where none existed before. However with the older worker as well a longer-run problem is emerging. As life expectancy and the capacity of the older worker to handle a job increases, the pressure to provide him with employment, and the cost of not doing so, in the form of transfer payments and social and health services, will grow. Governments and society generally will have to look to their traditional patterns of behaviour and institutions, such as, for example, the blind assumption of the inferiority of the older worker and the compulsory retirement age tradition, recognize their obsolescence and develop attitudes and policies in greater conformity with reality.

III. BARRIERS TO MANPOWER UTILIZATION

In the preceding section we outlined the groups of people who are being most affected by economic change and who will figure prominently in national manpower planning. In this section we attempt to deal with the barriers that stand in the way of both maximizing our national output and of using our human resources to the fullest extent and in the best way. Where previously we considered the factors affecting the supply of labour, such as population

change and the reasons why people seek to enter the labour force, in this section we are concerned with factors affecting the demand for labour. Specifically the section deals with such long-run forces as the determinants of the rate of growth, technological change, the structural changes taking place in some industries and the social and cultural habits of people as they affect, for example, the age and ethnic origin of employees. It also deals with the short-run forces as they are reflected in cyclical and seasonal fluctuations in the behaviour of the economy.

Here, too, we suggest there is nothing unique in the economic problem Saskatchewan faces. The obstacles we are experiencing are common to other parts of Canada and we believe our analysis is generally applicable to the wider national and regional problems of the Canadian economy as a whole.

A. LONG-RUN FACTORS

1. Demand for primary products

Saskatchewan's economic welfare, even more than Canada's, depend on the long-term growth and stability of demand for its primary output in extra provincial-markets. About two-thirds of Saskatchewan's agricultural output and almost all of its mineral output are exported either to other Canadian provinces or to foreign countries. Extra-provincial sales of the output of these two industries alone account for nearly 50 per cent of our total commodity output. Part of this output enters into foreign markets, part is consumed by Canadians, and part is used by Canadian secondary industries as raw materials for products that are both consumed domestically and exported. The crucial importance to Saskatchewan of both a healthy Canadian economy and strong foreign markets is obvious. Any policy or circumstance that affects our exports of primary or secondary commodities or that affects the level of income, consumption and investment in Canada is obviously of vital concern to us. When we make our assessment of our current economic position and of the forces bearing on our economic development we must make it in the light of this inter-relationship of the national and provincial economies.

In saying this we do not wish to over-emphasize the importance of our primary industries in creating job opportunities. While the contribution of these industries to total provincial output is crucial their potential as significantly larger employers of labour is limited. Agriculture will continue to employ fewer workers in the future. Mining is a capital-intensive industry and does not need a large work force. This suggests the growing need to look to secondary industry development in Saskatchewan to absorb our growing labour force.

In spite of the diversification that has taken place in Saskatchewan's economy in recent years agriculture remains our major industry (see Table 11). The demand for our agricultural products is one of the main determinants of income realized by our farmers, and this realized income in turn strongly influences the shifts and movements that will take place in our labour force. Depressed sales and prices exert strong pressures for off-farm migration and make the process of readjustment now taking place in agriculture an additionally difficult one. Apart from its effect in reducing employment opportunities in agriculture, the low level of farm income will, to some extent, also reduce general levels of consumption and investment and depress employment and income in other sectors in all parts of Canada. One need only note how retail sales respond to net farm income, and observe the reductions in farm implement purchases in Saskatchewan in the past half dozen years (see Table 17) to infer the consequences for the economy as a whole of low farm incomes.

TABLE 11
NET VALUE OF COMMODITY PRODUCTION BY INDUSTRY, SASKATCHEWAN, 1951-1960
(\$000,000)

	1951	1952	1953	1954	1955	1956	1957	1958	1959 ¹	1960 ¹
Total.....	876	1,019	912	584	851	1,045	781	855	902	1,044
Agriculture.....	685	796	653	250	514	625	314	348	387	521
Non-Agriculture.....	191	223	259	334	337	420	467	507	515	523
Mining.....	39	30	33	35	45	76	130	159	159	161
Electric Power.....	11	13	15	17	19	22	24	26	30	34
Manufactures.....	61	81	80	104	113	114	110	124	128	122
Construction.....	73	93	125	171	151	199	196	191	191	198
Other ²	7	6	6	7	9	9	7	7	7	8

¹ Estimate.

² Including Forestry, Fisheries and Trapping.

Because wheat remains our major agricultural commodity we view with deep concern the diminution of Canada's share of total world exports (see Table 12).

Exports of wheat in 1959-60 were 5.7 per cent below the 1958-59 level and 13.3 per cent below the 1957-58 level. If the series is extended back to 1945 we note that with the exception of 1956 last year was, in percentage terms, the worst in our post-war history. The decline last year was due to reduced shipments to the United Kingdom, Western Germany and India. Unfortunately the long-run future prospects are not too bright.¹

TABLE 12
CANADIAN EXPORTS OF WHEAT AND WHEAT FLOUR
CROP YEARS, 1950-1951 TO 1959-1960

Year Beginning July	Canadian Exports	
	Total World Trade	Percentage of Total
	(000,000 bushels)	(000,000 bushels)
1950.....	937	23.6
1951.....	1,066	32.5
1952.....	987	39.7
1953.....	897	32.8
1954.....	971	26.1
1955.....	1,065	27.1
1956.....	1,328	21.2
1957.....	1,190	26.6
1958.....	1,308	22.9
1959 ^a	1,280	21.8

SOURCE: *The Wheat Situation*, August, 1960, Agricultural Marketing Service, United States Department of Agriculture.

^a Preliminary.

Recent sales of wheat to the People's Republic of China and Czechoslovakia have, of course, considerably improved the short-run prospects. But these are *ad hoc* arrangements and there is nothing continuing in them to assure the long-run security of our foreign markets—nothing, for example, comparable to the

¹ See, for example, *Final Report, Royal Commission on Canada's Economic Prospects*, November, 1957, p. 158.

more permanent legislative programs enacted in the United States. Our Indian market was lost to the United States under terms of an agreement which provides for the U.S. financing 587 million bushels or \$965 million worth of wheat over the four-year period of the agreement. This kind of development illustrates one of the handicaps under which our wheat competes for foreign sales. Seldom does Canada offer credit and only rarely has it taken soft currencies. In 1959-60, for example, Canada financed only 4.8 per cent of her wheat sales. In the same year the U.S. financed 73 per cent of her sales. Substantial American wheat exports to other parts of Asia, particularly Pakistan, have been arranged under similar special deals.

The emergence of the European Common Market presents another problem for Canadian wheat exports. The major market for our wheat has always been Western Europe. The effect on future Canadian wheat exports of the E.C.M. agricultural protection policies may be to reduce the portion of this market available to Canada. The present E.C.M. policy provides internal agricultural price supports at levels well above world prices along with import restrictions which provide domestic producers with the financial incentive and opportunity to meet outside competition.

The response of the Canadian Government to forces of these kinds will do much to shape the prospects for Saskatchewan agriculture and influence the kind and rate of adjustment the industry and its labour force will have to make. If markets continue to deteriorate the process will be a more rapid and a more painful one for the individual farmers involved. If they improve, the retention of the population in agriculture will be facilitated. The implications that this has for federal trade and tariff policy are very clear, and these will be discussed later.

However a concern for foreign markets should not be permitted to obscure the significance of the domestic market as a determinant of the total demand for our primary output. It is generally recognized that the consumption of non-grain agricultural products responds directly to increases in income. Historical evidence shows rising per capita consumption of the high-protein foods with rising per capita incomes.¹ As well the statistical evidence shows a greater per capita consumption of these foods among the higher income groups than among the lower.² These facts are sufficiently well established to justify the conclusion that high levels of employment and income in Canada are one of the important supports of the agricultural industry in Canada.

The demand for wheat and other agricultural commodities is not, of course, the only important long-run factor affecting agriculture. Problems of price and costs, productivity and stability also affect levels of farm income. And these factors, along with the availability of alternative employment and opportunities for retraining for the agricultural labour force, will determine the incentives that exist for remaining in or moving out of the industry. But more of this will be said later. The significance of Canadian and foreign demand for commodities other than agricultural should be mentioned first.

Saskatchewan's mining industry is coming to be an increasingly important sector of our economy. Lagging demand for our major minerals—oil, uranium, copper, zinc—has an impact on levels of employment not only in the mining industry. In 1960 Saskatchewan's mineral production was up only 1.6 per cent over the preceding year. In 1959 it was virtually unchanged from the year before that. The extent to which this represents the levelling-off of a major expansionary force can be seen in the rates of growth in the industry throughout the rest of the fifties (see Table 13). The effect of this slowdown on employment and income can be seen in Table 14.

¹ See Annual Statements, *Apparent Per Capita Domestic Disappearance of Food in Canada*, D.B.S., Ottawa.

² See *Urban Family Food Expenditure, 1957*, D.B.S., Ottawa.

The situation in 1960 has shown no improvement. The non-renewal of uranium export agreements caused an exodus from Uranium City which began in March 1960 when 300 miners and some technical people were laid off. Since then several mines have sold their contracts to the two mines continuing in production, Gunnar and Eldorado. Some of the mines have been closed and their personnel have been transferred or released.

TABLE 13

VALUE OF MINERAL PRODUCTION IN SASKATCHEWAN

Year	\$	% Change over Previous Year
1950.....	35,054,536	
1951.....	51,032,953	+45.58
1952.....	49,506,094	- 2.99
1953.....	48,081,970	- 2.87
1954.....	68,216,009	+41.87
1955.....	85,150,128	+24.82
1956.....	122,744,698	+44.15
1957.....	173,461,037	+41.31
1958.....	209,940,966	+21.03
1959.....	210,042,000	+ .04
1960.....	213,388,000	+ 1.59

SOURCE: *Preliminary Report on Mineral Production*, D.B.S.

NOTE: Before 1954, values of pitchblende products excluded.

TABLE 14

EMPLOYMENT AND INCOME IN SASKATCHEWAN'S MINERAL INDUSTRY, 1950-1960

Year	Number of Employees	Salaries and Wages (\$000)
1950.....	2,729	8,605
1951.....	2,930	10,891
1952.....	2,113	8,024
1953.....	2,995	11,346
1954.....	3,607	15,182
1955.....	3,990	17,766
1956.....	4,826	22,670
1957.....	5,765	28,233
1958.....	5,826	29,699
1959.....	6,022	30,965
1960.....	5,500 ¹	

SOURCE: *General Review of the Mining Industry*, D.B.S.

¹ Government of Saskatchewan estimate.

In the oil industry a lack of incentive to new geophysical and oil exploration has resulted from the generally discouraging short-term export outlook. This has led to a surplus of skilled workers in these fields.

While it is true that our difficulty here results from world-wide excess capacity a significant potential demand exists both in the higher level of economic activity that Canada is capable of and in the vast requirements of

underdeveloped countries for industrialization. But to develop this demand also requires new kinds of trade relationships and policies which we have not sought in the past—policies to facilitate foreign purchases of Canadian goods, imports of goods produced by our prospective customers, and to assist the growth of industry in underdeveloped countries. These possibilities are discussed later.

2. Technological change

A second set of long-run factors which have a considerable impact on employment is that associated with technological change. Technological change, by increasing productivity has, of course, contributed greatly to national output. But it has also had the effect of displacing workers from their jobs and of reducing the number of job opportunities in industries experiencing the change.

In Saskatchewan the force of technological change can be seen in agriculture. To probably a greater extent than any other factor it will be responsible for determining the size and character of the industry's labour force. The technological revolution that has been taking place is probably too well known to require detailed exposition. A thorough analysis of the situation was made by Saskatchewan's Royal Commission on Agriculture and Rural Life and is included in the Commission's report. But some of the major issues thrown up by the changes we are witnessing should be sketched here.

Although technological change has not been confined to farm mechanization, it is farm mechanization which has the most far reaching consequences for the labour force. The development and use of more efficient machinery has created two kinds of pressures. Because mechanization permits fewer people to work more land, it has resulted in pressure to increase the size of farm units. Because the amount of available land has not been increasing proportionately, the number of farm units has decreased (see Table 15). At the same time the smaller labour force is required to have new abilities, particularly greater managerial and technical skills.

TABLE 15

NUMBER, AVERAGE SIZE AND SELECTED MEASURES OF MECHANIZATION OF SASKATCHEWAN FARMS, 1946-1956

Year	Number and Size of Farms		Farm Mechanization Measures		
	Number	Average Size (acres)	No. of Tractors (000)	Gasoline Engines Stationary (000)	No. of Grain Combines (000)
1946.....	125,612	473	71.6	43.0	22.5
1951.....	112,018	551	106.7	55.8	43.0
1956.....	103,391	607	121.4	100.7	61.9

SOURCE: Census of Canada.

But the process of readjustment that is actually taking place is far short of ideal. Many obstacles exist which account for this. One of these is the low level of farm income and the unequal distribution of that income. While some of the larger and wealthier farmers for whom the problem is not acute can expand their holding with relative ease, it is impossible for many

of the smaller marginal grain farmers to acquire either the additional land or the machinery to expand their operations and make them more efficient. This magnifies the importance of adequate credit programs and management advice and their role in the process of readjustment that the industry is going through.

Also the lack of re-employment opportunities, and retraining facilities to ease the transition into non-agricultural employment, reduced any effective alternative for these people. It is obvious that the most rapid and effective transition will take place when the economy as a whole is buoyant and there is adequate incentive to move. But alternative job opportunities alone are not enough. Unless the farmer has the skill and training to take work other than unskilled labour and unless he can afford or is assisted with the investment needed to actually make the move it is unlikely he will leave even a marginal operation.

Productivity in agriculture has increased remarkably in the post-war period. Nonetheless the rate of increase has been lower than might otherwise have been the case, because of the developments we have just described. The level of productivity in agriculture, as various studies attempting such measurements show, is lower than in non-agricultural industries generally. Granted, measures of industrial productivity are difficult to develop and risky to apply. But they have been useful in agriculture to help pinpoint some of the basic problems in the industry. For example, the lower level of agricultural productivity is noted in a study¹ published in 1955. The author, after reporting the results of his analysis, comes to the following conclusion:

The implication is that the process of adjustment in agriculture has operated too slowly to allow needed rearrangements of labour and capital. The results of the study therefore suggest that any means which can be devised to assist the industry to accommodate itself more easily to changing conditions of markets and production technology will produce a worthwhile addition to the national income.

These results are being confirmed by recent studies² carried on by Saskatchewan farm management clubs under the supervision of the Saskatchewan Department of Agriculture. These studies indicate a need for funds to expand land holdings and improve stocks of equipment that is not being fully met.

It is obvious that the readjustment in agriculture cannot be left to the free play of market forces, or rather can be so left only at the price of reduced national economic welfare and increased personal hardship. It is equally obvious that any intervention in order to assist the process must proceed from the recognition that agriculture is an integral part of the whole economy and that the solutions proposed will probably range over the full gamut of public policies and programs.

Technological change is taking place in other industries as well as agriculture and is affecting the non-agricultural labour force in two ways. Job opportunities have been cut in a number of industries where more output is being turned out with less labour. As well, mechanization, office automation and fast transport have combined to induce the centralization of some firms' operations in one or two Saskatchewan cities, or to a smaller number of points within communities. Information on the changes that are taking place is very sketchy and comes almost entirely from descriptive reports of the National Employment Service. It is unfortunate that so important a matter is not being reported more completely.

¹ *Productivity of Labour in Canadian Agriculture*, W. J. Anderson, Canadian Journal of Economics and Political Science, May, 1955, pps. 228-236.

² 1959 *Saskatchewan Farm Business Summary*, Saskatchewan Department of Agriculture, Regina, 1960.

Automation of various kinds has resulted in more production with less labour in banking, insurance and finance, in several manufacturing industries including flour milling and in coal mining in Saskatchewan. Many skilled people including bookkeepers and comptometer operators remained unemployed in these industries during the summer months of 1960. This is a relatively new phenomenon. In offices, the automation which has occurred usually means that employees who leave are not replaced, but in industry, mechanization has also produced direct lay offs. In addition much of the industrial expansion in the Province in 1959 and 1960 was in the establishment of new plants of the highly automatic type which, while adding considerably to the value of manufactured products in the Province, will not provide a large number of new jobs.

The centralization of warehousing, meat distribution, the mail order business, and grocery selling reduced employment opportunities in Saskatchewan in 1960. Most of the centralization involved consolidation of operations within the Province. In the oil industry, office centralization to Edmonton affected white collar job opportunities, especially in Regina.

Railways are showing a different kind of development. The extensive use of the private automobile has resulted in a cutback of passenger service to various points in Saskatchewan. But the modernization of equipment and administrative reorganization to accommodate new operating methods have caused most of the lay offs and reduction in job opportunities. Diesels require less servicing and overhauling than steam engines. The maintenance of locomotives, rolling stock and work equipment formerly done in the Moose Jaw shops for the prairie region has been centred in Winnipeg. Mechanization of maintenance of way operations and centralized traffic control need less workers. All of these factors have contributed to the drop in railway employment.

Even the technology of modern household operation has affected job openings. The family car, the widespread use of food refrigeration, and possibly the rise in the proportion of women who work have no doubt each contributed to the recent rise of the once-a-week grocery shopping expedition. The result has noticeably affected job opportunities for unskilled and semi-skilled women workers. In groceries and some variety stores there has been a switch to skeleton staffs and self service facilities during the week, supplemented by large part-time and week-end staffs. The introduction of laundromats has also affected the demand for labour in laundries.

3. Structural maladjustments in industry

A third significant long-run trend that has important implications for economic policy are the changes going on in certain industries that are destroying established market and price relations and causing serious maladjustments in the industries. These changes are giving rise to economic situations that, in the interests of a better allocation of resources, require corrections. In many cases they are also giving rise to human difficulties for which assistance should be offered during the process of readjustment.

Examples of these changes can be found throughout Canada. They are seen in the Canadian coal industry where the product is being displaced from its market for reasons of price and inferior physical characteristics. They are also seen in the railway industry with the shift to non-rail forms of transportation. The loss of passenger traffic and high-value freight has cut sales and created serious pricing problems. In Saskatchewan the kind of structural maladjustment we are talking about is reflected in the agricultural "cost-price squeeze"—that is in the growing divergence of the price farmers receive for their produce and the price they pay for the goods and services that enter into their costs of production. Table 16 describes what has happened to this cost-price relationship in the past decade.

The effect that the cost-price squeeze and continuing low income levels is having on farm implement sales and consequently on the farm implement industry in Eastern Canada is illustrated in Table 17.

TABLE 16
INDEX NUMBERS OF FARM COSTS AND PRICES

(1935-39 = 100)

Year	Farm Prices of Agricultural Products, Saskatchewan	Farm Costs excluding Living Costs ¹
1950.....	251.5	207.0
1951.....	268.7	225.5
1952.....	245.9	238.6
1953.....	228.7	237.3
1954.....	208.7	235.7
1955.....	203.5	234.7
1956.....	208.5	243.3
1957.....	201.6	251.0
1958.....	214.5	257.5
1959.....	218.5 ²	265.8
1960.....	216.4 ²	271.3

SOURCE: Dominion Bureau of Statistics.

¹ Includes equipment and materials, taxes, interest rates and farm wage rates.

² Based on estimated interim and final prices for grains.

TABLE 17

SALE OF NEW FARM IMPLEMENTS AND CURRENT VALUES OF IMPLEMENTS
AND MACHINERY, SASKATCHEWAN, 1950-1960

Year	New Implement Sales (\$000,000)	Current Values of Implements and Machinery (\$000,000)
1950.....	62.6	449.6
1951.....	61.1	525.6
1952.....	75.9	542.4
1953.....	80.3	575.2
1954.....	37.4	609.9
1955.....	32.4	588.4
1956.....	40.7	564.1
1957.....	32.1	551.7
1958.....	36.9	530.2
1959.....	50.5	516.9
1960.....	54.4	

Since there is little likelihood that prices on the foreign markets will increase or that costs of production will decrease the long-run expectation is that the spread between costs and prices will continue to grow and work increasing hardships on the Saskatchewan farmer. As more efficient combinations of land labour and capital emerge from the adjustments to technological change that are taking place the impact of the cost-price squeeze may be fractionally eased. But unless the necessary economic adjustment proceeds more rapidly and completely than it has, the results will be negligible. We believe this is one problem that must be tackled directly by government and not left to the brutal play of free market forces. On the one hand some system of price support is necessary; on the other steps must be taken to reduce farm costs, particularly the costs of farm machinery and supplies.

4. Human prejudice and the disadvantaged groups

Our review of the long-run problems facing Saskatchewan's manpower development would be incomplete if it did not mention the under-utilization or under-employment of groups of workers who for a variety of reasons, of which the prejudice of employers is not the least important, have been excluded from their rightful place in the labour force. We have in mind such groups as Indians, the older worker, the physically handicapped. In the past society has tolerated their exclusion from the labour force because of an indifference to the human problem involved and an unawareness of its costs. This situation is rapidly coming to an end and governments are facing mounting pressure to break the inhuman and costly habits of the past.

People are living and maintaining their capacity to work, longer. The physically handicapped are capable of performing highly skilled work. It is a sad comment on our social behaviour and institutions that we have to repeatedly affirm our belief that Indians are every bit as capable as non-Indians, opportunities being equal. The deterioration that goes on in the body and spirit of these people, as in all unemployed and under-employed, when they are denied productive work is not only economically wasteful but tragic. This can no longer be ignored. Any program for the development and utilization of Canada's manpower resources must recognize that these groups are an integral part of the total national labour force and that their problems are every bit as real and urgent as the problems of any other group.

B. Short-Run Factors

What we have been describing are the economic factors that have been operating steadily over fairly long periods of time. In addition to these, however, there are factors whose effects are felt periodically over shorter time periods—either over the space of a few years as in the case of "the business cycle", or during the course of a single year as in the case of seasonal fluctuations.

1. The business cycle

Saskatchewan, because it has less secondary industry, is not as directly affected by the business cycle as is Canada as a whole. But indirectly, insofar as the cycle influences the total Canadian demand for our primary output our economy is very much affected. And as the Saskatchewan economy grows less dependent on agriculture it becomes more sensitive and vulnerable to national economic forces that affect business activity generally.

The pattern of unemployment in Saskatchewan as we noted earlier (see chart on page 17) has conformed to the national pattern¹ and does reveal a clearly cyclical behaviour in Saskatchewan. Unfortunately we lack data which will help us assess the nature of the problem. The situation is no doubt very complex but in all probability it is dominated by the fluctuations in the construction industry, one of the most sensitive to the cycle.

We do not wish to underestimate the importance of the problem of cycles but we would like to suggest that a good deal of the evidence contained in studies prepared for the Committee indicates that the longer-run forces are having a greater impact on our economy. The studies suggest that recessions have come closer together and the recoveries have been progressively weaker. One of the most disturbing features is that the hard core of unemployment has grown larger with each succeeding cycle, both in absolute numbers and as a proportion of the labour force. Those laid off during the recession are not

¹ It will be recalled that the provincial and national patterns are described by different measures; the former by unplaced applicant data, the only data available, the latter by a sample survey of the labour force.

re-hired during the recovery. This clearly indicates a secular, not a cyclical, problem. Concern with the cycle should not blind us to the more fundamental issues.

2. Seasonality

Seasonal fluctuation in economic activity is another factor which affects the stability of employment and income in Saskatchewan as it does in other parts of Canada. And to the extent that it results in a less than optimum use of our manpower resources and skills, it presents a problem. The nature and extent of the problem in Saskatchewan are impossible to measure because of the lack of data. However, the prairie region is third among the five regions in order of severity of the seasonal problem, and it is probable that this represents the situation in Saskatchewan.

TABLE 18

PERCENTAGE OF LABOUR FORCE UNEMPLOYED IN SUMMER AND WINTER,
CANADA AND FIVE REGIONS

(1954-59 average)

Region	Unemployed in Summer	Unemployed in Winter	Change
Atlantic.....	4.0	13.4	9.4
Quebec.....	4.0	10.6	6.6
Ontario.....	2.5	5.1	2.6
Prairie.....	1.2	5.1	3.9
Pacific.....	3.2	7.0	3.8
Canada.....	2.9	7.6	4.7

SOURCE: D.B.S. Labour Force Survey.

Most of the seasonal unemployment in Saskatchewan has been associated with construction and transportation, which in turn is affected by construction activity, according to a recent Canadian Department of Labour publication.¹ The report goes on to say:

The amount of seasonal unemployment which originates in agriculture is not as large as the seasonal swings would indicate. The reason for this is that the expansion which takes place in agricultural employment during the summer is made up largely of unpaid family workers, students and other part-time workers who are not available for full-time work for the rest of the year. (page 3).

The impact of seasonal swings falls mostly on male occupations and appears to affect unskilled men more than any other group. Skilled men in a number of industries related to the construction industry also are affected. In Saskatchewan, employment in cement plants, brick manufacturing, sheet and fabricated steel products and the transportation industry is seasonally unstable. Food processing industries, particularly meat packing are also affected.²

The problem has not yet been adequately tackled. The Municipal Winter Works and Recreation Development programs, however useful they are, do not appear to be able to substantially solve the problem. Using unplaced applicant data we estimate for Saskatchewan that time lost due to seasonal unemployment in the winters of 1959-60 and 1960-61 was just under one million man-days.³ Under the Municipal Winter Works program, about

¹ *Seasonal Unemployment in Canada*, Canada Department of Labour, Queen's Printer, 1960.

² *Monthly Summary of Employment Conditions, Prairie Region, N.E.S.*

³ Estimates were arrived at by subtracting the monthly seasonally adjusted number of unplaced applicants from the actual number during the winter season and multiplying the remainder by 20.

150,000 man-days work were provided in 1959-60 and about 25,000 to 30,000 by the Recreation Development program. This is less than one-fifth of the total need.

Moreover, it is doubtful whether these programs can be expanded to have a major effect on winter unemployment. Municipal governments alone can absorb only a small amount of unemployed workers in their construction programs. Also, there is a limit to the number of projects a municipality can undertake, even with shared-cost incentives, over and above their regular workloads. The additional costs and high interest rates municipalities have to pay in many cases are too much for them to carry. But to the extent that the programs assist municipalities in diverting to the winter, work that would otherwise be done in the summer, and thereby encourage the more stable and more efficient use of skills and trades that would have to seek other jobs, they do make a useful contribution. It is questionable, however, whether in view of the kind of construction work municipalities do and the nature of the labour force affected by winter work programs that the impact is very great in Saskatchewan.

There is danger in attempting to tackle the problem of seasonality apart from the general problem of unemployment. Smoothing out seasonal fluctuations in itself will not create additional jobs which is the basic need. It will, however, provide more stable employment and by encouraging a more permanent allocation of labour to jobs result in a more efficient use of manpower resources. Where more permanent employment displaces seasonal workers, alternative jobs will have to be created by other means. This is not to underestimate the importance of anti-seasonal programs. It does suggest that their effectiveness is limited, and that we should not look to them to increase the total number of jobs which is the major task we must accomplish.

IV. A MANPOWER AND EMPLOYMENT POLICY FOR CANADA

In the preceding section we set out some of the more important barriers to the full and best use of our manpower resources. We outlined the effect of limited domestic and foreign demand for our output, the long-run results of technological change and structural maladjustments taking place in industry and some of the short-run and non-economic problems. This is by no means an exhaustive inventory of our difficulties but it represents some of the more important national issues that are reflected in the Saskatchewan scene.

In this section we turn to a consideration of the manpower and employment policies that are necessary if we are to solve these economic problems. We also consider the responsibility government must accept for them and for the general economic welfare of the nation. In discussing manpower policy we must be aware that it cannot be discussed in isolation from the general social and economic policy of Canada. In effect manpower is only one aspect or dimension of the more general social and economic situation we face at any time. Also, we cannot discuss it apart from its impact on all parts of the nation. Our economy is a single functional entity. We have divided responsibility for influencing its behaviour between levels of government but we have not thereby stopped any act at any level having repercussions through the whole organism.

The responsibility of government for guiding the economic affairs of the nation is indisputable. The operation of the private market, in our view, has not brought about an acceptable rate of growth, allocation of resources or

distribution of income nor is it likely that it ever can. Government alone has the democratic authority and the power to reconcile divergent interests, balance unequal powers in the market place and stabilize economic activity. It is both unrealistic and irresponsible to deny that these things must be done and that they can be done other than by government.

We believe Canada's social and economic policy as it affects our manpower resources must be directed toward the achievement of at least three basic goals which are part of a fundamental democratic philosophy.

1. The first goal is to achieve a rate of economic growth necessary to maximize national output and to make productive work available to all persons who seek it. We are not convinced that this goal can be attained only at the cost of substantial price inflation. On the contrary we believe that with appropriate monetary and fiscal policies full employment and relatively stable price levels are possible. We recognize that ill effects result from even modest price increases but these can be compensated in a variety of ways. We suggest, therefore, that our dedication to the goal of full employment need not be qualified by an undue concern for inflation, and we suggest further that if we must choose between long-run price increases and the kind of unemployment we are even now experiencing there should be no doubt but that we choose the former.

2. We believe the availability of jobs alone should not define our manpower objectives. We must also provide the opportunity and the facilities for the fullest development of the individual not only in order to achieve the greatest national output but in order that he, as an individual, may realize his maximum potential.

3. Individuals and groups should not be made to bear, solely on their own, the costs and burdens of technological advance and economic progress. We question the value of such progress when it occasions serious hardships for large sections of the labour force. We believe that society should, and that the economy can, provide full compensation to those who are displaced, through such measures as income payments, retraining and placement in alternative employment.

This statement would be incomplete if it did not recognize that there are other goals of economic policy that may not relate as directly to manpower policy but with which manpower policy must be made consistent. We have in mind such things as the more equitable distribution of the national income and improvements in its quality—i.e., improvements in the kind of goods and services that are produced and in the allocation of our productive resources as between different uses. In framing manpower and employment policies these objectives must also be kept in mind.

It is obvious that to achieve these goals will require an elaborate complex of economic programs of many kinds and at many levels. Policies will have to be developed to increase and improve the aggregate supply of goods and services and to create a commensurate aggregate demand for these goods and services. This will require the greater use of monetary and fiscal measures than has been our practice in Canada. This is one of the basic reasons why we deeply regret the decision of the Federal Government to weaken considerably its fiscal powers by altering the basis of the tax-sharing arrangements.

On the supply side there is a wide range of measures to improve our productivity by upgrading the quality of our plant and equipment as well as of our labour force, and to facilitate the allocation of these resources to their best uses by assisting and encouraging their mobility. In periods of full employment of our productive capacity, measures to increase capacity as well would have to be added. We must consider, for example, the use of educational and training programs for increasing the skills and knowledge of the labour force and of financial help and re-employment services to encourage labour to change jobs and even locations when necessary; ways of increasing managerial skills

and methods; measures to encourage improvements in plant and equipment and to direct its investment in certain industries and regions; measures to assist structural readjustments in certain industries, to eliminate the abuse of private market power and to facilitate the transfer of capital from less to more productive uses, ways to stimulate invention and technological innovation through pure and applied research. Each of these programs, in turn, has its own array of specific techniques, from outright grants to monetary and fiscal inducements to revisions in tariff policy to direct government services and the establishment of such bodies as the National Productivity Council.

On the demand side there is an equally long list of ways to stimulate the components of aggregate demand: the stimulation of consumer expenditures through tax revisions, transfer payments, consumer credit policy and higher incomes through increases in labour productivity; the stimulation of export demand through long-term loans and barter arrangements, export credit, revision of tariff restrictions, controls over the exchange value of the Canadian dollar, incentives to enter, and improve productivity in, export industries; the enlargement of government expenditures through increased social capital accumulation and the public provision of goods and services; the stimulation of investment expenditures through general and selective measures. Each of these programs, as well, has a wide array of economic instruments which can be used to achieve these results.

Obviously no brief can deal with all of these economic programs and techniques, their implications and ramifications. This requires continuous study and analysis. In this section, therefore, we can do no more than mention only those policies and programs we believe to be the most effective and desirable.

But governments need more than mere economic instruments to act effectively. These instruments must be selected, co-ordinated and applied in some rational systematic way to achieve the stated goals. They must be constantly tested and revised in the light of experience. The goals themselves must be constantly assessed and kept free from private interest and special privilege. This, in effect, is the substance of economic planning and if governments are to accept their responsibility and to discharge it efficiently it is an approach to which they must commit themselves. This has been widely recognized in Europe. It is gaining increasing acceptance on this continent.

Further, because responsibility is divided between levels of government, economic planning must go on in both the federal and provincial spheres of jurisdiction. In Canada because of the federal nature of the state a great deal of emphasis must be placed on the co-ordination of federal and provincial economic planning both with respect to the government's own activities and its guidance of the economy as a whole. To say this is not to suggest that the roles of both levels of government are equal. Each has a distinctive contribution to make; but the superior constitutional authority and economic power of the Federal Government necessarily vests it with the major role and gives it greater opportunity for leadership.

With these goals and methods of economic planning in mind, we now turn to a discussion of the specific policies and programs we feel should be drawn to the attention of the Committee.

A. ECONOMIC POLICIES

A great deal of emphasis has been placed on the low rate of economic growth of the Canadian economy in recent years. Not only has it been falling in the cyclical downswings but the fact that it has not improved a great deal during the recovery has been pointed to as evidence of secular weaknesses that require some basic long-run solutions. And since the rate of growth is one of the major determinants of the level of employment, it must form the focus of our primary concern.

The rate of growth must obviously be great enough to absorb both the natural increase in the labour force and the numbers of workers who have been displaced by technological change and automation. But having achieved this goal the rate of growth should be viewed in a wider perspective. Growth ought not to become an end in itself, an object of blind worship. On the one hand we must be aware that a high rate of growth is achieved at the cost of sacrificed consumption and leisure and some social capital. On the other hand it is only with a high rate of growth that we can satisfy our many unmet needs, extend our assistance to the deprived and hungry nations of the world and meet the costs involved in efforts to preserve our national identity. We are not implying that these choices are important issues today; rather we are suggesting that at all times it should be the purposes of economic growth rather than growth itself that should shape our thinking and guide our actions. There is no doubt in our minds that in the context of the current problems of unused capacity and unemployment we must act boldly in a number of areas to stimulate demand and achieve a higher rate of growth.

1. *Measures to increase consumer demand*

The stimulation of consumer demand is usually thought of as being a short-run policy to compensate for the cyclical swings of the economy. No doubt this is one of the most effective of the short-run approaches because its results are felt almost immediately. But we suggest it can also have an important long-run impact. The decline in the rate of population growth and family formation is often pointed to as one of the contributors to long-run decline in our rate of growth. It seems to us that the vast areas of unmet need among the low income groups present a huge potential segment of demand that can provide an effective alternative stimulus to growth. We believe consequently that a number of steps should be taken to increase consumer purchasing power particularly among the low income groups.

The most important of these steps is to increase the levels of income among the lower income groups. Since low productivity is the primary cause of low income we suggest it is important to concentrate on increasing labour productivity both through technological innovation and capital investment and through the training of the labour force. The productivity of our economy is one of the most important factors we must deal with today; it affects virtually every aspect of our economy. No issue affecting our long-term growth deserves greater attention and more will be said later on this question. At this point we wish to emphasize its significance for raising the income levels of the low wage and salary earners in Canada.

A second important step is tax relief to the low income groups. We believe that our income tax exemptions should be raised to realize the high consumption potential of the low income groups. This recommendation need not be laboured unduly; it has almost universal acceptance. In Canada groups as diverse as the Canadian Labour Congress and the Canadian Chamber of Commerce have recently advocated such a measure.

Third, we believe our transfer payment programs should be substantially revised. Here too this step is being advocated for reasons of both its long-term as well as short-term impact. Programs of this kind—the so-called “built-in stabilizers”—are widely acknowledged as important techniques for supporting purchasing power and reducing fluctuations in economic activity. There are a number of ways in which these important techniques can be developed. We do not intend to elaborate on them here but wish to point out to the Committee the kinds of things that can and should be done in the interests of economic growth and stability.

We suggest that the level of payments provided by existing programs should be increased so that they offer recipients more income, relative to average incomes, than they now do. We suggest further that these programs should recognize the mild inflationary pressure our economy is subject to and payments should be tied to an appropriate price index. We believe that in addition to existing programs there are many areas where new programs are needed for reasons of human welfare as well as their desirable economic consequences—e.g., to mention only two, retirement programs with benefits related to income earned during working life, and protection against loss of income due to sickness and accident not covered by workman's compensation.

Recently a great deal of public attention and criticism has been directed toward our unemployment insurance program. The substance of the criticism is that many people are drawing unemployment insurance benefits who either were not eligible for them or who did not "need" them because of other sources of income. We do not intend to argue the validity of these criticisms at this time. However we do wish to express our concern at the misdirected emphasis they seem to have occasioned. If the law is being violated or the program is being abused steps should be taken to correct the situation. But we find it deeply distressing that at least as great attention has not been given to a far greater problem—the very low rates paid to unemployed persons. An indication of the rates paid in the 12-month period ending in September 1960 is set out in Table 19. The table reports the weekly income received by workers who qualified for unemployment insurance benefits during the 12-month period ending September 1960. Workers with dependents are shown separately from those without dependents. The table shows that in about 583,000 cases, or over 50 per cent of the total, benefits of \$24 or less per week were received. We think it is unreasonable to expect individuals and families to live at this level of income. We strongly recommend that unemployment insurance benefits be increased substantially even if this means a much larger subsidy by government.

TABLE 19

WEEKLY RATES PAID TO UNEMPLOYMENT INSURANCE BENEFICIARIES BY DEPENDENCY STATUS AND SEX, CANADA, 12 MONTHS ENDED SEPTEMBER, 1960

	Total	Male	Female
With Dependents.....	541,351	523,039	18,312
\$15 or less.....	6,484	3,927	2,557
Over \$15 to \$24.....	58,132	50,428	7,704
Over \$24 to \$30.....	244,500	238,496	6,004
Over \$30 to \$36.....	182,229	180,188	2,041
Without Dependents.....	603,734	353,806	249,928
\$15 or less.....	190,043	52,946	137,097
Over \$15 to \$24.....	328,181	225,012	103,169
Over \$24 to \$30.....	85,480	75,818	9,662

SOURCE: D.B.S. Special Quarterly Tabulation on Benefit Periods Established under the Unemployment Insurance Act.

A fourth area where action is necessary is farm income. Farm income is a sufficiently large factor affecting total demand, particularly in Saskatchewan, and poses sufficiently different kinds of problems to warrant separate discussion. Not only does the welfare of agriculture depend on a high level of demand for foodstuffs in Canada as a whole, but the nation's other industries, particularly the manufacturing and service industries, are very

much affected by the levels of farm income. Farm income and spending is no less important a part of the underpinning of economic activity than any other income segment and farm policy will affect not only our agricultural manpower but the whole of our labour force.

There is another consideration we wish to place before the Committee. This is important not only in order to stimulate aggregate domestic demand as the foregoing was, but is also an important component of the long-run solution to our problem. It should be judged in the light of both purposes.

The level of farm income is subject to other forces than those which affect the level of wages and salaries. Ignoring markets for the moment, farm revenues are determined in highly competitive markets where the long-run trend is for prices to decline. Farm costs, on the other hand, are determined in markets where imperfect competition and administered prices prevail. As we noted earlier this is one of agriculture's chronic problems. For this reason the Government of Saskatchewan has long argued that the Federal Government must intervene more actively in the market to raise income in the industry. We recommend now as we have in the past that the Federal Government adopt a program of price supports to farmers which will assure them some reasonable level of parity of income. We recognize that price support program involves a large number of complex issues but we believe it is entirely feasible through the technique of deficiency payments based on farm units of reasonable size and productivity, to free farmers from the losing battle against superior adverse market forces. This may not have to be a permanent feature of our farm policy. Possibly after the industry has been able to complete a satisfactory economic adjustment, support of this kind will no longer be necessary. For the present and the whole of the transitional period, however, it is vital.

We also wish to draw to the attention of the Committee the need to bring about reductions in farm costs. We believe, for example, that effective action can be taken through a reorganization and rationalization of both the production end and the distribution end of the farm implement industry to reduce costs to farmers. These suggestions are elaborated in our brief to the House of Commons Committee on Agriculture and Colonization on Farm Machinery Prices. We think parallel efforts should go on in the attempt to reduce costs of other major items in farm expenditure such as fertilizers and chemicals. A beginning in this direction should be made with a thorough study of other industries whose products enter into farm costs of production, just as the farm implement industry is now being studied.

There is one other major area affecting domestic consumption we wish to comment on. We believe there are certain kinds of goods and services that individuals either cannot provide for themselves or that can be better provided on a community basis. Here we have in mind such things as certain kinds of housing, recreation, health care, community planning and the whole range of social capital expenditure. From time to time we hear, for example, of the housing market being saturated. Yet at these times we cannot claim that we are an adequately housed nation. The low income groups have not been able to meet their housing needs out of their own resources. The same can be said about many other human needs. All of these areas are important potential stimuli to economic growth and represent needed improvements in the quality and distribution of our national wealth.

In suggesting the community consumption approach we are not saying that the state is a better judge of what people want than the individuals themselves. On the contrary we believe that one of the cardinal principles of a democratic society is the sovereignty of consumer choice based on informed

and rational judgement, and we believe that our economic policies must support this principle. Rather we are suggesting that there are vast areas of want in which individual preferences cannot be made effective by individual action, that the satisfaction of these wants is vital for improving the quality of our national income—that is improving the uses to which we put our resources and productive capacity—and that government has a role to play in assisting the satisfaction of these wants. This is not unwarranted paternalism; it is public responsibility. In seeking to expand consumer demand as a stimulus to economic activity we must be aware of the alternative kinds of expenditures that can be stimulated and their effect on our social and cultural life as well as their economic effects. Our decisions affecting manpower and employment cannot be made in isolation. They must be made consistent with our wider social objectives.

Community consumption is one of the approaches which has not received nearly the emphasis and use in Canada it deserves. As an economic technique for stimulating demand, as a means of satisfying human want, of allocating productive resources more intelligently and of improving the quality of our national income, it has unparalleled potential. We are all aware that there is a great deal of prejudice against this kind of economic direction and want satisfaction. We suggest that this prejudice is based on obsolete and unrealistic notions of the individual, his power in the free market and his relation to the state. We earnestly urge the Committee to consider this approach, objectively, on its own merits.

2. *Measures to enlarge foreign markets and facilitate trade*

Earlier we noted that if Canada is to look to expanding its exports as a major impetus to economic growth, it will have to adopt entirely new approaches to its foreign trade. The economic recovery and technological advance of Europe and the emergence of world trading blocs are resulting in basic structural changes in our traditional trading relationship and are threatening the position we have occupied in the post-war period. If we are not to be gradually squeezed out of foreign markets we suggest that policies which recognize these facts must be followed.

Solutions must be sought in a variety of approaches. To suggest them is not to propose anything startlingly new but merely to ask that Canada now do what its competitors have been doing for some time. Basically we must move in the following directions: facilitating the exchange of goods through such things as more liberal credit and barter arrangements and fewer restrictions on imports; assisting economic growth in underdeveloped nations in order to expand the markets for Canadian goods; working towards freer trade; and improving the productivity of our own export industries in order to increase their ability to compete in foreign markets.

We suggest the first approach on the grounds that it is to our mutual advantage to exchange with other countries what each can produce most efficiently, and that we are not now doing all we can to exploit this situation. India, for example, now requires markets for her cotton textiles and vegetable oils. According to the International Bank for Reconstruction and Development she will always have to import wheat, copper, zinc, tin, lead, cobalt, sulphur and petroleum products.¹ The first three of these are of great importance to Saskatchewan and are commodities Canada can supply if we first open our markets to Indian products. There are also products which India is importing now from other countries under special credit and barter arrangements in which she will not be self-supporting for another decade or two. These include

¹ Source: *The World Bank in Asia*, International Bank for Reconstruction and Development, Washington, 1960.

fertilizer, machine tools, heavy machinery, industrial electrical equipment, chemicals, dyes and pharmaceutical products.¹ These are markets in which we should be able to share to a greater extent than we now do.

India is only one example of what are general developments in those countries which hold the greatest long-term promise for our export trade. Many potential customers are today buying mainly from countries which have helped them finance their purchases. Canada can to her own advantage copy what is normal practice in other exporting countries. At the present time, for example, we are the only exporting nation which does not offer barter deals. If we were prepared to use these various aids to trade widely we believe we could substantially increase our foreign exports.

In addition to increasing direct and immediate sales such steps would have long-run advantages. A large part of the purchases made by underdeveloped countries would be used to speed their economic growth. This in turn would increase demand for additional Canadian exports. One of the studies prepared for the Royal Commission on Canada's Economic Prospects expresses it in this way:

If aid on an acceptable basis were increased, it would mean that economic development could proceed more rapidly and that exporting countries, including Canada, would gain both from the ultimate increase in the buying power of the underdeveloped countries and through helping to supply the needs of their development programs.²

It is obviously in Canada's ultimate self-interest to explore the needs of the underdeveloped countries and offer them the kinds of assistance they require for their economic development. Vastly increased assistance to underdeveloped countries through the Colombo Plan and the United Nations is one of the first specific steps we would recommend.

In addition to facilitating foreign purchases of our exports we believe Canada must work toward the establishment of freer trade areas. We are convinced, for example, that the economic interests of Canada will be better served by the development of an Atlantic Free Trade Area than by a continuation of the existing structures of tariffs and protection. This suggestion immediately raises a host of problems but we believe on balance that with a protectionist policy we lose a great deal more than we gain. Our conviction is based on a number of considerations.

The cost of protection in the form of higher prices to the consumer is probably no longer disputed. Various estimates have been made from time to time and they are all substantial.³ In addition to this, tariffs have the general effect of misallocating our resources to the extent that they favour the weaker protected industries against potentially stronger ones which would be established in the absence of protection—primarily those industries for whose products the domestic Canadian market is too small. Further, Canadian protectionism, insofar as it is accompanied by barriers against our exports, seriously reduces the size of foreign markets available to us. For Saskatchewan, which is heavily dependent on foreign sales of wheat and other primary commodities and which exports about 50 per cent of its total commodity output, this is serious.

On the other hand, we believe greater freedom in foreign trading will enhance our productivity and direct our resources to more efficient uses. It would help remove the limiting factor of small scale operations which has prevented the development, for example, of secondary manufactures for

¹ Source: *The New India*, Indian Government Planning Commission, 1958.

² *The Future of Canada's Export Trade*, R. V. Anderson, Royal Commission on Canada's Economic Prospects, Ottawa, Queen's Printer, 1957, p. 94.

³ See, for example, J. H. Young, *Canadian Commercial Policy*, Royal Commission on Canada's Economic Prospects, 1957. The cost of the Canadian tariff in 1954 was estimated to be between \$610 and \$753 millions (p. 72).

export to the United States. We note again that the new markets opened to Canadian industry by this move is much larger than the one opened in Canada for U.S. output.¹ The report prepared for the Gordon Commission mentioned earlier notes that with the removal of tariffs more normal trading relations can be established and fuller advantage taken of the benefits of the international division of labour.²

In summary, the distortion in our industrial structure, the reduction in our standard of living and the inferior use of our productive capacity occasioned by a protectionist policy, cause us to be alarmed at the evidence of growing protectionism in Canada and lead us to advocate a policy of free trade which ultimately, we believe, should be institutionalized in an Atlantic Free Trade Area. If there are any benefits that now result from protectionism we are convinced that they can be achieved by other and more appropriate means.

In any move towards free trade certain individuals and industries will be hurt. In this case we repeat the principle we stated earlier—that no individuals or groups should be made to suffer because of the economic adjustments that are necessary in the interests of the economic betterment of the nation. We believe that such things as the timing of change to coincide with periods of economic expansion when the shifts of resources and other adjustments are easier, the retraining and reemployment of displaced workers and possibly some forms of compensation could considerably ease the transition. We do not believe that the dislocations that are inevitable should cause an abandonment of the goal. This would make our behaviour unwarrantedly rigid.

When we say that freer trade arrangements will result in net gains to Canada we are in essence implying that if Canada does not already possess natural competitive advantages in an international market she can develop her skills and productive capacity so as to achieve them. This we recognize will place a great premium on developing Canada's productivity, for if our natural advantage lies anywhere it is in capital-intensive production based on our natural resources and in a highly skilled labour force. We believe our nation's productivity is a vital factor in our foreign trade and must receive a great deal more attention than we have given it. While the recent establishment of a National Productivity Council is a most welcome development we suggest that perhaps more might be done than is covered by the Council's terms of reference. We are, for example, impressed with the kind of work being done in Europe in this regard, particularly in Sweden, and suggest that we might learn some lessons from the countries of Western Europe.

3. *Stimulation of investment demand*

The "multiplier" and "accelerator" effects are sufficiently important economic phenomena to justify special measures to stimulate investment demand. We should, of course, be aware that in periods of recession a great deal of unused capacity exists and general measures to increase investment may result in adding to capacity that is already idle. We suggest, therefore, that inducements to invest, like other economic techniques, must be used selectively. But apart from this qualification we suggest that because of the "multiplied" employment and income that investment spending generates, considerable priority should be attached to this aspect of economic activity. We think measures should be applied in at least four areas.

To begin with, we believe that the best incentives to investment are high levels of consumer and foreign demand. This should be a basic element in any investment policy. But special inducements are often necessary to bring about

¹ *The Final Report of the Royal Commission on Canada's Economic Prospects, 1957*, (p 235) notes that the U.S. market for products of Canadian secondary industry is in physical terms 18 to 19 times as large as the Canadian market.

² *The Future of Canada's Export Trade*, R. V. Anderson, Royal Commission on Canada's Economic Prospects, Ottawa, 1957, p. 5.

investment which could not otherwise take place. We have in mind, for example, some of Canada's depressed regions and industries. In Saskatchewan, as we noted earlier, if we are to retain our growing labour force secondary industries will have to be developed. In these cases monetary inducements in the form of low interest rates and adequate supplies of needed capital, fiscal incentives in the form of tax concessions, depreciation allowances, and direct loans are needed. It may also be necessary to develop our national policies with respect, for example, to transportation and resource development in the light of the requirements of regional development and integrate them into a co-ordinated national plan. It is difficult to generalize about the use of any specific technique, such each situation will require its own solution. But the need for these inducements and for co-ordinated national policies, and their effectiveness, should be under constant study and should be continuously used as instruments of public policy. We suggest here that a great deal can be learned from the experience of European countries who have been using these techniques extensively and effectively throughout the post-war period (see footnote 2 on page 1512).

Second, in addition to action in the private sector, public investment expenditure can stimulate total investment demand enormously. Social capital expenditures by all levels of government in such things as roads and schools, resource development, conservation programs, and similar programs have tremendous potential for meeting the ends of social and economic policy. The substance of the justification we presented earlier for government expenditure on community consumption applies equally here and there is no need to repeat it now.

However we wish here to emphasize the importance of provincial and municipal construction projects in the total complex of social capital programs both for the social development of local communities and for its employment-creating effects. In the past we have constantly reiterated our recommendation for measures to assist municipalities carry out such projects and have urged the adoption of policies to make capital available to them at low rates of interest. We repeat the need for such measures.

We would like to make it clear that we attach a great deal of importance to government investment expenditure and urge the Committee to consider its more extensive use as a vital component of public policy.

A third significant stimulus to investment demand has already been referred to: namely, assistance to the economic growth and industrialization of underdeveloped countries. We will not elaborate on this point beyond repeating, in the context of this section on investment demand, our conviction that there exists in these countries a great potential demand for our capital and consumer good output.

Fourth, we must mention the stimulus that investment spending derives from technological innovation. There is perhaps a greater significance to investment in new techniques and processes since it adds more, through enhanced productivity, to our national output. We urge that adequate importance be attached by the Committee in its deliberations to research of all kinds: pure and applied, in the physical and social sciences, by government and private agencies.

4. Improvements in productivity

Reference has already been made to the importance of productivity in stimulating domestic demand for, and foreign sales of, Canadian output and its implications for the level of employment. Apart from these employment-creating effects, however, we must also look to improvements in productivity to help us achieve a better use of our manpower resources, to achieve structural improvement in certain industries and to increase our national product. While an increase in national output is a basic objective for our overall national

economic policy the first two points are more relevant to the Committee's terms of reference, and it is these we discuss in this section. Although Saskatchewan and agriculture are used as our primary focus, we believe our experience is representative of a situation that is more general throughout Canada and that our recommendations have a wider application and validity.

Earlier we noted the lower levels of productivity in agriculture compared to other industries and the inability of the industry to retain its labour force. We also noted that the exodus of population from the farms was composed to a large extent of young adults seeking off-farm jobs who had not had the opportunity to acquire the skills needed to fill increasingly technical industrial jobs. These are the particular problems for which we require solutions in Saskatchewan. We are sure that our suggestions for action are relevant for our depressed industries and regions.

Basically two approaches are needed to cope with the situation. One is to improve the technical efficiency of the farm unit through better combination of the land, labour and capital inputs. The other is to facilitate the retraining for, and relocation in, alternative employment of the farm labour force which cannot find productive work on farms.

A good deal has been said about the farmer. It has received extensive treatment in the Report of the Saskatchewan Royal Commission on Agriculture and Rural Life and there is no need to burden the Committee with its elaboration now. We merely note for the record that such an approach must provide: programs for more effective utilization of land and more efficient production patterns designed to meet market demand; the provision of adequate low-interest, long-term credit supplemented by information and farm management consulting services to permit farmers to acquire economic units and needed stocks of capital equipment;¹ and services to encourage the most efficient use of capital equipment, through, for example, the development of co-operative organizations.

These measures have their counterparts in programs for other chronically depressed industries and other regions. Where it appears wise to bring industry to a depressed area or to support a depressed industry the European nations have used a wide variety of techniques to achieve these ends. They have provided inducements and assistance to industry to invest and to improve their technology. They have also assisted with the development of transportation, power and other facilities economists call "infra-structure". They have even participated in the structural reorganization of industry. We suggest here, too, that we in Canada can learn a great deal from the European experience in these matters that is directly relevant to our Canadian problems. But first we must be prepared to accept a more active role for government in the economic affairs and decisions of the nation.

The second kind of approach we require is programs to upgrade our labour force in order to satisfy the demand for increasingly skilled workers, and to retrain and relocate those workers who, for reasons of technological change, find themselves displaced from certain industries. If the various studies prepared for this Committee have revealed anything, they have shown the growing need of the economy for more highly trained and skilled workers, and the large proportion of the unemployed comprised by those who lack such training and skills. The Gordon Commission reports on this situation in their Report in these terms.

¹ In spite of the availability of funds under the Farm Credit Act and the Farm Improvement Loans Act, farm needs for financing land and equipment purchases are not being fully met. In Saskatchewan additional credit is specially needed to finance the enlargement of undersized farms. Also many farmers, although they must finance land and equipment purchases at the same time, cannot borrow for the latter purpose under the F.I.L.A. unless they have paid off a good deal of their debt under the Farm Credit Act.

The mechanization and growing capital intensity which will accompany the expansion of the secondary industry, together with the increasing complexity of the machinery and electronic regulating devices, will inevitably result in a continuing rise in the demand for labour with specialized skills and for trained management personnel... It is... essential to the welfare of this sector that these problems be resolved. Otherwise shortages in the supply of managers, engineers, and skilled technicians might prevent it from achieving as rapid a rate of growth as we predict for it.¹

We have also been very impressed with the evidence presented to the United States Joint Economic Committee on Employment, Growth and Price Levels which constantly emphasized the enormous importance of education in economic growth.² The Committee itself after summarizing its recommendations says:

"Of these recommendations, federal aid to education is the most important for raising the long-term rate of growth."³

In view of the overwhelming weight of the evidence, we most strongly urge the Federal Government to greatly expand its program of assistance to technical education in Canada. Last year we were pleased to see the passage of the Technical and Vocational Training Assistance Act and commend the Federal Government for the improvements it contains over the old program. However we suggest that limiting the offer of 75 per cent assistance for capital expenditures on training facilities to a period which ends on April 1, 1963, misses the point. This clause may have been introduced to encourage construction during the current recession. We submit, however, that the program is far too important to be used merely as a counter-cyclical, employment-creating device. In the interests of providing Canada with the technical training facilities it desperately needs, we think this provision should be made a permanent feature of the Federal Government's contribution to technical education in Canada.

We also suggest that the Federal Government, because of its interest in improving inter-provincial mobility of labour and in the general improvement of national productivity, should push this program beyond its present limits. A great deal more can be done to extend the opportunities for vocational education and to improve more rapidly the quality of our labour force. We further urge, therefore, that the Federal Government provide the leadership and the additional financial help to the provinces needed to substantially expand the program. This is particularly important in the light of the Gordon Commission's observation that the use of apprenticeship training was declining while the importance of training in technical schools and institutes was rising.⁴

It is programs of this kind, with facilities spread more widely throughout the province, that our economy needs to assist agriculture make its adjustment to technological change, and to retrain the young adults who must leave the industry. But retraining in itself is not sufficient. Above all, alternative job opportunities must be found. Further, in spite of the improvements that have taken place in communication, rural people are not fully informed about the job opportunities that do exist in urban centres. We suggest that it is also necessary to provide an information service of this kind. Moreover, because it is expensive for people to move from one location to another and because

¹ Opus cit, p. 248.

² *Hearings before the Joint Committee on Employment, Growth and Price Levels*, (particularly testimony of Professor W. W. Heller, p. 2990-2991) United States Government Printing Office, Washington, 1959.

³ *Report of Joint Economic Committee*, United States Government Printing Office, Washington, 1960.

⁴ Opus cit, p. 267.

this cost might well be an effective deterrent to relocation, we also suggest that a system of relocation grants or allowances be developed. This need is recognized in the present Unemployment Insurance program,¹ but unfortunately the program has not been developed.

We should stress that the suggestions we make are not only applicable to agriculture. It seems to us that they are relevant for all technologically displaced persons, economically and socially disadvantaged groups such as Indians and handicapped persons, and new entrants into the labour force from depressed areas, such as, for example, the "hereditary" unemployed discussed by Professor Fortin in his submission to the Committee on March 23. Each of these groups may require special auxiliary services, but basically programs of retraining and relocation are relevant for all of them.

The problem of the employment of the older worker and the restrictions imposed on labour mobility by the various employee pension schemes cannot be ignored in this discussion and deserve some mention, however brief. A great deal of work has been done in these two areas and we suggest to the Committee that it not ignore the many useful recommendations that have been put forth by those in the fields which deal with these problems.

5. Measures to counteract cycles and seasons

There remains one more problem area we wish to comment on—the impact of cyclical and seasonal swings in economic activity on levels of employment and on the efficiency with which we use our manpower resources.

The theory of counter-cyclical programming, as is well known, has been extensively developed over the past 25 years and has reached a high degree of sophistication. A good deal of this theory has in fact been used in planning and guiding the economic policies of many European countries. In Canada, on the other hand, apart from some changes in monetary policy and some use of investment in housing very little use has been made of the almost universally accepted tools to control the business cycle. Without wishing to over-emphasize the importance of counter-cyclical policies in Canada's economic development, we believe that this is one of the serious deficiencies in Canada's national economic policy.

Reports on European economies clearly reveal that the recent growth in production and employment, and their post-war stability can in large measure be attributed to government action and specifically to government guidance of private investment.² We do not wish to recite the full range of policies pursued by the Western European nations, but suggest that the techniques they use, such as tax incentives and direct controls to influence the level and direction of private investment, monetary and fiscal policy to stimulate demand and the supplying of capital directly by government are relevant for the problems facing Canada and should receive the serious consideration of the Committee. This is the first suggestion we wish to make for tackling the problem of cycles.

In addition to influencing the behaviour of the private sector, governments can take effective counter-cyclical action directly. We believe direct government action here as in the case of stimulating consumer and investment demand has a great deal of virtue because it can combine long and short-run goals and the wider social objectives of public policy along with the economic objectives.

During recessions, in the exercise of the responsibility for maintaining stability in the economy, governments are provided with the opportunity for developing basic public services, for upgrading the physical environ-

¹ See Unemployment Insurance Regulations, sections 31 and 32.

² "The Post-War Business Cycle in Western Europe and the Role of Government Policy", by Angus Maddison, *Banca Nazionale del Lavoro Quarterly Review*, Rome, 1960; United Nations, *World Economic Survey*, 1959, New York, 1960.

ment we live in, and for providing the kind of basic social plant and equipment we need to improve the quality of our national physical assets, goods and services. We have already commented on the importance of these services and need not comment on this aspect further. At the same time government programs can be speeded up or slowed down in keeping with the requirement of short-run counter-cyclical planning. This, of course, is one of the basic criteria a counter-cyclical tool must meet. Many government programs are ideally suited for this purpose. On all counts direct government action must be accorded the highest priority as an approach to combatting the effects of the business cycle. This is the second consideration we wish to leave with the Committee.

A great deal of study has been carried out in Canada on the effects of seasonal fluctuations on employment levels and on the seasonally unemployed. Their economic consequences have been measured in a number of ways. To these consequences we would like to add and emphasize another. Seasonal unemployment denies to the individual the opportunity to work at his trade or to work at all throughout the year if he wishes. This violates one of the fundamental principles on which we suggest a national manpower policy must be based. Apart from the economic costs involved this alone would justify taking action to cope with the problem.

However useful winter works programs are, it is doubtful, as we noted earlier, whether they can do much to solve the problem of seasonal unemployment. We suggest that, in addition, various incentives to private industry should be offered to assist action on its part. Since winter work is usually more costly, tax incentives to offset the additional costs might appropriately be tried. Or such incentives might be used as a general inducement to any seasonal industry which can smooth out its seasonal pattern. Because changing technology can have a very great impact on the seasonality of production we also suggest that research into the technology of winter output be encouraged.

* * *

The question is often asked whether government can afford to carry out the policies and programs we have suggested above. We believe that there has been ample demonstration in the past not only that they can but that they must. During World War II there was no question about our ability to finance the war effort. We faced a crisis and met it successfully. Now we face another crisis.

Today the stakes are potentially as great. The free world is fighting a cold war against dictatorship. If this struggle is not to end in a third and probably final war, or in the loss of the free world through economic and political means, it must be fought on all fronts. Perhaps the most important of these are the "economic" and "social" fronts. The need to finance these battles is urgent; the price for not doing so, which we have already begun to pay, is too great. The question is not whether government can afford to pay for these policies; rather, it is whether it can afford not to finance them.

Our efforts during the early part of World War II were, undoubtedly, financed by eliminating the waste resulting from the unused and misused economic resources of the thirties. Today we are experiencing a similar kind of waste and we believe a large part of the cost of the national and international policies we favour can be met by the fuller and more effective use of our present resources.

B. THE NEED FOR ECONOMIC AND SOCIAL PLANNING

So far in this section we have been talking about economic goals and policies to achieve these goals. We have said nothing about the process of translating purpose into action, of moving from a clear recognition and definition of the problem to its solution. This is also a vital concern of government and must be looked at in any discussion of manpower and employment policy.

It is an over-simplification of the process of government to imply that the selection of economic policy is a straightforward matter and comes automatically. Between the stated goal and its ultimate realization lies an elaborate network of complicated economic judgments and decisions, based on sensitive observations and evaluations of the behaviour of the economy, and requiring the co-ordination and constant sharpening of many economic tools. There is a great deal we do not yet know about economic behaviour but which we must learn about to act effectively. To list an economic technique does not in itself suggest exactly when it should be used, or to what extent or in conjunction with what other techniques or what side effects to expect. This knowledge can come only with constant and systematic review of the results of its application. Initially the use of any particular technique is based on some concept of what it will do, but the actual results must be assessed empirically through disciplined objective study. This process is the substance of economic and social planning whose purpose, in its simplest terms, is to arrive at the best means for achieving stated goals.

We should be clear about what this method implies. First it implies an unequivocal statement of the goals of our economic policy. Governments now have and cannot avoid responsibility for the economic functioning of the nation. With the progressive disappearance of the "free" market mechanism, if it ever effectively existed in the real world, the notion of the sanctity of this regulator and faith in its ability to maintain high levels and to direct economic activity, allocate resources intelligently and distribute wealth in the best of all possible ways must be abandoned. In spite of our apparent affluence there is a tragic amount of waste and vast areas of unmet need amongst, for example, the unskilled, the aged and many other groups in our society. A good deal of the difficulty has resulted from the fact that the "free" market mechanism has not been able to do successfully the things that are claimed for it. Governments have had to step in to compensate for its failure. This has been almost universally recognized. It was the premise on which the United States Employment Act of 1946 was brought into being. It underlay the White Paper on Employment and Income of 1945—Canada's blueprint for the new post-war period.

We suggest because government has this responsibility its actions inevitably must be based on some concept of economic goals. If this is so, these goals must be made as explicit and as clear as possible. We suggest this in the interests of rational and efficient action, for it is obvious that the less explicit and the less precise our goals actually are, the more difficult they will be to achieve.

Second, economic planning implies that governments must be responsive and receptive to new policies and programs and must be prepared to judge them on their own merit rather by the extent to which they conform with established practice. The more hidebound we are by old and obsolete habits of thought and action the less imaginative and creative and, therefore, the less successful will we be in finding the solutions we seek.

Thirdly, economic planning implies a great deal more competent research into and discussion of economic policies and programs and the recognition of

the relevance of this research and discussion for public policy formulation. This suggests that the requirements of the economy, defined in the light of our economic goals by our accumulating economic knowledge and wisdom, rather than private interest or special privilege, must determine the courses we follow.

It appears to us, therefore, that the issue we face is not whether we shall espouse economic planning or not. Since government, by the nature of its responsibility is already involved in economic planning, the issue is whether we shall adopt sound and deliberate methods of economic planning or continue to stumble and flounder as we have in the past and suffer the consequences we are now experiencing.

There is nothing revolutionary in what we have said. The need for economic planning is being more widely accepted every day. All we ask is that we shed our ancient prejudices against the open acceptance of the method and cultivate and strengthen it in the interests of more effective and more responsible democratic action.

We can also estimate in a rough way the division of the labour force into agricultural and non-agricultural and sex groupings. This (in 1951) there were about 112,000 farm operators in Saskatchewan. This figure corresponded at that time to a total agricultural labour force figure of 148,000. We estimate that there are now about 92,000 farm operators in the Province. If we assume that the ratio of the number of farm operators to agricultural labour force is roughly the same today as it was in 1951 (actually it is probably a little higher due to increasing mechanization of farm operations and the lower proportion of hired help) we arrive at an estimated agricultural labour force of about 122,000. This leaves a non-agricultural labour force estimate of about 191,000.

If further, we make certain assumptions about male and female participation rates we can also estimate the sex distribution of our current labour force. The percentage of males 14 years of age and over who are in the labour force has been virtually constant over the past decade for Canada and the prairies. If this is also true for Saskatchewan, and there is no reason to think otherwise the 1951 participation rate of about 81 per cent should obtain today. This rate produces an estimate of about 232,900 males in the labour force. If we assume that the female participation rate in Saskatchewan has risen by about two and one half per cent during the past decade from 18.3 per cent in 1951 to 22 per cent today we arrive at an estimated female labour force of about 62,000. The assumption that a larger proportion of women are today seeking and holding employment is reasonable. Also the 22 per cent figure is still well below the 27 per cent rate for the prairies as a whole.

APPENDIX

ESTIMATES OF SASKATCHEWAN'S LABOUR FORCE

Section II of this brief contains estimates of the size and composition of Saskatchewan's labour force. The method of arriving at these estimates, which are based on census data, is outlined below.

1. Size

In 1951 Saskatchewan's labour force stood at 302.5 thousand or just over 51 per cent of the population 14 years of age and over. Since that time, in the prairie region, labour force participation rates have remained fairly constant. If we assume that the participation rate for Saskatchewan was also constant during the period we arrive at a labour force estimate of about 310,000 for 1960. However one important adjustment should be made. In 1951 the participation rate of Saskatchewan's female labour force was considerably lower than for the prairies as a whole. If we allow for an increase of about 2 per cent in this rate we must add another 6,000 to the labour force and arrive at a total estimate of about 316,000. This represents a rate of growth of about 1.6 thousand members per year.

2. Composition

We can also estimate in a rough way the division of the labour force into agricultural and non-agricultural and sex groupings.

In 1951 there were about 112,000 farm operators in Saskatchewan. This figure corresponded at that time to a total agricultural labour force figure of 148,000. We estimate that there are now about 95,000 farm operators in the Province. If we assume that the ratio of the number of farm operators to agricultural labour force is roughly the same today as it was in 1951 (actually it is probably a little higher due to increasing mechanization of farm operations and the lower proportion of hired help) we arrive at an estimated agricultural labour force of about 125,000. This leaves a non-agricultural labour force estimate of about 191,000.

If, further, we make certain assumptions about male and female participation rates we can also estimate the sex distribution of our current labour force. The percentage of males 14 years of age and over who are in the labour force has been virtually constant over the past decade for Canada and the prairies. If this is also true for Saskatchewan, and there is no reason to think otherwise, the 1951 participation rate of about 81 per cent should obtain today. This rate produces an estimate of about 253,000 males in the labour force. If we assume that the female participation rate in Saskatchewan has risen by about two and one half per cent during the past decade from 18.3 per cent in 1951 to 22 per cent today we arrive at an estimated female labour force of about 63,000. The assumption that a larger proportion of women are today seeking and holding employment is reasonable. Also the 22 per cent figure is still well below the 27 per cent rate for the prairies as a whole.



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

FINAL REPORT OF
THE SPECIAL COMMITTEE OF THE SENATE
ON

MANPOWER AND EMPLOYMENT

No. 25

WEDNESDAY, JUNE 14, 1961

The Honourable LEON METHOT, Chairman
The Honourable DONALD SMITH, Deputy Chairman

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

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FOREWORD

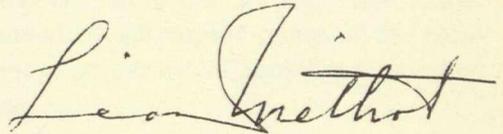
The Special Committee of the Senate on Manpower and Employment, of which I have the honour to be Chairman, conducted an inquiry through two sessions of Parliament, considered many briefs, and held twenty-three public hearings.

National organizations representing the major components of the Canadian economy were called upon to make special studies of their individual problems, for submission to the Committee. Their willingness and co-operation in this regard was of great assistance to the inquiry and our appreciation is gratefully acknowledged.

We were particularly fortunate in being able to retain the services of Dr. John J. Deutsch, whose knowledge and advice were of inestimable value. Among his many efforts on our behalf, Dr. Deutsch assembled a research team whose special studies in this matter have already been widely acclaimed.

For these studies our highest praise goes to Mr. F. T. Denton, Dr. William C. Hood, Dr. R. Warren James, Dr. Sylvia Ostry, Dr. W. Donald Wood and Dr. Stanislaw Judek.

Many departments and agencies of government were called upon from time to time and their response was most gratifying. Deserving of special mention in this connection are Dr. W. R. Dymond, Mr. C. R. Ford, Dr. Gil Schonning and Mr. F. T. Doucet, all of the Department of Labour, who appeared before the Committee as witnesses.

A handwritten signature in cursive script, reading "Leon Methot". The signature is written in dark ink and is positioned above the printed name.

Leon Methot

Ottawa, June 14, 1961.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 22, 1960.

“The Honourable Senator Aseltine moved, seconded by the Honourable Senator Macdonald, P.C.—

1. That a Special Committee of the Senate be appointed to study and report upon the trends in manpower requirements and utilization in Canada, with the object of exploring the possibilities of maintaining and extending a high level of employment and, without restricting the generality of the foregoing, to inquire into and report upon the following:

- a) the growth of the economy and of other factors influencing employment opportunities including particularly technological changes; and
- b) the growth and characteristics of the Canadian labour force;

2. That the said Committee be composed of the Honourable Senators Blois, Bouffard, Brunt, Buchanan, Burchill, Cameron, Choquette, Connolly (*Ottawa West*), Courtemanche, Croll, Emerson, Haig, Higgins, Hnatyshyn, Horner, Hugessen, Inman, Irvine, Lambert, Leonard, McDonald (*Queens*), Methot, Monette, Pratt, Reid, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt, Wall, White and Wilson (32);

3. That the Committee have power to engage the services of such counsel and technical and clerical personnel as may be necessary for the purpose of the inquiry; and

4. That the Committee have power to send for persons, papers and records, to sit during sittings and adjournments of the Senate, and to report from time to time.

After debate,

The Honourable Senator Brunt moved, seconded by the Honourable Senator Isnor, that the motion be amended by adding the name of the Honourable Senator Macdonald (*Cape Breton*) to the list of Senators nominated to serve on the said Special Committee.

After debate, and—

The question being put on the amendment, it was—
Resolved in the affirmative.

After further debate, and—

The question being put on the motion as amended, it was—
Resolved in the affirmative.”

J. F. MacNEILL,
Clerk of the Senate

STEERING COMMITTEE

The Honourable Senators

Brunt, Choquette, Connolly (*Ottawa West*), Croll, Haig, Leonard, Methot and Smith (*Queens-Shelburne*).—(8)

THE SPECIAL COMMITTEE ON MANPOWER AND EMPLOYMENT

The Honourable Leon Methot, *Chairman*.

The Honourable Donald Smith, *Deputy Chairman*.

The Honourable Senators

Blois	Higgins	Pratt
Bouffard	Hnatyshyn	Reid
Brunt	Horner	Roebuck
Buchanan	Hugessen	Smith (<i>Queens-Shelburne</i>)
Burchill	Inman	Thorvaldson
Cameron	Irvine	Vaillancourt
Choquette	Lambert	Wall
Connolly (<i>Ottawa West</i>)	Leonard	White
Courtemanche	MacDonald (<i>Queens</i>)	Wilson—(33)
Croll	Macdonald <i>Cape (Breton)</i>	
Emerson	Methot	
Haig	Monette	

(Quorum 9)

WITNESSES

Witnesses are listed in the order of their appearance. The number of the volume containing their verbatim evidence, the date thereof and the appendix if any, are also shown.

Volume	Date	Witnesses
1.	Nov. 30, 1960.	Dr. J. J. Deutsch, Mr. F. T. Denton.
2.	Dec. 8, 1960.	Dr. William C. Hood, Dr. J. J. Deutsch, Mr. F. T. Denton.
3.	Dec. 14, 1960.	<i>For Canadian Chamber of Commerce:</i> Mr. Leonard Hynes, Chairman, Executive Council; Mr. W. J. Sheridan, Assistant General Manager; Dr. A. N. McLeod, Chairman, Public Finance and Taxation Committee; Mr. Lloyd Hemsworth, Chairman, Labour Relations Committee.
4.	Jan. 25, 1961.	Dr. J. J. Deutsch; Mr. F. T. Denton, Dr. R. Warren James.
5.	Jan. 26, 1961.	<i>For Canadian Labour Congress:</i> Mr. William Dodge, Executive Vice President; Dr. Eugene Forsey, Director of Research; Mr. Russell Bell, Assistant Director of Research.
6.	Feb. 1, 1961.	Dr. J. J. Deutsch; Dr. W. R. Dymond, Director, Economics & Research Branch, Dept. of Labour; Dr. Sylvia Ostry, Assistant Professor of Economics, McGill University. <i>For Council of the Forest Industries of British Columbia:</i> Mr. J. R. Nicholson, President.
7.	Feb. 2, 1961.	<i>For The Canadian Exporters' Association:</i> Mr. R. D. L. Kinsman, President; Mr. A. K. Stuart, Chairman, Policy Committee. Dr. Stanislaw Judek, Associate Professor of Economics, University of Ottawa. <i>Appendix:</i> Canada's Persistent Unemployment Problem—Labour Surplus Market Areas.
8.	Feb. 8, 1961.	<i>For Canadian Metal Mining Association:</i> Mr. V. C. Wansbrough, Vice President and Managing Director; Dr. E. B. Gillanders, 1st Vice President; Mr. W. S. Row, 2nd Vice President; Mr. J. D. Barrington, Director; Mr. A. L. Penhale, Director; Mr. R. P. Riggan, Director of Industrial Relations, Noranda Mines Ltd. <i>For Canadian Pulp and Paper Association:</i> Mr. R. M. Fowler, President. <i>Appendix:</i> Statistical Tables relating to Survey of Registrants with National Employment Service (Dr. R. Warren James, Vol. 4).

Volume	Date	Witnesses
9.	Feb. 9, 1961.	<i>For Canadian Electrical Manufacturers' Association:</i> Mr. B. Napier Simpson, General Manager; Mr. Thomas Edmondson, Vice President of Board of Directors; Mr. H. B. Style, Vice President of Board of Directors; Mr. J. D. Campbell, Member of Board of Directors. <i>For Canadian Federation of Agriculture:</i> Mr. David Kirk, Secretary; Dr. W. C. Hopper, Economist.
10.	Feb. 15, 1961.	<i>For Canadian Federation of Mayors and Municipalities:</i> Mr. S. L. Buckwold, President; Mr. George S. Mooney, Executive Director; Mr. Eric Becroft, Director of Ottawa Bureau; Mr. Michael Patrick, Mayor of Windsor, Ontario; Mr. Mark H. Danzker, Alderman, Winnipeg, Manitoba. <i>For Canadian Importers and Traders Association:</i> Mr. L. C. Bosanquet, President; Mr. H. C. MacKendrick, Manager. <i>Appendix:</i> Supplementary Memorandum from Canadian Labour Congress.
11.	Feb. 16, 1961.	<i>For Canadian Manufacturers' Association:</i> Mr. T. R. McLagen, President; Mr. Ian F. McRae, Past President; Mr. Ira G. Needles, Chairman, Tariff Committee; Mr. H. B. Style, Chairman, Commercial Intelligence Committee; Mr. Carl A. Pollock, Chairman, Ontario Division; Mr. W. Hugh Flynn, Chairman, Taxation Committee.
12.	Feb. 16, 1961.	<i>For The Railway Association of Canada:</i> Mr. G. A. Richardson, General Secretary; Mr. W. T. Wilson, Vice President, Personnel and Labour Relations, C.N.R.; Mr. D. I. McNeill, Q.C., Vice President, Personnel, C.P.R.; Mr. Keith Campbell, Assistant Manager, Labour Relations, C.P.R.; Mr. J. Lach, Special Assistant to Vice President of Personnel, C.N.R.
13.	Feb. 22, 1961.	<i>For Canadian Construction Association:</i> Mr. A. G. Sullivan, President; Mr. W. G. Malcolm, Past President and Chairman, Winnipeg Employment Committee; Mr. G. Milsom, Chairman, Labour Relations Committee; Mr. J. Faulds, Chairman, Manufacturers' and Suppliers' Section; Mr. S. D. C. Chutter, General Manager. <i>For Canadian Lumbermen's Association:</i> Mr. J. A. Schryburt, Director of Public Relations. <i>Appendix:</i> Submission by Fisheries Council of Canada.

Volume	Date	Witnesses
14.	Feb. 23, 1961.	<i>For Primary Textiles Institute:</i> Mr. G. H. Dobbie, Chairman; Mr. W. M. Berry, President; Mr. W. H. Young, President, Cotton Institute of Canada; Mr. E. F. King, Director, Man-Made Fibre Textiles Institute; Mr. R. B. MacPherson, Member. <i>For Engineering Institute of Canada:</i> Mr. Garnet T. Page, General Secretary.
15.	Mar. 1, 1961.	Dr. J. J. Deutsch; Dr. W. Donald Wood, Associate Professor of Economics and Director, Industrial Relations Centre, Queens University.
16.	Mar. 2, 1961.	Dr. Gil Schonning and Mr. F. T. Doucet, Economics & Research Branch, Dept. of Labour. <i>For Maritime Lumber Bureau:</i> Brief by Mr. R. R. Murray, Chairman, Unemployment Insurance Committee, read by Hon. G. P. Burchill.
17.	Mar. 8, 1961.	<i>For Chemical Institute of Canada:</i> Mr. T. H. G. Michael, General Manager; Mr. W. N. Hall, President; Mr. P. W. Blaylock (Vice President, Shawinigan Chemicals Ltd.); Dr. Leo Marion, Vice President; Mr. F. L. W. McKim (National Research Council); Mr. G. K. Wright, Director of Public Relations.
18.	Mar. 9, 1961.	<i>For Canadian Association for Adult Education:</i> Mr. A. V. Pigott, Associate Director; Mr. Eric W. Robinson (Principal, Frontier College, Toronto).
19.	Mar. 15, 1961.	<i>For The Canadian Research Committee on Taxation:</i> Mr. B. Sevak, Chairman; Mr. P. J. Blackwell, member; Mr. J. P. R. Perron, member; Miss S. Walton, member.
20.	Mar. 16, 1961.	<i>For Canadian Welfare Council:</i> Mr. Kenneth LeM. Carter, President; Mr. Robert A. Willson, member, Board of Directors; Dr. George M. Hougham, Director of Research; Mr. Richard E. G. Davis, Executive Director; Miss Phyllis Burns, Director of Welfare Services. Mr. C. R. Ford, Director, Canadian Vocational Training Branch, Dept. of Labour.

Volume	Date	Witnesses
21.	Mar. 22, 1961.	<i>For Agricultural Institute of Canada:</i> Dr. W. M. Drummond, Chairman; Dr. J. E. R. Green-shields, Honorary Secretary; Mr. J. E. McCannel, Executive Secretary. <i>For School of Economic Science:</i> Mr. Harry Pollard, Director of Studies. <i>Appendix:</i> Submission by Machinery and Equipment Manufacturers' Association of Canada.
22.	Mar. 23, 1961.	<i>For La Fédération des Caisses Populaires Desjardins du Québec:</i> Mr. Paul Emile Charron, Assistant Secretary; Dr. Gerald Fortin (Dept. of Sociology, Laval University). <i>Appendix:</i> Submission from The Confederation of National Trade Unions.
23.	Apr. 26, 1961	Mr. James E. Coyne, Governor, Bank of Canada. <i>Appendix:</i> Submissions by The Frontier College; The Textile Workers Union of America, AFL-CIO, CLC; The National Joint Committee on Wintertime Construction.
24.	May 17, 1961.	<i>Appendix:</i> Submission by the Government of Saskatchewan.
25.	June 14, 1961.	Report of the Committee.

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REPORT OF THE SPECIAL COMMITTEE OF THE SENATE ON MANPOWER AND EMPLOYMENT

There may sometimes be disagreement on ways and means, but it would be difficult to find an example of greater unanimity than that which exists concerning the desirability of maintaining high levels of employment. In the highly specialized modern society most people do not consume directly the fruits of their labour but rely instead on the proper functioning of an impersonal market system to provide them with jobs, income, and a command over the goods and services which the economy as a whole creates. When the system falters they may face, through no fault of their own, economic distress for themselves and for their families. Even in the absence of such distress the inability to find work may have serious consequences. To the young man in quest of his first job it may bring involuntary idleness and frustration, and even though he is still able to draw on the resources of his parents for support, the experience may leave its scars. To the more mature person it may bring disillusionment and a feeling of inadequacy which the unemployment insurance system is powerless to allay.

From another point of view, the failure of the economy to utilize fully its labour resources involves a loss of production. Nor can this production be later recovered—it is gone for ever. Unemployment implies, then, both the inability of certain members of the society to share equitably in the national output and a reduction of the national output itself. Furthermore, the mere awareness that a significant number of people are out of work—and with the modern development of statistics and the means of communicating them widespread public awareness is never long delayed—has an adverse effect on social morale and the climate of enterprise. In fact, the number of people without jobs is one of the most common and most important standards used to evaluate the performance of a free society and in the present world of ideological conflict it is hardly an overstatement to say that a high level of employment is a goal deserving of the utmost priority.

It is in full recognition of the serious implications of unemployment that the committee has conducted its investigation and prepared its recommendations.

1. Conclusions and Recommendations

The recent trends and developments in the Canadian economy as they affect manpower and employment are summarized in following sections of this report. The summary contained in these sections is derived from the valuable information given to the Committee by the witnesses who appeared before it, by the briefs which were presented and by the research studies specially prepared for the Committee. From this comprehensive material we have drawn certain conclusions which follow.

a) Over the past decade there has been an upward drift in the general level of unemployment. This tendency has been especially pronounced since the end of the "boom" in 1956-57. During 1960 the average rate of unemployment was about 7%, a rate which is of major concern both from the standpoint of lost human opportunities and lost production.

b) The level of unemployment during the past year is the result of a combination of factors. This was a period of recession in the business cycle similar in nature to the several which have occurred since the end of the war. The recession has coincided with a series of continuing structural maladjustments in the economy which have inhibited the forces of economic growth. This coincidence has compounded the degree of unemployment.

c) As seen from Chart 2, in recent years there has been a pronounced change in the rate of economic growth. The great economic expansion of the preceding decade was followed by relative stagnation. Total output in the Canadian economy over the past four years has failed to match the growth in population with the result that the average real output per capita has declined and the number of additional job opportunities has fallen substantially short of the growth in the labour force.

d) The structural maladjustments in the Canadian economy have arisen out of a number of developments, some of which have appeared in recent years and others of which have operated for a longer period. The "boom" of 1955-57 was characterized by a very high rate of capital investment and by inflationary pressures. After 1957 there was a significant decline in rate of capital investment, especially private investment, and inflationary pressures subsided. As a result of these changes a considerable proportion of the labour and other productive resources which had been drawn into the construction and capital goods industries became superfluous. This displaced labour has not been re-absorbed into other activities in the economy and is continuing to constitute a chronic element in the volume of unemployment.

e) During the greater part of the nineteen-fifties a growing volume of exports and an optimistic outlook regarding export markets for industrial raw materials and fuels provided a dynamic stimulus for expansion. This stimulus has declined (as shown in Chart 3) following a slowing down in the rate of growth of exports and the appearance of more uncertain prospects regarding future markets. At the same time Canadian secondary manufacturing industries became subject to greatly intensified competition in their domestic markets from the fully restored economies of Western Europe and Japan. The difficulties of adjustment to the more competitive international situation have had a depressing influence on economic growth.

f) The above mentioned changes in recent years have been super-imposed on developments of a deeper and longer-run significance. The post-war era has been a period of accelerating technological progress, of rapid innovation, of revolutionary improvements in labour-saving devices, and of pronounced shifts in the growth of consumer demand. These far-reaching changes have necessitated a general up-grading in human skills, large scale movements between occupations, and a high degree of mobility of labour between industries and between geographical areas. The economy and its manpower have failed to adjust to these basic developments on a sufficient scale or with sufficient speed. These problems of adjustment have become more difficult in the circumstances of a slow rate of economic growth. In a measure, the lagging rate of adjustment and the lagging rate of growth aggravate each other and to this degree constitute a vicious circle.

These broad conclusions are the basis for the following recommendations and observations:

The Immediate Outlook

There are indications that the recessionary phase of the current business cycle has come to an end and that the upward movement of business activity has begun. The forces of recovery have been operating in the United States for several months and if these continue they would strengthen business revival in Canada in the months ahead. This improvement can be expected to result in rising levels of employment and consequently in some decline in the rate of unemployment. It is essential that this development be facilitated and re-inforced by the appropriate monetary and fiscal policies. In particular there is need for a suitable increase in the availability of credit to encourage an expanding scale of business operations. This does not mean a massive infusion of new money which would become the basis of a future inflation, but a carefully regulated increase geared to the requirements of a growing volume of output and employment. Monetary policy should be accompanied by a complementary fiscal policy which (a) is designed to promote expansion in the critical sectors of the economy and (b) is settled so as to remove discouraging uncertainties.

With regard to the role of monetary and fiscal policy attention must be directed to an important weakness which has developed in this country. There has been a serious lack of co-ordination between these two powerful instruments of economic policy. This lack of co-ordination has made it much more difficult, if not impossible, to influence the movement of interest rates, exchange rates, money supply, and capital flow in the directions which help to maintain high levels of employment and production. The fluctuations of recent years and the resultant impact on the economy are hard to reconcile with an effective use of integrated monetary and fiscal policies. There have been needless divergencies and uncertainties. The idea that monetary and fiscal policies are independently determined and can be separately pursued is incompatible with the realities of a highly complex money and exchange economy in which the operations of government play so large a part.

The experience of recent years has shown that there is a strong case for a comprehensive study and re-examination of our machinery for monetary control and of its place in the formulation and the carrying out of economic policies. The purpose of such a study would be to propose arrangements which are up-to-date and more adequate to cope with the continuing problem of maintaining high levels of output and employment in the circumstances of today.

Problems of Economic Growth

There is a distinct danger that a considerable volume of unemployment will remain after the business-cycle recovery now underway has reached its peak. That was the case in the immediately preceding business cycle of 1957-59. The provision of adequate employment opportunities for both a rapidly growing labour force and a large number of unemployed will require a massive expansion in business activity. More is needed than an ordinary business revival; it is necessary above all to re-establish an adequate rate of economic growth. The challenge has been aptly stated by President Kennedy:

“Large-scale unemployment during a recession is bad enough—large-scale unemployment during a period of prosperity would be intolerable”.

The problem is to achieve an adequate rate of sustained growth by means which do not result in the evils of inflation, inefficiency and arbitrary controls. The attainment of the goal depends very largely on the initiative and enterprise of private business operating in an appropriate framework of government measures and government policies.

The expansion of exports has always occupied a leading role in Canadian development and must continue to play a large part in the future. There is no less need today than in the past for trade, transportation, and other policies designed to promote the growth of exports. However, the immediate outlook in international markets for primary raw materials is not such that they can be relied upon to do the whole job. A heavy reliance must be placed, also, on our domestic secondary manufacturing, construction and service industries for a large-scale increase in opportunities for employment.

In recent years the service industries have been the most dynamic element in the economy. The rapid rise in demand for services is likely to continue and this tendency is likely to provide substantial increases in opportunities for jobs. The principal limiting factor with regard to many of the most rapidly expanding opportunities in this area will be the supply of suitably trained and skilled labour.

In the domestic economy our main concern must be focussed upon the secondary manufacturing and capital investment industries. It is particularly vital to achieve renewed expansion in both these fields. The malaise in secondary manufacturing points strongly to the need for new and positive approaches. The solution is not to be found in restrictive and cost-raising measures of national self-efficiency. The temporary spurt which such measures might provide would quickly subside and leave a heritage of rigidity and inefficiency. What is needed are measures which would stimulate expansion along efficient and dynamic lines which hold promise for future growth and adaptability in a highly competitive and rapidly changing world. Our secondary manufacturing industries must be encouraged to keep abreast of the most advanced technology, to engage in a rapid rate of innovation and development, to seek areas of advantageous specialization and to achieve adequate scales of output so that they can compete effectively both at home and abroad. This is the surest way of maintaining a high standard of living, of attaining a satisfactory rate of growth and of holding a tenable position among the industrial giants around us.

Taxation, at the level which prevails today, is a powerful instrument of economic policy for good or ill. It can be used to promote expansion along desirable lines or it can operate as a strong deterrent. This instrument is readily available for the provision of effective incentives. With regard to the problem of achieving renewed expansion in secondary manufacturing the method of tax incentive can be used to provide attractive encouragement for greatly enlarged expenditures on research, innovation and development. Here there has long been a serious weakness in the Canadian economy which must now be overcome rapidly if we are to attain a satisfactory rate of industrial progress. (It is no part of the obligation of other countries to look after us in this task). Such a policy should be made effective and carried through by means of a system of depreciation allowances which would at all times provide a stronger incentive for the replacement and installation of productive facilities with the most modern and technically up-to-date machinery and

equipment. Canadian manufacturers must now compete with industries in other countries which have been so re-equipped on a large scale in recent years.

The restricted scale of output is often a handicap to secondary industry in Canada. In many cases the domestic market alone is not adequate to support the most efficient scale of production and the necessary degree of specialization. Because of the rapid growth of population in large industrial countries and the development of larger trading blocs, the problems of scale and specialization are likely to become more serious in the future for a country of small population such as Canada. Consequently, new approaches and renewed efforts are urgently required to provide stronger encouragement to our manufacturing industries to develop substantial increases in their exports. In this way efficient scales of output and specialization could be achieved by our soundly based secondary industries which would enable them, also, to compete against the inroads of imports at home.

Because of the immediate importance of such a new emphasis in industrial policy urgent consideration should be given to the possibility of establishing effective and practicable tax reliefs or tax incentives for the achievement of increases in the export of manufactured goods. Such measures are being employed in varying degree by a number of well established industrial countries. In the new competitive conditions Canada cannot afford to overlook the consequences or the possibilities of this situation.

The achievement of renewed expansion in our secondary manufacturing industries along efficient lines would bring about a revival in private investment. Such a revival would stimulate expansion in the construction and capital goods industries which are large employers of labour. These industries must play a substantial part in reducing the level of chronic unemployment.

The maintenance of an adequate rate of economic growth requires a continuing high level of capital investment, both private and public. Private capital investment must be supplemented and stimulated by an adequate rate of government investment in social capital. Our stock of social capital is both inadequate and in many respects obsolescent, especially in our rapidly expanding urban areas. We are in a continuing danger of choking our economic growth with congestion, pollution, the development of slums, and with the effects of deficiencies in vital public services and amenities. The bottlenecks appear to lie in the methods of financing, in lack of planning, and in the difficulties of achieving effective co-operation between the three levels of government. The solution of these problems requires new thinking, experimentation, and the development of new machinery for financing, planning and inter-governmental co-operation. The initiative taken recently by the Federal Government to encourage a more adequate provision of sewerage facilities is an example of what is needed. The scale of capital financing required in the future for municipal works is so large that a new measure of responsibility is required in the raising of such funds on the part of the provincial and federal governments. Here, perhaps, is the basis on which a solution to the other problems of better planning and the development of better machinery for co-operation might, also, be sought.

From the standpoint of maintaining high levels of employment, government investment in social capital is a possible means to counter cyclical and seasonal fluctuations. In recent years a number of constructive and helpful steps have been taken under the leadership of the Federal Government to alleviate seasonal unemployment. However, in spite of these efforts the

seasonal fluctuations in employment continue to be very large. More can be done by suitable planning and timing of public investment. It might involve some additional effort and cost but these would be small as compared with the repeated annual wastage resulting from high levels of seasonal unemployment.

Price and Wage Policy

Attempts to achieve an adequate rate of economic growth can be completely frustrated by inappropriate price and wage policies. It must be realized by governments, by management, and by labour that there has been a basic change in the general world economic environment in recent years. Since the end of the post-war inflation it is no longer possible to pass on so easily price and cost increases to customers either at home or abroad. If our prices and costs get out of line with the general pattern around us, unemployment and retarded growth will follow. In these circumstances attempts to remedy unemployment by boot-strap methods must result in lower *real* wages and a lower standard of living. Canada is a country of relatively high wages and a high standard of living and both are equally dependent upon high productivity and high efficiency. Sustained economic growth and a steady improvement in material welfare are most likely to be achieved under conditions of a reasonably stable price level. This requires that wage increases, *on the average*, should not get out of line with increases in productivity. If these realities are taken seriously, there would be great scope for fruitful co-operation between representatives of management and labour in joint periodic assessments of the condition of the economy for the purpose of laying out guide lines for price and wage policies. We need a suitable body or a suitable forum for making these assessments.

Regional Problems

The achievement of a satisfactory rate of economic growth for the country as a whole may not, by itself, solve the unemployment problems of particular areas and regions which have long endured economic difficulties. The most serious problem in this respect lies in the Atlantic region. Over the long run there are only two solutions; either the people move out to better opportunities elsewhere, or better opportunities are made available to them where they are. The massive migration of the population is neither socially nor economically desirable, *and we reject this possibility*. Therefore the other course, namely of providing better opportunities for these people in the areas concerned, must be undertaken with determined effort. The consequences of technological changes and the effects of declining industries are so large that little can be accomplished with marginal and small-scale remedies. New industries which have a good prospect of prospering in these locations must be established. For this purpose a co-ordinated programme must be undertaken which includes all the steps that are necessary—research and study to determine the best economic potentialities of the areas concerned, the provision of capital on attractive terms to build new productive facilities, retraining of manpower along the appropriate lines, and the provision of social capital in the form of utilities and other public services. Sporadic incursions into this problem and random flourishes are not going to bring results. The Federal Government, with the co-operation of the Provincial Governments, must take the initiative in developing a co-ordinated series of efforts which get to grips with the task involved. In addition to the long standing problems in the

Atlantic region, difficulties of a similar nature have arisen in some other areas of Canada. Special attention must be directed to these areas also.

Manpower Research, Training, and Education

The many and far-reaching changes in the economy are having a profound impact on our manpower resources. Patterns of consumption are changing as new products and services become available and as standards of living rise. New methods and new materials are continually being introduced into production processes as technology evolves at a rapid pace. Conditions in world markets are changing, too, as competition becomes keener. All of these developments affect the demand for labour—the skills that are required and the industrial and geographic location of job opportunities. We cannot pretend at this time to know precisely where the changes will lead us in the next few years but we can be absolutely certain that they will continue and that the labour force will be required to make adjustments. It is not enough to recognize the need for these adjustments in retrospect—we must continually do our best to anticipate them, and to formulate our policies accordingly.

The Committee is impressed with the work being carried out in various branches of the Federal Government. We have heard expert civil service witnesses, and without exception they have displayed competence and a genuine concern about the problems which confront Canada today. Our own research staff has received the greatest co-operation from the experts in various government agencies. If we are to keep continually abreast of changing circumstances, the utmost encouragement must be given to manpower research and fact finding in the government service and the universities. In the years ahead, the costs of insufficient knowledge and inadequate preparation are likely to be extremely high.

It is essential that we keep the closest watch on changing patterns of employment, on the requirements for the various skills, on developments in foreign and domestic markets, on the effects of technological change, on the implications of changing levels of investment and changing patterns of government expenditure, on the impact of population growth, changing rates of family formation, and changing levels of immigration. It is essential, too, that we have complete, accurate, and detailed information on the characteristics of the labour force, and particularly of the unemployed—where they are located, what industries they have come from, their educational attainments and occupational skills, how long and how frequently they have been out of work, and so forth. We have come a long way in the last two decades in this regard, but we must go still further if we are to have sufficient knowledge on which to base truly effective programmes to combat unemployment.

More specifically, steps should be taken immediately to initiate a continuous and comprehensive programme designed to provide periodic analyses and forecasts of the size and composition of the labour force and the demand for workers in different industries, areas, occupations, and with different skills. The results of these studies should be given wide publicity. It is not sufficient that the government of the day be correctly informed on these matters, although it goes without saying that this is of fundamental importance. The public must also be informed. Our teachers, educational administrators, employers, labour unions, and others must be fully acquainted with the changes that are taking place. Up to the present the situation has not been satisfactory in this regard. A programme such as this is an urgent require-

ment if we are to avoid the danger of training today's youth for yesterday's jobs.

This leads to a consideration of the whole question of education and training in Canada. Nothing has impressed the Committee more than the very heavy incidence of unemployment among young people, the unskilled, and the inadequately educated. This has been brought out repeatedly, both by the Committee's own research staff and by other witnesses. Every study that has been made reveals that in the economy of today the emphasis is increasingly on skill and training, and every forecast that has been prepared indicates clearly that this trend will continue in the years ahead. The opportunities for unskilled and semi-skilled workers are becoming more and more limited as time passes.

This situation must be viewed with a sense of urgency. Without any question we must devote a much larger proportion of our resources to education and training of all kinds—academic, professional, vocational, and technical. To a much greater degree than in the past our national investment must include investment in people—and we must begin *now*. An immediate programme must be initiated and no effort must be spared in making the public aware of the situation and of the need for remedial action. The young people, and the parents and teachers of young people, should be fully apprised of the dangers of leaving school early and without suitable qualifications. They must be helped to recognize that to do so may invite a lifetime of recurrent unemployment, insecurity and personal distress.

If we are to obtain the best fit between workers' skills and job requirements, a vigorous programme of vocational and technical training for both our young people and the unemployed must play an important part. The recent initiative of the Federal Government in this field is well founded and timely. This programme should be implemented rapidly and the provinces are urged to extend their activities in co-operation with the federal government. An imaginative, large-scale programme which provides particularly for a higher status for technical and commercial courses of instruction and for advanced technical training is the sort of effort which is needed. While governments have a general responsibility there is also a definite responsibility on the shoulders of management and labour to contribute of their skills and resources to the carrying out of these programmes.

In order to be effective, vocational and technical training should be carefully planned and must be based on the most reliable estimates of future job requirements. However, it is important to bear in mind that forecasting is fallible, and that even under the best conditions one cannot hope to predict precisely the skills which will be in demand five, ten, or twenty years from now. In view of this, emphasis should be placed on flexibility. As much as possible people should be given the sort of basic training that will permit them to move with the times. Specialization is essential and unavoidable in the modern economy, but a sound balance must be achieved between specialization and adaptability. This is easy to say and much more difficult to implement. Nevertheless, this should be one of the guiding principles in any programme of vocational training. We must prepare people for a world of work that is continually in evolution.

The Unemployment Insurance Commission

The National Employment Service of the Unemployment Insurance Commission is potentially a powerful vehicle for dealing with both day-to-day and

longer-run structural unemployment problems by facilitating the movement of people between different firms, industries, occupations, and areas; by cooperating in the implementation of training programmes; and by disseminating information. However, at present it is not being used as effectively as possible to carry out these vital functions. There is a regrettable lack of integration between the operations of the Employment Service and the research and policy-making activities of other government agencies, including the Department of Labour. The Unemployment Insurance Commission in general has been severely handicapped by not having an adequate professional research staff to appraise changing conditions in the labour market and to provide necessary information and guidance. The time has now come to make a thorough study of the adequacy of the Employment Service and of its organization and practices in the light of present day conditions. Such a study should be carried out at the earliest possible time. The Employment Service must become much more than an adjunct of the unemployment insurance system. It must be well informed, properly guided, resourceful, and fully integrated into an overall programme for maintaining high levels of employment. There must be the closest possible contact with industry in every area and a thorough and detailed knowledge of job requirements and of changing occupational trends. In order to accomplish this, it is essential that employers should list their openings with the Service, and that persons who are out of work should have sufficient confidence in the service that they will register irrespective of whether they are required to do so as claimants for unemployment insurance. The study suggested above should include an examination of the practical possibilities for overcoming the problems and difficulties which continue to restrict the mobility of labour.

The time has also come to make a thorough study of the unemployment insurance system. The system was established two decades ago when conditions were vastly different from what they are today. Since that time it has been extended in coverage, it has assumed new responsibilities, and it has been greatly increased in complexity, but there has been no fundamental reappraisal of its operations or their results. In view of the criticism that has been directed at certain aspects of the system, the rapid depletion of the insurance fund, and the changing nature of our economy and of our labour force, such a comprehensive reappraisal is an urgent requirement.

The studies of the Committee have shown that the Canadian economy has entered a somewhat different phase in its development. There is a changed world environment. There are new trends and new circumstances in our society at home. These require re-thinking and a willingness to re-examine our priorities, our methods, and our machinery of economic policy. Continued progress depends on the ability to adapt, to solve new problems, and to take advantage of new opportunities. The Committee has sought in its report to indicate some of the challenges which have emerged. The Committee hopes that the suggestions which it has made for meeting these challenges will prove helpful and constructive.

2. The Different Types of Unemployment

It is convenient to distinguish several types of unemployment; indeed when the concern is with corrective or preventive measures it is of the greatest importance to do so, for measures which are appropriate for one type may be quite inappropriate for another. First, there is what is usually termed "frictional unemployment" because it results from the necessarily imperfect operation of the labour market. At any given time some small fraction of the working population are between jobs and temporarily out of work. Not only is this an unavoidable characteristic of a free society but it is an essential one for it is part of the constant process by which labour resources are allocated and reallocated in response to market stimuli and the changing requirements of a dynamic economy. Frictional unemployment is never absent, even in periods of so-called "full employment", but its magnitude may be greater or smaller depending, for example, on the degree to which workers are correctly informed about the existence, nature, and location of job opportunities, or on the degree to which employers are acquainted with existing supplies of labour.

The second type of unemployment is that which accompanies the "business cycle" as it oscillates between peaks and troughs, and to this is given the obvious name "cyclical unemployment". This is the recurrent type of unemployment which reaches its maximum during periods of recession and falls to a minimum during periods of general economic expansion. Since World War II there have been in Canada three complete cycles of general economic activity and part of a fourth, and their effects on unemployment are clearly reflected in the statistical record.

The third type is that curse of the northern climate, "seasonal unemployment". Invariably, and irrespective of the phase of the business cycle, the number of persons out of work in Canada starts to increase in the fall, slowly at first, and then more and more rapidly as the temperature drops. By about February or March a maximum is reached and then, as winter gives way to spring, the pendulum swings back with equal predictability and unemployment starts to decline again. So it goes from one year to the next with almost clock-like regularity. Of course, seasonal unemployment is much more severe in some areas than in others but no area is completely spared, and from one end of the country to the other the annual toll is a heavy one.

The fourth type is what is often referred to as "technological unemployment". The growth of one industry may cause the decline of another and as a result some workers may find themselves out of jobs (the classic example, of course, is the replacement of the horse-drawn carriage by the automobile); changes in methods of production render some skills obsolete and increase the demand for others. Persons displaced by technological change may find themselves out of work for shorter or longer periods depending on particular circumstances and on the general economic climate prevailing at the time.

A fifth type is what has been loosely referred to as "structural unemployment". This type is attributed to the failure of the economy to adjust at a sufficient rate to changing circumstances. It may arise, for example, from widespread technological changes when such changes alter significantly the occupational or industrial structure of the demand for labour. Such changes may require people to move from one area, industry, or occupation, to another, and if the movements do not occur rapidly enough, unemployment will

result even though the aggregate demand for labour has not declined. Structural unemployment may also result from major changes in the domestic demand for goods and services or in the conditions of international trade. The term has been used to cover a multitude of situations and in particular it has been used to refer to the notably higher unemployment rates observed in recent years both in Canada and in the United States. To some extent this is an unfortunate usage for, as we shall observe, these higher rates should probably not be attributed entirely to so-called "structural" changes in the economy but also to the general slowing down of the rate of economic expansion. In so far as this is the case, a term such as "chronic unemployment" might be preferable. However, arguments about terminology are more likely to obscure basic issues than to clarify them, and we shall make no attempt here at greater precision.

3. The Rising Trend of Unemployment

We shall be concerned in this report with all of the various types—and, as one might infer from the preceding remarks, the different types are not always mutually exclusive—but first we wish to focus attention on what we consider to be one of the most pressing national problems confronting Canada at the present time: the upward drift in the general level of unemployment. Reference is made to Chart I in which are displayed the annual average proportions of the labour force out of work from 1947 to 1960. The cyclical behaviour of unemployment to which we have referred stands out clearly in this chart, with peak annual rates occurring in 1950, 1954, and 1958, and troughs in the years 1951, 1956, and 1959. The most striking feature, though, is the pronounced upward drift of the rates throughout the period, and particularly after 1956. In each successive recession the percentage of people out of work has been higher than in the

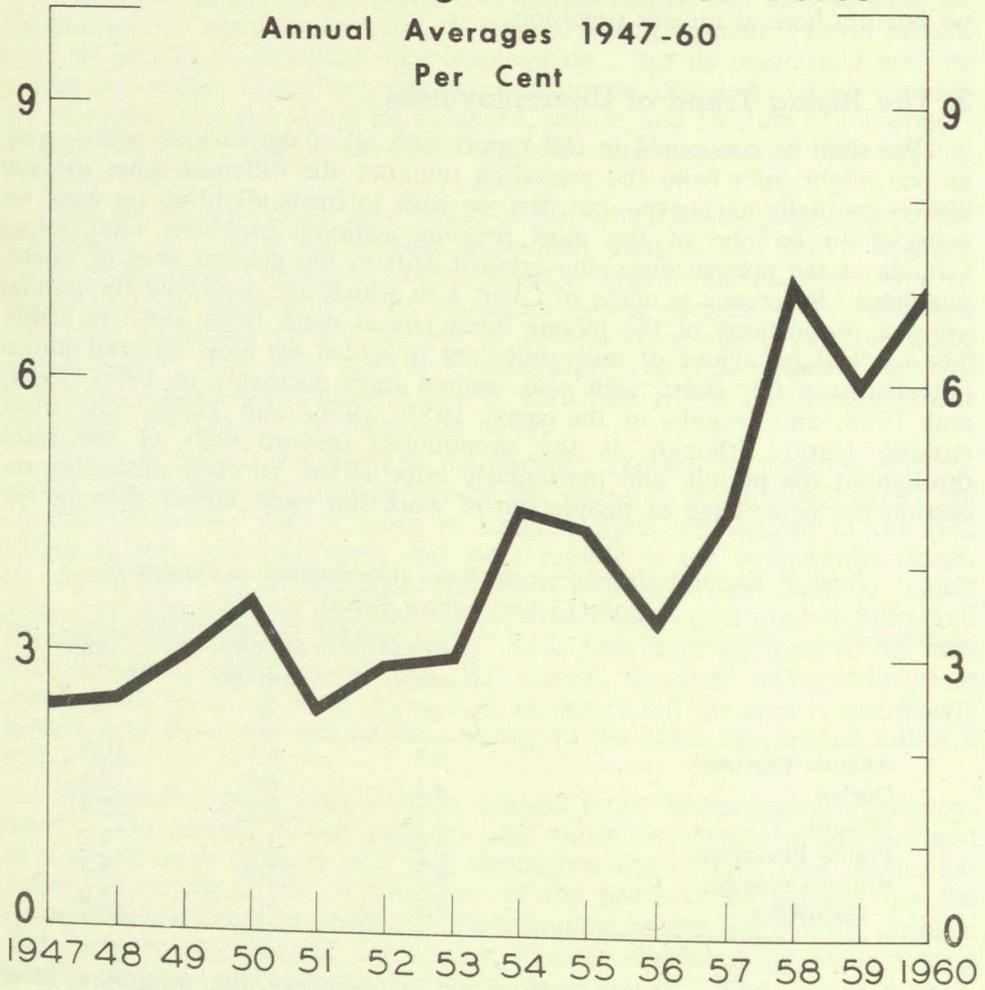
Table 1. Regional Unemployment Rates (Unemployed as Percentage of the Civilian Labour Force)

	1950-54 Average	1955-59 Average	1960
	%	%	%
Atlantic Provinces	5.8	8.8	10.6
Quebec	4.1	6.8	9.1
Ontario	2.4	3.8	5.4
Prairie Provinces	2.0	3.1	4.2
British Columbia	4.2	5.3	8.7
CANADA	3.3	5.1	7.0

preceding recession, and in each period of recovery the minimum level attained has been higher than the preceding minimum. The 1950 peak rate was 3.6 percent, whereas the 1958 peak was 7.1 percent; the 1951 trough was 2.4 percent, and the 1959 trough, 6.0 percent.

The upward drift of the unemployment rates ("creeping unemployment", someone has termed it) is evident not only at the national level but in each of the major regions of Canada, as Table 1 reveals. Over the last decade, the rates have been persistently above the national average in some regions and persistently below in others, and we shall have occasion

Chart 1

UNEMPLOYED
As a Percentage of Labour ForceAnnual Averages 1947-60
Per Cent

to comment on this in a later section. The point we wish to make here, though, is that in every area the average 1955-59 and 1960 rates were substantially higher than the average 1950-54 rates, so that in essence the problem is clearly not a local or regional one but a national one. Recognition of this fact is of the greatest importance in considering what measures might best be taken to deal with the problem.

Unemployment is, of course, the product of a divergence between the demand for labour and its supply, and in order to discover the underlying causes of the situation to which we have just referred one must study both sides of the market. On the one hand one must look at the changing size and composition of the working population, and on the other hand one must consider the general economic factors that determine how many workers employers wish to employ. This we shall do in subsequent sections, but first we deem it desirable to digress in order to consider another fundamental matter: the definition and measurement of unemployment.

4. The Definition and Measurement of Unemployment

Dr. Sylvia Ostry has observed in her report to the committee that "While it is quite clear that a measure of unemployment is a highly significant and important source of economic information, it is by no means so clear what is to be measured. Unemployment is not an absolute or unique concept, but is subject to a number of different interpretations". For many people, of course, working is a continuous necessity and the loss of one job is followed by immediate and intensive efforts to find another one. This is certainly true of the vast majority of men, at least from their early twenties to their early sixties. One can not assume it to be true for some other groups, though, such as older people, married women, or very young adults, for in these cases the attachment to the labour force is sometimes weak and uncertain. Whether or not a person in one of these groups who has no job is classified as an unemployed member of the labour force or as someone outside the labour force altogether (and therefore not unemployed in the meaningful sense of the word) often depends on the test which is applied. A question phrased in one way may elicit one response from such a person and when phrased in another way, or when asked in different circumstances, may elicit quite a different response. This is the problem that confronts the economic statistician in his attempts to measure unemployment. He recognizes that in a not insignificant number of situations unemployment is a highly subjective and ambiguous concept and that he can never hope to find a single absolute measure appropriate at all times, in all places, and for all purposes. Rather must he strive, by the exercise of informed judgment, to define and measure unemployment in such a way that the results are meaningful and useful for whatever requirements they are intended to satisfy. Unfortunately, the general public has not always been so well aware of the problem.

There has been considerable confusion in this country for a number of years arising out of the differences—sometimes very large differences between two basic sets of unemployment data: those derived from the Labour Force Survey conducted by the Dominion Bureau of Statistics, and those resulting from the operations of the National Employment Service. Attempts by persons familiar with the different sets of data to explain to the public some of the reasons for the differences frequently met with little success, and the popular debate continued to produce much heat and smoke

but very little light. However, within the last year there has been an important development and one of which we thoroughly approve. An interdepartmental committee of civil service experts was constituted and charged with the task of considering the most appropriate basis for an "official" national measure of unemployment and of reviewing the adequacy of existing statistics for the purpose of constructing such a measure. This committee released its report in August of last year and as a result certain steps were taken immediately which will, we hope, encourage public attention in the future to be more properly focussed on basic issues rather than on questions of definition.

The interdepartmental committee recognized that as a measure of unemployment the N.E.S. statistics are deficient in several respects. First, there is, on the one hand, a financial incentive for people to register for employment with the N.E.S., since this is a mandatory prerequisite to obtaining unemployment insurance benefits, while on the other hand it is impossible in many cases to provide frequent tests of registrants' interest in working by the offer of suitable jobs. Indeed, it is in periods when unemployment is greatest that the possibility of such testing is at a minimum owing to the scarcity of job opportunities. Second, the N.E.S. statistics are at the same time too restrictive and too comprehensive. They are too restrictive because they relate largely to that part of the population which is covered by the unemployment insurance system, it being quite obvious that in the absence of financial incentive a substantial proportion of people not covered by the system do not make use of the employment service facilities, and they are too comprehensive because they include people whose attachment to the labour force and whose interest in working are, to say the least, extremely weak. Third, the N.E.S. statistics lack the constancy of definition which economic analysis requires for they are affected by changes in statutory coverage and in administrative practices.

The N.E.S. statistics are "operational" statistics. They provide important information about the operations of the employment service and in this respect they are of interest to the administrator, the specialist, and, to a lesser degree, the public at large. However, they most certainly do not satisfy well the statistical requirements for a meaningful, reliable, and consistent measure of aggregate unemployment. As the interdepartmental committee has observed in connection with the N.E.S. figures, "purely administrative considerations must prevail whenever conflict arises between administrative and statistical objectives". We therefore concur with the conclusion that the Labour Force Survey is a much more appropriate vehicle for the measurement of unemployment in Canada.

The Labour Force Survey is a sample survey of households across the country. It was started in 1945 on a quarterly basis, and since the end of 1952 it has been conducted on a monthly basis. In technical design it conforms rigorously with the accepted principles and practices of modern statistics and, with only two exceptions, we have relied exclusively on the estimates of unemployment which it provides. The first of the two exceptions occurs in Section 15 of this report, which is concerned with the characteristics of people out of work. Here we have drawn heavily on a special nation-wide survey of registrants at employment offices of the Unemployment Insurance Commission in September of last year, this survey having been carried out for the committee under the direction of Dr. R. W. James with the object of gathering detail of a kind not available from any other source. The second exception

occurs in Section 16 which discusses the problem of chronic local and regional unemployment and which draws much of its material from a report presented to the committee by Professor S. Judek. For reasons that are noted in the discussion, use is made in this section of the regular "operational" statistics of the National Employment Service. In all other cases where unemployment is discussed, it can be assumed that the D.B.S. Labour Force Survey figures have been used.

As a result of recommendations of the interdepartmental committee there have recently been some changes of definition and terminology in the official publications of the results of the Labour Force Survey. Persons reported as being on temporary layoff with instructions to return to work within thirty days were formerly regarded as "persons with jobs" (though not at work, of course); they are now regarded as "unemployed", this latter term having been adopted and the older term "persons without jobs and seeking work" discarded. The change of definition has had comparatively little quantitative effect on the unemployment figures; in the three years 1958-1960 it resulted in an increase of less than 7 percent, on the average. Certainly it has not altered basic patterns of movement; the upward drift which we have noted stands out with equal clarity in both the old and the new series. However, the change is, we believe, a reasonable one, and one which has generally been regarded with favour. The new unemployment series has now been accepted as the "official" series and we have used it throughout this report wherever possible (in some cases it was necessary to use the older definition of unemployment because data for earlier years were not yet available on the new basis).

We have attempted no international comparisons of unemployment levels for, as Dr. Ostry has remarked, "In different countries unemployment series vary greatly not only in the definition adopted, but in economic scope or coverage, source of data and methods of compilation". That different concepts and methods produce different results is abundantly clear from the material provided in Dr. Ostry's report. For example, a sample survey of the labour force in Sweden produced an unemployment figure of 136,000 at a time (April, 1959) when the operational unemployment measure—the number of persons registered at local employment offices of the National Labour Market Board—was only 47,000. Again, the Australian census of 1954 produced a figure which was about four times the number of persons receiving unemployment benefit payments, the latter measure being one which is often cited in discussions of unemployment in Australia. Clearly, if such differences can arise within the same country the difficulties in comparing situations in different countries are very great indeed. With the possible exception of the United States, unemployment statistics of other countries do not lend themselves to comparison with our own.

Having noted, and expressed our views on, the questions of measurement and definition which have for so long plagued public discussion of unemployment in this country, we return now to the main stream. We shall consider in the next two sections the changing size and nature of the Canadian labour force.

5. The Labour Force Since 1950

The decade of the 1950's was a period of unusual expansion in Canada and the rapid growth of the labour force was a major factor in this expansion. From 1950 to 1960, a million and a quarter people were added to the work-

ing population, and in the last five years alone there was an increase of almost 800 thousand. This growth is impressive by itself but it becomes even more impressive when one considers that agriculture, one of the largest sectors of the economy, was declining markedly as a source of employment. Not only did all of the increase in the Canadian labour force go into the non-agricultural sector, but in addition this sector was called on to absorb another 330 thousand people for whom farming no longer provided jobs. The net result was that the non-agricultural labour force increased by almost two-fifths over the ten-year period.

Table 2. Changes in the Agricultural and Non-Agricultural Labour Force: 1950-1960

	Labour Force (Thousands)		Change	
	1950	1960	Thousands	Percent
Agricultural Labour Force.....	1,020	690	-330	-32.4
Non-Agricultural Labour Force.....	4,140	5,710	1,570	37.9
Total Labour Force.....	5,160	6,400	1,240	24.0

Immigration contributed heavily. More than a million and a half people came to Canada in the 1950's. They included young children and men and women of all ages, but a very large proportion were between twenty and thirty-five or forty, and for this reason the immigrant population made a disproportionately large contribution to the nation's supply of productive manpower. Over half of the immigrants sought jobs immediately upon arrival

Table 3. Immigration to Canada: 1950-1960

Thousands of Persons		Thousands of Persons	
1950.....	74	1956.....	165
1951.....	194	1957.....	282
1952.....	164	1958.....	125
1953.....	169	1959.....	107
1954.....	154	1960.....	104
1955.....	110		

and in many cases they were joined later by their children who had finished their education in the new country and come of working age. On the other hand, there was a smaller but nevertheless substantial movement of people out of Canada, particularly to the United States. The information available on emigration leaves something to be desired, but it appears that nearly 600 thousand people may have left the country in the period 1950-1959, and to a considerable extent these, too, were people in the most active years of their lives. The net gain to the Canadian labour force as a result of international population movements was therefore considerably less than one would infer from an examination of the immigration statistics alone. Nevertheless, it was sufficient to account for almost half of the total increase in manpower and was responsible in no small measure for the rapidity with which this country was able to expand its productive capacity.

The changes in the domestic population have been equally dramatic. In the first place, the number of working women has increased to a degree that the most astute observer could not have predicted in 1950. Social attitudes

have changed and basic forces at work in the economy have brought about a great proliferation of job opportunities for women—in banks, stores, government offices, hospitals, schools, insurance companies, and so on. In the age group over thirty or thirty-five the increase has been particularly striking and reflects the rising proportion of married women who seek employment after the early child-bearing ages. This trend, clearly evident throughout the 1950's, became particularly pronounced in the latter half of the decade. Although the female labour force accounts for only about a quarter of the total, the increase in the number of women in the labour force from 1955 to 1960 was almost as great as the increase in the number of men.

The second important change in the domestic population has been the change in the number of young people. Looking back to the years 1950-1954, the fifteen-to-nineteen-year-olds of that period were the children of the 1930's, a decade in which the Canadian birth rate reached the lowest point of a long-run decline. The people who were in the fifteen-to-nineteen age group in 1960 were born during the war years when the birth rate was rising, and those who

Table 4. Population 15-19 Years of Age in Selected Years (June 1) and Number of Live Births 15-19 Years Earlier

	Population 15-19 Years of Age (Thousands)	Number of Live Births 15-19 Years Earlier (Thousands)
1950	1,080	1,180 (1931-35)
1955	1,140	1,180 (1936-40)
1960	1,380	1,430 (1941-45)
1965	1,740 (forecast)	1,820 (1946-50)

will be in this group in 1965 were born during the years immediately following the war when the rate had risen still further. The number of children born in the first five years after the war exceeded the number born in the five years just before the war by almost sixty percent. The "population bulge" has already had a staggering impact on our schools and more recently its effects have begun to be felt in the labour market. Fortunately, though, this is only part of the story.

Ten years ago the "population bulge" would have had a much greater and more sudden impact on the labour force. Today, however, young men are staying in school longer. The effect of the oncoming wave of young people is

Table 5. Labour Force "Participation Rates" in Different Age Groups, Men and Women: 1950 and 1960

	Men		Women	
	1950 %	1960 %	1950 %	1960 %
Under 20 (14-19)	55.9	43.0	33.0	32.6
20-24	93.0	91.2	46.4	48.1
25-64	95.3	95.7	20.2	27.7
65 and Over	40.4	30.2	4.2	5.5
All Ages 14 and Over	84.0	80.8	23.2	28.0

being modified; it is being spread out over a longer period of time. In 1950 about 56 percent of the civilian male population 14-19 years of age belonged to the labour force. By 1960 the so-called "participation rate" had dropped to

about 43 percent, and there is every indication that the downward trend will continue. Moreover, there has also been a significant contraction of the male working life at the other end as a result of the tendency towards earlier retirement, and this has been an additional factor in restraining the rate of growth of the male working force.

Canada has entered the 1960's, then, with a labour force that has been growing rapidly for a decade and particularly rapidly in the past five years. Immigration has been one major factor and the increasing participation of married women has been another. Employment in agriculture has declined sharply, thus imposing an additional burden on the job-producing capacity of the non-agricultural sector. The "population bulge" is moving along the age stream and into the labour market, albeit subject to the modification noted. This is the legacy of the 1950's. Now what are the prospects for the years ahead?

6. The Labour Force in the Years Ahead

Five years is a long time in the perilous art of forecasting and no attempt has been made to peer further into the future than 1965. Even so, it has been necessary to make certain assumptions about changes in the average school-leaving age, the average age of retirement, the proportion of married women who will seek employment, the rates of immigration and emigration, and so on. Time has a habit of being unkind to forecasters and we can not be sure that all of these assumptions will prove accurate. It is important, therefore, to regard the forecasts in Table 6 with some measure of caution. Nevertheless, these figures do, we believe, indicate with reasonable accuracy the probable increase in the labour force which the Canadian economy will be required to absorb in the next few years from 1961 to 1965 (the table is reproduced from Mr. F. T. Denton's report to the committee).

Table 6. Forecasts of Labour Force Growth: 1960-1965

	Increase in Labour Force Thousands	Percent
If Immigration is 75,000 per year		
Men	360	7.6
Women	325	19.8
Both Sexes	685	10.7
If Immigration is 100,000 per year		
Men	410	8.6
Women	340	20.7
Both Sexes	750	11.7
If Immigration is 125,000 per year		
Men	450	9.6
Women	360	21.7
Both Sexes	810	12.7

Although it is unlikely that there will be any acceleration in the rate of growth there is no doubt that the labour force will continue to increase at a rapid pace. From 1955 to 1960 the increase was about 14 percent. The forecasts presented in Table 6 suggest that from 1960 to 1965 it may be of the order of 11 to 13 percent, depending on the annual rate of immigration. This

would mean an addition to the Canadian working population of some 700 thousand to 800 thousand people. If relatively full employment is to be achieved the economy must provide jobs for all of these people, and more. It must also provide jobs for those who at present are out of work and for others who in all probability will be displaced from the agricultural sector as farming continues to decline in terms of manpower. It has been estimated that if the unemployment rate (based on the new definition) is to be reduced from the comparatively high level of 1960 to, say, 3½ percent of the labour force, then non-agricultural employment must increase by 18 to 20 percent by 1965. The non-agricultural sector must be able to absorb roughly a million more workers over the five-year period. This is the situation which confronts Canada today. Unless we can achieve a rate of economic expansion which would be considered rapid by any standard, even the standard of our own postwar experience, we are faced at best with the prospect of a continuation of recent levels of unemployment, and at worst with the prospect of somewhat higher levels. Clearly the rate of economic growth over the next few years is of fundamental importance.

Immigration will probably play a less important role in the growth of the labour force than it did in the 1950's. The economies of many nations of western Europe are flourishing and the number of people seeking entrance to Canada has declined appreciably in recent years. The chance that in the next few years immigration will again reach the levels of the last decade seems remote. In 1959 and 1960 the annual rate was not much above 100 thousand. This is a far cry from the 282 thousand figure of 1957 and well below the average annual rate of 170 thousand in the years 1951 to 1958. The forecasts presented in Table 6 are based on the assumption that the annual rate in the next few years will be somewhere between 75 thousand and 125 thousand. Moreover, recent trends suggest that emigration to the United States and elsewhere may average about 70 thousand per year, so that on balance the increments to the Canadian population as a result of these international movements will probably be of modest proportions. Except to a comparatively minor extent, then, the increase in the labour force is not likely to come from this source. Rather, it is likely to come from within the population: from the increasing numbers of young people who will be leaving school to enter the labour market, and from the rising percentage of women who will be seeking employment.

Table 7. Estimated Contributions of Changes in the Domestic Population and of Migration to Changes in the Labour Force: 1950-1955, 1955-1960, and Forecasts for 1960-1965

Factors Contributing to Changes in the Labour Force	(thousands)		1960-1965		
	1950-55	1955-60	Low	Medium	High
Changes in the Domestic Population.....	150	510	645	645	645
Net Migration.....	300	280	40	105	170
Immigration.....	410	420	190	255	320
Emigration.....	—110	—140	—150	—150	—150
Total Change in Labour Force.....	450	790	685	750	815

If the increase in the working force is to come from within the Canadian population rather than from abroad, then one important consequence must be faced: to a much greater extent than in the past the rate of growth of the

working force will be beyond the reach of government influence. During the 1950's the federal government could, if it so desired, exercise a considerable measure of control over the increasing supply of labour by controlling the rate of immigration. In the years ahead such control will be much less effective. Even if immigration were to cease entirely—a most unlikely event—the labour force would probably grow by some 500 thousand people. Of course, immigrants do not merely increase the size of the working force. They also increase the demand for goods and services, and hence the demand for labour. The large numbers of newcomers to Canada in the 1950's contributed greatly to the process of economic expansion both by their purchases and by their productive efforts. The point we wish to make here is not that immigration should or should not be restricted but merely that even if it is restricted there will still be substantial growth in the number of workers for whom jobs must be provided. This growth is inevitable.

7. The Slowing Down of the Rate of Economic Expansion

The Canadian economy emerged from World War II and was confronted almost immediately with immense demands on its productive capacity. Fears concerning its ability to effect a relatively smooth transition from war to peace proved ill-founded and short-lived. A large volume of liquid savings and a backlog of postponed purchases ensured a high level of consumer spending. Industrial technology had advanced rapidly during the war and entrepreneurs were not slow to find profitable applications. New products were introduced and new methods of production instituted. In many cases replacement of worn out capital assets had been deferred during the depression of the 1930's and then further deferred during the war years. Producers were anxious to rectify this situation, and old buildings and machines were replaced or supplemented with new and often much better ones. The stock of capital assets was replenished, modernized, and greatly expanded. The population was increasing, too. In 1947 the birth rate reached a new peak and it remained at a high level in the years that followed. Urban communities expanded and vast new residential areas came into being on the outskirts of the older cities. Municipalities were hard pressed to keep up with this growth and their requirements for additional facilities imposed further demands on the capacity of the economy. Finally, the productive machinery of many nations had been crippled by the war. The long, slow process of reconstruction had commenced and the foreign demand for our raw materials was strong and destined to grow stronger. In the early postwar years Canadian loans to European countries helped to offset in part the difficulties caused by currency shortages and further facilitated the development of our export markets.

The "business cycle" had not been conquered but its impact had been greatly reduced. With the cessation of hostilities there was some immediate reduction of overall activity, as measured by the conventional statistical aggregates. This was short-lived, though, and attributable wholly to the temporary dislocation associated with demobilization and conversion to a peacetime economy. The first wave of expansion commenced early in 1946 and continued uninterrupted until the last months of 1948. There followed, then, a recession, or what has been more appropriately termed "a pause for breath". This was brief and of minor degree, and by the end of 1949 the economy was again moving towards a position in which growth was limited only by the scarcity of human and capital productive resources.

The second wave of expansion had been in progress for only a few months when war broke out in Korea. Government defence expenditures were increased sharply and the demand for raw materials on world markets rose, giving further support to many of our export industries. The shortages of World War II were still fresh in the public memory and there was an immediate rash of speculative buying by consumers and businesses. Encouraged by the rise in foreign and domestic demand, new sources of raw materials were sought and expenditures on exploration and development were increased. The population grew rapidly in this period, too, with the first great wave of post-war immigration. In 1951, 194 thousand people came to Canada, and in each of 1952 and 1953 the total was in excess of 160 thousand. This, together with the continuing shifts from rural to urban areas and from cities to suburbs, created a large and persistent demand for housing, for household furnishings and equipment, for municipal capital facilities, and so on.

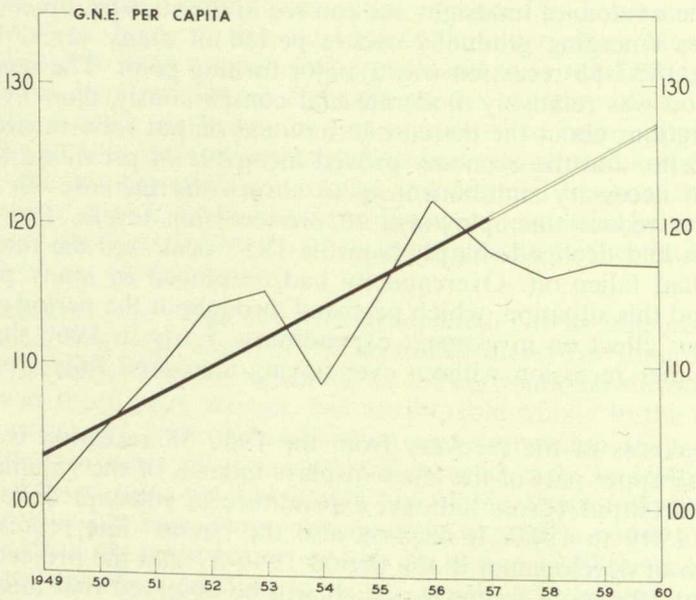
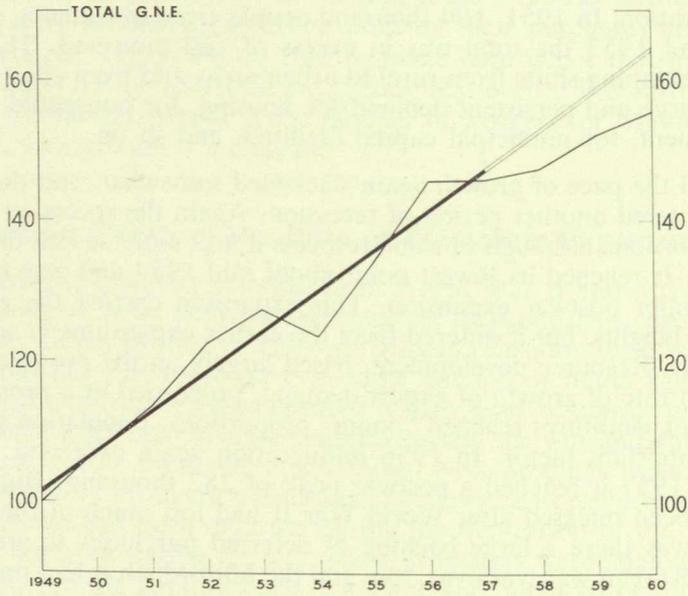
In 1953 the pace of growth again slackened somewhat, and the Canadian economy entered another period of recession. Again the recession was not of major proportions although in some respects it was more severe than the preceding one. It reached its lowest point about mid-1954 and was followed by the third major postwar expansion. This expansion carried the economy to still greater heights, but it differed from the earlier expansions in some significant respects. Resource development, based largely on the prospect of a continuing high rate of growth of export demand, proceeded at a rapid pace and investment expenditures reached "boom" proportions. Population growth was again an important factor. In 1956 immigration again exceeded 160 thousand and in 1957 it reached a postwar peak of 282 thousand. But the forces which had been released after World War II had lost much of their potency. No longer was there a large backlog of deferred purchases to stimulate demand. The Korean war was over, too, and the fillip which it had provided was not repeated. The expansion in this period was rapid by any standard, but it was noticeably shorter in duration than its predecessors, and it was followed by the most severe postwar recession which Canada had yet experienced.

With the wisdom of hindsight one can see in the statistical record evidence of weakness emerging gradually over a period of many years. In a sense, though, the 1957-58 recession was a major turning point. The recovery from this recession was relatively moderate and conspicuously short-lived. Widely held expectations about the increase in national output soon turned out to be over-optimistic, and the economy proved incapable of providing the number of new jobs necessary simultaneously to absorb the increases in the labour force and to reduce unemployment to pre-recession levels. The volume of immigration had declined sharply from its 1957 peak and the rate of family formation had fallen off. Overcapacity had developed in many parts of the economy and this situation, which persisted throughout the period of recovery, had a serious effect on investment expenditures. Early in 1960 the economy entered another recession without ever having recovered fully from the preceding one.

The weakness of the recovery from the 1957-58 recession is evident in Chart 2. The upper part of the chart displays indexes of the volume of aggregate national output (gross national expenditure in constant dollars) for the years from 1949 to 1960. It displays also the "trend" line representing the average path of development in the period 1949-57 and the projection of this trend line into the more recent period. It will be observed that in each of the last three years the actual index has been well below the projected trend line,

Chart 2

**INDEXES OF GROSS NATIONAL EXPENDITURE
IN CONSTANT DOLLARS**
Actual 1949-60 Compared with 1949-57 Trend Lines
Index 1949=100



indicating that the 1958-60 rate of growth has been substantially less than the average 1949-57 rate.

This point stands out even more clearly in the lower part of Chart 2 which presents indexes of the volume of national output *per capita* (constant-dollar gross national expenditure divided by the total population). Again the 1949-57 trend line has been projected into the 1958-60 period, and again the recent indexes are seen to be well below the trend line. Now, though, it is apparent that there has been more than just a moderation of the rate of increase. The inability of national output to keep pace with the growing population has resulted in a significant reduction of output per capita in the last four years. The 1959 and 1960 per capita figures, which were just about identical, were lower than the 1956 figure by about 4 percent.

Although this country has experienced phenomenal growth since World War II, over the years, and particularly in recent years, the forces of expansion have become weaker. The statistical evidence leaves no doubt about this. Since 1948 there have been three complete cycles of recession and expansion.

Table 8. Postwar Turning Points in Economic Activity and Duration of Contractions and Expansions

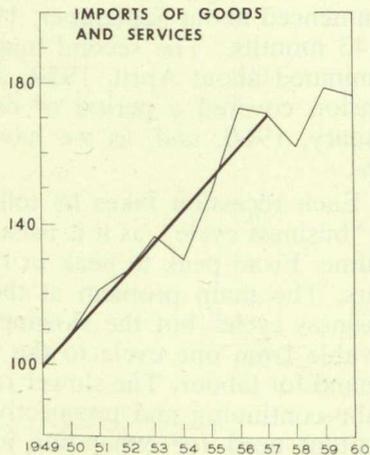
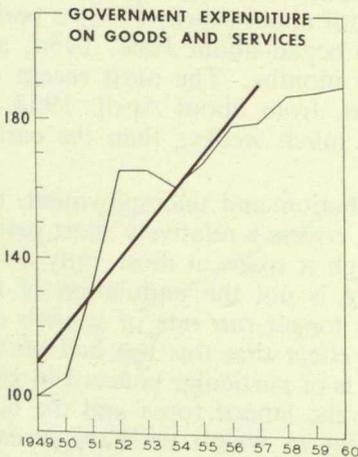
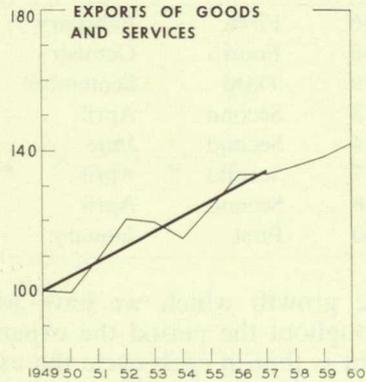
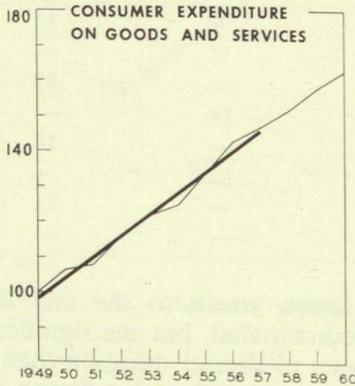
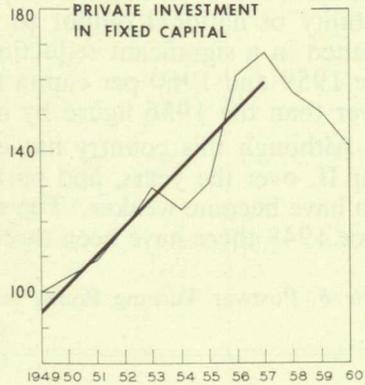
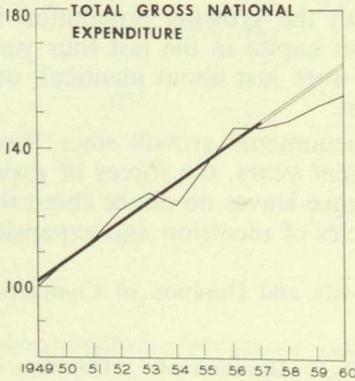
Year	Quarter	Month	Character of Turning Point	Duration of Contraction (months)	Duration of Expansion (months)
1946	First	February	Trough	—	32
1948	Fourth	October	Peak	11	—
1949	Third	September	Trough	—	43
1953	Second	April	Peak	14	—
1954	Second	June	Trough	—	34
1957	Second	April	Peak	12	—
1958	Second	April	Trough	—	21
1960	First	January	Peak	—	—

The growth which we have witnessed in Canada attests to the fact that throughout the period the expansions have predominated, but the significant point is that in each cycle the expansion has been of shorter duration than in the previous cycle. The application of a common procedure for dating the peaks and troughs of the "business cycle" indicates that the expansion which commenced about September, 1949, lasted until about April, 1953, a period of 43 months. The second major expansion began about June, 1954, and terminated about April, 1957, after some 34 months. The most recent expansion covered a period of only 21 months, from about April, 1958, to January, 1960, and, as we have noted, was much weaker than the earlier ones.

Each recession takes its toll in lost production and unemployment, but the "business cycle", as it is usually conceived, covers a relatively short period of time. From peak to peak or trough to trough it spans at most, only a few years. The main problem at the present time is not the undulation of the "business cycle" but the slowing-down of the longer-run rate of growth observable from one cycle to the next and the effect that this has had on the demand for labour. The slower rate of growth is of particular concern in view of the continuing and prospective increase in the labour force and the concomitant need for expanding job opportunities to which we have already drawn attention!

Chart 3

INDEXES OF GROSS NATIONAL EXPENDITURE AND ITS MAJOR COMPONENTS IN CONSTANT DOLLARS
Actual 1949-60 Compared With 1949-57 Trend Lines
 Index 1949=100



8. The Declining Rate of Investment

The tendency for the rate of economic growth to subside has been carefully and thoroughly documented by Professor Hood in the study which he prepared for the committee. It is evident in many parts of the economy and reflected in numerous statistical series. Nowhere, though, is it more conspicuous than in the case of private investment.

This fact is brought out in Chart 3 in which are presented, for the years 1949 to 1960, indexes of most of the major components of gross national expenditure in constant dollars, together with 1949-57 trend lines. It will be observed that whereas the other components of GNE showed at least some tendency to increase after the 1957-58 recession, in the case of private investment (or "business gross fixed capital formation", to give it a more technical name) there was a continuous decline. By 1960 the annual total had fallen some 16 percent from its 1957 peak level.

This decline in the rate of private investment must be viewed as an occurrence of the utmost importance. It both reflects and has contributed to the slowing down of the overall rate of economic expansion as measured by the rate of increase in national output and income. In order for the construction industry, the producers of machinery and equipment, and many of the industries which supply them, to prosper it is necessary not only that the economy be operating at a high level of activity but that it be expanding continuously, for the products of these industries are the tools of expansion. In this regard the investment goods industries are in a position different from that of other industries. When the overall rate of growth declines many industries continue to expand, although at a reduced rate. Firms that produce investment goods, though, may find not only that the demand for their output has stopped expanding entirely but that it has actually contracted. These firms are among the first and most seriously affected by changes in the economic climate. Moreover, changes in the investment goods industries affect aggregate income and employment and thereby reinforce changes in the economy at large.

As indicated by Table 9, in which figures are expressed in terms of constant (1949) dollars, and Chart 4, in which the same figures are expressed

Table 9. Private Investment (Business Gross Fixed Capital Formation)
In Constant (1949) Dollars: 1949-1960

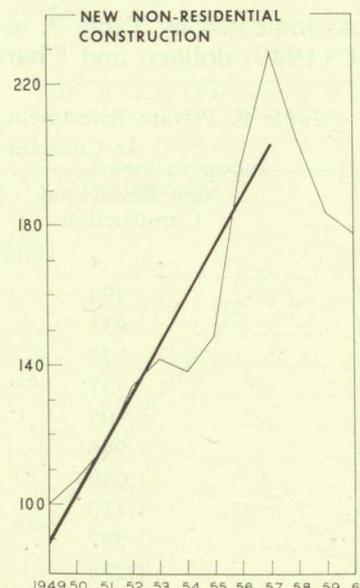
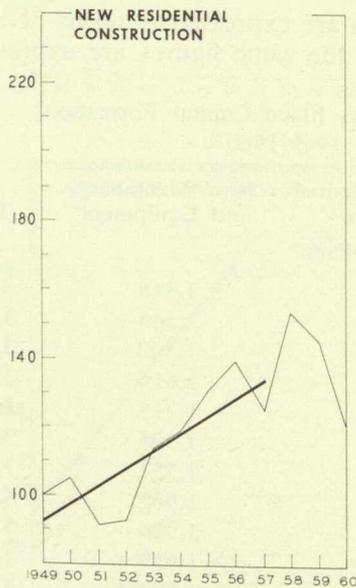
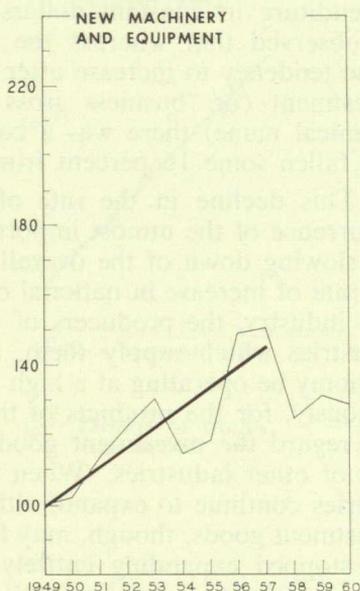
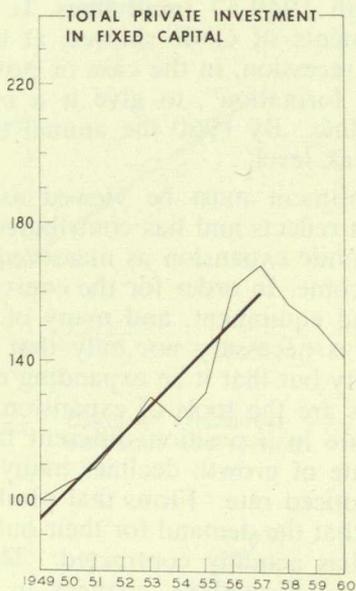
	New Residential Construction	New Non-Residential Construction	New Machinery and Equipment	Total
	(millions of 1949 dollars)			
1949	794	920	1,318	3,032
1950	833	988	1,346	3,167
1951	727	1,074	1,500	3,301
1952	737	1,235	1,616	3,588
1953	905	1,306	1,715	3,926
1954	946	1,272	1,505	3,723
1955	1,040	1,365	1,557	3,962
1956	1,110	1,816	1,965	4,891
1957	997	2,107	1,980	5,084
1958	1,218	1,877	1,639	4,734
1959	1,156	1,687	1,724	4,567
1960	959	1,634	1,693	4,286

Chart 4

INDEXES OF PRIVATE INVESTMENT* AND ITS COMPONENTS
IN CONSTANT DOLLARS

Actual 1949-60 Compared With 1949-57 Trend Lines

Index 1949=100



* Business Gross Fixed Capital Formation

in index form, the weakness of capital investment is observable not only in the total but in each of the three major divisions of the total: expenditure on new machinery and equipment; expenditure on new residential construction; and expenditure on new non-residential construction. It is true that owing to factors peculiar to the housing market, expenditure on new residential construction has behaved somewhat differently from the other types of investment expenditure, particularly in 1958 in which year it increased very rapidly and actually achieved a record level. However, since 1958 weaknesses have emerged even in this category, as the chart and table reveal.

The recent weakness of investment follows a long period of rapid capital expansion, a period in which the nation as a whole was willing and able to devote a large and increasing proportion of its existing productive capacity to the augmentation of that capacity through the creation of a bigger and better stock of capital assets. In 1949, public and private investment combined (in current dollars) represented 22 percent of total gross national expenditure; by 1957 the proportion had risen above 27 percent (it has since declined noticeably). These ratios are unusually high—higher than those of most other nations and, in particular, well above the ratios in the United States. What this means is that in the first dozen years following World War II the Canadian economy evolved an economic structure compatible with, and indeed essential to, the maintenance of a rapid overall rate of growth. Such a structure is clearly not compatible with the lower rate of growth which has obtained in recent years, though, and this has undoubtedly been a major source of difficulty, for the labour and capital which previously had been used in the production of investment goods can not suddenly be shifted to other types of activity in which they might better be employed. Given enough time they may be shifted, but the change can not be accomplished overnight, and it is apparent that the inability to adjust with sufficient rapidity to the situation which emerged after the 1957-58 recession has had serious consequences. That considerable overcapacity has existed in recent years in certain parts of the economy is evident, for example, from Table 10, which appeared in the 1958 annual report of the Department of Trade and Commerce, and which was reproduced by Professor Hood in his report to the committee. The table indicates approximately in percentage terms the extent of new capacity which came into being in 1957-58 in selected areas of the economy following the investment "boom", and this information, together with the knowledge that in many cases the demand for the relevant commodities has fallen short of expectations, implies that much of the expanded capacity remains unutilized. In view of the effect which this situation must have had on the incentive to expand productive facilities further it is not surprising that aggregate industrial investment has failed to recover its former level, let alone to increase beyond this level as it would have had to do if full employment were to have been maintained in the investment goods industries and, more generally, in the economy at large.

The increase in the proportion of total goods and services devoted to private capital expansion in the period prior to the 1957-58 recession is reflected in the fact that the 1949-57 trend line for private investment displayed in Chart 3 rises more rapidly than the trend line for total gross national expenditure. In other words, during the period 1949-57 private investment constituted a rising percentage of national output. Obviously this situation could not have continued indefinitely; the nation could not have continued to increase without limit the share of goods and services devoted to investment, as a con-

Table 10. Approximate Percentage Increase in Capacity
in Two Year Period 1957 and 1958

Commodity	% Increase	Commodity	% Increase
Newsprint	15	Iron Ore	26
Woodpulp	15	Petroleum Crude	60
Aluminum	16	Petroleum Refined	22
Nickel	9	Cement	25
Copper	15	Iron and Steel	15
Asbestos	13	Electric Power	25

tinuation along the trend lines would have implied. The significant point, then, is not that there has been a change, for such a change was inevitable, but rather that the change came so abruptly. If the transition had come more gradually the problems of adjustment would have been much less severe, and the fact that it came very suddenly in the wake of the 1955-57 investment "boom" is at the root of much of our present difficulties.

If, then, the recent weakness of capital investment and the attendant "structural" difficulties to which this has given rise both reflect and have contributed to the slowing down of the overall rate of economic expansion, there are two possible general types of corrective action which should be considered. One type would be directed toward stimulating investment, and thereby creating a situation in which the existing economic structure would once again represent a more appropriate allocation of the nation's productive resources; the other type would be directed towards facilitating the process of reallocation of the resources required in a period of less rapid capital expansion. At this point, we wish to observe that measures of the first type—the type aimed directly or indirectly at stimulating investment—are likely to have much greater immediate effect than measures of the second type, though the latter are of basic importance for the longer-run.

9. The Changing Level and Composition of Consumer Expenditure

If investment has been a volatile element in the Canadian economy, as indeed it is in any dynamic economy, consumer expenditure has been a stabilizing element. Referring again to Chart 3, it will be observed that unlike other components of gross national expenditure, expenditure by consumers has continued to rise more or less steadily through good times and bad times. As consumer expenditure represents some 60 or 65 percent of the total, it is evident that this relative stability of growth has had an important mitigating influence over the course of the business cycle. Moreover, it is a fact of considerable consequence that the stability has been maintained throughout the past few years, in the face of weaknesses which have emerged elsewhere in the economy, and which clearly transcend, both in duration and importance, the ordinary business cycle recession. Had it not been so it is certain that our present difficulties would have been seriously aggravated.

The relative overall stability of growth of consumer expenditure does obscure, however, the less stable behaviour of some of its components. In particular, it masks the pronounced fluctuations of demand for automobiles, furniture, household appliances, and consumer durable goods in general. These fluctuations reflect the fact that purchases of this type are more severely

affected by the variations of personal income over the course of the business cycle, and it reflects also the natural tendency for sales of durable goods (i.e. goods which by their nature do not have to be replaced at frequent intervals) to exhibit a wave motion, with a higher sales volume in one period being compensated by a lower volume in the next period because consumers who had made purchases find it unnecessary to repeat them. As Table 11 and Chart 5 reveal, expenditure on durable goods, while representing only a small proportion of total consumer expenditure (11 percent in 1960 in terms of current dollars), has been by far the most unstable component over the years, and in the past few years its rate of growth has declined sharply. Just as industrial investment had been severely affected since the 1957-58 recession, so has consumer investment in durable assets been affected, though in lesser degree. Whereas from 1952 to 1956 there was a rise of 45 percent in the "real" volume of consumer durables purchased, from 1956 to 1960 the increase was less than 4 percent.

Table 11. Personal Expenditure on Consumer Goods and Services
in Constant (1949) Dollars: 1949-1960

	Durable Goods	Non-Durable Goods	Services	Total
	(millions of 1949 dollars)			
1949.....	1,146	6,409	3,368	10,923
1950.....	1,432	6,712	3,498	11,642
1951.....	1,297	6,819	3,701	11,817
1952.....	1,526	7,181	3,926	12,633
1953.....	1,737	7,531	4,070	13,338
1954.....	1,724	7,749	4,177	13,650
1955.....	2,066	8,187	4,409	14,662
1956.....	2,209	8,705	4,689	15,603
1957.....	2,126	9,047	4,885	16,058
1958.....	2,157	9,288	5,123	16,568
1959.....	2,273	9,632	5,376	17,281
1960.....	2,289	9,957	5,528	17,774

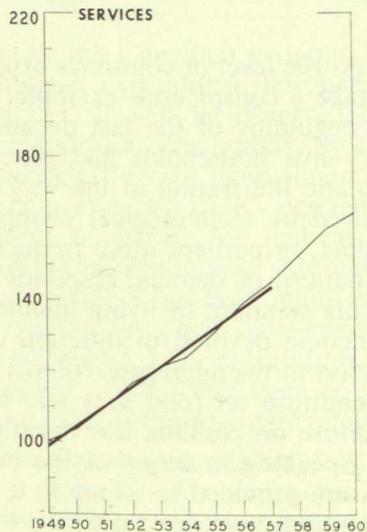
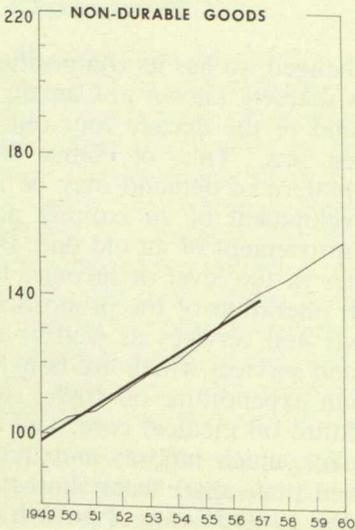
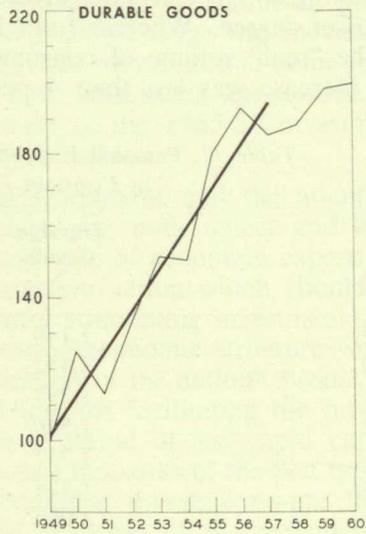
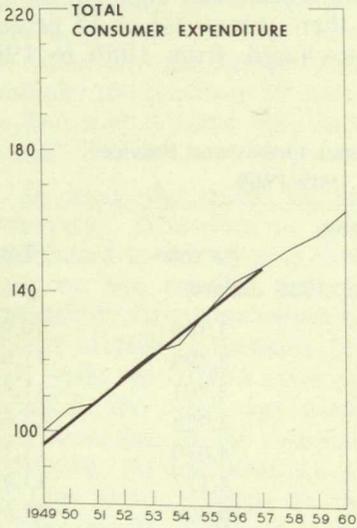
As the level of consumer expenditure has changed, so has its composition. To take a conspicuous example, television was scarcely known in Canada at the beginning of the last decade but by the end of the decade four out of every five households had purchased receiving sets. This, of course is a dramatic illustration of the way in which the pattern of demand may be influenced by technological change—by the development of an entirely new product, or perhaps more frequently, by the improvement of an old one. But the pattern of demand responds also to changes in the level of income, for a rising standard of living manifests itself in an alteration of the proportions of income devoted to different classes of goods and services as well as an increase in the aggregate volume of the goods and services which are bought. Expenditure on food may rise less rapidly than expenditure on travel, expenditure on clothing less rapidly than expenditure on medical care, and so on. Speaking in terms of the broad divisions for which indexes and trend lines are provided in Chart 5, it will be observed that, apart from short-run fluctuations associated with the business cycle, the 1949-57 rate of growth of purchases of durable goods exceeded substantially the rate of growth for both services and non-durable goods. Thus, in spite of the overall stability

Chart 5

INDEXES OF CONSUMER EXPENDITURE AND ITS COMPONENTS
IN CONSTANT DOLLARS

Actual 1949-60 Compared With 1949-57 Trend Lines

Index 1949=100



of growth on which we have remarked, changes in consumer expenditure have had an impact on the structure of the economy and, in particular, have encouraged a rapid expansion of the consumer durable goods industries. As we shall observe in a subsequent section, the sudden change of fortune in these industries, as in the industrial investment goods industries, has had a serious effect on employment opportunities since the 1957-58 recession.

10. Changes in Government Expenditure

Government spending has increased over the years, and increased markedly. From 1949 to 1960 the "real" volume of expenditure on goods and services rose by 90 percent (this does not include so-called transfer payments, which are discussed below, or subsidies, which represent only a small portion of total government spending). This increase compares with an increase of 55 percent in the "real" volume of gross national output. However, it is important to realize that the rate of increase in government purchases of goods and services was far from uniform throughout the period, and that the gains were concentrated largely in the early years of the decade owing principally to the expansion of defence outlays at the time of the Korean war. This is readily apparent in Chart 3. In the two years 1951 and 1952 the real aggregate of government expenditure on goods and services of all kinds increased by 57 percent; in the eight years from 1952 to 1960 it advanced by only 15 percent. One can hardly regard with anything but dismay the troubled international situation which necessitated the sharp increase in defence outlays. Nevertheless, it is a fact that the direct and indirect effects of this increase provided an important stimulus to growth in the early 1950's, and the absence of a similar stimulus in later years cannot be ignored.

However, this does not tell the full story, for expenditure on goods and services constitutes only part of government spending. The other major part (after the deduction of inter-government movements of funds in order to avoid double counting) consists of so-called "transfer payments". These are payments which are not related to the purchase of goods and services, and which include, for example, family allowances, veterans' pensions, unemployment insurance benefits, old age security payments, and so on. Payments of this kind have risen very rapidly in the last few years and this has undoubtedly made a substantial contribution to the continued growth of personal income and consequently to the stability of growth of consumer expenditure on which we have already remarked. In total, transfer payments in current dollars advanced by about 76 percent from 1956 to 1960 (this includes interest on the public debt which is sometimes regarded as a transfer payment and which, incidentally, has also increased substantially).

About a fifth of the increase in transfer payments since 1956 is accounted for by the increase in unemployment insurance payments, and in large measure this is a reflection of the relatively high unemployment levels which have persisted throughout recent years. The unemployment insurance system is an excellent example of what is often referred to as a "built-in stabilizer"—a mechanism which operates automatically to curb the excesses of the business cycle and to maintain a more stable pattern of development in the economy. Thus, when unemployment is low and benefit payments are at a minimum there is a net flow of money into the unemployment insurance fund; when unemployment is high there is a net flow out of the fund and into the hands

of consumers. The significance of the system for the maintenance of personal income during periods of reduced economic activity, and particularly during recent years, stands out clearly in the statistical record.

Table 12. Government Transfer Payments: 1956 and 1960
(millions of dollars)

	1956	1960	Increase Millions of Dollars	%
<i>Federal</i>				
Family Allowances	394	502	108	27.4
Pensions, World Wars I and II	119	136	17	14.3
War Veterans' Allowances	44	64	20	45.5
Unemployment Insurance Benefits	210	482	272	129.5
Old Age Security Fund Payments	376	587	211	56.1
Other	81	212	131	161.7
TOTAL, FEDERAL	1,224	1,983	759	62.0
<i>Provincial</i>				
Direct Relief	20	40	20	100.0
Workmen's Compensation Benefits	70	86	16	22.9
Old Age and Blind Pensions	60	88	28	46.7
Mothers' & Disabled Persons' Allow.	37	80	43	116.2
Grants to Private Non-Commercial Institutions	264	680	416	157.6
Other	49	87	38	77.6
TOTAL, PROVINCIAL	500	1,061	561	112.2
<i>Municipal</i>				
Direct Relief	19	43	24	126.3
Grants to Private Non-Commercial Institutions	16	20	4	25.0
Other	7	9	2	28.6
TOTAL, MUNICIPAL	42	72	30	71.4
TOTAL, ALL LEVELS OF GOVERNMENT	1,766	3,116	1,350	76.4

There have also been substantial increases in other types of transfer payments. Federal old age security payments increased by more than 200 million dollars over the four-year period, and family allowances by more than 100 million dollars. At the provincial level, grants to private non-commercial institutions increased by more than 400 million dollars and there were substantial gains in other categories as well. Provincial relief payments doubled and municipal relief payments more than doubled.

The point which we wish to make here, then, is that although government expenditure on goods and services was a much more important factor in the expansion of the early 1950's than in later expansions, other types of payments, which are not associated with the purchase of goods and services, have advanced more rapidly in recent years. In as much as these increases have been accompanied by substantial overall government deficits since the calendar year 1958, the net effect has been a not inconsiderable injection of "spending power" into the economy, and particularly the consumer sector of the economy. Undoubtedly this has helped to bolster consumer demand and

thereby offset in part weaknesses which have emerged elsewhere. On the other hand, it must be pointed out that the large increase in government transfer expenditures has involved a continuation of relatively high levels of taxation, the impact of which is more keenly felt when demand declines and competitive pressures increase in international markets.

11. The Changing Pattern of International Trade

Canada is one of the foremost trading nations of the world. In recent years, exports of goods and services have been equal to about a fifth of our total national output, and imports to nearly a quarter. These are very high proportions by international standards. In as much as a substantial percentage of the working population are employed in export-oriented industries, or in industries whose products compete with imports, and in as much as the circumstances in these industries affect the prosperity of many other industries and the welfare of many other workers, it is clear that any discussion of Canada's unemployment problem must give due consideration to the conditions of our foreign trade.

The composition of our foreign trade has undergone considerable modification over the decades in response to the evolving structure of the Canadian economy and the changing conditions of supply and demand throughout the world. Even since World War II there have been important developments. Today we buy and sell on world markets a vast array of products of all types and descriptions; even the most cursory inspection of official trade statistics publications leaves no doubt about this. It is still true, however, that as a nation we are heavy exporters of raw materials or partially processed products, and heavy importers of secondary manufactured goods. In large part this reflects, of course, the richness of our natural resources and the comparative advantages which we enjoy in the extractive industries.

The continuing heavy dependence of the Canadian economy on exports of primary products or products in the early stages of processing is evident from Table 13. It will be observed that a very large proportion of the income which we earned from sales of merchandise in world markets in 1959 (the latest year for which the relevant statistics are available) came from sales of raw materials or materials designated in official classifications as "partially manufactured". Goods of this kind accounted for about 63 percent of our total commodity sales abroad, and "fully or chiefly manufactured" goods for only 37 percent. Similarly, our dependence on foreign suppliers for the more highly processed goods which we use in our industries or consume in our homes is equally clear from the table: "fully or chiefly manufactured" goods accounted for 77 percent of our commodity imports in 1959, and other types for only 23 percent.

Table 13. Merchandise Imports and Exports Classified by Degree of Manufacture, 1959

(millions of dollars)		
	Imports	Exports
Raw Materials and Partially Manufactured Goods	1,247	3,161
Fully or Chiefly Manufactured Goods	4,262	1,861
TOTAL	5,509	5,022

Another dominant characteristic of our foreign trade is the high degree to which it is concentrated on the United States. In 1959 about 61 percent of our merchandise exports went to that country and about 67 percent of our merchandise imports originated there. The United Kingdom accounted for roughly 16 percent of our exports and 11 percent of our imports, and other commonwealth countries accounted for 5 percent and 4 percent.

Table 14. Merchandise Imports and Exports Classified by Area, 1959

(millions of dollars)		
	Imports	Exports
United States	3,710	3,082
United Kingdom	588	786
Other Commonwealth Countries	239	274
All Other Countries	972	880
TOTAL	5,509	5,022

Looking back over the last decade or more, it is apparent that imports have risen much more rapidly than exports. To refer once again to the constant-dollar or physical-volume indexes of Chart 3, it will be observed that the 1949-57 trend line for imports is much more steeply inclined than the trend line for exports. The slower rate of increase in our sales to foreign countries is reflected, too, in the declining ratio of exports of goods and services to total gross national expenditure: in 1949 they accounted for almost 25 percent of the total (in current dollars); in 1960 they accounted for only 19 percent.

It is well known that Canada has been faced throughout this period, and particularly in the more recent part of the period, with a substantial deficit in her current account transactions. Not since 1952 have we had even a modest surplus, and since that time, and more especially since 1956, the deficits have become very large indeed. In part this is attributable to an imbalance in our merchandise transactions. Since 1956, though, this imbalance has lessened appreciably, and the recent overall deficits must be attributed in much greater degree to the imbalance in our non-merchandise transactions, i.e. to net deficits in interest and dividend payments, in travel expenditures, in freight and shipping expenditures, and so on. In 1960, out of a total current account deficit of 1,270 million dollars, the non-merchandise deficit accounted for 1,122 million and the merchandise deficit for only 148 million. Of course, this is not to suggest that the deficit in the one set of transactions could not be offset by a surplus in the other—as a matter of simple arithmetic, this is entirely possible—or that if corrective action is contemplated such action should be oriented mainly towards the non-merchandise category. It does serve, though, to emphasize what is often overlooked in popular discussion—that in spite of the importance of our trade in tangible goods, other forms of transactions are also of considerable significance in our international current accounts.

As a matter of accounting, the total of a nation's international payments must just equal the total of its international receipts. If it has an imbalance in one part of its accounts this must be just offset by an imbalance in the other direction in other parts. As is well known, the very large deficits in our current account transactions with the rest of the world have been offset—and, indeed, made possible—by equivalent large surpluses in our capital account

Table 15. Balance of Payments on Current Account: 1949-1960

	(millions of dollars)		
	Merchandise	Non-Merchandise	Total
1949.....	293	—116	177
1950.....	10	—344	—334
1951.....	—147	—370	—517
1952.....	489	—325	164
1953.....	—58	—385	—443
1954.....	13	—445	—432
1955.....	—211	—487	—698
1956.....	—728	—638	—1,366
1957.....	—594	—861	—1,455
1958.....	—179	—952	—1,131
1959.....	—423	—1,071	—1,494
1960.....	—148	—1,122	—1,270

transactions. In particular, throughout the last decade Canada has been the recipient of a very heavy flow of investment funds from the United States.

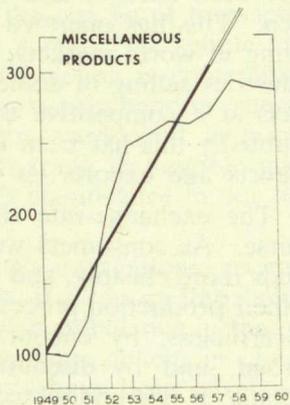
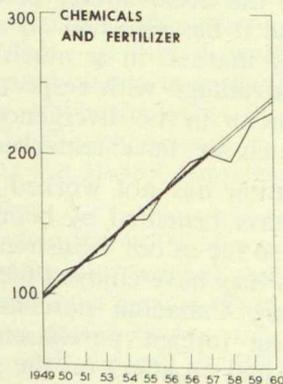
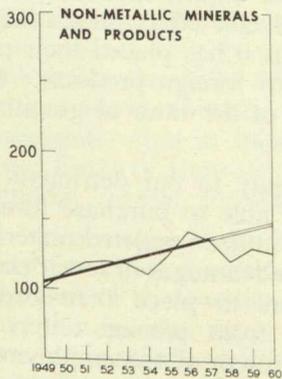
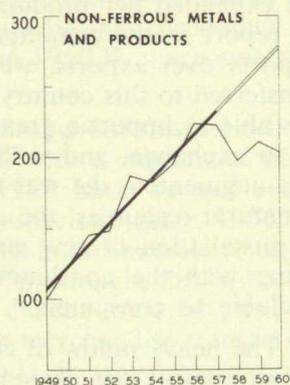
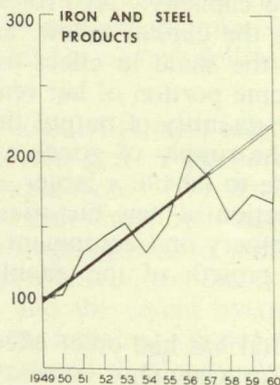
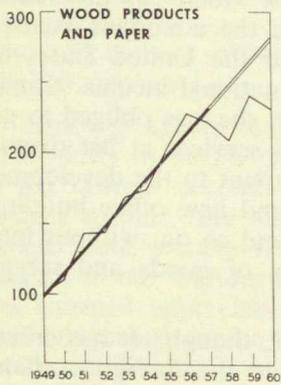
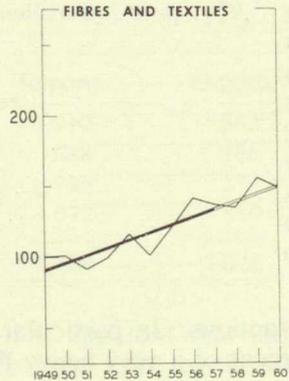
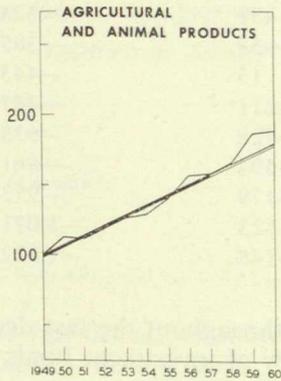
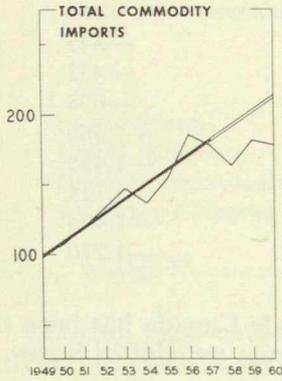
Much attention has been given in public discussions to this inflow of investment funds, and rightly so. It has been a very important factor. It has been responsible in no small measure for the rapid rate at which Canada has expanded her productive capacity. As Professor Hood has observed in his report to the committee, the capital inflow, and the attendant excess of imports over exports, were the same in effect as if the United States had transferred to this country some portion of her real national income. Canada was able to import a greater quantity of output than she was obliged to give up in exchange, and with the supply of goods and services at her disposal thus augmented, she was able to devote a larger amount to the development of natural resources, the erection of new factories and new office buildings, the installation of new machinery and equipment, and so on, without interfering with the continuous growth of the quantity of goods and services available to consumers.

The heavy inflow of capital has had other effects, though. It has created a continuing large demand for Canadian currency in the foreign exchange market and thereby caused upward pressure on the exchange rate—the price of the Canadian dollar in terms of the U.S. dollar. As a result, our imports have been cheaper and our exports dearer than they would otherwise have been. This has operated to the disadvantage of our export industries competing in world markets, and it has also had an adverse effect on Canadian industries selling in domestic markets in as much as it has placed their products at a competitive disadvantage with respect to foreign products. Undoubtedly this has been a factor in the divergence of the rates of growth of imports and exports on which we have remarked.

The exchange-rate situation has not worked only to our detriment, of course. As consumers we have benefited by being able to purchase foreign goods more cheaply, and in so far as our industries utilize imported materials in their production processes they have enjoyed the advantages of lower costs. Nevertheless, by encouraging Canadian purchasers to place their orders abroad, and by discouraging foreign purchasers from placing orders in Canada, it has undoubtedly had an effect on the growth of the employment opportunities in the country. Moreover, the exchange-rate has not been the

Chart 6

INDEXES OF COMMODITY IMPORTS IN CONSTANT DOLLARS
Actual 1949-60 Compared With 1949-57 Trend Lines
 Index 1949=100



only source of difficulty. It is well known that the climate of international trade has been undergoing fundamental change with the recovery and economic growth of Japan and the war-torn countries of Western Europe. With their industrial capacity reconstituted and augmented, these nations have increased their trading activities with vigour and with success. "Sellers markets" have become "buyers markets" as actual or potential supplies of many commodities have risen, and as a result many Canadian industries have experienced increasing competition both at home and abroad. It is generally conceded that this situation will continue and, if anything, that competition will increase in the years ahead, a view in support of which we quote from the brief of the Canadian Exporters' Association:

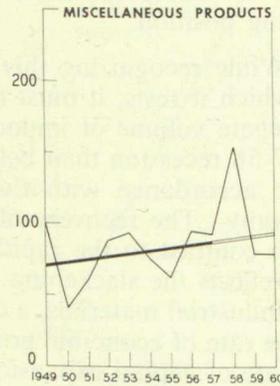
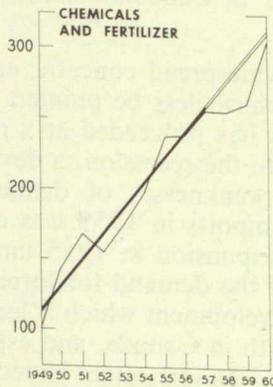
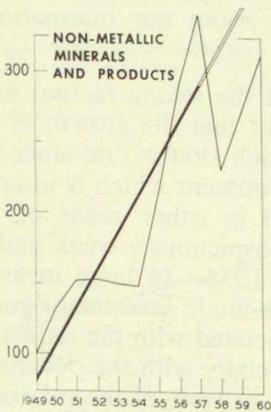
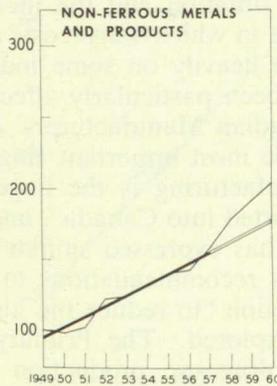
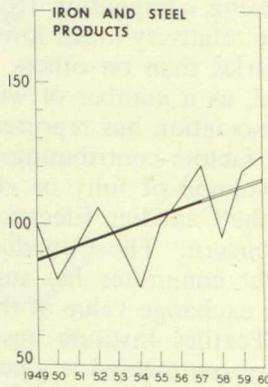
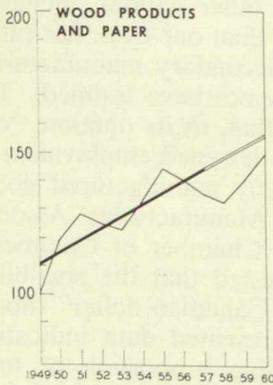
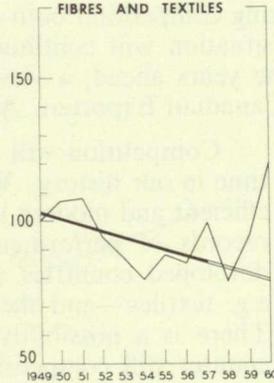
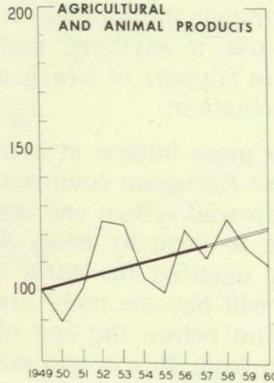
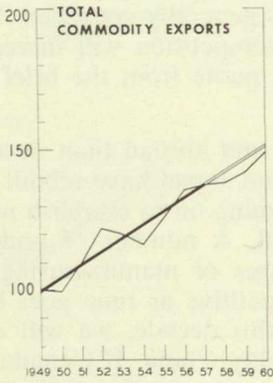
Competition will be more intense at home and abroad than at any time in our history. West European countries and Japan have rebuilt an efficient and modern industrial system and are going on to establish new records of performance in virtually every field. A number of underdeveloped countries are entering the early stages of manufacturing—e.g. textiles—and they will become more competitive as time goes by. There is a possibility that before the end of this decade, we will encounter stiff competition from Russia and possibly China. If Canada is to grow in this world, it will have to be vigorous, imaginative and competitive.

The burden of our international disadvantage arising from the exchange-rate situation and the increasing competition from other nations, including those in which wage costs are relatively much lower than our own, has fallen more heavily on some industries than on others. Secondary manufacturing has been particularly affected, as a number of witnesses have testified. The Canadian Manufacturers' Association has reported that, in its opinion, "one of the most important single factors contributing to lessened employment in manufacturing is the huge volume of fully or chiefly manufactured goods imported into Canada", and the Canadian Electrical Manufacturers' Association has expressed similar concern. The Canadian Chamber of Commerce in its recommendations to our committee has suggested that the possibility of action "to reduce the high exchange value of the Canadian dollar" should be explored. The Primary Textiles Institute has presented data indicating that domestic production has represented a declining proportion of total fabric supplied to the Canadian market—from 70 percent or more of total linear yardage in the years just before World War II to 62 percent in 1949, and then to 50 percent or less in the most recent three years. Quite clearly, there is widespread concern in Canadian industry about our international trading position.

While recognizing this widespread concern, and the strong factual basis on which it rests, it must nevertheless be pointed out that the growth of the aggregate volume of imports has proceeded at a much slower rate since the 1957-58 recession than before the recession, a development which is in complete accordance with the weaknesses of demand in other areas of the economy. The recovery of imports in 1959 was conspicuously weak and in sharp contrast to the rapid expansion in 1955 and 1956. In large measure this reflects the slackening of the demand for foreign-made investment goods and industrial materials, a development which is associated with the reduction of the rate of economic growth in Canada, and especially with the decline in the rate of capital expansion. As one might expect, in view of the relatively stable growth of aggregate consumer expenditure, expenditure on imported

Chart 7

INDEXES OF COMMODITY EXPORTS IN CONSTANT DOLLARS
Actual 1949-60 Compared With 1949-57 Trend Lines
Index 1949=100



consumer goods has continued to rise, apart from short-run fluctuations. However, this rise has been sufficient to offset only partially the weaknesses of demand in other categories.

The slower rate of growth of imports is revealed effectively in Chart 3, in which the physical-volume indexes for the past three years are seen to lie well below the positions they would have occupied if the 1949-57 trend had been maintained. It is revealed even more effectively, though, in Chart 6 which displays indexes for commodities only (i.e. excluding travel expenditures, freight and shipping expenditures, and expenditures on other services). It will be observed, in fact, that not only has there been a slowing down in the growth of commodity imports, but that there has been an actual decline—the peak reached in 1956 has never been regained. Reductions in purchases of iron and steel products, of non-ferrous metals and products, and of non-metallic minerals and products have all contributed to this decline. In some other commodity groups there have been gains, but in only one, agricultural and animal products, have the recent indexes risen appreciably above the projected 1949-57 trend line, and this development has fallen far short of offsetting the weaknesses in other groups. In short, and speaking in broad terms, the rapid postwar growth of our commodity imports has come to a halt, at least for the moment.

This does not mean, of course, that imports of certain specific kinds of goods have not increased as proportions of total market sales in the most recent years. Indeed, it is common knowledge that in many cases competition from foreign suppliers has become more intense, and the problems of many industries have been aggravated by the very fact that this has occurred in a period in which the pace of overall economic growth in Canada has been slower. In so far as this has affected the opportunities for employment in specific industries and specific areas it is a matter of considerable importance. Nevertheless, it remains a fact that in the aggregate, and in many of the broad groups within the aggregate, our imports of commodities have either declined or have not expanded in recent years at rates comparable with those of the earlier postwar period.

It must be pointed out, too, that there has been no decline in exports in recent years, in spite of the increased international competition. Exports have continued to rise, although at a rate somewhat below the average 1949-57 rate. Declines in receipts from freight and shipping and from other services have been partly responsible for the slower growth, and commodity exports on the whole have shown greater strength than total exports. As Chart 7 reveals, although there have been weaknesses in some commodity groups, such as wood products and paper and non-metallic minerals and their products, others, such as non-ferrous metals and their products and fibres and textiles, have shown strength, and on balance the growth of commodity exports has been surprisingly well maintained in the light of the circumstances to which we have referred.

However, it is significant that exports have risen much less rapidly in recent years than in the 1955-56 "boom", and the change of rate has had important consequences. The rapid rise in the 1955-56 period not only provided a stimulus to output and employment in the export industries themselves, but by encouraging these industries to undertake programs of large-scale capital expansion it provided an important stimulus to activity in the investment-goods industries. With the coming of the 1957-58 recession, and the realization after the recession that earlier expectations had been un-

duly optimistic, these stimuli were removed. Undoubtedly this has given rise to some structural maladjustments within the Canadian economy and thereby contributed to the recent difficulties which we have faced.

12. The Changing Methods of Production and Increasing Productivity

Industrial technology has advanced rapidly since World War II and its progress has been accompanied by significant and sometimes far-reaching changes in the demand for labour. We hear much about "automation", but technological change may take many forms. It may involve the development of entirely new products or modifications of old ones to improve their quality or reduce their costs of production. It may involve the development of new materials or sources of energy to be used as industrial inputs, more efficient organization of men and materials, improved methods of communication and transportation, and the use of new "management tools", such as the techniques of "operation research" and "electronic data processing". Of course, the types of change that we have listed are not always mutually exclusive. They overlap and very often one accompanies another. The manufacture of a new or modified product may be accompanied by the introduction of a new type of machinery, or the "automation" of a production process may call for drastic alteration of plant organization, and so on.

The Economics and Research Branch of the Department of Labour has prepared studies of technological change based on intensive surveys in five large manufacturing industries: electrical and electronics, household appliances, heavy machinery, automobiles, and automobile parts. These valuable studies were summarized in a report presented to the committee by Dr. W. R. Dymond, director of the branch, and we reproduce in Table 16 some data from this report. The table presents a classification of technological changes in the five industries by type of change, and it will be observed that the changes have been both numerous and diverse. Among the most frequently occurring were the introduction of automatic and semi-automatic machinery, the modification of product design or methods of fabrication, the use of new materials, improvements in non-automatic machinery, improvements in the handling of materials, and the introduction of new products or operations. Of course, some of the changes reported in the table are large—and these are the ones that attract attention—while others are relatively small. However, it must be stressed that if they are sufficiently numerous even comparatively minor changes may be large in their cumulative impact. As we shall observe later, the developments recorded in the table have had a very considerable effect on the volume and nature of employment in the five selected industries.

Technological change has come to the office as well as to the plant. The use of mechanical and, more recently, electronic equipment has revolutionized the keeping and handling of records and provided management with the means of obtaining much more and much better information for use in decision-making. With the growing size and complexity of the modern corporation the emphasis has been increasingly on communication and control, and to this end new techniques have been developed and new "management sciences" have come into being. In general, there has been a tendency towards much greater specialization and professionalization" of office activities.

Table 16. Classification of Specific Examples of Technological Change in Five Manufacturing Industries*

	Electrical and Electronics	Household Appliances	Heavy Machinery	Auto Parts	Automobile
Total	38	114	35	79	62
Improved Tooling	0	6	1	3	4
Automatic and Semi-Automatic Machinery	10	23	4	8	6
Integrated Materials Handling	2	10	0	2	3
Automatic Controls	0	8	2	0	3
Changes in Product Design and/or Methods of Fabrication	5	13	3	9	8
Use of New Materials	3	19	4	2	2
Improvement in Non-Automatic Machinery.....	2	3	3	41	13
Improved Hand Tools	0	0	0	0	2
Improved Materials Handling	2	13	0	10	14
Introduction of New Product or Operation	12	11	5	4	3
Redesign + Integrated Materials Handling	0	0	0	0	2
Improved Inspecting or Testing Equipment.....	2	3	12	0	1
Changes in Materials and Changes in Production Technique	0	5	1	0	1

*Based on information obtained from selected large firms located in Central Canada, 1956-1960.

The most obvious effect of technological progress has been the increase in "productivity" which it has engendered. Professor Hood has presented to the committee some statistical information on the increase in "real output" per man-hour in various manufacturing industries, and it is apparent from this information that the increases are widespread and in some cases quite remarkable. In manufacturing, taken as a whole, output per man-hour apparently increased between 1949 and 1959 by almost two-fifths (we say "apparently" because there are still unsolved statistical problems associated with the measurement of productivity "and the figures should perhaps best be regarded as tentative; there is, however, every reason to believe that they indicate correctly the orders of magnitude involved, if not the precise numerical changes). In the tobacco and tobacco products industry, man-hour productivity apparently doubled, and in textile products, chemical products, non-metallic mineral products, and petroleum and coal products, the gains were of the order of 60 or 70 percent. Elsewhere in the manufacturing group the gains were smaller but in nearly every case they were quite substantial.

Table 17. Increases in "Real Output" per Man-Hour in Manufacturing Industries, 1949-1959

	% Increase, 1949-59
Clothing	25
Leather Products	38
Textile Products	59
Transportation Equipment	19
Wood Products	30
Non-Ferrous Metal Products	14
Printing and Publishing	21
Paper Products	32
Food and Beverages	33
Iron and Steel Products	41
Rubber Products	51
Tobacco and Tobacco Products	103
Electrical Apparatus and Supplies	39
Chemicals and Allied Products	65
Non-Metallic Mineral Products	63
Products of Petroleum and Coal	74
TOTAL MANUFACTURING	39

It would be incorrect to attribute all of the increases in productivity to technological progress, no matter how broadly one defines that somewhat ambiguous term. Other factors have also been important. There has undoubtedly been a rise in the general level of employee skill, so that the average hour of labour is of itself more productive today than it was ten or fifteen years ago, and this has reinforced the effects of changes in methods and machinery. Many industries have enjoyed increased economies of scale resulting from the growth of foreign and domestic markets. The increasing provision of government services and facilities—highways, ports, and information services, for example—has undoubtedly contributed, too. Technological change has not been the only factor, although it has most certainly been responsible for a large proportion of the overall increase in productivity.

That the gains in productivity have been a source of great benefit to this country can not be denied. The changes in technology to which they must be largely attributed have not been an unmixed blessing, though. One of the significant aspects of this kind of change is that its effect may be sudden. A decision to "automate" may lead very quickly to a sharp decline in the labour requirements of some plant or some industry. Equally significant is the fact that while technological change creates some jobs at the same time it eliminates others, the jobs that are created and the jobs that are eliminated very often require different types of skills, and very often are located in different industries, different areas, and even in different countries. It is for this reason that "automation" and related forms of technological change, while they undoubtedly have desirable cost-reducing and other effects, and undoubtedly create jobs as well as eliminating them, may contribute appreciably to unemployment if they occur at a very rapid rate. It is a matter of small consolation to know that there are jobs available unless the people who are out of work have the right skills, and are located in the right places, at the right time. This is the significance of the term "technological unemployment" and of the more general term "structural unemployment".

13. Employment Trends Since 1950

In the foregoing sections we have approached the market for labour from two sides. First, we have commented on the changing supply: the growth of the labour force since 1950, and the factors that have contributed to this growth. Second, we have considered the important trends and developments bearing on the demand for labour, such as the slowing down of the overall rate of economic expansion, the emerging weakness of investment, particularly since the 1957-58 recession, the increasingly competitive nature of world markets, and the introduction of "automation" and other forms of technological change which have occurred in many industries. In the light of our remarks we must now examine the specific changes in employment that have taken place throughout the economy in recent years and the significance of these changes for the level of unemployment. To this task we address ourselves in the next two sections.

It is convenient in discussing employment changes to distinguish the short-run from the longer-run, and we shall begin by considering the longer-run trends that are observable in the statistics of the last decade or so. The first and most obvious point, of course, is that there has been a very substantial increase in the number of people with jobs. Almost a million more people were at work in 1960 than in 1950, an increase of about 20 percent. The second point, and the one on which we shall elaborate in some detail, is that this impressive overall expansion has been accompanied by equally significant variations in growth rates and changes in the composition of employment. Employment has increased in some industries and occupations much more rapidly than in others, and in a few cases there have been persistent declines. In the last decade the labour force has been required to adjust rapidly to changing economic and technological conditions, and it will be required to make further rapid adjustments in the years ahead. This is a very important consideration and one to which we shall return.

Attention has already been drawn to the marked decline of agricultural manpower. From 1950 to 1960 the agricultural labour force dropped by about a third, and whereas at the beginning of the period one out of every

five workers found employment on the farms, by the end of the period the proportion was only a little better than one in eight. Nor has this decline been confined mainly to certain provinces or regions of the country. It has been conspicuously widespread, and the causes are not hard to find. The introduction and increasing utilization of improved equipment and better techniques have greatly increased productivity and substantially reduced manpower requirements. This, together with the relative attractiveness of non-farm opportunities, has encouraged young people to leave the farms in large numbers. It is estimated, for example, that of the young men and women 15-19 years of age and living on farms at the 1951 census, about two-fifths had gone by the time the 1956 census was taken. The trend has continued down to the present and in all probability will persist for some time to come, although recently there have been signs to suggest that the rate of decline may be slowing down and that before very many years a greater measure of stability may be achieved.

This, then, is the first major change that has been taking place in the structure of employment: the shift from farming to other types of activity. The second important development is the phenomenal growth of employment in the service-producing industries. This group includes transportation, communication, public utilities, retail and wholesale trade, banking, insurance, education, hospitals, legal and medical services, hotels, restaurants, and so on. It includes also the departments of government at all levels. From 1950 to 1960 employment in this group increased as a proportion of all civilian nonfarm employment from 53 percent to 60 percent. The service-producing industries now provide jobs for three out of every five Canadian workers outside of agriculture.

The relative growth of employment in the service-producing industries has, of course, been accompanied by a corresponding relative decline in the goods-producing group. In particular, manufacturing's share of total non-farm employment fell over the decade from 33 percent to 28 percent—a very considerable reduction in such a short space of time—and the proportion accounted for by the nonfarm primary industries dropped from 5 percent to 4 percent.

Table 18. The Percentage Distribution of Non-Farm Employment
by Industrial Groups: 1950 and 1960

	1950 %	1960 %
I. Goods-Producing Industries		
Primary (excluding agriculture)	5.0	3.9
Manufacturing	33.2	27.9
Construction	8.4	7.9
Total	46.6	39.7
II. Service-Producing Industries		
Government and Community Service	13.5	17.7
Other	39.9	42.6
Total	53.4	60.3
TOTAL, ALL INDUSTRIES	100.0	100.0

This goods-to-services shift in the industrial structure of nonfarm employment is not confined to Canada. It is observable also in the United States and in some other economically advanced countries. One of its consequences has been the rapid increase in job opportunities for women which we have already noted. From 1950 to 1960 there was an increase in female employment of about 500 thousand, and virtually all of this increase was taken up by the service-producing industries. In government and community service alone the number of women more than doubled, and in some other cases the increases were only a little less spectacular. As a result, the Canadian economy has apparently experienced little difficulty in absorbing the large additions to the female labour force of recent years.

The overall relative shift from goods to services was one of the fundamental developments of the last decade, and there is every indication that the shift will continue. Within these two broad groups, though, there have been numerous changes. Mr. Denton's report to the Committee presents a detailed classification of industries by employment trends during the period 1950-59, and we reproduce this classification in Table 19. It is clear that in the service-producing industries the tendency for job opportunities to increase rapidly is widespread. Radio and television broadcasting; the telephone industry; electric light and power and other public utilities; wholesale and retail trade; finance, insurance and real estate, business, recreational, and personal services; government and community services—all of these have exhibited rapidly rising employment trends. Indeed, the only exception of any consequence is the transportation group. Some transportation industries, most notably the railways and water transportation, have tended to decline in terms of employment, or at least have failed to expand to any extent, while others, such as the air transport and trucking industries, have grown rapidly. The net result of these shifts has been that employment in the transportation group as a whole has shown little or no tendency to increase. But this is a lonely qualification to an otherwise valid generalization.

The industries which make up the goods-producing group show a much greater diversity of behaviour. Employment in the extraction of oil and natural gas has more than doubled in ten years, while in coal mining it has been cut roughly in half. There has been a reduction of almost 30 percent in gold mining and a gain of about 80 percent in other forms of metal mining. Manufacturing also exhibits a considerable degree of diversity, although here there is a more pronounced tendency to cluster in the range from declining to moderately increasing. According to the classification of Table 19, the manufacturing industries in which there have been rapidly rising employment trends are conspicuously few: non-metallic mineral products (particularly building materials), products of petroleum and coal, and the chemical industry. At the other extreme, there have been persistent downward tendencies in agricultural implements, motor vehicle parts, railroad and rolling stock equipment, leather products, textiles, and clothing. Other industries, such as those manufacturing wood products, motor vehicles, and rubber products, although not displaying any noticeable downward trend, have nevertheless failed to increase their employment and have made no appreciable contribution in terms of job opportunities to meet the needs of the growing Canadian labour force. There have, of course, been many manufacturing industries in which employment has shown a rising trend, but, except for the three noted above, these have all been in the moderately increasing category. Finally, the construction industry stands out as one of the few notable exceptions in the goods producing group. This industry has achieved a substantial increase in

its working force over the period since 1950, although, as we shall observe later, serious weaknesses have emerged in the most recent years.

The differences which we have noted in employment growth rates, and the consequent relative shifts between different non-agricultural industries, must be regarded as the result of several factors. It could be expected that output in many of the service-producing industries would increase more rapidly than the average as a result of the increasing complexity and interdependence of the various parts of the economy and the changes in expenditure patterns associated with a rising level of national income. Within the service-producing group the increasing relative importance of government and community service is in part a reflection of the rising level of national income and the changing nature of the economy, and in part it is attributable to other factors such as the "baby boom" and the shifts of population from country to city and from city to suburbs. We have observed some of the adverse effects on certain of the domestic goods-producing industries of the changing climate of international trade. The rapid advances of output per man-hour in manufacturing would suggest that productivity gains have been greater in the non-agricultural goods-producing sector of the economy than in the service-producing sector, each sector taken as a whole. Rising productivity implies that a given increase in output may be achieved with a smaller increase in working force. If there has been a difference between the rates of increase in productivity in the goods-producing and service-producing industries it would help further to explain the less rapid rise of employment in the goods-producing industries. However, the statistical data necessary to verify whether there has been such a difference are not at present available.

These generalizations relate to the broad groups and the major shifts between these groups. When one turns to specific industries the explanation of employment trends is sometimes much more difficult to arrive at. The rapid gains in oil and natural gas extraction and the simultaneous declines in coal mining are obviously related to the substitution of the newer types of fuel for the older. The growth of employment in chemicals reflects the great technological strides that have been made in the various branches of this industry, while the downward trend in the railways is closely allied to the process of "dieselization". The rising trend in construction is, of course, a reflection of the investment and housing "booms" of the 1950's, and the reasons for the remarkable gains in the television broadcasting industry are equally evident. However, these examples are provided merely for illustrative purposes. We shall not attempt to analyse all of the variations of circumstances which have determined the trends in particular industries, for not only is such an analysis unnecessary for our purposes, but it would require detailed knowledge of a kind available only to the specialist.

As the industrial structure of employment has changed, so has the occupational structure. Farming, of course, is both an industry and an occupation, and we have already commented on the decline of the agricultural working force. An interesting development among non-agricultural occupational groups has been the increase in so-called "white collar" workers as a percentage of the total non-agricultural labour force, and this is a trend that has persisted throughout the post-war period. This group includes the clerical, professional, managerial, commercial, and financial categories. In 1950 the "white collar" group represented about 41 percent of non-agricultural employment; by 1960 the proportion had risen to about 45 percent. "Blue collar" workers, on the other hand, had dropped from roughly 34 percent to

Table 19. Classification of Canadian Industries by Employment Trends: 1950-1959

	Not Increasing		Increasing	
	Declining	Little Change	Moderately	Rapidly
	D	C	B	A
I. Goods-Producing Industries				
Agriculture	X			
Mining			X	
Gold	X			
Metals Other than Gold				X
Coal	X			
Oil and Natural Gas				X
Other Non-Metallic Products			X	
Manufacturing			X	
Durable Goods Industries			X	
Wood Products		X		
Saw and Planing Mills		X		
Iron and Steel Products		X		
Agricultural Implements	X			
Machinery Manufacturing			X	
Primary Iron and Steel			X	
Transportation Equipment			X	
Motor Vehicles		X		
Motor Vehicle Parts and Accessories	X			
Railroad & Rolling Stock Equipment	X			
Shipbuilding and Repairing			X	
Non-Ferrous Metal Products			X	
Electrical Apparatus and Supplies ..			X	
Non-Metallic Mineral Products				X
Non-Durable Goods Industries			X	
Food and Beverages			X	
Tobacco and Tobacco Products ..			X	
Rubber Products		X		
Leather Products	X			
Textile Products (Except Clothing)	X			
Clothing (Textile and Fur)	X			
Paper Products			X	
Printing, Publishing, etc.			X	
Products of Petroleum and Coal				X
Chemical Products				X
Miscellaneous Industries			X	
Construction				X

Group A: Increasing with annual rate 2.5% or more.

Group B: Increasing with annual rate between 0.5% and 2.5%.

Group C: Annual rate not greater than 0.5% in either direction.

Group D: Decreasing with annual rate greater than 0.5%.

Table 19. (continued)

Classification of Canadian Industries by Employment Trends: 1950-1959

	Not Increasing		Increasing	
	Declining D	Little Change C	Moderately B	Rapidly A
II. Service-Producing Industries				
Transportation		X		
Air Transport				X
Railways	X			
Water Transportation		X		
Urban and Interurban Trans- portation	X			
Truck Transportation				X
Storage			X	
Communication				X
Radio and Television Broad- casting				X
Telephone				X
Public Utilities				X
Electric Light and Power				X
Other Public Utilities				X
Trade				X
Wholesale Trade				X
Retail Trade				X
Finance, Insurance, and Real Estate ..				X
Banking, Investment, and Loan				X
Insurance				X
Business, Recreational, & Personal Services				X
Government and Community Services				X

Group A: Increasing with annual rate 2.5% or more.

Group B: Increasing with annual rate between 0.5% and 2.5%.

Group C: Annual rate not greater than 0.5% in either direction.

Group D: Decreasing with annual rate greater than 0.5%.

32 percent, defining this group to include people in manufacturing, mechanical, construction, and unskilled labouring occupations of all kinds. There was also a drop in the proportion accounted for by other occupational categories.

The changes in occupational structure may be attributed in part to the industrial changes which we have already discussed, and in part to changes within industries. As some industries expand more rapidly than others the occupational groups which predominate in these industries also expand more rapidly, and indeed this has been a very important factor contributing to the changing occupational structure of the labour force. Available information permits neither precise nor detailed determination of its importance, but it is apparent, for example, that in the last decade this factor has been responsible for a large part of the overall increase in the proportion of "white collar" workers. That is to say, a large part of the relative increase can be explained

Table 20. The Percentage Distribution of Non-Farm Employment by Occupational Groups: 1950 and 1960

	1950	1960
	%	%
"White Collar" Workers	40.8	44.6
"Blue Collar" Workers	34.5	32.2
Other Workers	24.7	23.2
TOTAL, ALL OCCUPATIONS	100.0	100.0

by reference to the expansion of industries such as government, community service, banking, insurance, retail and wholesale trade, and so on, which employ large numbers of people in the "white collar" group. Of course, this broad generalization masks some of the important changes that have occurred within the group, but it does serve to illustrate the influence that changes in the industrial structure of the economy have on the opportunities for employment in various types of occupations.

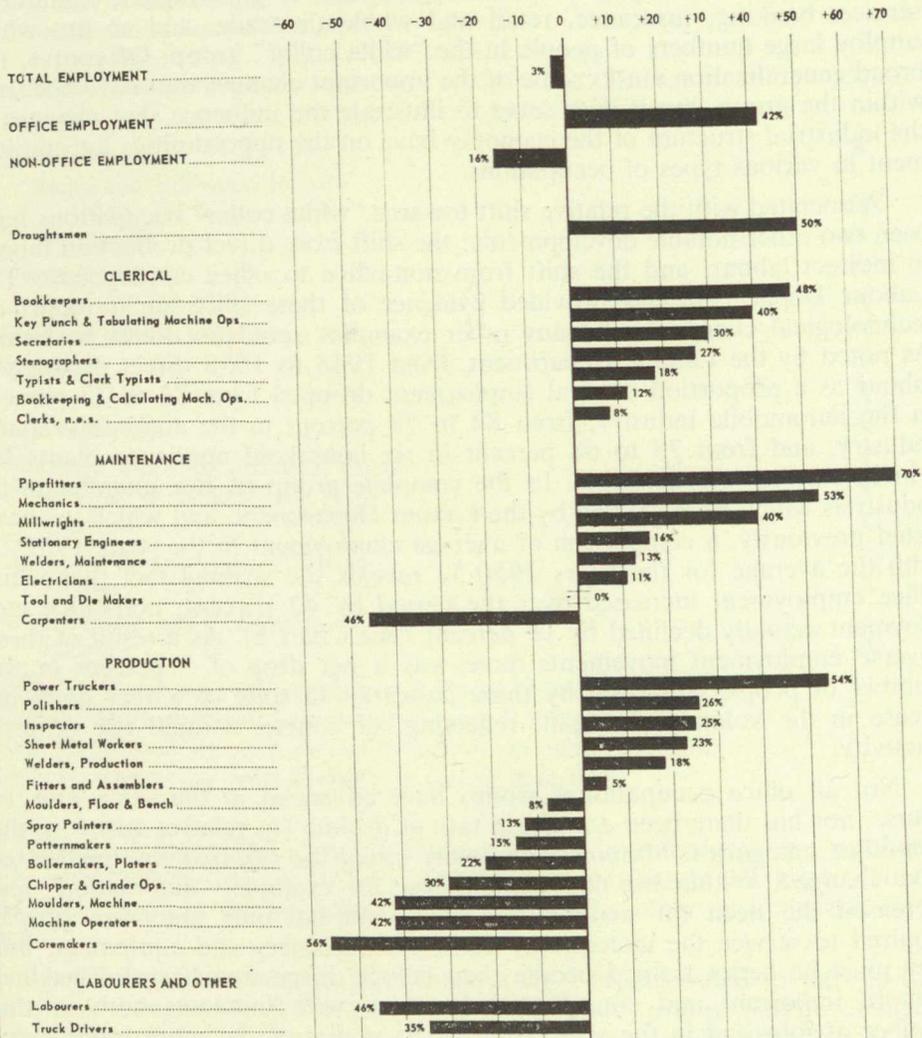
Associated with the relative shift towards "white collar" occupations have been two other notable developments: the shift from direct production labour to indirect labour, and the shift from non-office to office employment. The Labour Department has provided evidence of these shifts in its report on technological change, and many other examples could no doubt be found. As noted by the Labour Department, from 1948 to 1958 direct production labour as a proportion of total employment dropped from 83 to 73 percent in the automobile industry, from 84 to 78 percent in the automotive parts industry, and from 78 to 68 percent in six household appliance plants for which statistics are available. In the complete group of five manufacturing industries which were studied by the Labour Department, and which we have listed previously, a comparison of average employment in the years 1957-59 with the average for the years 1950-52 reveals the striking fact that while office employment increased over the period by 42 percent, non-office employment actually declined by 16 percent (See Chart 8). As a result of these diverse employment movements there was a net drop of 3 percent in the number of people employed by these industries in spite of a very great increase in the volume of output, reflecting, of course, a rapid rise of productivity.

Not all office occupational groups have advanced at the same rate, of course, nor has there been a uniform rate of decline (in relative terms) in the non-office categories. Moreover, in many cases the occupations themselves have changed. Within the non-office group, for example, "automation" has increased the need for maintenance staff, and not only are more people required to service the increasingly complex machinery and equipment, but they must be better trained people than before. Inspection has also become a more important and complicated function, with increases both in the number of jobs and in the skill required. Examples of the more rapidly expanding occupational categories within the office group are bookkeepers, key punch and tabulating machine operators, and professional and executive occupations of many kinds, and here, too, there has often been a noticeable upgrading of the general level of skill and changes in the nature of the work involved.

"Automation", and changes in technology in general, have had an important effect on the nature and growth of employment opportunities in many

Chart 8

PERCENTAGE CHANGES IN AVERAGE EMPLOYMENT IN SELECTED OCCUPATIONS
IN FIVE MANUFACTURING INDUSTRIES*
BASED ON AVERAGE EMPLOYMENT FOR 1950-52 AND 1957-59



* Electrical and electronics, heavy machinery, household appliances, automobiles, and automobile parts.

industries and occupations (witness again Chart 8, and witness also Chart 9 in which the gains in employment in five industries are contrasted with the much greater gains in output). It is by no means clear, however, just what has been the effect of these changes on *total* employment opportunities. It is evident that in some cases changing technology tends to reduce the demand for labour while in others it tends to increase it. The introduction of a new product, for example, tends to increase the demand for labour in the industry producing the product, while in other industries producing competitive products there may be reductions. The installation of new machinery may displace workers at the point of installation, but it may also have given rise to increased employment in the industry which produced the machinery. It is apparent that part of the job-producing effects of "automation" and capital expansion have been offset by the tendency to import machinery and equipment from the United States. This was true of the five manufacturing industries studied by the Department of Labour, and it is reflected also in the substantial proportion which such imports have represented in the total of imports from the United States. It is extremely difficult, though, to assess the overall quantitative significance of this. At any rate, in the absence of more conclusive evidence one should be wary of generalizing from particular examples and assuming that "automation" has induced any great change in the *total* of employment opportunities.

What does seem clear, however, is that changes in technology have altered substantially the *character* of job opportunities, and this is the important point. It is the structural maladjustments which such changes engender that must be emphasized—the gap between the training and experience of workers and the skills required by the new technology, the problems of shifting the labour force from industries which are declining to industries which are growing. Because many industries and occupations are spread quite unevenly across the map of Canada the effects of the changes may be markedly different in different areas. To some they may bring the prosperity of the Alberta oil and gas fields, and to others the distress of the Nova Scotia coal mines.

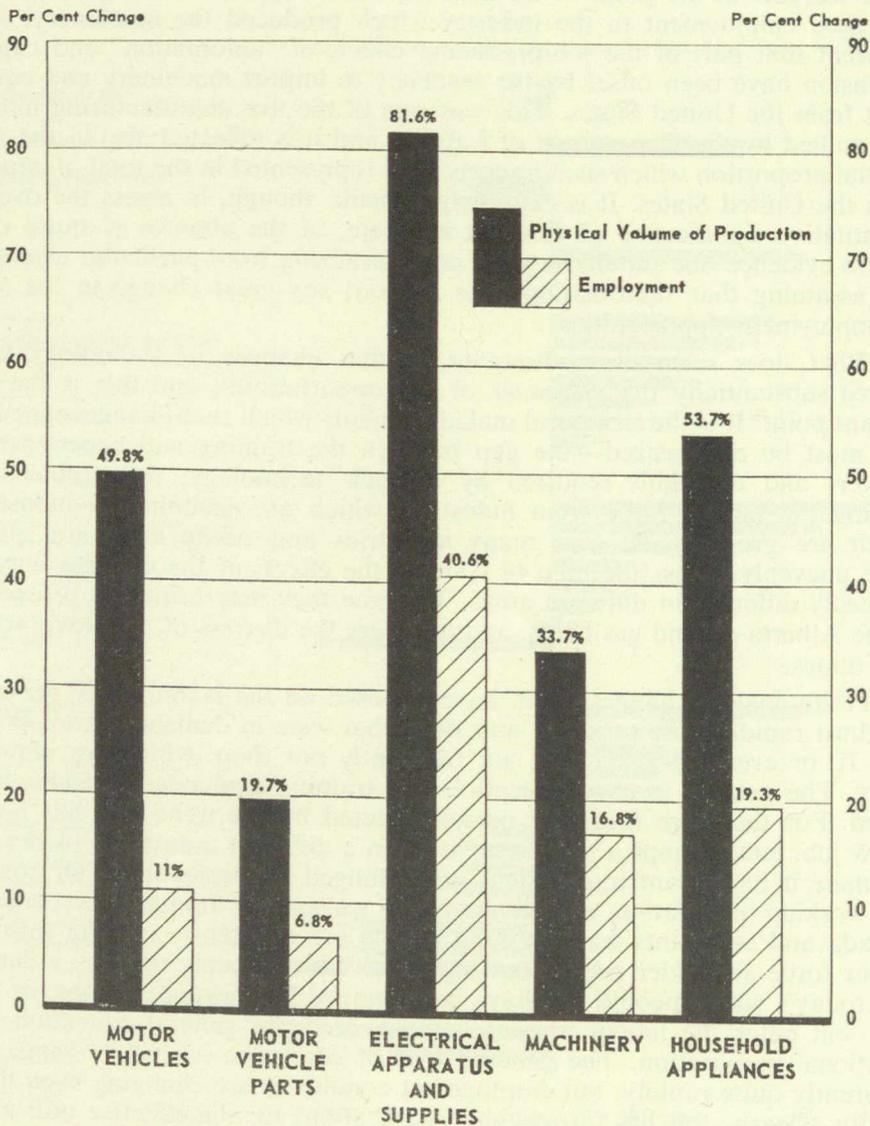
Technological changes, then, have imposed on the labour force the need to adjust rapidly. The products and skills that were in demand before World War II, or even ten years ago, are frequently not those which are required today. The general level of education and training demanded has also been raised. For the more fortunate person affected by the trend this has meant a new job, and perhaps a new occupation in a different industry. For the less fortunate it has meant intermittent or prolonged unemployment. Of course, the working population adjusts in other ways, too. Immigrants come to Canada and emigrants leave. Young people are constantly moving into the labour force and older people retiring. Even here, though, there is a danger that today's young people will have been trained for yesterday's jobs, or that they will enter the labour market without adequate general education and vocational preparation. The general level of education has been rising, and apparently quite rapidly, but employment conditions are changing even more rapidly. Clearly, this has far-reaching implications for the effective utilization of our manpower resources in the future.

14. The More Recent Changes in Employment

We turn now to a consideration of the more recent changes in employment, in particular the changes since the 1957-58 recession. First, though, it

Chart 9

**EMPLOYMENT AND OUTPUT TRENDS IN
FIVE MANUFACTURING INDUSTRIES, 1949 to 1957-59**
(1949 = 100)



is appropriate to draw attention to the fact that comparatively small proportionate changes in employment may generate wide swings in unemployment. For example, if 97 percent of the labour force are employed, and if employment then falls by roughly 3 percent, unemployment will double. This is a matter of simple arithmetic, of course, but it is important to bear in mind because it means that if full or nearly full employment is to be maintained the economy must be performing in such a manner that even comparatively minor fluctuations of employment are avoided. In no year since 1950 has the annual average of employment fallen below 92.9 percent of the labour force or risen beyond 97.6 percent, a spread of only 4.7 percentage points, yet annual average unemployment has ranged from 126 thousand to 448 thousand. Indeed, employment need not decline at all in order for there to be an increase in unemployment. A mere divergence between the rate at which it is growing and the rate at which the labour force is growing is all that is required, and it is to such a divergence of growth rates that the recent high levels of unemployment must be attributed rather than to any absolute reduction in the number of people with jobs. This fact stands out clearly in Table 21 and Chart 10.

Table 21. Labour Force, Employment, and Unemployment: 1950-1960
(Annual Averages)

	Total Civilian Labour Force (thousands)	Employed (thousands)	Unemployed (thousands)	Employ- ment Rate %	Unemploy- ment Rate %
1950.....	5,163	4,977	186	96.4	3.6
1951.....	5,223	5,097	126	97.6	2.4
1952.....	5,324	5,169	155	97.1	2.9
1953.....	5,397	5,235	162	97.0	3.0
1954.....	5,493	5,243	250	95.4	4.6
1955.....	5,610	5,365	245	95.6	4.4
1956.....	5,782	5,585	197	96.6	3.4
1957.....	6,003	5,725	278	95.4	4.6
1958.....	6,127	5,695	432	92.9	7.1
1959.....	6,228	5,855	373	94.0	6.0
1960.....	6,403	5,955	448	93.0	7.0

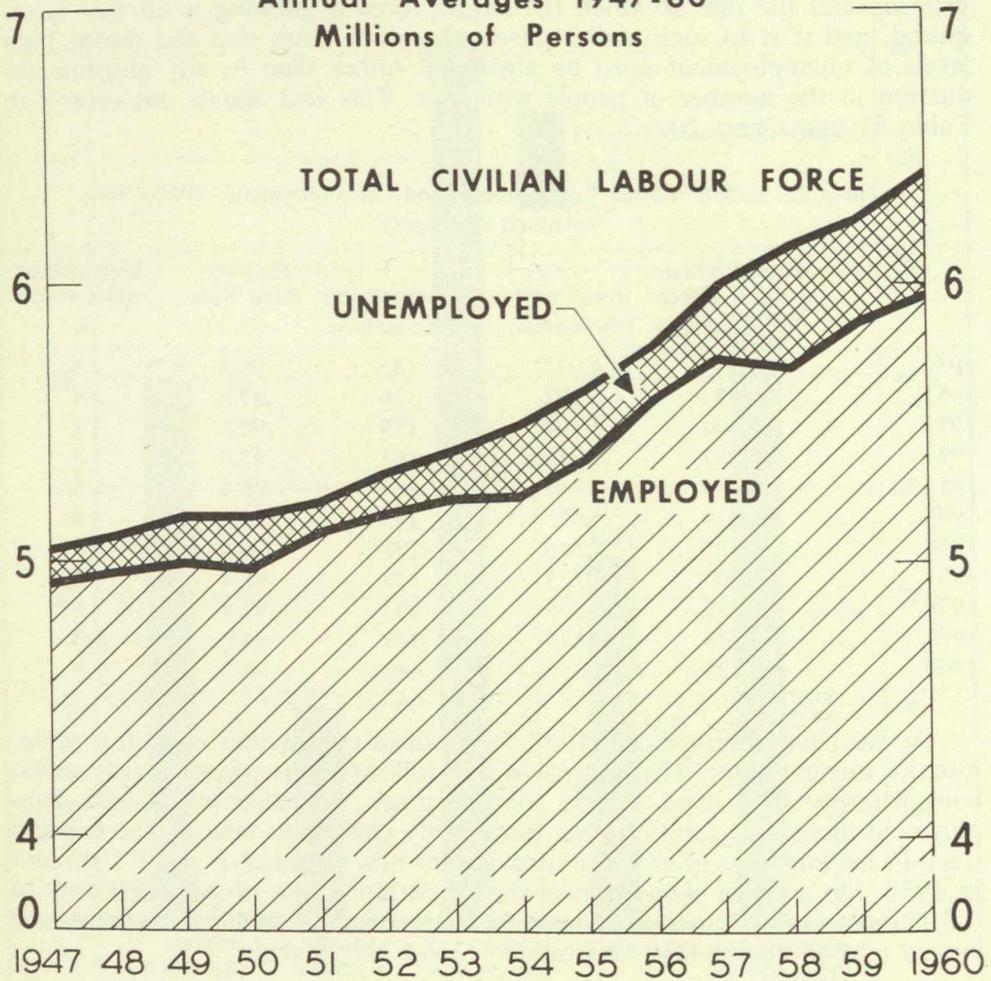
As we have observed, the 1957-58 business contraction was, in a sense, a major turning point. The expansion that followed was conspicuously weak, conspicuously short-lived, and in sharp contrast to earlier expansions. Employment increased, certainly, but not rapidly enough to take up the existing slack in the labour market and to provide for new entrants. From 7.1 percent in 1958, the average proportion of the labour force out of work fell only to 6.0 percent in 1959, and then rose to 7.0 percent in 1960 as the economy moved into another period of recession (See Chart 1 again).

In the main, the failure of employment to expand more rapidly can be traced to weaknesses in the goods-producing sector of the economy. A comparison has been made between the changes that actually occurred from the first half of 1957 to the first half of 1960, i.e. very roughly from the peak of one employment cycle to the peak of the next, and the changes that would have occurred if the average 1950-59 growth rates had obtained during this period. Agriculture has been declining for a long time, of course, and this decline merely continued. It can be seen in Table 22, though, that if the non-

Chart 10

THE LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Annual Averages 1947-60
Millions of Persons



agricultural goods-producing industries had expanded their working forces at the 1950-59 rates they would have employed some 180 thousand more people in the first half of 1960 than they actually employed. The service-producing industries, on the other hand, demonstrated once again their relative insensitivity to changes in the economy at large by increasing employment at a slightly more rapid rate than the average for the decade.

Table 22. Changes in Employment from the First Half of 1957 to the First Half of 1960

	Actual Change (thousands)	Change That Would Have Occurred at Average 1950-1959 Rates (thousands)
Goods-Producing Industries	-160	20
Agriculture	-80	-80
Non-Agricultural Industries	-80	100
Service-Producing Industries	380	350
TOTAL, ALL INDUSTRIES	220	370

One can go further than this. Table 23, reproduced from Mr. Denton's report, provides a detailed classification of industrial employment changes, again from the first half of 1957 to the first half of 1960, and it can be seen in this table that employment declines were widespread. Most of the industries such as coal mining, gold mining, textiles, clothing, and others, which had displayed downward trends over many years, continued to decline, in some cases at an accelerated rate, and they were joined by many others. Employment in virtually all of the transportation equipment manufacturing industries fell by 6 percent or more, and the manufacturers of machinery and electrical apparatus and supplies were similarly hard hit. There was a decline on construction, a very large employer, particularly of unskilled labour, and this was in marked contrast to the rapid growth which this industry had hitherto enjoyed. In forestry there was a precipitous drop.

It is worthy of comment that those industries which failed most notably to recover from the 1957-58 recession are, in large measure, the industries that have always contributed heavily to employment fluctuations, industries such as construction, forestry, and the manufacturers of industrial machinery and equipment and durable consumer goods. These, and many of the industries which supply them, are the sensitive, volatile industries, the industries which experience wide swings in output and employment over the course of the business cycle and which are likely to be first and hardest hit when the rate of economic growth subsides. We have noted others, such as coal mining and textiles, in which for one reason or another there have been serious employment problems extending over many years. In many cases the problems have been aggravated by the general economic situation, but it must be emphasized that it is not these industries which are primarily responsible for the recent high levels of unemployment. The malaise, if we may so term it, is much more fundamental and widespread than that. The weaknesses in the investment and durable manufactured goods industries in particular must be regarded as a clear manifestation of the weaknesses in capital expenditure and in the markets for housing, automobiles, and household furniture and appliances on which we have already remarked.

Table 23. Classification of Canadian Industries by Employment Changes from the First Half of 1957 to the First Half of 1960

	Decrease		Increase	
	6% or More	Less than 6%	Less than 6%	6% or More
I. Goods-Producing Industries				
Agriculture	X			
Forestry	X			
Mining		X		
Gold		X		
Metals Other than Gold				X
Coal	X			
Oil and Natural Gas			X	
Other Non-Metallic Products	X			
Manufacturing		X		
Durable Goods Industries	X			
Wood Products		X		
Saw and Planing Mills			X	
Iron and Steel Products	X			
Agricultural Implements				X
Machinery Manufacturing	X			
Primary Iron and Steel		X		
Transportation Equipment	X			
Aircraft and Parts	X			
Motor Vehicles	X			
Motor Vehicle Parts and Accessories	X			
Railroad and Rolling Stock Equipment	X			
Shipbuilding and Repairing	X			
Non-Ferrous Metal Products			X	
Electrical Apparatus and Supplies	X			
Non-Metallic Mineral Products				X
Non-Durable Goods Industries		X		
Food and Beverages			X	
Tobacco and Tobacco Products	X			
Rubber Products	X			
Leather Products	X			
Textile Products (Except Clothing)	X			
Clothing (Textiles and Fur)		X		
Paper Products		X		
Printing, Publishing, etc.			X	
Products of Petroleum and Coal Chemical Products		X		X
Miscellaneous Industries				X
Construction		X		

Table 23. Classification of Canadian Industries by Employment Changes from the First Half of 1957 to the First Half of 1960 (continued)

	Decrease		Increase	
	6% or More	Less than 6%	Less than 6%	6% or More
II. Service-Producing Industries				
Transportation	X			
Air Transport				X
Railways	X			
Water Transportation		X		
Urban and Interurban Transportation		X		
Truck Transportation				X
Storage	X			
Communication			X	
Radio and Television Broadcasting				X
Telephone		X		
Public Utilities			X	
Electric Light and Power			X	
Other Public Utilities				X
Trade			X	
Wholesale Trade			X	
Retail Trade			X	
Finance, Insurance, and Real Estate				X
Banking, Investment, and Loan				X
Insurance				X
Business, Recreational, & Personal Services				X
Government and Community Services				X

In the previous section, which was concerned with the longer-run developments of the last decade, we emphasized the structural changes that have taken place in the economy: the shifts between industries, the effects of evolving technology, the changing nature and rising level of skill demanded of workers, and above all the need for rapid adjustment which these changes have imposed on the labour force. In the present section, which is concerned with the more recent developments, and especially those since the 1957-58 recession, we have placed the emphasis on another consideration: the decline in the rate of economic expansion. The two are not unrelated, though. Professor Hood has made the point nicely and we quote from his report to the committee:

The great expansion of the fifties has wrought many changes in the Canadian economy. It has changed the composition of output including exports, and the composition of imports; it has changed the relative importance of our various industries, and consequently the industrial composition of the working labour force. All of these changes have required adjustments. Labour and capital have had to be allocated and re-allocated in changing proportions. In the period of rapid growth these adjustments were made and made very effectively.

In the period of the declining rate of growth adjustments continue to be necessary. However, adjustments in the nature of re-allocations of

resources are more easily made in periods of rising than in periods of falling growth rates. Accordingly the problems of adjustment receive more notice and discussion in periods of falling growth rates. It is important to remember however that the special difficulty of adjustment in a period of declining rates of growth arises not from the need to make more adjustments or greater adjustments—indeed the contrary may be true—but from the very fact of declining rates of growth.

The recent unemployment situation must then be attributed in considerable measure both to the declining rate of economic expansion and to changes in the basic structure of our economy, including the consequences of technological changes. Indeed, it is hard to draw a line of demarcation between the effects of slower growth and the effects of structural change, for slower growth means a lessened ability to make the adjustments which are required.

During the dozen years of phenomenal growth after World War II a large and increasing part of the nation's resources was channelled, either directly or indirectly, into the production of capital structures, machinery, and equipment. With the abrupt change after the 1957-58 recession the demand for investment goods dropped sharply. No longer were the tools of expansion required in such quantities as before because the rate of expansion was slower, and the construction and other capital goods industries (and their suppliers) found that they had grown too rapidly. Their expectations had been excessively optimistic, in view of the situation which emerged after the recession. In short, the distribution of productive capacity which had evolved during the years of rapid growth, and which was appropriate to that period, was no longer appropriate in a period of declining capital investment. If existing resources could suddenly be adapted and reallocated in a manner more appropriate to present circumstances it is almost certain that the level of unemployment could be reduced. This is wishful thinking, however, for such a change takes time, and sometimes considerable time, although it is true that there are certain measures which may be taken to facilitate the process—to lubricate the market mechanism, so to speak, so that it performs its adaptive and allocative functions with a minimum of friction.

15. The Characteristics of the Unemployed

We turn now to another important aspect of the unemployment problem: the characteristics of the people out of work. It follows from our preceding remarks that a large proportion are workers who have been released by goods-producing industries, and more particularly by industries such as the construction industry and the manufacturers of investment goods and consumer durables. It is evident, too, that people in the unskilled occupational groups have been affected much more severely than those in the more skilled categories. Construction, in particular, is a very large employer of unskilled workers and the recent weaknesses in this industry have curtailed sharply the job opportunities for the ordinary labourer. The special Senate Survey of registrants at employment offices of the Unemployment Insurance Commission in September, 1960, which was under the direction of Dr. R. W. James, included a question concerning "usual place of work" and the answers to this question are revealing. Three out of every five male registrants 20-64 years of age reported that their usual place of work was either "in a factory, plant, or mill," or "on construction work".

It is of interest to know not only how many people are unemployed but how long they have been in that situation. In order to provide some inform-

Table 24. Male Registrants 20-64 Years of Age at N.E.S. Offices
Classified by Usual Place of Work and Claimant Status:
September, 1960 (Senate Survey)

	Claimants	Non-Claimants	Total
In an office	9,900	3,200	13,100
In a factory, plant or mill	55,700	8,200	63,900
On construction work	34,700	12,500	47,200
In a store or restaurant	7,100	2,000	9,100
Farming, fishing, in the woods or in a mine	11,000	3,100	14,100
Other	28,100	7,200	35,300
Total	146,500	36,200	182,700

ation on this subject, the respondents in the Senate Survey were asked, "How many months has it been since you last worked regularly?" On the basis of the answers to this question it appears that of all the men 20-64 years of age in the survey, excluding those who had jobs at the time the survey was taken and those who had never worked regularly, 57 percent had not worked regularly during the previous two months. Thirty-five percent indicated that it had been at least four months since they had had regular employment, and 23 percent reported an interval of six months or more. These figures, it must be noted, pertain to a time of the year when seasonal unemployment is just about at its lowest point and opportunities for work are at a peak.

Table 25. Male Registrants 20-64 Years of Age at N.E.S. Offices,
Classified by Months Since Last Regular Work and Claimant Status:
September, 1960 (Senate Survey)

Length of Time	Claimants	Non-Claimants	Total
Less than 1 month	23,900	4,400	28,300
1 - 2 months	38,200	3,600	41,800
2 - 4 months	32,000	3,600	35,600
4 - 6 months	17,500	2,200	19,700
6 months or more	24,200	13,200	37,400
Other*	10,700	9,200	19,900
Total	146,500	36,200	182,700

* Includes those with jobs and those who have never worked regularly.

Turning to a consideration of differences between age groups, it is clear that the incidence of unemployment is much heavier among the younger members of the labour force than among the more mature workers. As Table 26 reveals, the rates for people under twenty years of age are more than double the overall rates, and although the rates for people in their early twenties are somewhat lower they are still significantly greater than those for people over twenty-five (the data in Table 26 are obtained from the D.B.S. Labour Force Survey). The rates rise and fall with the changing level of unemployment but the relationships between the different groups do not change significantly. Lack of experience and training are undoubtedly important factors in explaining the higher rates for young people, and the application of formal or informal seniority regulations by employers in laying off workers is

probably of some importance, too. Different degrees of mobility may also be of significance for it is well known that young people are better able and more likely to change jobs voluntarily than their elders, with the result that at any given time a larger proportion may be out of work simply because they have left their old jobs and not yet taken new ones. In other words, the "frictional unemployment" to which we referred in Section 2 is greater for such people. However, we are inclined to place more stress on the lack of experience and training.

Table 26. Unemployment Rates by Age and Sex (Persons Without Jobs and Seeking Work as Percentage of the Civilian Labour Force)

Age Group	1950-1954 Average		1955-1959 Average		1960 Average	
	Men	Women	Men	Women	Men	Women
	%	%	%	%	%	%
Under 20	6.9	4.0	11.9	5.5	15.6	8.5
20 - 24	4.9	1.8	8.5	2.5	11.4	3.1
25 - 44	2.5	1.3	4.6	1.8	6.1	2.3
45 - 64	2.6	1.1	4.5	1.6	6.1	2.0
65 and Over	2.6	—	4.0	—	3.8	—
All Ages	3.2	1.9	5.5	2.5	7.3	3.3

Note: The definition of unemployment on which these rates are based is the old D.B.S. Labour Force Survey definition, i.e. it excludes persons on temporary lay-off.

Table 26 also discloses the fact that the male rates are considerably higher than the female rates. In the main, this can be explained by reference to the much greater concentration of women in the service-producing industries, in the majority of which employment opportunities have been expanding both rapidly and in a smooth and orderly fashion (we have noted, for example, that almost all of the increase in the female labour force in the last decade went into these industries). To some extent it may also be attributable to the not unlikely tendency for married women who are out of work to report themselves as housewives rather than as people who are looking for jobs.

We have been discussing the unemployment *rates*—the proportions of the labour force who are out of work in the various groups. Now let us examine the *distribution* of total unemployment among men and women and among the different age categories as it is presented in Table 27 (the data in this table are also obtained from the D.B.S. Labour Force Survey). The fact that over the last decade the rates for the various groups have moved up and down more or less in unison has meant that the distribution has remained surprisingly constant. In spite of substantial changes in the level of aggregate unemployment, men have persistently accounted for 86 or 87 percent of the total, and women for 13 or 14 percent; young men and women under twenty-five have persistently accounted for about 36 to 38 percent of the total, and people twenty-five and over for about 62 to 64 percent. In terms of its age and sex composition unemployment is virtually the same now as it was five or ten years ago—only in size has it changed.

The relationship between age and unemployment is striking, but even more striking is the relationship between education and unemployment. This relationship is reflected clearly in two sets of data, one obtained by the Dominion Bureau of Statistics in a special survey of persons without jobs made in February, 1960, and the other obtained from the special Senate

Table 27. The Percentage Distribution of Unemployment (Persons Without Jobs and Seeking Work) by Age and Sex

	1950-1954 Average	1955-1959 Average	1960 Average
Men:	%	%	%
Under 20	15	14	14
20 - 24	15	15	15
25 - 44	33	34	34
45 - 64	20	21	22
65 and Over	3	3	2
ALL Ages	86	87	87
Women:			
Under 20	5	5	5
20 - 24	3	2	2
25 - 44	4	4	4
45 - 64	2	2	2
65 and Over	—	—	—
ALL Ages	14	13	13
Total	100	100	100

Note: The definition of unemployment on which these distributions are based is the old D.B.S. Labour Force Survey definition, i.e. it excludes persons on temporary lay-off.

Survey. The results of these surveys have served to demonstrate in a dramatic way that inadequate education is a serious handicap in today's labour market. The D.B.S. survey revealed, for example, that the unemployment rate for people who did not complete primary school was more than double the rate for people who completed primary school but did not complete secondary school, and six times the rate for people who completed secondary school. Of course, these results were derived from a single survey taken at a time when seasonal unemployment was at its worst. However, there can be little doubt that the situation which they reflect is one which persists from one season to another and from one year to another. People who leave school at an early age, either voluntarily or out of necessity, can look forward all too frequently to recurrent periods of unemployment, insecurity, and personal distress. They are very likely to be at the mercy of the changing economic winds throughout the whole of their working lives.

Table 28. Unemployment Rates by Level of Education (Persons without Jobs and Seeking Work as Percentage of the Civilian Labour Force):
Week Ending Feb. 20, 1960

Persons who did not complete primary school	19%
Persons who completed primary school but did not complete secondary school	8%
Persons who completed secondary school	3%
All Persons	9%

Note: The definition of unemployment on which these rates are based is the old D.B.S. Labour Force Survey definition, i.e. it excludes persons on temporary lay-off.

The Senate Survey adds further support to this view. It reveals, for instance, that out of about 225,500 male registrants for employment at National Employment Service offices across Canada last September, an estimated 55 percent did not have even one year of secondary school education and 28 percent had failed even to complete primary school. Only 16 percent of the total had finished secondary school (as a matter of fact, owing to the possibility of some misunderstanding of the question on education this figure probably errs on the high side so that the proportion who finished secondary school is likely to be smaller). The record for female registrants was somewhat better, but even here more than a third of the total had failed to progress beyond primary school.

Table 29. Registrants at N.E.S. Offices, Classified by Educational Level: September, 1960 (Senate Survey)

	Men	Women	Total
Some primary school or less	63,900	17,600	81,500
Finished primary school	59,500	21,400	80,900
Some high school	66,500	48,700	115,200
Finished high school or better	35,600	26,100	61,700
Total	225,500	113,800	339,300

The evidence with regard to the relationship between unemployment and technical skill is equally significant. As part of the Senate Survey, respondents were asked whether or not they were "technically trained or qualified for some trade or special occupation". The results were practically identical for men and women. About two-fifths indicated that they had no special training, and roughly another third reported that they were only partially trained. In other words, over 70 percent reported that they were not fully trained in any way.

Table 30. Registrants at N.E.S. Offices, Classified by Technical Training or Special Qualifications: September, 1960 (Senate Survey)

	Men	Women	Total
None	88,900	46,400	135,300
Partially Trained	72,600	36,600	109,200
Completely Trained	64,000	30,800	94,800
Total	225,500	113,800	339,300

The proportions for young people were much higher. About 94 percent of the men and 82 percent of the women registrants under twenty years of age considered that they were not completely trained. This, together with the fact that many of these young people were further handicapped by inadequate general education, is at the same time revealing and disturbing. As Dr. James has remarked, "It seems apparent that the competitive ability of these groups to qualify for jobs under present conditions is definitely limited". Indeed, the young people themselves are very often well aware of their handicaps. When asked what would help them most to find work or get a better job, a very large proportion replied that more general education or more technical skill or training would be of greatest assistance.

The significance of the heavy incidence of unemployment among the unskilled and inadequately educated has recently received much attention in public discussions, and rightly so. Many of the briefs presented to our committee have stressed this aspect of the problem. The Canadian Welfare Council, for example, has observed that "One of the most critical aspects of Canada's manpower problem is the persistent imbalance between the levels and type of education of young people leaving school and the occupational requirements and career possibilities of an urban and industrial society". It has further remarked that "A critical problem which will face Canada during the next decade or more is the inadequacy or obsolescence of a large part of her labour force in the face of a rapidly advancing technology". The Canadian Association for Adult Education has expressed similar concern, and Dr. W. D. Wood, Director of the Industrial Relations Centre at Queen's University, has stated that "With regard to unemployment amongst young people and those workers who are lacking in particular skills and basic education, I am frankly very concerned at the likelihood of continued and persistent structural unemployment among these groups on account of technological change and the associated problems of occupational adjustments". These, and other organizations or individuals, have assisted us by making specific suggestions as to measures which might be taken to cope with this problem, and we have found these suggestions most helpful in forming our recommendations.

Measures for educating or re-educating, training or re-training the labour force in order to obtain the best fit between workers' skills and changing job requirements deserve the greatest attention. We have emphasized this in our discussions and we wish to emphasize it in our report. We would be doing a disservice, though, were we to leave the impression that such measures can provide a quick and complete cure for the present unemployment situation. For the long run they are very important, not only as a means of reducing unemployment but as a means of developing a more skillful, more efficient, and more productive labour force generally. But they take time to institute and perhaps many years before they become fully effective. If the problem confronting us today is to be solved such measures must be accompanied by others aimed more directly at the basic economic difficulties which we have discussed in previous sections. In combating unemployment it is essential to maintain proper perspective and a proper balance between longer-run and shorter-run measures, and this we have tried to do in drawing up our recommendations.

We have discussed the problem of unemployment among younger workers. Now let us consider the case of the older worker. As Table 26 indicates, the unemployment rates are not very high for men sixty-five years of age and over. They are less than the average for the male labour force as a whole, and, at least in recent years, they appear to be less than the rates for men between the ages of twenty-five and sixty-five. To some extent, though, this may reflect a problem of measurement, for just as married women who are out of work may tend to report themselves as housewives rather than persons looking for jobs, older men may tend to report themselves as retired when in fact they still have some interest in obtaining employment. Indeed, the problem of measurement is particularly difficult because an older person may have an attachment to the labour force which is quite uncertain even in his own mind. Of an estimated 23,300 men sixty-five and over among the people covered by the Senate Survey last September, it appears that only about 13,600 or 58 percent worked regularly (compared with 91 percent for all male registrants), and that the others either did not usually work at all or else that they

worked only occasionally or at certain times of the year. Further evidence of the tenuous nature of the attachment which many people in this age group have to the labour force is provided by the fact that a very large proportion—almost half—indicated that they were interested in obtaining either part-time or temporary work rather than a full-time job.

Table 31. Male Registrants at N.E.S. Offices, Classified by Usual Activity: September, 1960 (Senate Survey)

	All Male Registrants		Male Registrants 65 and Over	
	No.	%	No.	%
Work Regularly	205,300	91.1	13,600	58.3
Work Occasionally or at Certain Times of Year	10,000	4.4	3,600	15.5
Non-Workers	10,200	4.5	6,100	26.2
Total	225,500	100.0	23,300	100.0

It is common knowledge that older people are very often at a disadvantage in applying for work because of their age and possibly because of infirmity, pension regulations, and so on. In addition, the Senate Survey has drawn attention to the prevalence of another problem: the problem of inadequate training. Two-thirds of the older male registrants (sixty-five and over) stated that they were not completely trained or qualified for any trade or occupation, and almost half indicated that they had no technical training or qualifications of any kind. As Table 32 reveals, the proportion without complete training is not significantly higher than the corresponding proportion for male registrants as a whole. However, among older workers the problem may be particularly serious for the acquisition of new skills is rarely a practical possibility for a person of advanced age.

All in all, the older worker, like the young and inexperienced member of the labour force, is often confronted with serious difficulties in finding employment, and these difficulties become particularly acute in a period when jobs and job requirements are changing rapidly, as they have been in Canada

Table 32. Male Registrants at N.E.S. Offices, Classified by Technical Training or Special Qualifications: September, 1960 (Senate Survey)

	All Male Registrants		Male Registrants 65 and Over	
	No.	%	No.	%
None	88,900	39.4	10,800	46.4
Partially Trained	72,600	32.2	4,900	21.0
Completely Trained	64,000	28.4	7,600	32.6
Total	225,500	100.0	23,300	100.0

since the war. Quite obviously the older man is much less adaptable to changing conditions than the younger one. Of course, for some the desire for work arises from the desire to remain active or to supplement pension income after retirement from previous employment, and often other members of the household will be working and bringing in income. Whether a man needs to work is a question which cannot be answered with any degree of objectivity for the

definition of "need" varies from person to person and generation to generation. Nevertheless, it is instructive to note first that two-thirds of the sixty-five-and-over registrants in the Senate Survey reported that they considered it necessary to work in order to support themselves or their families, and second that three-quarters reported that they were either living alone or with family members of whom none was working. It can hardly be doubted that for many of these the inability to find work was a personal disaster.

The Senate Survey has also thrown some light on the unemployment situation among recent immigrants (people who had come to Canada within five years preceding the survey). As Dr. James has pointed out, the immigrant registrant group is quite similar in a number of respects to the non-immigrant group. Although no precise comparison is possible, the survey suggests that the unemployment rate among immigrants is probably not very far from the rate for the population as a whole. The distribution by place of work (office, mine, farm, etc.) appears also to be not much different, and the same is true of the distribution according to the number of months since last regular employment. The survey did reveal one important difference, though, the difference between the average levels of technical skill or training. A significantly higher proportion of the immigrants regarded themselves as completely technically trained or qualified for some special occupation—among men the proportion was 44 percent compared to 27 percent for non-immigrants. Probably this difference should be attributed more to the higher average level of skill in the immigrant labour force as a whole rather than to any other factor, so that while it is interesting it is perhaps not surprising. At any rate, we are more inclined to emphasize the apparent similarities between the immigrant and non-immigrant groups because these suggest that although some of the newcomers may have faced initial difficulties in establishing themselves in the new country, the rate of unemployment among immigrants as a group does not appear to be out of line with the rate for the labour force as a whole.

We must remark on one other matter before concluding this section, and that is the difference between the Senate Survey of registrants and the D.B.S. Labour Force Survey with respect to married women. More specifically, we must comment on the much higher proportion that married women form of total registrants because we feel that this reflects some features of the unemployment insurance system which merit attention.

The Senate Survey of last September indicated that there were some 76,200 married women among the registrants across Canada, the great majority of these women being claimants for insurance benefits as well as applicants for employment. At approximately the same date, the D.B.S. Labour Force Survey reported only 15,000 married women among the unemployed. Clearly, a large percentage of the 76,200 must fall into the class of what Dr. Ostry has termed "schizoid respondents"—people who report to the National Employment Service that they are capable of work, available for work, and unable to find suitable work, and who then turn about and report to the D.B.S. enumerators that they are not unemployed. The rather tenuous attachment to the labour force of many of the 76,200 can be inferred from the fact that only two-fifths indicated that it was necessary for them to have a job, and it can be further inferred from the fact that almost four-fifths reported that their husbands were working full-time. Moreover, it is particularly interesting to note that 21,800 of the 76,200 had been married in 1959, or in 1960 up to the date of the survey, whereas only 11,500 had been married within the full two-year period 1957-58. The implication of this sharp

contrast is inescapable: a significant proportion of the more recently married group were actually withdrawing from the labour market in order to keep house or bear children, and had little or no immediate interest in obtaining employment.

There are undoubtedly other groups in the population whose contributions to the total numbers of registrants and unemployment insurance claimants are out of proportion to the strength of their attachments to the labour force. There is evidence to suggest that this is true of some men in the older age groups in which voluntary retirement and inability to find a job are not readily distinguishable. However, it is among married women that the situation is most conspicuous. In the above analysis there is much evidence to suggest that many of the married women who present themselves at the offices of the Unemployment Insurance Commission have only an intermittent, temporary, or tenuous attachment to the labour force. In view of the purposes for which the insurance system was designed, and in view of the very heavy drain on the fund caused by the recent high levels of unemployment, the presence of a large number of such people on the benefit rolls is a matter of more than passing concern. There can be no question about the right of such persons to work or to seek work when it suits them, but there is a real question as to whether the present provisions of the unemployment insurance system are appropriate in these cases.

16. The Geographic Distribution of Unemployment

We have noted earlier that the upward drift of the rate of unemployment over the last decade is observable in every region of the country. Nevertheless, it is obvious that some regions have been hit much more heavily than others, and indeed that some have persistently been faced with unemployment rates well above the national average even during the most prosperous years of the postwar period. It is obvious also that over the years particular municipalities have fared quite differently in the unemployment which they have experienced. It is to the question of the geographic incidence of unemployment that we now direct our attention.

Let us consider first the broad regions. In Table 1 we have recorded for the periods 1950-54, 1955-59, and 1960 the average unemployment rates in each region—the proportions that unemployment represented of the total labour force. The Atlantic Provinces have persistently exhibited the highest rates and Quebec has been not far behind. The British Columbia rates have also tended to lie above the national average throughout much of the last decade. Ontario has persistently displayed a low rate and the Prairies an even lower one. The low Prairie rate is attributable in part to the importance of agriculture and the fact that self-employed farmers and members of farm families are virtually excluded from the unemployment figures, but even when allowance is made for this it still remains the lowest of the five.

These are very broad regions, though. Alberta differs markedly from Saskatchewan, and Newfoundland from New Brunswick. Even within provinces the geographic variations are considerable. Professor Judek in the report which he presented to the committee has taken as his units the 110 "labour market areas" defined by the Department of Labour and comprising in each case one or more of the areas administered by the local offices of the National Employment Service. Within each market area he has analyzed data pertaining to registrants at the N.E.S. offices and on this basis he has desig-

nated certain areas as areas of persistent labour surplus. As he has noted, "The labour surplus market areas were identified only when they showed a significant proportion of the paid workers out of work over a period longer than the interval between one recession and another". The 110 market areas are separated into four groups—metropolitan, major industrial, major agricultural, and minor—depending on their size and labour force characteristics, and in deciding whether or not an area was a "labour surplus" area Professor Judek considered it appropriate to use different criteria in different groups. The criteria actually used are set out in his report and we shall not describe them in detail here. In very general terms, though, labour surplus areas were defined as those in which throughout the period 1953-59 the ratios of N.E.S registrants to the estimated numbers of paid workers in the areas were persistently and substantially above the national ratios for areas of similar size and degree of industrialization.

The areas selected are listed in Table 33. The most striking feature of the list is the high concentration of areas in the Atlantic Provinces and Quebec. Fifteen of the eighteen areas are in these two regions and only two in Ontario, one in British Columbia, and none in the Prairie Provinces. It is true that the statistics which Professor Judek has been obliged to use in his study are the operational statistics of the National Employment Service and, as we have already noted, and as he has pointed out, these leave something to be desired as measures of unemployment. However, their deficiencies are minimized in this instance because they have been used primarily for the purpose of comparing situations in different areas and not as absolute measures of the numbers of people out of work. That is to say, the local ratios of N.E.S. registrants to paid workers have been compared with each other and with the corresponding national averages so that in so far as the statistics are uniformly deficient in all areas the relative positions of the ratios are not affected. The ratios may be too high or too low but if the effect is as great in one area as in another this is not a serious problem. Even allowing that the deficiencies are likely to affect in some degree the calculations for some areas more than others, it is nevertheless abundantly clear that there is a very high concentration of labour surplus areas in the Atlantic Provinces and in certain parts of Quebec. These regions have accounted for a very large proportion of chronic local unemployment in Canada. Their situations undoubtedly have been aggravated in recent times, but through good times and bad times alike the unemployment levels in these areas have exceeded the national average over a period of many years.

Chronic local or regional unemployment is related in some cases to circumstances peculiar to the areas affected. Winter weather is a factor in certain parts of Canada, particularly the Atlantic Provinces and parts of Quebec. Many of the industries in these areas are among those which are most seriously affected by climatic conditions, and this contributes greatly to the high levels of unemployment which the areas experience each winter (we shall comment in more detail on this subject in the next section). Vancouver is affected by the annual influx of seasonally unemployed workers from other areas. Problems of transportation costs, limitations of population and market size, and so on, have impeded the ability of the Atlantic Provinces to attract new industries. The relocation of a large manufacturing concern and some of its major suppliers has contributed to the problem in the Windsor area, and the introduction of labour-saving production methods in the automotive industry has also had an impact. However, it is well known that other factors have played an important role, too—factors which do not originate in the

Table 33. Labour surplus market areas: type, region, and ratio of N.E.S. registrations to paid workers

Type of Area	Name of Area	Region in Which Area is Located	Average Monthly Registrations as Percentage of Estimated Paid Workers 1953-1959		
			Calendar Year	Summer (May-Oct.)	Winter (Nov.-Apr.)
I. Metropolitan (1)	1. Windsor-Leamington	Ontario	11.5	10.9	12.8
	2. Vancouver-New Westminster-Mission City	British Columbia	11.6	8.4	15.1
	3. St. John's	Atlantic Region	15.3	7.7	23.9
	National Average		8.5	6.0	11.4
II. Major Industrial (2)	4. Corner Brook	Atlantic	15.6	9.8	23.0
	5. Shawinigan Falls	Quebec	14.7	9.4	20.6
	6. Lac St. Jean	Quebec	14.7	9.1	20.6
	7. Rouyn-Val d'Or	Quebec	11.7	9.1	15.0
	8. New Glasgow	Atlantic	14.6	9.0	21.3
	9. Cornwall	Ontario	11.9	8.6	15.8
	National Average		10.1	7.0	13.7
III. Major Agricultural(3)	10. Thetford-Megantic-St. Georges	Quebec	15.6	9.3	22.5
	11. Riviere du Loup	Quebec	19.0	8.5	30.5
	National Average		9.2	4.9	14.0
IV. Minor (4)	12. St. Stephen	Quebec	18.6	11.4	26.2
	13. Campbellton	Atlantic	19.4	11.1	28.3
	14. Gaspé	Quebec	25.2	10.7	41.3
	15. Newcastle	Atlantic	19.2	10.7	28.9
	16. Rimouski	Quebec	21.9	10.4	33.7
	17. Bathurst	Atlantic	25.8	9.5	43.9
	18. Montmagny	Quebec	16.5	9.0	24.9
	National Average		11.4	5.8	17.0

(1) Areas that have labour force of 75,000 or more.

(2) Areas that have labour force of 25,000-75,000 of which 60 percent or more are engaged in non-agricultural activity.

(3) Areas that have labour force of 25,000-75,000 of which 40 percent or more are engaged in agriculture.

(4) Areas that have labour force of 10,000-25,000.

areas affected but whose impact is felt most heavily in these areas because of the types of industries which are located there. The decline of the Maritime coal mining industry is an obvious case in point, reflecting, as it does, the growth of other fuel-producing industries and the well known shifts in patterns of residential and industrial energy consumption. The coal mining areas have suffered by virtue of circumstances completely beyond their control, and in this sense their difficulties can be regarded as national or even international in origin. A similar point can be made with respect to the textile-producing centres of Quebec, it being a matter of common knowledge that these centres have been hard hit by competition from foreign imports, particularly imports from countries in which wage costs are considerably lower than in Canada.

This is not to suggest that technological change and the provision of cheaper goods by foreign suppliers are without benefit. Their benefits are obvious. Nevertheless, it must be recognized that they sometimes create serious problems for particular industries and, in so far as these industries are geographically concentrated rather than spread uniformly across the country, the problems may manifest themselves in particular areas. In other words, while the benefits of technological advance and cheaper imports may be widely distributed the unfavourable effects may be geographically confined.

It is a characteristic of chronic local unemployment, widely recognized, and quite clear from Professor Judek's study, that it is most likely to occur in areas which are heavily dependent on single industries, e.g. coal, textiles, and automotive manufacturing. The area which is industrially diversified is more likely to enjoy a stable pattern of employment in the long-run, particularly in a period such as the one which we have known since the end of World War II when the economy has been subject to the effects of rapid technological development and widespread structural change. In such a period it is inevitable that some of the older industries must give way to newer ones. This is a characteristic of a dynamic economy and one which can not be avoided if a nation aspires to a rising standard of living and an expanding volume of production. Inevitably, though, some areas will be adversely affected unless they have an industrial base sufficiently broad that the decline in the older industries are offset by the growth of new ones.

The Atlantic provinces, parts of Quebec, and a few other areas listed in Table 33 have persistently exhibited rates of unemployment which are substantially above the national average. This has been true in good times and bad times alike over a period of many years, so that although the problems in these areas undoubtedly have been aggravated in the more recent period of slower national economic growth they are not peculiar to this period, as are many of the other problems with which we have been concerned in this report.

17. The Problem of Seasonal Unemployment

Seasonal unemployment, like the chronic local and regional unemployment which we have just discussed, is a phenomenon which is not directly related to the business cycle or to the longer-run problems discussed in this report. It is a phenomenon which persists through periods both of prosperity and of recession, and which is almost as predictable as the rotation of the seasons whence it arises.

There can be no doubt that the Canadian climate is an expensive one in which to operate. As the Economics and Research Branch of the Department of Labour has observed in a report to the committee, "One major characteristic—and indeed a major problem of an economy operating in the far northern hemisphere—is that of sharply changing climatic conditions from one season to another and especially the severity of the winter. This is a major problem in Canada because our climatic conditions diminish total economic activities and induce extra overhead costs. The most serious cost factor stems from the fact that some industries gear their capacity operation to a few short summer months and then operate well below this level in winter. This means that much costly equipment either lies entirely idle or is only partly used in winter, which in turn means enforced idleness on the part of a great many workers employed in such industries."

The first quarter of the year is invariably the time of maximum average unemployment, the third quarter is invariably the time of minimum average unemployment, and as Table 34 reveals, the variation from one extreme to the other is always considerable. Of course, in any particular year the variation may reflect the changing phases of the business cycle as well as purely seasonal influences; it may be greater or smaller depending on whether the period is one of general economic expansion or general economic contraction. Taking the 1953-60 period as a whole, though, the average first-quarter rate was more than double the average third-quarter rate, and this provides a reasonably good indication of the magnitude of the seasonal problem. On this basis, if the employment rate could somehow be maintained at its third-quarter level throughout the whole of the year, then winter unemployment could be cut roughly in half. The idea of such a drastic reduction may be regarded as a product of wishful thinking, at least for the foreseeable future,

Table 34. Comparison of First-Quarter, Third-Quarter, and Annual Average National Employment Rates: 1953-1960

	Proportion of Labour Force Unemployed			
	Annual Average	1st Quarter Average	3rd Quarter Average	Difference Between 1st and 3rd Quarters
	%	%	%	Percentage Points
1953	3.0	4.3	1.9	2.4
1954	4.6	6.2	3.3	2.9
1955	4.4	7.4	2.6	4.8
1956	3.4	5.8	1.9	3.9
1957	4.6	6.1	3.2	2.9
1958	7.1	10.1	4.8	5.3
1959	6.0	9.3	3.8	5.5
1960	7.0	9.4	5.1	4.3
Average, 1953-60	5.0	7.3	3.3	4.0

but it does serve to indicate that if effective measures to reduce seasonal unemployment can be found and implemented the rewards may be very great indeed in terms of the utilization of wasted manpower and the recovery of lost output.

The term "seasonal disemployment" has been used to describe the annual reduction of employment in different industries and throughout the economy

generally. It is a term which should not be equated with "seasonal unemployment", for a person who is "disemployed" may not become "unemployed". He may leave the labour market instead, and it is clear that many people do leave, only to return in another season. In particular, this is true of people in agriculture of whom a not insignificant number drop out of the labour market when they are no longer needed on the farms. Others, of course, seek off-season work in logging, construction, and so on, and to the extent that they are unsuccessful in finding jobs the seasonal disemployment of agriculture may be reflected in seasonal unemployment in these other industries. However, it is apparent that because of the withdrawals from the labour market, agriculture contributes far less to the official statistics of unemployment than one might infer from the wide swings of employment in this major sector of the economy.

By and large, though, and with this important exception, disemployment is a reasonably reliable measure of the degree to which various industries contribute to seasonal unemployment. From summer to winter there is a reduction in employment of roughly 300 thousand in the non-agricultural sector of the economy whereas there is a decline of only about 50 thousand in the non-agricultural labour force. In other words, each winter some 250 thousand non-farm workers find that they have lost their jobs and remain in the labour market to look for other jobs (this figure represents the situation at a given time; throughout the winter the actual composition of the group is constantly changing as some people find work or withdraw from the labour market and are replaced by other people).

In general, industries in which outdoor activities predominate are the most severely affected by the changing of the seasons. In particular, the pronounced seasonality of construction is a factor of the greatest importance. Employment in the construction industry averages only about 8 percent of total non-agricultural employment in Canada over the course of a year, but it has been estimated by the Department of Labour that workers released by this industry account for 40 percent or more of all persons who are unemployed for seasonal reasons at mid-winter. Forestry is also notoriously seasonal—even more so than construction—although its pattern of late fall or early winter peaks and spring troughs sets it a little apart from other industries. However, forestry accounts for only 2 percent of total non-agricultural employment, and while its fluctuations are of great importance in some areas they are fortunately of less importance when one considers the country as a whole. Fishing is another seasonal industry, extremely important in some areas, but again only a very small employer in relation to total non-agricultural employment across Canada. Moreover, it is apparent that some people in this industry, like some people in agriculture, simply withdraw from the labour market during the off-season. In other major industrial groups the seasonal swings are much less pronounced, and in some, such as finance, they are virtually non-existent. Manufacturing, which accounts, on the average, for about 28 percent of non-agricultural employment, makes a much smaller proportionate contribution to seasonality and in fact, must be regarded as an important source of stability. This is certainly not true of some types of manufacturing—the processing of fruit, vegetables, or fish, and the manufacturing of wood products, for example—but it is true of manufacturing taken as a whole.

Some of these points stand out in Charts 11 and 12, which are reproduced from the report on seasonal unemployment presented to the committee

Chart 11

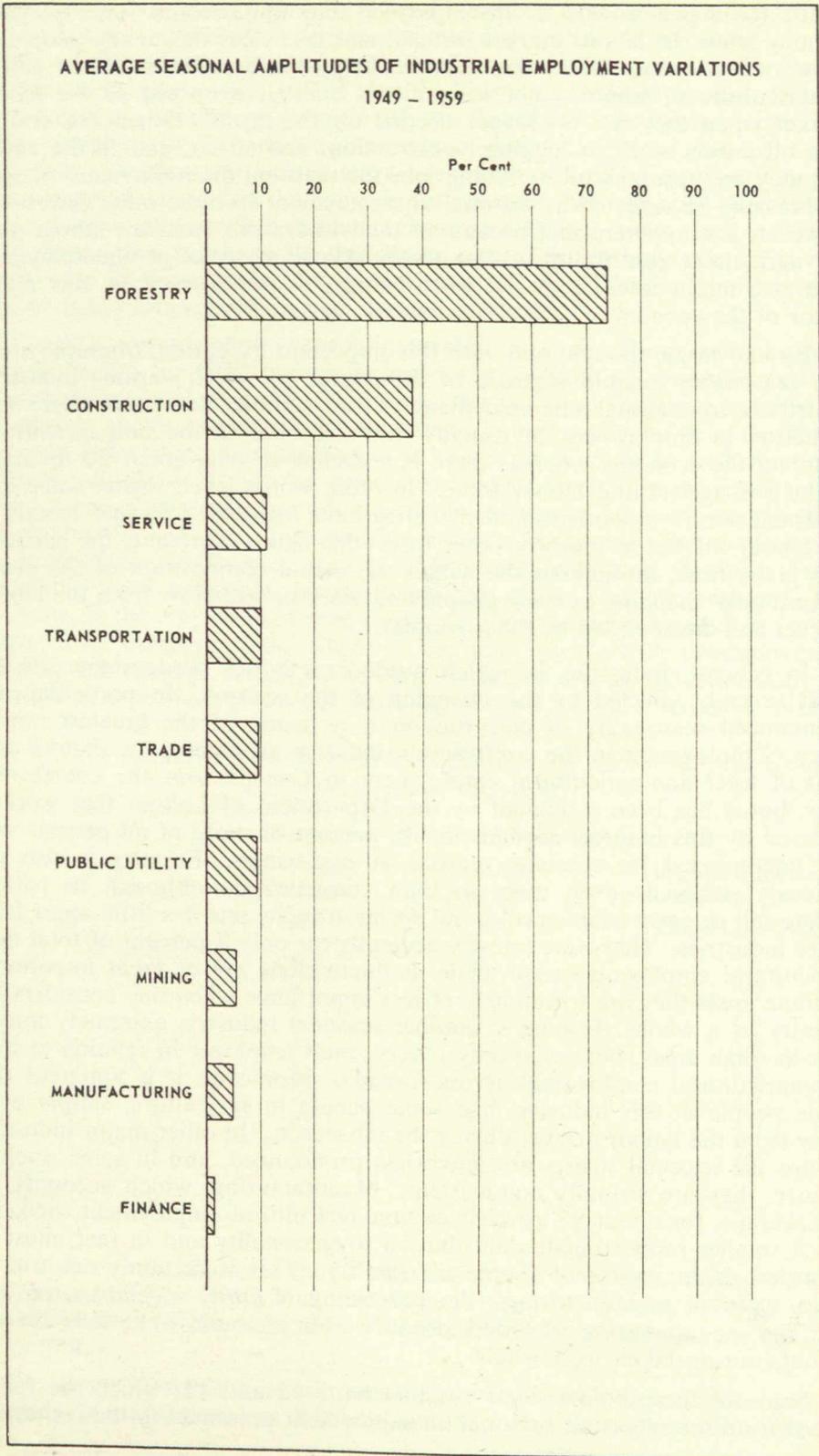
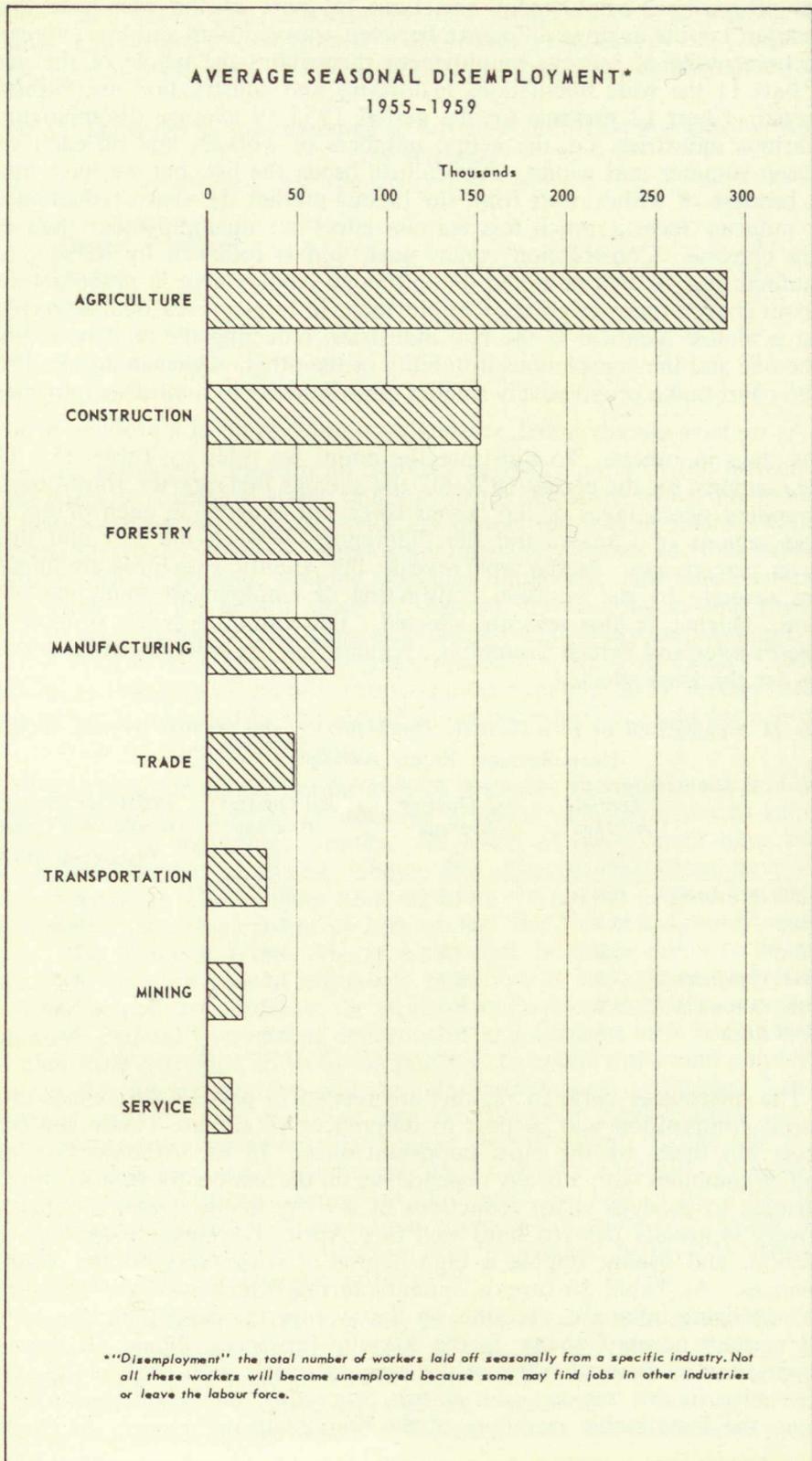


Chart 12



by the Department of Labour. Chart 11 records the 1949-59 average amplitudes of seasonal employment variations in most of the non-agricultural industries, i.e. the average difference between seasonal high and low expressed as a percentage of average employment throughout the whole of the year. In Chart 11 the wide fluctuations in forestry and construction are faithfully reflected. Chart 12 presents for the period 1955-59 average disemployment in various industries, i.e. the actual numbers of workers laid off each year between summer and winter. Agriculture heads the list, but we have noted that because of withdrawals from the labour market the sharp reductions in this industry have a much less serious effect on unemployment than one might imagine. Construction comes next, and is followed by forestry and manufacturing. It will be noted that although employment in manufacturing is about sixteen times as great as employment in forestry, seasonal disemployment is almost identical in the two industries, reflecting the relative stability of the one and the conspicuous instability of the other. Other industries listed in the chart make progressively smaller contributions to total disemployment.

As we have already noted, seasonality is much more of a problem in some areas than in others. To illustrate the point, we refer to Table 35. This table contains, for the period 1956-60, the average first-quarter, third-quarter, and annual percentages of the labour force out of work in each of the five broad regions of Canada and the differences between the first and third-quarter percentages. As the table reveals, the Atlantic Provinces are affected more severely by the seasonal contraction of employment than any other region. Quebec is also severely affected. The variation is less pronounced in the Prairies and British Columbia, although still appreciable, while Ontario is by far the least affected.

Table 35. Comparison of First-Quarter, Third-Quarter, and Annual Average Regional Unemployment Rates: Average, 1956-60

	Annual Average	1st Quarter Average	3rd Quarter Average	Difference Between 1st and 3rd Quarters
	%	%	%	Percentage Points
Atlantic Provinces	9.6	14.3	6.1	8.2
Quebec	7.4	11.0	4.7	6.3
Ontario	4.2	5.6	3.4	2.2
Prairie Provinces	3.3	5.7	1.5	4.2
British Columbia	6.3	8.3	4.5	3.8
CANADA	5.6	8.2	3.8	4.4

The differences between regions are related in part to differences of industrial composition and in part to differences of climate (there are other factors but these are the most important ones). In the Atlantic Provinces weather combines with a heavy dependence on the seasonally volatile primary industries to produce sharp reductions of activity in the winter months and recovery is usually delayed until well into April. Logging, lumbering, construction, and fishing impose a high degree of seasonality on the Atlantic Provinces. As Table 36 reveals, manufacturing, which we have referred to as a stabilizing influence, accounts on the average for more than one in four paid workers across Canada; in the Atlantic Provinces, though, it accounts for only one in six, and many of the manufacturing industries which are of importance in this region, such as fish processing and wood products, are among the least stable members of the manufacturing group. In Quebec,

winter weather is also a serious problem in some areas where again it combines with a heavy dependence on primary industries such as logging, lumbering, and fishing. Construction contributes very heavily in Quebec, as elsewhere, and although the large proportion of workers employed in manu-

Table 36. Employees in Manufacturing as Percent of ALL Paid Workers, by Regions:
1958 Averages

	Percent
Atlantic Provinces	16
Quebec	33
Ontario	33
Prairie Provinces	14
British Columbia	23
CANADA	28

facturing provides a measure of stability in many parts of the province, in some areas it is the less stable manufacturing industries which predominate. In British Columbia, weather is not the factor that it is in Eastern Canada, and the seasonal recovery of employment generally comes early in February. Fishing, fish processing, canning, logging, lumbering, and construction are responsible for the largest share of seasonal fluctuations in this Province. In Ontario, construction is the most important contributor to seasonality, and in the Prairies it is agriculture and construction. It is in Ontario that the stabilizing influence of manufacturing is most apparent and a further measure of stability is provided by the service industries which account for a substantial portion of total employment.

In recognition of the seriousness of seasonal unemployment in Canada there have been concerted efforts over a period of many years to stimulate employment in the winter months. All levels of government have participated, and various industrial, labour, and other organizations have added their assistance. The lead has been taken by the federal government through its agencies, the Department of Labour and the National Employment Service. The National Winter Works Campaign, as it has come to be called, has involved each year a large-scale promotional and educational program and has helped to coordinate the work of many local committees across the country. Federal government departments and agencies have been instructed to plan their activities, in so far as possible, to create maximum employment during the winter months, and an interdepartmental committee has been charged with the task of seeing that this policy is implemented. In many cases provincial governments have taken similar action. In the fall of 1958 the federal government's Municipal Winter Works Incentive Program was put into effect, with the government offering to pay half of the direct labour cost of specified types of municipal projects not normally carried out in winter, and last winter the program was broadened to include certain additional types of construction projects.

In some industries it is practically impossible, or at least extremely difficult to alter the seasonal patterns. This is true of agriculture, fishing, inland shipping, and some types of forestry activity, for in these cases the patterns are dictated almost entirely by weather conditions. Construction is also heavily influenced by the weather, but here there are other factors as well,

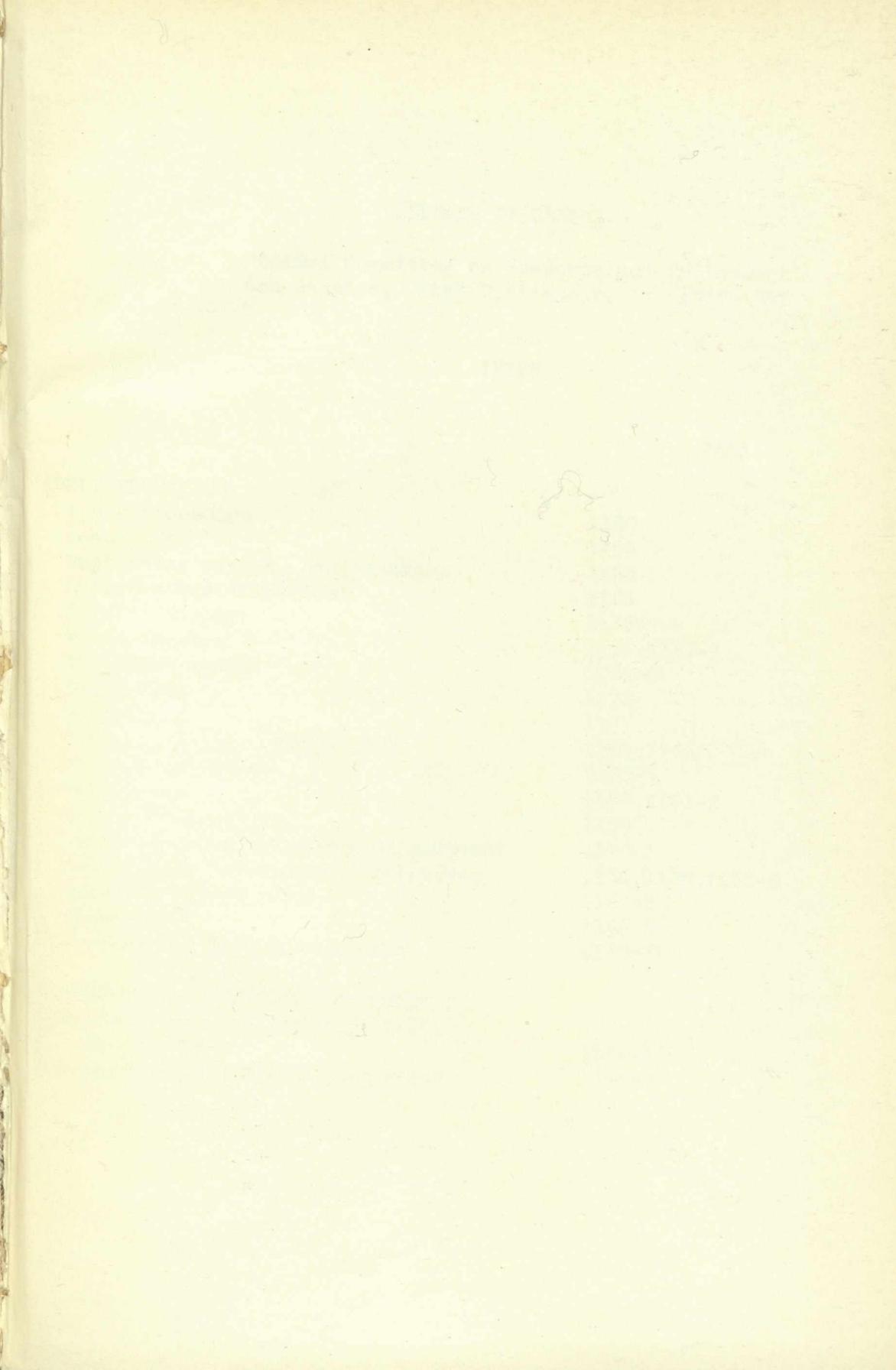
factors which are subject in greater or lesser degree to human control, and accordingly it is here that the greatest emphasis has been placed in attempts to stimulate winter employment. As we have noted, construction is a large employer, particularly of unskilled labour, and one which contributes very heavily to seasonal unemployment, so that any substantial increase in winter activity in this industry must certainly have a considerable effect on job opportunities throughout the economy.

The efforts which have been taken to date to combat seasonal unemployment must be highly commended and strongly encouraged. It is clear, though, that we still have a long way to go. Reference is made to Table 37 in which are presented, for the years 1953 to 1960, measures of the effect of seasonality on the level of employment in all non-agricultural industries combined, and in the construction industry. These measures represent approximately the degree to which employment in the first and third quarters of each year was above or below annual average employment, after making due allowances for non-seasonal movements associated with the changing phases of the business cycle and other factors. They represent, approximately, the pure effects of seasonality. It is evident from the table that the impact of seasonality on total non-agricultural employment has not been reduced appreciably in recent years, and if one looks at the period since 1953 there has, in fact, been some increase. In construction there has been no very significant change over the period, and certainly no reduction in recent years.

Table 37. Percentage Differences Between Actual Employment Figures and Employment Figures with Seasonal Variations Eliminated: First and Third Quarters, 1953-1960

	All Non-Agricultural Industries		Construction	
	1st Quarter	3rd Quarter	1st Quarter	3rd Quarter
	%	%	%	%
1953	-2.8	2.0	-22.0	15.8
1954	-2.9	2.2	-21.5	15.2
1955	-3.3	2.2	-19.9	15.5
1956	-3.3	2.3	-20.9	15.4
1957	-3.7	2.5	-20.5	16.7
1958	-4.1	2.7	-22.6	16.2
1959	-3.8	2.9	-22.1	18.6
1960	-3.8	2.7	-22.9	17.2

This is not to suggest that the actions which have been taken to reduce seasonal unemployment have had no effect. It seems probable that in their absence the problem would have become considerably more serious in the past few years. The point which we wish to make is simply that more—much more—remains to be done. Through imaginative and well-directed promotional, educational, and incentive programs a good beginning has been made. But it is only a beginning if the problem is to be solved satisfactorily.



SENATE OF CANADA

Special Committee on Manpower and Employment
4th Session, 24th Parliament, 1960-1961

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