



IN TRAINING,

ONLY WORK WORKS

**Train Canadians and Create Jobs
Without Increasing the Deficit,
Inflation or Tax Rates.**

**The Report of the Sub-Committee on Training and Employment
of the
Standing Senate Committee on Social Affairs,
Science and Technology.**

December 1987



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ORDERS OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, December 16, 1987

The Honourable Senator Gignac moved, seconded by the Honourable Senator ...

"That the Standing Senate Committee on Social Affairs, Science and Technology be authorized to study and report upon the Consultation Paper on Training and Employment, tabled in the Senate on 14th December 1987, and the Consultation Paper on Employment Opportunities: Preparing Canadians for a Better Future, tabled at the First Ministers' Conference held in Regina, Saskatchewan, on 14th and 15th February 1987."

IN TRAINING,

ONLY WORK WORKS

That the Committee report on or before September 1, 1987.

That the Committee report on or before September 1, 1987.

The question being put ...

Resolved in the affirmative: **Train Canadians and Create Jobs Without Increasing the Deficit, Inflation or Tax Rates.**

Extract from the Minutes of Proceedings of the Standing Senate Committee on Social Affairs, Science and Technology, Toronto, 20th February 1988

"The Committee took cognizance of the report received by the Senate on 17th February 1988, regarding the Standing Senate Committee on Social Affairs, Science and Technology, and the Consultation Paper on Training and Employment, tabled in the Senate on 14th December 1987, and the Consultation Paper on Employment Opportunities: Preparing Canadians for a Better Future, tabled at the First Ministers' Conference held in Regina, Saskatchewan, on 14th and 15th February 1987."

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The Honourable Senator Marshall moved, seconded by the Honourable Senator ... That a Sub-Committee on Training and Employment be established for this purpose.

The question being put ... Resolved in the affirmative.

The Honourable Senator Nason moved, seconded by the Honourable Senator ... That the Honourable Senators Gignac, Robertson and ... form the said Sub-Committee and that the Honourable Senators Gignac and Robertson be appointed Chairman and Vice-Chairman respectively.

The Report of the Sub-Committee on Training and Employment of the Standing Senate Committee on Social Affairs, Science and Technology.

The question being put ... Resolved in the affirmative.

Denis Bueffler
Clk of the Committee
December 1987





ONLY WORKS

Train Canadians and Create Jobs
Without Increasing the Deficit
Inflation or Tax Rates.

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The Report of the Sub-Committee on Training and Employment
of the
Standing Senate Committee on Social Affairs,
Science and Technology

December 1987

ORDERS OF REFERENCE

Extract from the *Minutes of Proceedings of the Senate*, October 30, 1986:

The Honourable Senator Gigantès moved, seconded by the Honourable Senator Nurgitz:

“That the Standing Senate Committee on Social Affairs, Science and Technology be authorized to study and report upon the Consultation Paper on Training, issued by the Department of Employment and Immigration, tabled in the Senate on 11th December, 1984, and the document entitled “Employment Opportunities: Preparing Canadians for a Better Future”, tabled at the First Ministers’ Conference held in Regina, Saskatchewan, on 14th and 15th February, 1985;

That papers and evidence taken on the subject and the work accomplished during the 1st Session of the 33rd Parliament be referred to the Committee; and

That the Committee report no later than December 1, 1987.

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

Charles A. Lussier
Clerk of the Senate

Extract from the *Minutes of Proceedings of the Standing Senate Committee on Social Affairs, Science and Technology*, Tuesday, 4th November 1986:

“The Committee took note of the motion adopted by the Senate on October 30, 1986 authorizing the Standing Senate Committee on Social Affairs, Science and Technology to study and report upon the Consultation Paper on Training, issued by the Department of Employment and Immigration, tabled in the Senate on 11th December, 1984, and the document entitled “Employment Opportunities; Preparing Canadians for a Better Future”, tabled at the First Ministers’ Conference held in Regina, Saskatchewan, on 14th and 15th February, 1985;

The Honourable Senator Marshall moved, — That a Sub-Committee on Training and Employment be established for this purpose.

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

The Honourable Senator Bonnel moved, — That the Committee Chairman and Vice-Chairman, as well as the Honourable Senators Gigantès, Robertson and Marsden form the said Sub-Committee and that the Honourable Senators Gigantès and Robertson be appointed Chairman and Vice-Chairman respectively; and that the said Sub-Committee be authorized to report from time to time to the Standing Committee.

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

Denis Bouffard
Clerk of the Committee

Extract from the Minutes of Proceedings of the Senate, October 30, 1986

The Honourable Senator Gignac moved, seconded by the Honourable Senator Wright:

"That the Standing Senate Committee on Social Affairs, Science and Technology be authorized to study and report upon the Consultation Paper on Training, issued by the Department of Employment and Immigration, tabled in the Senate on 11th December, 1984, and the document entitled 'Employment Opportunities: Preparing Canadians for a Better Future', tabled at the First Ministers' Conference held in Regina, Saskatchewan, on 14th and 15th February, 1985.

That paper and evidence taken on the subject and the work accomplished during the 1st Session of the 32nd Parliament be referred to the Committee, and

That the Committee report no later than December 1, 1987.

The question being put on the motion, it was—

Resolved in the affirmative.

Charles A. Lasser
Clerk of the Senate

Extract from the Minutes of Proceedings of the Standing Senate Committee on Social Affairs, Science and Technology, Tuesday, 4th November 1986

"The Committee took note of the motion adopted by the Senate on October 30, 1986 authorizing the Standing Senate Committee on Social Affairs, Science and Technology to study and report upon the Consultation Paper on Training, issued by the Department of Employment and Immigration, tabled in the Senate on 11th December, 1984, and the document entitled 'Employment Opportunities: Preparing Canadians for a Better Future', tabled at the First Ministers' Conference held in Regina, Saskatchewan, on 14th and 15th February, 1985.

The Honourable Senator Marshall moved:—That a Sub-Committee on Training and Employment be established for this purpose.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Bonnel moved:—That the Committee Chairman and Vice-Chairman, as well as the Honourable Senator Gignac, Robertson and Marshall form the said Sub-Committee and that the Honourable Senator Gignac and Robertson be appointed Chairman and Vice-Chairman respectively; and that the said Sub-Committee be authorized to report from time to time to the Standing Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

Denis Bouffard
Clerk of the Committee

MEMBERS OF THE SUB-COMMITTEE ON TRAINING AND EMPLOYMENT

The Honourable Philippe D. Gigantès, Chairman
The Honourable Brenda M. Robertson, Deputy Chairman

and

The Honourable Senators:

- * Bonnell, M. Lorne
Marsden, Lorna
Rousseau, Yvette
- * Tremblay, Arthur

* Ex-Officio Members

(Quorum 3)

The Honourable Senator Yvette Rousseau was added to the list of members of the Sub-Committee on June 1987.

The following Senators also served on the Sub-Committee from time to time as Acting Members: The Honourable Senators Paul David, Jacques Hébert, Mira Spivak.

MEMBERS OF THE STANDING SENATE COMMITTEE ON SOCIAL AFFAIRS, SCIENCE AND TECHNOLOGY

The Honourable Senator Arthur Tremblay, Chairman
The Honourable Senator M. Lorne Bonnell, Deputy Chairman

and

The Honourable Senators:

- Austin, Jack
- Cottreau, Ernest G.
- Flynn, Jacques
- Gigantès, Philippe D.
- Hébert, Jacques
- * MacEachen, Allan J.
(or Frith, Royce)
- Marsden, Lorna
- Marshall, Jack
- * Murray, Lowell
(or Doody, C. William)
- Robertson, Brenda M.
- Rousseau, Yvette
- Spivak, Mira
- * Ex-Officio Members

**Staff of the Senate Sub-Committee on
Training and Employment**

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Policy advice, research, drafting, organization

CHRISTINE DEARING

Special thanks to H el ene Bouchard, Janelle Feldstein, Lucie Gaulin, Kathleen Ippersiel, Marie Claire Jak, Jennifer Joseph, Elizabeth Macaulay and Kathleen Schade. Their cheerful devotion to duty, patience and skill made the work easier and better.

Dr. Gerry Goldstein and Mr. Basil Zafiriou of the Research Branch, Library of Parliament, gave of their wisdom and knowledge.

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Foreword

The Senate Sub-Committee on Training and Employment was established October 30, 1986, to study two documents: the *Consultation Paper on Training and Employment Opportunities: Preparing Canadians for a Better Future*. Both government documents asked questions about the state of our economy, about the kind of training Canadians need and about the kinds of jobs Canada is likely to have.

Such questions — and others related to training and employment — have been asked repeatedly over the years and will be asked again. And so they should be: they address the state of constant change which characterizes our economy. In this sense, our report examines the evolution of our economy and current provisions for training not as a final answer, but as part of a continuum.

The Sub-Committee listened to business, labour, government and education experts across Canada, in four European countries, in international organizations and during public hearings in Ottawa in mid-1987.

We explored the relationships linking training and job opportunities for Canadians. How often would the nature of jobs change; how should Canadians train and re-train so as to be able to move more easily from disappearing to emerging jobs or areas of study?

What does Canada do to prepare Canadians for “a better future?” What should we be doing? How could we improve upon existing activities?

We have moved from the industrial society of the 1960s to a knowledge-intensive service economy — an information society. The major imperative of the society of the '80s and '90s is that its members be well educated and well trained. They need basic “core” skills as well as specific knowledge. We must help our population reach its potential by providing the education and training necessary to succeed. Above all, we must teach Canadians of all ages “how to learn” and adapt to change.

The Sub-Committee asked, “Can we afford to do better?” We found that the answer is “yes”. In fact, we cannot afford *not* to do better. Moreover, we found that it is possible to do what is needed without increasing tax rates, inflation or the deficit.

Throughout our study, in Canada and abroad, we were consistently told that, when it comes to training, the most successful approaches are those linking classroom time with on-the-job experience. When it comes to training, only work works.

Philippe D. Gigantès
Chairman
Sub-Committee on
Training and Employment

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Foreword

The Senate Sub-Committee on Training and Employment was established October 30, 1986, to study two documents: the Consultation Paper on Training and Employment (previously reported to the Senate in 1985) and the Report of the Senate Sub-Committee on Training and Employment (presented to the Senate in 1986). Both government documents asked questions about the state of our economy, about the kind of training Canadians need and about the kinds of jobs Canada is likely to

Such questions — and others related to training and employment — have been asked repeatedly over the years and will be asked again. And so they should be; they address the state of constant change which characterizes our economy. In this sense, our report examines the evolution of our economy and current provisions for training not as a final answer, but as part of a continuing

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Philippe D. Girard
Chairman
Sub-Committee on
Training and Employment

The Report in Brief

Train Canadians and Create Jobs Without Increasing the Deficit, Inflation, or Tax Rates

(Note: This summary deals with how to improve education and training in general; how to create jobs and provide training in order to reduce unemployment to 4% without increasing the deficit, inflation or tax rates).

A well trained, well educated work force is the most important resource of our knowledge-intensive service economy and is necessary to ensure our further progress and material well-being. The real wealth of society today is knowledge.

Twenty percent of our population do not read well enough to function in our modern economy. These functionally illiterate Canadians are denied access to basic and further education and have few chances in the job market. We should eradicate illiteracy.

To transform information into knowledge in our information society, our people need basic, core skills: the ability to read, write and understand complex material; to communicate in one's mother tongue; to know a certain level of mathematics and computer science; to know how society and the world work; and to learn how to learn. As well, we should give people the skills needed to: work with a team; adapt to change; assimilate information; transform it into knowledge; apply it appropriately in order to find, hold or create a job; and, where appropriate, lead and innovate.

Our elementary and secondary schools should provide these core skills. We should establish agreed national/provincial standards as well as exit examinations to make sure these standards are met.

Job specific skills can best be learned by those who already have the necessary core skills. Job-specific training is most effective in programs combining on-the-job experience with some classroom work. Examples of successful, existing programs are co-operative education schemes, adopt-a-school projects and apprenticeship programs. These could be expanded.

We do not have, but should have, enough consultation mechanisms to devise agreed training curricula which suit the needs of employees and employers alike, locally and nationally. We do not have, but should have, agreed standards that trainees must achieve. We do not have, but should have, "quality control" in training, or in education, to make sure Canada gets a full return on its education dollar.

Decentralizing training to fit our federal political system and to meet local needs of employers as well as employees, does not preclude nationally recognized, certified standards of scholastic and vocational achievement.

As they move from poorer to richer regions of Canada, it would help people find a job, if they were trained in accordance with nationally recognized, certified standards.

The process of training and re-training may include moving to new jobs and accepting and adopting new technology. This process takes place much more smoothly when there are more jobs available.

Job-creation-plus-training schemes would help Canadians accept constant technological progress and change in general. One such scheme would reduce unemployment to 4% in four years without increasing taxes, inflation or the deficit. It costs more to keep someone unemployed than to create a job for that person. We would use the money currently spent on unemployment insurance (U.I.) and welfare payments to finance a job-creation-plus-training scheme.

Each of the unemployed in 1985 had earned an average of \$14,040 per year before becoming jobless. Each of these, when jobless, cost the three levels of government an average of \$14,645 per year in U.I., welfare payments and lost tax revenue. And not only did the jobless cost \$14,645 per year, they also did not produce the goods and services they had produced when employed. So, when they worked, we paid them

\$14,040 and they gave us, in return, \$14,040 worth of goods and services; when they didn't work, we paid them more and they gave us nothing in return.

The costs of unemployment, since 1968, are equal to the National Debt. Nothing has really worked to make a dent in our unemployment or to speed up economic growth — not government help to business, not technology, not increasing exports, not cutting the size of government.

Only putting our jobless to work will work, will cut the deficit and speed growth without inflation. It is clearly better to pay the jobless to produce something that is needed than to do nothing. This would, at the same time, give them back a role in society and the dignity that goes with it.

A scheme paying the jobless, on average, as much as they had earned when working to produce essential goods or services, was tested in the computer models of the Economic Council of Canada and Informetrica. It was found workable; it did not increase inflation, the deficit, or tax rates. We realize that an average wage of \$14,040 is very little. However, this is the amount the average unemployed person earned

in 1985 before becoming jobless. It is hardly sufficient, but is 75% more than the \$8,100 they would get on U.I.

Through the use of such schemes and at no extra cost to governments, we could launch a national day care program; a campaign to eradicate illiteracy; provide home care for the elderly that would be better for senior citizens and save on hospital costs; repair infrastructures and slums. Participants would work four days a week and train one day a week, either to become better at the job they hold or to allow them to seek new jobs.

The structure that would be used in job-creation-plus-training schemes already exists at the local and provincial level; administrative mechanisms — both governmental and non-governmental — exist for the provision of many essential outputs: they do not have to be duplicated. Using such mechanisms in one province on a small scale would be an excellent pilot project for a national job-creation-plus-training scheme that other provinces could join if they wished.

All that is needed is the political will to create these jobs and to change attitudes.

ABBREVIATIONS USED IN THE REPORT

CAP	Certificat d'aptitude professionnelle
CCLOW	Canadian Congress of Learning Opportunities for Women
CEIC	Canada Employment and Immigration Commission
CFS	Canadian Federation of Students
CJS Document	<i>The Canadian Jobs Strategy, Its Past, Present, and Future</i> , Employment and Immigration Canada, 1987.
CVA	Canadian Vocational Association
Consultation Paper	<i>Consultation Paper on Training</i> , Government of Canada, December 1984.
ECC	Economic Council of Canada
IEC	Industry-Education Council of Hamilton-Wentworth
NAC	National Action Committee on the Status of Women
OECD	Organisation for Economic Co-operation and Development
Ontario Discussion Paper	<i>Discussion Paper on the Canadian Jobs Strategy, Policy and Implementation</i> , Ontario Ministry of Skills Development, 1987.
Ontario Study	<i>Ontario Study of the Service Sector</i> , Ministry of Treasury and Economics, Government of Ontario, December 1986.
YTS	Youth Training Scheme

A parenthesis enclosing a name followed by a paragraph number refers to the summaries of interviews that appear at the back of this report.

IN TRAINING, ONLY WORK WORKS

(1) The *Consultation Paper on Training** asks: "Training for what jobs?" This question sets the stage for any discussion of training. However, we have not yet found a way to answer the question "training for what jobs?". All efforts at predicting the appearance of specific jobs have failed. We are poor prophets. At best, by projecting past trends, we can predict that change in the workplace will continue accelerating, as it has since the Industrial Revolution.

(2) Though we cannot predict which specific new jobs will emerge, we know more about which jobs will disappear: those in industries that manufacture mass-produced, standardized goods. Newly industrialized countries buy the latest technology and, with their cheaper labour, take away such manufacturing jobs from us. Only with robots, not people, would we stay in the field. Unless we adopted protectionism with all its prices, where our people will find work may be in

"... the production of those complex goods that require a high degree of flexibility, know-how and sophistication; and *innovation* in the development of new products or the improvement of existing ones. It is here that, by virtue of our more advanced expertise and higher levels of education, we can hope to retain comparative advantage over competitors in the newly-industrializing countries..."

(3) "What is true of manufacturing is even more true of the service sector: one of the key characteristics of our service economy is that it is knowledge-intensive. As one of still relatively few "post-industrial" societies in a world predominantly composed of newly industrializing countries, we have a potential comparative advantage in the form of a comparatively highly educated population and a relatively high degree of expertise. We need to compete vigorously in the large and growing market for know-how not only in such traditionally tradable services as banking, engineering and computer software, but in a whole host of other knowledge-intensive services needed by increasingly affluent developing countries seeking to build up their infrastructure: health care, education, agricultural technology, project management, business planning,

and so on." (*Ontario Study of the Service Sector*, p. 14, Ministry of Treasury and Economics, Dec. 1986.

(4) In Canada, the shift to services, knowledge-intensive or otherwise, is well under way. We have left the industrial age when our economy was almost solely resource-based and manufacturing was the major engine of growth. In this information age, the Canadian economy is undergoing — and has already undergone, to a great extent — a massive shift to services. Between 1976 and 1986, only 154,000 new jobs were created in the goods-producing sector and two million in services. The service sector accounts for 75% of employment in Canada or 72.4% of GDP.

(5) And the growth is most strong in knowledge-intensive jobs (para. 3 above). Between 1941 and 1981, knowledge-intensive producer or business services grew by 789% in Ontario; consumer services (restaurants, cleaners, barbers) only grew by 179% (*Ontario Study*, p. 10).

(6) To sum up: many of the old jobs will disappear. Many of the new ones will require higher levels of knowledge and skills, including social skills, but since

"It is simply not possible to predict what specific skills will be needed in the work force even five years from now ... We must conclude that a worker with mechanical training in specific skills is bound to be in a far less advantageous position than one who has learned how to study, think independently and learn quickly." (A.R. Dobell, President, Institute for Research on Public Policy, *Ontario Study*, p. 23.)

(7) The question, then, is: what kind of education and training best equips people with "core skills"? This training must cover the ability to read, write and understand complex material, to communicate in one's mother tongue, to know a certain level of mathematics and computer science, how society and the world work, and to learn how to learn. As well, we must give people the skills needed to work with a team, lead where appropriate, innovate, adapt to change. In short, we must teach people to assimilate information, transform it into knowledge and apply it in order to find, hold or create a job.

* *Consultation Paper on Training*, Government of Canada, December 1984.

(8) If we assume that education and training equip people with the skills needed to compete for jobs, should they pursue "education" or "training"?

(9) Education is seen as more broad-based and general and as the route to further academic studies. Training, on the other hand, usually refers to vocational, technical studies involving the acquisition of specific job-related skills. In fact, the skills acquired through education and training are equally important and useful and, when taken together, form a cohesive set of aptitudes.

(10) Both "streams" can provide general knowledge of core subjects as well as the technical and affective "life skills" necessary for good performance in further studies or at work (para. 7 above).

(11) In the 1960s, the education system was expanded in Canada and elsewhere to provide more people with access to schooling and was designed to meet the needs of industrial employers. Students were taught to read, write and count as well as to conform to employers' needs by learning punctuality, conformity and respect for authority. There was a larger demand for unskilled workers. Employers believed that specific skill shortages could be anticipated and that education curricula could be adapted to fill these shortages (*Youth: A Plan of Action*, pp. 43, 44).

(12) This is no longer true. People need more technical skills and more general knowledge plus the ability to apply this knowledge and their personal skills in changing situations. Employers no longer simply look for punctuality and conformity: they seek flexible, adaptable people able to respond to new demands and to innovate when necessary. This underscores the crucial role of universities. Not only must they contribute to the creation of training which equips people with the core skills that make them immediately employable and endlessly adaptable to job change; universities must also pursue, with renewed vigor, their traditional role of expanding the mind through fundamental research, through discussion. The mind trained in intellectual endeavors is more adaptable, less prone to stagnation, more questioning, a better protection against losing jobs by falling behind in the struggle for a share of the global pie.

(13) The *Consultation Paper on Training* also asks: "Will there be jobs?"

(14) Education and training can make the labour force more efficient, more productive and, as a result, more competitive, improving the economic prospects of a firm or a country and liberating resources for further training or the creation of new jobs.

(15) This process, however, takes time. Adjustment periods can be long, especially for those who are unemployed. The costs of allowing large numbers of people to remain unemployed are high, in human terms and in economic terms. Clearly, an economy is more flexible, efficient and equitable when a maximum number of its population is working, producing goods or services and buying these goods or services.

(16) For some time now, the extent to which education plays a role in generating employment has been a topic of intense debate among member countries of the Organisation for Economic Co-operation and Development (OECD, paras. 1 to 3).^{*} In periods of high unemployment, those with more advanced levels of education or more relevant training will have better chances in the job lottery. Education gives some an advantage over others. But education cannot create jobs.

(17) Nevertheless, many countries, Canada among them, are shifting the focus of their policies away from unemployment relief (U.I. and welfare benefits, short-term job creation programmes, intensive skill-specific training courses). Instead, these countries now emphasize enhancing the individual's employment potential through increased education and training. Even so, some of these countries have on-the-job training programs which, in effect, create jobs. At the same time, in an attempt to reduce their budgetary expenditures, many governments are trying to encourage the private sector to provide training through tax incentives and wage subsidies for trainees; buying fewer places from community colleges for trainees, so that the private sector sells more training places.

(18) The belief that the market is best able to determine which jobs and, thus, which skills are needed seems to be the driving force behind the new policies in Canada and elsewhere.

(19) In the free market system, those who are already best equipped to compete come out ahead; but the market has left to governments the responsibility of ensuring equality of opportunity for young

^{*} Hereafter, a parenthesis containing a name and a paragraph number refers to the summaries at the back of this report.

people, women, Natives, the employment disadvantaged and the handicapped.

(20) How can the private sector and governments best play their respective roles? Who should decide on the curricula and criteria for education and training programmes? Who should be responsible for administration, development and financing?

(21) Governments, labour unions, management (enterprises), educators and individuals themselves should *all* be involved. The extent to which each assumes the various roles mentioned, differs from country to country and, in Canada, from province to province.

(22) As in Canada, other countries consider that education, training and re-training are important factors in improving economic health. The four European countries we studied (Britain, West Germany, France and Austria, paras. 25 to 76) are placing or have placed greater emphasis on involving all social partners in decision-making. The private sector employer is seen as a major player in giving appropriate, initial job-related training and re-training. In Britain and France private employer involvement is an objective; in Germany and Austria it is a reality.

(23) There seems to be a general feeling among these European countries that, as the Germans put it, "any training is better than no training," regardless of whether there are jobs available or not at the end of the training period.

(24) At the same time, recent work in Britain and at the OECD suggests that keeping people unemployed on some sort of dole is not cheaper economically than having them work. In Britain, for example, it was found that it costs only \$200 more per year to keep a janitor employed than to put that person on unemployment insurance. The reasons for the moderate to high European levels of unemployment are being re-examined and ways of reducing the numbers of the unemployed are being discussed. However, training and re-skilling of the work force have a high priority and are popular in all countries, as focus shifts from unemployment relief to the enhancement of employment possibilities for individuals through training (Holland, para. 9).

BRITAIN

(25) Unemployment in Britain was 10.9% as of April 1987. Rather than concentrating on job creation measures to sop up this unemployment, British policy, as does Canadian policy (para. 77), reflects a greater commitment to education and training of the labour force (Holland, para. 10).

(26) Traditionally, British education has focused on the formation of an educated elite in the "noble professions": lawyers, civil servants, doctors, university professors, accountants. The structure has been one that weeds out and devalues the majority, to cultivate the elite minority (Holland, para. 19 to 21).

(27) In Britain, since the Second World War, the value placed on the practical application of knowledge and skills has fallen progressively.

(28) British employers have not seen the utility nor the profitability of training a worker for their future needs (Holland, para. 27; Cassels, paras. 11, 12; para. 142 of this report).

(29) Government and government agencies (Manpower Services Commission [MSC], National Economic Development Office [NEDO]) have tried to change attitudes toward training, because they consider the involvement of all the social partners to be a major prerequisite for effective action in training and re-skilling.

(30) The National Economic Development Office (NEDO) serves a tripartite council with representatives from government, business and labour. Union participation is energetic and there is the belief among unions that training is important. The problem, we were told, is how to convince business that training makes economic sense and leads to increased profits (Holland, paras. 27, 28; Cassels, paras. 10 to 12).

(31) A reflection of Britain's renewed commitment to training is the development of the two-year-old *Youth Training Scheme* (YTS).

(32) YTS aims at providing competence in technical skills, core skills (see para. 7), adaptability and transferability of old and new skills, and in being personally effective at work. This approach to learning has provided an incentive to the education system to review its curricula (Hayes and Fonda, paras. 6 to 21).

(33) YTS offers a two-year training program with both in-school and on-the-job training to any young person leaving school at 16. The trainees are paid a small allowance, about half the Canadian minimum wage. YTS operates in the belief that the best training for work is work (Hayes and Fonda, para. 14).

(34) In addition to YTS, the *Technical and Vocational Education Initiative* has been going on in schools as a pilot project over the past four to five years. Its aim is not to teach students how to do a job but to move the curriculum closer to labour market needs in order to reflect opportunities in the work place. Teachers are using this initiative to shift the emphasis from lecturing students to teaching the students, instead, how to teach themselves and to learn thereby (Hayes and Fonda, para. 21).

(35) These initiatives seem to be improving the competitive potential of British industry by improving the quality of the work force (Hayes and Fonda, para. 17).

(36) The overriding goal is to enhance international competitiveness through investment in education and training (Holland, para. 12; Cassels, paras. 7, 8).

FEDERAL REPUBLIC OF GERMANY

(37) Unemployment in the Federal Republic of Germany was 8.9% in April 1987. West Germany is renowned for its well-developed apprenticeship training and for its belief that any training is better than no training.

(38) Unlike in Canada, there is in Germany a strong commitment to training on the part of employers, unions and governments, all of whom believe that a highly skilled and well-trained work force is the key to economic prosperity (Schmidt, para. 14).

(39) Because it is impossible to forecast specific labour market needs and because change is a part of today's reality, the training system is flexible enough so that people can adapt to changing demands and respond to the needs of employers.

(40) Training emphasizes core skills (para. 7 above) and the development of "key aptitudes" for teamwork, decision-making, creativity and adaptability.

(41) In the German education system, students receive their primary education to age 9 or 10, after which they must decide which stream to follow to complete their 13 years of schooling.

(42) One option is secondary school, followed by vocational training after age 16 in the "dual system", combining classroom training with on-the-job, enterprise-based training.

(43) Others, at 16, choose the technical high school stream to age 19, which leads to further, more specialized vocational training in upper technical schools or to university education.

(44) Finally, 25% of students go on to academic high school at 16, and then university.

(45) Although the German apprenticeship system dates from medieval times, the current dual system (para. 42 above) was not introduced in its present form until 1976. Currently, it provides 1.8 million "jobs" with some pay for the trainees. It represents a source of cheap labour for employers as well as a pool of well-trained workers for the future.

(46) The success of the dual system depends on a high level of co-operation among governments, local Chambers of Industry and Commerce, labour unions and employers. The system is highly organized, with a clear-cut role for each social partner. We do not have such a well-defined system in Canada (para. 144 below).

(47) Vocational training in the dual system and the decisions as to the trades, the length of training and the kind of training to take place in the enterprise, are the responsibility of the federal government.

(48) The actual administration of the dual system of vocational training is the responsibility of the local Chambers of Industry and Commerce.

(49) The provinces (Lander) are responsible for the curriculum and administration of that part of vocational training which takes place not on the premises of enterprises but in schools and training centres.

(50) Training must take place within guidelines established by Chambers of Industry and Commerce in conjunction with the federal government, employers and labour unions. Exams are set and administered by the Chambers of Industry and Commerce. The Federal Institute for Vocational Training was

created in 1970 and provides the link between government, industry and unions. It is federally financed by the Ministry of Education; Parliament approves the budget. It carries out research and development projects in the field of vocational training and negotiates training needs independently from the government. The Institute provides data on vocational education and training to inform employers and the public and to prepare the field for discussion and planning (Schmidt, paras. 1 to 3).

(51) The law requires a firm and its trainees to sign a contract agreeing to follow the training guidelines for their chosen trade or profession.

(52) Many large firms (eg. Bayer) provide vocational training for selected, top-quality apprentices, according to the guidelines set by the Chambers of Industry and Commerce. However, 65% of young people are trained in enterprises of less than 50 employees. In 1976, the government discussed the introduction of a levy on industry to finance an increase in the number of training places. Unions were favorable but industry saw the law as unnecessary government intervention. Employers agreed to produce an increased number of training places voluntarily. Most of the increase came in the crafts sector where apprentices can be trained at low cost, on the job, and also receive schooling in government-financed centres serving many smaller firms (Schmidt, paras. 15 to 19).

(53) Each year, up to 700,000 school-leavers over the age of 16 seek places in 420 apprenticeable trades. Training lasts from three to 3½ years, on average, with two days per week spent in the classroom and three days in the work place.

(54) At the end of the apprenticeship period, trainees are examined and, if they qualify, receive a nationally recognized diploma of vocational achievement awarded by the local Chamber of Industry and Commerce. This system of certification makes it easier for employers to know how skilled a potential employee is (Himmelreich, para. 2). Nine out of ten apprentices find jobs after certified training. Training in the dual system seems to be the best preparation for work (Allert and Braun, para. 17).

Re-training

(55) Whereas specific curricula are detailed in guidelines for initial training, no such guidelines exist for re-training (see para. 82. for Canada).

(56) Re-training is usually undertaken by employers at the work place and success is determined after a final exam at the end of the re-training period.

(57) The re-training system does not follow the format of the dual system for initial training that alternates systematically between work in an enterprise and the classroom. Our German witnesses said that re-training is less successful and produces worse results than the dual system of initial vocational training.

(58) Re-training is more successful, however, among those who have already had initial training (Schmidt, para. 22). Problems seem to spring from the inability of older workers to adapt to new methods rather than from a lack of motivation.

FRANCE

(59) The unemployment rate in France was 11.1% as of April 1987 and the average length of unemployment was 350 days.

(60) All social partners are beginning to see training as an economic and social necessity for a skilled, competitive workforce.

(61) At the same time, government policy focuses on giving more autonomy to the private sector (para. 79 for Canada), with fewer restrictions governing hours of work, minimum wages and so on. Traditionally, in France, the private sector has not seen a role for itself in training (para. 142 below; de Larminat, paras. 5, 6).

(62) The high levels of unemployment in 1980-81 forced government, labour and industry to examine existing structures pertaining to training, re-training and the transition from school to work (Ramoff, para. 4).

(63) Since the 1981 *Loi sur l'alternance*, 20% of youngsters entering the workforce have been trained in enterprises through school-industry twinning arrangements, to harmonize the school system with the labour market so that employers' needs can be met (para. 144 for Canada; Ramoff, paras. 5 to 8).

(64) The French system is less structured than the German. Informal agreements are reached between unions, government and industry as to what kind of training will be given. The agreements are not detailed or normative but provide, instead, training goals that are quite general (Ramoff, para. 13).

(65) The education system is divided into (a) basic elementary school training; (b) academic high school; (c) technical high school with a small apprenticeship component in a few trade areas (leading to the Certificat d'aptitude professionnelle — CAP); (d) university.

(66) The link between the schooling provided by the Ministry of Education (l'Éducation Nationale) and the work place is traditionally weak. Industry has been dissatisfied with the lack of basic skills among graduates of the school system (paras. 109, 110 for Canada). However, there is also evidence that employers find it hard to accept that some youngsters have considerable, useful skills which they use at work to improve production even though the rules forbid it. Attempts are being made to increase collaboration among the educational system, employers and labour unions (para. 123 for Canada; Debeine, paras. 25, 26).

(67) In recognition of the need to increase collaboration, the government recently introduced programs to form a bridge between school and work with the co-operation of unions and enterprises (Debeine, para. 27; Carcenac, paras. 8 to 10).

(68) This "bridging" tries to show young people what to expect of working life, giving them further qualifications and helping them adapt their skills to new needs.

Re-training

(69) Industry and government have also realized the importance of re-training but have been slow to act, they say, due to the amount of money involved.

(70) A commission comprised of government and business representatives has been set up to work by consensus toward re-training goals (Debeine, paras. 31 to 37).

(71) Re-training programs have been set up locally. Specific projects, with detailed training objectives, are determined by industry and government. Funding is delivered by the government in stages, pending successful completion of each phase.

AUSTRIA

(72) The Austrian system of apprenticeship and vocational training is essentially the same as that in Germany although there are fewer defined, appren-

ticeable trades in Austria (221) than in Germany (420). The Austrian unemployment rate at 3.7% in April 1987, is substantially lower than Germany's (8.9%).

(73) In the Austrian dual system of vocational training, apprentices receive one day of schooling and four days of on-the-job training. Unions would prefer a two-days-school-three-days-work system as in Germany (Unions, paras. 8, 9).

(74) In Austria, the school curriculum is determined more independently and is less in tune with the needs of employers than in Germany (Pribich, paras. 9 to 11).

(75) The Austrian Federal Ministry of Commerce is in charge of administering apprenticeship programs in industry; the Federal Ministry of Education is responsible for vocational education and apprenticeship in schools (Piskaty, para. 30). There is less co-operation in Austria between these two ministries than there is in Germany between the federal and provincial ministries that deal with apprenticeship training (Piskaty, paras. 27, 28).

(76) Training guidelines as set out by the federal government after negotiations with Chambers of Commerce and labour unions are less detailed in Austria than in Germany (John and Aigner, para. 5).

CANADA

(77) Current Canadian training and re-training policy follows the European philosophical shift towards enhancing the employability of workers rather than focusing on making unemployment more bearable or creating jobs through government action.

THE CANADIAN JOBS STRATEGY

(78) The federal *Canadian Jobs Strategy* (CJS) was announced in June 1985 following the government's December 1984 *Consultation Paper on Training*. The CJS has six components that absorb all previous federal training, job creation and labour market adjustment programs (para. 82 describes these six components).

(79) CJS claims it focuses on the people most in need. It shifts responsibility for training from public educational institutions and non-profit organizations to the private sector and to individuals. This changes

the way decisions are made on purchases of training courses by the federal government.

(80) "Many earlier programs were not directly focused on clients. Their main objectives were usually cast in terms of labour market theories which divided labour market problems into categories: those caused by cyclical factors, seasonal factors, and structural factors. Cyclical factors resulted from the operation of the business cycle and would often, it was argued, produce relatively short periods of high unemployment during economic downturns. Seasonal factors were those associated with seasonal reductions in employment, mainly in the winter. Structural factors were those caused by mismatches between the skills needed by the economy and the skills possessed by individuals." (page 6, *The Canadian Jobs Strategy, Its Past, Present and Future*. Employment & Immigration Canada, 1987, hereafter referred to as CJS document).

(81) The six components of the CJS do not claim that they respond to specific labour market problems as did previous programs; they claim, instead, that they help people become more skilled by increasing training. In this way, the government maintains, CJS offers a more flexible approach in federal training activities and more opportunities for women, Natives, the employment disadvantaged and the handicapped. This is supposed to operate in a decentralized way based on needs determined locally. Following is a description of the CJS components, as given in the CJS document (pp. 4, 5):

(82) "*Job Entry* (including *Re-Entry*) is directed to individuals who are not part of the labour market but who want to enter or re-enter the work-force. Federal support is concentrated on those who need it most. One target is young people, especially those who have dropped out of school before finishing high school. Another is women who have been out of the labour force for a minimum of three years. *Job Entry* also helps students, ranging from potential dropouts to those with entrepreneurial skills, to find useful experience in the summer and encourages the establishment of co-operative education arrangements. Support is also provided for language training for immigrants wanting to make the transition to the Canadian labour market.

"*Skill Investment* is directed to employed workers. Federal support is concentrated on training in smaller firms and on those who are threatened with job loss because of rapid technological and market change.

"*Job Development* is aimed at workers who have been unemployed for at least 24 of the last 30 weeks.

Special measures are available to help those facing serious employment obstacles.

"*Skill Shortages* is for employers facing a need for skills that are not being supplied by the normal operation of the labour market. Federal support for skills training is limited to specific regional and national shortage occupations that are designated by Employment and Immigration.

"*Community Futures* addresses the special needs of smaller communities facing chronic high unemployment or the closure of major industries. Support for community development initiatives, for entrepreneurship and for relocation may be offered along with training and work experience.

"*Innovations*, the sixth program, is different, as it has no single client-group focus. Its role is to provide funds for new initiatives and innovative solutions to labour market issues. It will ensure that the strategy as a whole remains responsive to changing needs."

(83) The federal bureaucracy has retained the authority to develop programs, leaving the community to administer the process. This may contradict the CJS claim of being decentralized and responsive to locally defined needs.

(84) In 1984-1985, CJS received initial funding of \$2.2 billion. This was reduced to \$1.7 billion in 1987-1988, or \$1.5 billion in 1984 dollars.

"This reflects both the need to reduce the national deficit and, more important, the generally improving employment situation." (CJS document, p. 12).

(85) Some provincial governments and many of the witnesses at our hearings criticized the reduction in CJS funding, the eligibility restrictions of the program, its lack of flexibility, the decreased emphasis on job creation, and the lack of quality-controlled and diversified training opportunities.

Reduction in CJS funding

(86) In three years, funding at the federal level of training and labour market adjustment has decreased by 32%, in 1984 dollars, much faster than unemployment, which has only decreased from 11.2% to 9.2% or by 19% over the same period.

(87) Further, the Canada Employment and Immigration Commission (CEIC) has not spent all of its CJS budget (Terry Dance, George Brown College, Hearings, May 11, 1987). When operating costs and funds to other federal departments are taken into

account, CJS underspent by 20% of its allocation in 1985-86. (*Discussion Paper on The Canadian Jobs Strategy: Policy and Implementation*, Ontario Ministry of Skills Development 1987, hereafter referred to as Ontario Discussion Paper; Government of Quebec [Summaries]; Governments of New Brunswick [Hearings, May 15, 1987] and Saskatchewan, [Hearings, May 15, 1987]).

(88) During our hearings, witnesses said that the federal government has decreased funding because it gives low priority to helping Canadians train. (Government of Ontario, Hearings, May 11, 1987; George Brown College, Hearings, May 11, 1987; National Action Committee on the Status of Women [NAC], Hearings, May 17, 1987; Canadian Federation of Students [CFS], Hearings, April 27, 1987; Canadian Congress of Learning Opportunities for Women [CCLOW]; Hearings, April 27, 1987, among others).

(89) The method for purchasing training has also changed. Before CJS, the federal government purchased training from recognized private, public or nonprofit trainers, including private vocational or technical schools, community colleges and community-based organizations.

(90) Now, however, CJS makes it possible to purchase training through private intermediaries. Under the *Job Entry* and *Re-Entry* programs, such intermediaries are called "managing co-ordinators"; under *Job Development*, "project sponsors".

(91) These intermediaries are supposed to find people who need training and monitor their activities, a role previously carried out by Canada Employment Centres. Federal funds that would otherwise have gone to recognized providers of training (para. 88) are now diverted to these intermediaries — managing co-ordinators and project sponsors; consequently, less money is available to actually train people (Ontario Discussion Paper, p. 14).

CJS Eligibility Restrictions

(92) The CJS claims to help people most in need (CJS Document, p. 3). However, witnesses told us that the CJS eligibility rules are unfair and counter-productive (Governments of Ontario, New Brunswick, Saskatchewan; CCLOW; CFS; NAC and others). In particular, the restrictions are widely felt by the recently unemployed, by women, the severely employment disadvantaged, older workers, individu-

als in threatened occupations and smaller communities, young people, Native Canadians and even workers who are still employed but need re-training.

(93) The CJS claims it focuses on assisting the long-term jobless rather than the recently unemployed. Witnesses told us repeatedly during our hearings (para. 92) they thought it unacceptable and illogical that the short-term unemployed must become long-term unemployed before qualifying for assistance under CJS. By being kept jobless longer than necessary, people who lose their jobs are subjected to severe economic and social costs that could have been avoided. Those who have recently lost their jobs would be better served if they were given tools with which they could quickly re-enter the workforce. Moreover, the more quickly they re-enter the workforce, the lower the cost to all levels of government (paras. 186 to 206).

Women and the CJS

(94) The CJS identifies women as a group in need of special training measures; the *Re-Entry* stream of CJS claims to be designed specifically for women. The following groups told us that the CJS does not meet women's needs: the Canadian Congress of Learning Opportunities for Women (CCLOW), the Fédération des Femmes du Québec (Hearings, May 15, 1987), the National Action Committee on the Status of Women (NAC), the Canadian Vocational Association (CVA), (Hearings, May 8, 1987), the Women's Employment and Training Coalition (Hearings, May 11, 1987). Only women who have been out of the labour force for three years can apply under *Re-Entry*. Initially, under *Job Development*, only those who had not worked for 24 weeks (six months) of the last 30 were eligible to participate.

(95) Women, married or single, with family and other responsibilities, often found it impossible to stay unemployed six months (under the *Job Development* program of CJS) or three years (under the *Re-Entry* program) before getting training to improve their skills. The result was that many were forced to stay in low-level, low-paid, part-time jobs. **Some improvements have been made in eligibility requirements, however (see para. 98).**

(96) Child care and travel allowances do not meet the real needs of women trying to acquire skills, (CVA, NAC). Allowances are granted on the basis of family status. The Fédération des Femmes du Québec

deploras the fact that this makes women dependent on their marital status and on the income of their husband and have called for an equalization of all allowances, regardless of marital or family status.

(97) Two-thirds of the jobs for women under the CJS *Re-Entry* program are concentrated in areas traditionally occupied by large numbers of women, clerical, sales, and service. No training opportunities exist for women in non-traditional fields such as construction, driving heavy vehicles and the operation of machinery.

(98) Prior to the introduction of CJS, the federal government funded counselling as well as bridging programs to give women training in basic skills. The Women's Employment and Training Coalition told us that CJS has reduced the funding and, therefore, the quality and quantity of such "bridging" programs available to and suitable for women (Hearings, May 11, 1987). **However, in June, 1987, changes were made to CJS to facilitate the access of women to training.** Specifically, it is no longer necessary to be unemployed 24 of the last 30 weeks or to have been out of the labour force for three years to qualify for *Job Entry*. Adding the "severely employment disadvantaged option" to *Job Entry* (it exists for *Job Development*) means that women in designated groups (e.g. Native women, immigrant women) who have difficulty in finding employment, but who have not been unemployed for the last 6 months, can still qualify for training. Further, the *Skills Shortages* program will now offer training for women in designated non-traditional occupations. In addition, CEIC is encouraging community groups to propose collaborative bridging projects under *Innovations* to assist women in their search for new labour market activities.

(99) But following the above program changes, the CJS budget was not increased. In fact, "... in Ontario, the federal government's direct purchases of training seats in bridging programs dropped by over 40 per cent from 1985-86 to 1986-87." (Ontario Discussion Paper, p. 9).

Threatened and remote communities and the CJS

(100) The *Community Futures* stream of CJS is designed for communities with high rates of unemployment; but it does not deal with the problems of Native Canadians on and off reserves or of people in rural or poorly developed parts of the country.

(101) Only two of the 39 communities selected as participants in this program have received funding. This funding comes, in part, from other CJS programs as will future financing.

"Unfortunately, any assistance offered in a selected community under one of the other programs is only accessible under that program's own eligibility rules. For example, a *Job Development* project initiated by a *Community Futures* Committee in a selected community would only be accessible to those who have been unemployed for twenty-four of the previous thirty weeks. The imposition of these restrictive eligibility criteria under the *Community Futures* program makes it difficult for the program to facilitate a smooth, speedy transition to new employment opportunities in communities that experience severe economic downturns." (Ontario Discussion Paper, p. 12).

(102) This has serious implications for industries in those areas which need to upgrade the skills of their workers to meet the demands and challenges of international competition:

"Industries requiring assistance to upgrade the skills of their existing workforce to meet the challenges of international competition are restricted to the *Skill Investment* and *Skill Shortages* programs. Federal funding of these programs is limited: out of total CJS expenditures of \$1.7 billion in 1985-86, only \$67 million (four per cent) was spent across Canada on employer-based training. This represents a reduction of 57 per cent from the \$156 million Employment and Immigration Canada (EIC) spent on employer-based training in 1984-85...

"Restrictive eligibility criteria again compound this funding reduction. *Skill Investment* is only available to workers who are threatened by technological or market changes likely to lead to job displacement. *Skill Shortages* is restricted in application to federally-designated occupations where there is an existing or potential regional or national skill shortage, thus greatly limiting its versatility as an industrial training program. These eligibility criteria restrict the flexibility of industrial training under the CJS, at a time when rapid economic and technological changes require flexible programming." (Ontario Discussion Paper, pp. 13, 14).

Representatives from the governments of New Brunswick, Saskatchewan and the Northwest Territories (Hearings, May 11, 1987) voiced similar opinions, so did Quebec (Quebec, para 13).

(103) Further, the occupational areas designated as needing extra attention are determined federally without recognizing local needs, even though there

are existing infrastructures at the community level better able to identify these needs (National Association of Friendship Centres, Hearings, May 15, 1987).

Flexibility and the CJS

(104) The problems associated with the eligibility requirements of CJS programs bring into question their adaptability and flexibility. The government of Ontario says:

"In a recent report on the CJS entitled *The Canadian Jobs Strategy: Its Past, Present and Future*, EIC commends the adaptability and flexibility of the Strategy: 'It concentrates on what works and what is needed in different parts of the country. It allows resources to be shifted quickly to meet emerging labour market priorities.'

"The provinces and territories agree that the CJS should be sensitive to regional requirements, and flexible enough to adapt to service local needs. Given the federal government's emphasis on fiscal restraint, adaptability and flexibility would allow the CJS to make the most efficient and effective use of available funds. However, the operation of the CJS, thus far, has revealed some of its shortcomings in adapting to local priorities and labour market needs.

"In designing the CJS, the federal government attempted to give the EIC regional office in each province some flexibility to adjust budgets to regional needs by delegating authority to change the relative allocations of five of the six CJS programs by up to 25 per cent. However, overall budget cuts have essentially neutralized any discretion this measure would have provided. Partnership with the provinces and territories now involves an invitation to share in federal cuts, and not to launch new priorities.

"The provinces and territories, and local communities have had little meaningful input and even less apparent influence on the CJS. In a September 1986 report released by EIC summarizing comments and recommendations from the federal government's own Local Advisory Councils (LACs), which are specifically created by the federal government to advise it on the Canadian Jobs Strategy, LACs expressed frustration over the unresponsiveness of the CJS to local needs.

"In his report to the House of Commons for ... 1985-86, the Auditor General of Canada criticized politically motivated interference in the operation of federal labour market adjustment programs predating the CJS. This interference often led to project approvals by elected representatives with little regard to the efficiency or effectiveness of these projects in creating jobs.

"The provinces and territories are concerned with the potential for this type of interference to spill over into the training area. For example, LACs, which are designed to facilitate local community involvement in CJS programming, are chaired by the local Member of Parliament. In addition, local Members of Parliament are involved in approving all proposals under the Job Development program in their constituency. Local control over CJS programming must not be synonymous with the politicization of the programs. Such arrangements are in direct conflict with the governing structure of provincial/territorial training institutions, and have the potential to disrupt and distort the management of the provincial/territorial educational systems.

"Improved tailoring of CJS programs to regional needs does not necessarily entail an increase in expenditures. Existing (budgets) should be spent in a manner most suited to the needs of each of the provinces and territories. Ontario, for example, has identified training as a priority. However, in Ontario, EIC is not yet making optimal use of existing purchase mechanisms for training. In some provinces and territories, particularly those with high rates of unemployment, there may be a need to allocate a greater proportion of existing CJS funding to job creation efforts." (Ontario Discussion Paper, pp. 16, 17).

In fact, several witnesses at our hearings, including representatives of provincial and territorial governments, argued that unemployment insurance benefits and welfare benefits should be used to pay for job-creation-plus-training schemes.

Quality of training under the CJS

(105) The New Brunswick Department of Advanced Education and Vocational Training (Hearings, May 15, 1987) told us that privatization of training puts at risk the quality of such training. The private sector in New Brunswick, as in other parts of the country, is not diversified enough to offer broad-based training as well as specific skills training for workers who may need to leave their community and find work elsewhere.

(106) The Community Outreach Department of George Brown College, the Women's Employment and Training Coalition, the Fédération des Femmes du Québec, the CFS and others pointed out that the shift to private sector training and to training brokers or intermediaries creates a conflict between the need of the private sector to maximize profits and the general needs of trainees. It is often unrealistic, our witnesses said, to expect that an employer will give an

employee broad, basic skills training (para. 7 above) when instead, the firm needs very specific, narrow training to meet current production needs. The same criticism has been made of the *Challenge* summer job program for students (*Toronto Star*, Jan. 8, 10, 1987; *Globe and Mail*, May 3, 15, 1986).

(107) Moreover, many employers, especially small and medium businesses, have no experience in training and often see little need for it as they can rely on foreign workers or on the skilled labour force lured from another company. Joanne Harack of the Centre for Advanced Technology Research in Toronto told us that, in 1984, 73% of businesses in Ontario had no training programs whatsoever (Hearings, May 14, 1987).

(108) As yet, CEIC has not published a complete evaluation of the CJS: it may well be too early. However, there are no quality-control mechanisms, no set of objectives or criteria with respect to what kind of training should be given, no tracking procedure to follow the paths of participants so as to judge the success of the CJS graduate in finding a job, what sort of job, for how long and at what wage.

CANADIAN EDUCATION AND THE WORLD OF WORK

(109) Many people whom the CJS tries to help did not get enough of the right skills in school. Nearly every witness we heard during our public hearings, as well as the business leaders, economists, labour unionists and educators interviewed for the Subcommittee, had something to say about the education system in Canada. Few of the comments were favorable.

(110) During our hearings, witnesses told us that some of the problems of our education system could be solved by changing the way we teach teachers and, thus, the kinds of teachers we produce. We should attach more value to the work of educators and to the importance of education. In addition, we should shift the focus of study in faculties of education from the methodology of teaching to expertise in the subjects taught (Harry Hill, Hearings, April 27, 1987; Teresa McNeil, Hearings, May 14, 1987).

(111) Let us look at excerpts from the writings of people who had completed their second year in a Bachelor of Education course at the University of

sity of Alberta (Lorna McCallum, Hearings, May 15, 1987):

“A candidate who makes themselves look like a fool everytime they speak be a deficit to a political party ... The next stop would be to lay out a format incorporating the personality of the candidate with statistics compiled... The first quality is, does the candidate look good... The candidate must have a clean car; they should not drive a dirty car. People do not like to see a candidate in a dirty car. People like shiny, clean cars... Character alone is not enough to choose a candidate...”

(112) How could provincial education departments allow standards to fall so low in elementary, secondary and post-secondary schooling? How could people who write and think as in the paragraph above manage to finish the second year in a Bachelor of Education course? Clearly, standards are too low. University professors told us that half their undergraduate students are functionally illiterate (Gerard and Lucas, para. 22). Many of our witnesses recommended that something be done to establish national standards for what knowledge students must acquire at the end of elementary and secondary education respectively. The discussion around Canada's education system brings together a number of issues each of which affects the other. Basic education, literacy, the role of schools and educators, the quality of faculties of education, co-operative education, the role of community colleges and universities and research and development are all inextricably linked to one another and to the general concepts of education and training in Canada.

(113) Our witnesses said that elementary and secondary schools should provide students with a basic set of core skills: the ability to read, write and understand complex material; to communicate in one's mother tongue; to know a certain level of mathematics and computer science; to understand how society and the world work; reasoning, problem-solving, team-work, leadership, creativity and adaptability. **Above all, students must learn how to learn.**

(114) Our schools do not do this well enough. They do not adapt quickly enough to change. The nature of work changes at a rapid pace and, because we cannot predict the kind of jobs that will be needed or available, it is vital that Canadians be adaptable (para. 2).

In this information age, we need people who can make sense of the information produced, who can manage it and turn it into knowledge. Knowledge is today's form of wealth (Joanne Harack, Hearings, May 14, 1987).

(115) The ability to read, write, communicate and understand fairly complex information is increasingly necessary. The shift to knowledge-intensive services (see paras. 2 to 7 above) makes the core skills mentioned in para. 113 even more essential. Yet, one fifth of the Canadian population fifteen years of age or older has less than a Grade 9 level education and is, thus, functionally illiterate. Given the lack of rigour in our public school systems, thousands of others can read but do not understand what they are reading. **We should pause here and ask ourselves how we have managed to so mismanage education that one can still be illiterate after nine years of schooling.**

(116) It is difficult to propose innovative new approaches to training and re-training to increase our competitiveness and productivity, when 20% of our population doesn't even have the most elementary tools needed for such training.

(117) Every witness who spoke to us about illiteracy strongly believed that we need a national campaign with two aims: to raise public awareness of how widespread illiteracy is, and to combat the problem. Only after people become literate can they move into the Canadian mainstream of education and training.

(118) Education and training have to be life-long processes in our rapidly changing world of work. Universities, community colleges and departments of continuing education make this life-long process possible, but only for those Canadians who have acquired sufficient learning skills.

"To be effective, post-secondary education must be preceded by a solid foundation of primary and secondary education". (Robert Stuart, Atlantic Provinces Economic Council, Hearings, May 13, 1987).

More advanced and more specific knowledge can only be built on basic core skills (paras. 7, 113).

(119) Universities *do* build on these core skills to give job-specific training in some instances. But a university also pushes students beyond this "core" so that they can develop intellectual flexibility and innovation.

(120) More and more people need such increased intellectual power, with the shift to a knowledge-intensive economy. It follows that more and more people must have access to post-secondary education (para. 12 above). But because our society has become so much more dependent on knowledge, we have to define more clearly the goals and objectives of higher education.

(121) "The increasing sophistication of skills can best be cultivated within the university for two reasons: one is the sophistication of the information needed; (two), universities provide the conceptual background of knowledge ... so that people can ... constantly re-educate themselves and ... be ... flexible in meeting changing needs in the work place or in business and industry. To train people only at the simplest or lowest levels is to train them for eventual unemployment or redundancy". (Milton Orris, Vice-President, Canadian Association for University Continuing Education, Hearings, May 8, 1987).

(122) Universities, through their departments of continuing education and regular course curricula, can mesh with the skill and knowledge courses taught in the corporate world. Technological change, Joanne Harack told us, forces us to re-train. The curriculum in universities and colleges will often be determined by the corporate sector which does advanced research and development on its own. The role of universities, then, changes from dictating the training curriculum, to making information understandable and available.

(123) Quebec officials (Quebec, para. 7) told us that their province encourages increasing collaboration between CEGEPs (junior colleges) and industry. Another example is the Ryerson Polytechnical Institute of Toronto which has developed curricula suited to the needs of corporations, IBM, for example:

"The policy that we ... are introducing is that we go to the corporations and say: 'what skills and knowledge do your workers need?' We develop a curriculum with them to respond to those needs. We then go back and ask if there are any courses in our curriculum which would approximate their curriculum design. If so, we can give (workers) credit towards a degree. If not, perhaps we can persuade those workers that some additional course might lead to university recognition for the activity they have undertaken." (Milton Orris, Hearings, May 8, 1987).

(124) The possibility of increased collaboration between universities and the private sector also has implications in terms of research and development:

"Over the past few years there has been a strong thrust to encourage Canadian corporations to invest ... in collaborative (research) activities with universities. That has been very successful in terms of keeping funds flowing for applied ... research." (Milton Orris, Hearings, May 8, 1987).

(125) The role of community colleges is also changing:

"... A major and special function of our colleges across Canada (is) the transfer of technology from theory back into (...) practice." (Burt Curtis, Association of Community Colleges of Canada, Ottawa, May 11, 1987).

Through affiliation with non-profit community-based organizations, colleges have the potential to reach a much broader audience and to be players in community development.

"Through (its) community affiliates, (our) college is now able to reach a much broader community than it ever did before. Senior citizens, the blind, the visually impaired, the severely physically disabled, Native women, the illiterate, unemployed youth and mothers on social assistance have found a welcome at one or more of these affiliates ... We recognize ... that the community is better able to recruit (than is the college). (The community) has the links, the base, and it knows its clients. (Colleges), on the other hand, are more capable, sometimes, of handling the technical training. This is a way, then, to acknowledge the strengths but also the limitations of each side and to try to recognize that neither the community nor the college can be all things to all people. Last, I think the overall concept is that we as a college are acting as a learning broker rather than as an exclusive provider of learning ... We see our community outreach campaign ... as community development in action. It is helping the community to train its own constituents." (Terry Dance, Chairperson, Community Outreach Department, George Brown College, Hearings, May 15, 1987).

(126) Most of our witnesses — educators, business leaders, governments, labour unions — agreed that the role of the school is not to give specific job training to students or to find them a job at graduation. However, business (Canadian Federation of Independent Business, Hearings, May 12, 1987) complained that the school system is not giving young people the skills necessary to make them "trainable".

(127) An employer, we were told, wants motivated, flexible, adaptable workers whom he can train according to the specific needs of his business.

Schools may not be aware of the needs of employers in this respect. More communication between educators, school administrators and employers could help bridge the gap between school training and work demands.

(128) The Industry-Education Council of Hamilton-Wentworth (IEC) recognizes that employers, educators, unions and the community share the responsibility for educating and training young people. The Council provides a forum for discussing the needs of the social partners and has developed Adopt-a-School programs in several communities across Canada. These have successfully increased awareness of the needs of industry and of career opportunities for young people, and have promoted the idea of school-industry linkages. The Council has initiated a number of "industry leaves" for teachers to familiarize them with the realities of the business world (Hearings, May 11, 1987).

(129) Co-operative education is another way of bringing the often isolated worlds of work and school closer together at both the secondary and post-secondary levels. This occurs on a small scale compared with other countries, even though co-operative education programs at the secondary level exist in every province and in 63 post-secondary institutions. All those who spoke to us, generally believed that co-operative education involving classroom work plus on-the-job training prepares young people for the work place well.

(130) Because full-time jobs are not increasing fast enough to absorb all who want to work, and because education and training increase the productivity of the workforce, witnesses recommended that UI and welfare benefits could be used to fund a job-creation-plus-training scheme based on the concept of co-operative education (see Economic Study, below and governments of Saskatchewan, New Brunswick).

(131) Witnesses also told us that we should seek more information on the results of co-operative education in terms of the success with which co-op students find well-paid, study-related work following their schooling. Such information would help us, witnesses said, to improve existing co-operative education programs and expand or eliminate those which are not useful.

"Our current national dissatisfaction with our vocational training infrastructure, at least on one level, reflects a concern about quality rather than quantity;

not 'are we doing enough;' but, rather, 'are we, as a society, getting maximum value for the direct and indirect dollars expended?' That is the real question, but it is difficult to answer when the quantitative data are so fragmented." (Joanne Harack, Centre for Advanced Technology Education, Hearings, May 14, 1987.)

(132) Witnesses also told us that the generalized perception of vocational training as being less valuable than "academic" training undermines the potential benefits of work-related training:

"...The general perception is that if you work with your hands, you are a less important person or less of a quality learner than ... if you use your head. That perception is sustained in our educational system." (Wayne Wilson, Canadian Vocational Association Task Force Committee Member, Hearings, May 8, 1987).

"Unfortunately, at present it's the ones who can't succeed at the CEGEP (Junior College) level who end up in vocational training programs." (John Gradwell, Vice-President, Canadian Vocational Association, Hearings, May 8, 1987).

THE KEY CONCEPTS VOICED AT OUR HEARINGS

(133) The major imperative for our knowledge-intensive economy is that its members be well trained and well educated. A well-trained, well-educated population is the most important resource of our knowledge-intensive service economy and is necessary to ensure our further progress and material well-being. The real wealth of society today is knowledge.

(134) To transform information into knowledge in our information society, our people need basic, **core skills**: the abilities to **read, write, count and be effective** (see para. 7). Elementary and secondary schools should instill these core skills. We should also help people "**learn how to learn**". After they learn how to learn, we must give them the chance to continue learning and we must make this an attractive choice.

(135) Twenty per cent of our population have never learned how to learn and do not have the necessary core skills. These functionally illiterate Canadians are denied access to basic and further education and have few chances in the job market.

(136) Clearly, our education and training activities/policies are inadequate. The shortcomings must be corrected. **This is urgent.**

(137) We have no "quality control" in education and training. Agreed national/provincial standards of achievement at the elementary and secondary level and in vocational training, can ensure a higher quality of graduates as in Germany and Austria (para 54).

(138) Increasingly, the work place demands both specific "skills" and general "intellectual" ability.

(139) This need for both skill and intellectual depth is creating a new role for post-secondary institutions in the development of curricula which respond to the demands of the work place and the needs of the community. However, the emergence of this new role should in no way be allowed to detract from the well-established role of the university as a place of intellectual questioning, excellence and innovation.

(140) Many large businesses in Canada (IBM Canada Ltd. [Hearings, May 11, 1987], Esso Resources Canada Ltd. [Hearings, May 13, 1987], BC Telephone [Hearings, April 28, 1987]) under-

stand the need for intellectually excellent universities. These firms offer to their employees well-developed, far-reaching opportunities for further education and training — often in collaboration with universities and colleges; but these firms stand out because they are the exceptions.

(141) In fact, as our witnesses told us, few small and medium businesses provide any form of training (paras. 28, 38, 52).

(142) The private sector is concerned with profit, our witnesses said. This concern does not always accommodate training that meets the broader needs of employees. Though training is an investment in future success for employers, few of them realize this — for a variety of reasons. While some employers do not see the long-term advantages of providing training for their employees, others, particularly managers of small and medium businesses, simply do not have the means to offer training. Further, for those in the business community who "made it on their own", the idea of relying on anything other than one's own resources in order to get ahead seems foreign. The myth of the "lone ranger" is very present in our North America business culture.

(143) Employers, educators and students need to be aware of each other's needs, to ensure a smoother transition from school to work and from old job to new job. Training that combines classroom work with on-the-job experience is an excellent way to bridge the gap between school and employment, or between an old job and a new, more sophisticated job (paras. 33, 54, 63, 73).

(144) We do not have the effective, nation-wide collaborative approaches to classroom-plus-on-the-job-training that Germany and Austria have, for example (paras. 45 to 51, 72). We only have small-scale schemes such as those developed by the Industry-Education Council of Hamilton-Wentworth, co-operative education programs and some few collaborative efforts such as the joint IBM-Ryerson project (paras. 128 to 130).

(145) We do not have enough consultation mechanisms to devise agreed education and training curricula which suit the needs of employees and employers alike, locally and nationally. Nor do we have agreed standards that students and trainees

must achieve, for Canada to get a full return on its education dollars.

(146) Industry and labour can best define what kind of standards must be attained in vocational training. Governments can facilitate the development of these standards.

(147) Decentralizing training to fit our federal political system and to meet local needs of employers as well as employees need not preclude agreed, nationally recognized, provincially certified standards of scholastic and vocational achievement.

(148) As they move from poorer to richer regions of Canada, it would help people find a job if they had training leading to nationally recognized, provincially certified skills.

(149) Graduates of vocational, technical and cooperative education courses seem to find a job more easily because the schools offering these courses have curricula that meet the needs of employers.

(150) We need to change the perception of vocational education as being less valuable than academic education. Until those with vocational educations are

seen by the public as being "successful" (well paid, highly regarded), vocational education will continue to be perceived as being less valuable than academic education.

(151) Although education and training may increase the productivity of a society, they do not in themselves create jobs. However, education and training appreciably increase one's chances in competing for what jobs there are.

(152) The whole process of training and re-training including moving to new jobs, accepting and adopting new technology, takes place much more smoothly when there are more jobs available.

(153) Job-creation-plus-training schemes would, therefore, help Canada to accept constant technological progress.

(154) To have equal chances for employment and training, women need adequate child care, travel allowances and training programs designed for them. Native people, the handicapped and the employment disadvantaged also require help tailored to their special needs.

RECOMMENDATIONS

Not all the recommendations that follow are new. That is because the problems they address are old, elementary problems which have long required, but have not received, elementary solutions. In this field we do not need to re-invent the wheel: we need to use the wheel.

(155) We should fund a permanent national information campaign to stress the importance of education and training as a national issue and of well-trained Canadians as our most important resource, whether they be employers or employees.

(156) This national information campaign should also raise public awareness of the problems caused by illiteracy.

(157) We should fund a national Right to Read campaign to combat illiteracy. The campaign should be co-ordinated in conjunction with existing community-based literacy programs.

(158) We should fund the training of tutors who train illiterates.

(159) Unemployed, qualified teachers should be trained and employed as tutors for illiterate Canadians.

(160) Literacy programs should avoid the institutional approach of formal classroom work and be more closely linked to the reality of the learner.

(161) Because it is so difficult to forecast future job needs in a changing labour market, we should teach core skills in elementary and secondary schools to allow people to adapt to change. We should establish agreed, national/provincial exit exams to be taken at the end of elementary and secondary school to ensure that graduates have core skills including the ability to read, write and speak in their mother tongue and one other language; mathematics; science; reasoning and personal effectiveness (para. 7, above).

(162) We must teach young Canadians, as well as older people, that they will have to learn and re-learn, all their lives.* This can best be done through self-directed learning and application of this learning, followed by self criticism, with the teacher as a resource (OECD, paras. 50 to 52).

(163) Faculties of education must focus on the mastery of subject matter as well as techniques for classroom teaching. They must meet stiff standards of achievement.

(164) Colleges and universities should review their curricula, their staff and their standards of achievement to bring them more in line with current needs and reality.

(165) Federal government funds should be withdrawn from provinces which do not conform to agreed, high quality standards both in teaching and research.

(166) The provinces should have a major role to play in monitoring the quality of federal training programs. We should develop the means by which this monitoring, through federal/provincial consultation, can be effective, timely and open to public scrutiny.

(167) We should expand the role of community colleges as centres of life-long learning, community development and applied research.

(168) We should expand opportunities for professors and students to take educational leave to acquaint themselves with the needs of business. Similarly, those in business should have access to upgrading courses. Community-based forums for discussion and collaboration such as the Industry-Education Council of Hamilton-Wentworth seem an appropriate mechanism for increasing links between schools and the work place.

(169) We need to develop government-business-labour partnerships to promote comprehensive education and training, through apprenticeship, cooperative education and school-industry linkages. Such partnerships work successfully in Germany and Austria, in large part because of the clear-cut roles of each social partner (para. 46). Although the social

*Note: Ferrière, Adolphe, *L'école active — Spart a Ferriere*, 8^e édition, Suisse de la Chaux et Niestlé Neuchatel, 1969.

structure in Canada is not so highly organized, governments should offer opportunities for business and educational institutions to collaborate in the areas of education and training and in research and development activities.

(170) Training programs should be composed of classroom-plus-on-the-job training in order to provide relevant, work-related skills as well as the core skills listed in para. 7 above.

(171) We need an agreed, national/provincial system of certification for trades, occupations and professions as recommended by the Special Senate Committee on Youth (*Youth: A Plan of Action*, p. 105, February, 1986).

(172) Follow-up studies of co-operative education should determine the success of students in finding jobs, as well as the level of pay and duration of employment. Such a study should also cover other training and re-training programs.

(173) We should examine the advisability of funding training and re-training programs on the basis of their placement success rate at completion, in order to maintain a commitment to employment.

(174) The federal government should provide opportunities and encouragement for business to develop training and employment equity programs.

(175) In order to provide equal opportunities for women in the labour market and in training for traditional and non-traditional jobs, we must provide affordable, quality child care and reasonable travel allowances. Similar special consideration must be given to the handicapped and the employment disadvantaged.

(176) Training for Native Canadians should be designed and administered in collaboration with aboriginal peoples so that it reflects their reality and their needs.

(177) Because of the increase in the number of Canadians working part-time rather than full time,

wages and benefits for such part-time workers should be equal per hour to what they would receive for similar full-time work. This will make more attractive the choice of opting out of full-time work so as to train or re-train. We recognize that this may place financial burdens on many employers. The Wallace Commission report (*Part-time work in Canada*) has studied this problem and contains recommendations for solutions we believe should be re-examined.

(178) The federal government's *Canadian Jobs Strategy* (CJS) should be revised in view of criticism that its participation requirements are too restrictive. In particular, we should change the limitations with respect to the length of time one must remain unemployed before qualifying for assistance. The level of training allowances and kinds of training available should be re-examined.

(179) The CJS shift to private sector training risks ignoring the broader needs of trainees. Quality of training should be monitored by an independent, non-profit body which evaluates the programs, on the basis of agreed national standards of achievement. Possible models for this monitoring role would be the Council of Ministers of Education, the Association of Universities and Colleges of Canada and the Canada Labour Market and Productivity Centre.

(180) The role of colleges and community-based groups in providing training of high quality should not be diminished by shifting emphasis to the private sector.

(181) The CJS should moderate its emphasis on private sector training in regions with a poorly developed private sector.

(182) Because full-time jobs are not increasing fast enough to absorb all who want to work, and because education and training increase the productivity of the workforce, UI and welfare benefits should be used to help fund a job-creation-plus-training scheme (para. 130 above and the Economic Study, para. 227, below.)

JOB-CREATION-PLUS-TRAINING

(183) But can we afford what we recommend, especially a job-creation-plus-training scheme? The free market does not necessarily provide all the outputs society needs (Economic Study, para. 277 below). A special program could be launched to provide these outputs and, at the same time, help new businesses as Professor John Graham of Dalhousie University suggests (note 18, Economic Study). This option stresses training by creating jobs using the money we spend to pay people to do nothing. Instead people would be trained and would be paid to produce outputs the society needs and which are not now being produced (Gillespie, paras. 10 to 16; Matthews and Carmichael, paras. 11; Valli, paras. 4 to 7; Wilkinson, paras. 5 to 8; Peters, para. 6).

(184) Such a program could reduce the deficit say professors Blanchard and Summers of M.I.T. and Harvard (note 19, Economic Study):

“High tax rates and overly generous social welfare benefits are often blamed for European unemployment. But each one percentage point reduction in unemployment in Europe today would make possible a reduction of about four percent in tax rates because of the reduced need for social welfare expenditures and the enlarged tax base, as output expanded. More than half of the growth in government relative to gross national product in the last 15 years in West Germany and Britain can be attributed to abnormally slow GNP growth rather than abnormal growth in government.”

(185) If the views of professors Blanchard and Summers hold true not only for Western Europe but for Canada also, then it would make economic and budgetary sense to put in place a program combining job creation with training. But are they right? Might it not be cheaper to keep a person unemployed rather than create a job for that person? If we can prove that it is not cheaper to keep people unemployed than to create jobs for them, then we can get a better appreciation of whether we can afford a training-plus-job-creation or any other training program.

(186) It is possible to give an answer to this question. In 1985, the average jobless but employable Canadian (let us call him Smith) had earned \$14,040 per year in his last job in the private sector, according to the Department of Employment and Immigration. This is not enough to allow Mr. Smith to live decently, but it is what the 1985 jobless had earned in their last job.

(187) Smith's \$14,040 in wages brought the three levels of government some \$4,800 in direct and indirect taxes. When Smith spent his \$14,040 on goods and services, he provided income for the suppliers of those goods and services and for the suppliers of these suppliers; the income of all these suppliers brought the three levels of government some \$3,400 more in direct and indirect tax revenue, for a total government revenue of \$8,200.

(188) This spending and respending of money is called the **multiplier effect**. Each dollar spent in Canada generates \$1.70 in taxable economic activity. These figures have been verified by the Economic Council of Canada (for a more detailed explanation, see Appendix A, paras. 13 through 16, and Appendix C, para. 18).

(189) To resume, when he had been working in a private sector job at \$14,040 per year, Smith, the average 1985 unemployed Canadian, had generated \$8,200 in tax revenue, for the three levels of government.

(190) Let us look now at what happens when Smith loses his job and starts collecting unemployment insurance benefits or — when his UI benefits run out — welfare. Smith no longer adds to government revenue: he adds to government losses. Government pays him UI or welfare which he spends, generating some tax revenue for governments; but that tax revenue is \$6,424, less than they pay him. Before he lost his job, Smith generated \$8,200 in

revenue for governments. Jobless, he accounts for \$6,424 in the deficit column of government ledgers. The total loss for government in going from plus \$8,200 to minus \$6,424 is \$14,624 (for detailed calculation, see Appendix A, paras. 13 to 16).

(191) So, when he works, the Canadian society pays Smith \$14,040; when he becomes jobless, the Canadian society "pays" him \$14,624. He costs us more idle than working. This, of course, does not even take into account the social costs of unemployment. There is a measurable causal link between unemployment and mortality, suicide, family breakdown, alcoholism, violent crime, juvenile delinquency, cardiovascular disease and mental hospital and prison admissions. Smith, when unemployed, places more strain on society than when he is working (Social Costs, para. 1). Paul Shaw has identified the characteristics of the unemployed, or those most likely to be unemployed (Social Costs, paras. 22 to 32):

- Young, blue-collar, single residents of the Maritimes and Quebec are most likely to experience unemployment. Older workers have low unemployment rates, but have greater difficulty finding a job if they do become unemployed. Increasing numbers of women, particularly female heads of family, and those in clerical, sales and resource-based sectors, are facing unemployment. These groups are also more likely to experience frequent and long-term unemployment.
- Unemployment affects not only the unemployed individual but also family members, according to Martyn Harris (Social Costs, para. 26). Children of unemployed adults are less likely to continue their studies, are more likely to miss school due to truancy and illness and to have reading, mathematics and communication problems.
- There is also a regional element to the incidence of unemployment. Urban workers are less likely to become unemployed than rural residents.
- Similarly, those with only elementary education are three times more likely than university graduates to experience unemployment.
- In other words, if Mr. Smith is young, single and works in sales or a resource-based industry, for

example, the chances of his not finding work after becoming unemployed are high, as are his chances of experiencing repeated spells of joblessness.

(192) Further, not only does Smith cost us more when idle than when working, but when he is jobless, **we also lose the goods or services Smith produced when he was employed. Those goods and services were worth \$14,040, of course, the amount he was paid to produce them** (Courchene and Laidler, para. 11).

(193) When Smith lost his \$14,040 private industry job, we could have decided to give him a government-financed job at \$14,040 instead of giving him unemployment insurance at \$8,000 a year. He would have generated \$8,200 in tax revenue for the three levels of government (see para. 187 above). Smith, thus, would have been rescued from unemployment by the government at a budget cost of \$5,840 (\$8,200 minus \$14,040). To this \$5,840 should be added the \$8,200 in tax revenue the three levels of government made before Smith lost his \$14,040 private industry job. The total cost to government in replacing Smith's private industry job by a government job is then \$14,040 (\$5,840 plus \$8,200), which is less than it costs governments to keep Smith unemployed (para. 190 above and Appendix C, para. 18 for detailed calculation).

(194) The point is that when employed by the government at \$14,040, Smith produces \$14,040 worth of goods or services; but when he is kept on unemployment insurance, he produces no goods or services yet still costs the government \$14,624.

(195) It is worth repeating that **a Canadian who loses a \$14,040 private industry job and is given a \$14,040 government-financed job instead, costs governments less than if he were only given unemployment insurance. But when he is given a government-financed job, he produces \$14,040 worth of goods or services. It is this \$14,040 of goods and services that our society loses when one of its members is given unemployment insurance or welfare rather than a government job.**

(196) As will be seen later, this text will not recommend government-financed jobs for every unemployed Canadian. Paras. 185 through 195 are

simply a demonstration that it is no cheaper and may well be much more expensive to keep people unemployed rather than give them jobs **IN WHICH THEY PRODUCE NEEDED GOODS OR SERVICES FOR THE SOCIETY.** This demonstration gets us closer to determining whether we can afford the training programs suggested earlier or a training-plus-job-creation scheme (paras. 154-182).

(197) We have seen that it would apparently, cost the three levels of government less to employ the unemployed than to pay them unemployment benefits. **But are there other costs involved in creating truly needed jobs? Can such jobs be created without affecting the economy adversely?** We asked the Economic Council of Canada and Informetrica, economic consultants, to answer this question with the help of their computerized econometric models. The reasoning for undertaking these tests was that we cannot calculate the cost of every possible training-plus-job-creation scheme imaginable in which the government will probably pay only part of the cost of job creation. However, if we could establish the full cost of job creation, we could get an idea of whether we can afford policies in which government pays less than the full cost of such job creation.

(198) Essentially, we asked the Council and Informetrica to suppose that the three levels of government would spend \$14,040 per job to create jobs so that the unemployment rate would fall to 4% in four years. This spending would be no more than each unemployed cost the three levels of government when he or she was on welfare or unemployment insurance in 1985. What would be the effects of such a program on the deficit, on inflation, on the GNP?

(199) To make our questions to the Economic Council and Informetrica more specific, we gave a list of job categories and the number of jobs to be created in each category. **It is important to keep in mind that this list is one among many possible lists.** For example, a national day care program, if launched, could create many more jobs than the amount allotted to day care on the accompanying list of proposed new jobs. The choice of where to encourage job creation will be determined by a combination of political decisions and free market opportunities.

(200) Here is the list:

Activity	Additional Jobs in Four Years
Low Cost Housing	55,232
Restoring Housing Stock	59,476
Restoring Infrastructure (water mains, sewers, etc.)	8,712
Tourist Facility Construction	59,476
Reforestation, Maintenance	17,336
Repairing and Double- tracking Railroads	67,016
Home Care for the Elderly and Mentally Ill	16,704
Illiteracy Eradication	34,968
Tourism Employment	132,988
Day Care	27,488
Environmental Restoration	43,940
Other Jobs (spinoffs from above)	<u>73,313</u>
TOTAL	596,647

NOTE: The number of new jobs projected in each category is proportionate to the number of existing jobs in that category as a percentage of total employment in 1985.

This figure of 596,650 new jobs would lower the 8.25% unemployment rate projected by the Hon. Michael Wilson for the year 1990 to 4% (see Appendix A, para. 18.)

(201) Further, we asked Informetrica and the Economic Council to assume that the cost for creating these additional 596,650 jobs by 1990 would be \$14,040 per job (the cost to government of each unemployed, see para. 71 above); plus another \$7,250 to help finance its creation. This \$7,250 was to be found by diverting current government expenditures that underwrite the use of equipment rather than the

use of labour by business: such underwriting is generally viewed as wasteful and unnecessary by experts (Economic Study, para. 249 below).

(202) Informetrica studied this option, but in its computer simulation model of the economy it created 898,000 new jobs, not 596,650 as we requested, and thus pushed unemployment down to below 2%. If unemployment had only been pushed down to 4% as requested and the figures for costs and benefits in the simulation were adjusted proportionately, then the following conclusions could be drawn from the findings of Informetrica (see Appendix C):

- Job creation would cost no more than projected in para. 201 above.
- After discounting for inflation, the level of wages and salaries would rise. "Thus, the gains of those who benefit directly will not come from the pockets of those who are otherwise employed," Informetrica wrote.
- In addition to whatever economic gains could be projected for the years 1987 through 1990, the following *extra* increases would occur if the proposal in paras. 199 through 201 were implemented:

Consumption would grow an extra 1.6% in 1987; 2.85% in 1988; 3.1% in 1989; 3.0% in 1990.

Business investment would be 5.35% higher than expected in 1987; 10.77% in 1988; 11.7% in 1989; 13.0% in 1990.

The Gross National Product would be 2% higher than otherwise expected in 1987; 3.3% in 1988; 3.25% in 1989; 4.16% in 1990.

- There would be no significant inflation as a result of the proposals in paras. 199 through 201 (see Appendix C).

(203) Economic expansion would open up new employment opportunities, thereby relieving some of the pressure on government to provide new jobs. In addition, tax revenues would be increased, while government expenses would be decreased, allowing the government to save money for future economic growth.

(204) The Informetrica simulation also showed that 60% of all expenditures went to the service sector and created 87.5% of the new jobs. The 40% of the expenditures that went into the non-service sector only produced 12.5% of the new jobs. Obviously, if the aim is to create as many jobs as possible, the service sector gives the biggest job-bang for the buck.

(205) Essentially, the Economic Council of Canada (ECC) also found that the necessary jobs for the option in paras. 199 to 201 above could be created without increasing the deficit (see Appendix C). However, the ECC considers the scheme inflationary.

(206) These inflationary fears are due to the assumption fed into the Economic Council computer model that any inflationary pressures would be aggravated by expectations of even more inflation: as in the late seventies and early eighties, people would increase their prices and demands for wages not only to keep up with this year's inflation but with next year's.

(207) This assumption may not be warranted. People have seen what happens when they inflate their prices too much: governments strangle the economy through huge interest rates. Having lived through high interest rates recently, people will respond more readily to demands for moderation.

(208) The ECC also remarked that the jobs the scheme would create (paras. 199 to 201) were all in economic activities with low productivity growth. Thus, "the average productivity growth of our work force would be lowered; we would become less competitive internationally; the incomes of, and consumption by, the poor would grow faster than productivity and this would be inflationary too."

(209) The argument about losing our international competitiveness is based on a misconception. We do not compete with other countries in everything (Dobell, para. 36). For example, we certainly do not expect to face foreign competition in our home care for the elderly or day care. Competitiveness is in the import-export field and none of the jobs to be created by the proposed job-creation scheme (in paras. 199 to 201) are in the foreign trade area.

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

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

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

(213) It is through this example of the co-operative that employment equity for women, the handicapped, Natives and the employment disadvantaged is revealed to be an economic, as well as a social, necessity. As a nation, we must measure our produc-

tivity by dividing what we produce by *all* our people between the ages of 15 and 64. If more people are given a chance to add to what we produce, our productivity growth will be higher. And if they are paid not at discriminatory lower rates, but at the normal rate for the job they do, they will spend more, spur demand and attract investment.

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

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

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

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

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

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

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

Q: If 85% of the population are doing all right, why bother with job creation at all?

A: Through unemployment insurance, welfare and lost tax revenue, we paid each of the 1,797,000 employable jobless in 1985 \$14,645 to produce nothing. In addition, for each of them we lost \$14,040, the value of the goods and services they would have produced had they worked.

Q: Might it not be cheaper to keep a person unemployed rather than create a job for that person?

A: No. It costs our society twice as much to keep a person unemployed (see para. 192 above).

Q: Can one create jobs and not cause inflation?

A: Yes (see para. 202 above).

Q: Can one create jobs and not increase the deficit?

A: We have seen that we can (see para. 202 above).

(216) We have seen, moreover, that such job creation as examined here will improve many things that we have seen to be bad in our economy (para. 202); consumption, investment and income after taxes will increase, economic growth will increase; government expenses will go down; government revenue will increase.

(217) Having established all this we can now look at training-plus-job-creation schemes without fear of being told we cannot afford them. These could be joint ventures between entrepreneurs and governments. By paying, say, \$7,000 to \$9,000 a year towards a new employee's wages, governments would make hiring this employee cheaper for an entrepreneur, especially in naturally labour-intensive fields. Joint ventures putting entrepreneurs and governments in partnership will make for better, bottom-line management, plus detailed knowledge of where public funds are going (Dobell, para. 40). Such job creation subsidies to business should be treated as tax-free income for those firms that furnish necessary and indisputable proof that the subsidized jobs are jobs they would not have created in any case, even without the subsidy.

(218) Moreover, such schemes will make training and re-training cheaper for entrepreneurs. Thus, the costs of labour and training will decrease. This will help price stability (Rehn, para. 13).

(219) One way to operate such a scheme would be to have the participants work four days and train one day a week. They would be paid \$7.00 an hour for a 32-hour week. The fifth day they would be trained, at no cost to themselves. The training would cost \$7.00 an hour.

(220) The training could be either to improve their skills in the job they hold; to acquire better core-skills that are transferable (para. 7); or to acquire skills for another job so they can change their occupation and improve their prospects.

(221) People on unemployment insurance or welfare would not be forced to participate in a job-creation-plus-training scheme. There are enough of them who will do so voluntarily.

(222) People could leave a job they already hold and take a position in a job-creation-plus-training scheme. If they do this, they will vacate the job they already hold so that someone else can fill it.

(223) Our witnesses said that in other countries, as in Canada, the contents and form of job-creation or training schemes (or combinations of both) can best be designed, administered, supervised and evaluated locally (Paquet, paras. 1 to 8). We believe this. Therefore, we shall not go into details of the sectors or regions in which specific job-creation-plus-training schemes can be set up. We did prepare a list (see para. 200 above) of where some 600,000 jobs could be created, but that was a hypothesis to feed into the econometric models which we used to evaluate the consequences for the economy of such job creation and not as a centralized plan to be imposed by the federal government.

(224) However, a further illustration may serve to show how useful the job-creation-plus-training approach can be: for example it can make a public, national day care system affordable for children whose parents work or study more than 20 hours a week, as proposed in the Report of the Royal Commission on Child Care, chaired by Dr. Katie Cook. The job-creation-plus-training option suggested above

would pay for the whole government contribution necessary to implement Dr. Cook's proposal and create 275,000 new jobs, without increasing the deficit or taxes.

(225) In conclusion, we quote Professor Pierre Fortin of Laval University who wrote in a letter to the Sub-Committee on the subject of job creation:

"I support your proposal enthusiastically. Such (job creation), in conjunction with a more flexible monetary policy, could reduce unemployment considerably and quickly, without substantial inflationary pressures. The experience of Quebec with measures for giving the jobless work ... will be instructive as to which pitfalls must be avoided and

which ideas work. I believe, however, that the new jobs in a program (such as you propose), should be in the same private/public ratio as the actual jobs in the economy ... The public sector must not have the monopoly of these jobs (you propose to create). We must enlist the private sector in the fight against poverty."

(226) As Professor Jacques Parizeau suggested (Parizeau, para. 10), one good way of launching a job-creation-plus-training scheme, such as the one proposed here, is to try it first in one small province that would agree to act as a guinea pig. When the scheme is shown to be workable, the other provinces will join in.

ECONOMIC STUDY

Carried out for the Sub-Committee on Training and Employment
by Philippe Desautels
assisted by Christine Levesque

...in a program which is now being developed to be run in the private sector as the central jobs in the country. The bill is not yet passed. The majority of the jobs (you know) to be created. We want to see the bill passed in the light of the present situation.

(219) The Minister of Labour, Mr. J. G. ... (Parsons) has, for one way of increasing job creation in training centers, such as the one proposed here, to set a limit on the number of jobs that would be set as a result of the program is stated to be working on the program. It will be a matter of some time.

(220) ... (221) ... (222) ... (223) ... (224) ...

(221) People on unemployment insurance or welfare would not be forced to participate in a job-creation-plus-training scheme. There are enough of them who will do so voluntarily.

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...for the federal government to be able to ... (21) ... (22) ... (23) ... (24) ...

(21) In conclusion, we have ... (22) ... (23) ... (24) ...

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Economic Study

Only Work Works

(227) The recommendations of this report (paras. 155 to 182) were made after lengthy consultations on how these recommendations fit within the economic framework of the country, in which unemployment today is more than twice what it was 20 years ago.

(228) As we heard in testimony during our Canadian hearings and in Europe, on-the-job training is one of the best forms for training and re-training. "Work is the best training," said the Director General, Ministry of Education, Federal Republic of Germany (Allert and Braun, para. 17). We also heard that on-the-job training exists to a small extent in Canada through apprenticeship, education and other programs.

(229) Training is for change. It gives us the skills to work effectively and successfully and to deal with dislocation from constant technological change, demographic change, here and abroad. Technically, all this is called labour market adjustment and allocation, or, in plain English, who has the skills to work at what, where, how long it takes to acquire those skills, and who tries to do so.

(230) The Economic Council of Canada says that the process of labour market adjustment and allocation can be helped by equity measures:

"...of these, training is the most obvious example. Our analysis suggests, very simply, that some problems could be addressed by training and others by job creation. In some cases, a combination of the two might be the best way to help... the work has value in itself... it would offer Canadians a chance to gain work experience... From the longer-term strategic point of view there socio-psychological benefits (albeit non-quantifiable) could well be of overwhelming importance to those for whom the welfare-dependency cycle was broken... While training programs may give people new skills and mobility programs may move them, these measures will be useless if jobs do not exist."

(231) And according to the Ontario Service Sector?

* * *

"...it would be absurd to expect workers to be satisfied in the long run with a labour-displacing technology if it is to be accepted as a permanent feature of the economy. It is not only the workers who will be affected but also the society as a whole if they become dissatisfied."

"...the Government, now that it is moving to where it should be, should be looking for ways to help people and to help the economy. It should be looking for ways to help people and to help the economy."

(232) Further says the Commission, when there is high unemployment, governments will inevitably intervene to help the economy to even out the incidence of such unemployment.

(233) Such government intervention may place restrictions on employers, if only by giving fiscal incentives for capital investment to some employers' competitors. Classical economists and business people argue against such restrictions (which have been ineffective, as we shall see); but the prospects for reducing government restrictions on employers "would surely be much greater in an environment where there was but jobs could find new ones..." says Professor G.N. Blundell of McGill and L.H. Summers of Harvard.

(234) Release of government restrictions, combined with real choice for workers or contract, as they choose. While growing, they may need new or better-trained staff. If so, they will be more anxious to train their staff and to support government training programs, especially if policies are put in place which reduce the costs of using and training labour. (However, there is a possibility that, relieved of government restrictions, employers might seek to shrink their workforce and be less anxious to invest in training under certain economic conditions).

(235) There is another aspect that is touched upon by Professor Lester C. Thurow of MIT. "Should today's unemployed be regarded as employable in the future? In a way, yes."

Carried out for the Sub-Committee on Training and Employment

by Philippe Deane Gigantès
assisted by Christine Dearing

ECONOMIC STUDY

* * *

Carried out for the Sub-Committee on Training and Employment
by Philippe Deane O'Grady
assisted by Christine Deering

Economic Study

Only Work Works¹

(227) The recommendations of this report (paras. 155 to 182) were made after lengthy consultations on how these recommendations fit within the economic framework of the country, in which unemployment today is more than twice what it was 20 years ago.

(228) As we heard in testimony during our Canadian hearings and in Europe, on-the-job training is one of the best forms for training and re-training. **"Work is the best training,"** says Herr Allert, Director General, Ministry of Education, Federal Republic of Germany (Allert and Braun, para. 17). We also heard that on-the-job training exists only to a small extent in Canada through co-operative education and other programs.

(229) Training is for change. It gives us the skills to work effectively and successfully and to avoid dislocation from constant technological, social and demographic change, here and abroad. Technically, all this is called **labour market adjustment and allocation**, or, in plain English, who has the skills to work at what, where, how long it takes to acquire those skills, and who fails to do so.

(230) The Economic Council of Canada says that the process of labour market adjustment and allocation can be helped by many measures

"...of those, training is the most obvious example². Our analysis suggests, very simply that **some problems could be addressed by training and others by job creation**. In some cases, a combination of the two might be the best way to help... **the work has value in itself ... it would offer Canadians a chance to gain work experience ... From the longer-term strategic point of view these socio-psychological benefits (albeit non-quantifiable) could well be of overwhelming importance to those for whom the welfare-dependency cycle was broken ... While training programs may give people new skills and mobility programs may move them, these measures will be useless if jobs do not exist.**"

(231) And according to the *Ontario Study of the Service Sector*,³

"... it would be absurd to expect workers to co-operate in the introduction of labour-displacing technologies or to learn new skills or to accept periodic job changes unless they can feel certain that society will repay that co-operation by meeting their needs if they become displaced."

(232) Learning new skills and moving to where these skills are needed is hard on many people and is resisted. This resistance is lessened by employment, says Professor Morley Gunderson.⁴

(233) Further, says Gunderson, when there is high unemployment, governments will inevitably intervene in the economy to even out the burden of such unemployment.⁵

(234) Such government intervention may place restrictions on employers, if only by giving fiscal assistance for capital investment to some employers' competitors. Classical economists and business people argue against such restrictions (which have been ineffective, as we shall see); but the prospects for reducing government restrictions on employers "... would surely be much greater in an environment where those who lost jobs could find new ones ..." write Professors O.N. Blanchard of M.I.T. and L.H. Summers of Harvard.⁶

(235) Relieved of government restrictions, employers will feel more free to grow or contract, as they choose. While growing, they may need new or better-trained staff. If so, they will be more anxious to train their staff and to support government training programs, especially if policies are put in place which reduce the costs of using and training labour. (However, there is a possibility that, relieved of government restrictions, employers might seek to shrink their workforce and be less anxious to invest in training under certain economic conditions).

(236) There is another aspect that is touched upon by Professor Lester C. Thurow of M.I.T.:

"With what skills should today's unemployed be armed to make them employable in the future? In a stagnant

economy no one can know what is going to be needed, because even the growth industries aren't growing. People can become more skilled; but if [millions of] workers have to be unemployed to control inflation, then there are going to be [millions of] unemployed people regardless of how many skills they have acquired. Training may reshuffle unemployment to different individuals, but it cannot change the final outcome."⁷

(237) In other words, training is not a universal cure for the economy's ills. Training is a cure for lack of training. It will not necessarily lead to job creation. Without job creation the economy will grow more slowly and so will business earnings; hence, there will be less money for training.

(238) Recent work by the Organisation for Economic Co-operation and Development (OECD) challenges the traditional view that education and training are directly linked to employment and unemployment. Statistics show that the higher the level of educational attainment, the better the chances of getting a job. However, "... since this is part of a process of competition and selection, it follows that **education and training cannot increase the chances of everyone getting a job if the total number of jobs is fixed.**"⁸ (Also, John and Aigner, para. 7).

(239) Admittedly, re-training long-term unemployed persons so they can take away jobs from currently employed workers has some good aspects: it allows the long-term unemployed to get back into the workplace. However, when employment is not growing faster than the labour force, we are training unemployed people to take jobs away from employed people who will, in their turn, be unemployed and undergo training to win back a job: several people alternate in holding down one job. However, re-training long-term unemployed people so they can take jobs away from currently employed people is vehemently opposed by unions and professional groups.

(240) As one alternative, we should examine whether we can combine job creation and training, as they do, for example, in Sweden.⁹ This combination of "training for change" and job creation that reduces resistance to such change may lessen the cost of adjustment by making our society richer. It may prove to be a promising avenue for putting in place whatever training programs are deemed necessary to keep our labour force innovative and competitive.

(241) Again, before proposing a training-plus-job-creation-program we should ask whether we can afford it or, to be blunt:

- (i) If 85% of the population are doing all right economically, why bother with job creation at all?
- (ii) Might it not be cheaper to keep a person unemployed rather than to create a job for that person?
- (iii) Can one create jobs and not cause inflation?
- (iv) Can one create jobs and not increase the deficit?

(242) To be able to answer these legitimate questions, we must look at our economy. As the *Ontario Study of the Service Sector* says (p. 5), we need a

"... clear and broadly shared perception of the economy in which we are now operating and an understanding of how assumptions and approaches that were appropriate to an earlier era should now be modified. This understanding can then inform the entire policy process and provide a context for the broad range of decisions that affect our social and economic development."

(243) This report, therefore, examines the economic dimensions within which we could operate a job-creation-plus-training scheme. This is not a new scheme — nothing much is new in government. But what sometimes works is a recombination of policies that have been tried before. By understanding their failures and successes, it is sometimes possible to come up with new solutions that minimize the failure and maximize the success.

(244) We shall examine Canadian incomes, taxes and government spending over two decades as if Canada were a growing family living under the same roof. Over the years, a family will spend more if it grows more numerous; it will also spend more if it gets wealthier. Such increased spending is likely. Meaningful comparisons between what a family earned and spent once, and what it earns and spends now, can only be made in terms of **what proportions of its earnings it spent on which item.** For a country, this means making comparisons across the years in percentages of the Gross National Product — the total "family" revenue. Only after considering such comparisons can we discuss which "family members" should contribute more or what expenses could be cut

or increased in order to see more jobs created without increasing the deficit.

(245) Unless otherwise indicated, the graphs which follow are based on the *Economic Review* of the Department of Finance for April 1985, updated through the Statistics Canada *Statistical Review* for May 1986. These combined sources will hereunder be called 85 ER.

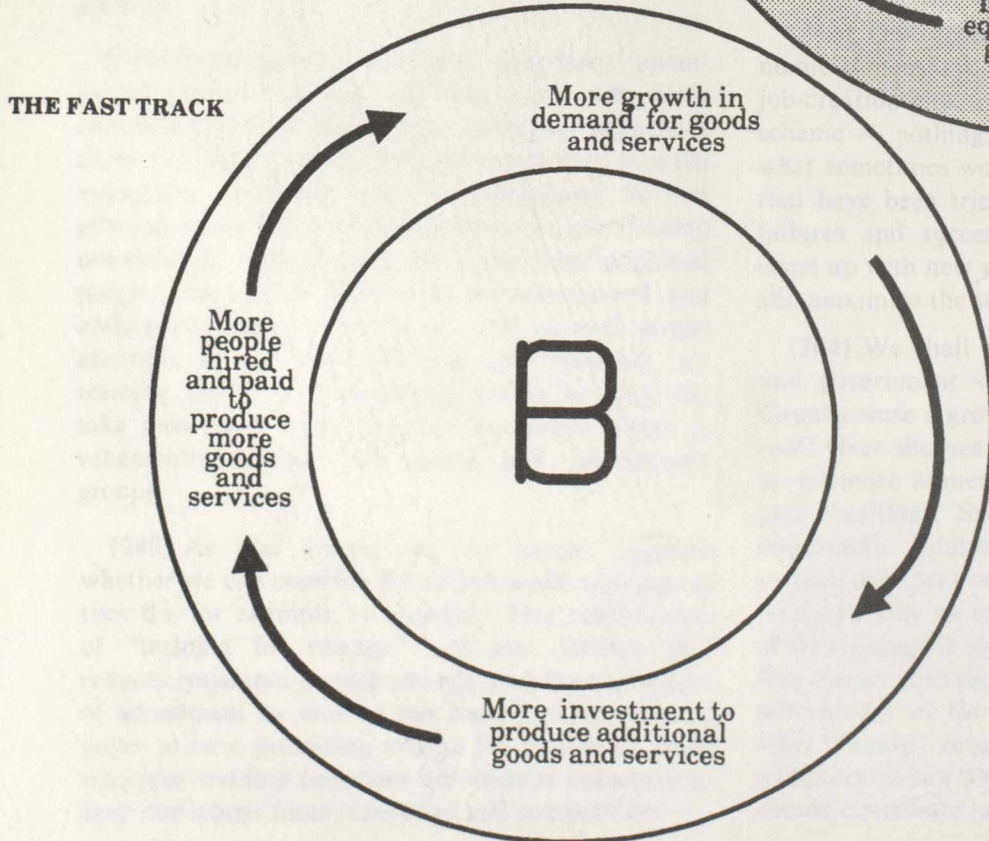
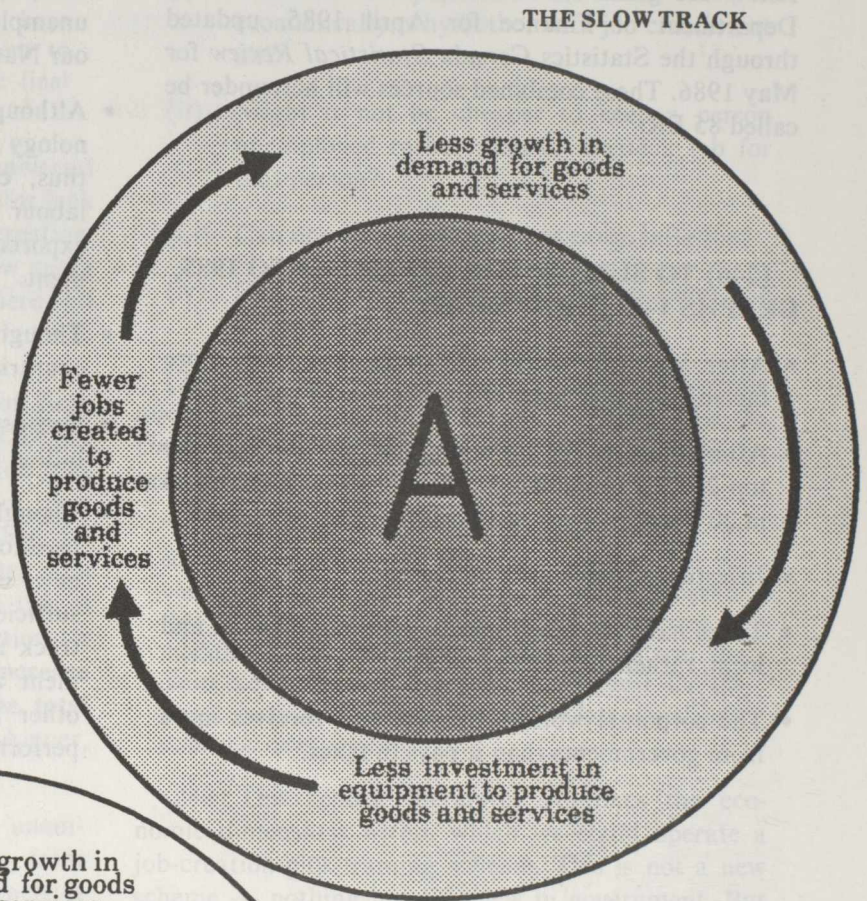
(246) TO SUM UP THE YEARS 1965 TO 1985, GRAPHS 1-24 SHOW THAT:

- After taxes and inflation, Canadians have more income and save more than they did 20 years ago.
- After allowing for inflation, the net worth of the top 20% of Canadian families has much increased in 20 years.
- Investment yields have increased.
- Taxes have increased, mostly at the provincial and local, rather than federal, levels.
- The corporate world, however, now receives more from governments than it pays in taxes.

- Government in Canada spends more, especially at the provincial and local levels (but less than the governments of many other countries spend).
- One of the causes of our deficits is the cost of unemployment, which is equal to the total cost of our National Debt since 1968.
- Although some say that by accepting new technology we will improve our competitiveness and, thus, create jobs, much technology is, in fact, labour saving. Technological progress and rising exports have not made a dent in our unemployment.
- Though Canada has done better than most other countries, it, too, has been slowing economically.
- Because our economy slowed down, we lost \$112 billion in sales (demand) from 1981 to 1985.
- Though savings increased considerably and though investors were given much fiscal assistance to buy new equipment, investment has not increased sufficiently to move our economy from the slow track to the fast track. It seems that both investment and demand must increase — one or the other alone is not enough to improve economic performance.

GRAPH 1

**HOW TO GO
FROM
(A) TO (B):
FROM THE
SLOW TRACK
TO THE
FAST TRACK**

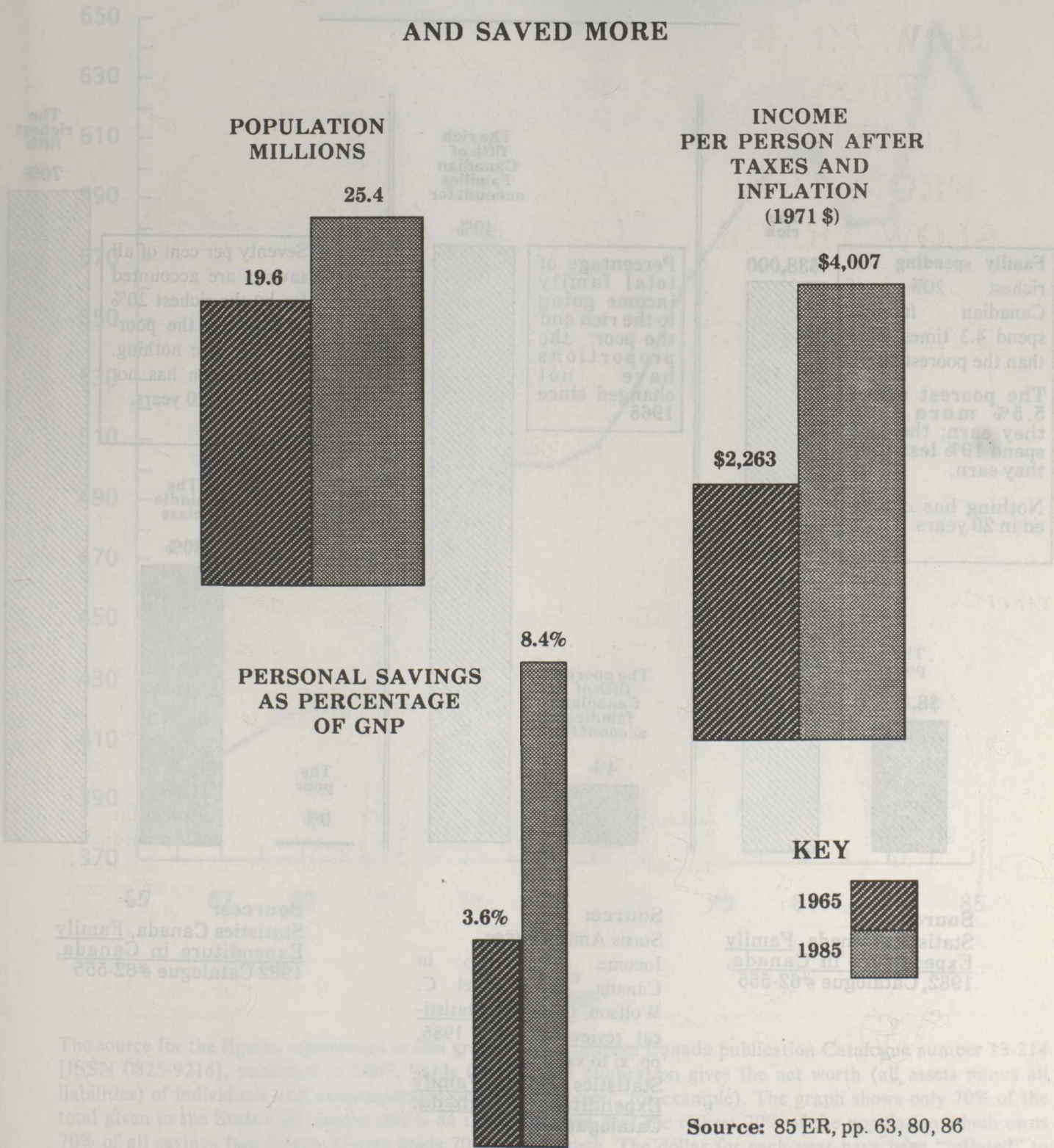


To get an economy from (A) to (B)
Economists argue over whether it is better to stimulate investment or to stimulate demand. The argument is circular: no one will invest in producing more goods and services if there is no demand for more goods and services. And there will be no demand for more goods and services if people are not expanding production, hiring and paying people to produce more. Once the economy is in the slow track circle (A) how does one move it to (B)?

GRAPH 2

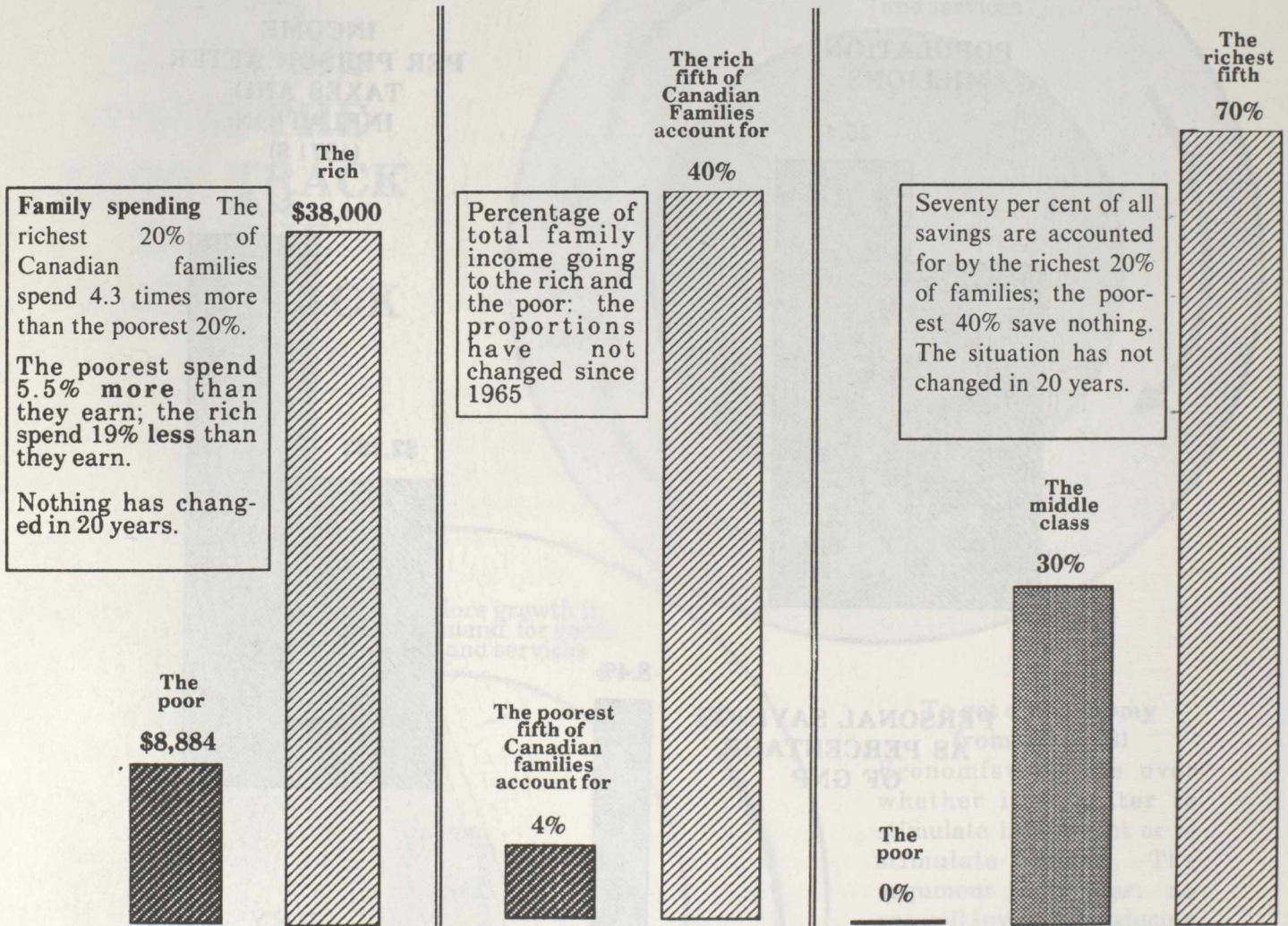
**CANADIANS
GREW IN NUMBERS AND REAL INCOME
BETWEEN 1965 AND 1985**

AND SAVED MORE



Source: 85 ER, pp. 63, 80, 86

**OVER 20 YEARS THE RICH STAYED RICH AND SAVED MORE:
THE POOR STAYED POOR**



Sources:
Statistics Canada, Family Expenditure in Canada, 1982, Catalogue #62-555

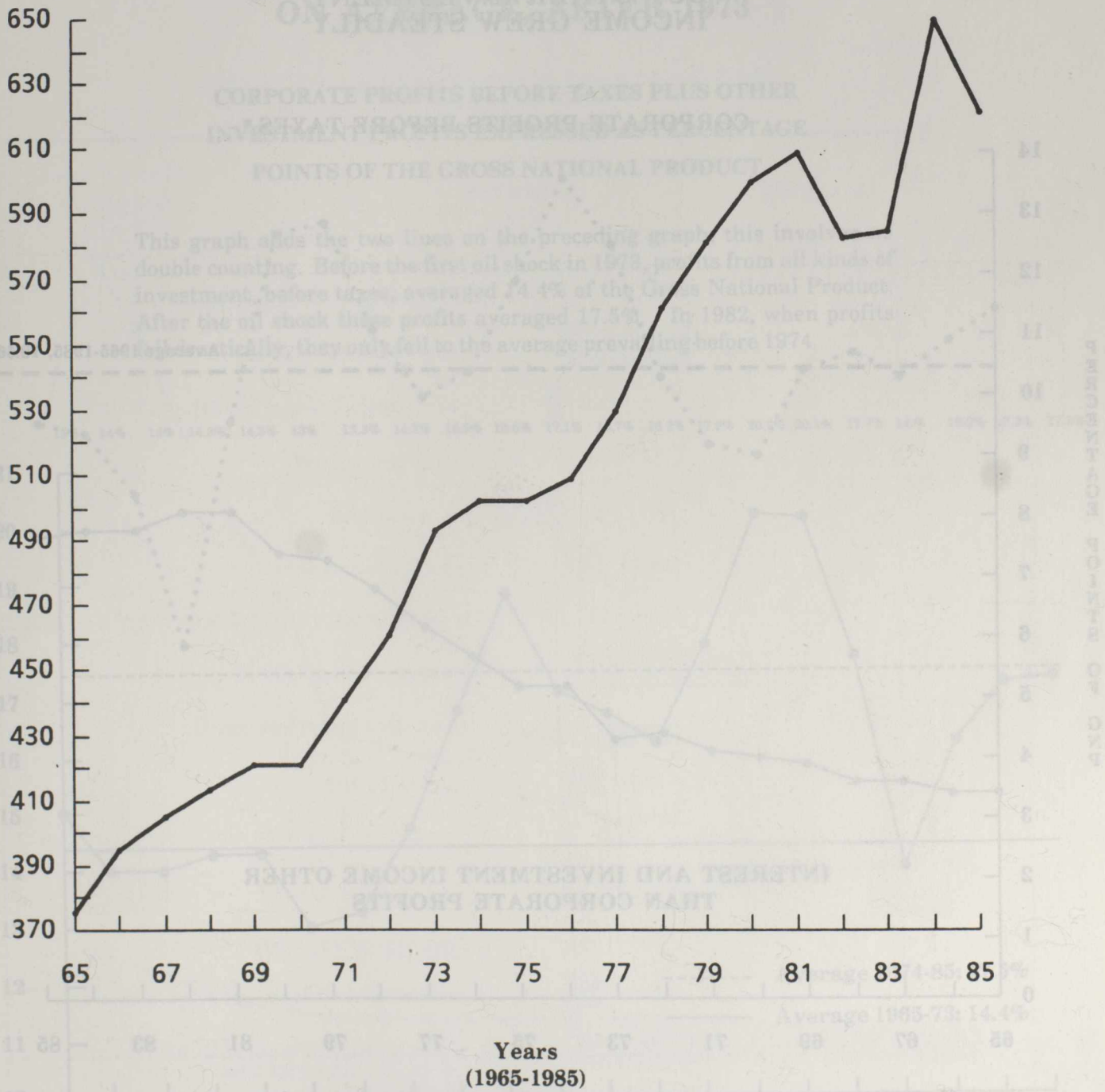
Source:
Stasis Amid Change, Income Inequality in Canada, by Michael C. Wolfson, Canadian Statistical review, January 1986, pp. xi to xxii
Statistics Canada, Family Expenditure in Canada, Catalogue #62-555

Sources:
Statistics Canada, Family Expenditure in Canada, 1982 Catalogue #62-555

GRAPH 4

**AFTER ALLOWING FOR INFLATION, THE NET
WORTH OF THE POPULATION'S RICHEST
FIFTH NEARLY DOUBLED IN 20 YEARS**

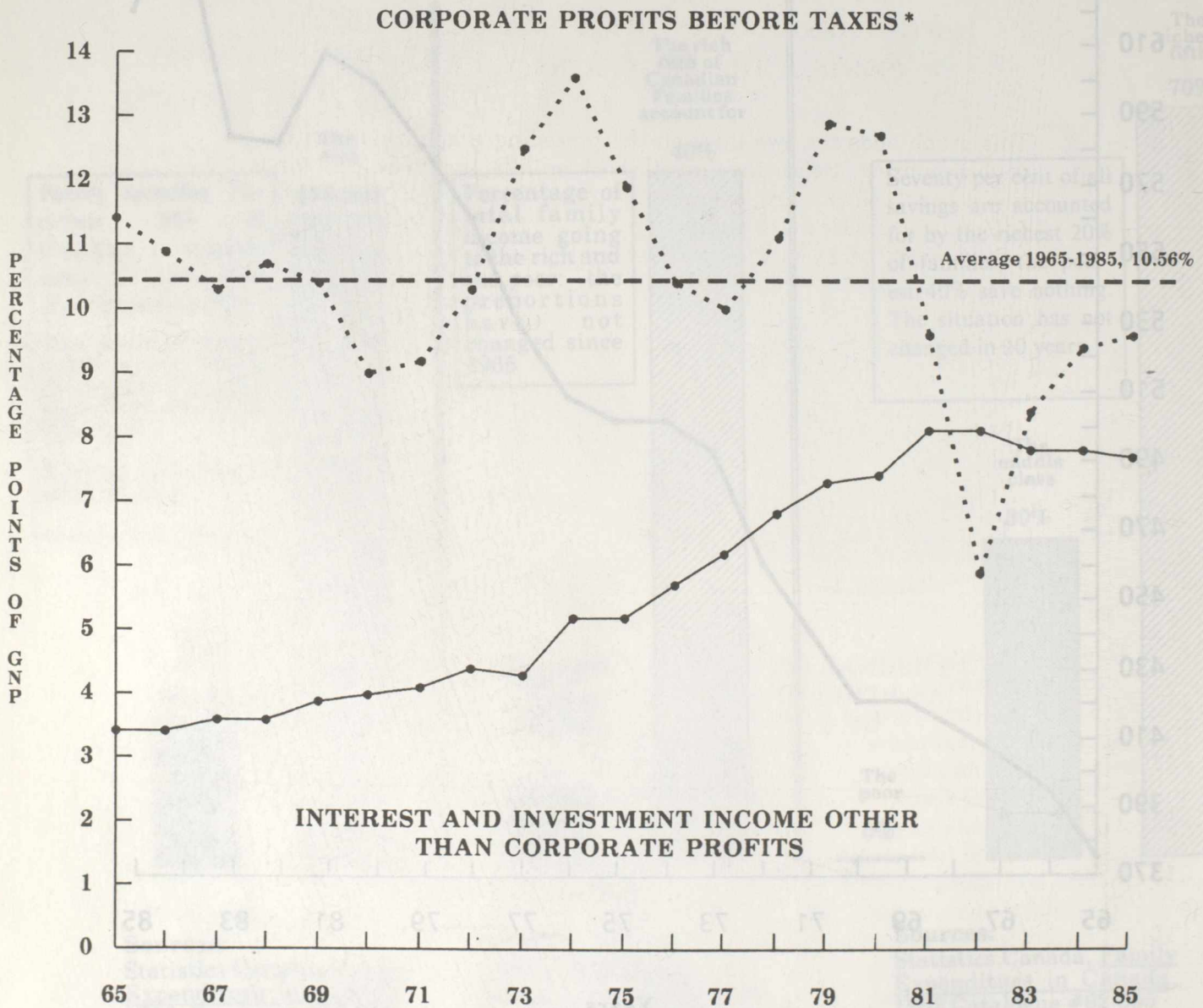
IN THOUSANDS OF 1985 DOLLARS, PER FAMILY



The source for the figures represented in this graph is the Statistics Canada publication Catalogue number 13-214 [ISSN 0825-9216], published in 1985. Table 03-1 of that publication gives the net worth (all assets minus all liabilities) of individuals and unincorporated businesses (doctors, for example). The graph shows only 70% of the total given in the Stats Can source; this is on the assumption that the richest 20% of the population which owns 70% of all savings (see Graph 3) also holds 70% of net worth. The dollar for each year have been "inflated" to 1985 dollars to make comparisons more meaningful.

GRAPH 5

**CORPORATE PROFITS FLUCTUATED
BUT OTHER INVESTMENT
INCOME GREW STEADILY**



* This is the Statistics Canada definition of corporate profits.

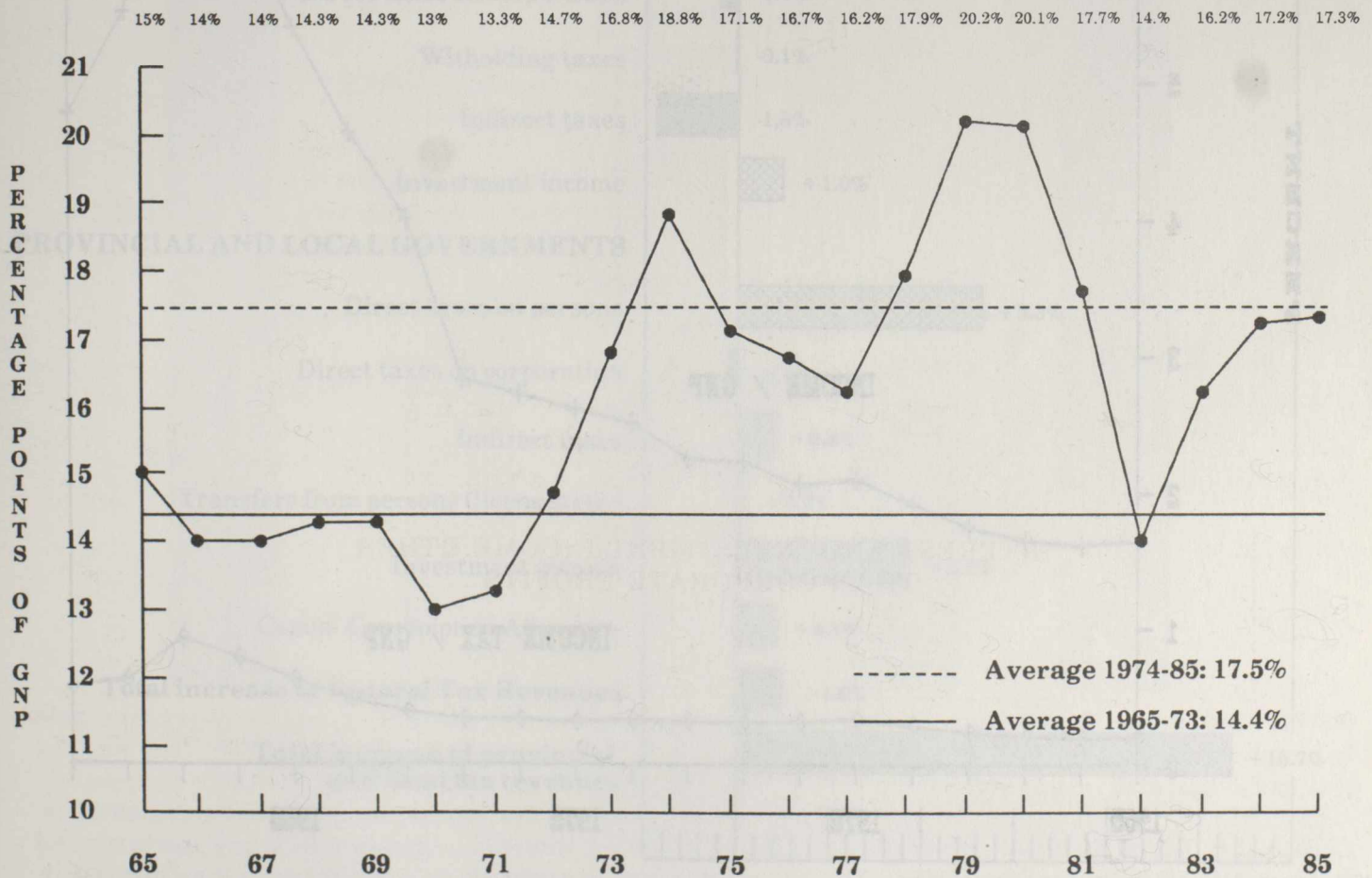
Source: 85 ER, p. 76

GRAPH 6

RETURN ON INVESTMENT ROSE, ON AVERAGE, AFTER 1973

CORPORATE PROFITS BEFORE TAXES PLUS OTHER
INVESTMENT PROFITS EXPRESSED AS PERCENTAGE
POINTS OF THE GROSS NATIONAL PRODUCT

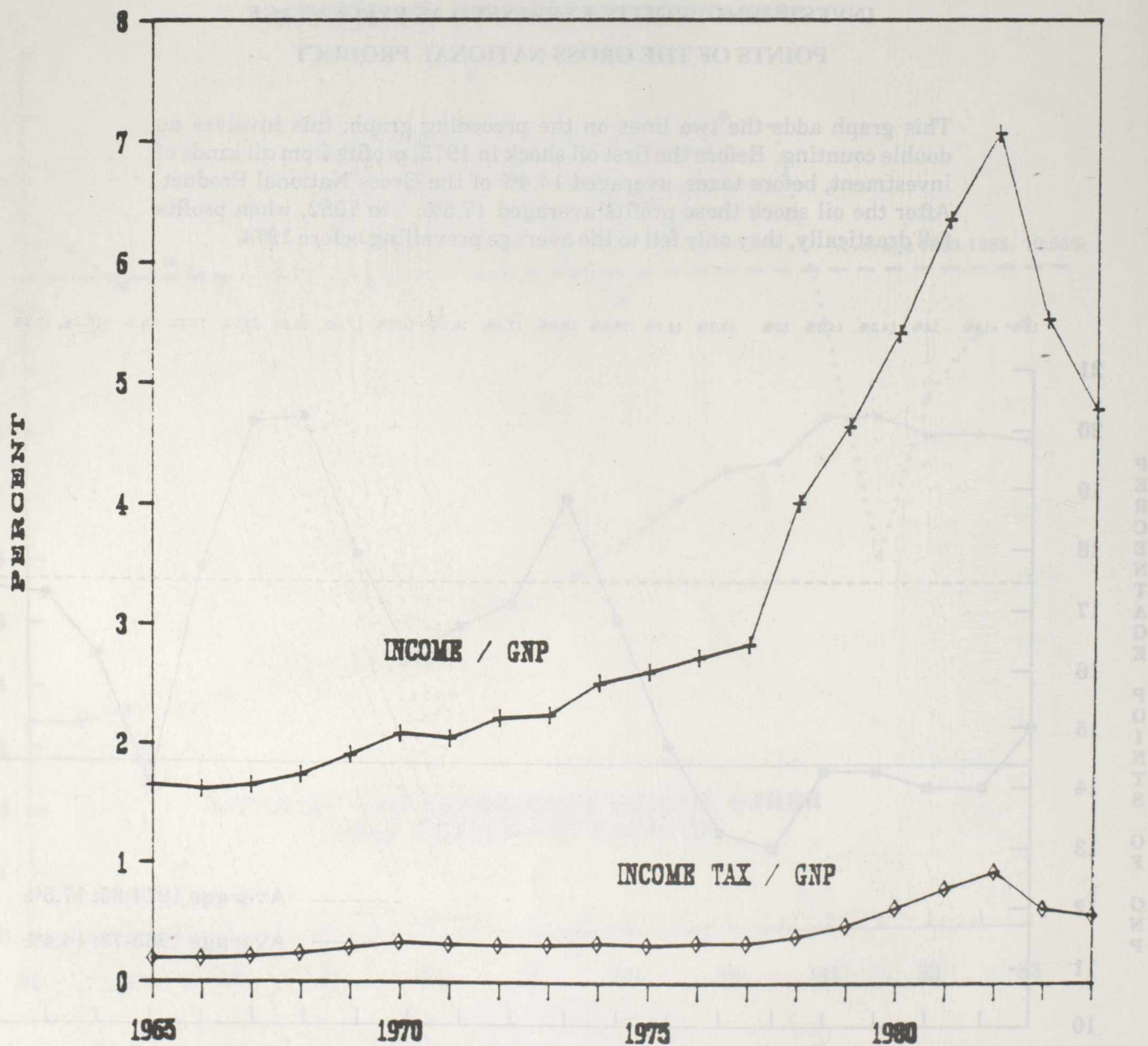
This graph adds the two lines on the preceding graph; this involves no double counting. Before the first oil shock in 1973, profits from all kinds of investment, before taxes, averaged 14.4% of the Gross National Product. After the oil shock these profits averaged 17.5%. In 1982, when profits fell drastically, they only fell to the average prevailing before 1974.



Source: 85 ER, p. 76

GRAPH 7

OF EVERY NINE DOLLARS THEY EARNED
INVESTORS PAID ONE IN TAX IN 1984
AS A PERCENTAGE OF GNP

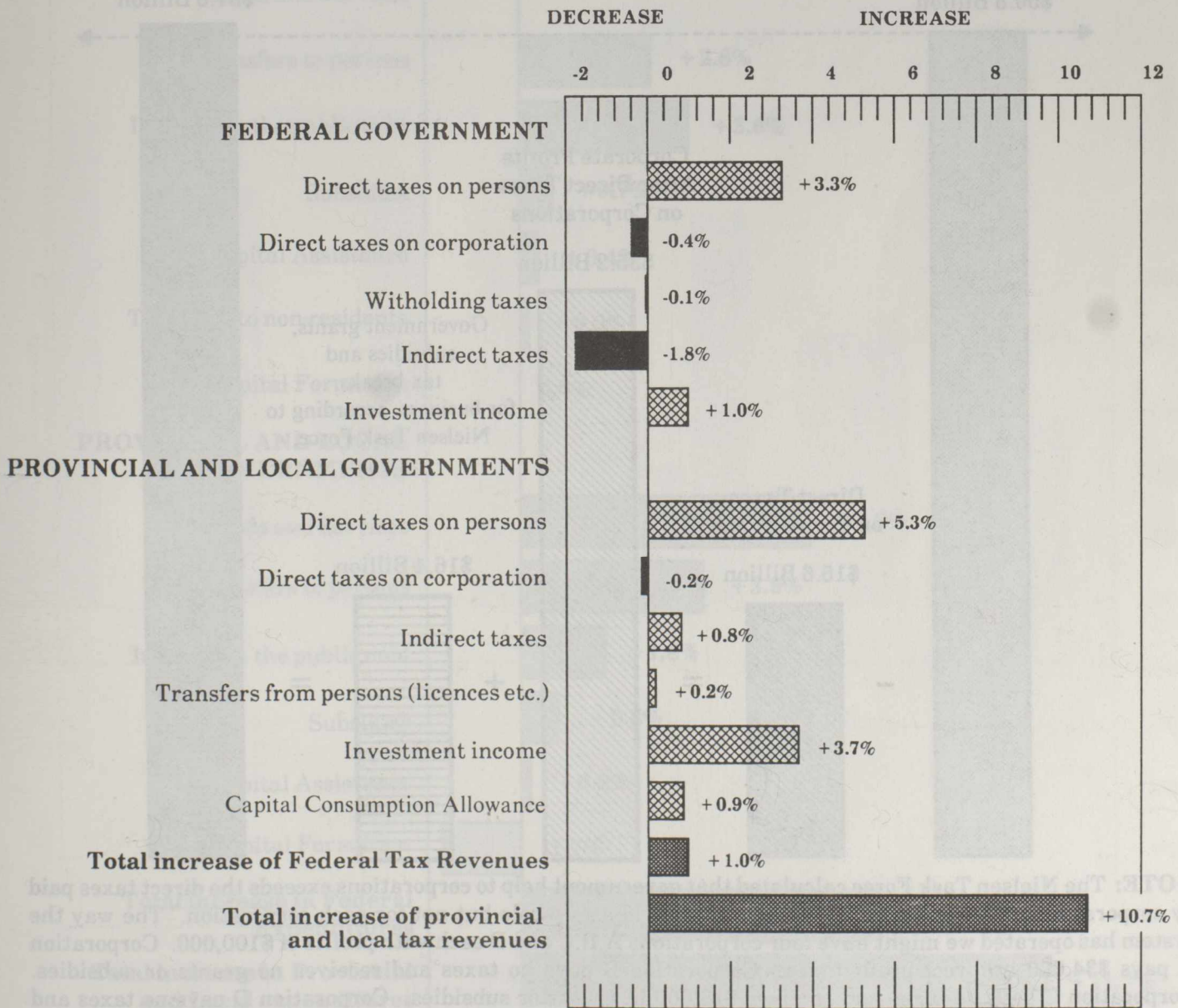


The figures graphed here are from Taxation Statistics published in 1986 by Revenue Canada. They deal with people who claim the major part of their income comes from investments. This income amounted to 4.8% of GNP, and yielded one ninth of that sum, or 0.53% of GNP in taxes.

GRAPH 8

**NEARLY ALL NET TAX INCREASES HAVE BEEN
PROVINCIAL AND LOCAL, NOT FEDERAL**

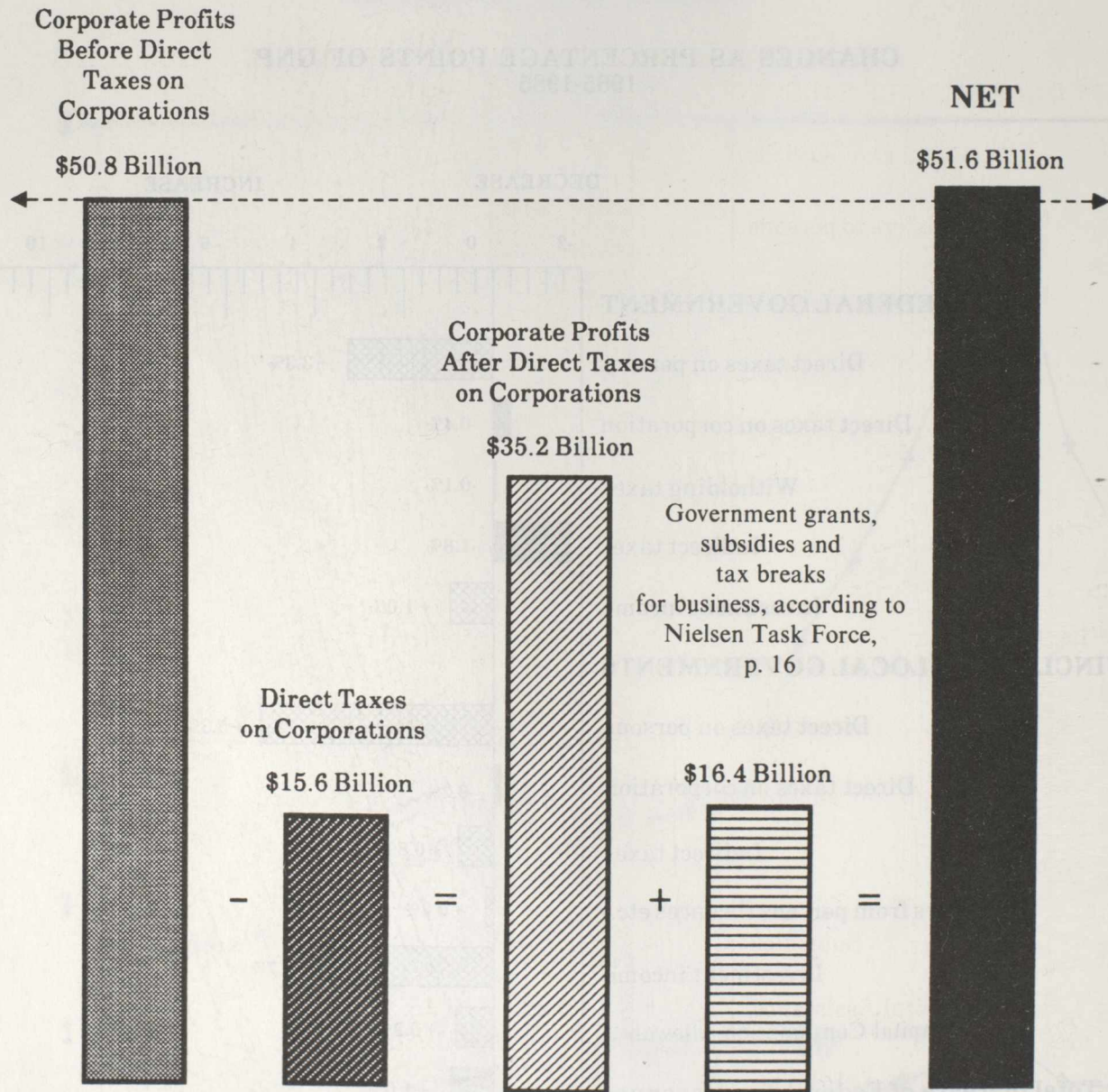
**CHANGES AS PERCENTAGE POINTS OF GNP
1965-1985**



Source: 85 ER, pp. 123, 125.

GRAPH 9

**IN 1984-85 THE CORPORATE WORLD
RECEIVED MORE FROM GOVERNMENT
THAN IT PAID IN DIRECT TAXES ON PROFITS**



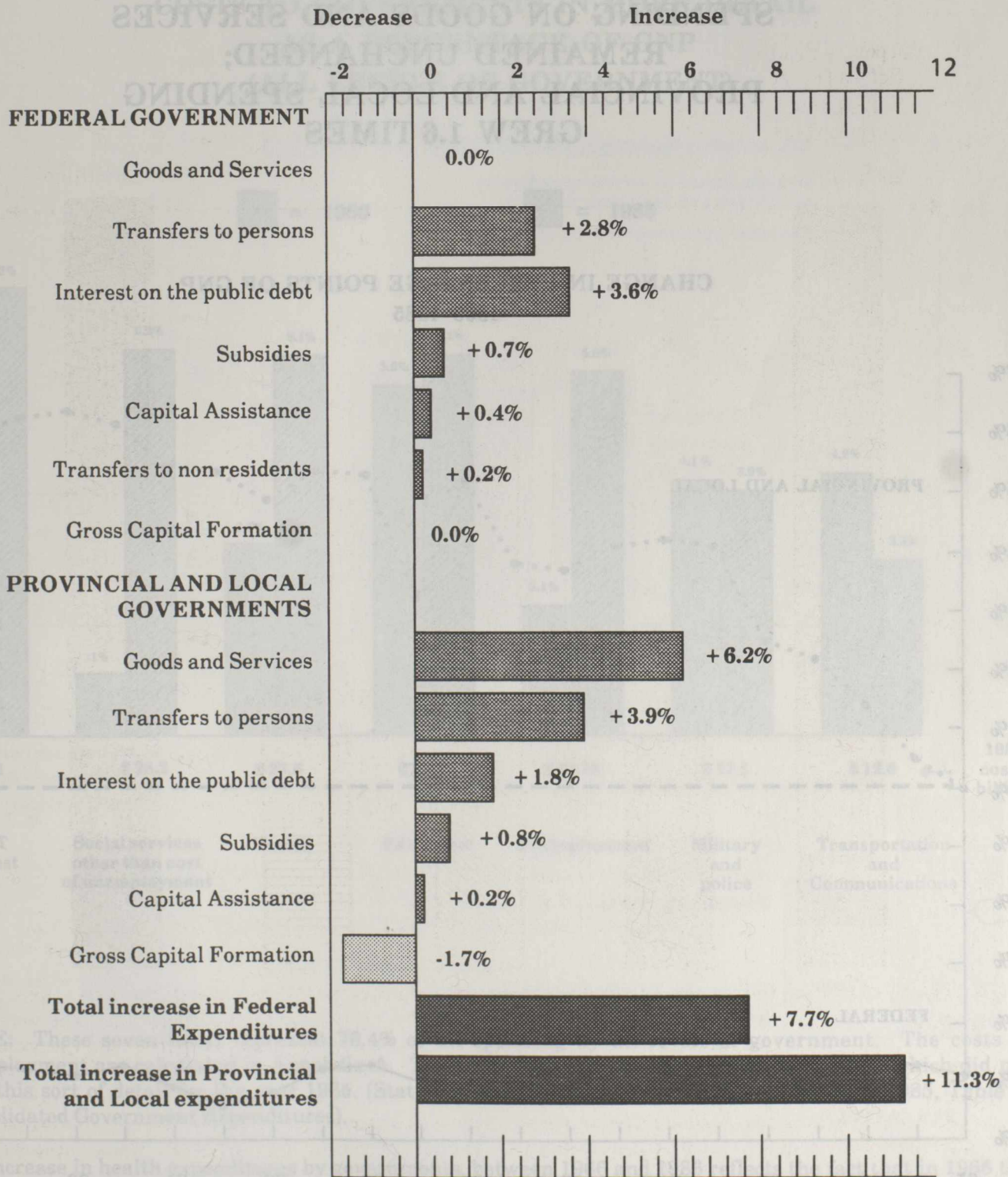
NOTE: The Nielsen Task Force calculated that government help to corporations exceeds the direct taxes paid by corporations. This is true for the corporate world as a whole but not for each corporation. The way the system has operated we might have four corporations A,B,C and D each with profits of \$100,000. Corporation A pays \$34,000 in direct profit taxes. Corporation B pays no taxes and receives no grants or subsidies. Corporation C pays no taxes and receives \$18,000 in grants or subsidies. Corporation D pays no taxes and receives \$17,000 in grants or subsidies. The four corporations as a group receive \$1,000 more than they pay in taxes, but the system is clearly unfair to corporation A. The sort of accounting the Nielsen Task Force did for 1984-85 was not done systematically year by year before.

Source: 85 ER, p.76
Nielsen Task Force

GRAPH 10

**PROVINCIAL AND LOCAL
SPENDING GREW
MORE THAN FEDERAL SPENDING**

**Changes as percentage points of GNP
1965 - 1985**

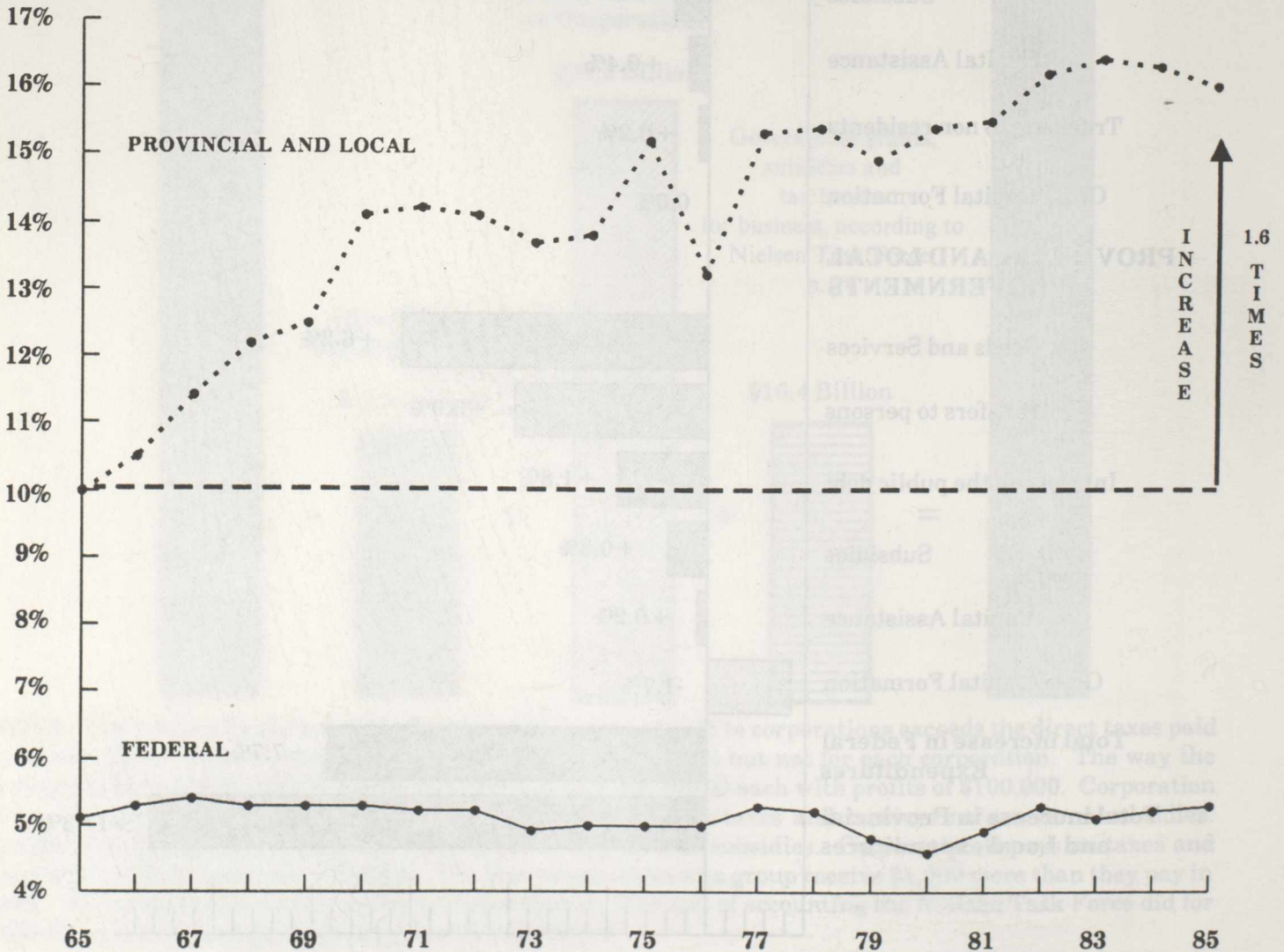


Source: 85 ER, pp. 122, 124

GRAPH 11

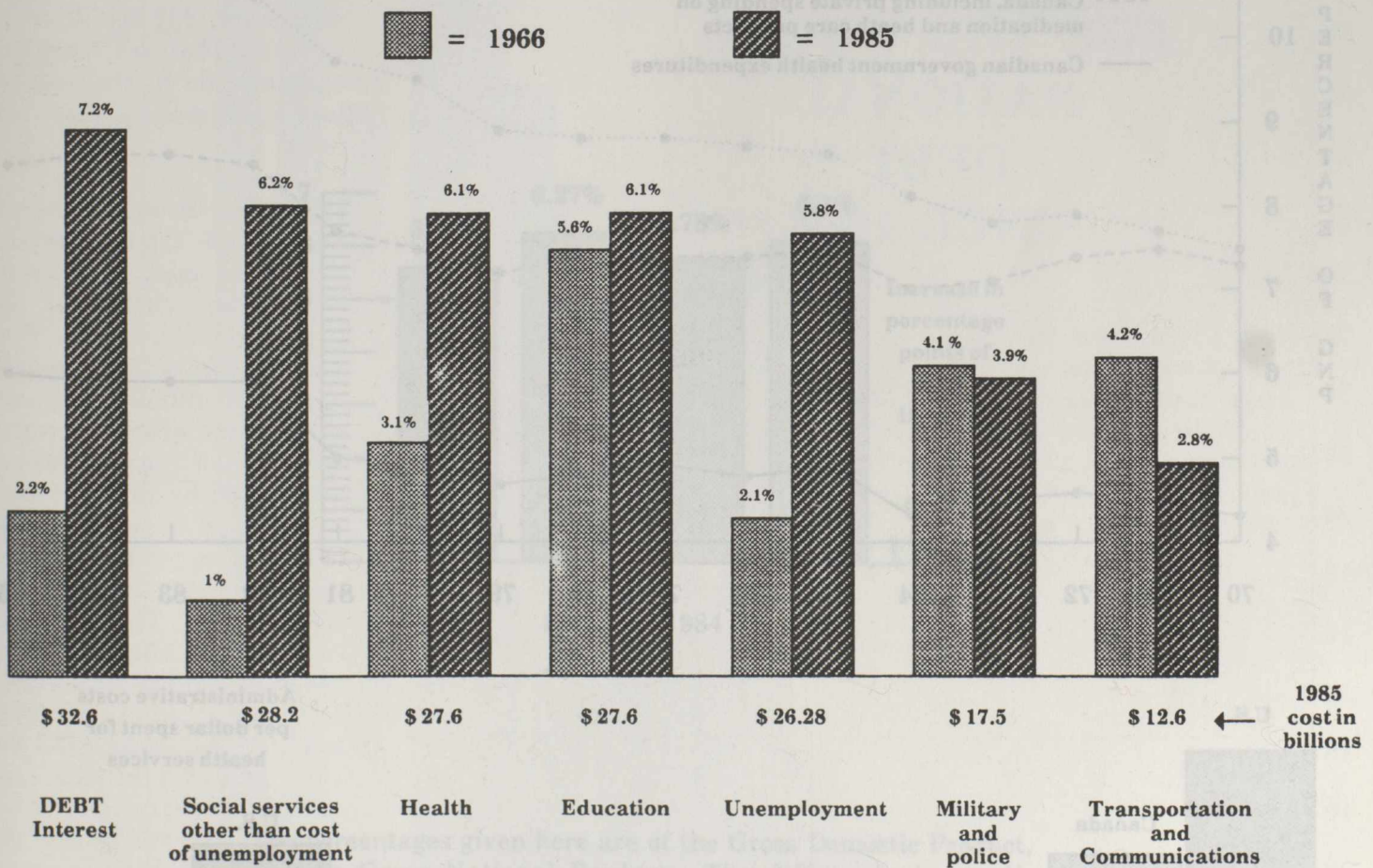
**OVER TWO DECADES, FEDERAL
SPENDING ON GOODS AND SERVICES
REMAINED UNCHANGED;
PROVINCIAL AND LOCAL SPENDING
GREW 1.6 TIMES**

**CHANGE IN PERCENTAGE POINTS OF GNP
1965 - 1985**



GRAPH 12

THE BIG TICKET ITEMS:
 COSTS TO GOVERNMENTS IN MORE DETAIL
 AS A PERCENTAGE OF GNP
 (ALL LEVELS OF GOVERNMENT)

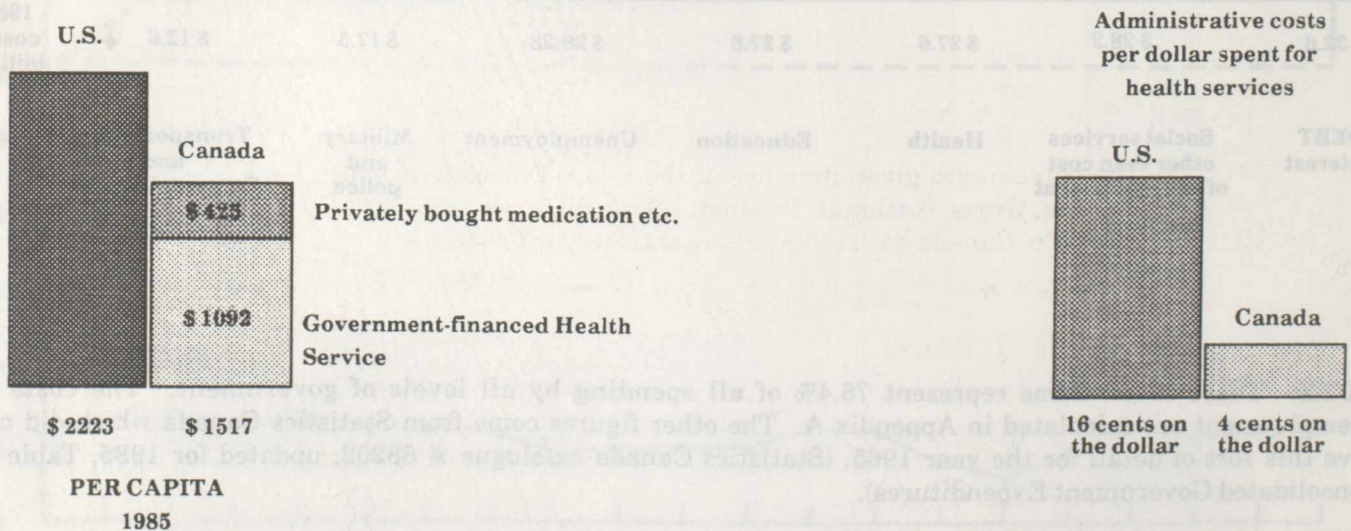
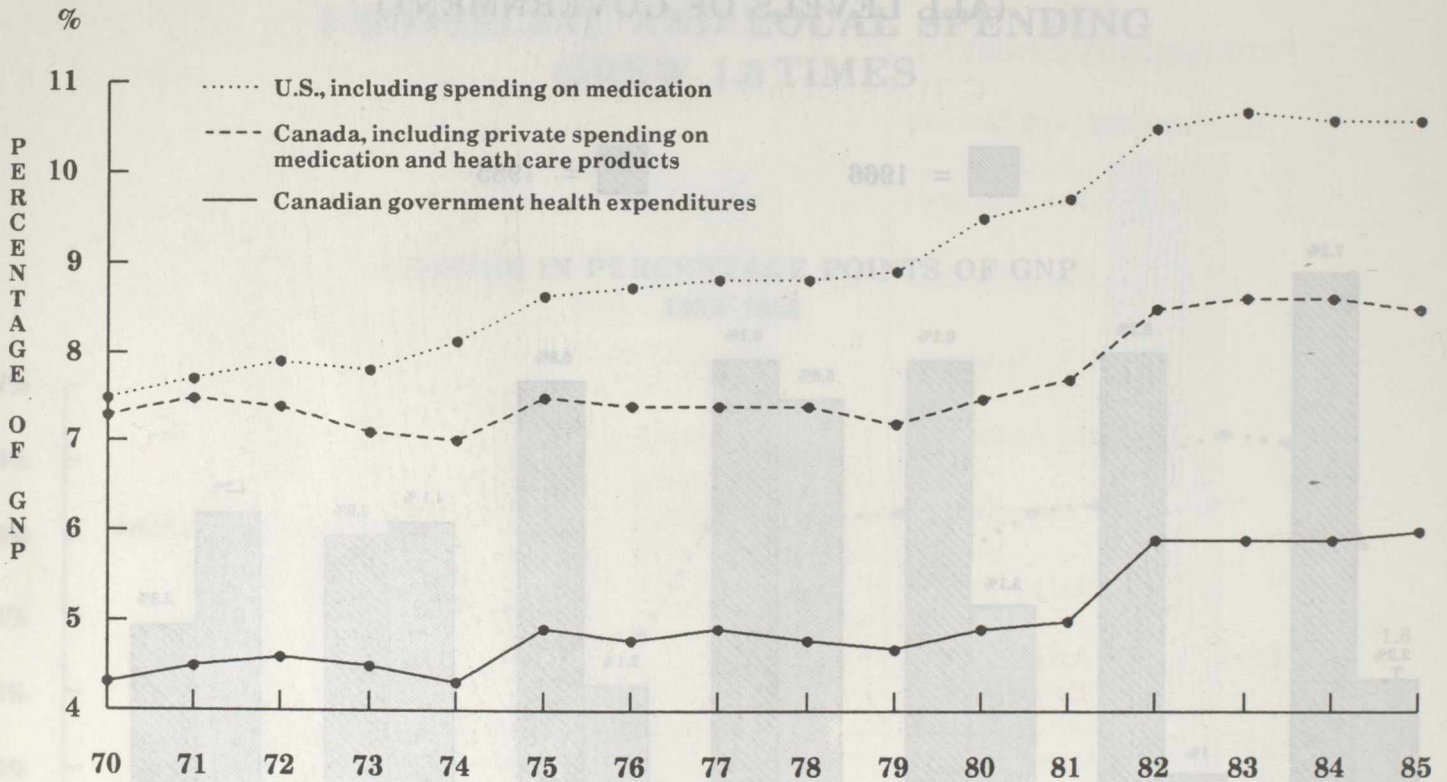


NOTE: These seven items represent 76.4% of all spending by all levels of government. The costs of unemployment are calculated in Appendix A. The other figures come from Statistics Canada which did not have this sort of detail for the year 1965. (Statistics Canada catalogue # 68202, updated for 1985, Table 2, Consolidated Government Expenditures).

The increase in health expenditures by governments, between 1966 and 1986 reflects the fact that in 1966 the health service was not yet fully in place.

GRAPH 13

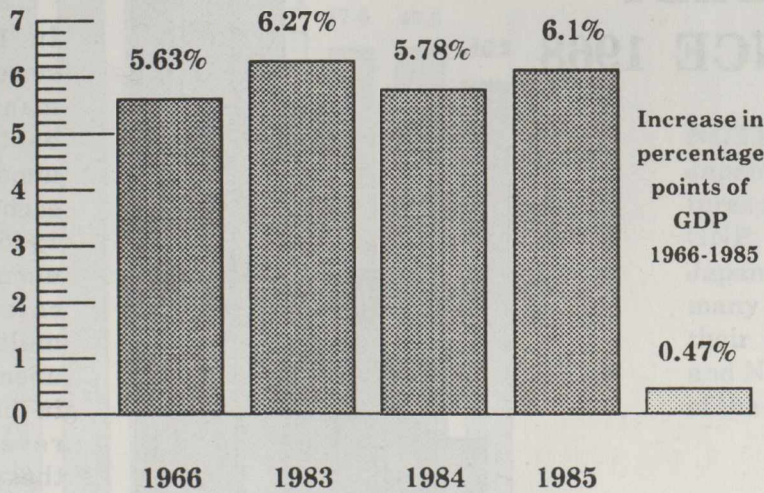
CANADA'S GOVERNMENT-FINANCED MEDICAL SERVICES ARE AN EFFICIENT BARGAIN COMPARED WITH THE PRIVATE SECTOR U.S. MEDICAL SERVICES



The figures are in Canadian dollars; they come from the Medical Economics Section, Health Economics Division, Department of National Health and Welfare; from Statistics Canada Cat. No. 68202, and from studies of the *New England Journal of Medicine*. The available U.S. figures are for total expenses on health, including medication. In Canada we can account separately for medication and health care products bought privately and for the health services provided by governments.

GRAPH 14

**SPENDING ON EDUCATION HAS
HARDLY INCREASED IN TWENTY
YEARS, AS A PERCENTAGE OF THE
GROSS DOMESTIC PRODUCT**



The percentages given here are of the Gross Domestic Product, not the Gross National Product. The difference is small; Statistics Canada has shifted to Gross Domestic Product.

Source: Statistics Canada,
Cat. No. 68202, Table 2

GRAPH 15

Billions of
1971 \$



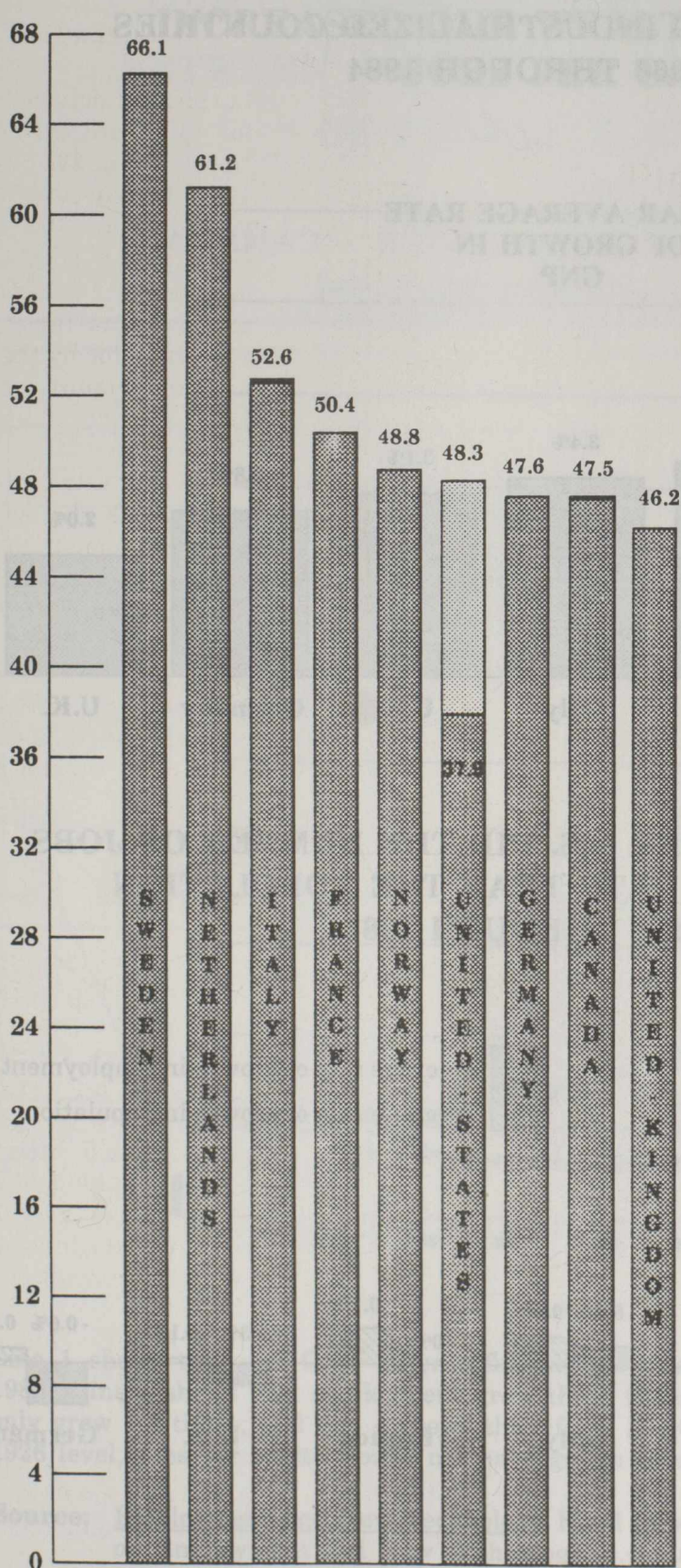
THE COSTS OF UNEMPLOYMENT ACCOUNT FOR THE WHOLE NATIONAL DEBT SINCE 1968

Explanation

In constant dollars (adjusted for inflation) the National Debt stood at \$21.5 billion in 1967; on December 31, 1985, it stood at \$69 billion. Nearly the whole of the difference, \$47.5 billion in constant dollars, can be accounted for by the costs of unemployment. Here is how:

In 1967, unemployment stood at 4%, the level which many economists consider to be the equivalent of no unemployment at all. For each year from 1968 through 1985, the numbers of the unemployed above 4% were calculated and were multiplied by the cost per unemployed to governments in benefits paid, lost tax revenue and interest on these sums. The cost for each year is shown on the graph in billions of dollars adjusted for inflation. The total for the years 1968 to 1985 is \$46.3 billion (in dollars adjusted for inflation). To this should be added \$21.5 billion, the amount of the debt in 1967, for a total of \$67.8 in constant dollars or \$205 billion in current dollars for December 31, 1985. The Department of Finance sets the debt at \$69 billion in constant dollars or \$212.7 billion in current dollars. See Appendix A, below, for details of how the cost of unemployment is calculated.

GOVERNMENT IN OTHER COUNTRIES SPENDS MORE THAN IN CANADA
EXPENDITURES BY ALL LEVELS OF GOVERNMENT AS
A PERCENTAGE OF GROSS NATIONAL PRODUCT



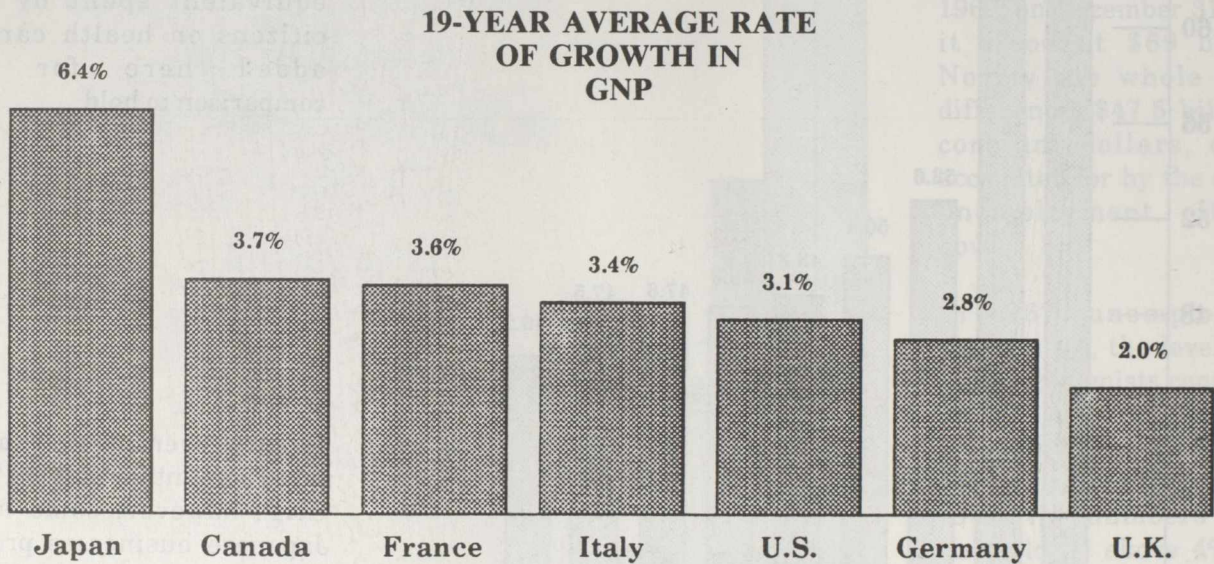
■ = Health care expenses U.S.: Health Care is financed through taxes in Canada and the other countries in this chart, save the U.S. The equivalent spent by U.S citizens on health care is added here for the comparison to hold

NOTE:
 Japan's government expenditures account for only 33.2% of GNP; however, some major Japanese businesses provide many more social services to their staff than do European and North American members of the OECD.

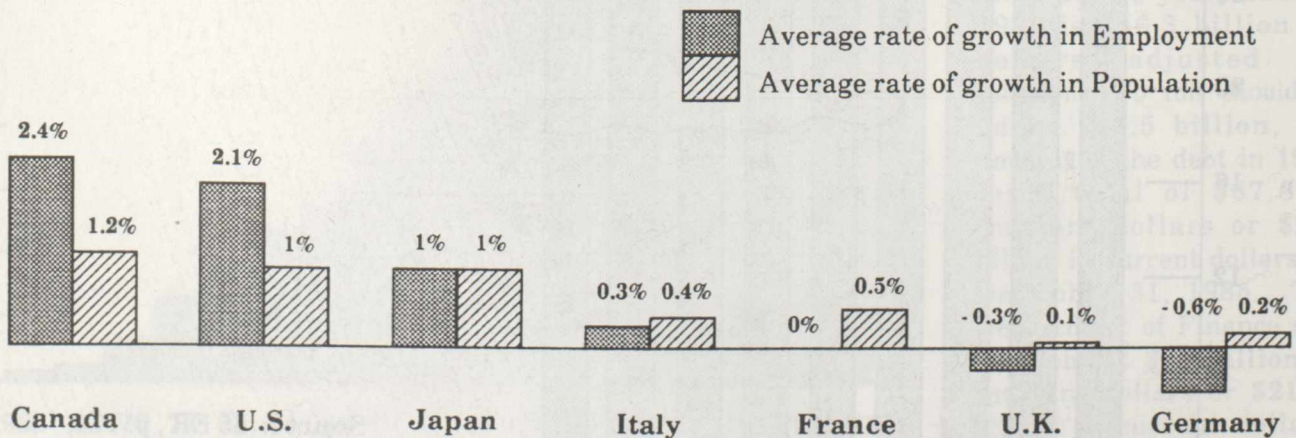
Source: 85 ER, p. 174;
 Health and Welfare Canada;
 Statistics Canada
 Cat. No. 68202

GRAPH 17

CANADA OUT-PERFORMED ALL BUT JAPAN AMONG THE SEVEN LEADING INDUSTRIALIZED COUNTRIES FROM 1966 THROUGH 1984



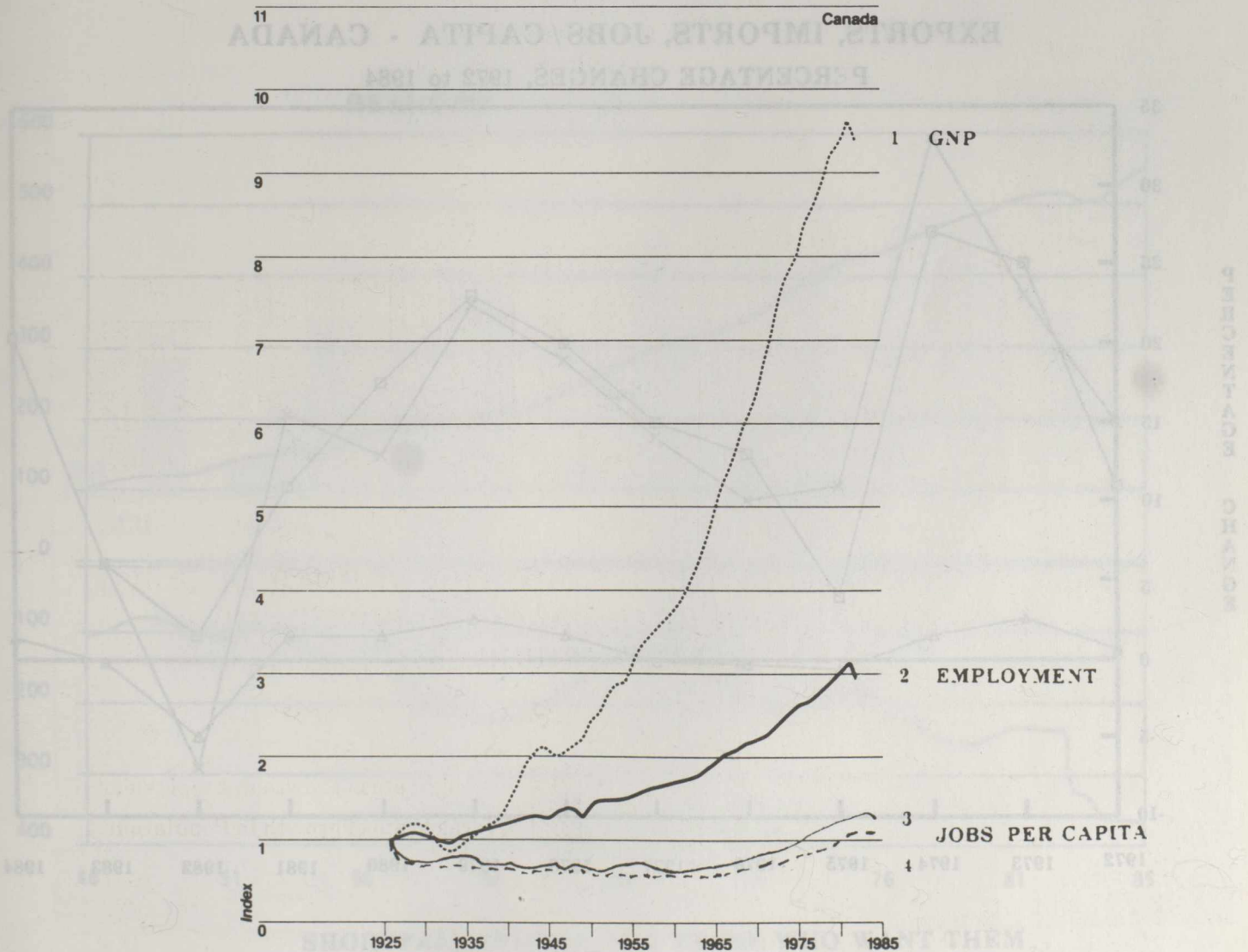
ONLY IN CANADA AND THE U.S. DID THE NUMBER OF JOBS GROW AT A FASTER RATE THAN THE POPULATION FROM 1966 THROUGH 1984



Source: 85 ER, p. 174

GRAPH 18

TECHNOLOGY SPURRED OUR GROWTH, INCREASED OUR WEALTH BUT NOT OUR JOBS PER CAPITA



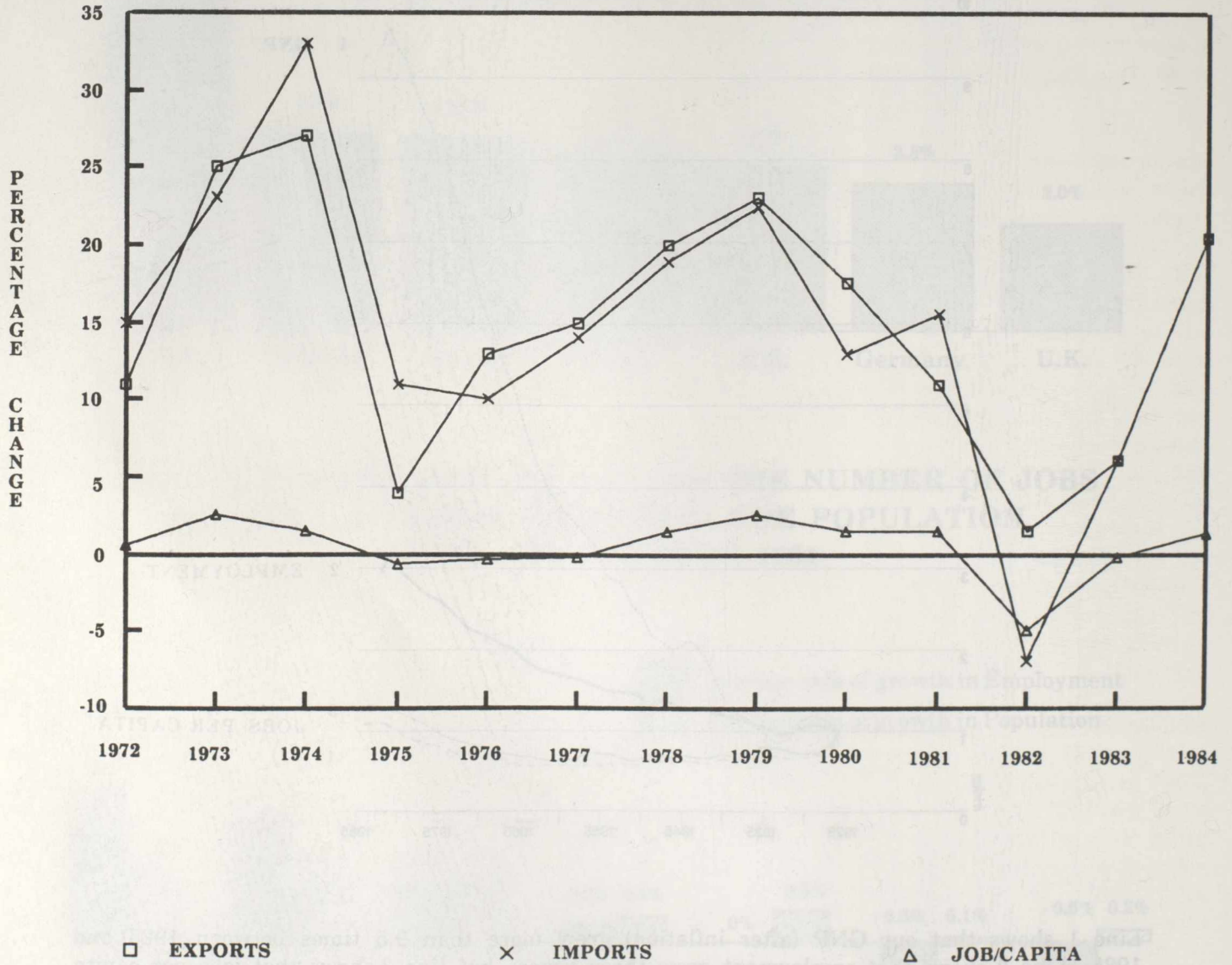
Line 1 shows that our GNP (after inflation) grew more than 9.5 times between 1925 and 1985. Line 2 shows that employment grew three times; but line 3 shows that jobs per capita only grew 1.2 times; and line 4 shows that if the length of the work week had stayed at the 1926 level, jobs per capita would not have grown at all.

Source: Employment and New Technology, Final Report of the Ontario Task Force on Employment and New Technology, p. 34; and 85 ER, pp. 63, 68 and 103.

GRAPH 19

OUR EXPORTS GREW BUT SO DID OUR IMPORTS;
 JOBS WE GAINED ON EXPORTS
 WE LOST TO IMPORTS

EXPORTS, IMPORTS, JOBS/CAPITA - CANADA
 PERCENTAGE CHANGES, 1972 to 1984

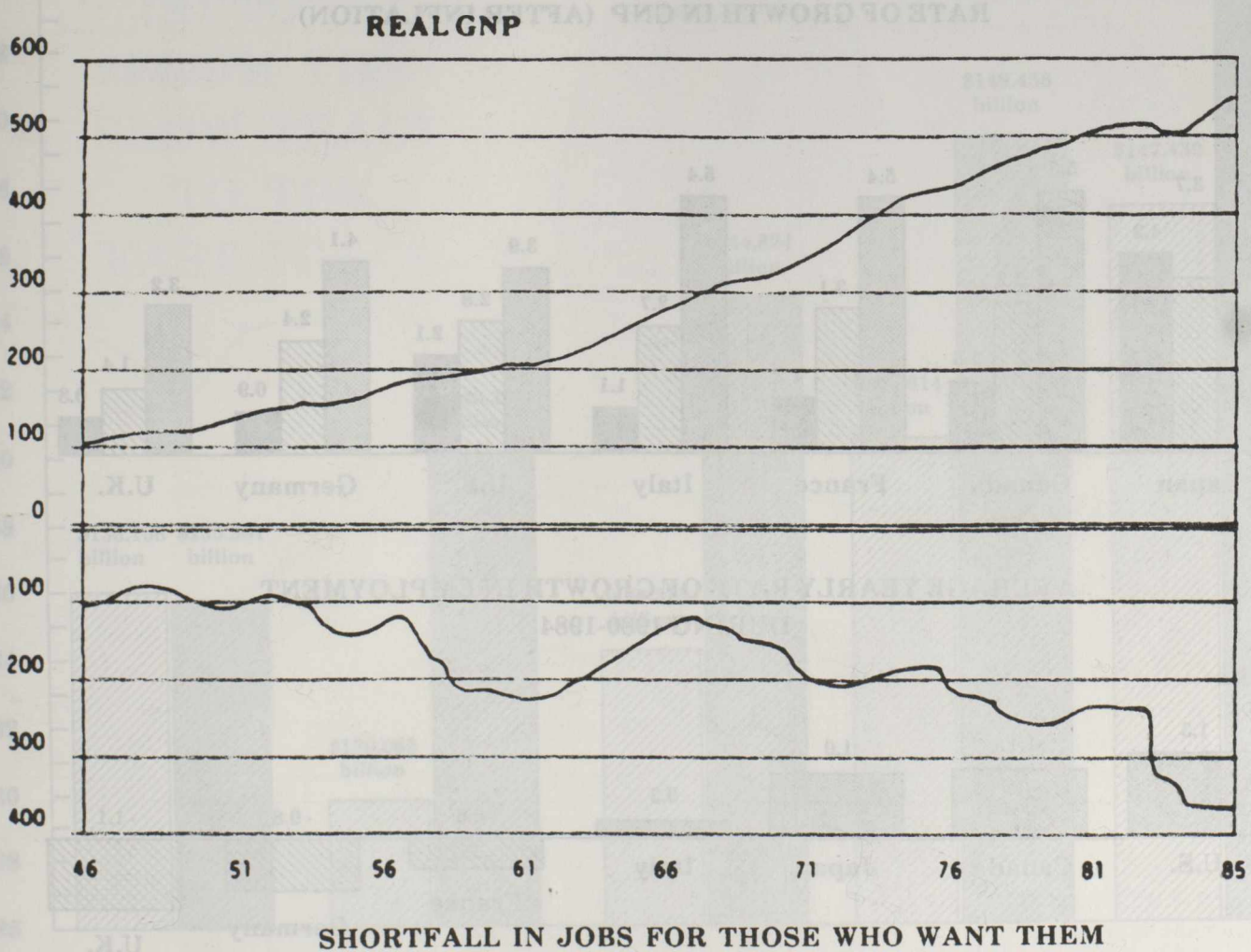


Source: 85 ER, pp. 70 and 103

GRAPH 20

**OUR GNP HAS GROWN BUT SO HAS THE GAP
BETWEEN AVAILABLE JOBS AND THE NUMBER
OF PEOPLE WHO WANT JOBS**




(1946 = 100)

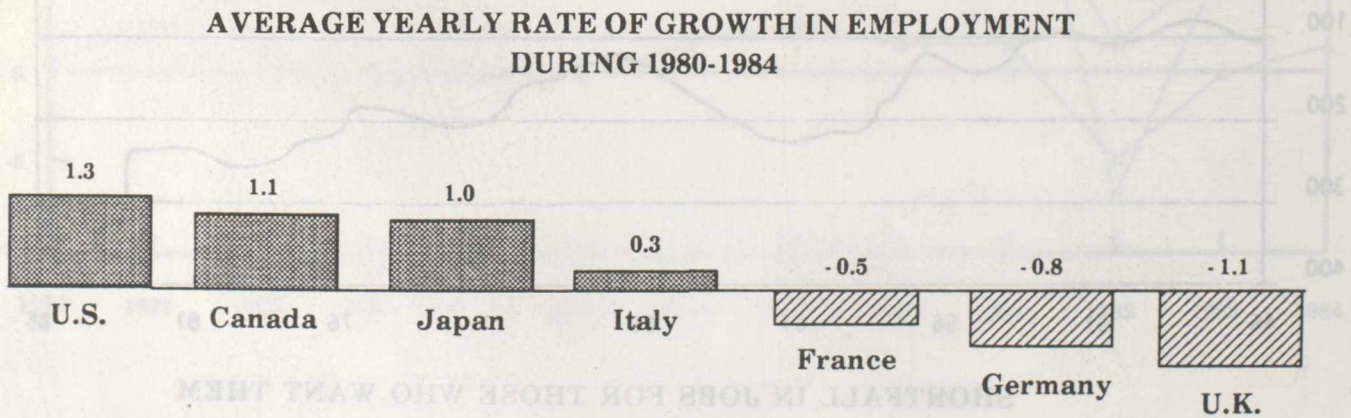
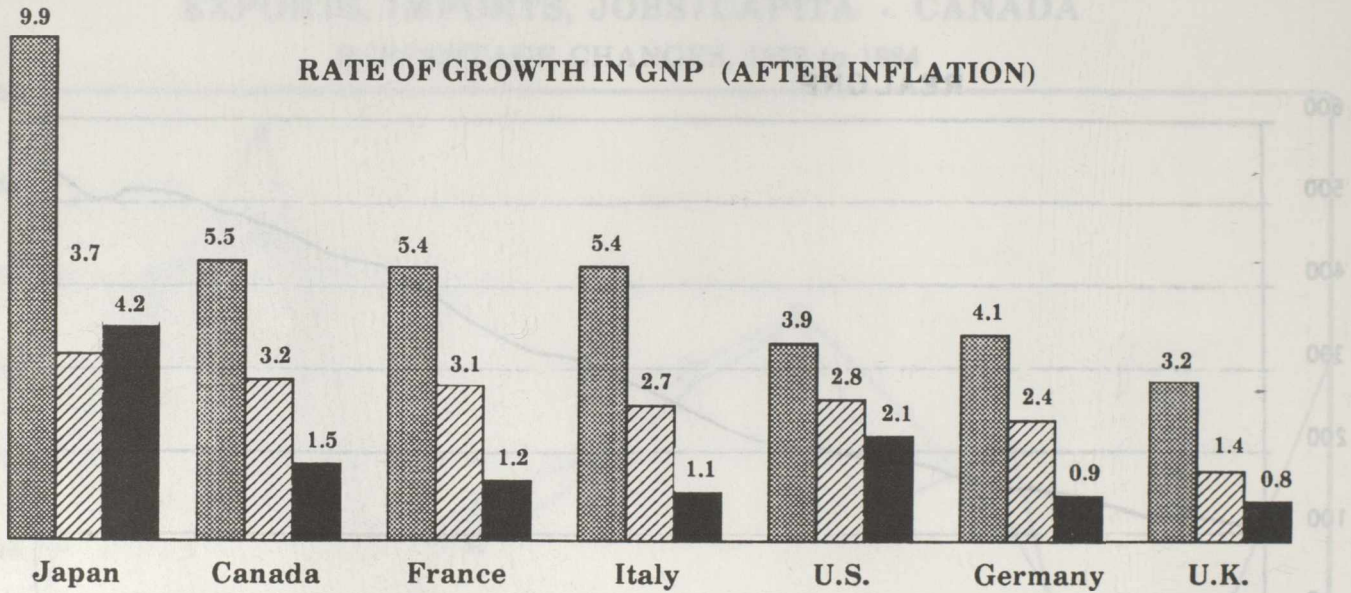


Source: 85 ER, pp. 68 and 103

(See Table 4, Appendix D)

INDUSTRIALIZED ECONOMIES HAVE BEEN SLOWING DOWN FOR 20 YEARS; THE RECENT RECESSION WAS WORLD WIDE

-  = Average yearly rate of growth 1966-1973
-  = Average yearly rate of growth 1974-1979
-  = Average yearly rate of growth 1980-1984

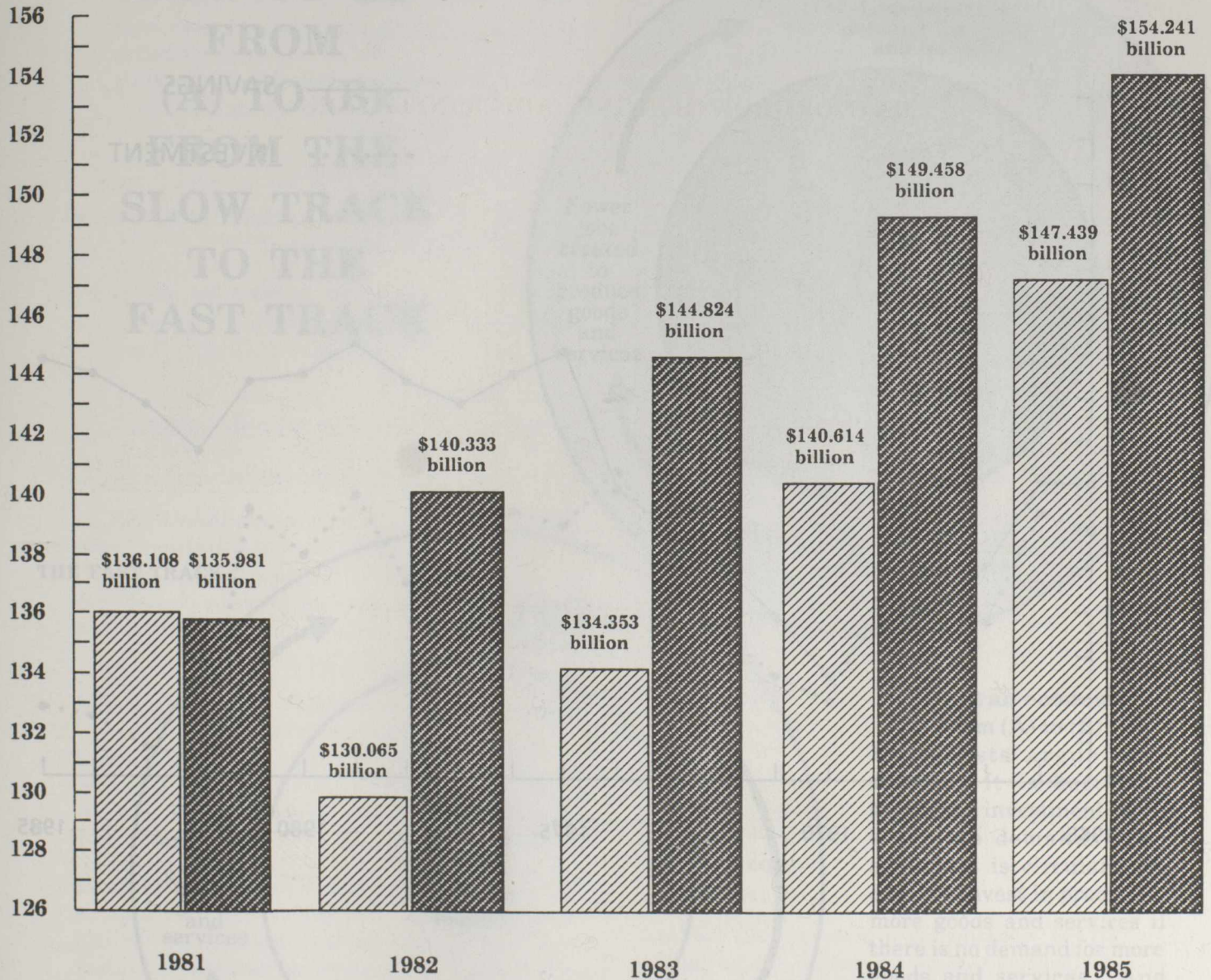


Source: 85 ER, p. 174

WE LOST \$112 BILLION IN GNP (OR DEMAND) SINCE 1981 BECAUSE CANADA'S ECONOMIC GROWTH SLOWED DOWN

BILLIONS
OF
1971 \$

This graph shows what our Gross National Product would have been if our economy had grown from 1981 through 1985 at the average rate it had grown in the five preceding years.



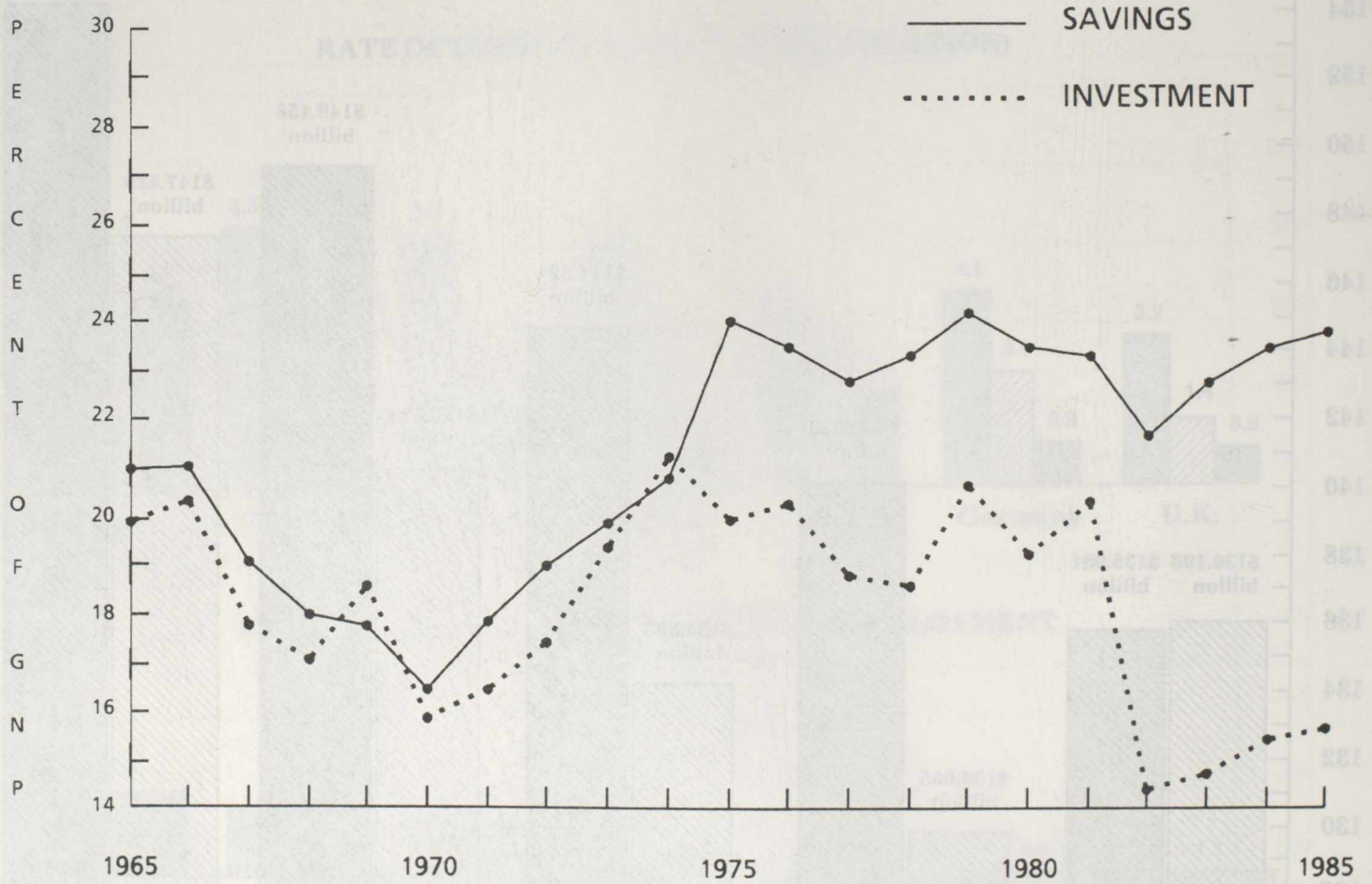
= Actual GNP in 1971 \$
 = What the GNP would have been in 1971 \$, if it had grown at 3.2%, the 1975 - 1980 average growth rate.

NOTE: The cumulative shortfall in GNP equals \$36.26 billion of 1971 dollars or \$112 billion in 1985 dollars

Source: 85 ER, p. 76

GRAPH 23

BUSINESS INVESTMENT FELL AS A PERCENTAGE OF GNP EVEN THOUGH SAVINGS INCREASED



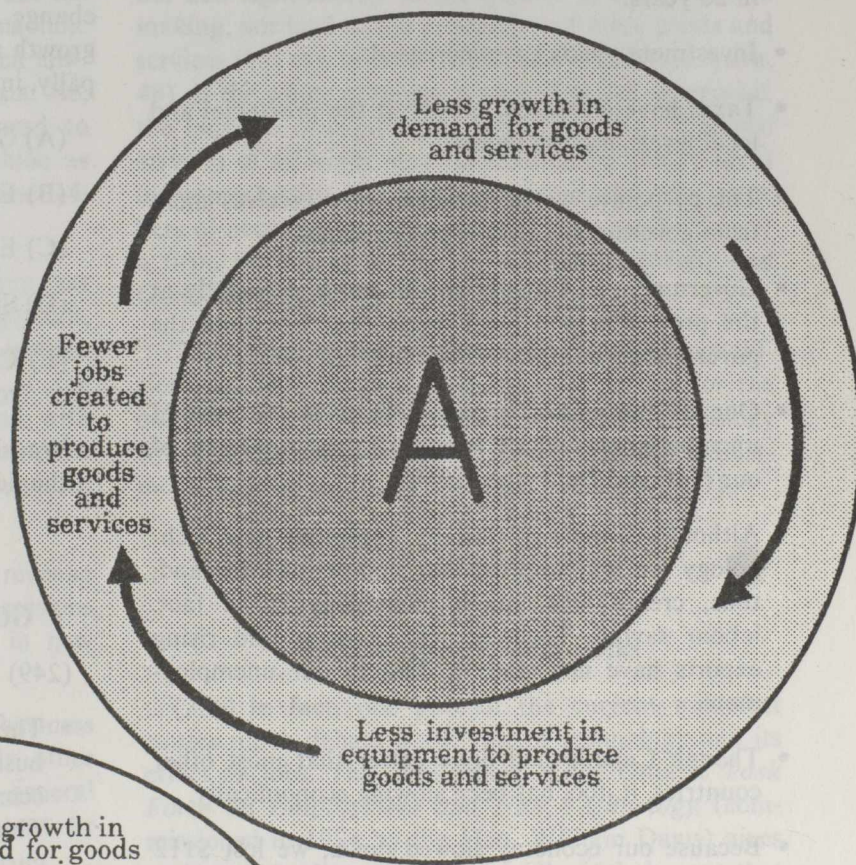
The savings include: Capital Consumption Allowance; Retained Earnings by Corporations; Personal Savings; Net Income from Transfer Payments to and from abroad.

Business investment includes: Business Fixed Capital Formation; Change in Inventories.

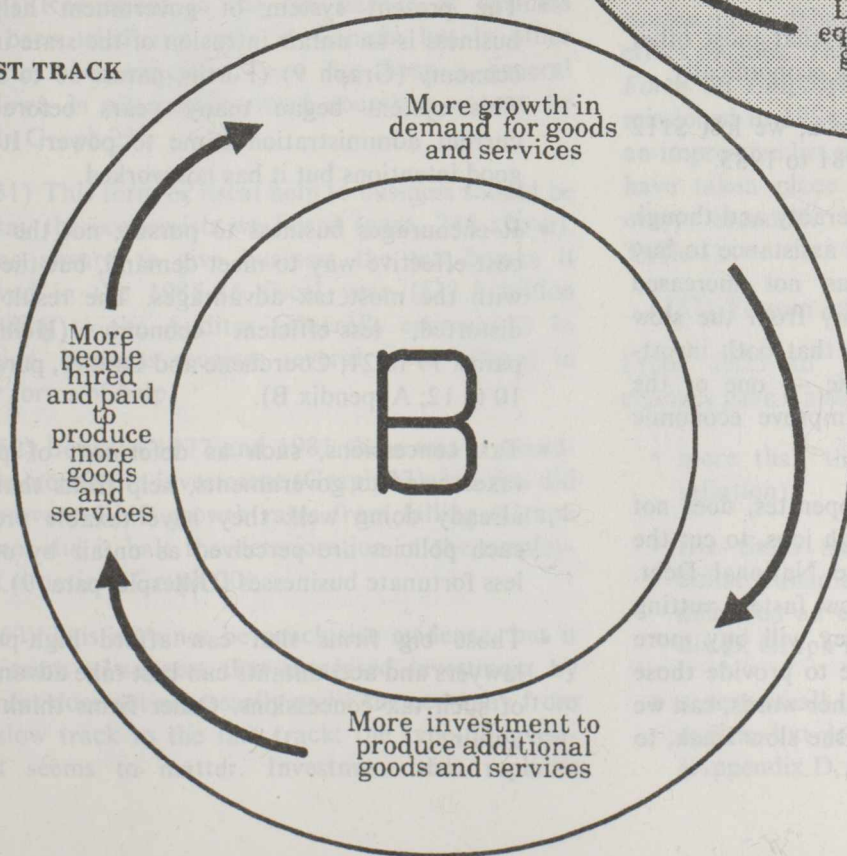
Source: 85 ER

THE SLOW TRACK

**HOW TO GO
FROM
(A) TO (B):
FROM THE
SLOW TRACK
TO THE
FAST TRACK**



THE FAST TRACK



**To get an economy
from (A) to (B)**

Economists argue over whether it is better to stimulate investment or to stimulate demand. The argument is circular: no one will invest in producing more goods and services if there is no demand for more goods and services. And there will be no demand for more goods and services if people are not expanding production, hiring and paying people to produce more. Once the economy is in the slow track circle (A) how does one move it to (B)?

To summarize the years 1965 to 1985 (Graphs 1-24, above), paragraph 246 is repeated:

- After taxes and inflation, Canadians have more income and save more than they did 20 years ago.
- After allowing for inflation, the net worth of the top 20% of Canadian families has much increased in 20 years.
- Investment yields have increased.
- Taxes have increased, mostly at the provincial and local levels, not the federal.
- The corporate world, however, now receives more from governments than it pays in taxes.
- Government in Canada spends more, especially at the provincial and local levels (but less than the governments of many other countries spend).
- One of the causes of our deficits is the cost of unemployment, which is equal to the total cost of our National Debt since 1968.
- Although some say that by accepting new technology we will improve our competitiveness and, thus, create jobs, much technology is, in fact, labour saving. Technological progress and rising exports have not made a dent in our unemployment.
- Though Canada had done better than most other countries, it, too, has been slowing economically.
- Because our economy slowed down, we lost \$112 billion in sales (demand) from 1981 to 1985.
- Though savings increased considerably and though investors were given much fiscal assistance to buy new equipment, investment has not increased sufficiently to move our economy from the slow track to the fast track: it seems that both investment and demand must increase — one or the other alone is not enough to improve economic performance.

(247) Our economy, as it now operates, does not grow fast enough to generate enough jobs, to cut the costs of unemployment and of the National Debt. Can the economy be made to grow faster, putting more people on payroll so that they will buy more goods and services and invest more to provide those additional goods and services? In other words, can we move the economy from Circle A, the slow track, to

Circle B, the fast track, in Graph 24? In our meetings with experts across the country, we heard them discuss ways that could or could not get Canada into the fast track:

(248) All governments have been conscious of the fact that slow growth aggravates the problems of adjusting to economic, technological and social change. Various government measures to accelerate growth and increase employment have fallen, principally, into five categories:

- (A) Government help to business.
- (B) Encouraging technological development.
- (C) Encouraging exports.
- (D) Subsidizing job creation.
- (E) Cutting the size of government to leave more room for private enterprise.

We shall examine these to see what lessons we should draw from them.

- A -

GOVERNMENT HELP TO BUSINESS

(249) Many economists told us that:

- The present system of government help to business is an unfair intrusion of the state in the economy (Graph 9) (Fortin, paras. 30 to 32)¹⁰. This system began many years before the current administration came to power. It had good intentions but it has not worked.
- It encourages business to pursue, not the most cost-effective way to meet demand, but the way with the most tax advantages. The result is a distorted, less-efficient economy (Helliwell, paras. 19 to 21; Courchene and Laidler, paras. 8, 10 to 12; Appendix B).
- Tax concessions, such as deferment of profit taxes owed to governments, help firms that are already doing well: they have taxable profits; such policies are perceived as unfair by other, less fortunate businesses (Gillespie, para. 9).
- Those big firms that can afford high-priced lawyers and accountants can best take advantage of such tax concessions. Other firms think this unfair.

- Such government programs support investment in capital-intensive projects and lead to the replacement of people by machines (Courchene and Laidler, para. 13).
- Moreover, as Professor Helliwell points out, the latest industrial equipment saves on both capital and labour: a new machine today turns out ten times as many widgets as a ten-year-old machine that cost the same in constant dollars when new. And today's machine slashes labour costs. So, says Professor Helliwell, there is no need to subsidize businesses to buy such a machine as they will do so anyway (Helliwell, para. 14; Courchene and Laidler, para. 11).
- "We do not come out ahead if investments that are 'losers', on the basis of business judgement, are promoted into 'winners' by the tax system. Viewed another way, the productivity of the capital stock in the economy is lowered and, with it, output and income levels, ..." (Economic Council of Canada *23rd Annual Review*, p. 33; see also pp. 27 through 32.)
- For every two dollars of government revenue foregone to finance programs of tax concessions or grants to business, only one dollar in new investment results (Appendix B).

(250) Reductions in the tax burden of business have been tried, not only in Canada but in other countries. Nevertheless, there has been a general slowdown in all industrialized countries as can be seen in Graph 21.

(251) This form of fiscal help to business should be cut, say the economists we heard (para. 246 above). It was absurd to give business the tax breaks it received in the 1985-86 fiscal year (\$11.5 billion according to the Auditor General's estimate.¹¹) In addition, business receives several more billions in other forms of help.

(252) Between 1977 and 1981 there was a considerable increase in investment (Graph 23); but this did not prevent GNP growth rates from falling (Graph 21) nor did it halt the deterioration in the employment situation (Graph 20).

(253) This may not be conclusive evidence, but it does seem to suggest that increased investment by business does not necessarily move the economy from the slow track to the fast track: the type of investment seems to matter. Investment that replaces

people by machines may cause, as a first effect, a reduction in demand that has a more negative force than the positive force of more investment.

(254) It will be interesting to see the results of current studies into investment in office information services that flood executives with numbers but do not add significantly to the quality of their decision making, nor lead to the production of more goods and services that can be sold (Meltz and Gunderson, para. 48). If the whole economy is viewed as one enterprise, the increase of capital and labour put into financial services of all kinds may turn out to be money spent on unproductive overhead: like increasing the numbers of accountants and lawyers in the head-office of a firm, instead of increasing production (Meltz and Gunderson, para. 48).

(255) None of the above justify a Luddite conclusion that technological modernization is bad for the economy; but as with anything new, new technology will have its ups, downs and false starts, and adjustments may be painful (Peitchinis, paras. 25 to 27).

- B -

TECHNOLOGY AND JOBS

(256) In fact, one part of the current mix that causes much debate is the role of technology and its effect on jobs. The final report of the Ontario *Task Force on Employment and New Technology* (commissioned in 1984 by the Hon. William Davis) gives an impressive list of major technological changes that have taken place in Canada since 1910, affecting every economic and social field (Appendix D, Table 1).

(257) To sum up:

From 1925 to 1982 revolutionary technological changes gave Canadians:

- more than three times higher earnings (after inflation);
- five times more productivity: for every extra dollar Canadian workers collected in wages, they delivered an extra \$1.67 in production (Appendix D, Graph B);
- a very small increase in the amount of jobs per capita, but jobs entailing fewer hours of work (Appendix D, Graph A).

(258) However, the small increase in the jobs per capita, produced in a period of great technological advances, did not keep up with the increasing proportion of our population that wants to work. Our participation rate has risen (Appendix D, Table 2) and leaves us with levels of unemployment which are very high by historical standards.

(259) Further, as can be seen in Appendix D, Table 2, fewer women than men are in the official labour force; should these women increase their participation rate, it may be difficult for the economy, in its current state, to generate the necessary new jobs.

(260) So, in the past, technological change, although desirable in itself, has not contributed enough jobs — in the politically acceptable short term — to soak up unemployment. Moreover, while technology does generate new employment in certain sectors, it abolishes jobs in others. The same people who lost jobs are not necessarily those who will get the new ones.

- C -
EXPORTS AND JOBS

(261) Nor did the large increase in our exports reduce unemployment. Our share of world trade was five per cent in 1973; it fell to 3.6 per cent in 1980; but it had grown back to 5.1 per cent by 1984 as can be seen in Appendix D, Table 3. Moreover, world trade itself, after discounting for inflation, has grown considerably. So our 5.1 per cent share in 1984 represents much higher real export earnings than our 5 per cent share in 1973: 74 per cent more.

(262) The economists to whom we talked were nearly all in favour of Canada being more competitive on world markets. Being competitive, they said, meant being technologically up to date, more productive and therefore able to create more wealth. Successfully exporting a commodity means we are producing it competitively; we will then hire more people to produce and export that commodity. For a high-tech item, this means high-tech jobs. But the economists we heard did not see exports as a major source for a *net* increase in jobs (Paquet, para. 2; Stewart, paras. 52 to 55).

(263) To buy our exports, other countries need Canadian dollars which they obtain, generally, by selling us their exports. This means, over time, that

for every job we gain by exporting, we may lose one by importing.

(264) Alternatively, we may export more than we import. Then we would have to invest Canadian dollars abroad, so that foreigners can use these dollars to pay for our exports. But if we export capital, we do not invest it here to create jobs. So the jobs we might gain by exporting goods we would lose by importing goods or by exporting capital.

(265) If we export a lot, import little and invest insufficiently abroad, Canadian currency will be in short supply abroad. Since everything, currency included, rises in price when in short supply, the value of the Canadian dollar will increase, our exports will become more expensive and we will sell less abroad, eventually. This is what is happening to Japan now. Over time, there is no escaping the equilibrium between exports and imports.

(266) Graphs C to I, Appendix D, show that exports and imports go up or down in tandem; that they do not demonstrably affect the rate of change in jobs per capita among those 15 to 65 years old in Italy, France, Japan, West Germany, the United Kingdom, Austria, and the United States. This, however, is not conclusive evidence of the effect of exports on jobs.

(267) A recent Statistics Canada publication, studying the past three decades, noted that as our exports went up, so did our imports; that we gained employment thanks to exports but lost it because of imports¹² (Stewart, paras. 52 to 55).

(268) The figures in the StatsCan publication are a clear illustration of what graphs C to I show in Appendix D: in Canada's trading sector, from 1966 to 1980, imports went up from 20 per cent to 30 per cent, exports went up from 21 per cent to 32 per cent: imports and exports go up or down in tandem and almost by the same amount. Further, it can be shown that in some of our major exporting sectors, exports and unemployment increased simultaneously.¹³

(269) To repeat, in no way does this report argue against an export drive. But, as we have seen, there is no evidence that an increase in exports will produce a net increase in employment (jobs per capita) within a politically acceptable interval of time. In the face of such evidence, it is hard to argue that an increase in exports can be a quick fix for unemployment.

SUBSIDIZING JOB CREATION

(270) Governments through the years have launched job creation programs. In a 1982 publication entitled *In Short Supply, Jobs and Skills in the 1980s* (pp. 104 to 105), the Economic Council of Canada assessed the main types: private job creation through tax credits or government grants; and direct government job creation.

(271) On the whole, the Economic Council did not condemn government job creation programs but implied that some

“... projected an ... unfortunate make-work image...” of “... inferior stop-gap palliatives. Such unemployment sponges, which have no clearly useful end-product or service, do not produce useful skills; they are demeaning to the participants and, ultimately, costly to taxpayers ...

(272) “Nevertheless, we view direct job creation programs as a legitimate component of overall public labour market policy. Moreover, we believe that, since the bulk of the present federal effort is in the public sector, attention needs to be focused on some policy issues concerning employment creation in the private sector as well. Our analysis of private-sector programs suggests that they may have certain advantages over public-employment programs in terms of cost effectiveness and employment stability. Furthermore, in urban, industrialized areas, they may simply afford more relevant, saleable work experience to the participants.”

(273) The Economic Council says that the major program of wage subsidies in the private sector was the Employment Tax Credit Program. In retrospect the program

“...enjoyed some degree of success, and some of its design features are instructive. Compared with a straightforward cash subsidy, the tax credit approach has some advantages. Program officials estimate that tax credits may yield a faster payoff to employers because they can apply them periodically against their interim tax assessments, while cash payments may require long processing delays. The tax credit system uses the existing tax framework and its administrative machinery, taking advantage of the auditing safeguards that it affords. Cash transfers, by contrast, may require a much more elaborate system of field visits to employers for inspection and verification purposes, as well as a larger complement of head office staff to process claims. On the other hand, under the tax credit system ... the credits themselves were taxable so that

some employers found the benefits realized to be less than anticipated. And, of course, the firms that pay no taxes — a significant proportion of the total — would be potentially excluded from any tax credit scheme ...

“Next, quite apart from the general problems of displacement and fiscal substitution, which detract from their net job creation effects, we are aware that these measures pose a number of specific design problems. In attempting to ensure that new jobs are created, for example, there is the problem of defining the ‘normal’ work force, with respect to which new positions are considered to be incremental. In the case of private-sector programs, it is probably impossible to be certain that the new jobs would not have been forthcoming in the absence of the subsidy. Experience with the Canadian Employment Tax Credit Program (ETCP) suggests that employers are leery of signing certificates of incrementality (i.e. promises that the subsidized workers they hire will be *net* additions to their work force.) There is obviously a trade-off between the need to emphasize net employment creation and the potential danger of discouraging employers from participating ...

“A further interesting question has to do with whether the subsidy for job creation should be paid to the employer or given (by means of a voucher) to the individual.”

CUTTING THE SIZE OF GOVERNMENT

(274) Dr. Michael Walker vigorously makes a case for improving the performance of the economy by cutting the size of government: reducing the amount of spending done in the economy by government; reducing taxes, thereby leaving individuals more discretion as to how they spend their money (Fortin, para. 33; BCNI, paras. 5, 6; Walker in general).

(275) No government planning system, Dr. Walker says, can allocate the investment of capital and labour as efficiently as the supply and demand mechanism of a free market economy.

(276) As Lester Thurow and Robert Heilbroner put it, in their *Economics Explained* (Prentice Hall, 1984, pp. 233 to 237):

“After all, in the market, the signal of profitability serves as the guide for allocation of resources and labor. Entrepreneurs, anticipating or following demand, risk private funds in the construction of the facilities that they hope the future will require.

"The flow of materials is thus regulated in every sector by the forces of private demand making themselves known by the signal of rising or falling prices. And, all the while, counterposed to these pulls of demand, are the obdurances of supply — the cost schedules of the producers themselves. In the crossfire of demand and supply exists a marvellously adaptive social instrument for the integration of the overall economic effort of expansion ...

"Even more remarkable: one operating rule alone suffices to bring about this extraordinary conjunction of private aims and public goals. That single rule is to maximize profits ... In other words, profits under capitalism are not only a source of privileged income, but also an enormously versatile and useful success indicator for a system that is trying to squeeze as much output as possible from its given inputs.

"Furthermore, the market mechanism solves the economic problem with a minimum of social and political controls. Impelled by the drives inherent in a market society, the individual marketer fulfills his public economic function without constant attention from the authorities..."

(277) **However, say Thurow and Heilbroner, the market does not perform all tasks well:**

"...the market is an inefficient instrument for provisioning societies — even rich societies — with those goods and services for which no price tag exists, such as education or local government services or public health facilities..."

"It is well to remember that inflation and unemployment, poverty and pollution, are all to some degree the products of the hugely vital but careless and even dangerous momentum that the market imparts to the social process."

(278) There may well be room to cut down the size of government, to give the free market more scope, but we must make sure that the spending cuts are the right ones.

(279) Deciding what to cut is not easy. Graph 12, above, shows the big ticket items in government spending where the cutting would be done. There has already been some cutting¹⁴; but it is not easy to see where else to cut:

- **The interest payments on the debt** as a percentage of the GNP cannot be cut except by bringing down interest rates and making the GNP grow faster while spending is kept within reasonable bounds.

- **Education** spending has not grown. Our universities, in particular, are short of research funds. This could have bad effects on our technological competitiveness. We might improve some specific job training by putting more of it under private auspices, but this will not necessarily cost the society less, as we have seen in the training section of the report.

- **Our Health Service** is a bargain (see Graph 13, above). It is universally praised for being cheaper, better and more cost effective than private enterprise medicine in the U.S. The Canadian public would not accept cuts in the Health Service. However, they might accept to experiment "... with new delivery systems for health care (that) could enhance the efficiency of the system and slow the projected rate of increase in health care costs." (Economic Council of Canada 23rd *Annual Review*, p. 27).

- **Cutting social services** is politically difficult. Such cutting conjures up images of striking at mothers, children, the aged, the poor and the handicapped. Social services generally provide income support to people who spend their every penny on the meager consumption they can afford. Cutting social services could cut demand and could slow the economy. A cut in social spending could lower taxes for the better-off who invest. But better-off people save and these savings do not always go into the Canadian spending stream immediately: they might buy foreign art works, travel abroad, buy properties or invest in other countries — none of which would stimulate the Canadian economy immediately.

- **Cutting the benefits to the unemployed** exposes governments to accusations of being callous, and could have the same effects as cutting social services — it could decrease demand. Besides, as the Economic Council of Canada says in its 23rd *Annual Review* (p. 36):

"... A return to relatively full employment would not only generate a 'growth dividend' from which the poor and the disabled should benefit, but measurably reduce the numbers in need." (Also, Weldon, paras. 1 to 7; Bellemare in general).

(280) Cutting without slowing down the economy is not easy. The scenarios for reducing the size of government read something like this:

THE SCENARIO OF COST-CUTTING OPTIMISTS

Cut spending.

Cut taxes.

With more after-tax income, people buy more goods and services.

With more after-tax income people invest more to hire more people and buy more machines to produce more goods and services.

The economy grows faster.

Government revenue is increased; the deficit is cut.

THE COST-CUTTING-GONE-WRONG SCENARIO

Cut spending.

Cut taxes.

Government buys fewer goods and services.

Government fires employees.

The fall in demand for goods and services due to government cuts manifests itself more strongly and more quickly than an increase in buying by people with more after-tax dollars.

Investors, anxious about uncertain demand, do not hire people or buy machines.

Unemployment and protectionism increase.

The economy slows down.

Government revenue falls; the deficit increases.

(281) One problem with the scenario of cost-cutting optimists is that it might take more time than is politically available. During the time it takes for the cost-cutting-optimists' scenario to become operative, aspects of the pessimistic scenario may prevail and politicians may intervene to redress perceived wrongs.¹⁵

(282) Undiluted free-enterprisers may deplore such government intervention; but not all economists believe intervention by the state is harmful. Lester C. Thurow of M.I.T. writes:¹⁶

“ ‘Liberate the entrepreneurs’ is a popular political battle cry. In 1981 it was heard in the defense of lower taxes for high-income individualists, and in 1985 it was the answer given by President Reagan’s Commission on Industrial Competitiveness. There may be ways in which entrepreneurs need to be liberated, but North America is not being beaten on the productivity front and in international competition by societies who have liberated their entrepreneurs and emphasized rugged individualism ... Whatever one thinks about the causes of Japanese success, it cannot be attributed to rugged individualism. If there was ever a society that de-emphasized rugged individualism and emphasized social organization, it is the Japanese.”

(283) In “less government” scenarios, the purpose of spending cuts is to cut taxes. It is unlikely that with a high deficit, governments will reduce the amount they take in taxes. In the recent U.S. tax reform, the government takes as much as before. But there may well be a redistribution of the tax burden so as to no longer distort economic decisions through the tax system (para. 249 above).

(284) In such redistribution of the tax burden, it is important not to increase the total tax burden of the poorest 40 percent of Canadians. As can be seen in Graph 3, they spend everything they earn — they save nothing. If indirect taxes are increased, these Canadians may have to cut their consumption, demand might fall, and the economy might slow down (“Cost-Cutting-Gone-Wrong-Scenario” following para. 280). We met no expert who did not favour a major reform of the tax system to:

- reduce or abolish tax concessions for business, thus decreasing government interference in business decisions;
- broaden the personal income tax base by abolishing as many tax deductions as possible; lower the tax rates;

- simplify the current maze of income support systems so as to: give more help to those who need it and none or less to those who don’t; increase work incentives by not taxing back every penny earned by a poor recipient of welfare or unemployment benefits.

(285) In fact, the plight of poorer Canadians in general and the working poor in particular has sparked the discussion over a new income support system that reduces misery and improves work incentives (Meltz and Gunderson, paras. 35 to 37; Walker, para. 22).

(286) The Income Security review of the mid 1970’s and the recent recommendations found in the Report of the Royal Commission on the Economic Union and Development Prospects for Canada (Macdonald Commission), as well as those proposed by Michael Wolfson of Statistics Canada, represent various attempts to reform our system of income support distribution and employment.¹⁷

(287) Wolfson points out that a guaranteed annual income already exists in Canada, albeit in piecemeal form. But the current collection of support systems such as unemployment insurance and welfare, constitutes a poverty trap for many: a recipient who accepts part-time work to supplement his welfare benefits sometimes has these benefits reduced by more than the total amount of his earnings.

(288) Clearly, there is a need to reform income support programs and taxation. The bottom line, in either case, must be the preservation of incentives to work for individuals and, for employers, incentives to hire people instead of buying labour-saving machinery. And the whole structure must be simpler.

(289) In view of all that has preceded in this report, we shall examine whether we can afford such options as job-creation-plus-training and the consequences of such a scheme for the economy.

JOB-CREATION-PLUS-TRAINING

(290) We have seen above (para.51), that the free market does not necessarily provide all the outputs society needs. A special program could be launched to provide these outputs, while, at the same time, helping new businesses as Professor John Graham of Dalhousie University suggests.¹⁸ This option stresses training by creating jobs using the money we spend to pay people to do nothing. Instead people would be

trained and would be paid to produce outputs that the society needs and which are not now being produced (Gillespie, paras. 10 to 16; Matthews and Carmichael, para. 11; Valli, paras. 4 to 7; Wilkinson, paras. 5 to 8; Peters, para. 6).

(291) Such a program could reduce the deficit, say professors Blanchard and Summers of M.I.T. and Harvard.¹⁹

"High tax rates and overly generous social welfare benefits are often blamed for European unemployment. But each one percentage point reduction in unemployment in Europe today would make possible a reduction of about four percent in tax rates because of the reduced need for social welfare expenditures and the enlarged tax base, as output expanded. More than half of the growth in government relative to gross national product in the last 15 years in West Germany and Britain can be attributed to abnormally slow GNP growth rather than abnormal growth in government."

(292) If the views of professors Blanchard and Summers hold true not only for Western Europe but for Canada also, then it would make economic and budgetary sense to put in place a program combining job creation with training. But are they right? "Might it not be cheaper to keep a person unemployed rather than create a job for that person?" If we can prove that it is not cheaper to keep people unemployed than to create jobs for them, then we can get a better appreciation of whether we can afford a program of job-creation-plus-training or any other training program. These calculations were made for this study and were incorporated in the report in paras. 186 to 216.

(293) We have seen (paras. 183 to 196 above) that it would cost the three levels of government less to employ the unemployed than to pay them unemployment benefits. **But are there other costs involved in creating truly needed jobs? Can such jobs be created without affecting the economy adversely?** We asked the Economic Council and Informetrica, economic consultants, to answer this question with the help of their computerized econometric models. The reasoning for undertaking these tests was that we cannot calculate the cost of every possible job-creation-plus-training scheme imaginable in which the government will probably pay only part of the cost of job creation. However, if we could establish the full cost of job creation, then we could get an idea of whether we can afford policies in which government pays less than the full cost of job creation.

(294) We asked the Council and Informetrica to suppose that the three levels of government would spend \$14,040 per job to create jobs so that the unemployment rate would fall to 4% in four years. This spending would be no more than each unemployed cost the three levels of government when he or she was on welfare or unemployment insurance in 1985. What would be the effects of such a program on the deficit, on inflation, on the GNP? We saw from the answers of the Economic Council and Informetrica (paras. 199 to 216) that we can indeed afford a job-creation-plus-training scheme that does not increase the deficit, inflation or tax rates, and that Canada would be better off if we launched such a scheme.

(295) Such job creation as examined here will improve many things that we have seen to be bad in our economy (para. 202 above); consumption, investment and income after taxes will increase, economic growth will increase; government expenses will go down; government revenue will increase.

(296) In conclusion, we again quote Professor Pierre Fortin of Laval University who wrote in a letter to the Subcommittee on the subject of job creation:

"I support your proposal enthusiastically. Such (job creation), in conjunction with a more flexible monetary policy, could reduce unemployment considerably and quickly, without substantial inflationary pressures. The experience of Quebec with measures for giving the jobless work ... will be instructive as to which pitfalls must be avoided and which ideas work. I believe, however, that the new jobs in a program (such as you propose), should be in the same private/public ratio as the actual jobs in the economy ... The public sector must not have the monopoly of these jobs (you propose to create). We must enlist the private sector in the fight against poverty."

(297) As Professor Jacques Parizeau suggested (Parizeau, para. 10), one good way of launching a job-creation-plus-training scheme such as the one proposed here, is to try it first in one small province that would agree to act as a guinea pig. When the scheme is shown to be workable, the other provinces will join in.

NOTES

1. Mickey Kaus, *The New Republic*, July 7, 1986, p. 30.
2. *Economic Council of Canada, In Short Supply, Jobs and Skills in the 1980s*, pp. 104, 105.
3. *Ontario Study of the Service Sector*, December 1986, p. 68.
4. *Adapting to Change: Labour Market Adjustment in Canada*, p. 156, (University of Toronto Press, 1986).
5. (ibid, p. 152).
6. *New York Times*, February 8, 1987.
7. Thurow, Lester C., *The Zero Sum Solution*, Simon and Schuster (New York, 1985), p. 319.
8. Organisation for Economic Co-operation and Development, *The Role of Education and Training in relation to the Employment and Unemployment of Young People*, (Statement by the Education Committee) Paris, 1983.
9. *In Short Supply Jobs and Skills in the 1980s*, p. 105, Economic Council of Canada.
10. *The Task Force on Program Review*, chaired by the Hon. Erik Nielsen, P.C., M.P., found "federal-provincial programs costing in aggregate \$16.4 billion in 1984 and requiring the services of 68,800 public servants" (p. 11 of the report). The Task Force generally discouraged the practice by governments of foregoing tax revenues or handing out grants to stimulate selected businesses.
11. Report of the Auditor General of Canada to the House of Commons, Fiscal Year Ended 31 March 1986.
12. Picot, W. Garnett, *Canada's Industries: Growth in Jobs over Three Decades, 1951-1984*, Statistics Canada (Catalogue no. 89-507E, 1986).
13. Our exports by volume index (1971=100) went up from 147.4 in 1979 to 199.3 in 1984 (Appendix E, Table 3). Yet, in the same period, employment in the goods producing sector which accounts for more of our exports went down; in agriculture from 484,000 to 476,000; in manufacturing from 2,071,000 to 1,968,000 (85 ER).
14. Employment in the federal administration dropped from 4.5 per cent of the total labour force in 1961 to 2.6 per cent in 1984. The number of employees in the federal administration fell from 338,000 in 1971 to 283,000 in 1984: or from sixteen per thousand Canadians to eleven per thousand. Employment in education fell from 7.2 per cent of the labour force in 1971 to 6.7 per cent in 1984 (see note 8).
15. David Hume, in his *Essays*, put it this way: "There is always an interval before matters be adjusted to their new situation; ... The workman has not the same employment from the manufacturer and merchant; though he pays the same price for everything in the market. The farmer cannot dispose of his corn and cattle; though he must pay the same rent to his landlord. The poverty, and beggary, and sloth, which must ensue, are easily foreseen." *Essays, Moral, Political and Literary*, Vol. I, p. 315, Longmans, Green and Co., London, 1912.
16. Lester C. Thurow, *The Zero Sum Solution*, pp. 123,124.
17. Wolfson, Michael, *Policy Options Politiques*, January/janvier 1986, pp. 35-45.
18. "A large part of the deficit arises from unemployment-induced payments of unemployment insurance benefits and social assistance. Unemployment insurance benefits alone amount to about \$12 billion in the current year. I do not suggest that these benefits be reduced, although they too should be reviewed to ensure that they are going to those who in fact require such a safety net; but I do suggest that they could be used to kill two birds with one stone: perform their safety-net function and generate useful long-term employment. It is generally agreed that new production and employment will come principally from small business. It is therefore desirable to encourage the businesses. The initial period in the life of a business is generally unprofitable and is often one of touch-and-go financially until the business establishes the necessary market and gains expertise in developing and producing its product. If the recipients of unemployment insurance benefits were to be permitted to use their benefits as a wage subsidy in seeking employment with new small business, the employer would have the benefit of reduced costs in the start-up period and the employee would have the benefit of a job at the going wage rate with a good prospect of its becoming permanent. The government would make some revenue recovery in taxes and future demand for unemployment benefits would be reduced. Safeguards would be needed to prevent employers from laying off workers once their unemployment insurance benefits had run out and hiring other workers who had just begun to receive such benefits. There are no doubt other ways in which these funds could be used to increase employment. The point is that they should be used in the most effective way possible.
19. "The biggest contribution to deficit reduction would of course come from a substantial reduction in unemployment that would reduce unemployment benefits and increase tax revenues. From all points of view, the reduction in unemployment is the central issue." Graham, John F., *Economic Growth and Jobs*, Papers on the Issues facing the Conference, National Economic Conference, Ottawa, March 22-23, 1985.
19. *New York Times*, February 8, 1987.

...and he would pay the same price for everything in the world. The farmer cannot dispose of his milk and cream, though he must pay the same rent to his landlord. The poverty, the beggary, and sloth, which must come, are ready-made. Essays: Moral, Political and Literary. Vol. 2. pp. 255. Longmans, Green and Co., London, 1907.

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26. *Capitalism: The Forgotten Solution*, pp. 123, 124.

27. *Unemployment: Public Opinion*, *Pollington*, January/January 1932, pp. 1-4.

...and he would pay the same price for everything in the world. The farmer cannot dispose of his milk and cream, though he must pay the same rent to his landlord. The poverty, the beggary, and sloth, which must come, are ready-made. Essays: Moral, Political and Literary. Vol. 2. pp. 255. Longmans, Green and Co., London, 1907.

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11. *Report of the Joint Committee on Unemployment*, House of Commons, 1931, pp. 1-10.

...and he would pay the same price for everything in the world. The farmer cannot dispose of his milk and cream, though he must pay the same rent to his landlord. The poverty, the beggary, and sloth, which must come, are ready-made. Essays: Moral, Political and Literary. Vol. 2. pp. 255. Longmans, Green and Co., London, 1907.

12. *Plan for Unemployment Relief*, House of Commons, 1931, pp. 1-10.

"The best remedy for the existing situation would of course come from a general reduction of unemployment that would reduce unemployment benefits and increase tax receipts. From all points of view the reduction in unemployment is the answer." Graham, John F., *Economic Growth and New Policies*, the issues facing the Conference, National Federation of Employers, Ottawa, March 23-25, 1937.

...and he would pay the same price for everything in the world. The farmer cannot dispose of his milk and cream, though he must pay the same rent to his landlord. The poverty, the beggary, and sloth, which must come, are ready-made. Essays: Moral, Political and Literary. Vol. 2. pp. 255. Longmans, Green and Co., London, 1907.

13. *New York Times*, February 8, 1937.

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The Social Costs of Unemployment

(1) Experts disagree on the dollar figure for the social costs of unemployment. This paper will not try to assign a dollar figure to them. However, these social costs do exist; are probably substantial; represent great human misery; and are destructive of civility in our society.

(2) Instinctively one expects unemployment to increase stress, physical and mental illness, alcoholism, drug addiction, suicide, crime and the difficulty of getting along with one's family. There is overwhelming anecdotal evidence to support this. Most social workers would attest to the ill effects of unemployment, but they cannot give an exact dollar figure for what those ill effects cost our society.

(3) To cite a specific example, we refer to a study done by Richard Deaton entitled, "Unemployment: Canada's Malignant Social Pathology," *Perception* (Spring-Summer 1983). In that paper, Deaton attempted to calculate the socio-economic costs of unemployment. He counted loss of income by workers as a separate item in his sums and counted this loss again as a reduction of Gross National Income, which includes workers' incomes: double counting.

(4) Among other things, experts disagree on whether it is the loss of a job that causes the tendency to be sick, or the tendency to be sick which makes one less employable. Please see in the collection of summaries the text entitled "Social Costs of Unemployment" for an overview of articles discussing this problem.

The Dollar Costs of Unemployment

(5) Although the social costs of unemployment are difficult to determine in dollars, the economic costs in terms of the losses to governments and to business are not.

(6) By adding the cost to governments in lost revenue (because the jobless pay less in taxes than if they were employed) plus unemployment insurance or

welfare payments plus interest on the above sums (because we are in a position of deficit), we can determine the loss to governments of having people unemployed or employable but on welfare.

(7) This calculation also involves using the **multiplier**.

(8) Here is how the multiplier is described by Robert Heilbroner and Lester Thurow on page 86 of their book *Economics Explained* (Prentice Hall, 1982):

(9) "The idea of the multiplier is simplicity itself. When a change in spending occurs, such as a new investment project, the money laid out for construction workers' wages, materials, and the like does not stop there. The recipients of the first round of investment spending will engage in additional spending of their own. And so, initial bursts of spending create secondary and tertiary bursts until the effect is finally dissipated.

(10) "By and large, economists estimate that the impact of the multiplier over the course of a year is about two. Thus the contraction in spending (in the U.S.) of \$23 billion during the third quarter of 1980, gave rise to a two-fold contraction on incomes throughout the nation, pulling the demand for GNP down by \$46 billion. And, of course, when investment rises by, say \$10 billion, the country will enjoy an increase in incomes of that original \$10 billion plus an additional \$10 billion from the multiplier."

(11) Economists disagree about the size of the multiplier in Canada. Many say it is less than two because, among other things, we spend more on imports than do the Americans. Some say it is more than two. There seem to be as many values of the multiplier as there are schools of economic thought. For the purposes of this study, the value of the multiplier is taken to be about 1.7, a figure that enjoys substantial support among economists.

(12) In December 1985, the equivalent of 1,238,000 persons received unemployment insurance

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and 559,000 received welfare; though able to work, they were unable to find jobs. If we take what all these people represent in lost tax revenue (since they have less taxable income than when employed), plus benefits paid to them and interest on the above sums, we can make the following calculation using Statistics Canada figures for 1985 and based on the average unemployed Canadian who earned \$270 per week in his or her last job, according to the Department of Employment and Immigration:

(13) *Cost to three levels of government due to people receiving unemployment insurance (with a multiplier of 1.7; 1985):*

(I) WHEN THE AVERAGE UNEMPLOYED CANADIAN WAS STILL EMPLOYED:

- (a) Annual wages (\$270 p.w.) \$14,040
- (b) *APPLYING THE MULTIPLIER = 1.7*
Increase in GNP: (line (a) times 1.7) \$23,868
- (c) Federal revenue on GNP, including payroll deductions (16.4% of line (b)) \$ 3,914
- (d) Provincial and local revenues on GNP (18% of line (b)) \$ 4,296
- (e) Total government inflow (times (c) plus (d)) \$ 8,210

(B) AFTER THE AVERAGE UNEMPLOYED CANADIAN HAS LOST HIS OR HER JOB:

- (f) U.I.C. benefits (60% of insurable earnings for 50 weeks: \$270 times 60%, times 50) \$ 8,100
- (g) GNP generated by gross income (line (f) times 1.7) \$ 13,770
- (h) Federal revenue on GNP generated by gross income (16.4% of line (g)) \$ 2,258

- (i) Provincial and local revenues on GNP generated by gross income (18% of line (g)) \$ 2,478
 - (j) Total revenues, all levels of government (lines (h) plus (i)) \$ 4,736
 - (k) Loss to all levels of government (line (j) minus line (f)) \$ - 3,363
 - (l) Interest on above at 11.25% \$ - 378
 - (m) Total loss for all levels of government (lines (k) plus (l)) \$ - 3,741
 - (n) So, when our average unemployed Canadian goes on U.I. benefits, government inflow of +\$8,210 (line (e)) becomes an outflow of -\$3,741 (line (m)). Since all governments are running deficits, the resulting increase in deficit for all governments combined (lines (e) plus (m)) is: \$ - 11,951
(Explanation: The same arithmetic applies as in reading a thermometer. If you go from plus 8.2 degrees to minus 3.7 degrees, you have suffered a drop of 11.9 degrees).
- (14) WHEN THE AVERAGE UNEMPLOYED CANADIAN (WITH A SPOUSE AND TWO CHILDREN) GOES ON WELFARE:**
- (o) Welfare benefits (maximum benefits for Ontario residents: \$924 times 12 months) \$ 11,088
 - (p) GNP generated by gross income (line (o) times 1.7) \$ 18,850
 - (q) Federal revenue on GNP generated by gross income 0

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(r)	Provincial and local revenues on GNP generated by gross income	0
(s)	Total revenues, all levels of government	0
(t)	Loss to all levels of government	\$ -11,088
(u)	Interest on above at 11.25%	\$ -1,247
(v)	Total loss for all levels of government (lines (t) + (u))	\$ -12,335
(w)	Therefore, when our average Canadian in this example becomes unemployed and goes on welfare, government inflow of +8,210 (line (e)) becomes an outflow of -12,335 (line (v)). The resulting loss for all governments combined (line (e) plus line (v)) is (see explanation, line (n)).	\$ -20,545

(15) The number of people on welfare able to work but unable to find jobs is estimated from figures in Health and Welfare Canada, *Task Force on Program Review — Canada Assistance Plan*, p. 48. This gives figures for March 1984. The ratio of employable but jobless people on welfare to the total number of unemployed in March 1984 (Statistics Canada, *Labour Force* survey) is applied to the number of unemployed in December 1985 to derive 559,000. The figure includes those discouraged by a fruitless job search who have gone onto welfare rolls.

(16) So, in 1985, the 1,238,000 unemployed times \$11,951 (line (n), above) cost the three levels of government \$14,795,338,000; the 559,000 employable welfare recipients times \$20,545 cost the three levels of government \$11,484,655,000. In other words:

Unemployment in 1985 cost governments \$26.28 billion, or \$14,624.00 for each jobless Canadian.

(17) In his February 1986 budget, the Hon. Michael Wilson, Minister of Finance, gave his projections of unemployment levels through 1991. To

find the cost of unemployment for the six years ending in 1991, we apply proportionately to Mr. Wilson's predictions the calculations of the costs for the year 1985 in para. 16 of this Appendix.

(18) Estimates of the number of unemployed workers (000's) from 1985 to 1991 inclusive are calculated based on the following assumptions:

- population and labour force increase: based on the estimated rate of population increase from 1984 to 1985.
- unemployment rate: based on predictions by the Honourable Michael Wilson in his 1986 budget speech.

To determine the ratio of unemployment per year expressed in relation to 1985 unemployment levels, we divide the estimated number of unemployed for each year through 1991 by the number of unemployed in 1985.

ESTIMATED UNEMPLOYMENT IN 000's, 1986-1991

	December Population 000's (estimated)	Labour Force 000's	Unemp. Rate	Unemp 000's
1985	25,359	12,782	10.0%	1279
1986	25,292	12,901	9.6%	1238
1987	25,833	13,021	9.0%	1172
1988	26,073	13,142	8.75%	1150
1989	26,316	13,264	8.50%	1127
1990	26,560	13,388	8.25%	1105
1991	26,807	13,512	7.75%	1047

RATIOS OF UNEMPLOYMENT PER YEAR TO 1985 UNEMPLOYMENT

1986	1987	1988	1989	1990	1991
0.97	0.92	0.90	0.88	0.86	0.82

These ratios are then used to estimate yearly costs of unemployment (1986-1991) by multiplying the established costs of unemployment in 1985 (see paragraph 16 in this appendix) by the unemployment ratios calculated above:

ESTIMATES OF YEARLY COSTS (BILLIONS, 1985 dollars)

1986	1987	1988	1989	1990	1991
25.4	24.1	23.5	23.0	22.5	21.4

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So for the years 1986 to 1991 inclusive, the total estimated costs to governments of having jobless people on unemployment insurance or welfare is:

FOR GOVERNMENTS: \$140 BILLION

(19) The figures are in 1985 dollars. The calculations are for six years and the results produce totals lower than six times the 1985 costs (Appendix A para. 16, above); this is because the Minister of Finance assumes unemployment will drop to 7.75 per cent in 1991. Even with this projected drop in unemployment, our governments will still lose huge sums because we shall underutilize labour which is a factor in the creation of wealth.

(20) Also huge is the loss in sales that business suffers as a result of unemployment.

(21) The precise loss in sales to business is hard to pinpoint. By the method used in paras. 13 and 14 of this Appendix, we take what the unemployed would have contributed to the GNP had they remained employed, and we subtract from that the lesser sum they contribute to the economy when on Unemployment Insurance or social security benefits. This shows how much less money passed through business coffers because of unemployment. By this method we find that in 1985:

UNEMPLOYMENT COST BUSINESS \$15.2 BILLION IN SALES.

(22) The creation of wealth is necessary to maintain and improve our standard of living. Both labour and capital contribute to our ability to create more wealth. All economists agree that if labour and capital are not used fully, the economy as a whole is not used fully; moreover, if labour is underutilized, so will capital be and vice versa. **In a very real sense, our high rate of unemployment is not only the major effect of our economic problems — it also becomes a major cause.**

(23) Further, unemployed workers are truncated customers. When they find jobs and have their purchasing power restored, they could provide Canadian business, as a whole, with a great growth in sales.

(24) Even if we assume that those re-employed will spend 30 per cent of their increased earnings on imported goods, they will spend the remaining 70 per cent on domestic goods and services. If the re-employed save part of their earnings, these savings will be lent out to finance additional investment or consumption of goods and services.

CORPORATE TAX EXPENDITURES AND THEIR ECONOMIC IMPACT

APPENDIX B

CORPORATE TAX EXPENDITURES AND THEIR ECONOMIC IMPACT

BASIL ZAFIRIOU
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Library of Parliament
29 November 1984
Revised 4 November 1986

A. CORPORATE TAX EXPENDITURES

As everyone knows, Canada's income tax system is exceedingly complex. The main reason for this is that over the years we have grafted on to the basic system literally hundreds of special provisions favouring particular groups, investments or activities. These provisions consist of tax exemptions, tax credits, tax deferrals, and lower tax rates. Tax deferrals can be substituted for direct payments of tax, and have thus come to be known as "tax shelters". More formally, tax expenditures are usually defined as departures from the normal or basic tax system.

Some of the most important tax expenditures are: Corporation taxes are the second most important source of federal revenue after the personal income tax. In the current fiscal year they are expected to yield some \$11 billion or 25% of total revenue. The basis of the corporate tax system is the concept on which a tax rate is applied. It consists essentially of gross revenue minus the cost of doing business. In addition to certain expenses (wages and salaries, 60% of real estate taxes, deductible business losses include capital expenses (designed to take into account the depreciation of capital assets) and depletion allowances for resource industries. The general federal tax rate on corporate profits is 38%. This basic framework, however, has been enriched with scores of special provisions, the most important of which are outlined below.

1. Lower Tax Rates

As already stated, the normal corporate tax rate is 38%. However the rate applicable to manufacturing and processing firms is 30%. The first \$200,000 of income of Canadian-controlled private corporations (i.e. corporations whose shares are not publicly traded) is taxed at 15% and for manufacturing and processing firms in this category it is only 16%.

2. Partial Exemption of Capital Gains

Capital gains raise a taxpayer's net worth in the same way that ordinary income does. Unlike ordinary income, however, only one-half of capital gains are taxed.

3. Capital Cost Allowances

Capital cost allowances and deductions allowed by the tax system for depreciation of assets used in the production of business income allowances are established according to schedules set down in the Income Tax Act. The full amount goes into 17 categories.

Some of the most important incentives to investment. For instance, investments in R&D and in Canadian films may be written off immediately. Manufacturing and processing firms may deduct machinery and equipment expenditures in full. Accelerated depreciation provisions apply to investments in new energy saving equipment, and new energy saving equipment. The full amount goes into 17 categories.

4. Investment Tax Credits

Investments in new production facilities earn the investor a 7% credit — that is 7% of such investments may be deducted from taxes payable. Investments in these special regions identified under the former *Regional Development Incentives Act* (now superseded by the *Industrial and Regional Development Program*) qualify for a 10% credit, and the rate applicable to the Atlantic Provinces and the Gaspe is 20%. R&D expenditures earn a general tax credit of 30%. In the Atlantic Provinces and the Gaspe the rate is 30% and the rate applicable to small business corporations is 35%. A special investment tax credit of 30% is available for investments in manufacturing in designated areas and a 60% credit for qualifying investments in Cape Breton.

APPENDIX A

For the years 1970 to 1974 inclusive, the total amount of...

2.515 ESSENTIAL TOOLS IN THE...

...the total amount of...

...of wealth is necessary to maintain our standard of living. Both labour and capital contribute to our ability to create more wealth. It is not enough to say that if labour and capital are not fully employed, the economy as a whole is underdeveloped. If labour is underutilized, so is capital. And vice versa. In a very real sense, the underdevelopment of the economy is not only the major cause of unemployment, but also becomes a...

APPENDIX B

...the total amount of...

...are true and that they have not only their own but also the resources of the country. In a very real sense, the underdevelopment of the economy is not only the major cause of unemployment, but also becomes a...

CORPORATE TAX EXPENDITURES AND THEIR ECONOMIC IMPACT

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CORPORATE TAX EXPENDITURES AND THEIR ECONOMIC IMPACT

A. CORPORATE TAX EXPENDITURES

As everyone knows, Canada's income tax system is exceedingly complex. The main reason for this is that over the years we have grafted on to the basic system literally hundreds of special provisions favouring particular groups, investments or activities by means of tax exemptions, tax credits, tax allowances, tax deferrals, and lower tax rates. Tax preferences of this sort can be substituted for direct government spending and have thus come to be known as *tax expenditures*. More formally, tax expenditures are usually defined as departures from the normal or benchmark tax system which have the effect of lowering taxes otherwise payable.

Some of the most significant "departures" are associated with our corporate income tax system. Corporation taxes are the second most important source of federal revenue after the personal income tax. In the current fiscal year they are expected to yield some \$11 billion or 13% of total revenue. At the basis of the corporate tax system is a net revenue concept on which a tax rate is applied. Net revenues consist essentially of gross revenues minus the cost of doing business. In addition to current expenses (wages and salaries, costs of materials, power etc.), deductible business costs include capital cost allowances (designed to take into account the depreciation of capital assets) and depletion allowances for resource industries. The general federal tax rate on corporate profits is 36%. This basic framework, however, has been riddled with scores of special provisions, the most important of which are outlined below.

1. Lower Tax Rates

As already stated, the general corporate tax rate is 36%. However the rate applicable to manufacturing and processing firms is 30%. The first \$200,000 of income of Canadian-controlled private corporations (i.e. corporations whose shares are not publicly traded) is taxed at 15% and for manufacturing and processing firms in this category it is only 10%.

2. Partial Taxation of Capital Gains

Capital gains raise a taxpayer's net worth in the same way that ordinary income does. Unlike ordinary income, however, only one-half of capital gains are taxed.

3. Accelerated Capital Cost Allowances

Capital cost allowances are deductions allowed by the tax system for depreciation of assets used in the generation of business revenue. Allowances are established according to schedules set down in the *Income Tax Act*. The Act groups assets into 37 separate categories, each having its own depreciation schedule. The schedules are meant to conform roughly to actual depreciation rates, but in a number of cases capital allowances have been accelerated as incentives to investment. For instance, investments in R&D and in Canadian films may be written off immediately. Manufacturing and processing firms may write off machinery and equipment expenditures within three years. Accelerated depreciation provisions also apply to investments in new mines, energy conservation equipment, pollution control equipment, and investments in designated less developed areas of Canada.

4. Investment Tax Credits

Investments in new production facilities earn the investor a 7% tax credit — that is 7% of such investments can be deducted from taxes payable. Investments in slow growth regions identified under the former *Regional Development Incentives Act* (now superseded by the Industrial and Regional Development Program) qualify for a 10% credit, and the rate applicable to the Atlantic Provinces and the Gaspé is 20%. R&D expenditures earn a general tax credit of 20%. In the Atlantic Provinces and the Gaspé the rate is 30% and the rate applicable to small business corporations is 35%. A special investment tax credit of 50% is available for investments in manufacturing in designated areas and a 60% credit for qualifying investments in Cape Breton.

Under changes proposed in the February 1986 budget, the general investment credits of 7 and 10% will be phased out by 1989, and the special 50% credit, which is scheduled to expire at the end of 1986, will be retained but at the reduced level of 40%.

5. Inventory Allowance

Since 1977 firms have been able to deduct from taxable income 3% of the cost of inventories held at the beginning of the tax year. This measure was introduced to offset in part the negative impact of inflation on business cash flows. In particular, under current tax provisions, when a firm uses up goods held in inventory it must deduct their cost under the so-called first-in, first-out (FIFO) accounting principles. During inflationary periods, therefore, the deduction allowed is less than the replacement value of inventories. The February 1986 budget proposed that the inventory allowance be phased out by February 25, 1987.

6. Resource Allowances

Mining corporations are permitted a "depletion allowance" of up to 25% of their net income. The allowance must be "earned" in the sense that it is allowed only up to 33 1/3% of "eligible expenditures" incurred. Eligible expenditures include expenses on exploration and resource development and the purchase of processing machinery and equipment. Oil and gas companies are eligible for a similar earned depletion allowance for activities on Canada Lands and for exploration and development expenditures on synthetic oil production, enhanced recovery projects and tertiary recovery projects.

In addition, since 1976 corporations and individuals have been able to deduct 25% of their resource profits in computing taxable income. This resource allowance was introduced in replacement of the allowance for provincial resource taxes.

While the provisions outlined above constitute the major corporate tax expenditures currently in force, they represent but a small fraction of the total number involved. A comprehensive list of corporate tax expenditures for the years 1979-82 is provided in the addendum. The list contains more than fifty separate tax preferences. That list is drawn from a

Department of Finance publication entitled *Account of the Cost of Selective Tax Measures* released in August 1985. A more recent update of the account is not available.

B. REVENUE IMPACT

The list of corporate tax expenditures shown in the addendum also indicates their estimated values in terms of tax revenues foregone. For several reasons, these quantitative estimates cannot be added to yield a meaningful aggregate figure. First, the impact of each tax provision has been estimated by simulating the change in revenues that would result if that provision alone were removed, keeping all others in place. This procedure does not take into account the effect on revenues from the interaction of the provisions (e.g. the effect of accelerated depreciation in manufacturing is estimated on the basis of the lower rates available to manufacturing firms, and the effect of the lower rates is estimated on the assumption that accelerated depreciation is in place: the effect of either preference will be greater when measured in the absence of the other). Second, the estimates for each provision do not take into account the effect that its removal may have on overall economic activity, and derivatively on government revenues. The simultaneous removal of all special provisions is likely to have significant macroeconomic effects. Third, quantitative estimates are missing for several items. Finally, some estimates are subject to wide margins of error, and these could all be biased in one direction. These caveats notwithstanding, it is clear from the estimates in the addendum that the revenue impact of the corporate tax expenditures is very large, running into several billion dollars.

A better indication of the overall magnitude of tax expenditures in our corporate tax system was provided by another Department of Finance study which estimated average corporate tax rates using tax data from 1980-1981 but adjusting those data to represent the 1985 corporate tax system.⁽¹⁾ The study found that on average the tax incentives reduce the federal corporate tax rate of 36% by one-half to 18%. Abstracting from any effects that removal of these incentives would have on corporate behaviour and economic activity, this tax reduction represents a revenue impact in the range of \$11 billion in the current fiscal year.

⁽¹⁾ *The Corporate Income Tax System: A Direction for Change*, May 1985.

C. WELFARE COSTS

The revenues foregone through tax expenditures do not constitute an *economic* cost — they are transfer payments. They amount to payments from some tax payers to others, but for society as a whole they do not represent a cost. Of course, one may not like the way they are being distributed. Also, as far as the government is concerned, tax expenditures do represent a cost and do affect the size of the deficit. So even if tax expenditures involved pure transfers, given their magnitude, they would justify close and careful scrutiny.

Corporate tax expenditures do have an economic cost, however, through their impact on resource allocation and more particularly through their impact on the allocation of capital. Efficiency (and hence wealth) in a society is maximized when resources are put to those uses where they yield the greatest value. In a market economy, where individual owners decide how to invest their resources, capital will be so allocated that the after-tax rate of return is the same everywhere.⁽²⁾ It follows that if tax treatment is not the same in all cases, then before-tax returns will be greater in sectors (or activities) where the tax burden is greater. The wealth of society would therefore rise if more resources were transferred to these sectors. In other words, sectors that are taxed relatively heavily are too small while sectors taxed less are too large. The losses implied by this tax-induced misallocation represent the welfare costs of the tax system.

While empirical evidence on the magnitude of the welfare costs is scarce, economic theory allows us to identify a number of potential distortions resulting from the existing profusion of tax preferences:

1. Labour vs. capital

The most significant of corporate tax preferences (accelerated capital depreciation, excess exploration and depletion allowances, R&D tax credits) are capital biased: they tend to reduce the cost of capital relative to labour. Thus even when those preferences are successful in raising investment (and the evidence on this score is mixed, as we argue below), they can lead to employment losses as firms substitute the

relatively cheap capital for labour. The more easily capital is substitutable for labour the greater is the likelihood of this outcome. As employment-creation measures, therefore — and that is how they are frequently justified — such tax preferences can be perverse. In any event, they tend to promote a level of capital intensity in production that is greater than economic efficiency considerations would recommend.

2. Inter-industry distortions

As outlined in the first section of this paper, manufacturing and resource industries enjoy lower tax rates and qualify for more tax preferences than other industries. Since investors allocate their capital so as to maximize after-tax returns, the existing corporate tax structure tends to promote excessive investment in manufacturing and resource industries at the expense of investments in other sectors of the economy.

3. Inter-regional distortions

A number of provisions in the corporate tax system favour investments in slow growth regions of the country. While the aims underlying these incentives are hard to quarrel with, the merit of the specific means chosen is dubious. In virtually every case, the effect of these incentives is to subsidize the use of capital, which as already noted above can have the perverse effect of raising unemployment — or at the very least encouraging capital intensive production — precisely in those areas of the country suffering most from excess labour supply.

4. Distortion of the capital structure

There is a variety of financial instruments through which a firm can meet its capital requirements, but they can all be boiled down to two classes - debt and equity. At one level, the corporate tax system favours debt financing, because the interest cost of borrowed capital is tax deductible whereas the implicit interest cost of equity is not. This encourages firms to increase their ratio of debt to equity (to become more levered). Since the risk of bankruptcy rises as lever-

⁽²⁾ This would hold at equilibrium, for if yields are greater in some activities than others, then profits can be made by shifting capital from the latter to the former. The increased supply of capital would tend to reduce its return in the high-yielding sectors and conversely. The process would continue until rates in all sectors were equalized.

age does, this asymmetric tax treatment of debt and equity costs tends to produce more bankruptcies than is socially optimal. (Since some risks are worth bearing, some bankruptcies are inevitable in an economically efficient system.)

There is an offsetting tendency, however, in the favourable treatment of capital gains. This feature of the tax system encourages retention of earnings, and hence less reliance on debt markets.

5. Distortions in the choice of fixed assets

Accelerated depreciation allowances encourage investment in long-lived assets. This follows from the type of benefit that accelerated depreciation provides. A firm that can deduct the cost of capital spending before the asset actually depreciates receives, in effect, an interest-free loan for the period beginning at the time the depreciation is claimed to the time when it would be claimed, had asset been written off according to its actual depreciation rate. Hence, the longer-lived the asset, the longer the term of the interest-free loan and the greater the benefit. Investment allowances and tax credits on the other hand encourage the use of short-term assets. Allowances and credits are available immediately upon investment and amount to some proportion of that investment. The shorter the life of the investment, the more frequently can a firm claim the benefits of allowances and tax credits, since they are claimed every time an investment is made.

D. EFFECT ON INVESTMENT

The objective of corporate tax preferences has normally been to encourage investment in particular areas or activities. How effective are they in this regard? Many studies have been addressed to this question,⁽¹⁾ but the answer remains contentious. This is not really surprising given the complexity of the investment process and the numerous factors, in addition to tax policy, on which business decisions depend. Typically, studies show that tax incentives can influence investment decisions, but they do so

with substantial lags (which therefore makes them poor candidates for stabilization policy) and the magnitude of the response is often rather modest relative to the revenues foregone. Harman and Johnson, for example, have estimated that the accelerated depreciation and tax reductions for manufacturing and processing firms introduced in 1972 raised investment spending by \$313 million but cost the federal treasury \$568 million.⁽²⁾ As the authors of the study suggest, these results "cast a cloud" over the efficacy of such investment incentive policies.

E. SUMMARY AND CONCLUSIONS

Tax expenditures are a substitute for direct spending in the pursuit of public policy objectives. In the corporate sector, tax expenditures are today the main instrument for influencing business behaviour. The legitimacy of this form of public intervention is not at issue, but there are reasons to question the extent of its use at present. Corporate tax expenditures are today so numerous that they seriously compound our already very complex taxation system. Their effectiveness is frequently far from certain; often they seem to operate at cross-purposes. They are a significant drain on the public purse. They distort resource allocation, thereby retarding economic efficiency.

In light of the above, a move towards less reliance on tax expenditures could yield substantial benefits. It would simplify the tax system, making it more understandable to the taxpayer and less capricious or arbitrary in appearance. Administration and compliance costs, which add nothing of value to society, would decline. It would enhance allocational efficiency, and hence promote economic wealth. Finally, it might help symbolize a government attitude that discourages the use of public instruments to benefit particular private interests. Should this occur, some of the resources currently devoted to socially unproductive rent-seeking efforts (efforts to redistribute wealth through the public sector) may be redirected towards wealth-creating activities instead.

⁽¹⁾ The effect of tax policy on investment has been most exhaustively studied in the U.S. Canadian studies in this area include: D. Usher "Some Questions about the Regional Development Incentives Act", *Canadian Public Policy*, Vol. 1 (Winter 1975), pp. 557-75; G.O. Gaudet, J.D. May, and D.G. McFetridge, "Optimal Capital Accumulation: The Neo-Classical Framework in a Canadian Context", *Review of Economics and Statistics*, Vol. 58 (August 1976), pp. 269-73; R.M. Hyndman, "The Efficacy of Recent Corporate Income Tax Reductions for Manufacturing", *Canadian Tax Journal*, Vol. XXVI (January/February 1978), pp. 84-97; F.J. Harman and J.A. Johnson, "An Examination of Government Tax Incentives for Business Investment in Canada", *Canadian Tax Journal*, Vol. XXVI (November/December 1978), pp. 691-704.

⁽²⁾ *Ibid.*

	1979	1980	1981	1982
	Lower bound	Upper bound	Lower bound	Upper bound
1. Allowable business interest				
2. Additional depreciation				
3. Deductibility of interest				
4. Tax losses from tax-exempt activities				
5. Deductibility of assets				

ADDENDUM

Corporate Tax Expenditures and Their Revenue Impact

Source: Canada, Department of Finance, *Account of the Cost of Selective Tax Measures*, Ottawa, August 1985.

The lower bound value represents the tax saving by the firm in the current year due to the application of the current year and the carry-back to previous years of current year losses and other items of deductions. The lower bound value is created by the tax measures carried forward to the year in which they are used. The upper bound value is the value of the tax saving in future years to the full extent of the carry-over.

The estimates for all corporations may be greater than the sum of the eight values. Two reasons for this are: (1) all corporations in an industrial sector and the exclusion of insignificant activities from industrial sectors.

with substantial benefits (which therefore makes them poor candidates for redistribution policy) and the magnitude of the response is often rather modest relative to the resources forgone. Harman and Johnson, for example, have estimated that the accelerated depreciation and tax reductions for manufacturing and processing firms introduced in 1975 equalled investment spending by \$313 million but cost the federal treasury \$368 million.¹⁰ As the authors of the study suggest, these results "cast a shadow over the efficacy of such investment incentive programs."

2. SUMMARY AND CONCLUSIONS

Corporate tax expenditures are a substitute for direct spending in the pursuit of public policy objectives. In the corporate sector, tax expenditures are today the main instrument for influencing business behaviour. The appropriateness of such public intervention is not at issue, but there are reasons for questioning the extent of the expenditures. Taxpayers and shareholders are likely to be unaware that they seriously compound our already very complex taxation system. Their effectiveness is frequently far from certain; often they tend to be of doubtful purpose. They are a significant drain on the public purse. They distort resource allocation thereby retarding economic efficiency.

In light of the above, a shift towards less reliance on tax expenditures could yield substantial benefits. It would simplify the tax system, making it more understandable to the taxpayer and less capricious or arbitrary in corporate administration and compliance work, which add nothing of value to society, would reduce it, would enhance allocational efficiency, and hence promote economic wealth. Finally, it might help us realize a government attitude that discourages the use of public instruments to benefit particular private interests. Should this occur, some of the resources currently devoted to socially unproductive rent-seeking efforts (efforts to redistribute wealth through the public sector) may be redirected towards wealth-creating activities instead.

APPENDIX

Corporate Tax Expenditures and Their Economic Impact

¹⁰ The study was funded by the U.S. Congress under the leadership of D. Underwood, "The Study of Corporate Tax Expenditures," *Journal of Public Policy*, Vol. 9 (Winter 1971), pp. 157-75. G.O. Harman and J.A. Johnson, "The Non-Classical Progression in a Capitalist Context," *Journal of Public Policy*, Vol. 9 (Winter 1971), pp. 157-75. G.O. Harman and J.A. Johnson, "The Study of Corporate Tax Expenditures," *Journal of Public Policy*, Vol. 9 (Winter 1971), pp. 157-75.

Table 2

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper ⁽¹⁾ bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
All Corporations⁽²⁾							
A. Tax Deferrals, Exemptions and Deductions							
1. Excess of tax depreciation over book depreciation	1380	2090	2000	2280	1725	2215	n.a.
2. Inventory allowance	470	585	370	495	355	500	520
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	260	355	375	525	565	800	480
(b) Exemption of pre-1971 capital gains	1235	1430	775	1075	2520	2820	n.a.
(c) Deferral of capital gains income through various rollover provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4. Allowable business investment loss	S	1	1	3	6	8	n.a.
5. Additional scientific and research deduction	14	25	50	70	60	100	105
6. Deductibility of prepaid expenses							
7. Tax losses from fast write-offs of leased assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8. Deductibility of carrying charges on land							

Symbols: n.a. : Estimates not available.

- : Not applicable.

s : Revenue impact expected is small.

⁽¹⁾ The lower bound value represents the tax saving for the firm in the current year due to both the application of selective tax measures items in the current year and the carry-back to previous years of current-year losses arising from selective tax measures. The lower bound estimate assumes that the value of losses created by selective tax measures carried forward is nil. The upper bound value is computed assuming that corporations which have current tax losses will have sufficient taxable income in future years to take full advantage of their loss carry-forwards.

⁽²⁾ The estimates for all corporations may be greater than the sum of the eight sectors. Two reasons for this difference are the inability to assign all corporations to an industrial sector and the exclusion of insignificant measures from individual industrial sectors.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
9. Excess deduction for intangible assets							
10. Expensing of advertising costs							
(a) Non-deductibility of advertising expenses in foreign media	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11. Fast write-off for Canadian development expenses							
12. 33 1/3-per-cent earned depletion allowance	935	1150	1140	1425	n.a.	1210	n.a. ⁽³⁾
13. Fast write-off for Canadian exploration expenses							
(a) Deferral of Canadian exploration expense redefinition	-	-	-	-	n.a.	75	6
14. Resource allowance in lieu of deductibility of provincial royalties	n.a.	-265	n.a.	-330	n.a.	-450	n.a.
(a) Resource allowance and deductibility of provincial royalties for Syncrude project	-	-	n.a.	30	n.a.	40	45
15. Additional earned depletion on frontier oil and gas well exploration costs	55	65	32	65	n.a.	n.a.	n.a.
16. Additional earned depletion for heavy oil and tertiary recovery projects (supplementary depletion)	65	70	43	60	n.a.	n.a.	n.a.
17. Excess bad debt deduction and contingency reserves for chartered banks	n.a.	80	n.a.	110	n.a.	200	-115
18. Preferential tax treatment of income debentures and term preferred shares	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
19. Non-taxation of provincial assistance for venture investments in small business	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
20. Small Business (Development) Bonds	-	-	n.a.	2	n.a.	75	145

⁽³⁾ An n.a. appears here for measures 11 through 16 for 1982 even though there are values for the oil and gas industry, because of unavailability of information for the other sectors.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
21. Tax exemption on income of foreign affiliates of Canadian corporations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22. Patronage dividend deduction by credit unions, co-operatives	150	165	245	265	n.a.	255	n.a.
23. Deductibility of itemized charitable donations	45	50	49	60	50	60	55
B. Tax Rate Reductions							
31. Small business deduction	1020	1065	1255	1310	n.a.	1250	1370
32. Low tax rate for credit unions and co-operatives	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
33. Non-qualifying small business deduction	S	S	S	13	n.a.	n.a.	n.a.
34. Manufacturing and processing deduction	455	485	440	480	n.a.	425	330
35. Exemption of small businesses from the corporate surtax	-	-	-	-	-	-	50
36. Exemption from branch tax for transportation, communication, banking, and iron ore mining corporations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C. Credits							
37. Investment tax credit (excluding (a) below)	n.a.	430	n.a.	490	n.a.	445	330
(a) Investment tax credit applicable to scientific and research expenditures	n.a.	75	n.a.	90	n.a.	110	95
38. Employment tax credit	11	11	18	18	n.a.	15	8
39. Logging tax credit	n.a.	60	n.a.	29	n.a.	11	3

¹⁴ A negative value for a selective tax measure occurs when stock depreciation is greater than tax depreciation for a corporation.

¹⁵ Includes the value of ITC applicable to scientific and research expenditures.

Table 2 (Cont'd)

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979	1980	1981	1982
	Upper bound	Upper bound	Upper bound	Upper bound
	(\$ millions)			
D. Other Corporate Items				
40. Exemption from withholding tax for interest on foreign currency deposits	570	790	1675	1490
41. Exemption from withholding tax for interest on long term corporate securities	105	145	250	335
42. Reduction in withholding tax on dividends paid to non-residents from corporations with a degree of Canadian ownership	70	75	85	-
E. Memorandum Items				
44. Investment corporation deduction	3	4	4	10
45. Refundable Part I Tax on investment income of private corporations	165	210	270	315
46. Refundable capital gains for special investment corporation	31	35	34	29
47. Non-resident-owned investment corporation refund	17	12	42	16
(2 millions)				
48. Preferential tax treatment of income debentures and term preferred shares				
49. Non-taxation of provincial assistance for venture investments in small business				
50. Small Business (Development) Bonds				

For measures 44 through 47 for 1982 even though there are values for the oil and gas industry, because of unavailability of information for

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
I. Agriculture, Forestry and Fishing							
A. Tax Deferrals, Exemptions and Deductions							
1. Excess of tax depreciation over book depreciation ⁽⁴⁾	3	5	-3	-2	3	5	n.a.
2. Inventory allowance	1	2	1	2	1	2	2
3. Capital gains							
(a) Exemption of half of post-1971 capital gains	7	11	32	36	18	25	5
(b) Exemption of pre-1971 capital gains	30	35	75	85	30	34	n.a.
22. Patronage dividend deduction by credit unions, etc.	1	1	13	13	n.a.	S	n.a.
24. Cash basis accounting	} n.a.	} n.a.	} n.a.	} n.a.	} n.a.	} n.a.	} n.a.
25. Flexibility in inventory accounting							
26. Deferral of income on grain sales and from destruction of livestock							
B. Tax Rate Reductions							
31. Small business deduction	38	43	49	60	n.a.	65	75
C. Credits							
37. Investment tax credit ⁽⁵⁾	n.a.	12	n.a.	22	n.a.	21	25
39. Logging tax credit	n.a.	2	n.a.	4	S	S	S

⁽⁴⁾ A negative value for a selective tax measure occurs where book depreciation is greater than tax depreciation for a corporation.

⁽⁵⁾ Includes the value of ITC applicable to scientific and research expenditures.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	4	n.a.	15	n.a.	6	8
II. Manufacturing							
A. Tax Deferrals, Exemptions and Deductions							
1. Excess of tax depreciation over book depreciation	601	819	1006	932	873	905	n.a.
2. Inventory allowance	130	182	174	249	147	231	207
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	11	21	23	41	44	70	14
(b) Exemption of pre-1971 capital gains	50	80	37	95	90	135	n.a.
5. Additional scientific and research deduction	9	15	33	45	31	50	60
11. Fast write-off for Canadian development expenses	48	65	25	70	n.a.	65	n.a.
12. 33 1/3-per-cent earned depletion allowance							
13. Fast write-off for Canadian exploration expenses							
14. Resource allowance in lieu of deductibility of provincial royalties	n.a.	10	n.a.	21	n.a.	28	n.a.
22. Patronage dividend deduction by credit unions, co-operatives	31	37	50	65	n.a.	85	n.a.
B. Tax Rate Reductions							
31. Small business deduction	130	145	135	155	n.a.	165	180
34. Manufacturing and processing deduction	370	395	325	355	n.a.	320	240

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
C. Credits							
37. Investment tax credit	n.a.	255	n.a.	310	n.a.	235	155
38. Employment tax credit	n.a.	6	n.a.	8	n.a.	8	4
39. Logging tax credit	n.a.	55	n.a.	25	n.a.	10	3
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	25	n.a.	23	n.a.	48	25
III. Construction							
A. Tax Deferrals, Exemptions, and Deductions							
1. Excess of tax depreciation over book depreciation	31	37	40	65	13	16	n.a.
2. Inventory allowance	2	3	3	4	4	4	2
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	6	8	7	11	19	27	6
(b) Exemption of pre-1971 capital gains	42	50	22	30	23	31	n.a.
27. Holdbacks on progress payments to contractors	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
B. Tax Rate Reductions							
31. Small business deduction	120	125	160	165	n.a.	165	165
34. Manufacturing and processing deduction	2	2	3	3	n.a.	3	3

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
C. Credits							
37. Investment tax credit	n.a.	2	n.a.	6	n.a.	8	4
38. Employment tax credit	n.a.	S	n.a.	1	n.a.	1	S
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	9	n.a.	12	n.a.	11	17
IV. Transportation and Storage							
A. Tax Deferrals, Exemptions and Deductions							
1. Excess of tax depreciation over book depreciation	65	100	85	135	140	205	n.a.
2. Inventory allowance	6	9	4	7	3	8	8
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	6	10	6	13	9	15	7
(b) Exemption of pre-1971 capital gains	28	39	23	33	36	47	n.a.
11. Fast write-off for Canadian development expenses	} 55	55	40	40	n.a.	20	n.a.
12. 33 1/3-per-cent earned depletion allowance							
13. Fast write-off for Canadian exploration expenses							
22. Patronage dividend deduction by credit unions, co-operatives	25	27	31	31	n.a.	33	n.a.
	130	145	135	155	n.a.	165	180
	370	395	325	355	n.a.	320	240

Table 2 (Cont'd)

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
B. Tax Rate Reductions							
31. Small business deduction	29	32	48	50	n.a.	47	50
36. Exemption from branch tax for transportation companies	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C. Credits							
37. Investment tax credit	n.a.	34	n.a.	37	n.a.	42	33
D. Other Corporate Items							
43. Exemption of foreign shipping and aircraft companies from Canadian income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
V. Communications							
A. Tax Deferrals, Exemption and Deductions							
1. Excess of tax depreciation over book depreciation	-10	-10	-15	-3	-11	-1	n.a.
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	4	4	1	1	4	4	2
(b) Exemption of pre-1971 capital gains	8	8	7	7	9	11	n.a.
5. Additional scientific and research deduction	S	S	3	3	5	5	9

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
B. Tax Rate Reductions							
31. Small business deduction	7	7	3	3	n.a.	3	4
34. Manufacturing and processing deduction	1	1	2	2	n.a.	3	2
36. Exemption from branch tax for communication companies	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C. Credits							
37. Investment tax credit	n.a.	4	n.a.	5	n.a.	9	9
VI. Public Utilities							
A. Tax Deferrals, Exemptions and Other Deductions							
1. Excess of tax depreciation over book depreciation	19	13	60	65	70	30	n.a.
2. Inventory allowance	1	1	S	1	0	3	2
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	S	S	S	S	1	1	2
(b) Exemption of pre-1971 capital gains	S	1	S	1	1	1	n.a.
11. Fast write-off for Canadian development expenses	} 15	16	7	10	n. a.	18	n.a.
12. 33 1/3-per-cent earned depletion allowance							
13. Fast write-off for Canadian exploration expenses							
B. Tax Rate Reductions							
31. Small business deduction	1	1	2	2	n.a.	1	3

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
C. Credits							
37. Investment tax credit	S 4		S 1		1	2	1
VII. Wholesale Trade							
A. Tax Deferrals, Exemptions and Other Deductions							
1. Excess of tax depreciation over book depreciation	60	95	90	95	50	65	n.a.
2. Inventory allowance	65	80	80	100	80	105	105
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	15	15	9	13	23	32	13
(b) Exemption of pre-1971 capital gains	60	70	25	44	47	60	n.a.
5. Additional scientific and research deduction	S 1		S 1		2	2	2
11. Fast write-off for Canadian exploration expenses	} 2	4	1	1	n.a.	2	n.a.
12. 33 1/3-per-cent earned depletion							
13. Fast write-off for Canadian development expenses							
22. Patronage dividend deduction by credit unions, co-operatives	10	11	40	41	n.a.	11	n.a.
B. Tax Rate Reductions							
31. Small business deduction	160	160	205	205	n.a.	155	180
34. Manufacturing and processing deduction	21	21	18	19	n.a.	13	10

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
C. Credits							
37. Investment tax credit	n.a.	15	n.a.	17	n.a.	18	12
38. Employment tax credit	n.a.	1	n.a.	3	n.a.	2	1
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	13	n.a.	10	n.a.	13	17
VIII. Retail Trade							
A. Tax Deferrals, Exemptions and Other Deductions							
1. Excess tax depreciation over book depreciation	24	26	21	26	19	19	n.a.
2. Inventory allowance	55	70	60	75	65	75	80
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	8	10	13	15	9	10	13
(b) Exemption of pre-1971 capital gains	35	42	38	45	44	47	n.a.
11. Fast write-off for Canadian development expenses	1	2	3	3	n.a.	2	n.a.
12. 33 1/3-per-cent earned depletion							
13. Fast write-off for Canadian exploration expenses							
22. Patronage dividend deduction by credit unions, co-operatives	12	13	14	15	n.a.	11	n.a.
B. Tax Rate Reductions							
31. Small business deduction	160	165	230	235	n.a.	235	235
34. Manufacturing and processing deduction	6	6	7	7	n.a.	5	6

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
(\$ millions)							
C. Credits							
37. Investment tax credit	n.a.	2	n.a.	4	n.a.	2	3
38. Employment tax credit	n.a.	2	n.a.	2	n.a.	2	1
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	11	n.a.	15	n.a.	12	13
IX. Finance							
A. Tax Deferrals, Exemptions, and Other Deductions							
1. Excess of tax depreciation over book depreciation	170	295	145	265	180	310	n.a.
2. Inventory allowance	40	42	3	4	1	3	2
3. Capital gains:							
(a) Exemption of half post-1971 capital gains	160	195	195	250	340	445	370
(b) Exemption of pre-1971 capital gains	555	595	370	420	1875	1985	n.a.
11. Fast write-off for Canadian development expenses	} 13	24	22	32	n.a.	27	n.a.
12. 33 1/3-per-cent earned depletion allowance							
13. Fast write-off for Canadian exploration expenses							
14. Resource allowance in lieu of deductibility of provincial royalties	n.a.	3	n.a.	9	n.a.	5	n.a.
17. Excess bad debt deduction and contingency reserves for chartered banks	n.a.	80	n.a.	110	n.a.	200	-115
22. Patronage dividend deduction by credit unions, etc.	60	65	95	100	n.a.	100	n.a.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
28. Additional reserve for qualified annuities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29. Non-taxation of life insurance companies' world income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
B. Tax Rate Reductions							
31. Small business deduction	135	140	150	150	n.a.	140	135
(a) Eligibility of credit unions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
36. Exemption from branch tax for banking	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C. Credits							
37. Investment tax credit	n.a.	8	n.a.	4	n.a.	10	8
D. Other Corporate Items							
40. Exemption from withholding tax for interest on foreign currency deposits	n.a.	570	n.a.	790	n.a.	1675	1490
E. Memorandum Items							
44. Investment corporation deduction	n.a.	3	n.a.	4	n.a.	4	10
45. Refundable Part I Tax on investment income of private corporations	n.a.	65	n.a.	95	n.a.	135	190
46. Refundable capital gains for special investment corporations	n.a.	31	n.a.	35	n.a.	34	29
47. Non-resident-owned investment corporation refund	n.a.	17	n.a.	13	n.a.	42	16

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
X. Services							
A. Tax Deferrals, Exemptions, and Other Deductions							
1.	32	50	50	80	46	75	n.a.
2.	7	8	3	4	10	11	10
3.	Capital gains:						
(a)	20	27	21	34	34	42	13
(b)	90	110	105	170	115	165	n.a.
5.	S	1	1	3	11	14	11
30.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
B. Tax Rate Reductions							
31.	190	190	240	250	n.a.	230	285
34.	8	8	12	13	n.a.	17	21
C. Credits							
37.	n.a.	8	n.a.	14	n.a.	20	22
E. Memorandum Items							
45.	n.a.	22	n.a.	17	n.a.	22	30

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
XI. Mining							
A. Tax Deferrals, Exemptions, and Other Deductions							
1. Excess of tax depreciation over book depreciation	125	230	220	275	85	260	n.a.
2. Inventory allowance	10	15	13	18	3	11	14
3. Capital gains:							
(a) Exemption of half of post-1971 capital gain	7	10	55	65	8	55	5
(b) Exemption of pre-1971 capital gains	45	70	41	100	215	265	n.a.
(c) Total exemption	50	80	95	165	225	320	n.a.
5. Additional scientific and research deduction	0	1	5	6	1	2	1
11. Fast write-off for Canadian development expenses	} 140	215	95	170	n.a.	37	n.a.
12. 33 1/3-per-cent earned depletion allowance							
13. Fast write-off for Canadian exploration expenses							
14. Resource allowance in lieu of deductibility of provincial royalties	n.a.	165	n.a.	180	n.a.	85	n.a.
15. Additional earned depletion on frontier oil and gas well exploration costs	10	12	1	29	n.a.	n.a.	n.a.
B. Tax Rate Reductions							
31. Small business deduction	8	8	15	16	n.a.	12	11
34. Manufacturing and processing deduction	5	7	8	8	n.a.	4	3
36. Exemption from branch tax of iron ore mining corporations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
(\$ millions)							
C. Credits							
37. Investment tax credit	n.a.	55	n.a.	55	n.a.	34	15
D. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	1	n.a.	2	n.a.	4	7
XII. Oil and Gas							
A. Tax, Deferrals, Exemptions and Other Deductions							
1. Excess of tax depreciation over book depreciation	155	300	300	335	255	315	n.a.
2. Inventory allowance	18	26	25	31	45	47	60
3. Capital gains:							
(a) Exemption of half of post-1971 capital gains	7	24	8	37	32	49	28
(b) Exemption of pre-1971 capital gains	285	325	19	36	48	55	n.a.
5. Additional scientific and research deduction	3	5	7	10	11	16	9
11. Fast write-off for Canadian development expenses	} 655	765	945	1095	n.a.	1035	660
12. 33 1/3-per-cent earned depletion							
13. Fast write-off for Canadian exploration expenses							
(a) Deferral of Canadian exploration expense redefinition	-	-	-	-	n.a.	75	6
14. Resource allowance in lieu of deductibility of provincial royalties	n.a.	-445	n.a.	-540	n.a.	-570	-565
(a) Resource allowance and deductibility of provincial royalties for Syncrude project	-	-	n.a.	30	n.a.	40	45

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979		1980		1981		1982
	Lower bound	Upper bound	Lower bound	Upper bound	Lower bound	Upper bound	Upper bound
	(\$ millions)						
15. Additional earned depletion on frontier oil and gas well exploration costs	44	55	30	34	n.a.	S	S
16. Additional earned depletion for heavy oil tertiary recovery projects (supplementary depletion)	65	70	43	60	n.a.	1	8
22. Patronage dividend deduction by credit unions, etc.	4	4	5	5	n.a.	15	n.a.
B. Tax Rate Reductions							
34. Manufacturing and processing deduction	34	36	65	70	n.a.	60	22
C. Credits							
37. Investment tax credit	n.a.	105	n.a.	110	n.a.	155	105
E. Memorandum Items							
45. Refundable Part I Tax on investment income of private corporations	n.a.	11	n.a.	9	n.a.	9	1
Special Energy Taxes							
48. Net Petroleum and Gas Revenue Tax (PGRT) revenues						950	1650
49. Small producers' credit against PGRT							30
50. Net Incremental Oil Revenue Tax (IORT) revenues							240
51. IORT Low Productivity Well Allowance							n.a.
52. Natural Gas and Gas Liquids Tax revenues						845	1240
53. Canadian Ownership Special Charge revenues						630	910
54. Oil Export Charge revenues		720		850		n.a.	n.a.

Table 2 (Cont'd)

Selective Tax Measures: Corporate Income Tax

	1979	1980	1981	1982
	Upper bound	Upper bound	Upper bound	Upper bound
	(\$ millions)			
XIII. F. Other Tax Measures				
55. Transfer of income tax room to provinces in respect of shared-cost programs	240	275	270	240
56. Exemption from withholding tax for interest on provincial direct and guaranteed debt	220	255	315	415
57. Exemption from withholding tax for interest on municipal direct and guaranteed debt	41	44	48	60
58. Exemption from withholding tax for interest on Government of Canada debt	95	130	160	185
59. Non-taxation of registered charities	n.a.	n.a.	n.a.	n. a.
(a) Non-taxation of non-profit scientific research corporations	n.a.	n.a.	n. a.	n.a.
(b) Non-taxation of non-profit corporations providing low cost housing for the aged	n.a.	n.a.	n.a.	n.a.
60. Income tax exemption for provincial and municipal corporations	n.a.	n.a.	n.a.	n.a.
61. Non-taxation of certain federal Crown corporations	n.a.	n.a.	n.a.	n.a.
62. Political tax credit	1	1	S	S
63. Gifts to the Crown	n.a.	n.a.	n.a.	n.a.

APPENDIX C

APPENDIX C

Testing the Feasibility and Consequences of Government Action to Reduce Unemployment to 4%

(1) The testing was done by the Economic Council of Canada and Informetrica, the consultants. The Council did the testing on CANDIDE III, an econometric model that is descended from CANDIDE I, the model devised by Dr. Mike McCracken, the President of Informetrica; he too uses a descendant of CANDIDE I.

(2) These models are an attempt to describe the inter-relations of an economy through a large collection of interconnected mathematical equations. So, one can ask the econometric model of the economy to predict what would happen to one aspect of the economy if another aspect were altered in any way.

(3) This is not divine prophecy. It can be wrong. An economy is much more complex and more fluid than any econometric model. Testing a proposal on an econometric model can indicate at best only whether the proposal is thinkable or unthinkable, and perhaps how thinkable or how unthinkable.

(4) Such models are the most widely used for testing policy. The Department of Finance and the Bank of Canada use them.

(5) The Economic Council concluded that unemployment would be made to fall to 4% in four years, and that this could be financed without increasing the deficit, by reallocating funds Canadian governments now use to subsidize other activities. The economy would grow faster, the Council says: the standard of living would grow faster. The Council's simulation sees dangers of inflation.

(6) These inflationary fears are due to the assumptions fed into the Economic Council model that any inflationary pressures would be aggravated by

expectations of even more inflation: as in the late seventies and early eighties, people would increase their prices and demands for wages not only to keep up with this year's inflation but also with next year's.

(7) This assumption by the Economic Council may not be warranted. People have seen what happens when they inflate their prices too much: governments strangle the economy through huge interest rates. Having lived through high interest rates, people will respond more readily to demands for moderation.

(8) The Economic Council summary of its findings is included in this Appendix.

(9) The Informetrica simulation pushed unemployment down in four years to less than 2 per cent. Consequently, the costs are higher in the Informetrica conclusions than in the proposition we wanted tested.

(10) With these reservations, here is what Informetrica found: within four years, the economy would grow faster; the standard of living would grow, but less fast; profits would grow; unemployment would fall to less than 2 per cent; productivity would increase; our current account balance would deteriorate somewhat because the newly employed would buy imports.

(11) One last remark is necessary. According to Mr. Jacques Parizeau (Parizeau, para. 11), unemployment might not be anywhere near as high as the numbers show. In that case, the cost of the job-creation-plus-training option would be lower.

(12) In any case, if any circumstances make the problem smaller, the costs will be smaller, and aspects of the proposed strategy can be scaled down.

Note: In the Informetrica report, a minus sign before a figure means that the result the figure indicates is lesser than it would have been if the job creation recommendation in this report had not been used: for example — 6.6% unemployment means 6.6% unemployment less than there would be without our job creation option.

Text of the request to ECC and Informetrica to test our Option on their econometric models:

(13) In 1985 we lost 1,238,000 person-years to unemployment.

(14) In the same year we had 559,000 welfare recipients who were classified as employable but were jobless.

(15) The average weekly wage of these people the last time they were employed was \$270 per week or \$14,040 per year, according to Employment and Immigration Canada. This contrasts with the \$23,000 the average Canadian earns during the year.

(16) In 1985, these 1,797,000 employable unemployed person-years cost the three levels of government \$26.28 billion in (a) transfer payments, (b) lost tax revenues and (c) in interest to borrow (a) + (b). The way this figure of \$26.28 billion was calculated is detailed in Appendix A, paras. 11 through 24.

(17) The option I am asking you to test assumes that in 1985 it would have cost the three levels of government no more **in wages** to employ the jobless than to keep them on welfare or unemployment insurance.

**JOB-CREATION-PLUS-TRAINING OPTION:
REPLACING INCOME TRANSFERS TO
JOBLESS WITH PUBLIC WORKS WAGES
OF \$14,040 PER YEAR**

(18) For 1985, the cost to governments of employing the jobless at \$14,040 per year each, are calculated as follows:

(a)	Wage per year paid by government	\$14,040
(b)	Gross National Product, (a) times 1.7	\$23,868
(c)	Government revenues, 34.4% of (b)	\$ 8,211
(d)	Government revenue minus government wage bill, (c) minus (a)	-\$ 5,829
(e)	interest on (d) at 11.25%	-\$ 656
(f)	Net cost to governments ((d) + (e))	-\$ 6,485
108 (g)	When the average unemployed still worked in the private sector at \$14,040	

per year, he or she paid governments in taxes (see (c) above) \$ 8,210

(h) So the total cost to government for giving a \$14,040 public works wage is (f) + (g) above, \$8,210 + \$6,485 = \$14,695

(19) This is a public works option. It assumes that the three levels of government would have been able to agree in 1985 to (i) pay each of the 1.8 million jobless an average of \$14,040 a year to produce public goods and services in the sectors listed below; (ii) that the 1985 payments in unemployment insurance and welfare would have been used towards the \$14,040 wage.

(20) This option also assumes that the three levels of government would have paid a further \$3.87 billion for costs of the program other than wages for the 1.8 million jobless.

(21) Further, this option assumes a multiplier of 1.7.

(22) The fields in which these 1.8 million employable would be used are the following (please suggest others or make substitutions or deletions, if you wish):

- (i) Low-cost housing
- (ii) Restoring housing stock
- (iii) Restoring infrastructure — sewers, etc.
- (iv) Home care for the aged and for the mentally ill where both categories would benefit from not being institutionalized
- (v) Reforesting and maintaining forests
- (vi) Employing jobless with sufficient educational qualifications in a national drive to eradicate illiteracy
- (vii) Repairing and doubling our railway tracks
- (viii) Tourism
- (ix) Tourist facilities construction or restoration
- (x) Day care
- (xi) Restoration of the environment

APPENDIX C

Macroeconomic Impacts of a Major Social Spending Program

(23) A tentative basis for apportioning the jobs among these categories may be the proportions of current total employment represented by those categories. However, reforestation or tending forests might be more labour-intensive than cutting trees.

(24) Home care for the aged and the mentally ill who would benefit from not being institutionalized could be very labour intensive and much cheaper; it works well in existing programs for veterans. It works well in Manitoba.

(25) I realize we cannot employ all the employable jobless. Let us assume 4% is the frictional unemployment rate. Unemployment for 1990 is projected at 8.25%. Therefore we should be able to create some 570,000 new jobs by 1990 through the option proposed here.

(26) If this option were put in place, what would happen to:

- (a) receipts for Canadian products from consumer spending;
- (b) other employment creation as a spinoff from this option;

- (c) inflation;
- (d) interest rates;
- (e) tax receipts by governments;
- (f) the exchange rate;
- (g) the deficit?

(27) Further, let us assume that to prevent an increase in the deficit, we reduce, as needed, the tax expenditures benefiting business. Would possibly increased sales, due to 26 (a) and 26 (b), above make up for business what it would lose through cut tax expenditures? How will this option affect business investment?

(28) If this option were feasible and if it were applied, how long would it take to apply?

(29) There must surely be a multitude of other considerations I have not thought of; please feel free to take them into account.

Signed,

Philippe D. Gigantès
Chairman
Sub-Committee on
Training and Employment

The second major issue... how to finance the program. The total direct spending required to drive unemployment down by 750,000 or more is massive (in the range of \$21 billion in 1985 prices). To finance this by reducing other public sector programs that involve government purchases of goods and services (excluding wages) would simply be to "borrow from Peter to pay Paul" and would, apart from differential wage rates, lead to insignificant overall increases in income or employment. Further, they would be politically untenable (with the reaction of many to Neilsen's first recommendations to reduce or eliminate programs).

Some financing may be found in the private sector. Prepared for the Sub-Committee on Training and Employment of the Standing Senate Committee on Social Affairs and Technology. The increase in all-government expenditures (ex post, but excluding added interest costs) assumed in each of the two cases is:

Increase in All-Government Expenditures (billions of dollars)

	CASE A	CASE B
1987	19.3	18.1
1988	23.0	22.4
1989	25.2	25.9
1990	28.8	30.4

INFORMETRICA

Macroeconomic Impacts of a Major Social Spending Program: Issues and Some Initial Sizing

Prepared for:
The Sub-Committee on Training and Employment
of the
Standing Senate Committee on Social Affairs,
Science and Technology

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November 19, 1986

Macroeconomic Impacts of a Major Social Spending Program

1 KEY ISSUES AND ASSUMPTIONS

This study provides a "rough cut" to a proposal developed by Senator Philippe D. Gigantès as outlined in a note dated August 11, 1986. While the implementation of the proposal in this study does not follow the details of that note exactly, the orders of magnitude suggested for direct spending by governments is implemented as are the areas into which the Senator proposes spending should be channeled.

A key issue that arises at the outset is whether the incremental spending should be channeled through households where private decisions are used to allocate the funds (as would be true in the case of implementing a guaranteed income program), or whether there are overriding reasons for allocating the direct spending as "public" choices. In this implementation, we have assumed that some funds (those for housing) are directed to households, but the weight of the spending in this study is borne by direct expenditures for increased public employment in day care, schools, public parks, etc. This raises a number of subsidiary issues, which are discussed below.

The second major issue confronted at the outset is how to finance the program. The initial direct spending required to drive unemployment down by 750,000 or more is massive (in the range of \$20 billion, at 1985 prices). To finance this by reducing other public sector programs that include government purchases of goods and services (including wages) would simply be to "borrow from Peter to pay Paul" and would, apart from differential wage rates, lead to insignificant overall increases in incomes or employment. Further, they would be politically untenable (witness the reaction of many to Neilsen task force recommendations to reduce or eliminate programs).

Some financing may be found in the corporate sector. And for that element that is oriented to the domestic market, a major increase in demand would yield scale "benefits" that can be effectively passed on to those deemed by the program to be most in need at little expense to the corporate profit picture. But the size of the program is far too large to be financed wholly by this, and increased revenues from the personal sector would be necessary. This could be accomplished by surcharges on the "rich". But apart

from the issue of who decides who is "rich" (and whether they will remain in Canada if taxed at the same time the rest of the OECD is lowering marginal tax rates), the sums available from this source are also likely to cover only a part of the program. This implies that "average" Canadians (in the current and/or future generations) will have to cover part of the expense. In our implementation, corporations, "average" Canadians, increased debt, and reduced unemployment insurance and welfare payments fund the program.

Finally, to the degree that increased spending is not covered by policy additions to revenues or induced revenue benefits from increased economic activity, there would be pressures on interest rates and exchange rates. There is great uncertainty about what the results would be. To reflect this, we have run two simulations that may be characterized as follows:

CASE A — Accommodating monetary policy where there is little effect on Canadian interest rates, and

CASE B — Non-accommodating monetary policy where the short-term (90-day commercial paper rates) spread between Canadian and U.S. rates is increased by 200 basis points.

1.1 Assumptions Of The Study

1.1.1 Spending — The increase in all-government expenditures (*ex post*, but excluding added interest costs) assumed in each of the two cases is:

Increase in All-Government Expenditures
(billions of nominal dollars)

	CASE A	CASE B
1987	19.3	18.4
1988	23.0	22.4
1989	25.2	25.9
1990	28.8	30.4

We have assumed the following distribution of expenditures among the categories suggested in the August note:

Distribution of Nominal Spending
(per cent)

Lost Cost Housing	6
Restoration of Housing Stock	6
Restoration of Infrastructure	2
Tourism Construction	13
Repair of Rail System	14
Environmental Protection	9
Tourism Employment	28
Reforestation	4
Home Care of Aged and Mentally Ill	4
Illiteracy Campaign	8
Day Care	6

The distribution chosen is essentially arbitrary, and helps to illustrate a number of issues.

- * Any additions to spending, given a central decision to allocate the expenditures on "public decision" grounds, should first of all determine the merits of the case for spending in a particular area. While this will have "economic" implications, much of that question will have to be answered from "non-economic" considerations. For example, why not include "defence" expenditures in the list of public needs? Or, why not include large additions to "research and development", which the Science Council of Canada at least is likely to argue would have the benefit of pushing the "private" production possibility curve "out and to the right" so that real income gains for Canadians in the long term will be improved?
- * A corollary to the first question, which is most evident in the case of expenditures that add to the public or private stock of capital (housing, rails, tourist facilities, etc.) is how wide is the "gap" and how long, at some level of spending, will it take to close the gap. One would not, for example, increase expenditures for social housing or to renovate the housing stock indefinitely. At some point, all the "needs" will have been fulfilled. Or as likely, diminishing returns from more social housing might suggest a "redirection" to another area of higher social return.
- * Is the program aimed at increasing employment or in fulfilling private and public sector "needs"? If employment, why is employment

an end in itself? In our implementation, we have assumed that fulfillment of "tourism employment, reforestation, home care, the illiteracy campaign and day care" are all public sector employment programs, and that the employees directly hired (about 350,000) are paid \$14,040 (at 1985 prices). In contrast, the balance of expenditures, which are largely purchases from the "construction" industry, are paid for at market prices, although the employees directly affected (about 50,000) are also hired at the \$14,040 salary. Since employment expenditures in this latter group of categories constitute less than one-half of the input costs, there is less employment bang for the buck. One could certainly shift the allocation toward more labour-intensive employment categories, but isn't there a housing "problem"?

- * An especially tough issue is whether you can create segmented markets for factor inputs. For example, if "day care" workers are being hired at \$14,040, what happens to wage rates, which average some substantially higher number, in the rest of the day care delivery system? In our implementation, we have assumed the markets are largely segmented, but this is questionable. Note, that while the example here is for day care workers, the issue applies to all of the programs suggested, regardless of whether the "supply" is provided by the private or the public sectors.
- * Also, note that the allocation in the tabulation above is for nominal expenditures. The split is about 50/50 between construction and direct-employment programs. However, in "real" terms, since the construction categories are paid for at market prices, their proportion would be reduced substantially. In rough terms, the split in real terms is about 30/70 in favour of the direct employment purchases.
- * Finally, note that while a change in the split between construction and direct-employment categories could change our macroeconomic results, moving the spending around within the direct-employment programs would have little effect on our results apart from changing the level-of-government source of the spending and effect on the deficits of different jurisdictions.

1.1.2 Financing — It has been suggested that "subsidies" to corporations can provide a

major source of funding for an increased spending program. But as the PIP program has already begun to phase out, and since most other spending subsidies are for the CBC, the rail system, agriculture, etc., there are not many funds available from that source. And for the reasons outlined earlier, at least some part of the funding is likely to have to come from the rest of the household sector.

We have assumed, that

- * despite very substantial reductions in the number of unemployed, the contribution rate that would otherwise have to prevail to "balance" the unemployment insurance fund is maintained. This is equivalent to a "surcharge" on the labour incomes of all workers to help their less fortunate, but employable, fellow Canadians. In rough (at 1985 prices) terms, this adds about \$5.5 billion annually to government accounts. An alternative, or complement to this source of financing would be a "surcharge" on property incomes;
- * 30 per cent of those who are directly benefitted in employment terms come from the welfare rolls, which expenditures are thereby reduced. This directly benefits government accounts (again in 1985 price terms) by about \$2.5 billion annually; and
- * "subsidies" in the form of tax expenditures equivalent to \$5 billion (at 1985 prices) are taken away from corporations annually. There is a negative influence on investment from the direct, after-tax effects of this assumption.

As was indicated above, the allocation of expenditures used in this study is essentially arbitrary. In our modelling environment, the allocation used has particular effects on which government jurisdiction pays. For example, the tourist employment expenditures are allocated to the federal government, the illiteracy campaign to schools, day care to municipal governments, etc. Thus, the effects on each (federal, provincial, municipal) government jurisdiction's deficit is essentially arbitrary as well. It would be possible to alter our results in this regard by changing inter-governmental transfer payments, but we have not done so given that such decisions would simply add another level of arbitrary decision. In any event, such changes would have little effect on our macro-economic results, and we suggest you confine your "deficit" attention to the all-government totals reported in the tables.

1.2. Other Key Issues

Other key assumptions could have been made, but have not been included for want of sufficient empirical evidence or research time to choose reasonable measures.

It is widely thought that the "poor" have much higher marginal propensities to consume than "average" Canadians. Given that about two-thirds of our expenditure program has been targeted at that group, this would suggest somewhat larger induced effects than are generated by the model.

Some would argue that a program of this kind would reduce the incentive of Canadians to "work hard". That may be problematical in this case, however, since 700,000 are moved from \$9,000 taxable incomes to the \$14,000 range.

"Increased" unemployment insurance contribution rates, being paid by employers and workers, constitute a labour income charge on production. In our version of the model, this link is not made, and to the degree this is so, our results will understate the inflationary effects of the financing scheme we have assumed, and thereby overstate the induced effects somewhat. Given the offsetting effects of this, and our first caveat, results that were adjusted to reflect these uncertainties might not be expected to be significantly different from those reported.

In degree as the employment gains are concentrated regionally and there are social or other "structural" barriers to the mobility of the labour force, the underlying Phillips Curve that describes the national economy may overstate or understate the inflationary effects of reduced unemployment. Thus, if the employment gains are disproportionately concentrated in Central Canada, where unemployment is already "low", and people in other regions do not move to this region, there would be more wage inflation than would occur if the gains were distributed evenly across the country.

2 RESULTS

Tables X and Y provide detailed measures of the impacts for each of the two "Monetary Policy" cases simulated. The following points stand out.

- * A massive increase in public expenditures of the kind contemplated would certainly add to total real expenditures, output and employment, regardless of whether monetary policy

accommodates this or not. Further, the increases should be generalized across all domestic spending, output and employment sectors.

- * As the direct impact on the economy is for domestic expenditures (and this would be true in the event of a "guaranteed annual income" approach as well), we would expect a significant deterioration in the current account. Although the direct expenditures are targeted to areas with comparatively low import requirements, the induced income benefits will translate through increased consumption and investment requirements to substantially increased imports.
- * It is likely that the real wages of the general work force, after allowing for the higher-than-required unemployment insurance contributions, would be at least equal to and possibly higher than in the Base Case. Cyclical productivity gains in the general economy would provide most of the source of this. Thus, the gains to those who are directly benefited do not appear to come from the pockets of those who are otherwise employed.
- * There would appear to be little impact on wage cost or price levels. In our results, this is traceable in part to an appreciating Canadian currency (vis-à-vis the U.S. dollar). This result, however, is sensitive to the underlying Phillips Curve of the model, the magnitude of the direct effect on employment, the Base Case view of unemployment, and how the dual labour market problem identified earlier is sorted out.
- * An appreciation of the Canadian currency in our results follows from the comparatively

strong growth that would occur, and the reduced unit labour costs afforded by cyclical productivity gains, which in combination offset the depreciating effects of a deteriorating current account. If interest rates are raised by monetary policy, then the appreciation would be larger, providing an even stronger deflationary influence through import prices. This would further concentrate the output and employment gains in sectors that are oriented to serving the domestic market, and one may infer from this that the gains may be largest in Central Canada.

- * The direct financing we have assumed, plus the induced revenue benefits from a larger economy, would be insufficient to eliminate negative effects on government balances. In the event of an accommodating monetary policy, interest rates would rise from less than one-half billion dollars in 1987 to \$2.8 billion in 1990. In the event of increased interest rates, all-government interest costs would be increased by \$6.5 billion in 1987 to more than \$13 billion in 1990. The increased interest costs would also dampen private investment, though even in this event, our results suggest that the increase in market size and reduction in non-interest investment costs would be sufficient to generate a positive impact.
- * Over the longer term, the increased payments to foreigners who finance the initial increases in the current account deficit would begin to erode the positive effects on the real economy. The pattern of our results suggests this would emerge only with small force over time, however.

Table X
MAJOR ECONOMIC INDICATORS
SUMMARY TABLE

GIGANTÈS — ACCOMMODATING POLICY		1987	1988	1989	1990
		Impact			
*** Gross National Expenditure ***					
QCNPC	Value	16177	27208	27586	37441
QPGNE	Price	-0.13	-0.11	-0.10	-0.05
QPGNEXK	Volume	11622	13869	13117	13084
*** Volumes ***					
QCZK	Consumption Expenditure	2293	4210	4670	4587
QCDURK	Durables	778	1398	1464	1361
QOTHER	Other	1515	2812	3206	3226
QGVEXK	Government Expenditure	7966	7648	7826	7653
QGCURK	Current	2381	2465	2676	2787
QGFICK	Capital	5585	5182	5150	4866
QBUINN	Business Investment	2183	4563	5027	5312
QIR	Residential	1779	1965	2015	2011
QCINP	Nonresidential	404	2598	3011	3301
QTVPCK	Inventory Change	2092	1719	-4	-186
QNTXPK	Net Exports	-2911	-4271	-4401	-4282
QXPTXK	Exports	0	23	81	182
QIMPMK	Imports	2911	4294	4482	4464
*** Labour Market***					
QLBFOR	Labour Force	129	196	181	151
QTEET	Employment	877	903	996	1049
QUT	Unemployment	-749	-708	-815	-898
QURATE	Unemployment Rate (%)	-5.74	-5.37	-6.11	-6.62
*** Wages and Prices ***					
QTEWET	Wage & Salary/Employee (\$C)	-419	103	114	423
QTEYET	Output per Employee (\$71)	0	147	31	-10
QPRULC	Priv. Non-Agr Unit Lab. Cost	-0.10	-0.07	-0.03	0.03
QIMPMP	Impl. Deflator of Imports	-0.08	-0.08	-0.02	0.09
QTEP	Implicit Output Deflator	-0.12	-0.11	-0.09	-0.04
QCPI	Consumer Price Index	-0.05	-0.07	-0.06	-0.02
*** Incomes ***					
QYYDPOP	Disposable Income/Capita	236	332	326	303
QCP	Corporate Profits	-3630	-3250	-5499	-4374
Government Balances (Mn \$C)					
QGOBAL	All-Governments	-10060	-8024	-8640	-6760
QGBALF	Federal	3061	6458	6934	9836
QGBALJ	Non-Federal	-13116	-14484	-15577	-16602
QCRBAL	Current Account Balance	-9691	-15956	-17706	-18632
*** Financial ***					
QREXNC	Exchange Rate (US/CAN)	1.90	2.28	1.22	-0.91
QCNPC	Prime Comm. Paper Rate	0.08	0.01	0.00	0.00
QRINDB	Industrial Bond Rate	-0.02	-0.08	-0.10	-0.11

Table X
**MAJOR ECONOMIC INDICATORS
SUMMARY TABLE**

GIGANTÈS — ACCOMMODATING POLICY		1987	1988	1989	1990
		% Impact			
*** Gross National Expenditure ***					
QCNPC	Value	3.19	5.06	4.91	6.26
QPGNE	Price	-3.90	-3.24	-2.92	-1.45
QPGNEXK	Volume	7.38	8.57	8.07	7.82
*** Volumes ***					
QCZK	Consumption Expenditure	2.38	4.29	4.70	4.55
QCDURK	Durables	4.14	7.50	7.95	7.37
QOTHER	Other	1.95	3.54	3.96	3.91
QGVEXK	Government Expenditure	26.40	24.75	24.90	23.93
QGCURK	Current	9.28	9.49	10.17	10.45
QGFICK	Capital	123.59	105.45	100.54	91.84
QBUIIN	Business Investment	8.05	16.20	17.54	18.15
QIR	Residential	23.83	25.75	26.44	26.07
QCINP	Nonresidential	2.06	12.65	14.32	15.31
QTVPCCK	Inventory Change	(a) 2092	1719	-4	-186
QNTXPK	Net Exports	(a) -2911	-4271	-4401	-4282
QXPTXK	Exports	0.00	0.05	0.16	0.35
QIMPMK	Imports	6.33	9.21	9.65	9.29
*** Labour Market ***					
QLBFOR	Labour Force	0.98	1.47	1.35	1.11
QTEET	Employment	7.38	7.47	8.21	8.52
QUT	Unemployment	-60.84	-57.96	-62.65	-68.24
QURATE	Unemployment Rate (%)	(a) -5.74	-5.37	-6.11	-6.62
*** Wages and Prices ***					
QTEWET	Wage and Salary/Employee (\$C)	-1.74	0.41	0.44	1.56
QTEYET	Output per Employee (\$71)	0.00	1.25	0.26	-0.09
QPRULC	Priv. Non-Agr Unit Lab. Cost	-3.06	-2.01	-0.78	0.82
QIMPMP	Impl. Deflator of Imports	-2.29	-2.18	-0.57	2.40
QTEP	Implicit Output Deflator	-3.59	-3.10	-2.59	-1.09
QCPI	Consumer Price Index	-1.55	-2.06	-1.73	-0.55
*** Incomes ***					
QYYDPOP	Disposable Income/Capita	5.58	7.84	7.69	7.13
QCP	Corporate Profits	-8.32	-6.16	-9.98	-7.72
Government Balances (Mn \$C)					
QGOBAL	All Governments	(a) -10060	-8024	-8640	-6760
QGBALF	Federal	(a) 3061	6458	6934	9836
QGBALJ	Non-Federal	(a) -13116	-14484	-15577	-16602
QCRBAL	Current Account Balance	(a) -9691	-15956	-17706	-18632
*** Financial ***					
QREXNC	Exchange Rate (US/CAN)	(a) 1.90	2.28	1.22	-0.91
QCNPC	Prime Comm. Paper Rate	(a) 0.08	0.01	0.00	0.00
QRINDB	Industrial Bond Rate	(a) -0.02	-0.08	-0.10	-0.11

(a) Level Impact

Table Y
MAJOR ECONOMIC INDICATORS
SUMMARY TABLE

GIGANTÈS — NON-ACCOMMODATING POLICY		1987	1988	1989	1990
		Impact			
*** Gross National Expenditure ***					
QCNPC	Value	9901	21918	26364	40239
QPGNE	Price	-0.15	-0.11	-0.08	0.00
QPGNEXK	Volume	10956	12496	11577	11254
*** Volumes ***					
QCZK	Consumption Expenditure	3186	5056	5380	5185
QCDURK	Durables	1085	1671	1681	1540
QOTHER	Other	2101	3385	3699	3645
QGVEXK	Government Expenditure	8002	7639	7776	7571
QGCURK	Current	2418	2484	2672	2764
QGFICK	Capital	5583	5156	5104	4807
QBUINN	Business Investment	2079	4110	4155	4104
QIR	Residential	1788	1971	2020	2014
QCINP	Nonresidential	292	2139	2136	2090
QTVPCK	Inventory Change	1923	1185	-259	-359
QNTXPK	Net Exports	-4234	-5495	-5475	-5247
QXPTXK	Exports	-205	-242	-208	-143
QIMPMK	Imports	4028	5253	5267	5104
*** Labour Market ***					
QLBFOR	Labour Force	129	183	163	129
QTEET	Employment	870	871	954	998
QUT	Employment	-741	-688	-790	-869
QURATE	Unemployment Rate (%)	-5.69	-5.23	-5.93	-6.41
*** Wages and Prices ***					
QTEWET	Wage and Salary/Employee (\$C)	-540	3	153	623
QTEYET	Output per Employee (\$71)	-33	101	-9	-55
QPRULC	Priv. Non-Agr Unit Lab. Cost	-0.10	-0.06	-0.01	0.07
QIMPMP	Impl. Deflator of Imports	-0.19	-0.17	-0.08	0.05
QTEP	Implicit Output Deflator	-0.15	-0.11	-0.07	0.01
QCPI	Consumer Price Index	-0.07	-0.07	-0.04	0.03
*** Incomes ***					
QYYDPOP	Disposable Income/Capita	293	373	355	325
QCP	Corporate Profits	-7163	-3538	-4106	-2397
	Government Balances (Mn \$C)				
QGOBAL	All-Governments	-15307	-13487	-14057	-11989
QGBALF	Federal	-2537	293	317	3094
QGBALJ	Non-Federal	-12764	-13785	-14374	-15090
QCRBAL	Current Account Balance	-12835	-18642	-20113	-20808
*** Financial ***					
QREXNC	Exchange Rate (US/CAN)	4.28	4.27	2.55	-0.19
QCNPC	Prime Comm. Paper Rate	2.00	2.00	2.00	2.00
QRINDB	Industrial Bond Rate	0.63	0.88	1.00	1.06

Table Y
MAJOR ECONOMIC INDICATORS
SUMMARY TABLE

GIGANTÈS — NON-ACCOMMODATING POLICY		1987	1988	1989	1990
		% Impact			
*** Gross National Expenditure ***					
QCNPC	Value	1.95	4.07	4.69	6.73
QPGNE	Price	-4.68	-3.39	-2.26	0.00
QPGNEXK	Volume	6.96	7.72	7.12	6.73
*** Volumes ***					
QCZK	Consumption Expenditure	3.30	5.16	5.42	5.14
QCDURK	Durables	5.77	8.97	9.13	8.34
QOTHER	Other	2.70	4.26	4.57	4.42
QGVEXK	Government Expenditure	26.51	24.73	24.74	23.68
QGCURK	Current	9.42	9.56	10.16	10.36
QGFICK	Capital	123.56	104.91	99.64	90.73
QBUINN	Business Investment	7.67	14.59	14.50	14.02
QIR	Residential	23.95	25.83	26.49	26.11
QCINP	Nonresidential	1.48	10.42	10.15	-9.69
QTVPCK	Inventory Change	(a)	1185	-259	-359
QNTXPK	Net Exports	(a)	-5495	-5475	-5247
QXPTXK	Exports	-0.43	-0.49	-0.42	-0.28
QIMPMK	Imports	8.76	11.27	11.34	10.63
*** Labour Market ***					
QLBFOR	Labour Force	0.98	1.38	1.22	0.94
QTEET	Employment	7.32	7.21	7.86	8.11
QUT	Unemployment	-60.23	-56.35	-60.75	-66.09
QURATE	Unemployment Rate (%)	(a)	-5.69	-5.93	-6.41
*** Wages and Prices ***					
QTEWET	Wage & Salary/Employee (\$C)	-2.24	0.01	0.59	2.30
QTEYET	Output per Employee (\$71)	-0.28	0.85	-0.07	-0.46
QPRULC	Priv. Non-Agr Unit Lab. Cost	-3.19	-1.97	-0.28	1.94
QIMPMP	Impl. Deflator of Imports	-5.38	-4.74	-2.29	1.43
QTEP	Implicit Output Deflator	-4.38	-3.28	-1.94	0.37
QCPI	Consumer Price Index	-2.33	-2.26	-1.16	0.78
*** Incomes ***					
QYYDPOP	Disposable Income/Capita	6.91	8.81	8.38	7.67
QCP	Corporate Profits	-16.43	-6.70	-7.45	-4.23
Government Balances (Mn \$C)					
QGOBAL	All Governments	(a)	-15307	-13487	-11989
QGBALF	Federal	(a)	-2537	293	3094
QGBALJ	Non-Federal	(a)	-12764	-13785	-15090
QCRBAL	Consumer Price Index	(a)	-12835	-18642	-20808
*** Financial ***					
QREXNC	Exchange Rate (US/CAN)	(a)	4.28	4.27	2.55
QCNPC	Prime Comm. Paper Rate	(a)	2.00	2.00	2.00
QRINDB	Industrial Bond Rate	(a)	0.63	0.88	1.00

(a) Level Impact

Economic Council of Canada

Table: Part A
Gigantes Job Program - Job Allocation

Project	Industry	Total Jobs added (thousands)				Manhours Added (millions)			
		1987	1988	1989	1990	1987	1988	1989	1990
4.1	Construction Average Wage 13.25 hr.	+ 45.723	+ 45.723	+ 45.723	+ 45.723	+ 82.265	+ 82.265	+ 82.265	+ 82.265
4.2									
4.3									
4.4									
1	Forestry Average. Wage 17.21 hr.	+ 4.334	+ 4.334	+ 4.334	+ 4.334	+ 8.140	+ 8.140	+ 8.140	+ 8.140
1	Transportation Average Wage 17.09 hr.	+ 16.754	+ 16.754	+ 16.754	+ 16.754	+ 30.118	+ 30.118	+ 30.118	+ 30.118
5.1	Service Average Wage 11.73 hr.	+ 63.838	+ 63.838	+ 63.838	+ 63.838	+104.766	+104.766	+104.766	+104.766
5.2									
5.3									
5.4									
5.5									
Totals	(cumulative)	130.649	261.298	391.947	522.596				

Table: Part B

Project	Projects	Jobs			
		1987	1988	1989	1990
4.1	Low cost housing (.30199)	13.808	13.808	13.808	13.808
4.2	Restoring housing stock (.3252)	14.869	14.869	14.869	14.869
4.3	Restoring Infrastructure (.04764)	2.178	2.178	2.178	2.178
4.4	Tourist Facility Construction (.3252)	14.869	14.869	14.869	14.869
1	Reforestation (1.0)	4.334	4.334	4.334	4.334
1	Repairing & double track RRd. (1.0)	16.754	16.754	16.754	16.754
5.1	Home care for aged and mentally ill (.06542)	4.176	4.176	4.176	4.176
5.2	Illiteracy Eradication (.13694)	8.742	8.742	8.742	8.742
5.3	Tourism (.52081)	33.247	33.247	33.247	33.247
5.4	Day Care (.10764)	6.872	6.872	6.872	6.872
5.5	Environmental Restoration (.17207)	10.985	10.985	10.985	10.985
Totals	(cumulative)	130.834	261.667	392.502	523.334

Table: Funding of Gigantes Job Creation Program

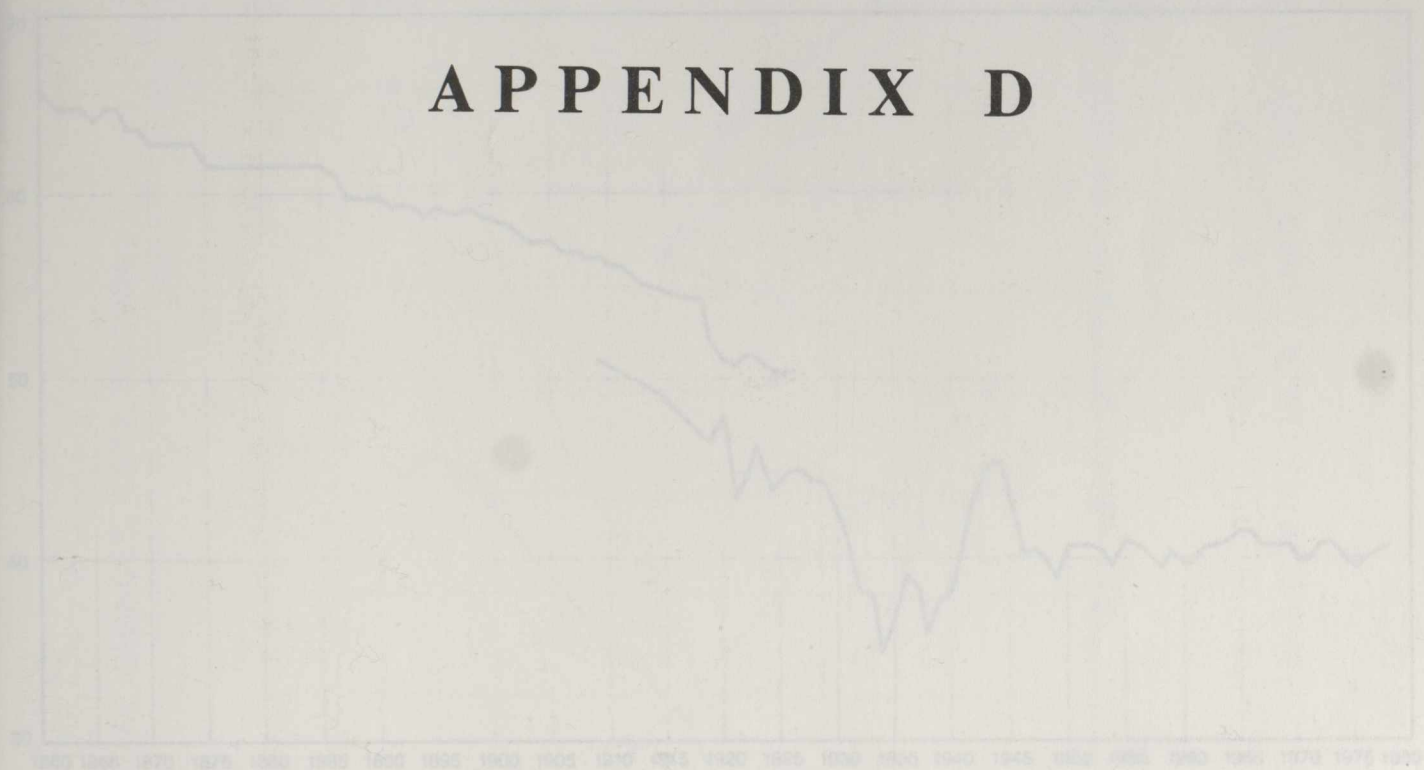
	Federal Government Direct Funding of Program re Job Creation			Federal & Provincial Redistribution of Funds to Fund Program				
	Subsidies re Jobs	Capital Assistance re Jobs	Training Transfers	Subsidies	Capital Assistance	Federal Tax Income	Federal UI Saving	Provincial Tax Income
1987	2004.304	383.9	35.0	1239.4	383.9	0.0	764.9	0.0
1988	4008.708	767.7	25.0	2348.3	767.7	0.0	1660.4	0.0
1989	6013.012	1151.6	-	3602.4	1151.6	0.0	2410.6	0.0
1990	8017.316	1535.5	-	4722.1	1535.5	119.8	3095.4	79.9
1991	8017.316	1535.5	-	4839.6	1535.5	48.1	3097.6	32.0
1992	8017.316	1535.5	-	4961.7	1535.5	163.4	2783.3	108.9
1993	8017.316	1535.5	-	5088.8	1535.5	345.4	2352.9	230.2
1994	8017.316	1535.5	-	5220.9	1535.5	501.1	1961.3	334.0
1995	8017.316	1535.5	-	5358.3	1535.5	601.0	1654.3	400.7
1996	8017.316	1535.5	-	5535.0	1535.5	589.4	1500.0	392.9

- Assumptions:
1. We assume that 21,000 jobs are of a capital intensive nature, therefore 16 per cent of cost should be allocated to Capital Assistance to Industry.
 2. We assume that federal and provincial income tax revenues will make up the shortfall occurring in the financing of the program from 1990 forward, 60 percent federal and 40 per cent provincial.
 3. We assume that the input of the program will be maintained at 1990 levels for the remainder of the period.

GRAPH A

Reduction of the Work Week, 1860-1980

APPENDIX D

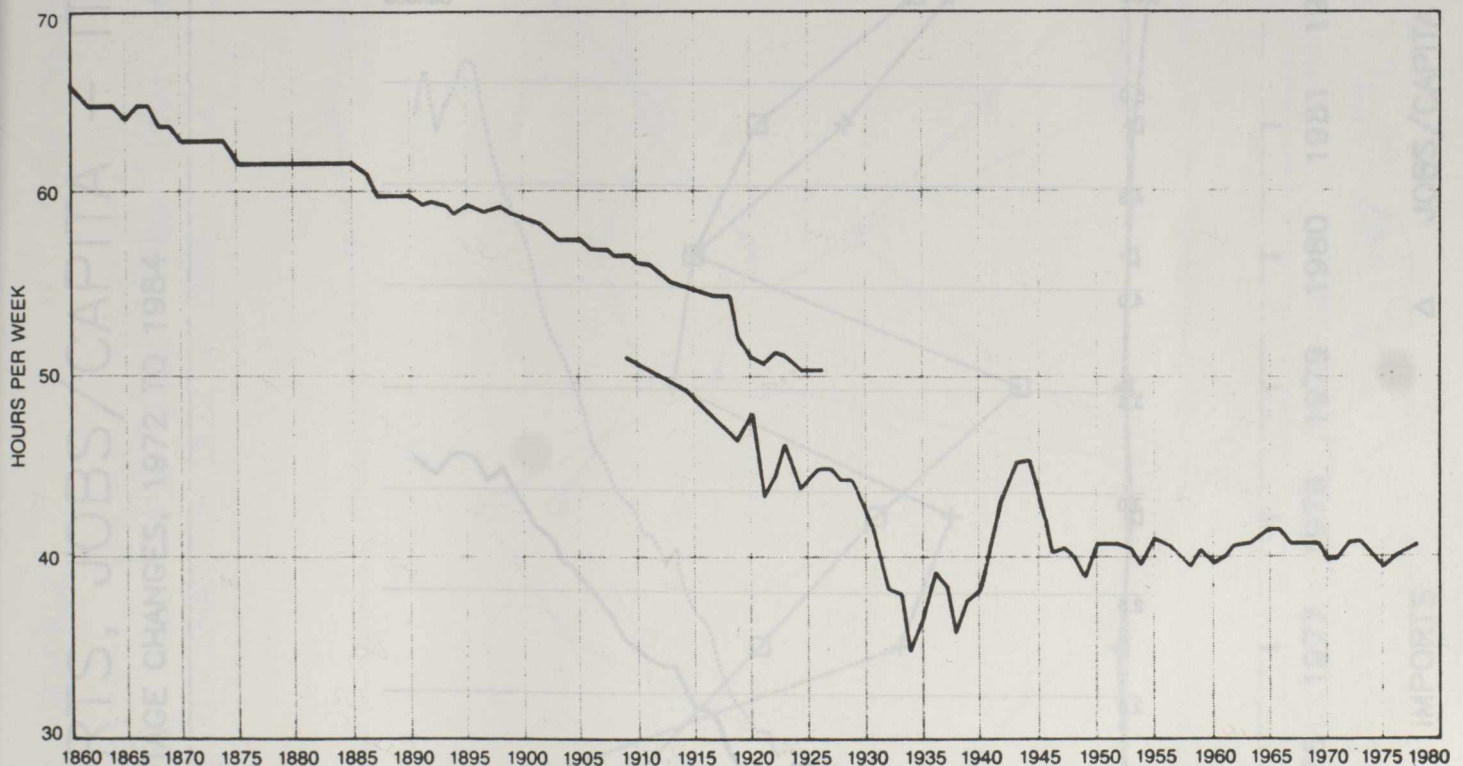


WORK WEEK IN MANUFACTURING INDUSTRIES of the U.S. shortened from about 67 hours in 1860 to about 42 hours in 1980 and has remained constant since then. Such reduction in the average number of working hours per week per employee amounts to the withdrawal from work of more than a third of the manufacturing labor force. The work week actually fell below 40 hours in the Great Depression of the 1930's with "sharing of unemployment" in part-time jobs and climbed well above 40 hours with overtime work in war production in the 1940's. The shortening of the work week together with income policies to maintain and increase, as the increase in output allows, the take-home income of the labor force constitutes one strategy for offsetting technological unemployment (see illustrations on pages 261 and 264). The discontinuity in the curve, over the period 1910 through 1925, reflects a change in the statistical time series kept by the country's bookkeepers involving principally changes in their accounting of the time of part-time and seasonal workers.

Source: Leonid, Wasily W., "The Distribution of Work and Income", *Scientific American* (September 1982) p. 192.

GRAPH A

Reduction of the Work Week, 1860-1980



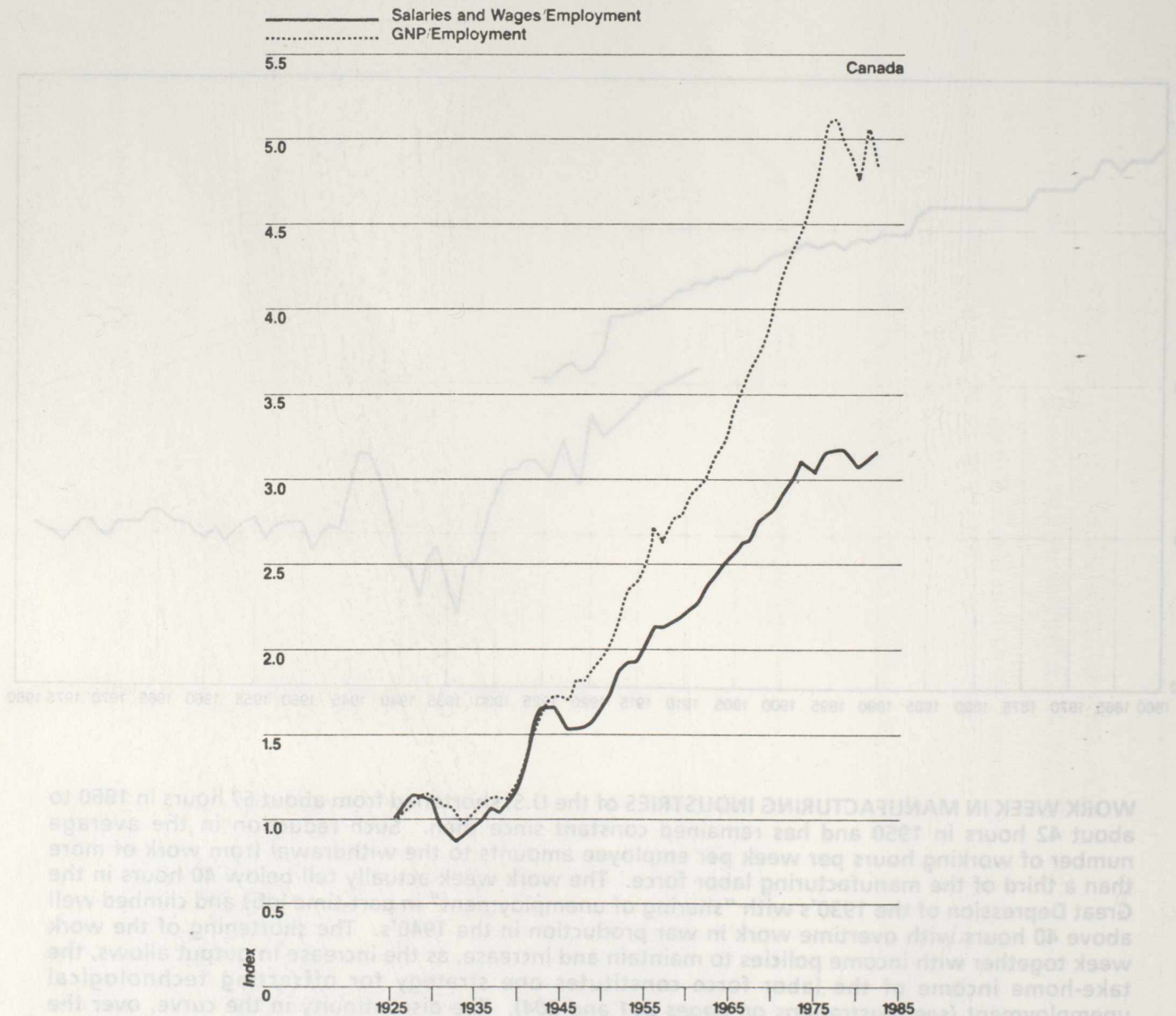
WORK WEEK IN MANUFACTURING INDUSTRIES of the U.S. shortened from about 67 hours in 1860 to about 42 hours in 1950 and has remained constant since then. Such reduction in the average number of working hours per week per employee amounts to the withdrawal from work of more than a third of the manufacturing labor force. The work week actually fell below 40 hours in the Great Depression of the 1930's with "sharing of unemployment" in part-time jobs and climbed well above 40 hours with overtime work in war production in the 1940's. The shortening of the work week together with income policies to maintain and increase, as the increase in output allows, the take-home income of the labor force constitutes one strategy for offsetting technological unemployment (see illustrations on pages 201 and 204). The discontinuity in the curve, over the period 1910 through 1925, reflects a change in the statistical time series kept by the country's bookkeepers involving principally changes in their accounting of the time of part-time and seasonal workers.

Source: Leontief, Wassily W., "The Distribution of Work and Income", *Scientific American* (September 1982) p. 192.

GRAPH B

Productivity and Income, 1926 to 1982

The dotted line shows that in 1985 Canadians produced five times more per capita (after discounting for inflation) than they produced in 1926. The solid line shows that wages of working Canadians increased three times. So productivity grew faster than wages.



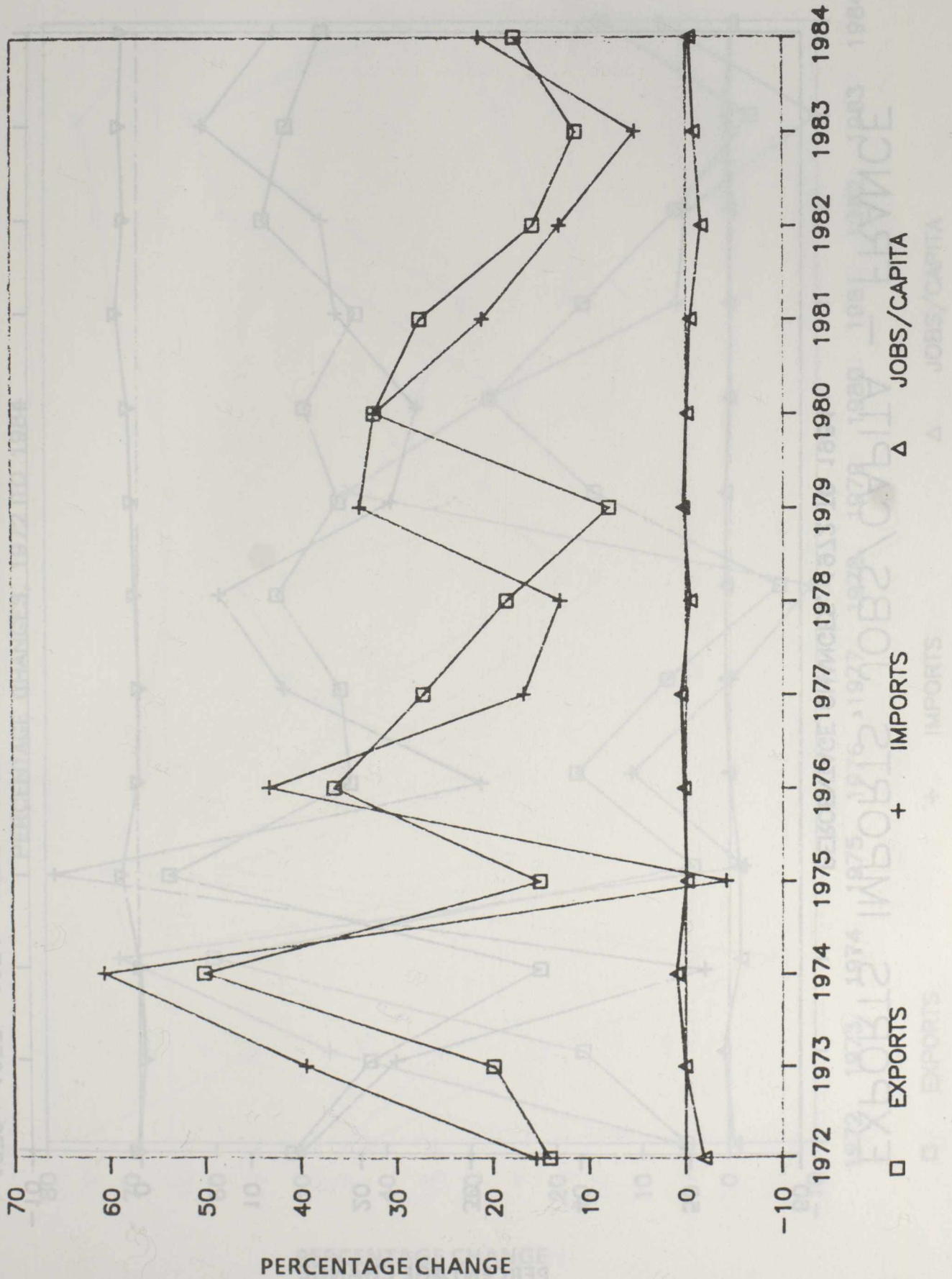
Source: *Employment and New Technology*, Final Report of the Ontario Task Force on Employment and New Technology, p.40

GRAPH C

Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

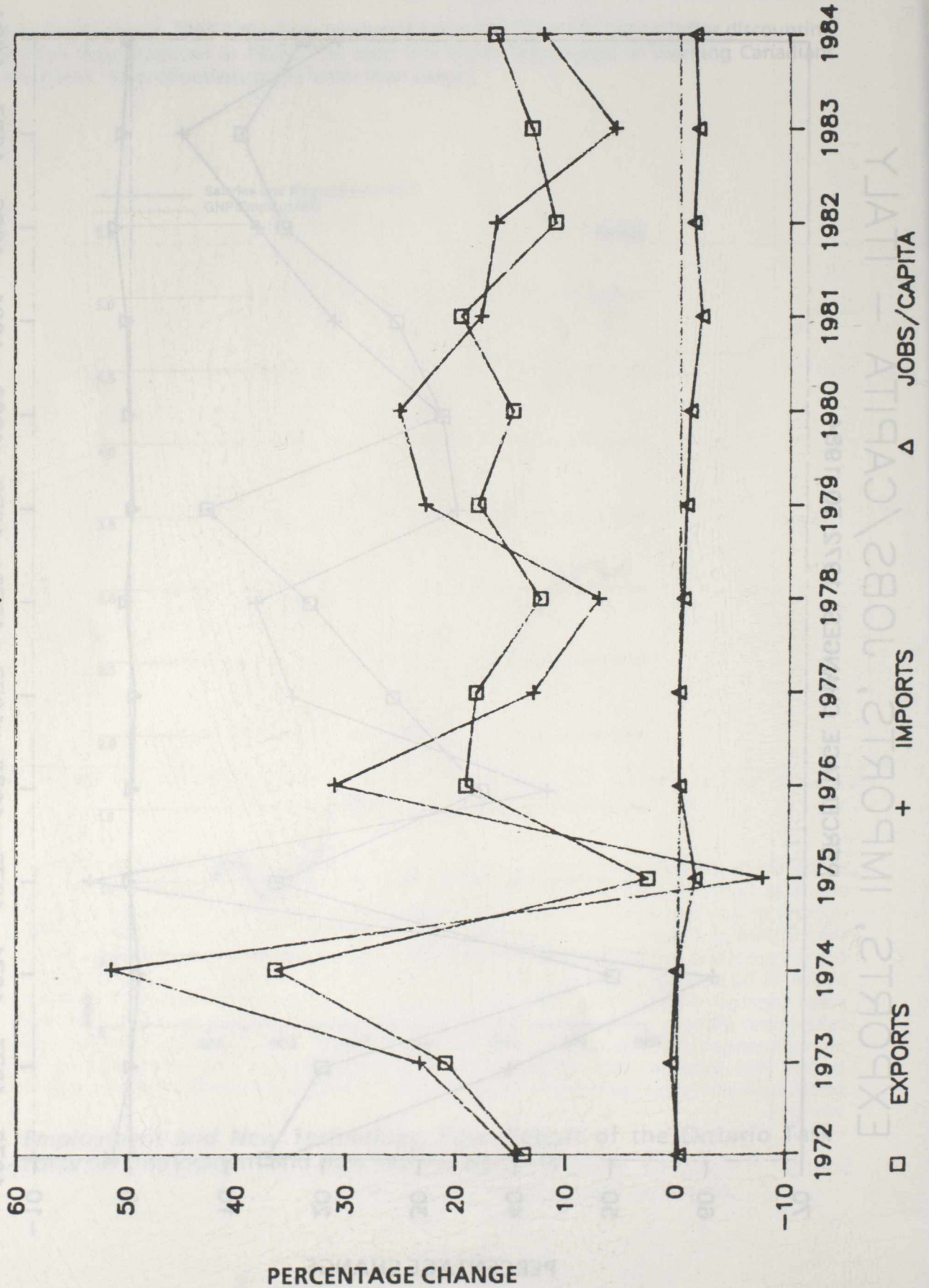
EXPORTS, IMPORTS, JOBS/CAPITA - ITALY

PERCENTAGE CHANGES, 1972 TO 1984



EXPORTS, IMPORTS, JOBS/CAPITA -- FRANCE

PERCENTAGE CHANGES, 1972 TO 1984



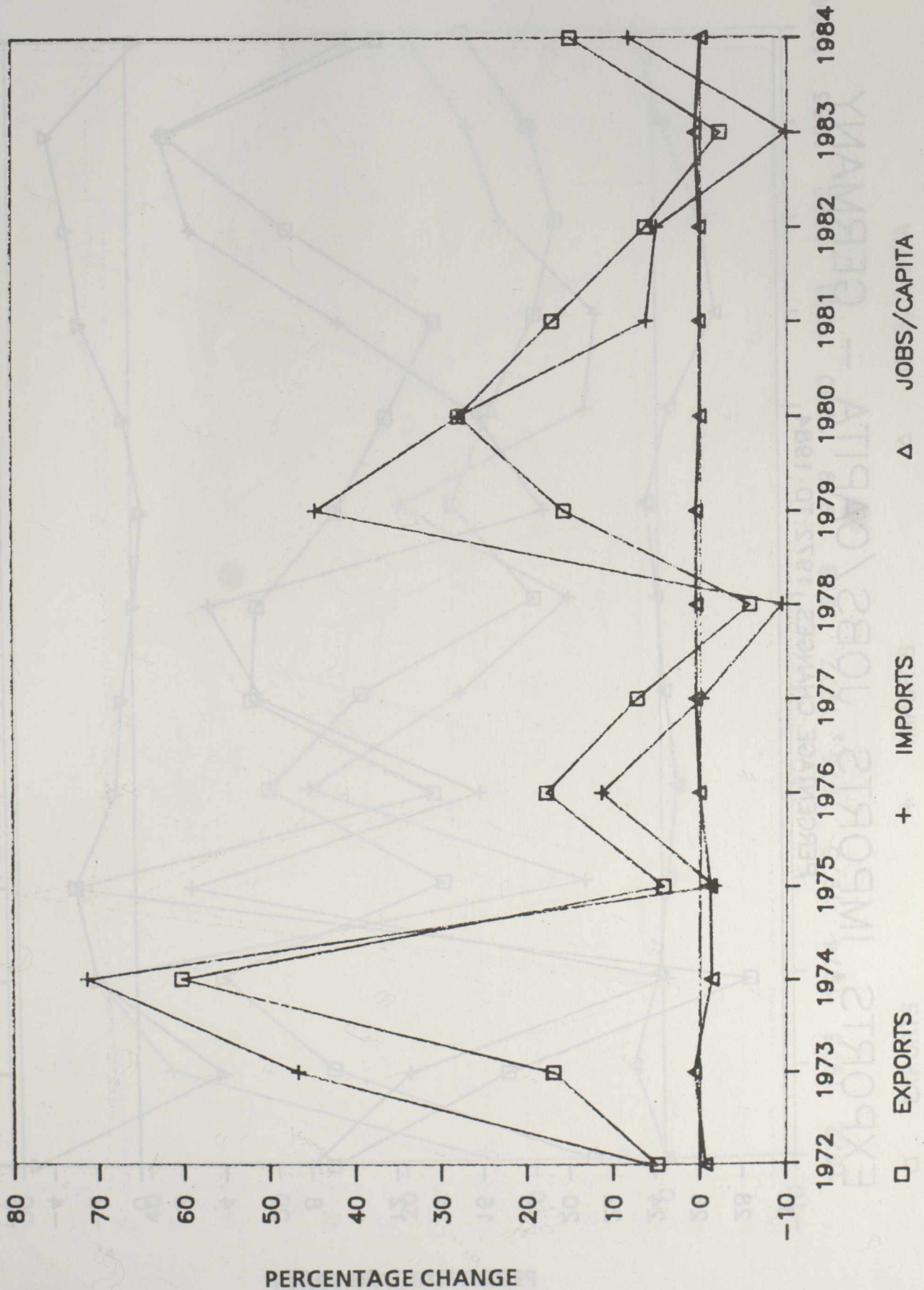
Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

GRAPH D

GRAPH E

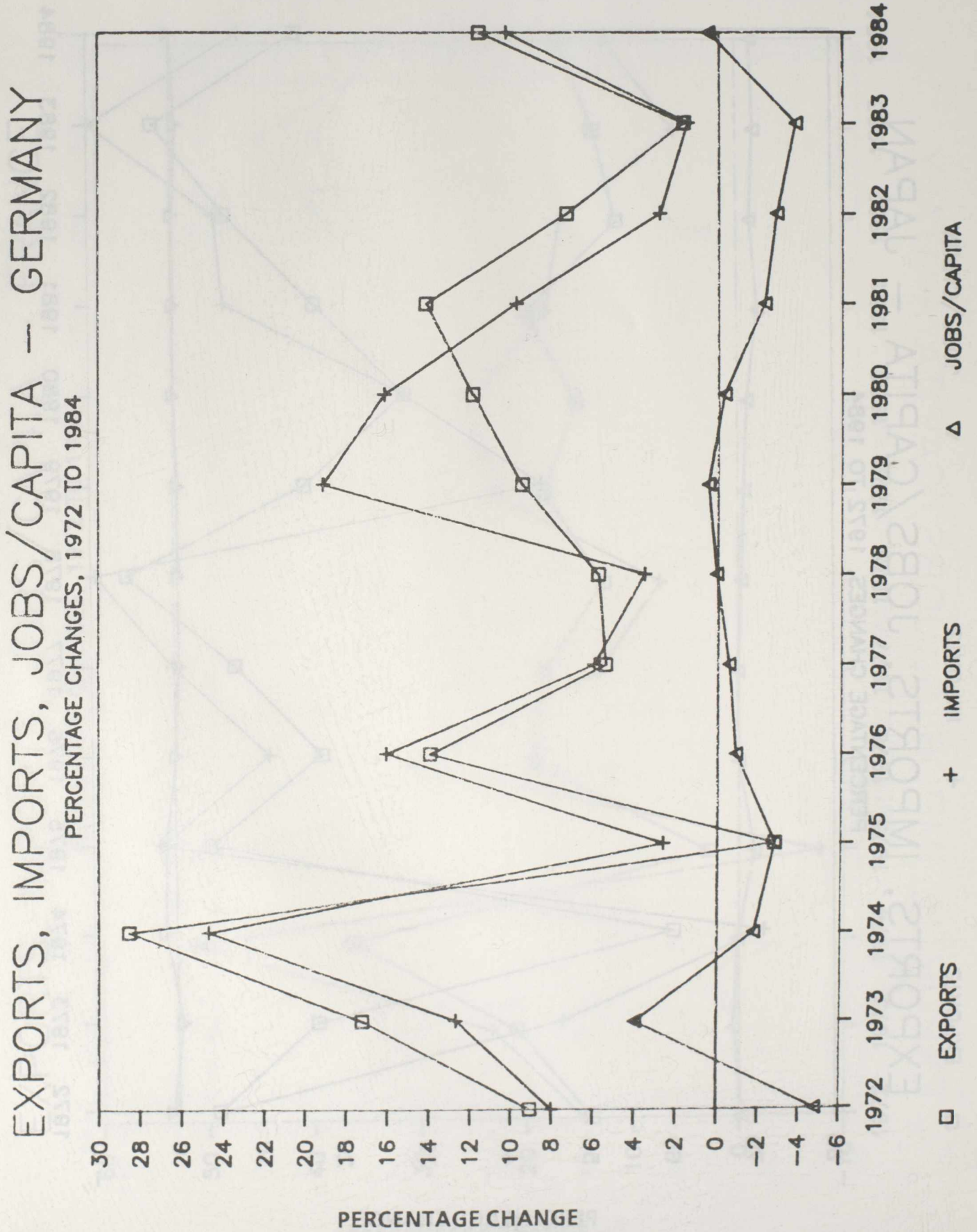
Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

EXPORTS, IMPORTS, JOBS/CAPITA - JAPAN
 PERCENTAGE CHANGES, 1972 TO 1984



GRAPH F

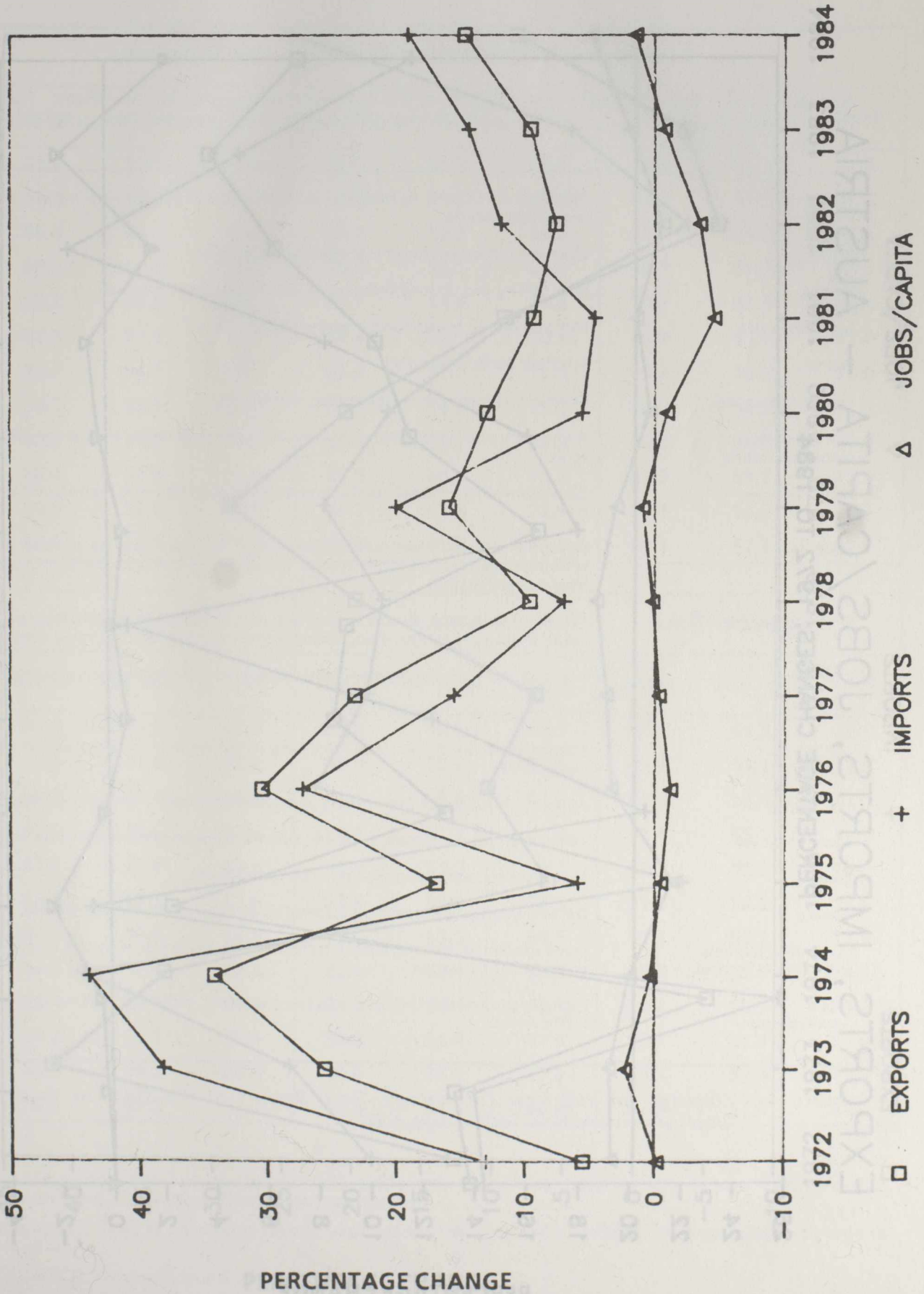
Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.



GRAPH G

Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

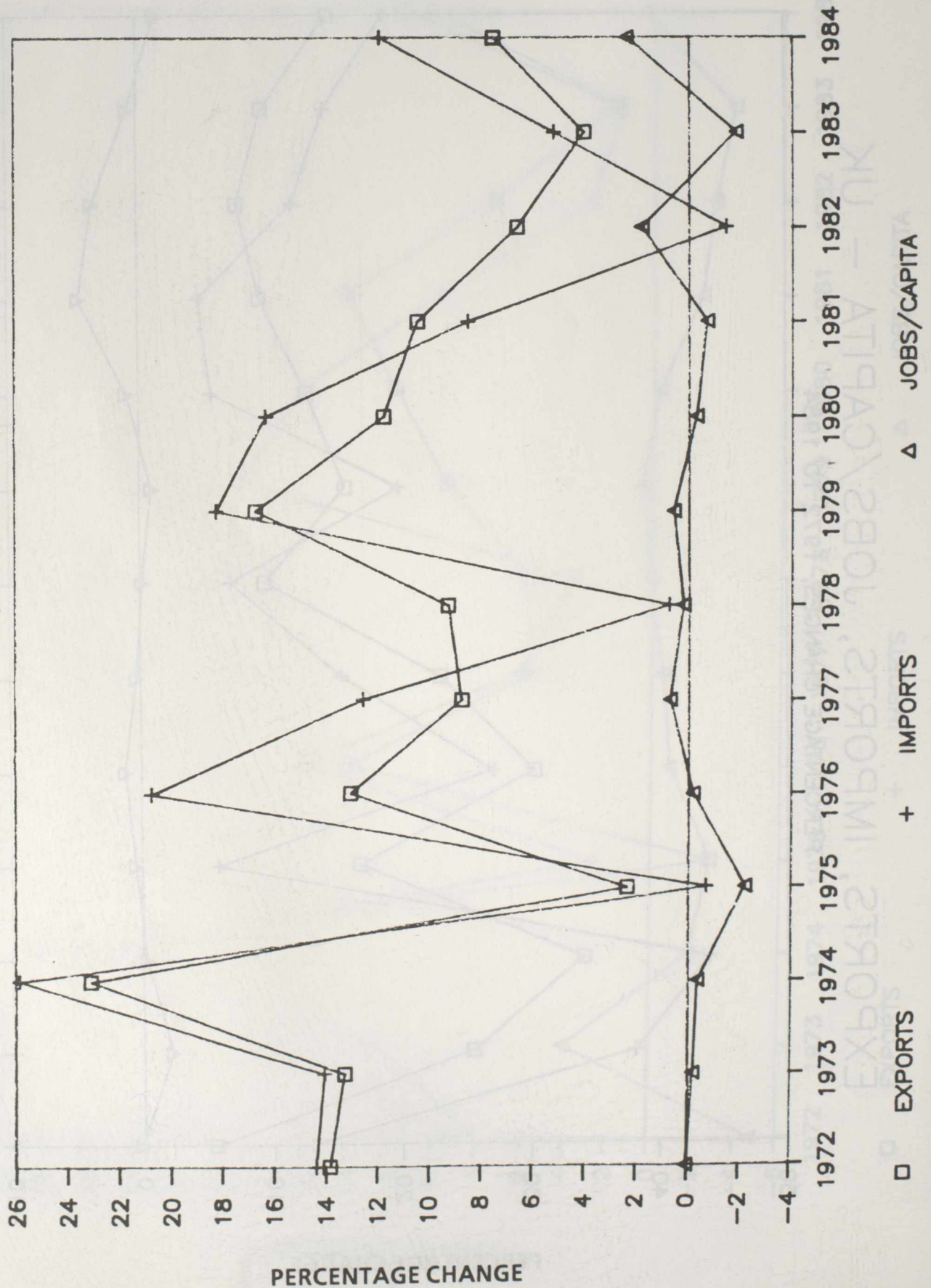
EXPORTS, IMPORTS, JOBS/CAPITA - UK
 PERCENTAGE CHANGES, 1972 TO 1984



GRAPH H

Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

EXPORTS, IMPORTS, JOBS/CAPITA - AUSTRIA
 PERCENTAGE CHANGES, 1972 TO 1984



GRAPH I

Exports rise and imports rise. These rises and falls do not seem to affect the rate at which jobs per capita rise or fall.

EXPORTS, IMPORTS, JOBS/CAPITA - USA
PERCENTAGE CHANGES, 1972 TO 1984

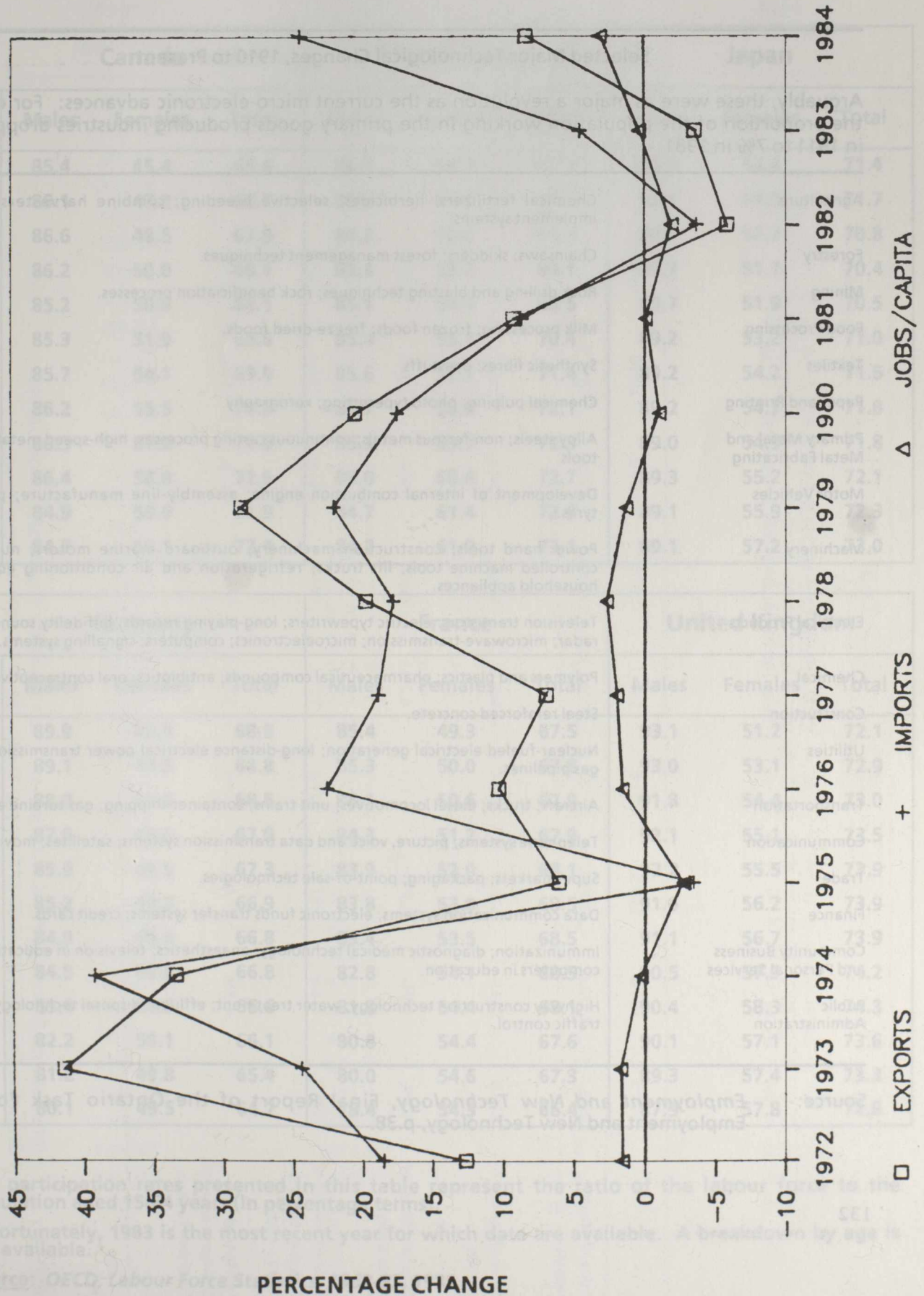


Table 1

Selected Major Technological Changes, 1910 to Present

Arguably, these were as major a revolution as the current micro-electronic advances: For example, the proportion of the population working in the primary goods-producing industries dropped 39% in 1911 to 7% in 1981

Agriculture	Chemical fertilizers; herbicides; selective breeding; combine harvesters; tractor-implement systems.
Forestry	Chainsaws; skidders; forest management techniques.
Mining	Rock drilling and blasting techniques; rock beneficiation processes.
Food Processing	Milk processing; frozen foods; freeze-dried foods.
Textiles	Synthetic fibres; dyestuffs.
Paper and Printing	Chemical pulping; photo typesetting; xerography.
Primary Metal and Metal Fabricating	Alloy steels; non-ferrous metals; continuous casting processes; high-speed metal cutting tools.
Motor Vehicles	Development of internal combustion engine; assembly-line manufacture; pneumatic tyres.
Machinery	Power hand tools; construction machinery; outboard marine motors; numerically-controlled machine tools; lift trucks; refrigeration and air conditioning equipment; household appliances.
Electrical Products	Television transistors; electric typewriters; long-playing records; hi-fidelity sound systems; radar; microwave-transmission; microelectronics; computers; signalling systems.
Chemical	Polymers and plastics; pharmaceutical compounds; antibiotics; oral contraceptives.
Construction	Steel reinforced concrete.
Utilities	Nuclear-fueled electrical generation; long-distance electrical power transmission; oil and gas pipelines.
Transportation	Aircraft; trucks; diesel locomotives; unit trains; container shipping; gas turbine engines.
Communication	Telephone systems; picture, voice and data transmission systems; satellites; movies.
Trade	Supermarkets; packaging; point-of-sale technologies.
Finance	Data communication systems; electronic funds transfer systems; credit cards.
Community Business and Personal Services	Immunization; diagnostic medical technology; anaesthetics; television in education; computers in education.
Public Administration	Highway construction technology; water treatment; effluent disposal technology; air-traffic control.

Source: *Employment and New Technology*, Final Report of the Ontario Task Force on Employment and New Technology, p.38.

TABLE 2
MALE/FEMALE PARTICIPATION RATES FOR SELECTED OECD COUNTRIES
1972 - 83 (1) (2)

Canada				United States			Japan		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
1972	85.4	45.4	65.4	86.4	50.0	67.9	89.9	53.4	71.4
1973	86.1	47.2	66.7	86.2	51.1	68.4	90.1	54.0	71.7
1974	86.6	48.5	67.5	86.2	52.3	69.0	89.9	52.3	70.8
1975	86.2	50.0	68.1	85.4	53.2	69.1	89.7	51.7	70.4
1976	85.2	50.9	68.1	85.1	54.4	69.5	89.7	51.9	70.5
1977	85.3	51.9	68.6	85.4	55.1	70.4	89.2	53.2	71.0
1978	85.7	54.1	69.9	85.6	57.7	71.4	89.2	54.2	71.5
1979	86.2	55.5	70.8	85.7	58.9	72.1	89.2	54.7	71.8
1980	86.3	57.2	71.8	85.3	59.7	72.3	89.0	54.9	71.8
1981	86.4	58.8	72.6	85.0	60.6	72.7	89.3	55.2	72.1
1982	84.9	58.9	71.9	84.7	61.4	72.9	89.1	55.9	72.3
1983	84.7	60.1	72.4	84.7	61.9	73.1	89.1	57.2	73.0

Germany				France			United Kingdom		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
1972	89.9	48.9	68.8	85.4	49.3	67.5	93.1	51.2	72.1
1973	89.1	49.6	68.8	85.3	50.0	67.8	93.0	53.1	72.9
1974	88.0	49.8	68.5	85.1	50.6	67.9	91.8	54.4	73.0
1975	87.0	49.6	67.9	84.3	51.2	67.9	92.1	55.1	73.5
1976	85.9	49.5	67.3	83.9	52.0	68.1	92.2	55.5	73.9
1977	85.2	49.3	66.9	83.8	53.0	68.5	91.6	56.2	73.9
1978	84.9	49.4	66.8	83.4	53.5	68.5	91.1	56.7	73.9
1979	84.5	49.6	66.8	82.8	54.1	68.5	90.5	57.9	74.2
1980	83.4	50.0	66.6	81.8	54.4	68.1	90.4	58.3	74.3
1981	82.2	50.1	66.1	80.8	54.4	67.6	90.1	57.1	73.6
1982	81.2	49.8	65.4	80.0	54.6	67.3	89.3	57.4	73.3
1983	80.1	49.5	64.7	78.4	54.3	66.4	87.9	57.8	72.8

- (1) The participation rates presented in this table represent the ratio of the labour force to the population aged 15-64 years (in percentage terms).
- (2) Unfortunately, 1983 is the most recent year for which data are available. A breakdown by age is not available.

Source: *OECD, Labour Force Statistics, 1963-83, 1985.*

TABLE 3
CANADIAN AND WORLD EXPORTS
 (Values in Billions of U.S. dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Value of World Exports	\$523.4	\$773.6	\$805.5	\$916.1	\$1041.1	\$1204.6	\$1525.2	\$1875.7	\$1842.8	\$1709.9	\$1674.8	\$1776.6	N.A.
Value of Canada's Exports	\$26.4	\$34.5	\$34.1	\$40.6	\$43.6	\$48.4	\$58.3	\$67.7	\$72.7	\$71.2	\$76.7	\$90.4	N.A.
Canada's Share of World Exports	5.0%	4.5%	4.2%	4.4%	4.2%	4.0%	3.8%	3.6%	3.9%	4.2%	4.6%	5.1%	N.A.
Index of Volume of Canadian Exports (1971 = 100)	121.0	115.5	107.2	119.8	131.2	144.4	147.4	145.3	149.4	149.9	163.2	199.3	207.7
Percentage Change in Index of Canadian Exports		-4.5%	-7.2%	11.8%	9.5%	10.1%	2.1%	-1.4%	2.8%	0.3%	8.9%	22.1%	4.2%

Sources: International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.
 Statistics Canada, *Summary of External Trade*, Cat. # 65-001 - various issues.

TABLE 4

REAL GNP & UNEMPLOYMENT RATE

Year	\$ 1971 Dollars GNP/GNE	Real GNP Index	Unemployment Rate	Rate Indexed
1946	28292	100.0	3.4	100.0
1947	29498	104.3	2.2	64.7
1948	30231	106.9	2.3	67.6
1949	31388	110.9	2.8	82.4
1950	33762	119.3	3.6	105.9
1951	35450	125.3	2.4	70.6
1952	38617	136.5	2.9	85.3
1953	40605	143.5	3.0	88.2
1954	40106	141.8	4.6	135.3
1955	43891	155.1	4.4	129.4
1956	47599	168.2	3.4	100.0
1957	48718	172.2	4.6	135.3
1958	49844	176.2	7.0	205.9
1959	51737	182.9	6.0	176.5
1960	53231	188.1	7.0	205.9
1961	54741	193.5	7.1	208.8
1962	58475	206.7	5.9	173.5
1963	61487	217.3	5.5	161.8
1964	65610	231.9	4.7	138.2
1965	69981	247.4	3.9	114.7
1966	74844	264.5	3.6	105.9
1967	77344	273.4	4.1	120.6
1968	81864	289.4	4.8	141.2
1969	86225	304.8	4.7	138.2
1970	88390	312.4	5.9	173.5
1971	94450	333.8	6.4	188.2
1972	100248	354.3	6.3	185.3
1973	107812	381.1	5.6	164.7
1974	111678	394.7	5.4	158.8
1975	113005	399.4	6.9	202.9
1976	119612	422.8	7.1	208.8
1977	121988	431.2	8.1	238.2
1978	126347	446.6	8.3	244.1
1979	130362	460.8	7.4	217.6
1980	131765	465.7	7.5	220.6
1981	136108	481.1	7.5	220.6
1982	130065	459.7	11.0	323.5
1983	134361	474.9	11.9	350.0
1984	141097	498.7	11.3	332.4
1985	147439	521.2	10.5	308.8

Source: Statistics Canada

TABLE 4

REAL GNP & UNEMPLOYMENT RATE

Year	Real GNP Index	Unemployment Rate	Rate (Index)
1982	4232.9	10.7	308.9
1981	4228.7	11.3	312.4
1980	4210.0	11.0	320.0
1979	4087.1	12.2	320.0
1978	4068.8	12.5	320.6
1977	4057.3	12.8	320.6
1976	4037.7	12.8	320.6
1975	4027.3	12.8	320.6
1974	4017.7	12.8	320.6
1973	4007.2	12.8	320.6
1972	3996.8	12.8	320.6
1971	3986.4	12.8	320.6
1970	3976.0	12.8	320.6
1969	3965.6	12.8	320.6
1968	3955.2	12.8	320.6
1967	3944.8	12.8	320.6
1966	3934.4	12.8	320.6
1965	3924.0	12.8	320.6
1964	3913.6	12.8	320.6
1963	3903.2	12.8	320.6
1962	3892.8	12.8	320.6
1961	3882.4	12.8	320.6
1960	3872.0	12.8	320.6
1959	3861.6	12.8	320.6
1958	3851.2	12.8	320.6
1957	3840.8	12.8	320.6
1956	3830.4	12.8	320.6
1955	3820.0	12.8	320.6
1954	3809.6	12.8	320.6
1953	3799.2	12.8	320.6
1952	3788.8	12.8	320.6
1951	3778.4	12.8	320.6
1950	3768.0	12.8	320.6
1949	3757.6	12.8	320.6
1948	3747.2	12.8	320.6
1947	3736.8	12.8	320.6
1946	3726.4	12.8	320.6
1945	3716.0	12.8	320.6
1944	3705.6	12.8	320.6
1943	3695.2	12.8	320.6
1942	3684.8	12.8	320.6
1941	3674.4	12.8	320.6
1940	3664.0	12.8	320.6
1939	3653.6	12.8	320.6
1938	3643.2	12.8	320.6
1937	3632.8	12.8	320.6
1936	3622.4	12.8	320.6
1935	3612.0	12.8	320.6
1934	3601.6	12.8	320.6
1933	3591.2	12.8	320.6
1932	3580.8	12.8	320.6
1931	3570.4	12.8	320.6
1930	3560.0	12.8	320.6
1929	3549.6	12.8	320.6
1928	3539.2	12.8	320.6
1927	3528.8	12.8	320.6
1926	3518.4	12.8	320.6
1925	3508.0	12.8	320.6
1924	3497.6	12.8	320.6
1923	3487.2	12.8	320.6
1922	3476.8	12.8	320.6
1921	3466.4	12.8	320.6
1920	3456.0	12.8	320.6
1919	3445.6	12.8	320.6
1918	3435.2	12.8	320.6
1917	3424.8	12.8	320.6
1916	3414.4	12.8	320.6
1915	3404.0	12.8	320.6
1914	3393.6	12.8	320.6
1913	3383.2	12.8	320.6
1912	3372.8	12.8	320.6
1911	3362.4	12.8	320.6
1910	3352.0	12.8	320.6
1909	3341.6	12.8	320.6
1908	3331.2	12.8	320.6
1907	3320.8	12.8	320.6
1906	3310.4	12.8	320.6
1905	3300.0	12.8	320.6
1904	3289.6	12.8	320.6
1903	3279.2	12.8	320.6
1902	3268.8	12.8	320.6
1901	3258.4	12.8	320.6
1900	3248.0	12.8	320.6
1899	3237.6	12.8	320.6
1898	3227.2	12.8	320.6
1897	3216.8	12.8	320.6
1896	3206.4	12.8	320.6
1895	3196.0	12.8	320.6
1894	3185.6	12.8	320.6
1893	3175.2	12.8	320.6
1892	3164.8	12.8	320.6
1891	3154.4	12.8	320.6
1890	3144.0	12.8	320.6
1889	3133.6	12.8	320.6
1888	3123.2	12.8	320.6
1887	3112.8	12.8	320.6
1886	3102.4	12.8	320.6
1885	3092.0	12.8	320.6
1884	3081.6	12.8	320.6
1883	3071.2	12.8	320.6
1882	3060.8	12.8	320.6
1881	3050.4	12.8	320.6
1880	3040.0	12.8	320.6
1879	3029.6	12.8	320.6
1878	3019.2	12.8	320.6
1877	3008.8	12.8	320.6
1876	2998.4	12.8	320.6
1875	2988.0	12.8	320.6
1874	2977.6	12.8	320.6
1873	2967.2	12.8	320.6
1872	2956.8	12.8	320.6
1871	2946.4	12.8	320.6
1870	2936.0	12.8	320.6
1869	2925.6	12.8	320.6
1868	2915.2	12.8	320.6
1867	2904.8	12.8	320.6
1866	2894.4	12.8	320.6
1865	2884.0	12.8	320.6
1864	2873.6	12.8	320.6
1863	2863.2	12.8	320.6
1862	2852.8	12.8	320.6
1861	2842.4	12.8	320.6
1860	2832.0	12.8	320.6
1859	2821.6	12.8	320.6
1858	2811.2	12.8	320.6
1857	2800.8	12.8	320.6
1856	2790.4	12.8	320.6
1855	2780.0	12.8	320.6
1854	2769.6	12.8	320.6
1853	2759.2	12.8	320.6
1852	2748.8	12.8	320.6
1851	2738.4	12.8	320.6
1850	2728.0	12.8	320.6
1849	2717.6	12.8	320.6
1848	2707.2	12.8	320.6
1847	2696.8	12.8	320.6
1846	2686.4	12.8	320.6
1845	2676.0	12.8	320.6
1844	2665.6	12.8	320.6
1843	2655.2	12.8	320.6
1842	2644.8	12.8	320.6
1841	2634.4	12.8	320.6
1840	2624.0	12.8	320.6
1839	2613.6	12.8	320.6
1838	2603.2	12.8	320.6
1837	2592.8	12.8	320.6
1836	2582.4	12.8	320.6
1835	2572.0	12.8	320.6
1834	2561.6	12.8	320.6
1833	2551.2	12.8	320.6
1832	2540.8	12.8	320.6
1831	2530.4	12.8	320.6
1830	2520.0	12.8	320.6
1829	2509.6	12.8	320.6
1828	2499.2	12.8	320.6
1827	2488.8	12.8	320.6
1826	2478.4	12.8	320.6
1825	2468.0	12.8	320.6
1824	2457.6	12.8	320.6
1823	2447.2	12.8	320.6
1822	2436.8	12.8	320.6
1821	2426.4	12.8	320.6
1820	2416.0	12.8	320.6
1819	2405.6	12.8	320.6
1818	2395.2	12.8	320.6
1817	2384.8	12.8	320.6
1816	2374.4	12.8	320.6
1815	2364.0	12.8	320.6
1814	2353.6	12.8	320.6
1813	2343.2	12.8	320.6
1812	2332.8	12.8	320.6
1811	2322.4	12.8	320.6
1810	2312.0	12.8	320.6
1809	2301.6	12.8	320.6
1808	2291.2	12.8	320.6
1807	2280.8	12.8	320.6
1806	2270.4	12.8	320.6
1805	2260.0	12.8	320.6
1804	2249.6	12.8	320.6
1803	2239.2	12.8	320.6
1802	2228.8	12.8	320.6
1801	2218.4	12.8	320.6
1800	2208.0	12.8	320.6
1799	2197.6	12.8	320.6
1798	2187.2	12.8	320.6
1797	2176.8	12.8	320.6
1796	2166.4	12.8	320.6
1795	2156.0	12.8	320.6
1794	2145.6	12.8	320.6
1793	2135.2	12.8	320.6
1792	2124.8	12.8	320.6
1791	2114.4	12.8	320.6
1790	2104.0	12.8	320.6
1789	2093.6	12.8	320.6
1788	2083.2	12.8	320.6
1787	2072.8	12.8	320.6
1786	2062.4	12.8	320.6
1785	2052.0	12.8	320.6
1784	2041.6	12.8	320.6
1783	2031.2	12.8	320.6
1782	2020.8	12.8	320.6
1781	2010.4	12.8	320.6
1780	2000.0	12.8	320.6
1779	1989.6	12.8	320.6
1778	1979.2	12.8	320.6
1777	1968.8	12.8	320.6
1776	1958.4	12.8	320.6
1775	1948.0	12.8	320.6
1774	1937.6	12.8	320.6
1773	1927.2	12.8	320.6
1772	1916.8	12.8	320.6
1771	1906.4	12.8	320.6
1770	1896.0	12.8	320.6
1769	1885.6	12.8	320.6
1768	1875.2	12.8	320.6
1767	1864.8	12.8	320.6
1766	1854.4	12.8	320.6
1765	1844.0	12.8	320.6
1764	1833.6	12.8	320.6
1763	1823.2	12.8	320.6
1762	1812.8	12.8	320.6
1761	1802.4	12.8	320.6
1760	1792.0	12.8	320.6
1759	1781.6	12.8	320.6
1758	1771.2	12.8	320.6
1757	1760.8	12.8	320.6
1756	1750.4	12.8	320.6
1755	1740.0	12.8	320.6
1754	1729.6	12.8	320.6
1753	1719.2	12.8	320.6
1752	1708.8	12.8	320.6
1751	1698.4	12.8	320.6
1750	1688.0	12.8	320.6
1749	1677.6	12.8	320.6
1748	1667.2	12.8	320.6
1747	1656.8	12.8	320.6
1746	1646.4	12.8	320.6
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1744	1625.6	12.8	320.6
1743	1615.2	12.8	320.6
1742	1604.8	12.8	320.6
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1740	1584.0	12.8	320.6
1739	1573.6	12.8	320.6
1738	1563.2	12.8	320.6
1737	1552.8	12.8	320.6
1736	1542.4	12.8	320.6
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1734	1521.6	12.8	320.6
1733	1511.2	12.8	320.6
1732	1500.8	12.8	320.6
1731	1490.4	12.8	320.6
1730	1480.0	12.8	320.6
1729	1469.6	12.8	320.6
1728	1459.2	12.8	320.6
1727	1448.8	12.8	320.6
1726	1438.4	12.8	320.6
1725	1428.0	12.8	320.6
1724	1417.6	12.8	320.6
1723	1407.2	12.8	320.6
1722	1396.8	12.8	320.6
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1709	1261.6	12.8	320.6
1708	1251.2	12.8	320.6
1707	1240.8		

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CHRISTINE DEARING
 Research Co-ordinator

**Interview with Mr. Allert and Dr. Braun
Federal Ministry for Education and Science
Bonn, West Germany
January 19, 1987**

Vocational Training in the Dual System

(1) The Ministry's main responsibility is vocational training within the dual system in the areas of enterprise-based workshop training as well as overall vocational training policy and university affairs (20% of the school population goes on to university).

(2) The system attempts to produce adaptable people by focusing on initial training.

(3) Vocational training lasts an average of three years and offers specific training as well as enough basic training to allow for flexibility and further training.

(4) Systematic training takes into account the changing workplace. Training regulations (set out by the federal government after negotiations with employers and unions) emphasize "key" qualifications: responsibility; teamwork; decision making; creativity; ability to undergo further training.

(5) Vocational training also occurs in school; it includes basic academic training in math, language, reading and writing (during two days a week in school).

(6) Attendance at vocational schools requires often eight hours per day (regular school is six hours).

(7) In cases where the employer cannot provide training due to lack of facilities, the additional training centres are funded by the Federal Institute for Vocational Training.

(8) The main policy is that the employer is responsible for training; training costs can be deducted from profits.

Illiteracy

(9) 1% of the total population cannot read or write.

(10) There is a larger number of people who can read but can't understand what the text says.

(11) German schools graduate students after an examination requiring literacy skills.

(12) Certain employers complain that the level of knowledge on matters of general interest is inadequate.

Technical high schools (Fachoberschulen)

(13) For those who wish to pursue specific technical training (not in the dual system of alternating school and work training) there are technical high schools (age 19 to 20).

(14) These schools lead to higher vocational training in schools (Fachoberschulen) or to university education.

(15) 12% of vocational trainees shift to a more academic stream in order to pursue university studies.

(16) Employers in the dual system encourage young people to stay on in the firm rather than pursue further education.

(17) Training in the dual system seems to be the best preparation for future work.

**Interview with Dr. Bauer
and Dr. Wagenhofer
Economic-political section
Federal Chamber of Trade and Commerce
Vienna, Austria
February 2, 1987**

(1) Austria's economic performance depends on its competitiveness vis-à-vis the European Community.

(2) Austria has import-export arrangements with EC countries as well as with some eastern-block countries.

(3) 40% of Austria's GDP is linked to foreign trade in goods and services. Productivity and efficiency are pre-requisites for competitiveness.

(4) Austria has programs which subsidize environmental projects, provide the elderly with food and so on.

(5) Austria has a population equal to 10% of West Germany's.

(6) Germans own 28% of total investment in Austria. In both Germany and Austria, social climates in private companies are similar. Foreign investment does not cause the same problems that it might in Canada. Foreign firms have little difficulty becoming accustomed to Austrian ways. Further, Austria has many neighbours. Only 40% of imports and 30% of exports are with Germany. Other countries are important to Austria.

(7) Austria is more independent from Germany than Canada is from the U.S. Austria pegs its

currency on the German mark in order to stabilize expectations in money markets and investment.

(8) The Austrian bank discount rate is 3.5%; prime rate is 8.5%; federal deficit is 5.4% of GDP; total government deficit is about 4% of GDP.

(9) Foreign-owned firms carry out some research in Austria because wage rates are often lower and skilled human capital is available. Highly trained German researchers often seek work in the U.S.; Austrians go to Germany.

(10) Austria gives incentives for foreign firms to locate in Austria. The existence of multinationals is to Austria's advantage and provides links with other countries.

(11) Austria has tended to imitate rather than innovate when it comes to R and D programs and developing new technology.

(12) 1.3% of GDP is devoted to research.

Bayer AG
(Herr Richter, Director of Vocational Training)
Leverkusen, West Germany
January 21, 1987

(1) Because all companies follow the same guidelines and train to the same level, there is a reduced risk of losing trained workers to other companies; there is a large pool of well-trained workers.

(2) Bayer runs its own vocational training school with provincial supervision. The federal government supervises training in the work-place.

(3) 95% of trainees are employed after initial three-year training; 5% to 7% leave to go on to university or technical college. The company is under no legal obligation to employ trainees.

(4) Bayer carries out most of its research in Germany. However, because of different consumer patterns in Japan and the U.S., and because their subsidiaries there service large markets, some research in pharmaceuticals, for example, is done in these countries.

(5) The number of universities and research facilities in the U.S. makes research there more attractive.

(6) Bayer spends 3% of its payroll annually on training.

(7) Trainees are given a training wage. Training costs are deductible expenses for the firm's taxation.

(8) Older workers with obsolete skills who need re-training receive the same training as young apprentices at Bayer.

(9) There are special programs for women who have been out of the labor market and need new skills.

(10) Bayer has helped workers in declining fields make the transition to high demand areas; work councils comprising workers, union representatives and foremen ensure that workers are re-trained in areas of high demand and high income.

(11) The concentration is on broad-based initial training allowing for quick re-training and adaptability for other jobs; it is easier to re-train someone who has already received some initial training.

(12) Increasingly, applicants for vocational training are grade 13 graduates, whereas they have traditionally been grade 9 graduates. This is because of the growing demand for skilled workers.

(13) Unions understand the change in demand for jobs. They agree that companies should train more people than they need in view of longer-range goals.

(14) The number of trainees at Bayer has increased regardless of economic conditions; the kinds of vocations and the numbers in each vocation change with market demand.

(15) Trainees receive vocational on-the-job training and extensive workshop training where real-life situations are simulated. Theoretical training comes later.

(16) Bayer also trains apprentices in occupations unrelated to its own needs, eg. woodworking.

(17) Bayer has on-site workshops and classrooms as well as some housing facilities for its trainees.

Interview with Professor Diane Bellemare
Economics Department
Université du Québec à Montréal
March 2, 1986

Full employment strategy

(1) It is possible to implement a full employment strategy without raising taxes.

(2) Important structural changes will nevertheless have to be made and expenditures will have to be reviewed.

(3) Employment must be dealt with in a systematic way.

(4) In Canada, reducing inflation and the deficit have been priority concerns.

(5) The last ten years have been marked by the struggle to fight inflation, a struggle which increased unemployment. Therefore, unemployment has helped to lower inflation.

(6) The aim of "full employment" is to create a situation in which everyone who wants to work can do so in his or her chosen field. In striving for "full employment" our economic instruments would be used to create and preserve jobs and for job-sharing purposes.

(7) For example, Sweden and Norway weathered the international crisis without an undue increase in their unemployment rates. Employment became the focus of every economic policy. The federal deficit in Sweden represented 6 per cent of the GNP in 1982. In Canada, the deficit currently represents 6.7 per cent of the GNP. In Sweden it is now 3 per cent of GNP as a result of coherent economic policies. In Canada, we tend to forget the positive spinoff multiplier effects of employment.

(8) Sweden, Norway and Austria have adopted their full employment policies on macroeconomic principles.

(9) In Austria in the early '70s, the focus of economic policies was on protecting jobs without increasing inflation.

(10) The government adopted a policy based on increased expenditures (for example, social security) and fought inflation with a hard currency policy and a very strict income policy.

(11) Their monetary policy is restrictive.

(12) Because of the possibility of deducting interest payments from taxes, high interest rates had less of a negative impact on employment in Austria than they did in Canada.

(13) The Austrian government increased spending to reduce unemployment and battle the world recession.

At the same time, it raised taxes to help pay off the deficit.

(14) The government proceeded in a selective manner: while personal taxes were not increased, other forms of payments were, for example highway tolls.

(15) A considerable number of tax shelters were eliminated to reduce the level of savings and to increase consumer spending.

(16) A similar policy was adopted in Norway. To fight the recession, the government increased its social spending substantially. It also combined a macroeconomic policy with an income policy. Through the negotiation process, government, unions and management determined budget policy directions and wage increases.

(17) For example, to fight unemployment, stimulate employment and protect consumption, government spending must be increased. For a country to remain competitive, it must keep inflation in check. In Norway, management agreed to grant small wage increases while the government increased old age pensions or lowered taxes.

(18) In the final analysis, the government pursued an expansionist policy. Businesses did not have to absorb hefty wage increases while workers, in social terms, enjoyed an increase in real income levels.

Training

(19) Austria and Norway rely less systematically than Sweden on a labour market policy (for training and re-training).

(20) A wide range of programs exists in Canada, but not all of them are guaranteed to be successful as they are too centralized and based on incomplete information.

(21) Practical experience in the field, not econometric instruments, is the key to forecasting employment.

(22) The aerospace industry in Quebec had been relying on foreign workers to make up for the shortage of engineering experts. Those who examined the problem discovered that no universities in Quebec offered courses in aerospace technology. A committee composed of government, union and management representatives was, therefore, set up to formulate a five-year manpower requirement plan. The industry is now employing Canadian engineers.

(23) Adequate solutions can thus be found through such tripartite co-operation.

(24) Training programs were set up in Canada to lower unemployment. A person enrolled in a training program is not considered to be unemployed. The same holds true at the provincial level with respect to the qualifying period for welfare benefits. An individual in training does not accumulate credits towards U.I. or welfare benefits. This process is inhumane and demoralizes workers.

(25) Sweden adopted a Keynesian policy following World War II.

(26) It achieved high levels of employment by implementing income security, spending and investment policies. This approach has created some inflationary pressure.

(27) The Swedish Finance Ministry, under pressure from the unions, decided to adopt a less expansionist macro-oriented strategy and agreed to resort to deficit financing during the recession to finance a labour-market policy. The aim of the policy was to train people during the recession so that they would be prepared when the economy eventually recovered. Useful jobs were therefore created during the recession. A training system was introduced to create a social infrastructure through public works, which employed people and trained them for the jobs an economic recovery would bring. The policy was more employment oriented.

(28) Employment was stimulated directly by labour-market programs; the multiplier effect was much greater than if consumption had been stimulated: this might simply have led to increased imports.

(29) At the same time, productivity was improved, because the social infrastructure was more highly developed and could be adapted more easily to the requirements of industry.

Direct job creation

(30) In the 1970s, Sweden used this approach to distribute profits when productivity increased, to ensure employment.

(31) Industry does not automatically re-invest profits to increase the number of jobs. Further, increased productivity does not always translate into higher wages.

(32) During times of high productivity, Sweden makes sure that a portion of the profits resulting from the higher productivity is recycled to create new services. The number of jobs in the civil service shot up in the 1970s, to the point where 30% of the jobs in Sweden were inside the civil service.

(33) Many of these jobs are now filled by women. It is important to note that they are high quality jobs with security and count as genuine jobs even if the hours of work are shorter.

(34) These countries (Austria, Sweden, Norway) are succeeding because they have made full employment their primary objective. In most countries, full employment will never be attained unless it becomes a political priority.

(35) Austria, Sweden and Norway are economic democracies: unions and employers both participate in defining an economic strategy, so that these strategies will be more closely oriented toward the needs of society.

(36) In Canada, economic policy is the result of lobbying, which is not a very democratic approach.

(37) In Austria, the unions and the employers get together and reach an agreement; the government has no say in the matter at all.

(38) Germany's economic policies are very similar to Canada's. Unions no longer work with employers to define policy.

(39) In Norway and Sweden, there is a system of negotiation very similar to that of Austria.

(40) In Sweden, government officials do not dictate the level of salary increases but only the time at which negotiations will take place.

(41) The parallel between Austria and Canada is interesting because Austrian monetary policy is linked to that of Germany.

(42) In Canada, we could have a full employment policy based on other modes, in which the provinces would have a more important role. Regional needs are very important in Canada.

(43) In the United States, the political system is such that it is impossible to initiate economic strategies at the local level. In Canada, we could make use of microeconomic approaches. We have a tendency to

import social techniques and ways of thinking from the Americans.

(44) Possibly our Senate committees could study the unemployment insurance system. We need an unemployment insurance plan that protects every one's economic security while stimulating job creation.

(45) Having a job represents a fundamental value for Canadians. The problem is that our governments do not seem to realize this.

(46) The federal government could have been expansionist in 1980 but the provinces wanted to reduce their deficits and cancelled out the effect of the federal program. Without co-operation, federal initiatives cannot work.

(47) Use could be made of the employment productivity centre set up by the 1984 Lalonde budget. This institution could be entrusted with the responsibility for negotiating economic policy with the provinces. An agreement could be reached among employers, unions and provinces, as is done in other countries.

(48) The centre could look after productivity, free trade and trade policies.

(49) We could begin by agreeing nationally on budgetary and tax policies.

(50) On the other hand, labour-market and regional development policies must be decentralized to a great extent. We could have provincial policies or a federal policy divided regionally, with five large, clearly defined regions, each of which would be responsible for administration of funds, programs, choice of programs, and participation by municipalities in a tripartite consultation process.

(51) Employment would be negotiated on a regional level by all concerned.

(52) In a policy centred on regional development, the spinoff multiplier effects of central investment spending are less than those of spending within the region by small and medium-sized businesses which have a larger pool of wages and salaries.

(53) Only a region can know where its strengths and resources are located. Ideological quarrels at the national level often obscure regional needs.

(54) West Germany made use of a similar co-operative system to canvass people's views on macro-economic policy (combined-action committees).

(55) In 1977, these committees ceased to function. The unions withdrew from the system and the orientation of the policy was changed. The West German government wanted to give priority to inflation and deficit reduction instead of to employment, possibly because of new political currents in the country.

(56) In West Germany, the full employment consensus was fractured at the national level, but at the regional and local levels, the unions and employers are continuing to direct labour-market policy autonomously.

(57) According to recent statistics, unemployment is increasing in Germany (8.8%), while in Sweden, Norway and Austria, unemployment and the deficit are decreasing.

(58) These countries have become aware that a full employment policy is valuable both to the social infrastructure and economic efficiency. The pursuit of full employment can contain inflation and stimulate productivity, because people feel they have a share in the outcome. Otherwise, it is difficult to mobilize individuals to combat the deficit or support technological change or free trade, for example.

**Briefing by Canadian Embassy Officials
Bonn, West Germany
January 19, 1987**

Unemployment

(1) Although youth unemployment in Germany is low (6.5% compared with 8.9% for the whole population), many young people are in training or in the military.

(2) The unemployed are unorganized with no cohesive representation to defend their interests.

(3) The majority of the population are doing very well.

(4) U.I. benefits are high; the majority of the unemployed (more than 50%) are women even though women are only 38% of the work force. This is less of a political problem in Germany than in Canada because women's rights are less well defended in Germany.

(5) Employers face tremendous overhead costs due to the social safety net. Social safety net contribu-

tions by employers represent a sum equal to 50% or 60% of their wage bill.

(6) Because of these, employers are tempted to hire people off the black market.

Demographics

(7) West Germany is facing declining birth rates and an aging population. This is putting financial pressure on the social system.

(8) Attempts are being made to stimulate a population increase by augmenting family benefits, child care allowances and so on.

(9) Men or women who stay home for the first year after their child is born are considered to be gainfully employed and can contribute to pension schemes.

(10) Immigration is not seen as a solution to the problem; obtaining citizenship is a long and difficult process and is not encouraged.

Training

(11) Employers have a strong feeling of commitment to training. Companies act in enlightened self-interest and realize the social and future economic benefits of training. Much prestige is attached to offering training to young people.

(12) There is a high level of pragmatic co-operation between capital and labour, unions, employers and workers.

Investment

(13) Investment in new technology has increased over the last ten years.

(14) Companies are spending more money on research and development.

Funding of training; U.I.

(15) Funding for training/re-training and U.I. come from employer/employee contributions collected by the Federal Employment Institute.

**Canadian Labour Congress (C.L.C.)
Ms. Shirley Carr and Mr. Ron Lang
July 29, 1986**

(1) A consumer recovery is the only way we can turn the Canadian economy around.

(2) Job creation is necessary:

I INDUSTRIAL SECTOR

a) low-income housing

b) reforestation

c) railway system

d) ship building

II SERVICE SECTOR

a) Day care

b) Care for the elderly

c) "Protective" industries (court workers, etc.)

(3) With respect to employment policies, laid-off workers should have priority over new entrants in any job creation scheme.

(4) There is no way to "force" those who are employable but who don't want to work to accept jobs.

(5) There are social problems associated with finding well-paying jobs for those on welfare when those not on welfare cannot qualify for them or have access to them.

(6) Government (federal) and business must invest to create demand.

(7) Workers' Compensation is a payroll tax which must remain distinct from a Guaranteed Annual Income policy. It is a true insurance scheme in that an employer's Workers' Compensation premiums are based on his accident rating: the more accidents, the higher the premiums. This is a clear incentive to maintain safety levels.

(8) U.I. does not work in the same way.

(9) In 1975, '76, '77, the C.L.C. supported concerted policy-making by management, government and labour, rather than wage controls (Manifesto 1976 C.L.C. convention; July 76 presentation to Cabinet).

(10) The trade union movement is based on labour market policy: the bottom line is jobs.

(11) Unions would like:

a) recognition of labour as a legitimate social partner;

- b) the Department of Employment and Immigration to shift towards being a Crown corporation to reorient focus so that they could be proactive rather than reactive

**Interview with Mr. Carcenac
and members of the
employment delegation
Paris, France
January 26, 1987**

Employment policy

(1) France has experienced little or no economic growth accompanied by unemployment and demographic problems.

(2) The unemployment rate has remained above 5.5% since 1985. The present rate is 10.7%, which represents an unemployed population of 2.5 million, including 1 million youth.

(3) The duration of long-term unemployment continues to grow; it has now reached an average of 350 days.

(4) The prospects for economic growth are poor and there is a strong likelihood that the current situation will continue.

(5) The government's approach has four facets:

- (a) general liberalization of economic policy;
- (b) adjustment of labour supply and demand through job placement;
- (c) promotion of employment;
- (d) social support (see last paragraph of this interview).

(6) (a) General Liberalization of Economic Policy Since March 1986

- Emphasis is placed on greater freedom of management for employers, with respect, for example, to industrial prices, flexibility of working hours and contracts. There is also a trend toward ending the requirement to obtain administrative authorization for laying people off.
- New measures to encourage the development of part-time employment were introduced with some difficulty; there are incentives for

business to hire more people. The same inconsistencies exist regarding the need to distinguish between measures that increase employment and measures that reduce employment.

(7) Adjustment of Supply and Demand

- This facet includes services to organize and decentralize placement and training.
- Programs for young workers:
 - (i) co-operative education
 - (ii) emergency plan
 - (iii) apprenticeship program

(8) Co-operative Education (Since 1985) (cf. Debeine)

- A recent business/labour agreement eases the transition between initial training at school and work.
- Special employment contracts promote hiring and training:
 - Apprenticeship contract (two years): general training, theory and practice leading to CAP (Certificat d'aptitude professionnelle) examinations; the employer pays the apprentice between 15% and 70% of the minimum wage.
 - Qualification contract (six months to two years): on-the-job plus classroom training equivalent to 25% of the contract's total duration.
 - Employment adjustment contract (minimum six months with at least 200 hours of complementary training): promotes the hiring of already trained young people; in the last two cases, the contracts are financed by the employer and may include benefits.

(9) Emergency Plan (1986)

- Employers can take advantage of exemptions from social security contributions by hiring young people between the ages of 16 and 25; exemptions are between 25% and 100% depending on the type of contract.

(10) Apprenticeship (20 hours)

- Initial guidance: assistance for young people leaving school, to help them determine their vocational orientation; financed by the government at \$4.00/trainee-hour.
- Job readiness (six months): for those who have difficulty finding employment (long-term unemployed, those with poor school performance); institutional training period equal to 25% of total training; financed by the government at \$4.00/trainee-hour, with costs of transportation, lodging and social security borne by the government; young people aged 16 to 18 initially receive \$122.00 per month and later \$168.00 per month; those aged 18 to 21 receive \$267.00 per month and those over 21 receive \$356.00 per month.
- Introduction to the world of work (SIVP — Stages d'initiation à la vie professionnelle, three to six months): enables young people to discover the work world and develop work skills with a view to helping them choose a career; financed by the government (\$4.00/trainee-hour) and the employer (17% to 27% of the minimum wage) including lodging, transportation and social security; they also receive the same wages as mentioned above.
- Community work (three months to one year on a part-time basis, for 20 hours per week or 80 hours per month): this program helps young people who are unemployed and not undergoing training to enter the work force and prepare for work; the young people do community work that responds to local needs, within non-profit organizations, foundations and public institutions; the work consists of social assistance, user services, environmental improvement, etc., financed by the government at \$263.00 per month; the sponsoring organization sometimes pays a salary of \$105.00 per month; social security is borne by the government.

(11) Employer Financing

- To promote the employment of young people, employers are required to pay 0.1% of total wages as an apprenticeship tax, and 0.2% of total wages to finance vocational training; alternatively, the employer can pay this amount to a certified organization; the

employer can deduct from his taxable profits \$10.50/trainee-hour in the case of qualification and employment adjustment contracts.

(12) Promotion of Employment

(i) Assistance for unemployed people who start a business: a premium is paid by the government to unemployed people receiving compensation who decide to start a business. This premium is equal to the unemployment allowance. In 1985-86, 70,000 people were helped through this program.

(ii) Local initiative employment: in the socio-cultural sector; 3,000 to 5,000 jobs are subsidized annually.

(iii) Search for new employment opportunities: research at the local level on ways of increasing employment in tertiary industries (e.g. domestic help).

(13) Social Support

This includes labour market measures to facilitate retirement, pre-retirement, relocation; to help immigrants return to their homeland; to compensate unemployed people and help them find employment.

Interview with Edward Carmichael (C.D. Howe Institute) and Paul Matthews (Devry Institute of Technology) Toronto April 10, 1986

Will there be jobs?:

(1) At the end of 1982, we reached a high in unemployment of 13.9%. We have had over one million unemployed for over five years.

(2) 1.2 million jobs have been added to total employment since the end of the recession: in mid-1981 we had 11 million employed with 7.5% unemployment. The next 18 months saw a loss of 500,000 jobs. To this 10.5 million base we have added 1.2 million jobs for 700,000 net jobs. This has been distributed unevenly across the country. Fewer jobs exist in Western Canada today than in 1981.

(3) For Canada as a whole, since 1970, our employment creation record has been the best among the industrialized countries.

(4) We have a fast-growing labour force: this causes unemployment.

(5) If we can create between 300,000 and 400,000 jobs per year, we can lower the unemployment rate to 7½% and lower.

(6) Our training objectives must take into account both unemployment and those entering the labour force. Of the 1.2 million unemployed, a segment is chronically unemployed.

(7) Among those on welfare, 450,000 are employable. The chronically unemployed account for a large portion of statistically measured unemployment.

(8) There is another segment consisting of short-term unemployed. The U.I. system cushions this short-term loss of income. The hardship for this group is not the same as for the chronically unemployed. It is on this group that we must focus.

(9) The most important thing for the government to do is to keep the economy growing at 3% per year in order to lower the unemployment rate to 7%.

(10) A lower rate would involve putting more resources into job training and direct employment programs.

(11) These jobs, ranging from public works to wage-subsidy programs, would be federally funded though not necessarily federally run.

(12) The U.I. system could be re-worked to lower the economic costs to government and business.

(13) When unemployment or U.I. goes up, small business feels the pressure to raise premiums. They pay wages plus premiums and cannot afford to hire more people.

(14) People's time could be put to better use during periods of high unemployment. Rather than using U.I. premiums one could use general revenue if we are looking at reducing the economic costs of unemployment.

(15) The U.I. premium is a payroll tax added on to wages. A wage subsidy of 15% would be beneficial in periods of high unemployment to improve the employment situation and government revenue.

(16) In the high technology industries, small companies are the major employers. There is no support network for training in these small companies. A training subsidy could lower the cost of financing trainees at an early stage and would be attractive to employers.

(17) Smaller companies want to cash in on the learning curve but cannot afford the initial investment in training.

(18) There is a danger of abusing wage subsidies for training by getting the maximum subsidy again and again and rolling over inexperienced trainees after a two-year training period.

(19) The subsidy could be given for a start-up or expansion period only, to counter this abuse and to act against the tendency to replace seasoned workers with cheaper, inexperienced trainees to lower production costs.

(20) Initial training should be broadly-based in all cases and should be able to support continued training for a more focused approach through targeting.

(21) There is a large area of training not addressed by public education because public education cannot react to the market. Short courses more clearly targeted to the market might be more successful.

(22) Six-week/six-month specialty courses would allow training to react more quickly and accurately to current and changing demands.

(23) We can predict the need for job-specific skills within a 12-month span, but not beyond.

(24) In high tech, a good general education in the electronics field enhances the retention rate.

(25) A combination of general education and specific training would provide broad-based knowledge which is easily adaptable.

(26) It is necessary to have a better understanding of basic business concepts to be successful in the market place.

(27) Occupational-and-skill forecasting methods are doomed to failure in our economy, as they are based on a smooth projection of trends into the future.

(28) This is conditioned by information on present shortages.

(29) An observation of the last five years shows that changes in areas of economic growth have been very dramatic. Population and occupational shifts are driven by world market forces, none of which are easily forecast but to which we in Canada must respond.

(30) Demand for products, jobs and skills change so quickly in Canada that much specific training must go on in firms or organizations able to adapt to the environment once a general education has been achieved.

(31) The government should support independent bodies in the private sector in terms of training.

(32) The Critical Skills Training program trained people for jobs which were obsolete once the training was finished.

(33) Small, private institutions are much better able to react and adapt to current market demands with respect to training and placement.

(34) It has been suggested that working time be reduced through a shorter work week or by providing time off for re-training, the cost of which is shouldered by the firm and the government. This would reduce annual work time.

(35) We have fewer 45-hour/week jobs today than in 1926.

(36) There are natural pressures as skills increase and incomes increase that lead to greater leisure in return for shorter work weeks.

(37) Employers often do not see the benefits of shorter work weeks and training periods in terms of productivity and wage reduction.

(38) The move toward a shorter week will occur by evolution rather than through legislation. Government involvement will be necessary to provide incentives: for example, to encourage employers to adopt a sabbatical approach to employees until such an approach becomes accepted practice.

(39) Privatization of the training system would mean the system would become more market driven.

(40) The education system sells training; the private system sells jobs.

(41) If a credit/subsidy system could encourage private education where business is learning, more employable people could be produced.

(42) To ensure quality control, private training institutes driven by the market should be under the auspices of the provincial government.

(43) Equality of opportunity for young people: through loans or grants, governments would have to

support those who cannot afford to enroll in a private school.

(44) Welfare money could be used to pay for training in private institutes.

(45) There are two important attitudinal characteristics in Canada:

a) a commitment to universal access to education;

b) unrealistic expectations of the market place with respect to the need for relocation to find jobs. Regional differences will have to be addressed in any national strategy. Private enterprises deal with the problem of regional disparity with difficulty.

(46) A transitional adjustment assistance program, as proposed by the Macdonald Commission, to provide wage subsidies and so on might be appropriate in attempting to recognize regional problems.

(47) The reality of two-income families must be dealt with also when we talk of mobility and moving people to jobs. Some jobs must be brought to people in order that a two-income family can remain a two-income family.

(48) Satellite education could be developed to train indigenous people to work in an indigenous environment in areas of market demand. If this demand changes, a small institute could adapt quickly to locally specific needs.

(49) A tax-incentive system could speed up a localized approach to training for jobs in demand.

(50) A licensed, supervised, private system could adapt quickly to market demands in conjunction with a broad-based education provided on a public basis. Public systems have regulations which make quick adaptation to demand and changes impossible.

(51) Large companies have tended to down-size certain areas and to contract out services which otherwise would have been provided within the firm.

(52) There is a trend to hiring people on a temporary or part-time basis with contracts. The cost to the employer is significantly reduced.

(53) A similar trend is one which sees employers laying off full-time workers, having them form a small company and hiring their services as consultants on a contract basis.

(54) Technology is allowing us to down-size many large operations.

Interview with John Cassels
Director-General
National Economic Development Office
London, England
January 15, 1987

National Economic Development Office (NEDO)

(1) NEDO serves the National Economic Development Council, a tripartite body set up 25 years ago to discuss ways of improving the economy.

(2) The Council is composed of six members each from government, business and trade unions including the Chancellor of the Exchequer.

(3) NEDO has a staff of 190 serving 35 industry sectors.

Tripartite collaboration

(4) Although total agreement on goals is unrealistic, discussion of improvement in the economy is useful and important.

(5) There is general agreement that Britain should increase its exports by becoming more competitive on the world markets.

(6) Tripartite sectoral and regional committees achieve greater harmony between labour, management and government because they concentrate on practical questions.

(7) Education and training are seen as important factors in improving economic health.

(8) In which ways can education improve competitiveness?

(9) Theoretically, responsibility for training is shared among central government, public and private agencies, employers and individuals. The prime responsibility rests with employers.

Current work

(10) Emphasis is currently being given to management education, training and development. A study of management training approaches in the U.S., Japan, France and Germany is in progress and due to report in April. The key point is that major companies must set a positive tone for management development.

(11) Attempts are being made to persuade companies of the need to take training more seriously. Attitudes must be changed.

(12) Better communication is necessary to explain why investment in research and development is essential.

Attitudes to training

(13) There is a general agreement that measures to promote employment are costly. Less attention has been paid to the costs of unemployment.

(14) Industry is conscious that measures to create employment are paid for out of taxes and that more such measures may mean higher taxes.

(15) Some advocate subsidizing training to motivate employers to hire and train unemployed people.

(16) Work experience and training for transferable skills are necessary. A foot in the door of the workplace is important.

(17) The nature of training is changing from training for specific jobs to training for transferability, adaptability and acquisition of new skills.

(18) There is an increased emphasis on self-reliance in the work place.

(19) The number of jobs for "unadaptable" people is decreasing.

(20) It is important to re-train people upwards to use their full potential at work. The role of innate skill and ability must be emphasized more strongly.

Interview with Marjorie Cohen
York University
Toronto
April 9, 1986

(1) Full employment would be possible if the country had a genuine plan to achieve this goal.

(2) We seem to be turning away from planning toward allowing the market to take over.

(3) Full employment could be achieved overnight but unemployment is useful to business because it keeps wages down.

(4) Since we are such an open economy, and because of our tendency to import and export pri-

mary products, business does not see unemployment as a loss to consumption.

(5) We have a trade deficit in areas which employ most of our people.

(6) Increased trade is not the answer to unemployment because of the basic imbalance in our economy.

(7) The government says that rigidities have to be removed and that labour has to become more adaptable. This in fact means that wages will be lowered. The free trade argument states this in a disguised manner so as to, in effect, counter the social progress we have made over the last century.

(8) The Forget Commission on Unemployment Insurance is not examining the possibility of reducing *unemployment* but of phasing out the *program* to cut back on the U.I. bill. The clearest way to reduce expenditures would be to cut back on unemployment, not on the U.I. program.

(9) When the objective of the government is to save money, the results (in the form of programs) are often unwanted; when the objective is to provide more jobs, one gets at the heart of the matter. People, then, begin to trust government.

(10) We have a highly skilled and educated work force as well as many resources, but a high level of unemployment compared with other countries in the industrialized world.

(11) We need to look at the structure of our economy and work against accentuating areas which have caused problems in the past. We need to examine our import/export activities and our focus in the economic structure of the country.

(12) In the logging industry, we continue to import our equipment from Sweden instead of making it in Canada. We should have invested in the development of highly technological logging equipment.

(13) The Dionne spinning mill in Drummondville is totally automated with vastly increased productivity thanks to Swiss technology.

(14) The computerized machinery in the textile, agricultural and mining industries comes from the U.S. and elsewhere. Our lower dollar makes this machinery expensive and undermines our competitiveness. We should have better production facilities.

(15) Reducing tax loads to business does not necessarily induce investment. Higher profits do not

always mean increased investment (Bellemare, para. 31).

(16) Although trade with the U.S. has increased, our unemployment rate has not decreased proportionately.

(17) Exports do not increase employment because every job gained through exports is lost either in jobs through imports or in investment in foreign markets. There is always a balance between imports and exports.

(18) In a four-year period (the "long-term" time frame of a Parliament), trade policy cannot be seen as the primary way to achieve full employment. The current push for free trade, privatization and deregulation seems to be orienting us to a more market-dominated approach.

(19) We need planning for a greater integration of the following sectors:

(20) The export of primary goods and the import of finished products should be re-examined particularly with respect to high technology.

(21) We need more planning to move into high-tech areas. We could, then, begin to manufacture our own materials here.

(22) Even within GATT, the U.S., as the single biggest market, carries tremendous weight.

(23) The textile and clothing industry is an area which needs examination. It is unlikely that we can penetrate the U.S. market by concentrating on high fashion and by abandoning the other aspects of the industry.

(24) The system of licensing within a free trade agreement might threaten Canadian designers.

(25) An increase of 5% in production in textiles in the U.S. would be sufficient to cover the entire Canadian market. There is a move on the part of Canadian designers towards relocating in the U.S.

(26) Freer trade with the U.S. implies a pegging of the exchange rate. Our dollar would need to be higher to ensure positive gains for the U.S. We rely on the low value of the Canadian dollar in international markets. A free trade agreement could undermine our international competitiveness.

(27) Austria succeeds in this situation because they have a planned economy, tying economic and

social policies in a way that makes full employment a priority and gives people a feeling of confidence and security.

(28) The Depression destroyed the notion that we can have an equilibrium. The market does not automatically restore a balance.

(29) In a free trade situation, foreign-owned companies with world mandates for production will be trimmed down. Foreign companies which are here to service the Canadian economy will not compete with the founding company abroad, if we have a trade arrangement that eliminates barriers.

(30) The Autopact arrangement will not be possible anymore.

(31) Under a free trade arrangement, Canadian industries whose counterparts in the U.S. enjoy lower wages will be in trouble.

(32) The four-year time horizon of the elected politicians is unrealistic. Serious issues (structural problems, unemployment) can only be dealt with through planning.

(33) There are differences between the Canadian and U.S. economies; which means that different approaches will be necessary in each country.

(34) It will be difficult to convince major portions of the Canadian public that free trade may be good for the United States but not necessarily good for Canada.

(35) Inflation is no longer the major problem, unemployment is. People recognize this but many politicians refuse to accept it.

(36) Free trade has been proposed as a way to restructure the economy.

(37) GATT represents a safer way to do this than does free trade.

(38) A free trade agreement between Canada and the U.S. could develop a code to be used as a model by the U.S. in international talks concerning services.

(39) The U.S. seeks to export more services through GATT.

(40) The export of capital is a key element in this discussion. The U.S. is concerned with the movement of capital out of U.S. corporations. Free trade in

capital means that foreign corporations are treated as if they are "natives" of the host country.

(41) Subsidies cannot be given to services if these subsidies would bar entry to the foreign competition.

(42) Municipal subsidies to day care, in Canada, for example, could be seen as hindering the ability of U.S. day care chains to compete here. Private U.S.-based "mini-schools" see that Canada has an unfair advantage because of day care subsidies in this country.

(43) For example, A.O. Williams Insurance is moving into Canada with term life insurance. This company wants to hire 5,000 people part-time, which causes problems, particularly for women.

(44) The only way Ontario can keep this company out is by saying that no one can be an insurance agent on a part-time basis. Otherwise the quality of work is reduced as there is a shift to part-time, low-benefit work.

(45) Pro-rated benefits will have to be legislated as the trend to part-time work continues.

(46) But part-time work is not a solution to unemployment.

(47) Most people want to work full-time with a shorter work week, day care options and flexible schedules.

(48) Unemployment is structural, not cyclical, given that 30% of our GNP is in trade and our surplus is in the primary sector where a small part of the labour force is used. We have a trade deficit in the servicing and manufacturing sectors where most of our labour is concentrated.

(49) Japan planned its economy carefully to make economic policy meet social objectives.

(50) In Canada, we often feel that whatever is good for business is good for Canada as a whole.

(51) Government intervention is now anathema, although the Depression experience shows that if you leave things totally to the market, the situation can become disastrous. Tight monetary policies have always led to an economic downturn.

(52) The National Debt is owed to the nation. Critics of the debt ignore the increase in general production financed by the debt as well as the capital assets paid by the debt.

(53) Interest payments on the debt cause higher costs.

(54) Real planning comes in lowering interest rates to encourage investment. This may be a positive aspect in a free trade arrangement.

(55) Under the current situation it is not clear where jobs will be, if any.

(56) This cannot be solved in four years, which is the normal political time horizon.

(57) The *Canadian Jobs Strategy* is presenting a disastrous alternative to old policies.

(58) Through this program, training is in the hands of those who have no vested interest in providing good training. The profit motive is the bottom line whereas, before, community organizations were concerned with real training.

(59) Under the *Canadian Jobs Strategy*, women must be unemployed for three years to qualify for government help in re-entering the workplace. This benefits a very small percentage of those who need retraining programs.

(60) Training must be co-ordinated with a planned economy. This has not happened historically.

(61) We have a choice between on-the-job apprenticeship training, general adaptability training through education, or a system as in Sweden, which is a combination of the two.

(62) For women, discrimination exists at the hiring level rather than the training level.

(63) A combination of practical and theoretical training would be ideal.

(64) It is vital for teachers to master their subject matter rather than teaching techniques.

(65) Teacher training itself must be examined.

Meeting with Danielle Colardyn
OECD representative
Paris, France
September 5, 1986

Note: Madame Colardyn was the research assistant for the *Équipe Nationale d'Évaluation du Dispositif 16-18 ans* formed by the French government in 1982 under the Ministère de la

formation professionnelle to study the problems of 16 to 18 year old school-leavers.

(1) The Commission proposed three options at the outset of its work:

a) "Orientation": a series of short workshops to introduce young people to the work place.

b) "Insertion": a 12-month period of which 30-50% was training in an enterprise; the remaining time was spent in an educational institution. The 'school' time concentrated on social and cultural 'catching-up' rather than professional training.

c) "Qualification": a period at the end of which a recognized diploma was awarded to those who left school not long before finishing the French equivalent of our CEGEP. The goal here was to give early school-leavers the same level of qualifications as those who finished secondary school.

(2) During the second and third phases, young people were paid \$83.00 and \$100.00 per month respectively. Many continued to live at home and their families continued to receive family allowances. Those who did not live at home had difficulty living on the monthly allowance.

(3) At the same time, evaluations were done on an ongoing basis for two years in 15 regions across France.

(4) The initial phase during which the program was introduced went well; the 'orientation' phase was less successful, mainly as a result of sexual stereotyping: putting girls into traditional skill areas which limited their chances for advancement.

(5) The progression from one level to the next was hampered due to poor coordination between training hosts. Those such as the Ministère de l'Éducation Nationale and l'Agence pour le développement de l'éducation permanente were ready to take on

trainees immediately due to existing programs; other smaller organizations were not ready; this created gaps in the flow of what was offered. Social and cultural organizations had the greatest difficulty responding to needs at the required time.

(6) Those young people who were put directly into the 'qualification' workshops without passing through the previous two (due to the lack of available places mentioned above or because of having higher schooling) became disillusioned as they found themselves in an environment similar to the one at school that they had just left.

(7) Businesses were reluctant to participate at first as they did not see their role as being one of trainer or educator.

(8) These 16-to-18-year-olds, targeted by the program, came mainly from difficult social environments. No study was done to examine why they had rejected school.

(9) In the two first years during which the program functioned, only 5% of participants managed to receive qualifications needed to get a job.

(10) Above all, young people want a job, not training: this is a vital point.

(11) The main obstacles were that young people saw little use in training and that businesses did not perceive themselves as educators.

(12) In certain sectors, training places were easily found for the young people (eg. government, hospitals and so on).

(13) Regional evaluations of the program showed that for certain groups (handicapped, immigrants, the sick and so on) specific services worked very well.

(14) An underlying concept is that one cannot talk of young people in the aggregate. There are young people who, because of their background and social conditions, will not immediately benefit from *any* training.

Apprenticeship and Mentoring

(15) The apprenticeship system in France works well and is dominated by small business and artisans who hire 1 or 2 apprentices, as needed.

(16) Currently, the schooling component is being reinforced by the Ministère de l'Éducation Nationale.

(17) The mentoring system in France has got off to a slow start because the initial training period of the mentors was too short and the way in which the mentor was integrated in the enterprise was poorly done.

(18) Illiteracy is a growing problem in France. This could be because the criteria have changed, allowing more people to enter the system whereas, before, only an 'elite' took part; unemployment may make this problem seem more apparent; the problem may be due to natural inequality between human beings or to the failure of the system.

Interview with the Confederation of National Trade Unions

Suzanne Leduc

Michel Paquette

November 5, 1986

Montreal

(1) As long as we have not identified the sectors where jobs will be produced, we cannot prescribe specific types of training.

(2) Because it is impossible to predict which jobs the market will generate, we should train people to be adaptable above all.

(3) Professional training must be more closely linked to the school system.

(4) We must convince business of the utility of training and apprenticeship and of the social costs of not training the population. Governments have a role to play in involving the private sector in this process.

(5) We must re-examine the question of more flexible work schedules (length of the work week, work over the length of a life, pre-retirement, retirement, sabbatical leave).

(6) Economic development is currently too centralized. We need a full employment strategy adapted to regional and local needs.

(7) It is possible to mount a public works program providing socially useful jobs are planned at the local level.

Interview with Professors Courchene and Laidler
Economics Department
University of Western Ontario
April 8, 1986

(1) We could reach full employment without increasing the deficit or taxation and without reducing our competitiveness if we were to undertake a review of the current system of unemployment insurance, minimum wage laws, rent controls and trade arrangements with the U.S.

(2) The present unemployment and welfare systems do not help jobless workers upgrade themselves.

(3) 9% to 20% of those who exhaust their UI benefits go on welfare.

(4) We should convert the U.I. scheme into a true insurance program rather than an income support scheme.

(5) Such an approach would have employers in seasonal industries pay a premium to cover the length of work lost over the winter. It then becomes a compulsory savings scheme on summer earnings.

(6) This would reduce the number of employees in seasonal industries as well as seasonal unemployment because employers would find it more expensive and be less willing to hire people only on a seasonal basis.

(7) Moving people to jobs isn't in the spirit of the current U.I. program.

(8) We need to loosen up all those systems which are now causing rigidities and move to a more classical view of the economy.

(9) There has been a reduction of taxes paid by corporations over the past 10 years; a reduction in capital investment; a reduction in government spending on goods and services; a reduction in the return on capital; an increase in investment income.

(10) Subsidies tied to investment tend to contribute to the problem of unemployment as it encourages the use of labour-saving capital.

(11) This type of subsidization will undermine competitiveness. We should be using all our excess labour.

(12) Subsidies to industry cause over-capitilisation.

(13) We need a new perspective:

The notion that high regional unemployment means we need to remedy the disequilibrium is false. Such disequilibriums are a natural consequence of previous economic activities. In fact, disequilibrium situations are really policy-induced equilibrium situations which cannot be affected by new policies or more government money. We have an equilibrium situation in which people are paid for part-time work and their earnings are supplemented by U.I.

We must distinguish between policies designed to make life more comfortable and those which make it more uncomfortable. In this regard, labour-saving devices should not be subsidized, employment should be. We should subsidize employment not labour-saving investments.

(14) Business realizes that competitiveness means larger market access. We need to expand into bigger markets and the lack of a free trade agreement will cost us more.

(15) Economies of scale are no longer as important as they once were.

(16) By focusing on a protectionist approach we are foregoing knowledge-intensive jobs. Well-trained people will go to the U.S.

(17) Despite the resemblance between Canada and the northern tier of the U.S., all of these states have a higher per capita income than the Maritimes.

(18) Trade between Canada and the U.S. has been becoming freer.

(19) Free trade would allow longer-term business planning and give business a set of rules by which to play.

(20) Business has been encouraged to seek a political solution for an economic problem.

(21) We need an arrangement which is a treaty. A comprehensive arrangement would be easier to pass through Congress than the 300 protectionist bills.

(22) The U.S. interest in Canada is that the U.S. wants a next GATT round for goods and services. They don't want to give Canada things they aren't prepared to give to others. A free trade agreement would serve as a model for GATT.

(23) Canada wants secure, enhanced, enshrined access: a treaty would get rid of countervail for both countries.

(24) There are mutual benefits to be had in a free trade agreement.

(25) If we do not want inequalities to become too large, the burden has to be shouldered by someone. Helping Alberta through high oil prices will hurt Ontario and Quebec.

(26) The alternative is to let Ontario and Quebec pay world prices for oil, to tax them and then to subsidize employment in Alberta.

(27) We must put government finances in a position so that they may be used.

(28) Before we can apply Keynesian solutions to problems such as unemployment, we must reduce the deficit.

(29) We could repudiate 50% of the national debt with a capital levy — a one-time tax on holdings of wealth. 5% of this could be devoted to reducing public debt.

(30) This would reduce the tax burden, bringing income tax down with a probable net gain for governments.

(31) Austria is pegged on the German economy.

(32) They do not have an independent monetary policy or the regional dimension as in Canada.

(33) We could adapt this situation to Canada by keeping our institutions and offering different incentives.

(34) Austria, Sweden, Germany pay apprentices low wages.

(35) They used a generalist approach with specific on-the-job skills training and an emphasis on self-discipline.

(36) We need to consider nation-wide exams to ensure that young people are equipped for work.

(37) Province-wide exams make the work of teachers publicly known, thus adding an incentive to work well and giving a basis for comparison. They also reduce the tendency to inflate grades.

(38) Competition is important for creativity and to keep standards up.

(39) The German system involves professional organizations and has training standards.

(40) We could benefit from better communication between universities and community colleges in Canada.

(41) We could eliminate funding problems by integrating them into one system.

Interview with Tom d'Aquino and Todd Rutley

Business Council on National Issues

Ottawa

July 30, 1986

(1) Employment can be generated if growth is accelerated at the federal level through encouraging investment.

(2) Tax incentives accelerate capital investment.

(3) Much of the growth in the Canadian economy is due to investment.

(4) Market incentives are more desirable than government inducements.

(5) Rigidities in the labour market create unemployment. By reducing maximum benefits or regional extended benefits — disincentives to find more stable work — we could remove some rigidities. Reducing these disincentives will encourage people to undergo training or to acquire labour market skills that will enable them to find more stable employment.

(6) Impediments to economic growth must be removed; this will lead to new employment.

(7) The effectiveness of public financing of privately managed employment schemes (e.g. the current Youth Training Option) should be examined.

Interview with Pierre Debeine

Union Patronale des industries

métallurgiques et minières (UIMM)

Paris, France

January 28, 1987

(1) There is a general feeling that the school system must evolve and a realization that co-operation is required from all social partners for this purpose.

(2) The major orientations of the Employers' Federation in terms of training are as follows:

- a) Need to establish a basic policy, orientation and national plan; assistance to "departments" (France's administrative and geographical divisions);
- b) Emphasis on competitiveness, productivity, upgrading of human resources. In this context, vocational training constitutes a contribution to productivity.

(3) There are three stages in education:

- a) Initial education at school;
- b) Insertion in and adaptation to the workplace;
- c) Continuing education.

Initial Education

- (4) a) Basic education;
- b) Co-operative education;
- c) Post-secondary education (university — not discussed in this document).

Basic Education

(5) The (French) Ministry of Education is a cumbersome institution and one that is hard to change. It pursues a fickle policy towards France's lycées (secondary schools), and its rigid structures are the main cause of the problems of the country's young people. Businesses have just realized that better initial education may make it easier for graduates to adapt to the workplace.

(6) Businesses feel that young people lack a professional attitude when they enter the working world.

(7) In the past 20 years, young people and their economic values have changed. Young people no longer accept hierarchical authority, but do respect authority based on competence. If they have a problem, they will turn to a co-worker they know rather than consult their supervisors. This is a very effective approach, but one that is highly disorienting for hierarchical organizations. The result is a certain amount of unrest in business.

(8) Informal teachers' movements have appeared which focus on new teaching methods.

(9) When entering the workplace, young people must have been successful at school, or at least have

experienced limited success, and must not have too many faults to correct.

(10) Giving young people who are entering a company the qualifications they should have acquired in school is a costly proposition.

(11) Recent research has shown that vocational training has been lacking in France. Such training is much more developed in other countries.

(12) In France, the concept of vocational training comprises technology and computers. That is not enough.

(13) A job at the end of one's education is the most important aspect. Young people must be given information on employment opportunities. Better education gives students the opportunity to demand more for themselves.

(14) A few years ago, the Office d'information sur l'enseignement des professions (Education and Professions Information Bureau) questioned 1,000 young people 14 and 15 years old. Of that number, 80 per cent did not know what they wanted to do with their lives. They had no vocational plans. Of the 20 per cent who had some idea, 75 per cent were not aware of the kind of training they needed to do what they wanted to do.

(15) It is important that school systems have minimum vocational objectives so that students may obtain the qualifications they need. Otherwise they will be faced with too great a choice.

Co-operative Education (Apprenticeship)

(16) The German "dual system" cannot be replicated in France, mainly because of its cost.

(17) The French apprenticeship system has developed through two approaches: a) simple apprenticeship as in the trades (more trade-related and less broadly educational); b) industrial apprenticeship (less specialized than the trades approach, but more solid educationally).

(18) As part of the industrial apprenticeship approach, the professions have established apprentice training centres. The French Chambers of Commerce (which represent the professions) train young people as well.

(19) The Centre d'études et de recherches sur les qualifications (CEREQ) (Centre for Studies and Research on Qualifications) maintains that this apprenticeship system works: 9 out of 10 candidates in the system find a job after completing their apprenticeship.

(20) Each year 100,000 young people leave the school system without a diploma.

(21) Two or three years ago, the Ministry of Education acknowledged that apprenticeship could help young people. A vocational "baccalauréat" (French high school diploma) was introduced consisting of a two-year period of technical instruction in a business environment in addition to the regular baccalauréat. The vocational baccalauréat will eventually be earned through a work/school cooperative education program.

(22) The purpose of the system is not to cover the general population as in West Germany, but rather to transform workers into technicians with vocational training.

(23) Evidence shows that the worth of the Certificat d'aptitude professionnelle (CAP) (Certificate of Vocational Aptitude) has declined. Consequently, the Employers' Federation has developed a kind of "CAP Plus", a new certificate to be awarded upon completion of additional training. This new certificate is called the Certificat de qualifications professionnelles (CQP) (Certificate of Vocational Qualifications).

Insertion in and Adaptation to the Work Place

(24) There is a growing gap between qualifications provided by the Ministry of Education and those required by manufacturers. To close that gap, manufacturers must make an effort to communicate with the schools.

(25) The system is now beginning to change. Responsibilities are more effectively distributed, but the process is moving slowly (it takes seven years to make a change in the school program).

(26) The present government has introduced an intermediate measure to ease the transition from school to work.

(27) The system operates on three levels: first, the Ministry of Education is responsible for basic education; second, a union-management agreement pro-

vides new mechanisms for insertion in an attempt to combat youth unemployment (Stages d'initiative à la vie professionnelle [SIVP], work terms designed to introduce young people to professional life), qualification contracts, adaptation contracts (cf. Carcenac, paras. 8 to 11); third, there is the Certificate of Vocational Qualifications and ongoing on-the-job training.

(28) The basic subjects taught in school have changed along with society. Industrial products of higher quality are not in demand. This means that young people must learn to work in groups and to be creative and responsible. They must also learn French, mathematics and the humanities.

(29) Certain management techniques improve the quality of business. Attitude and behaviour have become important, and the content of school courses is evolving in this direction.

Continuing Education

(30) Four years ago, the problem of unqualified workers was discussed in many reports.

(31) With the participation of all social partners, a system has developed to fight this problem.

(32) The objective was to train 1,500 adults in three years in accordance with the contractual policy between the State and the Union des industries métallurgiques et minières (UIMM).

(33) It is significant that the State has tried to solve a problem faced by industry. The State first had to work with itself, within the government.

(34) The result of this collaborative effort was the establishment of a government-business commission, which develops policies through a consensual process.

(35) A pilot project (under way in Annecy) is designed to encourage local businesses to establish vocational training projects that meet the needs of the community. The government provides funding in stages as each phase of the project is completed in accordance with the terms of the contract.

(36) The UIMM is acting as an intermediary between government and industry.

Interview with Mr. de Larminat
Commissariat général du Plan
de développement
Paris, France
January 27, 1987

(1) The "Plan de développement économique, social et culturel" (economic, social and cultural development plan) stems from the Bill passed by Parliament after discussions between management and employees. These discussions were organized by the Commissariat général du Plan; the Commissariat currently reports to the Prime Minister through a designated minister.

(2) In 1984, the Minister of labour, employment and vocational training asked the Commissariat to study the problems of training in schools and training of unskilled workers.

(3) In response to this request, the Commissariat consulted a task force including representatives from business, labour and certain ministries. The task force prepared a report (1985) which concluded that the development of on-the-job vocational training is necessary and should be viewed as an investment. The task force also discussed other ways of developing human resources.

(4) Since 1971, employers have been required by law to contribute to the training of their employees. The minimum contribution is currently set at 1.1% of total wages but, on average, the actual expenditure is 2.25%.

(5) Prior to 1980, training was often considered by employers as a social responsibility and a duty. Economic and industrial objectives were given little consideration.

(6) Since the beginning of the 80s, the concept has become more utilitarian, in conjunction with the evolution of organizational methods and techniques.

(7) The aforementioned task force — para. (3) above — noted a general consensus on the importance of training and development of human resources. It also noted that personnel development is viewed differently by employers and labour unions but that this divergence of opinion did not prevent them from negotiating and taking positive initiatives.

(8) A slow-moving trend toward a "new" society is focusing on services instead of manufactured goods.

There is some reluctance to acknowledge changes the future may bring.

(9) In Germany, social order has reached a much higher level than in France. The role of discipline in Germany and Japan is very significant.

(10) Increasingly, discussions focus on ways to change attitudes in order to deal with problems of the future.

Interview with Professor Rod Dobell
University of Victoria
March 26, 1986

(1) Reducing the debt-servicing problem by lowering interest rates could create inflationary problems at the spending level.

(2) Gramm-Rudmann is, in fact, a symbol of a concern with the deficit. One will have to deal with the deficit in any case.

(3) We are beginning to realize this in Canada and could use an approach which takes the monetary rather than debt-financing route.

(4) The Anti-Inflation Board, in fact, was a success. Had it not been in place, inflation could have been 5%-6% higher (see Fortin, para. 58). Both the AIB and 6-and-5 measures were timely and effective in decelerating inflation at a rate faster than otherwise would have been possible.

(5) Nonetheless, similar mechanisms might not be as effective now due to changes in the economic climate.

(6) The McCracken Commission (OECD, 1976-78) showed that the process of fine-tuning has been ineffective. A set of rules for monetary growth, for deficit expenditure and for income/wage-price mechanisms to introduce stability would be useful.

(7) A mechanism to restrict monetary growth would need to be studied extensively.

(8) There are many problems associated with cutting the deficit no matter what the consequences or where the cuts are.

(9) The economic costs of an unemployed average Canadian are high in terms of loss of output, goods and services, GNP and so on.

(10) We may be underestimating these costs because a larger and larger percentage of the population is *not* in the labour force.

(11) The 25-35 year age group, many of whom have never worked, are making up increasing proportions of the unemployed.

(12) As unemployment grows, so do the social costs associated with it.

(13) Given 3 restraints*, can we have full employment?

a) A level of unemployment of 8% could be achieved in the short term by stimulating demand.

b) A level of 4%-7% would require extra mechanisms to reduce structural inflationary pressures over the long term.

(14) The non-inflationary rate of unemployment is assumed to be 6½%-7% by many economists.

(15) Firms, unions and non-union employees all agree that competitiveness must be increased through labour-saving techniques. The GM investment of \$2 billion means a decrease in employment and an increase in capital intensity and in wages of those who will remain employed.

(16) Industries will grow substantially without any increase in employment due to high technological and capital investment. Bob White has said that the best security one can have is to work in a highly automated factory.

(17) We could see the emergence of a cadre of high income earners at the top with low income earners at the bottom. Traditional hierarchy will be replaced by strategic cadres at the top and middle with very few of the low-skill level at the bottom. Can we have low-income groups without having socially disadvantaged groups?

(18) The challenge is how to absorb those who *aren't* working in these high-skill, high-wage jobs.

(19) The MacDonald Commission suggested that we open up the economy to foreign competition and have a period of transitional adjustment recognizing the social costs due to the present structure of the

Canadian economy. However, the Commission accepts the creation of an underclass as a possible outcome of the process and the possible need for roles outside the formal economy. The value of roles should not be underestimated.

(20) Income-transfer mechanisms may not be able to bridge the gap between the highly competitive international sector and an internal economy.

(21) *The Ontario Task Force on Employment and New Technology* examined re-training and the capacity for it to take place. This document emphasizes that structural shifts take place on a continual basis.

(22) Although, for the most part, these shifts have not been major, the transition from an agrarian society to an industrial and manufacturing one had profound effects on the farmer. Traditionally, the farmer was the owner and worker. All benefits went to him. This situation has changed with disastrous results for some farmers.

(23) The Task Force also notes the current shift in demand for jobs to the area of services. Labour-intensive services are not potentially high-income areas unless they fall in the public service. This is why teachers, social workers and so on have seen an improvement in the security and earning potential of their positions.

(24) The Task Force also acknowledges the recent growth in profits for small business. In many cases, the return on capital is small. Growth may not be due to innovation on the part of small business owners as much as to the need to be competitive.

(25) As the Task Force points out, we are seeing the emergence of new activities which are not labour intensive and which may increase competitiveness, but not necessarily employment.

(26) We may be faced with a structural problem if we try to increase education funds to increase employment. Salaries have come up but budgets have been stretched in the area of teaching and education.

(27) The idea of a national service program should be re-examined in the Canadian context. We often ignore the favourable impact such programs have on participants.

*Note: The three restraints are: (1) not increase the deficit; (2) not increase taxation; (3) not decrease Canada's international competitiveness.

(28) Militia field training has very positive results both economically and concerning skills.

(29) Valuable training has been provided through this military option.

(30) It is doubtful whether our training system is prepared to accommodate the unemployed.

(31) Technology is making regional improvements easier.

(32) Health care could be approached this way as it is in the case of the Victorian Order of Nurses. A Health Corps could give diagnosis and care on a localized basis in some cases.

(33) This happens in Finland, Russia and New Brunswick where the Social Policy Secretariat is setting up "hospitals without walls".

(34) An examination of the generational life cycle cohort shows that distribution of income does not differ between age groups. For the over-65 age group, income has improved. For those 40-50, a positive economic environment has benefitted asset building and so on. For the 25-45 group, there is no evidence to suggest that the problem of unemployment and insufficient income will disappear as the baby boom moves out of the labour force.

(35) We should move to seeing the tax system from the point of view of supporting the family.

(36) Competitiveness affects 30% of our economy; 70% is out of the export game. Shouldn't we find jobs there?

(37) The problem occurs when the activity doesn't enter easily into the market system.

(38) Sweden has an active manpower policy which combines private management and public financing. Britain has also experimented with contracting out management of job training programs.

(39) Public sector financing is anathema to many business people.

(40) Investment by the public sector would be favourably seen if the private sector managed it.

(41) An increase in the deficit in order to improve health care or education by changing the way in which the money is distributed and accounted for may be an acceptable course of action.

(42) We may have to accept an absolute reduction in living standards.

(43) Some people are already accepting a lower standard of living.

(44) We have a failure to match available resources with basic needs. We need to go back to something more *local*.

(45) "Work for welfare" responds to the fundamental problem of having people who want to work but can find no jobs in the labour market as it exists. There is work which needs to be done at the community level as evidenced by the many Community Development Corporations which are beginning to appear.

(46) The significance of roles is crucial. The link between a useful role in society and income distribution is evident. For instance, we tend to forget the value and importance of the role women play as educators in society and we hesitate to give them a "salary" for this work which is so important.

(47) Macroeconomic measures might no longer be pertinent. The commercial vocation of private enterprise cannot resolve unemployment problems. We need new mechanisms.

(48) We fear a new inflationary wave, given the reticence to reduce the deficit because of unemployment.

(49) By its very structures, Canada is susceptible to inflation. We rely on negotiation which tends to keep wages high at the expense of high unemployment rates.

(50) We would mislead ourselves if we relied on the "social responsibility" of the private sector to create jobs.

(51) We must recognize that working in the market place is not the only acceptable role. We cannot resolve the dilemma of the distribution of revenues if we do not recognize that jobs have values that do not correspond to what we have traditionally believed.

Interview with Professor Pierre Fortin
Université Laval
Quebec City
March 13, 1986

(1) It is possible to achieve full employment (4 per cent unemployment rate)

- 1) without increasing the deficit
- 2) without raising taxes
- 3) without sacrificing our competitiveness

The point to consider is how quickly we move toward full employment.

(2) Canada's unemployment rate has not dropped as quickly as the U.S. rate because the Americans deliberately set out to revitalize the economy by cutting taxes.

(3) In Canada, the government chose to keep interest rates above U.S. levels.

(4) In Canada, we have had our own monetary policy. Had we followed the U.S. example we would have different results.

(5) When the state of the economy is such that it is difficult to put all available manpower to work, the result is under-investment, a weaker economy and a surplus of capital.

(6) Financial capital and physical capital, (i.e. equipment, businesses) are two different things. Investment in new plants and machinery in Canada is so minimal that much is left to spare. Not only would our savings be enough to wipe out the enormous federal deficit, this money is being invested abroad. If investment had increased more vigorously, the economy would have recovered more quickly.

(7) The unemployment rate has dropped slowly, because (1) our interest rate policy is more stringent than that of the U.S. and (2) the natural resources sector is experiencing problems. This is having an effect on regions dependent on heavy exports of natural resources.

(8) From a monetary standpoint, we could accept the principle whereby the exchange rate is determined by market conditions.

(9) Either we allow interest rates to rise when the exchange rate remains steady or else we maintain

them at reasonable levels while the value of the dollar falls, if necessary.

(10) With unemployment running at 10%, the best choice is to keep interest rates as low as in the United States to reactivate the labour market.

(11) If the market were allowed to set its own lower exchange rate, demand would be stimulated because consumption and investment would increase.

(12) In the U.S., salaries are 20% lower than in Canada. This is a sign that productivity is poor in Canada, at least in the manufacturing sector.

(13) In 1980-82, inflation in the area of prices and wages ran 20% higher than in the U.S. We have not yet caught up.

(14) We should allow the dollar to fall to a level at which our interest rates could match U.S. rates, as was the case in 1970 and in 1975.

(15) Action in this direction should be taken quickly.

(16) The Canadian dollar is now worth only 70 cents U.S. Since 1980, the value of the dollar has dropped from 85 cents U.S. to 70 cents U.S.

(17) If the Bank of Canada were to intervene to cushion the dollar's fall, it would be encouraging speculation. Speculators know that the Bank will prevent rapid swings in the value of the dollar. Therefore, they don't stand to lose a lot, even if they do lose. If the Bank lets the market set the exchange rate, this would put an end to speculation because the risk to speculators would be greater.

(18) Each 10% drop in the value of the Canadian dollar means a temporary 2% increase in the rate of inflation.

(19) Eighty per cent of the dollar's depreciation is due to production and employment stimulation, while 20 per cent is attributable to inflation.

(20) There has been a tendency to overestimate the impact of the rise or fall of the dollar on the inflation rate.

(21) The Canadian economy operates at 80 per cent of its industrial production capacity. During the postwar years, it was operating on average at 88 per cent capacity.

(22) There is still some room to manoeuvre in terms of increasing demand without increasing inflation.

(23) We must choose between 10% unemployment or a 2% increase in the inflation rate.

(24) Naturally, the danger of inflation increases when we reach 90 per cent capacity utilization.

(25) The Americans have chosen a road to economic growth based on budgetary measures. They decided to cut taxes and increase military expenditures.

(26) Canadians would be better choosing a monetary approach.

(27) The United States has resorted to protectionism because of the value of their currency. Interest rates have been high because of the enormous loans incurred since 1981.

(28) According to Scarfe (paras. 34, 45 to 47) our savings would not be sufficient to cover the deficit. If they were used for this purpose, companies, municipalities and the provinces would be forced to borrow elsewhere.

(29) The declining value of our currency translates into a slowdown in our imports and an increase in our export; our imports will, however, increase if the economy recovers.

(30) An economic recovery will increase state revenues and reduce borrowing requirements.

(31) If unemployment is deliberately maintained in Canada to ward off U.S. protectionism, we are making a choice in terms of the kind of society in which we want to live.

(32) The overall policy masks many of the problems.

(33) Special intervention mechanisms are sometimes required; however, we should not underestimate the impact of economic growth on disadvantaged regions.

(34) We have to decide if we are to use these types of mechanisms to avoid antagonizing the Americans.

(35) The consequences would be far worse if we were to decide not to stimulate the recovery.

(36) By pursuing an exchange rate and interest rate adjustment policy, we provide jobs for people.

(37) With regard to free trade, if we want to promote training and investment opportunities in certain regions of Canada, we should proceed without considering what the Americans want.

(38) Specific intervention mechanisms are not necessarily successful in countering market forces.

(39) The government supports a policy of high interest rates to fight inflation.

(40) It has continued to pursue this policy even though inflation levels have dropped because the Bank of Canada wants to maintain some price stability.

(41) Inflationary pressure has been greater in Canada than in the United States. Prices for natural resource commodities have tended to be unstable.

(42) There are two ways to compensate for inflation: either we adjust the exchange rate downward to offset the difference in prices in the two countries, or we maintain high interest rates to prevent the dollar from falling. This produces an economy in which resources are under-utilized and inflation is lowered because of the ensuing unemployment.

(43) Canada has opted for the second approach because the Central Bank wanted to avoid any additional inflationary pressure on the dollar.

(44) Between 1975 and 1978, the government opted for the imposition of temporary wage and price controls, a strategy which proved quite successful.

(45) The Minister of Finance can therefore assume that this strategy would also be successful today.

(46) The agreement between the Minister of Finance and the Governor of the Bank of Canada stipulates that, in the event of a disagreement between them, the Governor must resign and give the reasons for his resignation. This could create political and economic problems.

(47) Austria is concerned about its deficit, but it has been able to control inflation. Furthermore, because of the monetary policy of the Central Bank and of the unions, it has not been too affected by West Germany.

(48) The relation between the total amount of money in circulation and salaries is very important.

(49) The Central Bank's efforts to increase more quickly the total amount of money in circulation can

be offset by the unions' efforts to slow down the rate of growth of salaries.

(50) Austrians face the same budgetary restrictions as Canadians.

(51) Their only alternative is to set wage and price levels. Their income policy includes a monetary policy substitute.

(52) Efforts should be made to engage social partners in a dialogue on such issues as income growth determination and investment distribution.

(53) It is not clear whether this level of co-operation is possible in Canada.

(54) The unions have not been very co-operative about discussing management or economic mechanisms.

(55) If budgetary and monetary policies are blocked, we will have to try an incomes policy. A good incomes policy would facilitate employment and price stability if the other instruments failed to function.

(56) Combined action such as occurs in Quebec can lead to positive initiatives.

(57) One example with respect to youth employment is the proposal made to the 1984 Quebec summit by the president of the Mouvement Desjardins, Mr. Blais, to hire young people in 'caisses populaires' throughout Quebec. The Mouvement set hiring quotas for young people every year to break the vicious circle and persuade people to share jobs in a less discriminatory fashion.

(58) In 1978, Canada had an incomes policy that functioned perfectly well via the Anti-Inflation Board.

(59) The decline in the inflation rate at that time can only be attributed to that initiative.

(60) The inflation rate went down by between 5 and 8 points.

(61) The ideal would be if we did not have to impose such a policy on the population but could have a society like Austria's, where all social and economic agents have agreed on the need to display moderation. This is also happening in Japan.

(62) The tools used in 1978 should have been used again in 1981-82 to combat inflation then.

(63) There was a problem with the provinces, because in 1975 inflation was high, and the salary hikes awarded by the provinces were excessive (15 to 18 per cent). In 1980, there was not the same feeling of urgency among the provincial governments.

(64) In addition, income controls are not popular.

(65) The interest rate could be allowed to fall as low as the American rate, and to reassure the population about possible inflationary consequences a campaign could be launched urging people to take advantage of certain economic stimulants.

(66) For example, the government could offer tax stimulants on which an incomes policy could be based.

(67) We have to find our own consultative model. There is no reason that provincial bodies cannot work together within the framework of a federal agreement.

(68) Often federal policies are cancelled out by provincial policies.

(69) In Quebec, the most natural structure for combined action is at the provincial level, because of better communications.

(70) Then, having established a starting point, combined action could be introduced on a wider scale.

(71) When decision-making mechanisms are introduced at the local level, information exchange and communications capacity are increased.

(72) If the co-operative process is introduced first at the national level, there is a good chance it will not work.

(73) It is more plausible to see Canada as a collection of communities than as centralized.

(74) As long as we keep electing to Ottawa people who see federal-provincial relations as an arena for combat, we are going to have trouble getting anything done at the community level. Canada's federal institutions are too remote from the average Canadian.

(75) The market should be left alone to establish the value of the dollar through supply and demand.

(76) Accordingly, economic objectives should be determined at the local level. Once this has been

done, the necessary monetary and other policies can be introduced at the federal level.

(77) The issue is above all one of attitude as far as decision-making by the municipalities is concerned. A feeling of confidence must be created between the federal and the municipal levels, so that the best decisions can be made at the local level.

(78) There is a clearing trend, though a faint one, in the market.

(79) The price and wage markets are sticky, which indicates a reluctance on the part of employers and workers to accept changes.

(80) The trend toward fewer hours of work will probably continue.

(81) The fact that both spouses work demands new flexibility in the market.

(82) Input-output models such as SERF are rigid in the sense that they do not allow for adjustments resulting from relationships between salaries in different sectors.

(83) All the forecasts have predicted that we are going to have much more technology-induced unemployment than we have had so far.

(84) The unemployment problem is not one of technology, it is one of macroeconomics.

(85) Technological progress is moving no faster now than it was in the middle of the 1960s. Has it slowed down or has it stayed at the same level?

(86) Technological progress is visible now, whereas in the past it was not.

(87) Protests against technology are now being heard because of the high level of unemployment (Weldon, paras. 10 to 12).

(88) The source of unemployment is technological, but the reason other jobs are not being found is macroeconomic.

(89) Unemployment could be reduced to between 5% and 6% through macroeconomic policies.

(90) With a reduction on this scale, any discussion of job loss through technology and of manpower training would disappear.

(91) These discussions are cyclical: they occur in the wake of recessions when the level of unemployment is very high.

(92) This does not mean that a policy on training is unimportant or unnecessary in meeting the needs of business for well-trained workers.

(93) In Austria and Japan, technological change is progressing much more rapidly than in Canada, and this generates a different quality of job.

(94) In the United States, macroeconomic adjustments are very difficult because the value of the U.S. dollar is appreciating against European currencies.

(95) This has produced job losses in the export manufacturing sector. The demand for American products in Europe has fallen because of the high value of the dollar.

(96) The period of adjustment is continuing, which means that there is a possibility of more low-paying jobs. This would be a temporary adjustment ending when we regained a 6% unemployment level.

(97) The average level of remuneration will, in general, continue to rise.

(98) There are people suffering today as a result of the policies of several years ago, which ensured salary levels that were too high because of inflation.

(99) The union movement is a symptom of the individual's desire for security and stability of employment.

(100) By combined action on remuneration we will enable the economy to function better and thus offer people greater security.

(101) Despite the claims of those who believe in market forces, politicians have to do something to counter the highs and lows of the economic cycle.

(102) Politicians should look to macroeconomic policy, the results of which are obvious in the short term.

(103) If a solution to the problem of unemployment in the short term is what is wanted, then macroeconomic policies should be adopted.

(104) To start with, interest rates should be lowered to help the economy adjust.

(105) We have a choice between total capitalism and a co-operative or combined-action system.

(106) The current popularity of "anti-regulationism" does not mean that anti-regulationism will continue until all regulations are abolished.

(107) Corporate income taxes could be abolished and subsidies to corporations reduced, to improve the functioning of the economy.

(108) Corporate income taxes are regressive, because they place the burden on the shoulders of the consumer. They are also very complicated to apply.

(109) There is the question of fairness even within the industrial sector: who gets the grants?

(110) The best defence against capitalist anarchy is to allow corporations freedom to function while reminding them of their responsibilities to the rest of the population.

(111) The Austrians and the Japanese have succeeded in establishing a system of working together within a long-term political program centred at the local level.

**Interview with Chriss Gerard and R. Lucas
Economics Department
University of Saskatoon
February 5, 1986**

(1) The only kind of macroeconomic policies that would ensure 4% unemployment would cause the inflation of the '70s unless price controls were imposed to create a fully administered system (as in Austria).

(2) In the area of agriculture, administered prices are leading to restrictive quotas making it impossible for new farmers to get started.

(3) In Austria, tripartite consultations have moderated price increases, taken care of displaced workers, and so on, resulting in increased stability at the cost of lower living standards and welfare of the society.

(4) The ideal system is one in which individuals choose their activities in a flexible system.

(5) We do not know the ways in which inflation redistributes wealth in our economy.

(6) Policies are limited: the West focuses on resource extraction — a cyclical business of boom and bust.

(7) These cycles cannot be controlled.

(8) The Maritimes exist solely because of federal transfers; we must, therefore, increase the mobility of labour through policies inducing people to leave home.

(9) In Central Canada, policy makers have more scope due to a self-contained manufacturing economy.

(10) We can stabilize incomes through transfer payments in the West; the task will remain a drain on the federal treasury; policies should be concentrated on Central Canada and the labour force there.

(11) The West exports 75% of their wheat because domestic demand does not exist.

(12) The world market is in this way impinging upon the economic reality in Canada. Many farmers are now going bankrupt in the West.

(13) We have so much human suffering today due to a dramatic reversal in economic policy since 1981, originating in the U.S. No one expected that the federal reserve would be so determined to kill inflation.

(14) We thought we could cure unemployment by spending. Inflation spiralled for many reasons.

(15) The '70s were very turbulent, but government and Bank of Canada macro policies made matters worse, apart from the shocks the economy was already experiencing. We should examine more carefully the implications of policies. They should be more limited in scope and aim, to minimize harm.

(16) In most countries there is more legislation pertaining to agriculture than for any other area, yet agriculture is in the worst state of disarray.

(17) Unemployment today could be approached through general training, not through training in a specific industry. Specific training can lead to problems if forecasts are inaccurate. The government can become the scapegoat for having trained people for jobs which do not exist.

(18) Generalized technical training and mobility programs are necessary.

(19) There is likely to be a continuation of labour migration from the West.

(20) In 1939, we convinced people to work for an ideal, even though they could not consume the goods produced. The collective will to maximize happiness does not exist now and the comparison is irrelevant.

(21) The boom after the war was due to the pent-up savings throughout the war years. The work ethic contributed to this.

(22) 15% of all 18 to 22 year olds in Saskatchewan attend university. Half are functionally illiterate. This is a reflection on our university system and education faculties.

(23) It is different to fine-tune the economy when things are going badly in terms of addressing certain problems.

(24) Jobs per capita have decreased since 1926. Unless we have work sharing, will jobs continue to disappear?

(25) Appropriate state intervention would be in the case of the forestry industry where externalities affect regular market functioning.

(26) The government also has a role in building up human capital through education. The private sector is not able to make this investment because it cannot capture all the returns.

(27) Price and quality controls in order to achieve income-distribution objectives are inappropriate as is a full employment policy.

(28) Macroeconomic approaches are needed particularly in terms of training.

(29) Training must be general to encourage adaptability and the ability to acquire skills.

(30) The work week has decreased because the rising standard of living has meant that we can consume both goods and leisure — there was a voluntary aspect to this reduction.

(31) Currently, much job mismatching occurs, particularly for young people who can obtain service-sector jobs (low paying, low skill) more easily than other less abundant jobs. A full employment policy would not change this unless we told people which jobs to take and where to spend their money. We need a flexible and mobile labour force.

(32) Most jobs are now being produced in small business.

(33) It may be difficult to sustain the level of real growth in the next 50 years that we had over the last 50. The only way we can do it is to place greater demands on the individual.

(34) The workforce will demand more skilled individuals. This implies that we can no longer train young people for specific jobs. Many who receive specific training cannot find a job and end up on the government payroll in order to be "employed".

(35) The family has traditionally been a source of institutional security. This is changing as family breakdown increases.

(36) Macroeconomic unemployment policies do not exist.

(37) Business cycles and their occurrence are difficult to explain in concrete terms.

(38) We are tied into world economic activity and are already involved in "free trade".

(39) Until we understand the cause of world business cycles, we cannot talk about employment and improving the economy.

(40) Over the course of the business cycle in the '80s, unemployment will average 8-9% as opposed to 4-5% in the '60s due to changes in the microstructure of the economy, not to government spending, money-printing or federal reserve policies in the U.S.

(41) The age of the workforce has fallen; the mix of the workforce has changed: we cannot apply the same policies as in the '60s. The best way to cope with structural change is to train for adaptability and mobility.

(42) As per capita income rises and falls, people demand different products. The economy must be able to respond to these demands.

(43) We are now in an "information age", having left the manufacturing age. Nonetheless, there is a high proportion of university graduates who do not know how to communicate.

(44) We need a policy of remedial education for 20- to 25-year-olds to help ease the transition from school to work through a five-year investment in training.

**Interview with Dr. Geyer, Director
Employment Office
Bonn, West Germany
January 22, 1987**

(1) The Office and its regional counterparts provide career and job information, general and individual counselling and an employment "matching" service.

(2) Employers contact the Office when they have job openings. The Office then puts the information in a data bank. Information is available for the country and for regions.

(3) Unemployed people also register with the Office. The computerized matching system automatically matches jobs available with individual qualifications and sends a letter to the unemployed person informing them of suitable job openings.

(4) Career and job information is available in counselling centres and covers over 200 vocational fields.

(5) The Office is federally funded through the Federal Employment Office in Nuremberg.

**Interview with Dr. W. Irwin Gillespie
Economics Department
Carleton University
Ottawa
March 4, 1986**

(1) If we stimulate investment with a view to creating jobs, we must realize that these jobs will create either products or services. This output will have to be consumed and this consumption must be considered to be as important an element in the scenario as the jobs to be created. In other words, people must be able to consume the goods or services produced by the new jobs.

(2) We, as a collectivity, must identify unfilled needs and demands before creating new jobs. Stimulating that kind of output would mean that necessary jobs would follow.

(3) If we decide that certain jobs (for example, in the service sector) are in demand, they could be funded through the public sector or made more attractive for the private sector to fund through subsidies.

(4) In either case, a public decision is made using public funds to generate a certain output.

(5) The size of the deficit is constraining such activity, if only because many people believe that the deficit is a constraint to public action.

(6) If we had no deficit and had the same level of unemployment we now have, one could convincingly argue that with stimulation, directly through the public sector or indirectly through subsidizing the private sector, these jobs could be generated.

(7) If the deficit is seen as imposing constraints upon activity in the public sector, job creation becomes less attractive.

(8) The money for such job creation could be extracted from a source that will not depress job creation more than stimulate it; the net result would be positive on balance. In addition, through plugging tax loopholes and instilling greater equity in the tax system, we will have net additional jobs as well as a benefit in terms of the fairness of the tax system. Our tax system in itself more or less demands self-policing by taxpayers: but an increase in the activities of the underground economy reflects a feeling of inequity with respect to the tax system. There are large economic costs when people lose faith in this system.

(9) Although the high level of deferred taxes for corporations is generally considered unfair by the non-business community, even within the corporate sector, businesses perceive a degree of unfairness depending on their ability to cash in on these loopholes. Those with profits are given more advantages than those with fewer profits.

(10) Were the deficit to remain constant or decrease, and once it had been decided that certain jobs were necessary (eg. day care, health services), then a policy would be appropriate to create these jobs, yet not depress other equally necessary activity.

(11) This would achieve the goal of job creation and would provide *desirable* outputs.

(12) The areas of crucial output not currently being filled are determined in the political arena.

(13) Economists and technicians can then establish from which areas money can be transferred without causing a loss of jobs greater than the gain of jobs derived from the job creation policy.

(14) The question is not one of dogma but of political necessity and economic reality.

(15) Reallocation of funds does not have to be achieved by increasing the bureaucracy but, perhaps, through private involvement. The final vehicle could then be completely public or completely private using stimulus and incentive from the public sector with some regulation.

(16) Many believe that the market, if left alone, will create jobs due to demand and that government should not determine this.

(17) However, if the economy has settled in with an unacceptably high level of unemployment in the opinion of the collectivity, and if for an extended length of time job creation is not high enough to employ most people coming on to the market, the market clearly is not automatically taking care of these problems.

(18) The unemployment problem is not the result of an over-regulated system or of an elaborate U.I. scheme. The market's poor performance in terms of job creation is not due to too much intervention.

(19) The sharp increase over the '81-'82 recession in unemployment rates was not the result of a large amount of new regulation and so on but was related to market activity during the recession.

(20) The events of '81-'82 showed that the market can produce results that a community is not prepared to live with.

(21) The government could channel dollars away from low-labour-input activities and corporate/personal income tax loopholes and channel them into a tax cut to increase after-tax demand. This assumes the deficit is constant.

(22) Then, individuals with increased tax dollars will create increased demand. They are no longer truncated consumers but empowered consumers. Jobs will be private-sector oriented with a net expansion in total jobs.

(23) A demand-oriented policy can allow for a positive role for the collectivity as well as a role for government in redirecting after-tax dollars.

(24) Business believes tax breaks are necessary so that new equipment may be bought to increase quality, investment and so on.

(25) Profitability and productivity of business can be more likely improved through competition for increased demand among businesses.

(26) A policy aimed at job creation through output expansion (rather than through subsidies for investment in plant and equipment) would respond to demand and could bring substantial results. If the government put money into job creation, this would stimulate demand: more people would have more money to spend.

(27) There would be greater certainty in attempting to forecast the amount of job creation if one were to choose the area of expansion rather than by creating general demand through tax cuts.

(28) The nature of the country is such that we cannot move people to jobs, but we can use those regions of the country which are depressed to engage in a more interventionist policy.

**Interview with Bob Ginden
Canadian Automobile Workers
Toronto
July 11, 1986**

(1) In discussing free trade, the question of competitiveness comes into play.

(2) Capital has the ability to move in an open society; we have little control over inputs.

(3) What kinds of restrictions must we propose in order to make a free trade arrangement work in an international economy?

(4) We export 30% of our GNP. This 30% represents a powerful part of the economy.

(5) Business is always looking to capture larger shares of world markets. The way to do this, is through lower wages and lower costs.

(6) Full employment, however, will tend to keep the wage bill up. Economic stimulus will lead to increased imports because of increased demand.

(7) Business looks to international models where demand has been reduced and follows suit.

(8) Without a limit to its power, business causes problems and instability by threatening to export jobs to where they are cheaper.

(9) Should Canadian corporations be allowed to locate elsewhere and to, then, export goods to Canada?

(10) Business feels secure in discussing free trade, because of the favourable exchange rate; the U.S. is unlikely to allow this rate to remain as low in a free trade agreement.

(11) The lowering of wages will eventually reduce our standard of living and our buying power as importers.

(12) Job security in an environment of full employment is what workers want; business fears this as it undermines their position as managers.

(13) The consultation process, including workers, operates well in Europe due to a labour movement which is politically stronger; nonetheless, the concertation system in Germany and Sweden is undergoing stress as workers demand further reductions in the work week.

(14) Business tends to fight against protectionist measures because of the attraction of ever-larger international markets.

(15) An arrangement not opposed to trade would be desirable if there were certain regulations concerning the Autopact, wheat and energy, for example.

(16) The shift toward services is important and in fact, represents a new order in which jobs that used to be done by one company are now sub-contracted out.

(17) The number of "family" hours worked is still very high, even though hours of the "individual" work week have been diminishing. The further reduction of the work week would have great implications for the family.

(18) In the trend to full employment, many people feel that the central government is the only job-creator; however, decentralization is the key in giving municipalities the ability to mobilize. We need new institutions at the local level.

**Interview with Chris Hayes and Nickie Fonda
Prospect Centre
London, England
January 12, 1987**

The Prospect Centre

(1) Consulting firm specializing in strategic human resource development; the long term development of people, the results of which benefit the individual, the firm and the country; preparation for the unknown.

(2) The Centre has been in place for five years and in 1982-83 worked on a report presented to the National Economic Development Council and the Manpower Services Commission entitled "Competence and Competition".

(3) The report studies education and training in the U.S., Japan and Germany as the three economically successful competitors of the U.K.

(4) The goal of the report was to present objectives for the U.K. that could be agreed upon by labour, business and government.

(5) One of the direct results of the report was the creation of Britain's Youth Training Scheme (YTS).

Youth Training Scheme

(6) YTS offers any young person leaving school at the age of 16 a two-year scheme involving a minimum of thirteen weeks of classroom training and the remainder on-the-job training in year one; year two has a minimum of seven weeks of classroom training.

(7) The program is administered locally. Managing agents are responsible for planning and carrying out training with decentralized approval but centralized guidelines.

(8) The Manpower Services Commission (government agency) pays the wages of the trainees = \$60.00 per week in year one; \$70.00 per week in year two; Transportation costs are supplied in addition to wages.

(9) After the initial training period, wages may increase if the young person is employed by the firm where he trains.

(10) The firm giving the training receives a subsidy to cover additional training costs.

(11) When possible, training is given for jobs for which there is a demand in the labour market.

(12) On average, 65% of YTS participants obtain a job or go back to school after one year in the program.

(13) Young people, parents and firms are, on the whole, satisfied with the program although quality of training varies from firm to firm.

(14) The scheme focuses on the belief that the best training for work is work.

(15) Evidence shows that employers take on young people for training purposes and use them for new ventures they otherwise would not have undertaken.

(16) The program aims at giving more than technical skills: adaptability, team work, innovation, personal effectiveness are also stressed.

(17) YTS is believed to be improving the competitiveness of British industry by improving the quality of the work force and to be increasing the choices of jobs for YTS participants.

(18) The new approach to learning (focus on skills in para. 16 above) has provided an incentive for the education system to review its curricula; YTS was seen as a competitor for the schools.

Technical and Vocational Education Initiative (TVEI)

(19) In response to YTS, the schools have introduced a more work-oriented curriculum on a pilot-project basis, the TVEI.

(20) TVEI ideally reflects occupational opportunities in the areas of craft design and technology, computing, business, graphic arts and design. It does not concentrate on *how* to do a job, as does YTS.

(21) The goal is to move the curriculum closer to labour market needs. Teachers have been examining new ways of helping young people to learn.

Re-training

(22) Over 50% of the unemployed have been unemployed for over 12 months; 33% for over two years; 17% for over three years.

(23) The unemployment situation is leading to the segregation of a segment of the population from the rest of the labour force.

(24) Recent initiatives are aimed at helping these people gain job skills through a "Restart scheme" including one-week courses in how to get a job.

(25) It seems better to train people so they can move into jobs — even temporarily — then to keep them segregated from the labour market even if it means shuffling employment from one person to another because no new jobs are available.

(26) In the U.K. and U.S. there is evidence of a trend to Dickensian society with 70% of the population doing very well and 30% in low-level jobs or unemployed.

Interview with John Helliwell Economics Department University of British Columbia March 19, 1986

(1) The increase in unemployment in early 1980 was, in large measure, a consequence of the recession, which itself was a shake-out of the Canadian economy due to external forces such as the oil shock.

(2) Econometric models forecast a drop in unemployment rates through the rest of the decade with a short-term trade-off between budget restraint and lower unemployment rates.

(3) As long as the unemployment rate is high, there will be downward pressure on real wage rates. Lower real wage rates make it easier to find a job and make Canadian products more competitive.

(4) There may be ways of improving the way in which institutions work within the system so that we could help the mix of job opportunities line up more easily with skills, or so that we could better help those who are unemployed at the moment.

(5) The Canadian economy has generated more jobs than any other OECD country over the last 20 years. We have also had the fastest growth in our labour force due to an increase in participation rates and to the demographic bulge (the baby boom).

(6) It is very hard to predict where the economy is going or should go. Because of this, large-scale attempts at intervention on the part of the government have typically been very wasteful and cost-ineffective with potentially negative economic effects on other ventures both domestically and internationally.

(7) Much of the new technology not only replaces labour by machines but also replaces capital by machines: that is, we can now do the same thing with fewer or less expensive machines.

(8) Long production runs and economies of scale are no longer as important as they once were because of the flexibility of new machines.

(9) At the same time, the possibilities for human development have increased because of the benefits of technical progress.

(10) The dead hand of the state can take the form of: (a) tax rates at a level higher than they have to be to pay interest on the debt or to carry current losses; (b) a regulatory system designed to produce an outcome other than that which would have been produced on its own.

(11) Because Canadians are tolerant of state intervention, Canada now has many major state-supported initiatives.

(12) Education and health care are areas with a good deal of state intervention. The presence of government may threaten the stability of these institutions.

(13) Comparative studies of the concertation system in different countries as a possible way in which the government could participate more constructively have been very favourable in terms of rates of growth, lower inflation and lower unemployment compared with the confrontation system.

(14) Among those who are considering new ventures, there is a tendency to invest a lot of time in calculating how much government money they can get either directly or indirectly. Real business decisions are too often made based on the amount of grants available, not on the feasibility of the venture itself.

(15) The state could contribute in a positive way by participating in a stable system of concertation and by providing social safety nets coupled with an efficient public service in an open economic environment. Politicians should set the economic stage rather than try to be actors on stage.

(16) The government cannot put itself in a position of responsibility in an area such as unemployment, where it cannot deliver long-term solutions. Public cynicism comes from decades of unfulfilled government promises.

(17) The government should have a clearer understanding of areas in which it can function and function more effectively.

(18) The government should not be providing investment incentives.

(19) The public concept of what government can and cannot do is inconsistent with the facts.

(20) The private sector should face as neutral a tax system as possible: many subsidies to agriculture and business should be eliminated.

(21) Unions and big corporations have a hard time changing their attitudes toward consensus building and the effectiveness of the concertation approach used in Europe.

(22) There is much political pressure to stop the loss of existing jobs instead of creating new ones in disadvantaged areas.

(23) Short-term, direct responses to symptoms rather than to real causes are the most damaging policies to adopt.

(24) In Japan, decisions are judged over a 20-year time horizon. In Canada, our political time horizon is four years. The smaller and more open the economy the more likely people are to accept a longer time frame.

(25) Federal government spending on goods and services has remained constant over the last 10 years.

(26) Expenditures on transfer payments have grown to roughly 15% of the GNP.

(27) Our system is reasonably flexible. This means people won't be unemployed for long periods of time as in some European countries.

(28) In Europe, civility is threatened by the long duration of periods of unemployment.

(29) During periods of unemployment, training is an investment in human capital and counterbalances the mismatch between jobs and people.

(30) We cannot create additional jobs at the rate at which we did during war due to the difference in attitudes then and now. The threat to national sovereignty and freedom was a greater impetus to consensus building than the government's arms purchases. We lack the political will to carry out such a massive campaign. The potential for human production has changed with the advent of the "me-generation".

**Interview with Dr. F.H. Himmelreich
and members of the German Federation of
Employers' Associations
Cologne, West Germany
January 20, 1987**

(1) Research into trends and job developments indicates that only broad, general ideas are applicable when planning for the future. Specific prognoses are impossible.

(2) Germany's dual system of training is broadly based. Because it leads to certification, the labour market is more transparent and individual qualifications are evident to the employer.

(3) Enterprise-based training is broadly conceived for manual/theoretical skills and has the advantage of giving basic knowledge upon which specific skills are built. Vocational training is designed to enable a person to exercise an occupation.

(4) Training regulations are uniform. They are the minimum standard. Employers can add training to give the employee skills which correspond to the company's needs, e.g. computer skills.

(5) Certain changes in labour market demand (e.g. due to technological change) make (a) re-training, or (b) further training necessary. Especially, further training is getting more important because only "lifelong learning" will enable the employed/unemployed to cope with the future demand for labour.

(6) Employer/employee contributions finance U.I. and re-training of the unemployed. Further training of the employed is financed by the employers, the estimated yearly costs run at ten billion DM.

(7) Approximately 10% of the unemployed pursue re-training; 5% take part in temporary job creation and public works projects.

(8) The Federation believes that the market will provide jobs where and when they are needed.

(9) Training helps in finding a job; the number of trained and highly skilled workers is increasing.

(10) Most firms employ their trainees at the end of the apprenticeship period.

(11) Half of the unemployed are women; there are increasing numbers of women in the labour force.

(12) The social structure is such that unemployed women above 40 years of age are seen as second-income earners, in general, and often look for part-time work.

(13) The Labour Promotion Act provides for women who need additional qualifications and who want to enter the labour market. However, vocational choices for women, are limited concentrating on specific occupations such as clerical and occupations service sector jobs.

(14) There is a high concentration of women in the service sector.

(15) Pilot projects supported by the Federation and the federal government aim at expanding opportunities for women in non-traditional sectors, e.g. in the technical field.

(16) Women received training by firms in the metal/electro-technical industry in one of these projects.

(17) They had no particular difficulties with the practical examinations; but results in theoretical examinations were below average. This may be because women are not encouraged to take as much math and science in school as men.

(18) Germany is in a transition period with respect to the role of women. A shift from women in commercial fields and services is necessary and under way.

(19) The Federation represents the special interests of employers in the field of vocational training during discussions with trade unions and the federal government.

(20) Basic goals of the training regulations are determined with unions and presented to the government which then prepares the legal act. Training takes place under the supervision of the Chambers of Industry and Commerce which are also responsible for conducting examinations.

(21) Rights of co-determination are ensured through negotiations with all social partners.

(22) Collective bargaining agreements concerning wages, for example, sometimes limit the scope of change.

Interview with Geoffrey Holland
Director, Manpower Services Commission
London, England
January 14, 1987

Manpower Services Commission (MSC)

(1) The MSC is a statutory government agency formed in January 1974.

(2) It is responsible for employment, job search, job preparation and training/retraining at the central government level.

(3) It is also responsible for carrying out government requests in the areas of employment temporary work, job creation and so on.

(4) The MSC submits a corporate plan to the central government outlining goals for the year. The government funds the MSC approximately \$7 billion per year through the Secretary of State for Employment. The plan states explicit goals for England, Scotland and Wales.

(5) Since 1978-79, in response to increased public pressure, funding has tripled in the areas of education and employment.

(6) There is a general disillusion with specific labour market forecasting—it hasn't worked.

(7) At the same time, there has been a preoccupation with supply-side approaches to economic problems.

(8) Reports (e.g. Competence and Competition; see interview with Hayes and Fonda) have increased the awareness of how other countries are doing and why they are more successful.

(9) The role of the MSC is shifting away from unemployment relief to increasing employment possibilities.

(10) The budget of the MSC shows an increase in per capita spending on young people and a shift to continuing measures such as training and re-training rather than job creation.

(11) Changing demographics and an ageing population have shifted attention to the re-training of older workers.

(12) The overriding concern is competitiveness as a function of investment in training and education.

(13) This concern stems from the facts that:

- (a) market share, GNP per capita has decreased, especially in manufacturing but also in services;
- (b) competitiveness leads to more equal opportunities;
- (c) the vicious circle of unemployment is creating a dangerous subculture of long-term unemployed (over 12 months);
- (d) coupled with high unemployment is a shortage of skilled labour;
- (e) there is a mismatch between jobs lost and jobs gained, with new jobs often being lower level.

(14) British wages are currently among the lowest in the EEC, lower than wages in Spain, for example. Much investment is attracted to Scotland and South Wales in manufacturing and high tech.

(15) This creates new jobs but not enough to sop up large numbers of unemployed.

(16) There has been a sharp increase in the number of self-employed and part-time workers. These workers have fewer benefits than do full-time workers.

(17) Since 1981, MSC has been moving toward:

- (a) giving all young people to the age of 19 a chance for education/training through the YTS by 1991;
- (b) raising standards of education and training based on competence;
- (c) giving wider opportunities for re-training to adults.

(18) Large companies (eg. Jaguar) have shown a willingness to participate in training schemes.

(19) Values in the education system have been predicated on academic achievements and the emphasis on the research activities of universities.

(20) The structure of education tends to maintain an elite group with theoretical knowledge and to place little value on the practical application of skills.

(21) While education and society in general in the U.S. focus on individual achievement and financial success, the U.K. concentrates on creating an intellec-

tual elite in the areas of law, accounting, medicine, academia and public service.

(22) There is a growing awareness of the need for longer time horizons and for a broad-based, competent work force.

(23) The MSC encourages local and large business to participate voluntarily in improving the skills of the work force.

(24) All social partners are involved in discussions concerning training needs as well as in delivery and planning.

(25) The trade union movement is occupationally-based rather than industry-based and is more interested in training. They feel they have the most at stake in increasing the adaptability and transferability of skills of their members.

(26) Employers' associations are weak and disorganized by comparison.

(27) The biggest problem in the consultation process is getting the understanding and cooperation of the "boardroom".

(28) MSC has tried above all to change attitudes and increase awareness as to the need for training.

**Interview with members
of the Institute for Educational
Research in the Economy
Vienna, Austria
February 3, 1987**

(1) The Institute does research in the areas of learning, schooling and vocational education in industry, and supplies information to students.

(2) Much research has focused on how universities use new technologies and how they can co-operate with other universities in using hardware and software.

(3) Further research deals with the learning process and computer-assisted learning. In the field of microelectronic vocational training, the link between the apprentice and the trainer and the level of hands-on experience are reduced. The computer screen helps in this case to make the experience more concrete.

(4) Many companies design training programs to suit their specific needs. They also contract out training courses to other firms.

(5) Companies give practical training in technology but not a background education in the area of computer science as one would receive in school. Some of this background is important.

(6) In the field of technology, it is becoming important for technicians to have a well-rounded background to enable them to apply their skills more appropriately in many more areas.

(7) There is a lack of communication between schools, enterprises and universities leading to a mismatch in demand and provision of skills.

(8) For example, few teachers at the secondary level have any experience in industry.

(9) In some circles, people are talking about an emerging problem of computer illiteracy.

(10) Although unemployment is relatively low (between 6% and 7%), more than 20% of the unemployed are young people. In Canada young people make up between 35% and 40% of the unemployed). Solutions are necessary in order that young people not feel alienated from society.

(11) Training can reduce unemployment by about 0.5%.

(12) Vocational education in schools (as opposed to enterprise-based training) emphasizes skills which are not in high demand in the labour market.

(13) Vocational training in enterprises is determined by the needs of companies.

(14) In 1978-1979, young people had difficulty finding apprenticeship places in companies and chose to further their education. These people would rather have worked but because there was no work available, they went to school.

(15) This is especially true for those leaving advanced-level secondary school who lack technical skills needed on the job market. There is much hidden unemployment among secondary school and university graduates.

(16) Unemployed people and young people are rarely equipped with abilities and attitudes demanded by employers.

(17) Companies don't feel that Employment offices can adequately match employees with openings in their firms.

(18) The Institute has developed a system of testing to help young people determine what vocation they are able to pursue according to their skills and interests. Creativity, innovation, responsibility, communication skills as well as manual skills are tested. This is a practical rather than written test. About 95% of those who have taken such tests find apprenticeship positions.

**Interview with Dr. John
and Dr. Aigner
Federal University of Education,
Arts and Sport
Vienna, Austria
February 3, 1987**

(1) The Ministry is responsible for curricula in technical and part-time vocational schools. Enterprise-based training is the jurisdiction of the federal Ministry of Commerce.

(2) Employers and employees, unions and provincial representatives submit their views on vocational schooling to the Ministry.

(3) If a curriculum needs to be changed, negotiations take between one and a half and two years.

(4) Curricula in enterprise-based schools are independent from those of part-time vocational schools.

(5) Agreements between provincial governments and vocational schools in enterprises are reached pragmatically. In Germany, such agreements are made formally, in more detail.

(6) Accurately predicting labour market needs is impossible.

(7) Vocational training will improve a young person's chances on the labour market but does not guarantee that a job will be available.

(8) Technical and vocational schools devote 1/3 of studies to general education (mother tongue, foreign language, math) adapted to special needs of the vocation (classes are 40 hours per week).

(9) Re-training and higher education courses are available to allow people to obtain further skills and to adapt to university entrance qualifications.

(10) The system is very permeable and offers alternatives (further schooling, upgrading), if jobs are not readily available after completing vocational training.

(11) Many graduates from a top-level industrial school at age 19 go on to university MBA programs or vice versa. Specialized knowledge and management training are a popular combination.

(12) Literacy and numeracy problems virtually do not exist in Austria.

(13) Technical schools offer advanced-level mathematics for engineers and technicians.

(14) Life skills are not taught as a set subject but are talked about informally. Much is learned on the job, in the enterprise, during apprenticeship training.

(15) Teachers in many technical schools must have previous work experience in industry.

(16) Federal law requires that an exam be re-written if more than half the class fails. Most examinations are oral; objectivity in evaluation is difficult.

(17) Not much training is given in the areas of oral or written communication.

(18) The dual system does not train people to the same level of qualification as those in advanced-level technical schools.

**Interview with Sigrid Kümmerlein
German Federation of Chambers of Industry
and Commerce
January 19, 1987**

(1) The Federation groups together 69 local Chambers of Industry and Commerce.

(2) Membership by all industries is mandatory by law. Certain trades are also grouped under their own associations.

(3) The Federation is responsible for the planning and administration of training and re-training of all age groups.

(4) Under the Vocational Training Act of 1969, the Chambers of Commerce must establish training guidelines as well as counselling and requirements for certain professions. Training contracts following these guidelines are signed between firms and their trainees.

(5) The Ministry of Economy and the Ministry of Education are responsible for curriculum (training regulations). The Ministry of Economy negotiates with employers (who must belong to the Chamber of Commerce) and with the labour unions, before setting out the curriculum.

(6) Chambers arrange for the examination and evaluation of trainees after their apprenticeship by an examination board composed of employers, union members and teachers of part-time vocational schools.

(7) The curriculum and examination standards are minimum requirements. Employers may give additional skill training.

(8) Trade unions insist that students comply with minimum standards.

(9) Vocational training is generally open to all school-leavers (16-18 years) but some trades may require more basic training than others.

(10) The Chambers of Commerce and employers consult before training is undertaken. Chambers have counsellors who maintain this contact with employers and trainees.

(11) Sample guidelines for Chemical Lab apprenticeship:

- general education
- labour code
- environmental protection
- use of energy

Maintenance work

- working with chemicals
- different methodologies
- application of microbiological techniques
- documentation of results
- analysis of material
- inorganic/organic materials
- experimentation with volume

Preparative work

- quantitative organic measurement

- use of measuring instruments
- preparation of chemical reactions
- further documentation and preparation of information.

(12) After two years in this three-year-apprenticeship, the trainee can specialize in areas of chemistry such as those dealing with coal, metal or silicon.

(13) Continuous evaluation is provided through Chambers of Commerce examinations to ensure goals are achieved.

(14) Chambers of Commerce offer additional courses for students before their exams, if upgrading is necessary. Exams can be tried three times.

(15) Training is general enough to be transferable; basic standards are maintained; there is specific technical training and, in addition, work on methods encouraging teamwork, planning, innovation.

(16) Contests, each year reward innovative work by students.

(17) Although employers try to hire graduating trainees, demographics are such that employers over-train. This results in a surplus of trained workers that employers find desirable.

(18) Because of technological and demographic changes, re-training is necessary. Chambers of Commerce are involved in re-training.

(19) Over the last two years, 600,000 jobs have been created; 10-20% of these are part-time jobs.

(20) There is a shift to service-sector jobs, some of which pay lower salaries.

(21) Unions are concerned with reducing the work week (to less than 38 hours). Unions and employers are trying to improve work opportunities for women.

(22) The tripartite concertation method was useful in setting goals for economic programs, job creation and so on. Antagonism between government and trade unions and the use of the consultation instrument (as a public relations tool) led to union withdrawal from negotiations. There seems to be no chance, at this time, that tripartite concertation will be revived.

Interview with Oliver Lübke
German Federation of Trade Unions
Bonn, West Germany
January 21, 1987

(1) Since the establishment of the Vocational Training Act (1969) training schedules have been established after discussions with government, unions and employers.

(2) Unions see qualifications as job security, employers see them as a basis for competition. The Federal Institute of Vocational Training provides the only forum for the discussion of these interests.

(3) Discussions strive for agreement between employers and unions concerning training needs and regulations.

(4) Negotiations to change or update training regulations can take up to five years. Employers can add new skills informally; regulations are only minimum standards.

(5) Trade unions believe more training places are needed; currently, not all the young people who want vocational training can be placed as apprentices.

(6) The increased demand for vocational training may stem from cutbacks in government grants for university education.

(7) In many trades, newly qualified workers experience high levels of unemployment directly following completion of their training. This is because training is undertaken regardless of precise market demand.

(8) More than 10% of trade/craft trainees remain unemployed over six months (particularly true for carpenters, bakers, hairdressers, barbers).

(9) Germany has an export-oriented economy that depends on a skilled labour force.

(10) The trade union movement focuses on improving working life through reduction of working time and increasing job security through improving vocational training.

(11) The right to education includes the right to further education. Changes and developments in both industry and society as a whole demand continuous further education.

Interview with Dr. Bernard Lutz
Institute of Sociological Research
Munich, West Germany
February 5, 1987

(1) The problem of workers' qualifications is one of conceptualization; there is the "utilization" aspect which is part of the organization of work, and the "production" aspect which deals with individual potential.

(2) The findings of a study on division of work and remuneration in France and Germany are very indicative of this problem.

(3) Division of work is more extensive in France than in Germany; the hierarchy is more rigid and employment is more structured.

(4) In Germany, 45% of repairs are made on site, on the workers' own initiative; responsibility for repairs falls to the foreman, not to the maintenance engineer.

(5) In France, even the foreman cannot do anything without authorization from several higher levels. However, the French are better at preventive maintenance.

(6) Division of work depends on initial education and training. In France, general education is strong but specialized education is less developed. Schools are very elitist. The victims of the elitist academic education system enroll in vocational training courses.

(7) In Germany, vocational training carries more weight; schools are less elitist than in France. More people enroll in vocational training courses to create a better-trained labour force. Everyone receives a minimum level of training.

(8) In Germany, the number of untrained young people is dwindling; 90% have some vocational training even if they also have some university education.

(9) More and more young people say that it is better to have some vocational training that can lead to higher qualifications. A larger number of people are going beyond their initial training and are pursuing university studies in conjunction with a technical diploma. Young people are realizing that they must take advantage of training opportunities.

(10) In France, there is a contradiction between the value of products produced by tradesmen and the tradesmen's interest in their trade. Being a tradesman is no longer considered very interesting. People with university education live more interesting lives.

(11) There has been a trend toward extended schooling, since the war.

(12) The French system prevents a return to technical training because the "lycées" (high schools) want to keep as many students as possible.

(13) In Germany industry has a highly skilled labour force and has created a pool of professionals. Not enough young people are enrolled in apprenticeship programs to counter future demographic problems.

(14) The number of tradesmen is declining in Germany. German industry is in a state of crisis: the type of experienced foreman who hands down his knowledge and skills is disappearing. Industry is not training enough young people to replace these foremen and has failed to consider the problem from the demographic point of view.

(15) Adults can be re-trained. This must be accomplished without removing them from their environment, whenever possible, and by keeping the content of training close to their work experience.

(16) We must not send adults back to school. Proximity to their work milieu is important in the re-training of adults.

Interview with Mike McCracken
Informetrica
Ottawa
August 6, 1986

(1) When discussing unemployment one must look at the number of Canadians exposed to unemployment.

(2) The 10% figure masks the reality that 25% of Canadians are touched by unemployment (Statistics Canada).

(3) A 4% unemployment rate is attainable.

(4) The key question is how to get people into "more productive" occupations.

(5) In fact, the unemployed receiving unemployment insurance are employed: their job is to find a job.

(6) Employment is our society's foundation of equity.

(7) There are many jobs from which society would benefit that are not currently being done. Political will is necessary to provide these jobs.

Also, Appendix C.

Interview with Professors Noah Meltz
and Morley Gunderson
University of Toronto
April 9, 1986

(1) Just after the 1981-82 recession, the unemployment rate was predicted to stay above 10%.

(2) The latest figures show that we are below 10%.

(3) Even given the political time horizon of four years, policies were devised that led to a lower rate than predicted at the depth of the recession.

(4) In some sectors and cities, full employment has been reached (e.g., Toronto). A regional challenge, then, is presented.

(5) There are barriers inhibiting some of those who are working full time but would like to work part-time: lower pay, reduced benefits, less security.

(6) Ontario is currently studying the use of overtime work, as a cause of lay-offs which reduce the number of workers.

(7) The evidence shows that the average work week has declined but has now levelled off at 40 hours. If you take into account holidays and so on, the work week is still declining.

(8) Part-time work may mean a loss of purchasing power for those working part time; but those who are working full time will be able to buy goods and services more cheaply because these will have been produced at a lower labour cost.*

(9) Steel industries in Canada and the U.S. show different trends, suggesting that the causes of unemployment in the steel industry may be different in each country.

* Part-time workers cost less per hour because they are paid less and receive few, if any, fringe benefits.

- (10) There are sectoral factors.
- (11) Some industries will move offshore to profit from lower labour costs there but this might not mean an overall reduction in our standard of living.
- (12) We are exporting many jobs to other countries but we are importing cheaper products and services, which benefit all Canadians and leave them additional money to invest in new industries.
- (13) This may mean re-training workers for these new industries.
- (14) The challenge is to do this for those who are displaced and are difficult to re-train.
- (15) If these adjustments are not painless, a government faces political problems.
- (16) By ensuring workers a degree of compensation, their own resistance to change is reduced. Slow changes announced in advance, working in the same direction as market forces are easier to accept and ease the inevitable transition.
- (17) Regional mobility means that young people, as well as others, may move out of certain areas.
- (18) Those areas will end up being subsidized to encourage people to move there. The ultimate effect is the same as if they were subsidized to stay.
- (19) Barriers to mobility should not be erected.
- (20) The Maritimes can provide an area for business with a captive indigenous population, for example, Boston and the computer high tech industry explosion. (But there is a forest of universities around Boston).
- (21) In the Maritimes, policies keeping people there artificially have been a disincentive to finding real work. For example, some people choose to work part of the time and collect unemployment insurance benefits the rest of the year.
- (22) In the North, native labour has often been bypassed, with southern Canadians being flown in. Now, Northerners are working. We must examine the analogous situation in the Maritimes.
- (23) Wage policy could have a discouraging effect on investment in the Maritimes.
- (24) The Maritimes must offer some comparative advantage with respect to resources, wages and so on.
- (25) Post-World-War-Two Japan did not have the emigration problem of the Maritimes, which meant its entrepreneurs did not leave the country the way Maritimers moved to the favourable market climate in Ontario or the United States.
- (26) Population movements and changes may be sensible. Why should the government interfere with personal decisions?
- (27) The challenge is to accommodate the changes one wishes to make.
- (28) Some of the high unemployment in the Maritimes is built into the income expectations of people, especially in the fisheries industry.
- (29) Every change in the Unemployment Insurance Act seems to raise the level of unemployment.
- (30) U.I. *may* be viable income support.
- (31) Why aren't more people living in the Maritimes? The population changes; family structure and work change. The Maritimes, as a vacation area, may be an option.
- (32) Adjustments must be slow and gradual with minimal interference.
- (33) It is desirable for young people and those entering the work force to go with growing industries. This may be artificially induced with major adjustment problems later on.
- (34) There must be regional cost-of-living adjustments to attract people to disadvantaged areas.
- (35) It is appealing to have a policy that is simple and can be seen as replacing the available social programs. A Guaranteed Annual Income (GAI) is, therefore, somewhat attractive.
- (36) GAI (or negative income tax) may be a way to simplify the system and attain equity.
- (37) The welfare system builds in very little work incentive. As people on welfare try to earn extra income through odd jobs, they lose all this extra income through taxation.
- (38) We may simply be facing a cyclical problem of low aggregate demand.
- (39) Do we need to change the pace of change?
- (40) Are there people who are overworked and who feel they have limited options?
- (41) Work time could be reduced but impediments exist preventing this from happening (part-time

workers do not receive a proportional share of fringe benefits). Relaxing such rigidities in our system could help.

(42) We have frequently heard claims that what is happening now represents a quantum difference from the past. It may be more realistic to say we are in a new phase of the continuum.

(43) Predictions of fewer jobs were based on the assumption that people want a constant amount of goods: with increased productivity, fewer people are required to produce them. Demand, however, is increasing.

(44) Labour productivity is lagging even though technology is improving.

(45) Technology is supposed to raise productivity.

(46) Many new jobs are likely to be in low-pay areas with no foreign competition. We must look at the manufacturing sector which seems to be experiencing a decrease in jobs. In fact, this sector is simply seeing a shift of functions within the same industry. Some of these functions are high-paying jobs recorded under different sectors.

(47) Investment is not lagging in all areas but much of this is in automation and technology which quickly becomes obsolete.

(48) Much office automation does not seem to turn out a product that can be sold but amounts, in fact, to an explosive increase in unproductive paper shuffling.

(49) Should anyone, however, try to second-guess the market? The role of public policy seems unclear.

(50) The computer used to be sold as labour-saving technology whereas now it is sold as something to extend one's activities.

(51) Training can be done best by specific industries.

(52) The role of government is to provide expected demand and supply projections.

(53) Basic and flexible skills need to be provided by the educational system with specific skills provided on-the-job.

(54) Apprenticeship programs will develop on their own as business, industry, etc. realize the advantages.

(55) Young people must realize that a low-wage apprenticeship position will have long-range benefits.

(56) Canadians have different training mechanisms than in Europe.

(57) The market should determine training mechanisms. Policy can simply reduce the barriers to training and investing in human capital.

(58) We must decide whether we want to assist the process or allow for long lead times and cycles.

(59) Flexible skills: general education in mathematics, science, language, that allows one to adapt to problems at all levels.

(60) Educational institutions should realize that television can be used as an asset.

(61) There is now an increased demand for Arts graduates due to their ability to organize and present ideas.

(62) The purpose of education must be established so that one does not get caught up with facts: there are indispensable skills that are the same whether one uses computers or not.

(63) Experience gained in the work force is a type of career experimentation.

(64) The range of opportunities in work-study programs must be expanded to make career choice easier.

(65) People need more broadly based information than is currently and traditionally available.

(66) The role of U.I. must be re-examined. It could be used to allow experimentation in the labour force. We need a far less rigid separation between school and work.

(67) Education will become a long-term process with re-training continuing after age 25.

(68) Interest in adult and job-related education remains extremely high.

**Meetings with representatives of the
Organization for Economic Cooperation
and Development**

July 2, 1986; August 8, 1986;

September 5, 1986; September 8, 1986;

January 26, 1987

(1) Research by the OECD and elsewhere during the 1960s aimed to prove that education contributes

to economic growth; this approach has proven to be too theoretical.

(2) Currently the question is what can education do in terms of:

- (a) conditions of effective performance to improve competitiveness domestically and internationally.
- (b) the role of education with respect to economic development in the long term.
- (c) reducing unemployment and increasing employment.

(3) Education cannot reduce unemployment directly. Policies attempting to do this fail, waste resources, create false expectations and discredit the attempt.

(4) Education adjusts much more slowly than the labour market.

(5) We must not ask what people can do within an enterprise to make them work better but rather what *kinds* of people, what *kinds* of knowledge are needed to help the enterprise function well.

(6) This means:

- (a) training for the unexpected,
- (b) training to help people modify and to master their specific skills, and
- (c) "team" training.

We cannot predict future needs concerning skills but we can foresee needs with respect to the *kind* of people demanded.

(7) We must give more attention to developing people rather than their cognitive skills. This view is contrary to current labour market strategies which do not help people acquire the ability to recognize new situations and to adapt and apply their cognitive skills.

(8) The hierarchy in the organization of work is changing. This new structure is more elliptical with four main levels: the lowest level is a situation combining training and work; the "managers" in each subsequent level become resource people or advisors.

(9) There is more communication and teamwork, flow of information and so on. The Japanese have fine-tuned this approach.

(10) There are unemployment costs:

- (a) Human costs; these are well recognized though not well documented;
- (b) The economic costs are loss of productive capacity; when a country loses enterprises the loss is crucial as it takes a long time to create healthy new businesses.

(11) Education affects the extent to which these human costs are distributed among the population through the process of credentialism.

(12) The major effort has been to alleviate unemployment of 16- to 18-year-olds. This effort has altered distribution of unemployment but not levels of employment. Politically, the effort is justified even though it may not produce results, because it helps show the unemployed need help. However it worsens the position of the least well trained.

(13) There has been very little emphasis on the malfunctioning of the economy and on what education can do to encourage dynamic development leading to jobs.

(14) Countries have also focused, to a limited extent, on women, foreign workers and the long-term unemployed, that is, on people rather than the economic loss of capacity.

(15) Sweden has made a massive national commitment to training as a way to promote upward mobility; the vacuum created at the bottom opens spots for young people. Although a sufficiently large mass has not yet been created, the results in terms of increased productivity have been good. The high turnover in training places takes many people out of the labour market (lowering unemployment) and puts more highly skilled workers back in. The emphasis is on training for effective performance.

(16) This emphasis suggests that by developing employment one can best combat unemployment in the longer term.

Job creation

(17) There is always a danger of creating "artificial" jobs for which no market "demand" exists.

(18) Job subsidies lead to substitutions: these new jobs are temporary, low paid, low skill, use public money rather than private funds and replace regular workers by the subsidized group.

(19) The value of these jobs in terms of social needs is often disregarded.

(20) The broader question is what kind of fundamental training strategy is needed. A strong infrastructure is necessary and should put more emphasis on personal development.

(21) In Canada and elsewhere, government has made too much of a commitment to reactive rather than proactive training: the gate is shut after the horse has bolted.

(22) Germany and Sweden have national, proactive strategies which train more people than currently needed.

(23) Problem-solving and self-directed learning are essential elements in any education/training program and should be taught from primary school on.

(24) The mechanism of changing approaches is something that has not been extensively studied.

(25) We must determine the important technologies, such as: (a) materials; (b) energy production and conservation; (c) biochemistry and genetics; (d) information. There is no doubt that new technologies can increase quality of life. People need to be able to manage and control it and to be able to recognize possible adverse social consequences.

(26) Information technology is a current fashion with limited intrinsic merit but with the power to help develop other technologies.

(27) The implications of technology for schools are huge: when to introduce it; what to introduce; how to use it and so on. This will entail major changes in pedagogical methods such as self-directed learning and problem-solving. This is essential to the continuous process of technological development which mainly happens on a small scale throughout the economy.

(28) Training can be provided by the government, by enterprises or by individuals.

(29) Although individuals have a right and a responsibility to decide what type of training they want, their interests cannot be aligned so easily with those of enterprises and the economy.

(30) On the other hand, if enterprises had more responsibility, the idea of a longer view with future needs in mind comes into play.

(31) There has been less investment in professional training on the part of business. This could be because:

(a) the government has always taken care of training;

(b) business doesn't see the benefits of training or re-training for its long-term development.

(32) There is a change in attitude toward the idea that if an enterprise takes an interest in training, employees have more reason to stay making the input on the part of business worth the money and effort.

(33) There is a limit to reducing unemployment rapidly: a long-term strategy is more effective.

(34) Distinctions between manufacturing and services are becoming blurred.

(35) The process of long-term restructuring entails shifts in resources from sectors where productivity is low to those where it is high.

(36) Growth in services is the most evident trend but manufacturing remains the prime engine of growth.

(37) Those enterprises with long-term plans, which look for new products, new markets, and which seek diversification are those which can generate growth.

(38) In Europe, unemployment is higher and more persistent: some people claim this is due to union structure and higher unemployment benefit coverage.

(39) A move to more deregulated economies and labour markets is an act of faith: we do not know what the repercussions will be.

(40) The responsibility for the financing of training is that of enterprises, governments and individuals.

(41) Financing can be achieved by giving grants or loans to individuals, by reducing public expenditures to have more funds available for training or by reducing the expenditures of enterprises for the same reason.

(42) Many enterprises argue that there is too great an emphasis on the role of the private sector in training.

(43) A massive commitment to training (as in Germany and Austria) takes large numbers out of the

labour force: every year of training reduces the labour force by two and one-half per cent.

(44) Although unions argue that vocational trainees receive low wages and are cheap labour, two days a week are spent in school, not working.

(45) In Germany enterprises can deduct training costs from after-tax profits.

(46) An apprentice produces approximately one quarter the value of the training expenditure of the enterprise.

(47) The most effective training seems to be that which focuses on the overall aim of a particular enterprise and which consequently brings the personnel into the overall management.

(48) While Japan emphasizes increases in productivity as a reason for training, elsewhere effectiveness is stressed.

(49) There is a movement toward measuring competence using absolute standards. This has implications for the possibility of reducing the cost of choosing the wrong employees, as long as firms do their own testing.

(50) New Zealand is currently working on a variety of initiatives in the training field focusing on experiential and self-directed learning with the teacher as a resource.

(51) Socialization skills are learned through on-the-job training and working. The internalization of responsibility by an individual allows him/her to adapt to changing circumstances.

(52) Although training can be seen as instruction, increasingly it is the type of process in which people learn what they need to learn, then apply it. The ability to self-criticize, learn and adapt is crucial.

(53) The implications for primary school training and education are enormous.

(54) Strategies must discriminate between short-term measures to ease unemployment and long-term approaches aimed at training for a future labour market. Innovative ways of combining the two are necessary.

(55) When examining examples of other countries, it is important to consider the transfer of principles, not of systems. Successful principles seem to be those

which focus on the continuing education and motivation of adults to learn new skills.

(56) Sweden continually trains its workers upwards and spends a larger percentage of its GNP on recurrent education than any other country using decentralized methods.

(57) Finland will increase the government expenditure on training by 15% per year for five years. Education and training policy is a vital link in the overall strategy.

(58) Motivation for enterprises to offer more training can come from:

- (a) recognition of the value of training to the enterprise;
- (b) fiscal inducement;
- (c) collective bargaining.

**Interview with Gilles Paquet
Dean of Business Administration
University of Ottawa
August 1, 1986**

(1) People want access to the highest possible level of welfare.

(2) Exports, subsidies to business or taxation won't solve the unemployment problem.

(3) It is vital to recognize the balkanized nature of the labour market when considering approaches to unemployment.

(4) In fact, we must think of many policies rather than a single policy to address groups based on age, mother tongue, location, etc.

(5) Germany and Japan have had tremendous growth because their institutional rigidities were wiped out in World War II. They have made a fresh start with excellent economic results.

(6) How can we ensure that in a small open economy we can live knowing that it is dependent on international markets and is balkanized with internal barriers to trade?

(7) The supply-side view of today maintains that a large portion of unemployment is due to rigidities.

(8) Therefore, the problem must be addressed by targeting with respect to education needs, regional needs and social needs. A general policy won't work due to the segmented nature of the labour market.

(9) Data can determine which pockets need specific programming.

(10) Wage subsidies can be useful incentives especially in the case of a guaranteed annual income for the working poor.

(11) "Workfare" could be useful as a temporary measure for specific groups.

(12) Universities are no longer providing training because the incentive system is such that new professors are kept out.

(13) Demographics are such that business opportunities will not filter down to youth; one third of universities should, realistically, disappear to reflect the 30% drop in students.

Interview with Jacques Parizeau
École des Hautes études commerciales
Montreal
November 18, 1986

(1) Shawinigan is an example of the failure of our training system: with the monopolization of training by the Ministry of Education, private enterprises had no incentive or interest to participate in training.

(2) The result was the closure of many technical schools leading to the deterioration of Shawinigan. Its labour force was no longer able to compete.

(3) There is an urgent need for better training. The public sector is out of touch with market needs and demands and cannot, therefore, decide what are the training needs or respond to them.

(4) This is natural, given the lack of liaison between governments and the private sector.

(5) Because there is a gap between skills embodied in the workforce and those in demand, many companies are starting up independent training schools (eg. Hewitt).

(6) Nonetheless, it is impossible to predict which jobs or which skills will be needed; only the market can determine this.

(7) Why have we imported technology from countries such as Switzerland, with fewer resources than we? The 1961 Census in Quebec revealed that 62% of Quebecers had only six years of schooling. This group of people with a low level of education is still moving through the labour force. This is a clear barrier to producing new technology.

(8) Although exports do not provide a net increase in jobs, they are important in stimulating the economy.

(9) There are two types of investments, those which modernize production and those which increase capacity. If we are competitive in world markets with a certain commodity, we shall hire more people to manufacture it, thereby increasing capacity and creating more jobs.

(10) A guaranteed annual income system could be set up on a pilot project basis with one or two provinces. If it worked, other provinces would join.

(11) There are, in fact, fewer unemployed than we think. We should therefore lower marginal tax rates for U.I. and welfare recipients and tighten fraud-detection measures. This will create an atmosphere in which people trust the good intentions of the government.

(12) The nub of the issue is that a guaranteed annual income makes most sense if it replaces all existing income support systems, personal tax exemptions etc., including welfare and unemployment insurance. A guaranteed annual income or negative income tax does not make sense unless there is a clear threshold in the income scale — below this threshold people receive the guaranteed annual income and pay no taxes; above, people receive no government transfer payments of any kind and they pay taxes.

(13) This, in effect, abolishes universality. Those not in need will not receive any financial help from the state, be they children, working adults or retired.

(14) The scheme would be fairer and cost less than the current tangle of social programs, provided fraud is rigorously suppressed. The Quebec government found such fraud to be extensive — 25% to 30%, "and we were a government that called itself social-democratic."

(15) One objection to the replacement of all support systems by a guaranteed annual income, is that it will take away family allowance cheques from

women. We are told that there are women in relatively well-off families that have no other money they can call their own than the family allowances. In the U.S., only 10% of all families are of the classic model where father works and mother stays home to look after the children. More and more women work and earn. Let us not design a policy for the future by anchoring ourselves in the past.

(16) There exists a large percentage of *employable* welfare and unemployment insurance recipients who should work.

(17) Because of this, a public works option is thinkable. Many of the facilities needed are already in place and similar programs are operating out of non-profit, community organization, though on a small scale.

(18) By making use of existing programs and giving them additional funds, many of these desirable outputs could be produced. This would avoid creating another huge bureaucracy and leave the management of the programs to those who are familiar with local needs.

Interview with Steven G. Peitchinis
Economics Department
University of Calgary
February 3, 1986

(1) National output must grow with sufficient increments in order to maintain the production system and to renew this system as well as to maintain those who do not participate in remunerated economic activity.

(2) In Socrates' Greece, the proportion of national output allocated to cultural activities far exceeded ours.

(3) Given economic growth, we *can* maintain full employment.

(4) Austrian view: full employment creates wealth. Neoclassical view: wealth creates employment.

(5) In Canada, investment has lagged due to a withdrawal of foreign investments: we have not invited investment in business, health care, education, transportation. Investment has been limited to resource and manufacturing activities, causing

disproportionate investment, creating the impression that we are dominated by foreign investment. This caused a withdrawal or a slow-down of foreign investments.

(6) The difference between Austria, Sweden and Canada is the Canadian infrastructure which was established by foreign capital. We must maintain this.

(7) This infrastructure was far larger than that which could be maintained with domestic capital.

(8) Inadequate capital investment in this country over the last 15 years explains our drop in productivity.

(9) Investors look at long-term return as associated with degree of risks; Canadian political stability is attractive in the long run. Nationalization is threatening for investors.

(10) Why have Canadians relied so much on foreign capital and ingenuity?

(11) Largely due to industrial links with the U.S.

(12) The market relationship between the U.S. and Canada has been associated with the capacity of the U.S. to enter the Canadian market with lower per unit cost of production (due to increased experience, economies of scale, marketing, research activity and so on).

(13) The common view is that Canadian enterprises cannot compete with the United States.

(14) The inter-industry links are important in the North American context between U.S. and Canadian firms.

(15) In the case of Canadair, many of the parts come from the U.S. due to permanent links with U.S. industry, regardless of alternatives.

(16) This interdependency leads to a decreased level of innovation on the part of Canadian entrepreneurs.

(17) Why not join the U.S. to gain political weight? We could reduce transportation costs at the same time.

(18) A free trade arrangement will be nothing more than a ratification of existing agreements, opening markets for industries which are now established in Canada.

(19) Free trade will mean Canadians will *continue* to modify U.S. equipment to accommodate the Canadian environment.

(20) Due to the similarity of Canada to the northern tier of the U.S., will free trade hurt Canada as the free American market system has hurt these states?

(21) The EEC countries faced the same potential problems of manpower/mobility.

(22) In North America, free manpower/mobility will mean the depletion of some of our high-level manpower with a negative impact on our economic growth.

(23) We do, in fact, have a comparative advantage over the U.S. in the production of agricultural processes, oil and gas.

(24) We have not taken advantage of these comparative advantages.

(25) We must assume that technology will improve so that producing oil from tar sands, for example, will be possible financially and that international oil supplies will eventually decrease.

(26) This will not produce jobs, although it will produce wealth.

(27) The shift will have to be toward social services for job creation.

(28) Today, however, government intervention is anathema, especially to the business community.

(29) Business fails to see that it, too, has added redundant people to support. When things slow down, staff is reduced.

(30) Given economic growth, i.e. sufficient rates of increase in national output over a long period of time, employment can be created to the full employment level of 2% to 3% (frictional level and some structural unemployment).

(31) In the period of rapid growth in post-war Canada, revolutionary structural changes took place in the economy over a short time (1944-1958).

(32) During this time, the economy was turned upside-down as agriculture decreased its manpower absorption and the secondary sector expanded.

(33) Now we talk about manpower training to accommodate changes in structure.

(34) Post-war Canada accommodated the labour force changes of that period. This was a low-skill labour force as contrasted with the highly educated, highly skilled labour force of our workforce today.

(35) Figures are available showing that the proportion of highly skilled Canadian workers is far greater than that of Japan.

(36) In Japan, 28% of the population have life-time tenure, this is comparable to the Canadian experience.

(37) Structural and technological changes taking place in Canada are not of a magnitude such that the Canadian workforce cannot easily accommodate the nature of these changes.

(38) Most new technology does not require long periods of training.

(39) Given sustained, stable growth, jobs will be created.

(40) We have failed to significantly reduce unemployment over the last ten years due to sporadic growth patterns because there is a considerable amount of labour-hoarding in the industrial sector in times of decline.

(41) Sustained growth requires an increase in labour utilization.

(42) To sustain growth, we need tax incentives to stimulate domestic investments.

(43) Why are Canadian entrepreneurs not borrowing to invest?

(44) Investment, whether in resources, capital or humans, takes place with the idea that it will have long-term gain.

(45) Long-term policies are important in increasing confidence to encourage investment.

(46) Foreign investors want the same security that their investment is safe over a long period of time.

(47) We have to sell the idea of Canada being a low-risk country in the eventuality of policy changes.

(48) This would require concertation on the part of business, governments and labour that policies be coordinated.

(49) We must be sure that provincial policies do not contradict federal ones. A modicum of co-operation is vital for sustained growth and can be achieved through better national leadership to demonstrate the need for certain actions.

(50) The economy has been lagging in all provinces; involuntary unemployment has been excessive in every province.

(51) Productivity has lagged in every province.

(52) The improvements in productivity get dissipated through the distribution, organization and management systems.

(53) Nevertheless, federal/provincial co-operation is needed to evolve policies relating to government revenues.

(54) Capital investment, unemployment and productivity are areas which must be addressed before any other problems can be solved.

(55) Investment is critical.

(56) These have worked in the past in Canada yet we have been discouraged due to the experience of macroeconomic policies of the U.S.

(57) Specific regional instruments are necessary to take care of productivity and regional disparity (Weldon, para. 4).

Interview with Dr. Doug Peters
Vice President
Toronto Dominion Bank
Toronto
July 11, 1986.

(1) During the '50s and '60s — decades of high growth — government spending was the major contribution to the economy with such developments as the TransCanada highway, many of our universities and so on.

(2) These projects were encouraged by the federal government and implemented by the provinces.

(3) It is vital to realize that much of the current investment is in fact, energy investment in, for

example, hydroelectrics, which is dominated by government investment. Business investment, therefore, has not been increasing.

(4) If we were to reduce the deficit and remove government from capital market activities, business could expand its spending. This would create problems with adjustments in the balance of payments and so on.

(5) We could also move to a monetary policy; but lower interest rates would have to be accompanied by a lower exchange rate. Would the U.S. allow us a lower rate? Such policies would encourage spending. This spending would have to be done with consideration for the impact on employment.

(6) If we look to create socially useful jobs, we must realize that it is the near-to-full-employment regions which have the greatest need for services (day care, elderly care etc). The regional problems are crucial.

(7) Mobility becomes important. During the boom in Alberta, people moved out very effectively; the move back has been neither quick nor efficient.

(8) Disadvantaged regions do not believe that policies should be designed to encourage movement.

(9) Ontario cannot grow more rapidly without inflationary problems. To counter inflationary pressures, an industrial policy should be developed through concertation with social partners.

(10) Although the AIB was successful, it turned the attention of business away from what it does best — management and production — to deal with inflation at the expense of productivity.

(11) Localized approaches to employment will reduce the bureaucratic problems often associated with direct job creation.

(12) Business will respond to true economic opportunity; multinationals can and will move plants in attempts to rationalize expenses.

(13) Multinationals would be attracted to an environment of low unemployment, high productivity if Canada were to provide it.

(14) Canada has comparative advantages in many areas with respect to the U.S. We have not developed our own technologies in those areas due, in part, to foreign ownership.

(15) For example, Japan took 20 years to develop auto products for the North American market. We have not developed our markets so that we could sell cars, for instance, in countries such as Japan, the Caribbean, Britain, Hong Kong and so on.

Interview with Dr. Georg Piskaty
Federal Economic Chamber of Commerce
Vienna, Austria
February 2, 1987

(1) The Chamber is a autonomous organization regulated by law. Austrian entrepreneurs are bound by law to belong to the Chamber.

(2) The administration of training by the Chamber has been regulated by the Federal Training Act of 1968.

(3) The education system requires nine years of obligatory schooling up to the age of 15.

(4) At the age of 14, students can choose between:

(i) advanced-level schools leading to baccalaureat and possibilities for university for both general and vocational students.

(ii) vocational schools leading to vocational qualifications similar to the dual system.

(iii) a one-year preparatory course for vocational training in the dual system.

(5) The curricula in higher vocational schools are broad enough to allow graduates to enter university. This is unlike the German system in which graduates from technical schools lack the necessary qualifications for university admission.

(6) For 10- to 24-year-olds there are two types of schools possible. It is possible to transfer from the more academic to the more practical stream and vice versa because the basic courses are the same (mathematics, foreign languages, German). There are three levels of achievement to accommodate different kinds of students in the more practical stream (Hauptschule).

(7) The business community feels that the elite of the school system are somewhat overlooked in favour of low and middle achievers.

(8) The Federal Economic Chamber of Commerce is devoting attention to challenging the "elite" of the education system, particularly at the university level.

(9) The Chamber is responsible for giving the view of business to government (federal, provincial).

(10) Employers' unions, trade unions and the Chambers of Commerce propose changes or needs dealing with training.

(11) Training regulations and guidelines are established by consultation with unions and business and every vocational training program must fulfill these requirements.

(12) Formal changes must be made after extensive negotiations with all social partners and can take up to five years.

(13) It is possible, however, to test proposed changes on a pilot-project basis, abolishing unsuccessful components and submitting successful ones for incorporation. This can shorten the process to one or one-and-a-half years.

(14) Training curricula in part-time training schools are formulated by the government.

(15) Vocational training in the dual system is comprised of four days on-the-job training and one day of schooling.

(16) Labour market forecasting is totally unreliable. Basic transferable skills are necessary in a changing economy.

(17) Forty-five per cent of 15- to 18-year-olds go through apprenticeship training; the other half continues in vocational or academic secondary schools.

(18) The ten apprenticeship occupations with the most apprentices: retail merchant, car mechanic, cook, joiner, waiter, office clerk, hair dresser, electrician, fitter, bricklayer. Approximately 67% of all new apprentices are trained in 14 occupations. Young women are concentrated in traditional occupations and account for one third of all apprentices.

(19) Austria had an increase in birth rates from 1960 to 1963. This resulted in a large number of apprentices entering the system between 1975 and

1978. Birth rates have declined since and fewer young people are entering apprenticeship training.

(20) The enterprise and the vocational school cooperate to give training.

(21) There are 220 to 225 apprenticeable occupations with average length of training being three years (minimum two, maximum four years).

(22) A contract is signed by the enterprise, the apprentice (and the apprentice's parents).

(23) Apprentices are paid a wage equal to one fifth of the salary of a skilled worker. This increases to two thirds of the salary of a skilled worker by the end of training. Training wages can be lower than the minimum wage. The majority of apprentices live at home.

(24) Apprentices receive travel allowances and spend one day a week in school and four days at work. For those who live in a rural area, two months are spent in school, nine months at work (one month holidays).

(25) To increase general education, labour unions want the schooling component increased to two days per week for the same amount of pay.

(26) The Chamber believes "learning by doing" and socialization skills acquired at work are important aspects which cannot be as well developed in schools as in the workplace.

(27) There is a minimum curriculum for enterprise-based training established by the Federal Ministry for Economic Affairs. Enterprises are bound by the Vocational Training Act and ordinances setting out guidelines for training standards (as in Germany).

(28) Vocational school curriculum is established by the Federal Education Ministry. The social partners can comment on the content.

(29) These two curricula are standardized across Austria.

(30) At the end of the apprenticeship period, more than 90% of apprentices pass a practical and technical exam covering enterprise-based training and overseen by a board of representatives from the employers, the employees union and the Chamber. Teachers do not participate in the exam process.

(31) The theoretical part of the exam is only necessary if the apprentice has failed in part-time vocational school.

(32) There is no final examination for vocational school training.

(33) Unions argue that very small enterprises cannot afford to finance modern training. Training, they say, should be done by big enterprises with more resources and financed by a fund into which all firms must pay.

(34) Currently, schools are financed by the state. Enterprises pay for their own training.

(35) The Chamber believes that there is already too much centralization and that a central fund would increase this trend.

(36) Moreover, enterprises now train according to needs in the labour market. If there were a government-administered fund, training would be less in tune with market needs.

(37) Unemployment is unevenly distributed across Austria. Incentives to increase mobility have not worked. Grants are given to enterprises that look in disadvantaged regions. When the grants run out, the enterprises move from the disadvantaged region. The link between enterprises and their apprentices is such that young people are attracted to firms offering training and the possibility of a job. This is a kind of mobility incentive.

**Meeting with Mr. Pribich
ITT Austria
Vienna, Austria
February 4, 1987**

(1) The administration of training is carried out by the Chambers of Commerce.

(2) The Federal Ministry of Economic Affairs oversees enterprise-based training; the Ministry of Education and the provinces oversee vocational and apprenticeship school training. The link between the two is very weak in terms of coordinating in-school components.

(3) Forty-five per cent of the 15- to 19-year-olds are absorbed into the apprenticeship system.

(4) After the age of 19, 45% of those with vocational training need to retrain to meet demands in the

labour market. This group represents 5% of the total unemployed.

(5) Fifty per cent of apprentices are trained in the area of crafts; 20% in trades; 15% in tourism; 15% in industry.

(6) Ninety per cent of apprentices are trained in small companies with up to 20 or 30 employees.

(7) Apprentices spend four days working and one day in school. Unions would like this increased to two days in school as in Germany.

(8) Schools find it sometimes difficult to keep their curriculum up to date with the needs of industry and ask that industry communicate its needs to the schools.

(9) Technical high schools (not in the dual system of training) oblige pupils to spend their summers working as trainees. Industries receiving these pupils receive no subsidization from the government. They recognize the long-term benefits of helping train the future labour force.

(10) Pilot projects exist in which teachers spend their summers in industry to gain knowledge of private sector needs.

(11) At ITT, parents play a role in the training process by giving input and assuming responsibility for the performance of their children.

(12) ITT retrains 40% of its adult employees per year.

(13) Because many parents are slow to break from traditional expectations, there are problems with girls being limited to traditional fields.

(14) ITT spends over 40 million schillings (\$4 million) on adult and apprentice training per year.

(15) Re-training focuses on filling in gaps in the labour market and is task-oriented for products needed by the company.

(16) More emphasis should be placed on the ability to solve problems during the training/re-training process.

(17) Selection of apprentices after nine years of schooling (age 15):

(a) one of 15 applicants is selected for training;

(b) school marks in math, physics, German and English are considered;

(c) 150 possible candidates are sent to the Employment office for a manual skills test;

(d) those who pass are put through a special ITT test involving technical and drawing skills, logic and a basic knowledge in electricity; 40 to 50 are selected;

(e) after an interview with the candidate and his parents to determine family support, final selection is made by a board with personnel, training and foremen representatives.

(18) ITT offers special courses in new technology fields and allows other companies to send their workers to ITT for training/re-training (other companies must pay for participation).

(19) The cost per apprentice varies with each trade; ITT spends approximately \$14,000 per year (net) to train an electronics apprentice.

(20) In subsequent years of the apprenticeship, the costs are lessened. The long-run benefits outweigh the initial costs.

**Interview with Doctor Puethmann
Education Ministry of North Rhine Westfalia
(provincial)
Dusseldorf, West Germany
January 20, 1987**

(1) The provincial Ministries of Education are responsible for vocational training in schools and training centres.

(2) The federal government sets training policy and oversees enterprise-based training.

(3) The Chambers of Industry and Commerce administer this training.

(4) There is a standing conference of vocational ministers as well as a committee to coordinate enterprise-based and in-school vocational training.

(5) A general training framework is agreed upon by the provinces; the federal government must agree to this framework of training orders registered with Chambers of Industry and Commerce.

(6) Provincial differences lead to some conflicts in setting out training goals; school hours vary between six and eight hours a day for vocational training provincially.

(7) In the past 15 years, all issues dealing with vocational training have been matters of unanimous agreement.

(8) Political science, religion, sport, German and a foreign language are taught in addition to vocational subjects which include mathematics and science.

(9) Vocational achievements are tested by local Chambers of Industry and Commerce; the in-school component is evaluated separately by the school.

(10) The type of particular training given by employers depends on market demand.

(11) There are 420 recognized apprenticeable trades. A reduction of trades has been discussed to give the system more flexibility.

(12) Employers can propose the introduction of new trades to the Federal Ministry of Economy; unions and provincial education ministries discuss the need for a new trade; if there seems to be a need, the federal/provincial coordinating committee examines the proposal and sends it to the Federal Education Ministry which works with the Federal Institute for Vocational Training to develop a framework for enterprise-based training; the provinces establish in-school training policy. This process can take between six months and five years. The final stage is the establishment of training guidelines by the Chambers of Industry and Commerce and their acceptance by the Ministry of Economy.

(13) Vocational training orders (guidelines) are reviewed and updated every five years.

(14) Depending on regional needs, new subjects can be introduced quickly in addition to basic guidelines, on an informal basis.

(15) Universities aren't as adaptive to needs for new subjects or new technological training as are high schools and vocational schools.

(16) There are uniform diploma exams that provide national standards for university studies.

(17) Nine years of compulsory schooling to age 15/16 is minimum in all provinces.

(18) Vocational schools build on a uniform level of knowledge gained in primary school, in mathematics, German, English.

(19) Math (area, volume, weight, basic algebra), science (physics, chemistry, biology) and economics are essential for further training in vocational schools.

(20) Five to 10% of students fail initial schooling; there are special schools for disadvantaged students.

(21) Exams after four years of elementary school and after an additional five years of high school ensure literacy.

(22) Teacher-training regulations are strict; teachers are well paid and much prestige is associated with the profession.

(23) Ninety per cent of teachers have tenure and civil servant status. Salary grades offer incentives for upgrading.

Interview with Michèle Jean

Assistant Deputy Minister

Ministry of Manpower

Government of Quebec

May 29, 1987

(1) The various provincial ministries and departments of Education and of Manpower are working together on division of responsibilities and diffusion of information.

(2) The private sector must be responsible for the development of its human resources. Many companies have made progress in this area over the past five years, even among small and medium-sized businesses.

(3) For the past two and a half years, the province of Quebec has been assisting private sector in-house training programs by paying out grants to cover 50% of training costs and 60% of salaries. The government also helps companies to formulate training plans.

(4) A few years ago, employers did not believe workers needed basic training in statistics, mathematics or languages. Now, this type of training is essential because of the requirements imposed by productivity and competitiveness.

(5) Training must increase our productivity by giving employees the versatility to move from one company to the next.

(6) The aim of Quebec's Ministry of Manpower is to help companies formulate realistic training plans (para. 3 above).

(7) The *Commissions de formation professionnelle* [vocational training commissions] have been coordinating these activities since 1985; they train the trainers and provide training tailored to fit a company's needs. This training is accredited by the CEGEPs. It is made possible by the *Canadian Jobs Strategy's "Innovations"* program.

(8) There is no province-wide general accreditation system for trades.

(9) A system of national standards would be too centralized. It would be more effective to institute testing of selected groups to determine their knowledge of French, mathematics and so on, after leaving school.

(10) Available data on the deplorable state of basic knowledge among young people is appalling enough to prod schools into providing better instruction, without imposing universal exams.

(11) Vocational training must safeguard existing jobs while stimulating productivity: to do this it must encourage and promote basic training.

(12) Many attempts have been made, and many dollars spent, to eliminate illiteracy in Quebec; a standard exam has even been administered at the secondary level to evaluate the level of knowledge of French.

(13) The federal *Canadian Jobs Strategy* is reducing subsidies for training programs; this is a major problem.

(14) In addition, the Unemployment Insurance Act penalizes anyone who participates in a training program other than a federal program; this creates problems of accessibility.

(15) The concrete benefits of training can be quantified over the long term.

(16) The attitudes of employers and management with respect to these benefits must be changed; employers must be made to see that training increases productivity.

(17) It is important to offer training and literacy programs in the workplace, as Frontier College does.

(18) The *Canadian Jobs Strategy* is based on a philosophy which, unfortunately, does not allow the provinces to develop programs that meet their own needs.

(19) It would be better to have federal *objectives* rather than federal programs, to allow for adaption to local situations.

Recommendations

- We need research into the nature of learning, re-learning and motivation.
- We should provide more individualized training in the workplace.
- We should motivate workers to re-train and motivate employers to provide re-training, by giving the employers grants to re-train their workers and giving the workers job vouchers that reduce their cost to the employer.
- We should improve workers' "employability".
- We should formulate a system allowing teachers to spend time working in the private sector.

Interview with Mr. Ramoff, Mr. François and Mrs. Ornon Ministère des Affaires sociales et de l'emploi (social affairs and employment) Paris, France January 27, 1987

(1) The principal challenge to the system, in general, is social adjustment. The school system is addressing this problem with much difficulty.

(2) The problem of large pools of unskilled labour affects business.

(3) The concept of institutional training is more rigid in France than in Japan.

(4) The high unemployment rate in 1980-81 forced the French to look at the problems of school and institutional training. They realized that the workplace can be a good school.

(5) In 1980, the "Loi sur l'alternance" (Co-operative Education Act) led to positive changes as the government became more aware of educational needs. Employers and labour unions were not completely happy with this new regulation.

(6) Industries and schools were twinned for purposes of technical education.

(7) Since 1983, a business-labour agreement has provided training periods for introduction to the work world (SIVP) to help those who do not know what career they want to pursue. At the same time, this helps employers understand the problems of young people. In 1986, 190,000 youths participated in these programs.

(8) Both labour and business have asked the government to monitor training contracts and follow-up more closely with respect to young people.

(9) Training is important even if it does not lead to a job. It improves the quality of employment to create a technologically richer society and more stable employment structure.

(10) The notion that unemployment costs less than giving a job to an unemployed person, is very common.

(11) Employers are seeking increasingly higher qualifications to meet the requirements of new technologies, etc. IBM, for example, spends 12% of its payroll on training.

(12) The government is responsible for training in qualitative terms, as well as for agreements between business, labour and the government to encourage the private sector to increase training and help unions achieve a higher level of training.

(13) The agreements do not provide training guidelines but simply standards of quality.

(14) The industries are free to develop their own training programs.

Gösta Rehn
Government of Sweden
April 15, 1987
Ottawa Public Library

(1) Unemployment in Sweden has varied between 1.5% and 3.5%. Youth have slightly higher rates. European average: 11% unemployment; Canadian average: 10% unemployment.

(2) Critics of the Swedish policies claim that Sweden's statistics do not account for discouraged workers. The Swedes reply that their statistics follow the rules of all OECD countries, including Canada. If

Swedish figures leave out discouraged workers so do European and Canadian figures.

(3) Sweden spends 2.3% of GNP on job creation, training, mobility programs (sheltered or subsidized employment for 3.5% to 4% of the population; 1% of population is in training).

(4) Labour market policy AVOIDS paying U.I. for people to do nothing; they are rather, being placed in temporary/full-time jobs or training.

(5) Early retirement, part-time work, etc., are possible but not widespread.

(6) There is a feeling that taxpayers' money should be used to increase work, not pay to keep people idle. Thus the size of the GNP can grow.

(7) After the war, the government believed full employment without inflation could be achieved by keeping demand high, through state and private activities. By convincing labour that inflation was dangerous to the working class, wages were kept low.

(8) Some realized that, eventually, as unions did not demand higher wages, employers increased wages on a non-uniform basis to attract types of workers they wanted. This developed into wage competition, excessive wage hikes, and inflationary tendencies.

(9) The unevenness in wage development did, in fact, lead to inflation.

(10) Because the private sector would not provide full employment everywhere, selective action was taken by government to combat unemployment through public works, wage subsidies etc.

(11) Wage subsidies make it cheaper for employers to increase their work force, causing unemployment to fall, and inflation to fall because the labour costs of industry fall and, so, prices fall.

(12) Crucial point: it is essential to reach those who are not yet unemployed, to give them upgrading and make them adaptable, by implementing a chain of upward mobility (OECD, para. 15).

(13) The anti-inflationary way to increase employment is to make employment cheaper for employers, to make production increases cheap (because labour costs are cheaper) and to make the incentives long-term. For example: direct subsidies are given to hire more people rather than for investment in plant and

equipment. Subsidies have been in the area of 65% of labour costs, in Sweden.

(14) Making employment cheap increases competitiveness and promotes expansion without inflation.

(15) Critics of the Swedish system do not count what the country *gets back* by having people producing *something* instead of staying idle.

(16) The deficit and national debt have increased somewhat as a result of these policies, but this is not seen as a major problem (Bellemare, para. 7).

(17) Problem: unemployment has increased among young people (up to 6%) partly because the participation rate in Sweden is higher than in North America.

**Interview with Dr. Rosenmöller
and Dr. Breuer
Federal Ministry of Labour and Social
Affairs
Bonn, West Germany
January 22, 1987**

(1) The Ministry is responsible for policies dealing with unemployment insurance, re-training, immigration policies and foreign workers.

(2) The Ministry has suggested improving benefits for older workers by prolonging the duration of benefit period from one to two years.

(3) Job creation measures affect 5% of the unemployed and allow them to keep contact with the workplace.

(4) The necessity of keeping workers socially integrated by giving them work is recognized.

(5) Opportunities exist for re-training and updating of skills for older workers.

(6) 500,000 workers per year participate in re-training courses lasting from four weeks to 18 months.

(7) Studies show that only 3% of the unemployed do not want formal employment and choose to seek work on the underground economy.

(8) Very few people reject jobs offered to them by the Federal Employment Office. Those who do, face suspension of U.I. benefits.

(9) Initially, jobs offered match qualifications of the unemployed person.

(10) As length of unemployment increases, people are encouraged to accept jobs that don't match their skills so closely.

(11) The Federal Employment Institute pays for unemployment benefits up to one year (for older workers, the period is 24 months and will soon be increased to 32 months); subsequent welfare payments are municipal.

(12) Those pursuing re-training receive a maintenance allowance equal to 73% of previous earnings if they have one or more dependants.

(13) Those with no dependants receive 65% of previous earnings.

(14) This compares with unemployment benefits of 68% of earnings in the first case and 63% in the second.

(15) The contributions of the unemployed towards health insurance and pension are paid by the Federal Employment Institute. The Federal Employment Institute pays for training and re-training costs through employer and employee contributions.

(16) Municipal public works with an emphasis on providing services create additional jobs. The wages for these jobs are covered by collective agreements. Participants receive regular wages; employers receive a 60 to 80% wage subsidy from the Federal Employment Institute.

(17) In Germany, the south is generally more prosperous, with a lower unemployment rate than the north.

(18) It is difficult to increase mobility, even though the Employment Promotion Act provides for travel and displacement costs.

(19) These are some areas with local skill shortages.

(20) Between 1983 and 1986, 600,000 new jobs were created. Approximately 80% of them were filled by women.

(21) Although Employers' Federations may believe that women are generally second-income earners, the Ministry does not differentiate between first or second income sources.

(22) The considerable increase in service sector and part-time work has benefited women. Unlike in

Canada, Germany pays full-time employment benefits for part-time work (proportionately) (U.I., pension).

(23) Employers have agreed to increase the number of training places at the workplace in a "skills training offensive".

(24) This will mean an increase in opportunities for the unemployed, through additional enterprise-based and vocational school training places.

**Interview with Brian Scarfe
Economics Department
University of Alberta
February 4, 1986**

(1) Full employment is conditional on the creation of wealth (Peitchinis).

(2) Full employment will create wealth (Weldon and Bellemare).

(3) Regional dimension: those in disadvantaged regions must be treated differently.

(4) 6% unemployment is the natural rate of full employment in today's terms, given the demographic and regional reality.

(5) Society has other policy objectives which may have trade-offs for full employment.

(6) Austria is successful in bringing about price stability due to a different structure of institutions and less regional diversity in the economy.

(7) If we aim for full employment, we must create jobs which have a future, not make-work projects which are often wasteful of resources.

(8) The engine of growth has been the small business community and the service sector.

(9) This seems to imply that small business getting a better tax break than big business is not a bad thing.

(10) Wealth, income and employment are related and, in a sense, neither of the two views concerning wealth/full employment is accurate. Policies must stimulate wealth creation and full employment without neglecting the human dimension.

(11) In World War II, an unskilled, agriculturally oriented labour force, was able to mobilize to do the equivalent of Keynes' 'digging a hole to fill it in'.

(12) This was effective due to the political will and leadership and the creation of jobs to produce goods.

(13) Inflation was controlled through rationing, price controls on basic commodities and the purchase of bonds.

(14) Wartime inflation in World War I was high; World War II saw a controlled economy which did not lead to inflation.

(15) People are not willing to put themselves through a controlled situation unless it is an emergency situation.

(16) Is unemployment an emergency situation?

(17) *If* we had the political will, we could do it, but the public would not be in agreement; a number of distortions would occur which would eventually put pressure on Canada to remove these controls.

(18) Austria has a system of centralized labour-management relationships.

(19) It may be possible to run the economy at higher levels of employment without inflation in this homogeneous setting.

(20) Canada, as a larger, less-centralized economy, is not as capable of doing this.

(21) We have a huge, geographically diverse economy in which price shocks impinge on different parts of the economy in different ways.

(22) We also have very strong provincial governments, meaning that there is a problem in having a centralized policy.

(23) Other objectives are seen as being more important than full employment.

(24) There are constraints in our economy because we are tied into world capital markets, meaning we have higher interest rates.

(25) In Austria, nominal interest rates are lower because in Germany, rates are lower. Are "real" interest rates lower?

(26) Must we adjust for "expected" inflation rates?

(27) Yes, in order to get reasonable "real" interest rates.

(28) Informetrica puts the multiplier at 1.7% of the money spent by each Canadian.

(29) This figure is less for taxes than for government expenditure because part of any increase in spending comes out of savings not out of consumption.

(30) Part of any tax concession goes into savings and not into expenditure.

(31) The Canadian economy is wide open: for each dollar spent, part of it trickles out in exports. There are also crowding-out effects: if you expand government expenditure, there may be repercussions in interest rates or exchange rates causing exports or investment expenditures to be crowded out.

(32) The multiplier for government expenditures and exports is larger than one.

(33) Chase Econometrics believes that the natural rate of unemployment is larger than 6%. With 9% unemployment, supply constraints reduce the multiplier effect. Higher interest rates and so on will reduce the multiplier effect.

(34) If we expand government expenditure, we must remember that we are starting with a deficit of \$30 billion; the cost of servicing this debt represents a considerable portion of the annual fiscal budget. Capital markets are expecting the government to reduce this deficit; the notion that governments might not, contributes to a sagging Canadian dollar.

(35) A plan to use fiscal expenditure and to temporarily increase the deficit before reducing transfers, through U.I., welfare and so on, would affect foreign exchange markets. Upwards motion in interest rates would be such that the multiplier would have virtually no effect.

(36) The government is restricted in terms of the constraints of the deficit with respect to running an expansionary fiscal policy.

(37) Anything which does not lead to reducing the deficit will unsettle markets. Employment gains cannot be realized because of high interest rates due to the falling dollar.

(38) The problem for full employment in Canada has been world interest rates.

(39) If the government were to spend to create jobs, rather than to reduce the deficit, there could be

a loss in the interest rate investment account to counter the government expenditure account.

(40) The real route to full employment is lower interest rates which are not in our control.

(41) Because of the decline in the value of the Canadian dollar, we have to increase interest rates to keep the value of the dollar in line with money markets elsewhere.

(42) With our current deficit, it is very difficult for the government to generate higher employment in Canada by the government expenditure route.

(43) We have had higher deficits at a time of extraordinary growth; we had higher debt as a percentage of GNP immediately after the war.

(44) The national debt is higher than in the past, yet real disposable income has gone up. In 1939, it was three and one half times lower than now, yet we are much better off. For example, 22% of young people are in university.

(45) Ninety-seven per cent of our federal debt is in Canada Savings Bonds, bought by Canadians: we are paying the interest to *Canadians* and get taxes from these Canadians.

(46) However, one must look at an integrated system, not just at one transaction.

(47) It does not matter that all the buyers of Canadian Savings Bonds are Canadian residents. If they buy these bonds instead of provincial bonds, then the provinces go to New York capital markets to borrow; the ultimate effect is the same as if the federal government went initially to the U.S. to borrow.

(48) We must look at net capital account flows when there is a change in the government's financing requirement. Other things force Canada to go to the New York market. If we are borrowing for non-productive purposes, the interest costs make future generations poorer.

(49) The reason we are richer now, in spite of the rising debt, is that many other things have occurred (such as technological change) which have increased our standard of living and growth.

(50) There are crowding-out effects of increased government expenditures and deficits leading to job losses in response to some job gains and inevitably

undermining our future capital stock because we do more foreign borrowing or because interest rates rise (meaning less investment takes place in Canada). These effects are exacerbated when we start with a large deficit.

(51) From 1981 to 1984, government tax revenues fell and transfer payments rose because of the tight monetary policies of '79-'81 (particularly in the U.S. with implications for Canada). As a result of the repercussions of trying to maintain activity and income when they were being affected by tight monetary policies, fiscal policies appeared to be very loose in terms of deficit measures.

(52) The Americans need to lower their deficit — this would have a positive effect on Canada's deficit and allow us to run looser monetary policies.

(53) The deficit can be reduced through cutting tax expenditures. For example, the RRSP arrangements generate savings at a time when we want to generate investment.

(54) The tax expenditures given to corporations are clearly unproductive. There has been a shift in tax burden towards wage- and salary-income-earning households and away from business income. The loopholes should be closed, for example, in the case of the capital gains exemption.

(55) We should attack our deficit by closing these unproductive loopholes to generate more revenue. This will be a good signal to markets to relieve the pressure on exchange and interest rates.

(56) More employment could be generated by closing loopholes and spending more. This balanced budget approach would have a positive multiplier effect on the economy.

(57) Technological change in the past has meant that the GNP has grown nine times and employment has grown three times between 1926 and 1983 but so has the population. But employment per capita has declined. This has been one of the benefits of greater productivity. Will our economy be adaptable enough to accommodate further changes?

(58) The economy is now growing fairly well with enough output growth to generate employment over a longer term.

(59) The participation rate has greatly increased, due largely to the entry of more women into the labour force.

(60) The demographics over the next years will be favourable in terms of generating employment.

(61) Shorter work weeks led to high productivity growth until ten years ago. It is not likely that we will return to the growth of the '50s and '60s within the next decade. If productivity is not growing, people are less willing to reduce the work week. We need increased real wages per hour to grow rapidly enough to encourage people to work less.

(62) Productivity growth would make the labour-sharing route more acceptable.

(63) Productivity growth comes about through innovation, development of new machinery and equipment, investment which embodies new technology, and a skilled work force. This requires greater public investment.

(64) We have had a strong wealth-generating comparative advantage in producing resource-based commodities. We have a disadvantage in equipment-producing processes.

(65) We may need to change gears today — we have not because we have been strong in other areas.

(66) We have not had the venture capital incentives as have some other countries.

(67) There may be a gap in the technological process development between an invention and the putting in place of equipment. Venture capital firms do not fill this gap in Canada as in other countries. R and D tax credits have filled these in the past. More direct government involvement may be necessary.

(68) There are three stages in technological progress: innovation, development and production. The development stage may need help from government at the innovation stage to pass from concept to process.

(69) The U.S. creates an environment for development to occur through military spending.

(70) We could put in place a success — rather than activity — oriented government support scheme to allow this link to occur.

(71) Government-university-business consortia could be more supportive in bringing innovation and production together.

(72) There will be jobs — but the need to create jobs may be diminished due to demographic changes.

(73) Measured unemployment is large because of the frictional feature of new people entering the labour force. Young people have more frequent job turnover than older people. Our unemployment rates are not likely to be as high as they have been in spite of future demand. We do not need 5% growth per annum to get rid of the unemployment problem as was needed in the '50s and '60s. We can do it gradually with lower rates of growth.

(74) The longer an economy lives with high unemployment rates, the more difficult it becomes to reduce them: people who are unemployed for an extended period of time lose some of their skills and have a difficult time re-entering the workforce. Unemployment has a long-term cost in this respect.

(75) However, in World War II, we were able to achieve a high level of production with a workforce unused to war production.

(76) It is very difficult to plan future manpower needs and to train for specific jobs. Nothing is more difficult than devising training for unknown jobs to develop years from now.

(77) General skills training makes more sense as one cannot make accurate decisions as to future needs. For example, businesses no longer need a sophisticated computer programmer on staff due to the availability of pre-packaged programmes.

(78) There still are basic skills which everyone will need. Business faculties are now finding that their highly streamed courses are no longer leading to jobs as successfully as more general degrees.

(79) Pockets of hard-core, long-term unemployed pose potential danger of civil unrest, especially when duration of unemployment is high for younger generations.

(80) These people can always be helped through infrastructure investment. This investment cannot always be maintained, although it is eased by mobility of workers.

(81) Should one move jobs to where labour is, or labour to jobs? One must do both; if a person chooses to live in Cape Breton, why should he or she be subsidized to stay there and not to work?

(82) The nature of unemployment is important. Older workers with families and so on move more reluctantly to places where there are jobs than do

younger people. Younger people should be encouraged to move.

Interview with Dr. Hermann Schmidt
Director, Federal Institute for
Vocational Training
Bonn, West Germany
January 21, 1987

(1) The Institute was created in 1970 and provides the link between government and industry/unions. It is federally financed by the Ministry of Education; Parliament approves the budget. It carries out research and development projects in the field of vocational training.

(2) It negotiates training needs independently from the government.

(3) The Institute provides data on vocational education and training to inform employers and the public and to prepare the field for discussion and planning.

(4) It is also responsible for designing programs and preparing regulations (in concert with Employers' Associations, unions, the Chambers of Industry, Crafts and Commerce and the Federal Ministry of the Economy) for the 380 government-acknowledged occupations.

(5) Eighty per cent of the 1.8 million young people in the dual system are trained according to recently up-dated regulations; it is hoped that by 1990 all young people in the so-called dual system of in-company training and vocational schools (community colleges) will receive the most current training.

(6) The Institute plans and finances inter-firm training centres: up to 65% of initial investment costs; the centres (maintained mostly by the Chambers of Crafts) finance most of the running costs. The rest is financed by government.

(7) Sixty-five per cent of young apprentices are trained in enterprises of less than 50 employees.

(8) Training costs: in-company training centres: approximately \$60,000.00 per place for initial investment and \$7,500.00 per place for running costs (average). Most in-company training is done on the job; there are no investment costs.

(9) 500,000 apprentices go through 50,000 training places per year in interfirm training centres used by small and medium sized enterprise.

(10) Fifteen per cent of all craft employees are apprentices; 5% of employees in larger companies of industry are apprentices.

(11) Employers find it is less costly to train their own workers than to search for workers on the labour market.

(12) Germany responded to the swell in the labour force in 1975 (due to the baby boom) by increasing training places (from 500,000 to 700,000 person/years increase in total numbers from 1.2 to 1.8 million).

(13) In the sixties, there were more jobs for untrained people; by the seventies this had changed and by the nineties very few untrained people are supposed to find work in the labour market.

(14) Qualified, well-trained workers are necessary to maintain competitiveness on the world market. Human investment promises more revenue than capital investment.

(15) In 1976, the government discussed the introduction of a levy on industry to finance an increase in the number of training places. The construction trade had agreed to a levy system to increase training and the supply of workers by three times in six years.

(16) Unions were favorable; industry saw the law as unnecessary government intervention.

(17) Employers agreed to produce the necessary number of training places voluntarily.

(18) Most of the increase came in the crafts sector where apprentices can be trained at low cost, on the job, and receive school training and training in interfirm training centres.

(19) All big companies take part in training young people; but their share of the total number of training places is only 15%. Their overhead cost for training places are significantly higher than those of the crafts. But the participation of big prestigious companies encouraged others to become involved.

(20) The aging population and shrinking workforce threaten small enterprises which risk losing qualified, skilled labour to more attractive companies.

(21) New technological demands created many highly skilled jobs in large industries over the past ten years while unskilled personnel became unemployed. These industries are close to changes in the labour market and can adapt quickly.

(22) Studies have shown that it is difficult to re-train untrained (unskilled) workers. Problems are not motivational but rather spring from the inability to respond to new methods.

(23) Because of the massive entry of young people into the labour market in the seventies, many older workers lose their jobs to better-trained younger workers.

(24) The federal government and the Federal Employment Office in Nuremberg spent \$3 billion in 1986 to re-train unemployed people; 51% of the unemployed are unskilled and 31% older than 45 and 32% have been unemployed over a year (1986).

(25) While initial training must obey federal regulations and guidelines, re-training need not; a final exam at the end of the training determines success; re-training usually takes place informally on the worksite, but with high tech coming up much more systematic re-training is carried out in companies and outside.

(26) The dual system in its present form dates from 1969 and covers only initial training. It has been recommended that a "dual" form of re-training should be practised between small enterprises and colleges, training centers etc.

(27) Exposure to the workplace, especially for women re-entering the workforce, is crucial in finding a job. Employer contact is vital.

(28) Until 1986, the amounts of money received by an unemployed person in training and one not pursuing training were almost the same. In the meantime, an increase in training allowances, to encourage participation, is granted by the Federal Employment Office.

(29) It is easy to calculate that it is wiser to invest more money in re-training over a short period of time than to pay social welfare over a longer period.

(30) There is a move toward reducing the work week to 35 hours. This will initiate re-organization of in-company-training.

(31) In a scenario we have foreseen two extremes for 1995:

- (a) pessimistic: 3.5 million unemployed;
- (b) optimistic: 1.0 million unemployed average during fair economic growth: 1.5 million (1995).

Increasingly, unemployment is long-term and financed provincially/municipally by social welfare benefits. Up to one year, U.I. is paid by employer/employee contributions.

(32) The federal and provincial governments finance measures dealing with low achievers, handicapped, foreign workers. In general these measures are not provided by firms.

(33) The Institute believes that existing infrastructures (training centres, colleges) could be expanded regionally and locally to increase apprenticeship and employment through collective financing methods (as in para. 15 above).

(34) There is a growing realization that a reduction in agriculture and the shift of farm workers to other sectors means a loss of environmental quality. Before, farmers took care of the land. The cost to government to maintain the land will be much more than it would have cost to subsidize farmers for their costs.

Interview with Professor Bertrand Schwartz
Director
Recherche participante sur les
nouvelles qualifications (1983)
(Research on new qualifications)
Paris, France
January 29, 1987

(1) It should be noted that opportunities for unskilled labour are decreasing. The "lycées d'enseignement professionnel" (LEP: (vocational schools) are having limited success (40% to 50% of graduates do not receive a diploma); and there has been a growing trend in the past three years toward selectiveness in the labour market.

(2) There is a strong likelihood that, of France's unemployed population, two million will never find employment.

(3) France must fight the notion that there is no place for those with intermediate qualifications. Effectiveness and equality can be reconciled.

(4) Research is centered on two propositions:

- (a) Some intermediate-level jobs do not require any specific training; these jobs simply need to be identified.
- (b) Students who fail can be raised to a higher level of qualification.

(5) Forty training centres were established, with 12 underprivileged youths per centre. LEP teachers worked with these youths and other counsellors to promote the creation of employment, on the basis of two assumptions:

- (a) Motivation is high because everyone is thinking together about new employment.
- (b) Prior qualification is not required because the youths learn how to learn before they learn new tasks.

(6) The current education system fosters the notion that people who do stupid jobs are stupid and people who fail do not know how to succeed. The organization is attempting to change this attitude.

(7) Nine to eleven youths out of twelve were able to pass the examinations that are written by French high-school students (and failed by 50% of them; para. 1 above).

(8) Research is being initiated on the problems of employers:

- (i) lack of product quality, which costs between 5% and 15% of business volume;
- (ii) maintenance: the need to increase the workers' knowledge of how equipment works (Lutz, para. 4);
- (iii) communication: to increase compatibility between social needs and the economy.

(9) Small-scale working models should be built before attempting to change the system or develop it further.

The Social Costs of Unemployment

Articles reviewed:

Paying the Price, Rupert Taylor, Canada and the World, Jan. 84.

Unemployment and crime — what is the connection? James O. Wilson and Philip J. Cook, The Public Interest, Spring 85.

Health Syndrome of Unemployment, Worklife, Vol. 4, No. 3, 1985.

How Unemployment Affects People, Martyn Harris, New Society, January 19, 1984.

Unemployment and Social Problems in the Past, Social Indicators Research, Volume 15, No. 4, November 1984.

Social Impact of Unemployment, Harry MacKay, Perception, Spring-Summer 1983.

Warning: Unemployment May Be Hazardous to your Health, Ronald Labonte, Perception, Vol. 7, No. 5.

Unemployment: Canada's Malignant Social Pathology, Richard Deaton, Perception, Spring-Summer 1983.

The Burden of Unemployment in Canada, R. Paul Shaw, Canadian Public Policy, 1985.

Note: Many of the authors reviewed maintain there is a scientific causal relationship between unemployment and certain social problems (suicide, homicide, alcoholism and so on); however, they have not been able to produce incontrovertible proof. Those who doubt that, for example, unemployment causes disease, point out there is no way to prove which caused what: does a person become sick because he or she is unemployed or is that person unemployed because of a tendency to be sick?

Social costs of unemployment

(1) There is a measurable causal link and cost between unemployment and mortality, suicide, family breakdown, alcoholism, violent crime, juvenile delinquency, cardiovascular disease and mental hospital and prison admissions (Deaton, 1984), (Brenner).

(2) Stress is the single biggest health threat facing the unemployed causing several physical changes: altered rates of metabolism; elevated blood pressure, pulse rate and blood supply to cardiac muscles;

increase in blood levels of cholesterol and fatty acids; increase in blood sugar and stomach acids all leading to heart disease, strokes, ulcers and several other illnesses including cancer.

(3) Canadian, American and British data suggest that the poor die younger, are more malnourished and suffer a higher incidence of disease (Labonte, 1983). If unemployed people are poorer due to a decrease in income, it follows that they are also less healthy (Wilkins and Adams, 1983).

Mortality

(4) Eyer argues that the rise in mortality is not due to unemployment as Brenner* suggests but, rather, to re-employment and capital expansion: new and dangerous technology, faster work pace, forced overtime, increased mobility, social stress to use health-threatening drugs and alcohol. Cyclical unemployment accounts for a very small increase in mortality.

(5) In times of high unemployment, those who are employed, re-employed or re-trained to deal with new technologies are often exploited by employers who can lower wages and deregulate the workplace more easily. Therefore, the views of Eyer and Brenner are not totally irreconcilable.

(6) Eyer acknowledges that the long-term (six months plus) unemployed face greater health risks.

Unemployment and Crime

(7) Many claim that economic adversity causes an increase in crime rates (theft, homicide, crime against property).

(8) A rise in unemployment may lead some people to steal because of a lack of jobs.

(9) This rise may also cause people to be more protective of property and cash, as well as a reduction in the supply of new cars, T.V.s, etc. to be stolen.

(10) The relationship between unemployment and violent crime is unclear as hard times often cause people to become more subdued and to "pull together" rather than to strike out aggressively.

(11) In the U.S. from 1945-1973, as unemployment rose, the homicide rate decreased.

*Note: Harvey Brenner of Johns Hopkins University is a well-known appraiser of the social costs of unemployment in the U.S.

(12) Brenner found that homicide rates increased with inflation and per capita GNP as well as with unemployment.

(13) Although there is some empirical evidence linking income inequality to homicide or murder rates, it has yet to be tested longitudinally.

Divorce and family violence

(14) Ambert (1980) showed an inverse relationship between socioeconomic status and divorce.

(15) South found no link between unemployment and divorce rates.

(16) Dr. F. Allodi of Toronto Western Hospital was quoted in the *Globe and Mail*, July 18, 1980 to say that 80% of reported wife-beaters in the Metro Toronto area were unemployed.

(17) There is evidence suggesting that the children of unemployed people are most subject to child abuse (Harris, 1984).

Alcoholism

(18) Increases in alcoholism seem more likely to accompany low levels of unemployment due to the increased ability to purchase alcohol (Brenner, 1975).

Suicide

(19) Although a strong association exists between suicide and unemployment, there is no proven causal relationship. British studies have shown highest rates among unskilled workers, suggesting that suicide may be class-linked.

Economic costs of unemployment

(20) Costs of unemployment include lost production, forgone wages, lost revenue to the government, U.I. payment, social costs of unemployment stress-related indicators.

(21) Estimated socioeconomic costs of unemployment are \$75.5 billion (1982); 22.0% of GNP (1982); 198% of 1982 deficit (Deaton, 1983)*.

Characteristics of the unemployed

(22) Unemployment is most likely to hit young, blue-collar, single residents of the Maritimes or Quebec with less education.

(23) Increasingly, women, female heads of families and workers in services, clerical work and sales as well as in resource-based industries (logging, mining, construction).

(24) These groups are also more likely to experience frequent and long-term unemployment.

(25) Unemployed people live on about 40% of what an employed person receives as income (Harris, 1984).

(26) Children of the unemployed are less likely to continue schooling, more likely to miss school due to truancy and illness, to have reading, mathematics and communication problems (Harris, 1984).

(27) Native people, francophones and those with multiple ethnic origins are likely to experience the highest unemployment rates.

(28) Older workers have low unemployment rates but have more difficulty finding a job once they do become unemployed.

(29) The likelihood of experiencing unemployment is only slightly affected by sex.

(30) Workers in metropolitan areas are 2.4% less likely than workers in rural areas to experience unemployment.

(31) Widowed, separated and divorced workers are 10.9% more likely to experience unemployment than married workers.

(32) Workers with only elementary education are 10% more likely than university graduates to experience unemployment.

Interview with Ian Stewart Economics Department Queen's University January 16, 1986

(1) Employment is a function of the size of the population: given the right set of wage rates, everyone will find work (neo-classical view).

*Note: Deaton's calculations are based on unproven assumptions and contain double counting: for example, we count loss of income by workers as a separate item in his sums and counts this loss again as a reduction of GNP.

(2) This means that there will be no long-term structural unemployment.

(3) Over a century, we have accommodated the demand for work by shrinking the work week.

(4) The price of leisure has risen. People have wanted more leisure time and have been willing to work fewer hours and receive a somewhat lower income in order to have more leisure: this is a form of voluntary unemployment.

(5) Unemployment is related to population in the long term; short-term high levels of unemployment are difficult to explain as a cyclical blip.

(6) Structural unemployment is due to technological change and international competition causing displacement. This displacement may be sustained until workers can be absorbed in other areas.

(7) Increasing participation rates, especially due to the rapid entry of women into the labour force, puts a strain on the capacity of industrialized economies to provide jobs.

(8) During the inflationary period from the late '60s to '80s, the price of labour was allowed to rise causing rapid displacement in certain areas. Europe has seen a much faster relative rise in price of labour than the U.S.

(9) Economies which seem to grow more rapidly than others and which are able to sustain this growth have a high-quality, high-capacity labour force.

(10) The rate of capital expansion cannot explain rapid growth rates in certain countries (eg. India). Growth has been a result of changes in the quality of the labour force through investment in education and training.

(11) The nature of technological change means we must take seriously the embodiment of new skills to prepare the labour force and to provide a better match-up between skills and jobs.

(12) The economy of the '70s was managed under constrained conditions and a series of structural shocks: competition, inflation, energy costs, erosion of forces driving growth, the electronic revolution.

(13) The economy was managed with oppressive fiscal and monetary policies displacing labour in industrialized countries — the Canadian economy was not expanding sufficiently to absorb this labour.

(14) Education has been structured as if people will move on to "paper-pushing" occupations as opposed to jobs involving high-demand technological skills.

(15) The level of sophistication of the workforce in Japan is far beyond that in North America.

(16) Institutional training, as opposed to industrial training, as in the Japanese example, is far easier to operate. North America has found it difficult to combine the two.

(17) We need a highly adaptable, intensive re-training system able to adjust to industry demands in a period of rapid structural and technical change.

(18) If we do not re-train, there will be a permanent structural disorder resulting in a shift of Canadian workers into lower and lower levels.

(19) Had we not had inflation, the '70s and '80s would have seen less unemployment.

(20) Labour force adjustments are easier when growth is rapid.

(21) In Canada, mobility, flexibility and innovation of the labour force are threatened by inflation and the recession.

(22) Community college and university systems are changing the emphasis from old, industrial skills to newer technical skills.

(23) Elementary and secondary education systems must begin to change also.

(24) Full employment cannot be achieved without major changes in public policy.

(25) The inflation-proneness of wage and salary-setting processes creates problems.

(26) We must learn to look at wage bargaining, salary setting, social policy, equity and so on in order to run the economy at full capacity.

(27) Japan has made huge technological advances with very little unemployment.

(28) The modern Canadian farmer has accomplished similar advances since 1946.

(29) Workers currently resist such advances if they do not feel secure in their jobs and in their capacity to re-train.

(30) As a country, we have the capacity to absorb labour and attain full employment.

(31) Labour force quality is a critical factor and central to the process.

(32) The war-torn economies of south-east Asia had a chance to begin again with dynamism.

(33) The Maritimes have developed a dependency on equalization and welfare structures making it difficult to move out of a declining phase.

(34) This dependency takes the edge off the capacity to re-invest and take off.

(35) Technological advances will mean that location will become less critical.

(36) The capacity to "mobilize" is a function of one's perception of the task.

(37) The current frame of mind and the desire for a minimalist state make it difficult to mobilize.

(38) Austria rose out of a deep crisis through strong institutionalization at the centre and cooperation between government, business and labour.

(39) For those who are uneasy with the role of the state, a suspicion of intervention into society through regulations and laws has been created.

(40) In terms of job creation, the U.S. has done very well by using Keynesian approaches on a small scale.

(41) Future economies will be dominated by small business entrepreneurs inventing things on a small scale in an adaptable way.

(42) Can the modern world function without the welfare state?

(43) We need to improve the equitable character of social policy and tax reform.

(44) The rate of technological dissemination and the appearance of new infrastructures is growing. As public goods increase, we must have state involvement to ensure an adequate supply to society.

(45) At such a critical time of change, education and training should not be reduced.

(46) Bilateral trade ignores the reality of the global village — a stable world is impossible.

(47) A multilateral free-trade approach would take some industries out of the pie; not every country would have every industry.

(48) Free trade maximizes real world output.

(49) Most protectionist arguments are hard to defend; protectionism will not lead to full employment.

(50) We need a way not to be vulnerable to those who want to protect the "wrong" things.

(51) We need plausible alternatives to keep us in pace with the world economy with respect to productivity.

(52) Exports have risen quickly without pulling up the GNP.

(53) This shows that Canada cannot solve all problems by exporting.

(54) Imports are goods; exports we *pay* for.

(55) Imports always balance with exports.

(56) Depreciation of the exchange rate is a reduction of our standard of living; we are less well off every time the exchange rate depreciates.

(57) The bilateral aspect of free-trade is troublesome; in a multilateral approach, real world output would be maximized.

**Interview with representatives
from various employee's unions
Vienna, Austria
February 3, 1987**

(1) Ninety per cent of apprentices are concentrated in 45 vocational areas (total 220). One third of apprentices are young women.

(2) Forty per cent of young people pursue an apprenticeship (dual system) in one of 55,000 firms offering places. Forty per cent pursue full-time vocational education. Ten per cent pursue other professional training (nursing, social work, etc.) and 10% leave school at age 15 and enter the job market as unskilled workers.

(3) In 1970, between 18% and 19% of young people left school at age 15 and entered the labour market. Over the last 15 years, only 5% to 10% do this and pursue no further training.

(4) Firms offering training places do so based on economic necessity. Unions feel that some firms benefit from the low wage paid to apprentices in order to fulfill their own needs, not those of the apprentice.

(5) Small companies generally cannot afford to keep on their apprentices after the training period, although highly skilled workers have increased chances of finding interesting, well-paid work.

(6) In this trade, a third-year apprentice receives approximately half the wage of a certified worker even though they have equal skill levels. In industry, certified workers often receive better pay because their wages are performance related.

(7) Employee's unions support the dual system but see areas for improvement. For example, at the moment, apprentices are on the shop floor for four days and in school for one day. Unions would like this expanded to three days work/two days school. Employers also support the system, yet do not necessarily believe that greater classroom time will improve the training given.

(8) Unions would like a second day in the school to give apprentices a broader educational base. In some cases, the training received in a firm is not sufficient to give a high skill level. An extra day of schooling would compensate in these instances. Training is not always consistent from firm to firm.

(9) All apprentices fall under the same legal framework. Unions feel that legislation should distinguish between certain categories of trades and vocations according to different skill levels.

(10) The labour movement has a voice as to what should be taught in vocational training but, legally, the Chamber of Commerce controls the quality of training given.

(11) There is a growing problem of recently certified apprentices being unable to find jobs in their particular trade often, due simply to frictional unemployment. Between the age of 19 and 25, 30,000 (45%) trained apprentices can't find work. More coordination is needed between training given and labour market needs. Nonetheless, skilled workers have better job chances than do unskilled workers with no training.

(12) Apprentices need more training of the kind that gives them the ability to adapt to new needs

and to expand knowledge. Advanced-level vocational/technical schools give more of this kind of training than lower level schools.

(13) Two institutes (one run by employees' unions and one run by the Chamber of Commerce) offer re-training courses.

(14) Re-training lasts from four to 14 months.

(15) Steel workers and manual workers are those who have the most difficulty re-training. The feeling of being uprooted at the age of 45 is one of the psychological problems that must be overcome.

(16) Apprentices are now being trained to accept the fact that they may have to change vocations during their working life.

(17) Geographic mobility is much harder to encourage due to barriers (e.g. wages and production costs vary from region to region; families are reluctant to leave their region).

Interview with Paul-Pierre Valli
Assistant to P. Seguin
French Minister of Social Affairs,
Employment and Training
Paris, France
September 9, 1986

(1) The French Minister of Social Affairs, Employment and Training, Philippe Seguin, has recently launched a three-stage attack on unemployment in France (now at the level of 2.5 million).

(2) The initial two stages are in progress and seem to be operating smoothly. Mr. Seguin first tackled youth unemployment with a program that seeks to improve the status of young people. Although young workers may be paid less than the minimum wage by a private enterprise, the government picks up the tab for social benefits and offers government-financed training opportunities.

(3) The second stage of Mr. Seguin's program focuses on discussions with all social partners. The aim is to introduce more flexibility into wage regulations governing part-time and temporary work.

(4) The third, and more contentious aspect of the plan, involves government-sponsored collective utility jobs (les travaux d'utilité collective — T.U.C.) which have intrinsic social value but which may be costly for or unattractive to the private sector.

(5) Union leaders have criticized the plan for being a return to archaic solutions, rather than an attempt to look ahead and seek ways to increase productivity and competitiveness.

(6) The "social value" of these service jobs has been questioned as has their long-term usefulness. (They include domestic help, care for the elderly, home newspaper delivery).

(7) Seguin believes that the realistic choice is between this type of job and no job, and is committed to reducing unemployment.

(8) The cost of the plan is \$73 million for 1986 and \$526 million for 1987. The Chirac government including finance minister Edouard Balladur, has yet to give the go-ahead to the proposal.

(9) This, against a backdrop of difficult economic times, for France, despite the positive impact of lower oil prices, has led to an increase in disposable income for households.

(10) However, the weakening dollar, which at first seemed a blessing, now is a handicap, lowering the sale of French exports to the U.S. and reversing the trend to positive trade balances.

(11) The increased emphasis on international markets has led France to examine the state of its own economy. It seems to be suffering from a lack of competitiveness, under-investment and under-employment.

(12) Demand for manufactured goods is predicted to grow but France's exports are likely to drop by 0.2% due to foreign competition. Imports are likely to continue to rise, as they have during the first half of 1986. France, once on a par with Japan, is now comparable to Great Britain.

(13) In spite of increased business investment, compared with 1985, due to the high activity of small business and the commercial sector, the level of investment in France remains low. Since the first oil shock, France's productive capacity has remained unchanged. Businesses are not investing in new capital equipment; so foreign imports grow cheaper and more attractive.

(14) As a result, France remains the only country of the seven major OECD members to have experienced a drop in unemployment since 1983. Unemployment has risen by 18,000 per month on

average with predictions of a total of 200,000 additional unemployed for 1986.

(15) The emphasis, therefore, is on encouraging saving and investment, rather than spending and on providing education and training opportunities rather than encouraging reliance on social assistance.

(16) In particular, members of the Finance Commission suggest lowering interest rates, encouraging business to reinvest marginal profits rather than speculating, and reorienting savings toward productive sectors of the economy.

(17) When deciding what types of jobs we must train for, we must recognize the problems posed by the introduction of new technology.

(18) In France, the possible consequences of new technologies have not been realized, e.g. biotechnology.

(19) It is vital to realize that the implication for social organization generated by this new technology is more important than the technology itself.

(20) Germany has a stronger industrial base than does France with more autonomy allowed to workers on factory floors and fewer hierarchical steps between head office and the work place.

(21) In France, jobs have been developed without an attempt to match specific qualifications with openings. For this reason, the level of qualifications in Germany is higher than in France.

(22) One must examine the evolution of jobs: which trades are undergoing a transformation?

(23) Operators of computerized machines now need more than the simple knowledge of how the machine works and how to use it: a new kind of dialogue between engineers and operators is emerging (in Germany more than in the U.S., Canada and France).

(24) There is less bipolarization of the work place in Germany between conceptual and operational tasks. Intermediate level employees ("hybrid workers") ensure the link between methods of service and workshop

(25) Many new jobs will likely be maintenance jobs.

(26) It becomes, then, vital to know how to react to unforeseen problems and how to communicate using a set of more abstract ideas.

(27) Even those who are manual workers will need an ability to deal with abstract concepts because of the interplay between engineers and operators (see para. 23, above).

(28) It is certain that manufacturing jobs will diminish; jobs may develop in the tertiary sector, in services, research, development and so on.

(29) The economy must be able to transfer investment to new and productive areas, e.g. shift from textiles to aerospace engineering.

(30) In France, this transfer is not being made quickly enough; jobs are being artificially maintained in shrinking sectors and the economy is less productive as a result.

(31) If one were to create socially desirable jobs, with current rulings, the danger would be that of being forced to remunerate them at an artificially high wage — higher than the rate the market place would set.

(32) The current labour market in France consists of: those who are unemployed; those whose wages may be less than the minimum wage; full time workers. There is very little flexibility to allow for part-time work and so on.

(33) There are many socially valuable jobs (travaux d'utilité collective) which could be done: clearing the underbrush from forests; taking care of the aging population in their homes, etc.

(34) To maintain the current length of the work week, we must be able to shoulder the increased salary costs associated with higher levels of productivity and competitiveness and, therefore, increasing production.

(35) In the absence of increasing production, the work week must be shortened, or rather, models for part-time work with flexible pay formulæ must be developed.

**Interview with Michael Walker
Fraser Institute
Vancouver, British Columbia
March 17, 1986**

(1) Government failure is one of the main causes of unemployment. Policies are often well-intentioned but do not have the desired effect.

(2) Minimum wage policies are an example of a government action which causes a certain amount of unemployment, particularly among youth.

(3) The minimum wage laws keep unemployed those who have the most difficulty in getting a job.

(4) Interprovincially, there is a strong correlation between the level of mandatory minimum wage and the youth unemployment rate.

(5) The U.I. scheme is also a source of unemployment. A study of 12 countries by the Fraser Institute shows that, the more generous unemployment support systems are, the more unemployment there will be.

(6) This is, to some extent, a question of demand: if one reduces the cost of unemployment (through unemployment benefits) there will be more of a demand for unemployment.

(7) In addition, an unemployment insurance program that does not penalize firms that hire unemployed workers on a seasonal basis encourages seasonal unemployment.

(8) Job creation programs at the provincial level often are such that they purposely last only long enough for a participant to qualify for U.I.

(9) The use of work-sharing as an alternative to lay-offs (e.g., Ontario Cement, 1975), made possible by using U.I. funds to top up wages, ignores the economic signals sent to a firm indicating that profits are down, the return on capital is down, demand is down and that other jobs could be found in other areas with higher demand where the return on capital is better.

(10) Italy has studied the effect of using work-sharing to keep unemployment down. The results have not been favorable.

(11) Although, as Thurow suggests, people want job security and stability more than high wages, policies which ignore the market in favour of well-intentioned programs which misallocate capital eventually fail.

(12) If capital is not allocated on an on-going basis to activities where the best return can be sought, those who are least able to cope with the resulting instability will be the ones in jeopardy.

(13) The system of non-price rationing (as a means of distributing public goods) which removes the profit

motive, does not yield the intended results, historically. During wartime, for example, rationing did not work to curtail consumption of the rich.* Money still allowed those who had it to get what they wanted regardless of the broader public good.

(14) The fact that the unemployment rate in Canada persists at a level 3% higher than in the U.S. points to a profound and emerging problem.

(15) Government legislation has an effect on this in many ways.

(16) Swedish studies suggest the existence of a two-tier system: (a) high wage earners (union members) who have a high level of productivity because of the capital invested to support employment activities on one hand, and (b) non-union workers on the other, who do not have the protection and power accorded labour union members and who cannot benefit from such power.

(17) This fits in with the central problem we have as regards unemployment in dealing with real wage alignment. Inappropriately high real wages cause workers to be replaced by capital (machines) and cause insufficient demand for the services of labour because of the high prices high wages induce.

(18) Provincial labour legislation which strengthens the position of unions vis-à-vis unemployed potential non-union workforce members is a main problem.

(19) The U.S. unemployment insurance system is far less generous than the Canadian system by about three times. This is one of the reasons for higher unemployment here.

(20) There are two separate kinds of unemployment insurance schemes, funded and pay-as-you-go. A funded insurance scheme is one in which a fund is built up during times of low unemployment and then used up to support employee incomes during periods of high unemployment. By contrast, the system we have in Canada operates in a pay-as-you-go manner so that, as the outpayments under the program increase in a period of recession, so also do the premiums being collected under the system. While the former kind of unemployment insurance fund can act as a balance wheel in the maintenance of peoples'

incomes, the pay-as-you-go system cannot be relied upon to have any such effect as it is merely a question of the redistribution of income amongst various recipients. In other words, since during bad economic times Canada's unemployment insurance premiums increase, the incomes of people who are employed are decreased while the incomes of those who become unemployed are, to some extent, sustained. The total employment income is not increased by unemployment insurance premiums which are collected from workers and distributed to those who are unemployed. In a funded insurance unemployment system, funds accumulated in a previous higher employment period are spent in the current unemployment period to help sustain jobless workers.

(21) Income support should be based on the level of income. It should be in the form of an insurance policy into which one pays on the basis of likelihood of being unemployed. The policy will pay out insurance money in the event of unemployment.

(22) One must distinguish between the maintenance of income irrespective of the reasons for unemployment (guaranteed annual income, negative income tax) and the provision of true unemployment insurance.

(23) A guaranteed annual income or negative income tax would allow us to target the system to benefit those who truly need it.

(24) The unemployment insurance system presently transfers funds from seasonally stable industries to seasonally unstable ones and, thus, rewards instability and encourages seasonal employment.

(25) Canadians do not want policies which represent a compromise among all groups.

(26) In France, the shift by the socialists to more market-oriented policies has shown that people want policies that work, not compromises that deny reality.

(27) We must recognize that education, research and development represent investments in human capital. We need to ensure a better return on these investments.

(28) Flexibility must exist in human capital as well as in money markets.

* Note by PDG: The purpose of rationing was not to curtail consumption by the rich but to guarantee an affordable minimum for the poor; this objective was achieved.

(29) Focusing on mobility, monopolies and imperfections in capital markets will allow us to see the current unemployment problem in a different light.

(30) With respect to mobility and income assistance programs, dollar-and-cents analyses of standards of living often are inaccurate representations of the real situation. It is perhaps easier to live well in Atlantic Canada than in other regions.

(31) Even at a very low level of income subsidies, regional distributions of populations are surprisingly stable.

(32) Federal and provincial government training programs too often focus on skills which are already obsolete due to the focus on institutional needs rather than individual needs.

(33) It is difficult to predict what kinds of skills will be necessary. This implies that we should not even attempt to predict skill demand. Rather, individuals should pursue whatever training they wish with full responsibility for the benefits or consequences.

(34) From a strictly analytic perspective, the only thing that can cause unemployment in the truest sense—that is, for people who want jobs and cannot have them—is a non-market force causing the situation.

(35) Governments use laws to back up these impediments to reaching full employment.

(36) Economic security cannot be achieved by directly pursuing it in the form of income support programs. Rather, economic security for Canadians will be largely achieved through economic flexibility and a willingness on the part of workers and of industries to adapt to changing economic circumstances. Many programs slow the rate of adjustment, causing less flexibility and less economic security.

(37) There is a danger of sclerosis through too much intervention.

(38) The powers of the Crown must be limited. We need a process which includes a measure of collective voice within a context which protects individual rights.

Interview with Professor Jack Weldon
Economics Department
McGill University
January 13, 1986

(1) Full employment is the sensible foundation for any policy and is made possible through political will as in Norway and Sweden.

(2) Unemployed workers are an idle resource: a fully employed workforce assists growth, output and the size of the economic pie.

(3) A fully employed society is liberated and free and can deal more effectively with regional tensions and other obstacles.

(4) A full employment policy requires a commitment to social intervention in order to create jobs in areas where people are situated, not by moving people to where the jobs are.

(5) The organization of our society and the parliamentary system can be effectively used to change macroeconomic policies into more cohesive, decentralized economic policies.

(6) In the U.S., macroeconomic measures (fiscal and monetary policies) could not deal with the oil shock of the '70s: the broad measures used brought about inflation. The U.S. system does not allow for state intervention yet this is necessary for cohesive policy. Differentiation was necessary to deal with the economic problems of the '70s.

(7) The federal government can provide the necessary backing for a successful full employment program.

(8) Canadians are living with a view to the short term. With full employment, one could look to the long term with respect to all other policies, such as tax reform.

(9) Greater productivity and a bigger economic pie will result from full employment; social programs will be easier to carry out.

(10) Certain schools of thought believe that all mechanization is labour-saving and labour-displacing.

(11) A machine is seen as an immediate threat to jobs.

(12) Machine-busting is a function of unemployment because workers are fearful of losing their jobs; this fear is a barrier to innovation.

(13) The purpose of society is to live well.

(14) The current level of social services is not intolerable, in fact, social service costs peaked in 1970 and have been decreasing since.

(15) Our medical services and security net make cities livable — we need to improve these services.

(16) Unemployment causes “real” problems: we are in danger of producing a generation of disaffected and alienated youth.

(17) The distributive consequences of the deficit are nil: the burden of the deficit is not placed on the rich.

(18) Our unemployed resources create a socially rigid society that is afraid of change.

(19) Once the decision is made to pursue full employment, systematic treatment of industries and services must be undertaken in the form of 50 to 60 simultaneous investigations: (the patterns of work and production in textiles, urban transportation, municipal agencies etc. and their capacity to expand.)

(20) Just as the country mobilized in the urgency of World War II, full employment must be an urgent priority.

(21) While interventionist approaches to government failed in France under Mitterand, Sweden, Norway and Denmark have been successful.

(22) For investment to occur and grow, demand must be created.

(23) The business sector will respond to this demand by investing.

(24) Until there are available jobs, one cannot talk about training ... training for what jobs?

(25) The potential of the job creates the need for training or re-training.

(26) A more cynical approach is to train/re-train for specific jobs which may or may not exist.

(27) We cannot invest in human capital without being sure of market needs and characteristics.

(28) Re-training becomes a new form of welfare — if one is lucky, there might be a job at the end of it.

Interview with Bruce Wilkinson
University of Alberta
Edmonton, Alberta
February 21, 1986

(1) One of the ways to reduce the deficit and unemployment would be to reduce government wages, increase job security and thus allow people to work rather than face layoffs and unemployment.

(2) One could also consider the printing of more money to increase our reserve ratio from 4% so that the government would not always have to resort to more borrowing in order to finance additional expenditures. This is an unpopular solution as it would force banks to raise interest rates on loans, to lay off workers and so on. The same amount of money would still circulate in the system.

(3) This approach is no more inflationary than if the government, rather than the bank, prints more money. Inflation occurs when governments spend the additional money without legislative restraints.

(4) The monetary base is traditionally expanded through open market purchases of bonds. When the Bank of Canada purchases bonds from commercial banks or from the non-bank public, it creates reserves in the banking system. The banks keep dollars they receive through the sale of bonds at a 4% or 5% reserve ratio. For the system as a whole, for every dollar of increased reserves through open market operations, the money supply can be expanded 20 times. The reserve ratio could be raised to 10% so that for every dollar received in reserves, the supply could only be expanded 10 times, and so that the government could use the money the banks were not using for their own spending so as not to increase the deficit.

(5) With respect to general welfare schemes, studies in the U.S. show that increased benefits have caused increased dependence on the system. For the same expenditure of money, we could devise a “work for welfare” system which would have more positive and productive results.

(6) Young able-bodied, unmarried welfare recipients could be involved in reforestation programs in order to receive benefits.

(7) Incentives are necessary to break the cycle of dependence on the system which, at the same time, could benefit problem areas in the economy such as care for the elderly, housing, agriculture and so on.

(8) By extension, welfare payments could be tied to an agreement to pursue re-training programs.

(9) Over the years, many people have had to accept jobs which they, otherwise, would not have taken. Expectations have to be lowered for the present generation of unemployed Canadians.

(10) The closer one gets to full employment the more government receives in the way of tax revenue. This does not mean tax rates will increase but rather that revenue will increase.

(11) If our costs of food products were lower, the consumer would benefit. The big producer of products is traditionally the big winner. This is one area where a free trade agreement would bring such subsidies to certain agricultural producers into the discussion to the benefit of most Canadians. Unless we have some controls on trade in some markets, there is a real danger that the U.S. would swamp our market with cheaper goods which would be costly in the long run.

(12) If food prices were lower, we could have somewhat lower wage rates. One of the roles of government is to educate people with respect to the fact that we can no longer expect wages and incomes to continue to grow without experiencing a loss of competitiveness in major areas.

(13) The dollar should, thus, go lower in order to compete in world markets without having people expect an increase in wages to offset a rise in the price of certain imports.

(14) As we move to lower tariffs through GATT and to eliminating non-tariff barriers, we will see increased productivity in some areas (such as manufacturing as well as a possible need for a lower exchange rate).

(15) If the world pie is not growing, we will have to accept a smaller share due to the entry of other countries on the world market.

(16) If we raise interest rates to fight inappropriate speculation against the dollar that causes inflation at a time of high unemployment, we choke off growth in important areas of the economy. We could tax interest earnings that people receive by buying American dollars so that they lose the benefit of putting money into the U.S. This is analogous to taxing dividends and so on and does not resemble exchange controls.

(17) The other alternative would be to allow the dollar to drop without raising interest rates.

(18) The fall in the value of our dollar over the last six months as a result of its relation to the U.S. dollar has improved our competitive position.

(19) A free trade agreement would not necessarily mean that the value of our dollar would rise as some believe in the U.S.

(20) There is something to be said for a small country pegging its exchange rate to a larger one with occasional fluctuations.

(21) This, in effect, is what has happened between Canada and the U.S.

(22) It is important that the dollar rate of exchange be allowed to change.

(23) The concertation system allowing flexibility with respect to profits and wages is something Canada could examine.

(24) For the sake of equity, it would be important for federal and provincial government wages to be lowered, for job security to be increased and for business wages to be somewhat higher in those areas where job security is low.

(25) There is a tendency on the part of business to initially invest private money in an operation, to then ask for a government grant and to subsequently pull private funds out of operations in order to function solely on government money.

(26) The welfare system, then, works in the business environment, in the sense that the private sector has become dependent on grants and subsidies.

(27) The grants have been loosely monitored with very little follow-up investigation.

(28) The corporate welfare system needs to be examined.

(29) Young people will have to move out of high unemployment areas.

(30) Rather than subsidize eight-week jobs for fishermen in an inefficient industry, for example, we could subsidize air fares to the Maritimes to increase tourism and the construction of tourism facilities and service sector spin-offs.

(31) The only way of keeping the average standard of living at an acceptable level is to move people to jobs.

(32) The government must educate the population with respect to the real nature of unemployment, the deficit of income lost through unemployment and so on.

(33) We should be able to use our comparative advantages in the areas of natural resources and proximity to U.S. markets to improve our economic situation.

(34) There is a tendency in Canada to rely on the U.S. for innovation and for direction rather than developing unique approaches.

(35) We need to look at economic solutions and at social and spiritual dimensions due to the changing social environment in our country.

(36) If the government decides to bail out the banks over their uncollectable loans to pay poor countries, the banks should, in exchange, agree to allow the government to use money without having to borrow (para. 2 above).

(37) The problem with the deficit has been that governments have allowed it to grow because they have been able to raise their wages with no bottom line concerning efficiency. This situation represents the lack of control government exerts on its activities.

(38) The high interest payments attached to the deficit are more problematic than the deficit itself.

(39) The real challenge, then, is to find ways to bring interest rates down.

(40) Therefore, if we lower interest rates, abolish subsidies to business and use welfare payments to encourage people to perform necessary tasks, we would take a big step toward solving the social and economic problems of the country. We must lower expectations and attempt new approaches to problems.

**Youth Affairs, Ministry of,
Bonn, West Germany
January 23, 1987**

(1) The Ministry is responsible for policy initiatives and coordination with other federal and land ministries as well as a framework for legislation.

(2) Vocational training is increasingly seen as an interim step for more academically oriented students who wish to pursue subsequent studies in business, law, etc. These students can often finish their apprenticeship in two years rather than three or three and a half but they make conditions more difficult for "ordinary" applicants with lower academic qualifications.

(3) Because vocational certificates are nationally recognized by all employers, graduates have a better chance of finding a job to suit their qualifications.

(4) Fifty to 70% of the unemployed under 25 have no vocational training certificate.

(5) The theoretical component of training is becoming more important as new technology and skills are introduced.

(6) The Federal Republic of Germany sees its work force and its potential as "human capital".

(7) Regional disparity has been addressed through subsidies to business with limited success; sometimes when the subsidies are exhausted, the plant relocates.

(8) However, success of medium-sized industries in the high-tech field is growing even in disadvantaged regions, when traditional barriers and infrastructures can be surmounted.

(9) A combination of (1) school training, (2) vocational training and (3) work, gives the best basic skills in terms of work readiness, as in the dominant "dual system" of vocational training.

(10) Much work goes on at the community level to address problems of early school leavers and long-term unemployed.

(11) State-subsidized institutions, private and religious organizations recognize the problem and offer informal types of help.

(1) The Ministry is responsible for policy-making, and in consultation with other federal and state ministries as well as a framework for legislative work.

(2) Vocational training is increasingly seen as an important step for more academically oriented students who wish to pursue subsequent studies in business law, etc. These students can often finish their studies in two years rather than three and a half but they make conditions difficult for "colleagues" who will have additional difficulties.

(3) Because vocational training is not nationally recognized by all employers, graduates have a better chance of finding a job with their qualifications.

(4) Fifty to 70% of the unemployed under 25 have no vocational training certificate.

(5) The theoretical component of training is becoming more important as new technology and skills are introduced.

(6) The Federal Republic of Germany sees its work force and its potential as "human capital."

(7) Regional disparities have been addressed through subsidies to business with limited success, sometimes when the subsidies are cancelled, the plant relocates.

(8) However, support of medium-sized industries in the high-tech field is growing even in disadvantaged regions, which can hinder and hinder structures can be strengthened.

(9) A combination of (1) vocational training, (2) vocational training and (3) work experience are the dominant skills in terms of work readiness in the dominant "high-tech" of vocational training.

(10) Much work goes on at the secondary level to address problems of early school leavers and long-term unemployed.

(11) Some experienced technicians, private and public organizations receive the problem and other national types of help.

(12) The only way of keeping the unemployed from living at the expense of the state is to move people to jobs.

(13) The government must educate the population with respect to the real nature of unemployment, the deficit of income loss through unemployment and so on, as well as how to deal with it.

(14) We should be able to use our comparative advantage in the areas of natural resources and proximity to U.S. markets to improve our economic situation.

(15) There is a tendency in Canada to rely on the U.S. for innovation and for direction rather than developing and using its own resources.

(16) We need to look at economic solutions and at social and spiritual dimensions due to the changing social environment in our country.

(17) The government decides to help out the banks over and over again, but to help poor countries, the banks should be exchanged against the government to be more effective in helping the poor.

(18) The problem with the deficit has been that governments have allowed it to grow because they have been able to raise their wages with no bottom line concerning efficiency. This situation requires the lack of control government exerts on its activities.

(19) The high interest payments, subject to the deficit are more problematic than the deficit itself.

(20) The main challenge, that is to find ways to bring interest rates down, is to find ways to

(21) Therefore, if we have interest rates which encourage people to perform necessary tasks we would raise a significant amount of money to solve economic problems of the country. We must lower expectations and attempt new approaches to help our knowledge education and other

LIST OF WITNESSES

Association of Canadian Community Colleges:

Mr. Yves Sanssouci, President;
Mr. Tom Norton, Executive Director;
Mr. Bert Curtis, President of a member College of
ACCC.

(Issue No. 5, Monday, May 11, 1987)

Association of Universities and Colleges of Canada:

Dr. David Johnston, President and Principal of
McGill University;
Mr. Robert Patry, Director of Government
Relations.

(Issue No. 3, Friday, May 1, 1987)

Atlantic Provinces Economic Council:

Mr. R. A. Stuart, President;
Dr. William M. Reid, Vice Chairman and
President of the University College of Cape
Breton.

(Issue No. 7, Tuesday, May 12, 1987)

British Columbia Telephone Company:

Mr. John Hatchett, Director, Education and
Training.

(Issue No. 2, Tuesday, April 28, 1987)

Canadian Association for University Continuing Education:

Mr. Milton Orris, Vice-President;
Mr. Kenneth Clements, Executive Secretary;
Dr. Marino Kristjanson.

(Issue No. 4, Friday, May 8, 1987)

Canadian Association of School Administrators:

Mr. G.G. Auchinleck, President.

(Issue No. 9, Friday, May 15, 1987)

Canadian Congress of Learning Opportunities for Women:

Ms. Aisla Thompson, Executive Director;
Ms. Martha Colquhoun, President.

(Issue No. 1, Monday, April 27, 1987)

Canadian Council of Technicians and Technologists:

Mr. John D. Hood, President;
Mr. C. Charles Brimley, Executive Director.

(Issue No. 8, Thursday, May 14, 1987)

Canadian Council on Children and Youth:

Mrs. Landon Pearson, President;

Mr. Brian Ward, Executive Director.
(Issue No. 8, Thursday, May 14, 1987)

Canadian Council on Social Development:

Dr. Harry MacKay, Senior Researcher;
Dr. David P. Ross, Policy Associate.
(Issue No. 9, Friday, May 15, 1987)

Canadian Federation of Independent Business:

Mr. Bill Parsons, Director of National Affairs;
Mr. Richard Graham, National Affairs Officer.
(Issue No. 6, Tuesday, May 12, 1987)

Canadian Federation of Labour:

Mr. James McCambly, President.
(Issue No. 3, Friday, May 1, 1987)

Canadian Federation of Students:

Mr. Tony Macerollo, Chairperson;
Mr. Todd Smith, Executive Officer;
Ms. Jean Wright, Researcher.
(Issue No. 1, Monday, April 27, 1987)

Canadian Labour Congress:

Ms. Nancy Riche, Executive Vice President;
Mr. Ron Lang, Director of Research and
Legislation;
Mr. Kevin Hayes, National Representative, Policy
and Planning/Research and Legislation Depart-
ment.
(Issue No. 8, Thursday, May 14, 1987)

Canadian Vocational Association:

Dr. John B. Gradwell, Vice President,
(Canadian Vocational Association)-Quebec;
Mr. Wayne Wilson, Task Force Committee
Member.
(Issue No. 4, Friday, May 8, 1987)

Canadian Youth Foundation:

Mr. Hallam Johnston, Executive Director;
Mr. Brian Harry Hill, Member of the Board of
Management;
Mr. Daniel R. McGregor, Intern;
Ms. Lucie Boileau, Intern.
(Issue No. 9, Friday, May 15, 1987)

Career-Work Education Association:

Mr. Keith Coviello, Program Developer;
Mr. Jim O'Connor, Teacher-Coordinator.
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“Centrale de la Confédération des Syndicats démocratiques”:

Mr. Jean-Paul Hétu, President;
Mr. Pierre-Yvon Ouellette,
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Community Outreach Research and Development Program.

George Brown College:
Mrs. Terry Dance, Chairperson.
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Concordia University:

Mr. Harry Hill.
(Issue No. 3, Friday, May 1, 1987)

“Confédération des syndicats nationaux”:

Mrs. Céline Lamontagne, Vice President;
Mr. Christophe Auger, Counsel.
(Issue No. 9, Friday, May 15, 1987)

“Conseil du Patronat du Québec”:

Mr. Jacques Garon, Director of Socio-Economic Research;
Mr. Jean-Pierre Beauquier, Member of the “Conseil du Patronat du Québec” and President of the “Secrétariat de l’enseignement du Québec”.
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Department of Advanced Education and Training, Province of New Brunswick:

Mr. Jean-Guy Finn, Deputy Minister;
Mr. Wilfred Savoie, Director of Planning.
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Department of Advanced Education and Manpower, Province of Saskatchewan:

Mr. Don Wright, Assistant Deputy Minister.
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Department of Employment and Immigration:

Mr. John Edwards, Associate Deputy Minister;
Mr. Peter Hicks, Executive Director, Canadian Jobs Strategy Group;
Mr. André Juneau, Director General, Policy Program Analysis, Strategy Policy and Planning.
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Department of Intergovernmental Affairs, Government of the Northwest Territories:

Mr. Robert S. Pilot, Deputy Minister.
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Department of Vocational and Technical Training, Province of Nova Scotia:

Mr. Wayne S. Doggett, Director,
Planning and Evaluation Division.
(Issue No. 7, Wednesday, May 13, 1987)

DeVry Institute:

Mr. Dean Charran, President,
Mr. George W. Fisher, Vice President,
Canadian Operations.
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Esso Resources Canada Limited:

Mr. Hugh G. O’Neill, Manager Resources Department;
Mr. James E. Lee, Operations Division Manager.
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“Fédération des Femmes du Québec”:

Mrs. Ginette Busque, President;
Mrs. Marcelle Piquette, Member;
Ms. Julie Meloche, Consultant.
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Federation of Young French Canadians:

Mr. Paul Blais, President;
Mlle Jacinthe Guindon, Research Officer.
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Frontier College:

Mr. Jack Pearpoint, President;
Mr. Rick Parsons, Co-Founder Beat the Street;
Mr. Bill Tetley, Chairman, Board of Governors.
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Halifax County Literacy Council:

Mrs. Sylvia Morgan.
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Hayles, Charles, individual.

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Holland College:

Dr. Don Glendenning, President,
Dr. Lawrence Coffin, Principal.
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I.B.M. Canada Ltd.:

Mr. Grant G. Murray, Vice President — Law and Corporate Relations;
Mr. Tom McNulty, Vice President, Personnel.
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Industry-Education Council/Hamilton-Wentworth and Mohawk College:

Mr. Mark Garber, Co-ordinator, Graduate Placement.
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McCain Foods Ltd and Day & Ross Inc.:

Mr. Ken S. Nichols, Vice President - Personnel and Training.
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**Ministry of Skills Development,
Province of Ontario:**

Mr. Blair Tully, Deputy Minister;
Mr. Les Horswill, Assistant Deputy Minister
Policy and Development Division.
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**Movement for Canadian Literacy and the Board of
Education for the City of Toronto:**

Mrs. Pamela McConnell, School Trustee,
Co-Chair, Adult Basic Education Consultative
Committee, Co-Chair, Special Education
Advisory Committee, Chair, Inner City
Committee;
Mr. Bert D'Antini, Adult and Continuing
Education Officer, Continuing Education
Department;
Mrs. Marianne Williams, Administrator,
Adult Basic Education Unit, Continuing
Education Department.
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National Action Committee:

Mrs. Rebecca Coulter, Chairperson of
the Sub-Committee on Training;
Mrs. Madeleine Parent, Member of the
Executive Committee (Quebec);
Mrs. Lise Leduc, Co-ordinator;
Mrs. Suzanne Girard, Member.
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National Association of Friendship Centres:

Mrs. Viola Thomas, President;
Mr. Jerome Berthelette, Executive Director.
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**National Indian Brotherhood, Assembly of First
Nations:**

Mr. Phil Fontaine, Vice Chief;
Mr. Ted Montour, Policy Analyst
Parliamentary and First Nations Liaison;
Mr. Jay Kaufman, Policy Advisor.
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**Native Council of Canada (Metis and Non-status
Indians):**

Mrs. Dorothy Wabisca, Vice President;
Mr. Bill Badcock, Executive Director.
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Nora Maddocks & Associates Inc.:

Mrs. Nora Maddocks, President,
Ms. Beth Carter, Associate.
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Process Technology:

Mr. George Jenkins, President.
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Ryerson Polytechnical Institute:

Dr. Joanne Harack, Program Director,
Marketing Centre for Advanced Technology
Education.
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Saint John Shipbuilding Ltd.:

Mr. R. Buckland, Vice President, Administration
and Human Resources;
Mr. Howard Erb, Manager, Personnel Services.
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South Winnipeg Technical Centre:

Mr. Ted Ramsay, Director.
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St. Francis Xavier University:

Dr. Teresa MacNeil, Director, Extension
Department and Professor of Adult
Education.
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University of Waterloo:

Mr. Jim Wilson, Director Co-operative Education
& Career Services;
Mr. Ted Carlton, President, Federation of
Students.
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University of Alberta:

Dr. Lorna McCallum, Director of Testing and
Remediation.
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University of Lund, Sweden:

Mr. Bjorn Beckman, Associate Professor,
Department of Political Science;
Mr. Agne Gustafsson, Senior Assistant Professor.
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Women's Employment and Training Coalition:

Mrs. Donna Stewart, Education Co-ordinator;
Mrs. Marcy Cohen, Member.

Mrs. Mary Colton, Member
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 Mr. Agac, University of Toronto Professor
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 Mr. John Beckman, Assistant Professor
 University of Toronto
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 Dr. Peter C. Collins, Director of Learning and
 University of Alberta
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 Mr. Ted Collins, President, Federation of
 2nd Edition, Ontario
 Mr. Jim O'Leary, Director, Co-operative Education
 University of Waterloo
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 Dr. James Mitchell, Director, Education
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 Saint John's, Newfoundland
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 Ministry of Education, Ontario
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 Dr. Joanne Hawk, Program Director
 Ministry of Education, Ontario
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 Process Technology
 Mr. George Jankov, President
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 Mrs. Beth Carter, Associate
 Mrs. Nora Madorsky, President
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 York Madorsky & Associates, Inc.
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 Mr. Bill Bodack, Executive Director
 Mr. Dorothy Wadsworth, Vice President
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 Industry Council of Canada (Mills and Son-station
 business)

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 Mr. Ken S. Nichols, Vice President - Personnel
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 Committee, Co-Chair, Special Education
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 Mr. Earl D'Amico, Adult and Continuing
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 Mrs. Marianne Williams, Administrator
 Adult Basic Education Unit, Continuing
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 Mrs. Madeline Rivest, Member of the
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 Mrs. Lisa Lohr, Co-ordinator, Centre for
 Mrs. Suzanne Girard, Member
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 Mr. Phil Fontaine, Vice Chief, First Nations
 Mr. Ted Morton, Policy Analyst
 Parliament and First Nations Relations
 Mr. Guy Karam, Policy Analyst
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