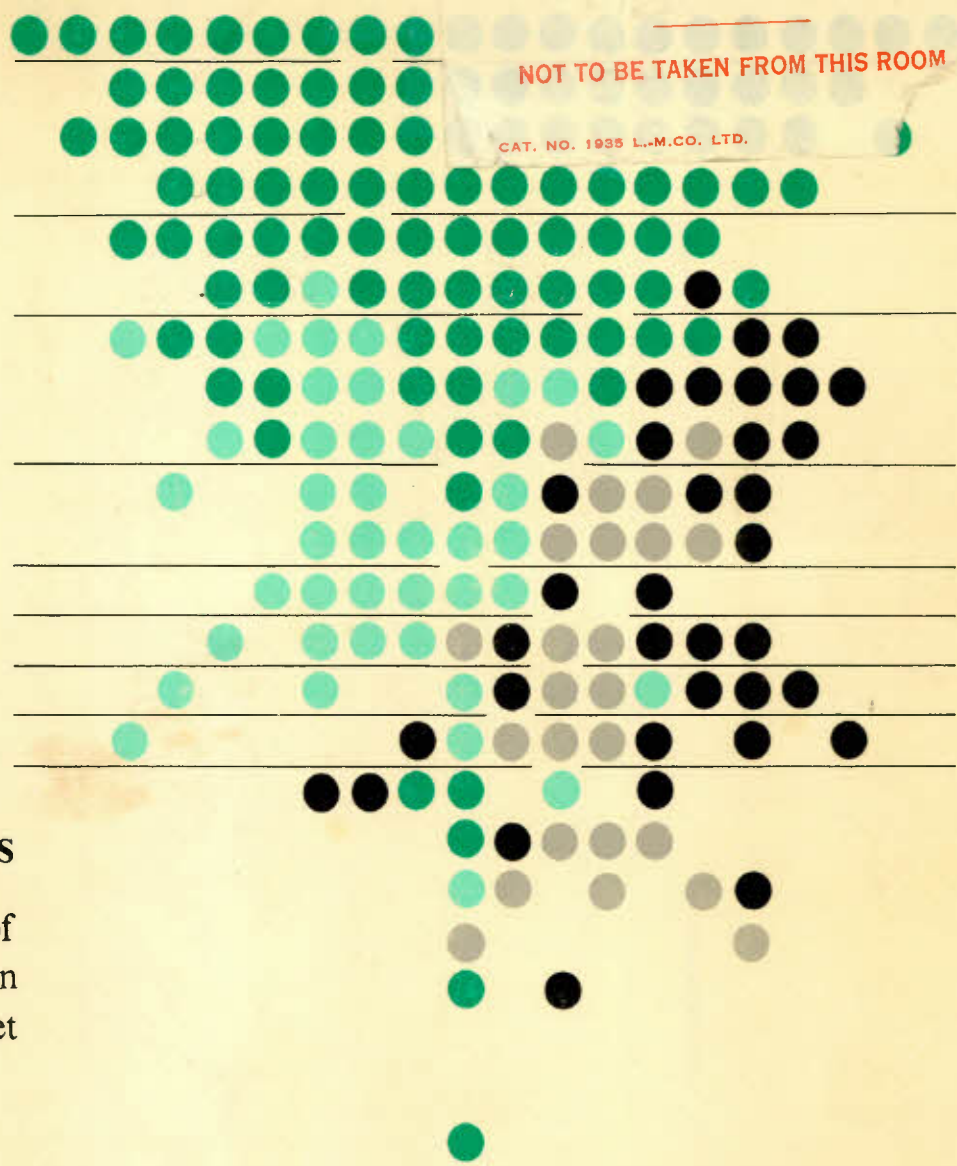


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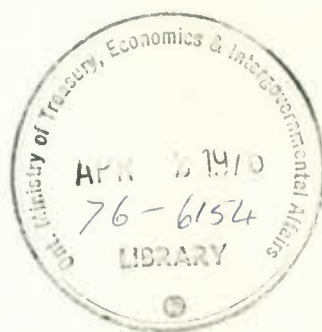


# People and Jobs

A Study of  
the Canadian  
Labour Market

Economic Council  
of Canada

1976



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ECONOMIC COUNCIL OF CANADA

## People and Jobs

A Study of the Canadian Labour Market



1976

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This report is a document signed by members of the Economic Council of Canada, with the exception of W. C. Y. McGregor, Joseph Morris, Miss Huguette Plamondon, and Donald H. Taylor. Charles Perrault signed the report but disagrees with the paragraph beginning at the bottom of page 39. He believes that the Unemployment Insurance Act should be more restrictive than it is now.

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# 1

## INTRODUCTION

In recent years there has been growing concern about Canada's inability to make full use of its labour force potential or to bring levels of unemployment down to those found in most other industrialized western nations or, indeed, in Canada less than a generation ago. Since the beginning of the 1970s, despite a period of pronounced buoyancy with record rates of increase in real output, per capita real incomes, consumer demand, and employment, our seasonally adjusted unemployment rate has remained persistently above 5 per cent. This has occurred even though massive investments were made during the 1960s in education, health, manpower, and regional incentive programs in order to raise the quality of the labour force, meet the demand for new skills, and treat pockets of unemployment selectively and directly. If this has been the situation in times of high economic activity, then in periods of pause and uncertainty such as are being experienced we can expect to face more serious difficulties.

At the same time, the indicators that normally monitor Canada's economic performance have given ambiguous readings. Historically, price increases and unemployment rates have moved in opposite directions as business activity surges and slackens. But since 1970 they have frequently moved in the same direction, raising the issues of inflation and high unemployment simultaneously. Are traditional measurements no longer adequate? Or have there been developments in our labour market that have basically altered employers' hiring decisions or the responsiveness of workers to jobs? And if labour market conditions have changed, is this situation likely to persist into the 1980s?

It was against this background that the Economic Council of Canada announced in December 1972 that it would undertake a comprehensive study of the workings of the Canadian labour market, including, but not limiting itself to, an appraisal of unemployment in the full sense of idle human capacity and the economic hardship that accompanies it. It was recognized, of course, that the overall labour market is composed of a number of fairly separate individual labour markets determined by factors such as occupation, location, market conditions, and personal circumstances.

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In establishing the terms of reference for the study, the Council agreed that research should focus on the dynamics of the labour market and that the overall study should include a review of the structure and character of the Canadian labour force and unemployment in recent years; an analysis of the impact of selected government programs and policies on individual or group decisions to work or not to work; and an analysis of the workings of the labour market, including how imbalances between the supply of, and demand for, certain types of labour might be overcome.

This report is grouped into two parts. The first part summarizes the main findings of our research and presents the conclusions and recommendations of the Council on various issues, in line with the need to remove obstacles to the more efficient and humane functioning of the Canadian labour market. The recommendations cover the following areas of concern: statistical information on labour market activity and incomes; unemployment insurance and manpower services; the direct creation of employment; problems of special groups; and industrial relations. The second part of the report contains the analysis from which the findings were drawn and on which the recommendations were based. It begins with a description of recent developments in the labour market and then goes on to examine the overall flow of men and women into and out of employment and the turnover of personnel in different industries. Selected wage issues are discussed, and the relationship between unemployment and inadequate earnings is examined. There is also an appraisal of government programs and services designed to return unemployed workers to employment or provide income support when work is not available. The analysis reports on assessments of the work aspirations of new and established employees and of how changing values are reflected in the search for employment, the demands in collective bargaining, and the response of employers. It also suggests alternative ways of measuring unemployment and interpreting labour statistics with a view, on the one hand, to identifying the real effects of employment and unemployment on individuals and families and, on the other hand, to gauging more realistically how fully the economy is using its labour potential at different times. Finally, it sets out the results of certain simulations in an attempt to determine the labour force implications for the different age-sex groups associated with several possible future economic scenarios. Methodological considerations and more detailed statistical information are found in the appendixes.

---

This summary highlights the findings of our study on the dynamics of labour market activity in Canada. Our work has focused mainly on the supply aspect of the labour market and on its internal structure. While changing demand factors are of critical importance to the movement of the aggregate unemployment rate, we traditionally examine these phenomena and consider their implications for the medium term in our Annual Reviews. What has concerned us has been the apparent upward drift of the unemployment rate at peak demand, when the economy is harnessing all of its human and material resources and initiative at capacity output, and of course the high levels of unemployment when demand subsequently slackens.

Because work is not performed in isolation from family considerations, or from the changing role and expectations of women and young people, many labour market issues involve more than economic questions, and many are interrelated. It is not possible always to isolate the economic from the social or institutional. We believe, however, that our findings, taken overall, do help to increase our understanding of many significant issues.

### **General Developments**

Since 1961, employment in Canada has increased by 50 per cent – a rate substantially higher than that of any other western nation.

The unemployment  
issue

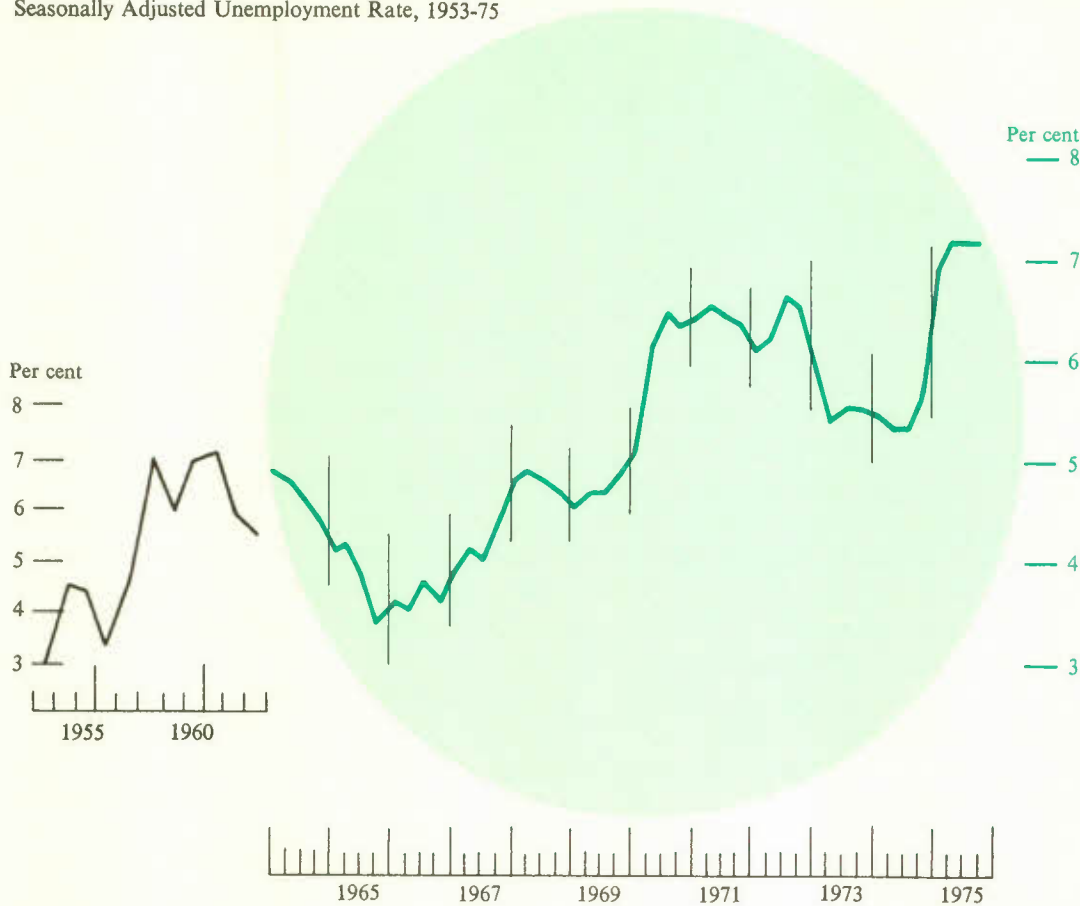
Despite this expansion and several years of strong aggregate demand, the minimum annual rate of unemployment rose from 3.6 per cent in the 1960s to over 5 per cent in the 1970s, and, in periods of slack demand such as experienced recently, the unemployment rate exceeded 7 per cent.

Traditionally when unemployment increases, there is a corresponding decrease in the demand for workers, as indicated by the Help Wanted index and the number of job vacancies. But, during the early 1970s, job vacancies climbed significantly without much moderation in the unemployment rate.

---

Chart 2-1

Seasonally Adjusted Unemployment Rate, 1953-75



SOURCE Based on data from Statistics Canada.

To achieve a stipulated reduction in unemployment today would require a much greater increase in aggregate demand, accompanied by inflationary pressures, than was necessary a decade or so ago. By the same token, to effect a stipulated easing in the rate of price increase would now require proportionately greater sacrifices in terms of idle human capacity.

Despite the recent slackening in output, Canada's rate of real growth averaged 5 per cent annually over the last ten years. However, most of this was due to employment growth rather than productivity increases.

Since 1963 Canada's growth in output per man-hour has been consistently lower than that of all other OECD countries, except the United States. Measured unemployment in Canada has exceeded the rates in all other OECD countries, with the exception of the United States, in recent years.

Employment trends	<p>The higher unemployment rate partly reflects the high degree of job seasonality and the substantially higher turnover rates in Canada than in all other OECD countries. Apart from their counterparts in the United States, Canadian employers have fewer restrictions in collective agreements or legislation limiting their freedom to hire or lay off workers than do their European counterparts.</p> <p>Between 1961 and 1974 male employment increased by 36 per cent; female employment, by 89 per cent. Employment of young people 14 to 24 years of age rose by 91 per cent.</p>
Sources of labour force growth	<p>Overall, half the increase in total employment since 1961 has been in the service industries, including financial institutions, and in the retail and wholesale trades; one-third has been in manufacturing. The share of total employment accounted for by manufacturing and by the primary industries declined in this period. Occupationally, nearly two-thirds of all employment growth since 1961 has occurred in the office, professional, and sales and service jobs.</p> <p>In particular, agriculture's share of employment has declined – from 18 per cent twenty years ago to about 5 per cent today. Only half of all farm operators now identify farming as their major source of income; indeed, until recently, income from non-agricultural activities accounted for close to 60 per cent of farm family earnings.</p> <p>Part-time employment as a proportion of total employment has roughly trebled since 1953, involving 25 per cent of employed women and 6 per cent of employed men.</p>
Youth	<p>Among the regions, from 1953 to 1974, British Columbia and Ontario led the way in employment growth, with British Columbia averaging nearly three times the rate of growth experienced in the Atlantic provinces. For most of the period, employment growth in Quebec, and until very recently in the Prairies, failed to match the rate of expansion in Ontario.</p> <p>Real domestic product per person employed, measured in 1961 dollars, increased from almost \$6,000 in 1961 to over \$8,000 in 1974. Hence a demand stimulus one-third higher, in real terms, than fifteen years ago would now be required to create the same amount of employment.</p> <p>Four factors on the supply side have contributed to the 3.3 per cent average annual increase of the labour force in Canada since the early 1960s: the increase in the working-age population resulting from the postwar "baby boom"; the flow of immigrants who have traditionally accounted for 20 to 35 per cent of labour force growth; the decline in emigration from Canada since 1968; and the growing propensity of women of all ages to work. In 1973 and 1974, more than one-third of the substantial labour force growth could be attributed solely to increases in the participation rates of young people and women.</p> <p>One of the effects of the baby boom was to increase the annual labour force growth rate from roughly 1 per cent annually in the 1950s to well over 2 per cent in the late 1960s and early 1970s. This represents an increase each year in the number of young people leaving school and seeking work for the first time, from less than 60 thousand a generation ago to around 200 thousand today.</p>



Participation rates for young workers (14 to 24 years old) declined from the early 1950s to the late 1960s as a result of the greater emphasis on education. Since then, however, the rates have increased sharply, and more than a quarter of the labour force is now in the 14-24 age group. A surprising number – over 20 per cent – are full-time students, most of whom hold part-time jobs during the school term.

Canada has traditionally absorbed more immigrants per capita than any other western nation, except Israel. Between 1961 and 1971 over 1.4 million immigrants entered Canada. But, during the same period, 800 thousand Canadian residents emigrated. Since then, between 120 and 220 thousand immigrants have entered Canada each year and about 50 thousand persons have emigrated annually. About half of all immigrants enter the labour force.

Immigrants

The female labour force has grown by about 5 per cent annually compared with 2 per cent for males. Many factors have contributed to this remarkable change in the role of women. Their rising educational levels, their exercise of more choice in matters of family planning, the changing industrial and occupational requirements, and the employment opportunities accompanying urbanization, have enabled more women to seek full-time or part-time jobs and remain in the labour force. As well, changed perceptions of their role as contributors to the support of their families has led more and more married women to take full-or part-time jobs. Today about 60 per cent of all the women in the labour force are married, compared with 10 per cent thirty-five years ago.

Women

The annual increases in female participation rates have shown definite cyclical trends. In general, more women tend to seek out jobs during years of strong economic growth and, while fewer enter the labour force in slack years, fewer withdraw.

In line with the greater numbers of women in the labour force, their relative share of unemployment has also risen. The unemployment rate for women averaged 6.4 per cent for 1975. Women currently account for more than one-third of the labour force and about 32 per cent of unemployment.

Unemployment among women and youth

Similarly, among young people aged 14 to 24, unemployment rates in 1975 averaged 10 per cent for females and about 15 per cent for males. Young people account for half of all unemployment but only one-quarter of the labour force – an indication that many are seeking work for the first time, more readily accept part-time or part-year work without too much concern for job security, or voluntarily leave the jobs they hold in search of a more rewarding career.

### Labour Market Flows

In any real life situation there is a continuous process of turnover as workers quit, are laid off, retire, and enter, or withdraw from, the market. There is also a parallel process on the job side, as employers initiate and terminate jobs,

integrate production, and go into, or out of, business. The complexities inherent in these processes and flows are enormous and, while they are necessary accompaniments of the healthy development of a growing economy, they offer no assurance of a quick or efficient matching of unemployed workers with vacant jobs.

The overall patterns

At any given time in 1975, over 10 million Canadian residents were employed or looking for work. But not all were in the labour force for a full year, and another 2.5 to 3 million worked some time during the year. Of the approximately 13 million total participants, possibly 5 million or more changed jobs, entered or left the labour force, or experienced unemployment at least once during the year.

Using 1972 flows as an example, a net increase of almost 0.3 million was added that year to an original labour force of 8.7 million. But, during the year, there were 2.5 million moves from outside the labour force into employment and 0.5 million moves from outside the labour force into unemployment; these flows were offset by reverse flows of 2.7 million and 0.2 million, respectively. In addition, there were net external population flows into the labour force of 0.2 million as a result of children maturing, or immigration, emigration, and deaths. Overall there were about 4.5 million individual movements into employment and a comparable number out of employment.

A significant element in labour market flows is seasonality. For example, the number of students holding jobs increased to 910 thousand in July. A substantial flow from employed to outside the labour force took place between August and September. An opposite seasonal pattern occurs among women aged 25 to 64.

In September 1972, with the recommencement of school, net employment dropped by 390 thousand. Included in that figure were at least 844 thousand job separations, with 732 thousand persons leaving the labour force and 112 thousand becoming unemployed. On the other hand, there were 454 thousand new hirings, of which 300 thousand persons came from outside the labour force, 138 thousand from the ranks of the unemployed, and a net of 16 thousand from a change in the working-age population. By the next month, net employment was up by 14 thousand, and there was only a modest change in the numbers reported unemployed. But, along the way, over 300 thousand persons had quit their jobs or been laid off, and 300 thousand had been hired.

Of those Canadians identified as having moved in and out of the labour force during 1975 and having worked only part of the year, about one-third were males and two-thirds were females. Where the net reported participation rates for men and women aged 14 and over averaged about 78 per cent and 41 per cent, respectively, over the recent past, the actual rates of participation of those in the labour force some time during the year were closer to 88 per cent for men and 58 per cent for women.

On this basis, if all persons employed some time during the year were considered employed for a whole year, there would be about 113 men and 144

women working some time in the year for every 100 men and 100 women reported active on a month-to-month basis in the Labour Force Survey.

This changes our perception of unemployment. Take a relatively buoyant year with, say, 5 per cent aggregate unemployment, calculated on a month-to-month basis. If, instead, one were to measure unemployment on an annual basis, one would find that one out of six Canadians working full-time or part of the year – 20 per cent of the men and 14 per cent of the women – becomes unemployed some time during the year. The proportions are particularly high for young people under 25 years of age. Close to 30 per cent of the young men and about 20 per cent of the young women become unemployed, on average, for a period of three months.

The lower yearly incidence of unemployment among prime-age females than among prime-age males may seem curious, in view of women's less firm attachment to the labour market. The reason appears to be that, although women flow into and out of jobs more frequently than men, once they become unemployed, they are more prone to leave the labour market, whereas men continue to look for work.

Moreover, men are more subject to seasonal unemployment. One study for the Council has suggested that 95 per cent of all persons seasonally unemployed are males. While this figure may be suspect statistically, because of the offsetting flows of women into and out of jobs on a relatively temporary basis, the evidence is that the construction, agriculture, fishing, forestry, and trapping industries – all characterized by male work forces – account for over 64 per cent of seasonal variability in employment in Canada.

For practically all age-sex groups, the probable duration of idleness, once unemployed, lengthens as the unemployment rate rises. For any individual, the likelihood of remaining unemployed increases with the length of time already unemployed.

The duration of unemployment is of critical concern. If jobs are unavailable, individuals have little control over the situation; but if jobs are available, their remaining idle becomes an issue. For example, if it were possible to reduce the reported overall average duration of unemployment by one month, this alone would lower the aggregate unemployment rate by close to 2 percentage points.

According to an Economic Council survey, turnover rates – discharges and quits as a proportion of average annual payroll – average about 28 per cent across industries but range from a low of about 3 per cent to a high of close to 130 per cent. Not surprisingly, firms in the mining, pulp and paper, and wholesale and retail trade groups showed the highest individual rates in our sample; banks, other financial enterprises, and manufacturing had about average rates, while utilities and integrated oil companies reported lower-than-average turnover. For the most part, turnover rates tended to be significantly higher for females than for males.

Flows and the stock  
of unemployed

Duration of  
unemployment

Turnover



Among companies in the same industry, turnover rates in some firms were many times higher than in others. While undoubtedly there may be good reasons for these differences, the results suggest substantial room for improvement in personnel strategies and working conditions in some companies.

Other data attest to the occupational mobility of Canadians. Canada Pension Plan records indicate that, on average, the length of time people stay with the same employer is relatively short – two to three years for women (longest in the Atlantic region, shortest in British Columbia) and three to four years for men (longest in the Prairies and shortest in the Atlantic region). Among young people, on average, duration is less than one year for males and 1.5 years for females. Among males aged 25-44, only 32 per cent of the Atlantic group, about 36 per cent of those in Ontario and British Columbia, and 43 per cent of those in the Prairie provinces, held the same jobs in 1973 that they had in 1968.

### Wage Issues

Industrial employment,  
output, and wages

Between 1961 and 1974 substantial modernization (and productivity gains) occurred in agriculture, forestry, and mining. Real plant and equipment per person employed increased by over 80 per cent in all three industries, compared with 30 per cent in manufacturing and less than 5 per cent in the wholesale and retail trades. This process involved the substitution of machines for manpower and contributed to absolute declines in employment in agriculture and forestry, and only marginal increases in mining. As a result, by 1974, average hourly earnings in forestry and mining were 180 and 150 per cent higher, respectively, than in 1961. (In comparison, the cost-of-living increased 67 per cent during the same period.)

The construction industry recorded equally substantial wage gains, mainly because of vigorous local bargaining and the use by employers of labour-saving techniques, prefabricated and precast materials, and a great deal of rented heavy equipment.

By contrast, money wage gains in the services sector by 1974 amounted to less than 120 per cent of the 1961 level.

These wage developments reflect both demand and supply conditions. Increasing urbanization, education, and female participation have released a flow of young white-collar and service-oriented workers to match the growth of demand for their labour in these sectors. By contrast, the supply of blue-collar workers and unskilled labour to the logging camps, mines, and construction sites from rural towns and farms, or from abroad, has shrunk measurably. In 1974, for example, weekly earnings among service workers averaged roughly 50 per cent of the earnings in construction, compared with 67 per cent in 1961.

The unit costs for almost all the resources entering into the productive process have risen substantially in recent years. Money wage gains per employee averaged



close to 7 per cent annually between 1966 and 1973 and over 12 per cent in 1975. With estimated productivity during the same period increasing at a rate closer to 2 per cent, the result was clearly incompatible with stable prices.

By the same token, the inflation of the last few years has eroded most of labour's wage gains; indeed, in some sectors, it has actually reduced real incomes.

Canadian wages in most sectors are now equal to, if not above, those in the United States. For instance, since the start of the 1960s the gains in weekly wages in mining and manufacturing in Canada have run 40 per cent higher than those achieved in the United States, and the gains in Canada's services sector have been about 20 per cent higher than those in the United States. The relative Canadian gains would appear even greater if put in hourly terms. Moreover, while fringe benefits in the United States may exceed those in Canada, ours have been catching up to U.S. levels.

Perhaps partly as a result of these wage gains in Canada, the net flow of landed immigrants between the United States and Canada has been reversed. The number of Americans immigrating to Canada now exceeds that of Canadians emigrating to the United States.

How long these higher relative wage increases will persist is uncertain. The recent weakening of commodity prices and export sales, along with the more rapid rise in total unit costs in Canada than in the United States, could reverse the real gains. There has already been some reduction in the external value of the Canadian dollar.

With rising wages and prices, there is some evidence that employers have become unusually selective in their hiring practices. In 1973 and 1974, Canada Manpower Centres reported a lower success rate in filling employers' requests for workers, despite an increase in client referrals.

Although job vacancies hit all-time highs in 1973 and 1974, 54 per cent of the jobs were in the semi- and low-skilled categories, offering pay rates roughly 15 to 25 per cent below the average for those occupations. Many were with marginal enterprises or offered tough working conditions and no job security.

In short, the Job Vacancy Survey seems to be capturing not just the genuine growth occupations, but also those in which employers have recruiting difficulties because of the nature of the work or its low level of pay, as well as sectors that are prone to discontinuous jobs and serious cyclical or seasonal fluctuations.

That women today are reasonably realistic about their opportunities to work and raise a family seems evident from the pattern of female labour force activity described earlier. What it means, however, is that at age 16 a man's expected job life exceeds forty years; a woman's, just over twenty years. And, while more women than men complete Grade 12 before entering the labour force, fewer women enter with university qualifications. These factors inevitably influence their relative wage opportunities.

Despite the problems of standardizing for education, experience, and age, there is some indication that male/female wage differentials for the same occupations –

Canada–United States  
comparisons

Wages and the job-  
matching process

Wage developments  
for men and women

in many sectors ranging between 10 and 20 per cent – are being reduced. But progress is slow.

It seems evident, however, that women are overconcentrated in the least organized low-paying occupations and industries and are underrepresented in those that are organized and better-paying.

The organized and unorganized sectors

Despite some significant advances in trade union organization in the postwar years, only one-third of all wage- and salary-earners are now organized. This proportion is about the same as in the United States and West Germany but much lower than in the Scandinavian countries, Belgium, and Austria, where the proportion runs between 60 and 80 per cent of paid workers.

A recent study of Canadian union/non-union wage differentials compared wages and working conditions in Ontario. The study's findings, which should be interpreted with caution, indicate that average hourly wages of production workers in unionized manufacturing enterprises were 10 to 17 per cent higher than those in unorganized enterprises. The wage differential between organized and unorganized workers was particularly evident for unskilled blue-collar workers; for women, it was narrower for the skilled occupations and, for male white-collar workers, it was non-existent. The study also found that, in addition to higher pay, organized employers contributed almost 19 per cent of the wage bill to fringe benefits compared with 13 per cent by unorganized firms. More recent data show that in large firms, most of which are organized, fringe benefits now add close to 28 per cent to payroll costs.

Labour standards and minimum wages

The limited extent of unionization and collective-bargaining coverage makes large groups of wage- and salary-earners highly dependent on the enforcement of minimum wage and employment standards legislation. Between 1969 and 1975, the minimum wage rate doubled in almost all provinces and in the federal jurisdiction; at the beginning of 1976 it ranged from \$2.30 to \$2.80 per hour. Remaining male/female differentials were eliminated. The result was to increase the legislated minimum wage in most provinces relative to the average rate in manufacturing. In 1969, the average provincial minimum wage rate was 46 per cent, and in 1975 it was 53 per cent of the average manufacturing wage.

The few studies done on the subject show that past increases in provincial minimum wage rates have had relatively little impact on employment. Perhaps the main effect has been to force managers to make more efficient use of labour and to encourage some capital/labour substitution and greater use of part-time workers. Overall, this implies some relative diminution in the demand for labour.

Our estimates suggest that, among those receiving unemployment insurance benefits, fewer than 14 per cent of the men but more than 50 per cent of the women had previous weekly earnings that were close to, or less than, what persons would receive if they were paid at the federal or provincial minimums and worked a forty-hour work week. However, these figures have to be interpreted with caution, since unemployment insurance beneficiaries' wages tend to be considerably below the national average, and many work less than a full week.

Earlier but more representative estimates for the labour force as a whole show that, of all persons whose weekly earnings are equivalent to, or less than, the federal minimum wage rate for a forty-hour week, close to half are married women whose husbands are working; one-third are married men, about one-half of whose wives are working; 10 to 15 per cent are single; and 10 per cent are women who are sole breadwinners.

If the Ontario situation is an accurate gauge, 90 per cent of the violations of employment standards legislation involve some form of non-payment of wages.

In 1974, 9.3 million man-days in Canada were lost because of strikes and lockouts. This represents about one working day per year for each employed person in Canada. And this does not measure the indirect costs to the economy.

. . . and collective bargaining

The incidence of industrial conflict has risen perceptibly in recent years in tandem with the climb in consumer prices. The percentage of workers involved in strikes or lockouts in Canada is about average for the western countries. Currently, however, the length of time required to settle disputes once a strike or lockout has occurred greatly exceeds that in many other countries.

Another manifestation of uncertainty and inflation has been the trend towards shorter contracts and the inclusion of a cost-of-living clause in many collective agreements.

The recent expansion of collective bargaining in the transportation, communications, and white-collar sectors, and particularly in the public and quasi-public services, has caused serious inconvenience for the public and allowed each disputing party to use public concern as leverage to secure a more favourable settlement. How the public interest in these cases should be safeguarded remains a crucial issue.

Average money income per family in Canada increased by 67 per cent between 1967 and 1973, from \$7,602 to \$12,716. Because of the trend towards smaller families, the increase in average per capita income in families was even larger – 82 per cent. Much of the real gain in family income stems from the fact that more family members are working today than ever before. Half of all families today report two or more income-earners.

Family income

With the enriched social security system and greater labour force participation by wives and other family members, the incidence of low-income families has fallen. Using the Council's traditional criterion of family spending requirements, the incidence of poverty among families dropped from 18 per cent in 1967 to 11 per cent in 1973 and, among unattached individuals, from 39 per cent to 33 per cent.

Poverty does not normally accompany employment. In 1973, of families whose primary earner was employed at the time of the survey, only 5 per cent fell into the poverty group.

In half of the families where unemployment occurred, according to 1971 data, average family income was higher than that of families with no unemployment. This surprising finding was a direct result of the net contribution of supplement-



tary breadwinners to the family income, which more than compensated for the periods of unemployment they endured.

Roughly two-thirds of the unattached individuals with low incomes are either students or old-age pensioners not looking for work.

### The Job Search and Manpower Programs

#### The local labour market

Employment opportunities for different family members vary widely in Canada among regions and between urban and rural areas and, as a result, so do participation and unemployment rates. According to the 1971 Census, for instance, the participation rates for males aged 15 and over were 82 per cent in Toronto and 55 per cent in some Newfoundland constituencies; the corresponding rates for females were 50 per cent in Toronto and as low as 15 per cent in Newfoundland. Presumably, if participation rates in Newfoundland were comparable to those in Toronto, unemployment in Newfoundland would be much higher than is now recorded.

In larger centres there are more opportunities for supplementary earners to work, change jobs, search for more satisfying ones, or withdraw from the labour market. And, since Unemployment Insurance Commission (UIC) regulations require at least eight weeks' work in order to qualify for benefits, a wife has a better chance of building up these entitlements in a city than in a small town.

Such factors partially explain rural/urban employment and earnings discrepancies and the growing reluctance of city-dwelling families to move to jobs in outlying areas that are often well-paying, even when they are confronted with unemployment at home. If their unemployment is only temporary or seasonal, if they are entitled to UIC benefits, or if a spouse already has a job, it may be just common sense not to move to highly specialized short-term jobs or to areas where jobs are not available for other members of the household.

#### Geographic mobility

To move from an outlying depressed region to an urban growth area is not easy, except for the young. Differences in shelter costs alone can more than offset the real wage gains. Sources of credit, friends, and social organizations are forgone. Nor is there necessarily any matching of occupational skills and jobs, particularly for older workers. Hence, in small communities subject to seasonal peaks and troughs, there is frequently a need for assured family income by contributory income stabilization programs, by direct employment initiatives, or by unemployment insurance or social assistance.

Those who move to another locality experience no significant gain in income during the first year over those who do not move. Over the longer term, however, those who move once or twice enjoy higher incomes. Those who move three times or more have lower incomes than those who stay in a community.

Despite the constraints, there is in fact a surprising amount of geographic mobility of labour in Canada. About 7 per cent of all working Canadians move between

mailing localities annually (2 per cent between provinces), with rates ranging from about 14 per cent for young men and women to 4 per cent for those over 35. This represents about 700 thousand workers, which, compared with the roughly 2 million Canadians unemployed some time in the year, is quite substantial.

A study by Statistics Canada in 1971 suggests that, of those who periodically engage in a job search, roughly one-third are already employed; one-third are unemployed; and one-third are from outside the labour force – students, wives, newly arrived immigrants. As implied by our turnover data, roughly half are under 25 years of age.

Over the course of five months, only half the seekers found jobs. One-third of them found acceptable full-time jobs; one-fifth took part-time or temporary jobs; and more than one-third got no job offer at all. And few of those unemployed at the beginning of the period had the option of declining a job offer in favour of waiting for a better one.

Generally, the persons surveyed indicated that they had not searched vigorously for a job. They averaged fewer than two responses to ads or contacts with employers per month. Young people were slightly more active in their search and were more willing to accept temporary jobs.

The most successful search method was to go directly to employers. Canada Manpower Centres (CMCs) are used extensively, but with only limited success. Fewer than one in six job-searchers find employment through CMCs, although three out of four contact the Centres.

Conversely, Canada Manpower Centres fill between two-thirds and three-quarters of the 1 to 1.5 million jobs registered with them by employers.

In Canada, as in most other countries, neither employers nor employment agencies are obliged to register their vacancies with CMCs. CMC counsellors thus handle only an estimated 25 to 30 per cent of total hirings. Moreover, the jobs registered with CMCs tend to include a disproportionate number with low wages and low-skill requirements, or they are in the high-turnover primary sectors. These conditions obviously have an adverse effect on the public image and the effectiveness of CMCs.

And, since most UIC and employable welfare claimants are referred to CMCs, in any one month there is likely to be six times as many clients seeking jobs as there are jobs registered by employers. One can understand, therefore, the frustration of both job-seekers and CMC counsellors, particularly when two out of three CMC referrals to employers are turned away.

In addition to the 65 to 125 thousand placements that CMC counsellors make each month, they may refer another 30 to 90 thousand persons, depending on the time of year, to institutional or on-the-job training courses. While undoubtedly the training programs have assisted in raising skill levels and in the re-employment of persons previously unemployed and have quickened the re-entry of married women into the labour force, they have not by themselves achieved the original objective of reducing structural unemployment.

The job search process

Canada Manpower services

Many provincial community colleges and CEGEPS have come to rely on federal adult training funds to cover part of their overhead and course costs. This continuing reliance limits the flexibility of both levels of government to develop new training options to fit changing local situations or to alter the funding in a major way.

Job-creation programs

Apart from the incentive grants available through the Department of Regional Economic Expansion (DREE), the federal government's main employment-creation programs have been the Local Initiatives Program (LIP) and the Opportunities for Youth (OFY) scheme, both of which have been administered by the Department of Manpower and Immigration and have served primarily to offset seasonal unemployment. In 1971 and 1972, LIP provided work for about 85 thousand persons over three or four months of the winter. OFY, for which federal funding has been discontinued, offered summer jobs to about one-third that number of students. The programs were unique and relatively successful, but they pointed up several problems common to most contraseasonal programs. In the small towns, where seasonal unemployment is usually highest, there is a limit to the number of practical projects; in larger centres, the need is mainly for services, but these usually call for continuity and require support from community organizations.

From their inception in 1971 through to 1975, LIP grants created approximately one-quarter million jobs. But, since LIP projects are temporary, virtually all these jobs were subsequently terminated.

Thus, while LIP grants undoubtedly have local significance, our overall findings show that they have relatively little impact on reducing measured unemployment below levels that might be achieved through similar government expenditures or tax cuts. The program did create new jobs temporarily but, when averaged over the full year, only about on a par with the net increase in the number of persons who entered and stayed in the labour force as a result of the program.

Nor does LIP appear, as once hoped, to constitute a significant stepping stone back into year-round employment for unemployed or marginal workers. Rather, for a substantial majority of the participants, LIP jobs offer temporary sources of employment, preceded, and ultimately followed, by unemployment, labour force withdrawal, another LIP job, social assistance, or some combination of these.

In Quebec, for instance, 55 per cent of all the participants in the 1972 and 1973 LIP programs for that province received, on average, between fifteen and forty-five weeks' unemployment insurance benefits during the twenty or so months following the LIP project. Another 10 per cent alternated long periods of unemployment insurance benefits and social assistance, and 5 per cent took adult training courses. Of the remaining 30 per cent who required no government income payments in 1972 and 1973, at least some of them probably withdrew from the labour force and went back to keeping house.

Impact of immigration

The Department of Manpower and Immigration's Green Paper on Immigration and the subsequent hearings of the Joint Parliamentary Committee have



helped to focus public attention on immigration issues and policies. The Green Paper's cautiousness, particularly in matters of demographic growth and cultural and ethnic mix, stands in some contrast to earlier federal assessments in the White Paper on Immigration in 1966 and the subsequent Report of the Royal Commission on Bilingualism and Biculturalism.

The rapid expansion of metropolitan areas in Canada at a rate of 3 per cent per year, compared with 2 per cent for medium-sized towns and cities and 1 per cent for villages and hamlets, reflects the fact that most new investment is taking place in or around the metropolitan areas. The movement of population, native-born and immigrant, to these growth areas follows naturally. Similarly, the less-than-proportionate flow of immigrants into Quebec reflects its slower pace of investment.

The proportion of foreign-born in Canada today – about 15 per cent – is not significantly higher or lower than traditional levels. Fewer than one out of forty Canadian residents are of coloured, non-native origin.

By the early 1980s, Canada's labour force growth, even with traditional immigration levels, will fall to a rate witnessed only once before, in the 1930s. However, an important factor affecting the flow of future working immigrants into Canada will still be the general pace of economic activity and the level and locus of new investment.

### **Unemployment Insurance and Related Income Support Measures**

Overall, roughly two-thirds of all men and less than one-half of all women in Canada work year round at full-time jobs.

Workers in highly seasonal industries, or in activities marked by job discontinuity, rely extensively on the unemployment insurance system. Construction workers in particular draw heavily on the system – a reflection of winter unemployment rates that rise as high as 25 per cent in that industry.

Unemployment insurance covers virtually all employees and, subject to certain eligibility conditions, provides weekly benefits to unemployed persons who have had at least eight weeks' working experience in the preceding fifty-two weeks. Financed by joint employer-employee contributions, supplemented where necessary by federal contributions, the UIC distributed over \$3 billion in benefits in 1975. Of this, about half was federally financed.

By international standards, the benefit rates of two-thirds of prior wages (subject to a maximum of \$133 per week at the beginning of 1976) rank with the most generous of the unemployment insurance systems in the European countries; they are considerably higher than in the United States. The period for which benefits are payable – up to fifty-one weeks – is extensive, and eligibility requirements are considerably more liberal than those in other countries.

Role of unemployment insurance

## The beneficiaries

The interaction of seasonal or discontinuous jobs and unemployment insurance is evident from the work history of unemployment insurance claimants. We estimate that about half the UIC beneficiaries worked regularly for less than six months, and two-thirds for less than a year, prior to filing their claims.

As of April 1975, male recipients were receiving an average of \$95 in weekly benefits, and females an average of \$68, for about fifteen weeks at a stretch.

In relation to the numbers of unemployed reported by the Labour Force Survey, women over 25 draw disproportionately from the system. Indeed, for every two women over the age of 25 reported unemployed in some months, three are drawing regular unemployment insurance benefits. This phenomenon cannot be explained by the sickness and pregnancy portions of the scheme, since only regular benefits are considered in these calculations. A more likely explanation is that some married women may be less than serious about seeking work, and there is a fine line between being defined as in or out of the labour force.

By the same token, proportionate to their numbers among the unemployed, as reported by the Labour Force Survey, fewer young people under 25 draw unemployment insurance benefits. This probably reflects the fact that many are new entrants into the labour market, with insufficient working experience to be entitled to benefits.

Impact of 1971  
UIC revisions

The wider coverage and higher benefits introduced into the unemployment insurance program in 1971 have probably had four general effects; some increase in voluntary quits, layoffs, and turnover because of reductions in the cost to individuals of periodic bouts of unemployment and an easing of the responsibilities of employers for layoffs or sickness and maternity; less incentive for some unemployed individuals to search vigorously for work until the end of their benefit period; an inducement for others outside the labour market to seek work in the knowledge that they could thereby qualify for the more generous benefits; and finally, in the larger sense, a selective stimulus to the economy through the transfer of hundreds of millions of dollars to individuals and communities affected by unemployment.

Various estimates of these interacting processes have been made. All suffer from the danger that they attribute phenomena related to a wider range of causes to a single legislative revision. However, they suggest that, on the stimulative side, the additional expenditures from the 1971 revision of the Unemployment Insurance Act contributed in 1972 to the employment of about 80 thousand additional persons, accompanied by induced additional unemployment of around 0.7 percentage point, or 60 to 75 thousand persons. The induced unemployment appears to have been more pronounced in the Atlantic and the Prairie provinces and among women.

In the process, the number of unemployment insurance claimants greatly increased, but so did the number of disqualifications. The number of beneficiaries increased roughly in proportion to the broader coverage provided in the revised unemployment insurance provisions. The more generous benefits unquestionably improved the well-being, and supplemented the purchasing power, of millions of



Canadians. Perhaps inevitably they also had the effect of prolonging the period before some persons, once on benefits, accepted a job. Between 1968 and 1973, the percentage moving off benefits in less than five weeks dropped from 36 per cent to 24 per cent among women, and from 46 per cent to 22 per cent among men.

There are over 500 thousand social assistance cases in Canada each year. Counting dependants, about 1.3 million persons rely on social assistance. The incidence of welfare involves from 15 per cent of the population in Newfoundland to 8 per cent in Quebec and 4 per cent in Ontario – a result partly of differences in economic opportunities and partly of differences in family size.

Social assistance

The vast majority of welfare recipients are not employable. Half are permanently handicapped through chronic illness, disability, or old age; one-third are unable to work because of temporary illness or because a spouse is absent and children must be cared for. Not more than one-quarter of the recipients would be available for employment if jobs and adequate supporting services were available. Their number rises and falls with economic conditions and includes workers who have exhausted their unemployment insurance benefits and others who are marginal farmers or farm workers or who live in remote areas.

Virtually all of these employable recipients work for some periods, but mostly in very marginal or short-term jobs. Enrichment of the unemployment insurance system has undoubtedly reduced to a degree the numbers of unemployed having to turn to social assistance, but nine out of ten receiving aid this year also drew welfare last year.

The choice between working or staying at home and accepting welfare is particularly difficult for single or divorced mothers of young children, who often have limited work options. Nonetheless, most women appear to want to be self-sufficient, despite the fact that in many cases their earnings are close to, or below, recognized poverty levels.

Working parents and child care

Thirty-five per cent of the mothers of young children – under 16 years of age – work or are available for work. According to a Statistics Canada survey in 1973, if suitable child-care arrangements were available, 47 per cent would become employed. Working mothers now account for 12 per cent of the total labour force.

The number of day-care centres doubled between 1971 and 1974, and the number of spaces in the centres tripled. But day-care centres still accommodate fewer than 3 per cent of the children of working mothers. For another 15 per cent of them, other paid arrangements are made for their care while, for more than 80 per cent, a variety of non-paid arrangements are worked out.

Government day-care subsidies under the Canada Assistance Plan tripled between 1971 and 1974. These represent roughly 40 per cent of day-care-centre expenditures; however, they constitute less than 5 per cent of total paid-care arrangements. While all types of centres are expanding, the number of non-profit types (community, parent co-op and, to a lesser extent, public) has increased

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much more rapidly than that of the commercial kind. Non-profit centres account for more than half of all centres, compared with less than one-fifth in the late 1960s.

Old age security

Private pension plans cover few more than one-third of all persons in the labour force.

In some cases, such as in the construction trades outside Quebec, the unions have made pension provisions for their members, but they have been hampered by their inability to register for tax purposes the schemes without employer contributions and to provide portability to tradesmen moving from one activity or union affiliation to another.

These facts highlight the advantage of Canada's universal pension plan system, which is among the world's most generous both in coverage and in benefits.

Most private pension plans provide for full vesting – the “locking in” of contributions to a retirement annuity – only after ten years of service and a stipulated age. But, as we have seen from Canada Pension Plan data, the average worker stays with an employer less than five years.

This means that the majority of workers arrive at retirement with no pension rights other than those available through the universal Canada/Quebec Pension Plans. It may also be one of the reasons why, despite the automatic availability of public pension benefits at age 65, three out of ten Canadian men between the ages of 65 and 69 are working.

### Attitudes towards Work and Jobs

All the evidence, including the nature of the flows described earlier and the findings reported in several recent studies of Canadian work values, indicates that Canadians are strongly motivated to work and generally hold jobs not only because they have to, but because they like to.

Attitudes of workers

According to these studies, Canadians as a people regard work as the main vehicle to success, broadly defined; in terms of personal satisfaction and self-fulfilment, they rank work second only to family, or sometimes friendship, ties.

The vast majority of Canadians would prefer suitable work to unemployment insurance, but about one out of three would accept unemployment insurance rather than work at the minimum wage, recognizing no doubt that, at the wages they could command, their UIC benefits would exceed the minimum wage. In fact, one-third of unemployment insurance beneficiaries – over one-half of the males and one-tenth of the females – draw unemployment insurance benefits that exceed the minimum wage in their province.

The surveys confirm the importance of pay, advancement, and fringe benefits as fundamental factors in the decision to accept a job. But, once in a job, the greatest personal satisfaction seems to derive from having enough authority and information to be able to work effectively, from friendly co-workers and supervisors, and from interesting assignments with visible results for one's efforts.

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Many of those interviewed, especially young people, believe their abilities are not being fully utilized in their current jobs. The most frequent complaint is the lack of opportunities for promotion or a career.

Education is today primarily oriented towards white-collar rather than blue-collar jobs, and many young people enter the world of work with limited knowledge of how their education relates to job opportunities.

Somewhat surprisingly, given the extent of female labour force participation, almost 60 per cent of respondents of both sexes replied in the affirmative to the survey question of whether a woman's place is in the home. But 57 per cent of women and 41 per cent of men were of the opinion that women should earn money to help with the running of the household.

Less surprising, in contrast to men, women generally put more emphasis on amenities and conveniences than on pay and opportunities for promotion. Many indicated little interest in a career and a lack of concern over periodic unemployment. Among women who plan to continue working, however, interesting and challenging jobs, good opportunities for promotion, and good interpersonal relations are as important as for men.

The attitudes of most French- and English-speaking Canadians towards work are generally similar. Differences between Francophone and Anglophone workers and managers seem to be narrowing, as experience, training, and responsibilities become increasingly similar.

The limited evidence available indicates that, although not all the expectations of immigrants are being realized, they are generally satisfied with the job opportunities found here, and their rate of turnover is about the same as that of other Canadians.

In a survey of large corporations, employers reported that young workers were more responsive to change, use more initiative, are eager to accept more responsibility, and want to advance at a faster rate than their predecessors; on the other hand, the allegation is that they exercise less care in their work and show less respect for work discipline.

Views of employers

Employers also expressed concern about turnover and absenteeism among females and acknowledged that they could use women's talents considerably more effectively than they do at present. Unskilled and semiskilled production workers recorded high turnover rates and absenteeism as well. Employers perceived the main factors contributing to voluntary quits to be higher pay or better opportunities elsewhere and personal reasons such as health, family considerations, or a desire to return to school. While working conditions and location were not accorded high significance by employers, the wide variation of turnover rates among firms in the same industries suggests that they may not be unimportant.

Interestingly enough, employers did not regard unemployment insurance as an important factor in prompting workers to leave their jobs. On the other hand, they acknowledged that unemployment insurance makes it easier for people to leave jobs for other reasons and to be more selective in their search for a new job.



Most employers took the view that increased plant mechanization and automation, and improved supervision, offer more potential for improving productivity than "job enrichment" or reorganization of the work place. Most were reluctant to experiment, in the absence of strong employee pressure or more convincing evidence that such changes would be beneficial.

Labour union  
attitudes

Labour unions continue to be mainly concerned with wages, working conditions, and job security, including health and medical protection. With respect to work/leisure choices, they have tended to emphasize reductions in the work year (longer vacations) or work life (earlier retirement) rather than a shorter work week. Concern for job security has taken several forms, foremost of which are seniority clauses or practices.

The issue of the content of jobs is a delicate one, in that it involves a balance between management rights and legitimate union concerns. While unions officially have viewed job experimentation or enrichment with some caution, there is some evidence that union representatives, along with employers, are taking more interest in this area.

Over the years, of course, there has been a substantial humanization of working conditions in factories, offices, and stores. Over the next decade, the challenge will be to increase the number of interesting and rewarding jobs. Indeed, educational projections indicate that by 1985 half of the young people leaving school to take permanent jobs will have at least some postsecondary education, along with the aspirations that accompany such training.

Another area attracting increasing attention is that of occupational health. Evidence is growing that many occupational diseases are not recognized or reported and that some become apparent only after considerable time has elapsed. Research and training in the field of occupational health are sadly lacking in Canada.

### Interpreting the Measurements of Unemployment

Higher "normal" rates  
of unemployment

The official Canadian and U.S. measures of employment and unemployment are based on techniques that are different from those used by a number of major European countries. The Canadian monthly Labour Force Survey samples a representative panel of 30 thousand families, one-sixth of whom are replaced each month. With the introduction of a new Labour Force Survey in 1976, it is expected that, by 1977, the sample will include 50 thousand families. Britain, France, and Germany draw on the registration data of their public employment agencies.

However, the differences in measuring unemployment do not account for that rate being persistently higher in Canada than elsewhere. Studies that have reconciled the concepts and the measurement methods affirm that the Canadian and American rates are higher than those of most major industrialized countries of Europe.

Evidence suggests that the amount of measured structural and frictional unemployment has been increasing; unemployment and job vacancies, for example, are coexisting at considerably higher rates in the seventies than in the fifties or sixties.

There has not been much change in the unemployment patterns of each region. The extremes of structural unemployment associated with certain industries or occupations have narrowed as workers have moved out of the seasonal and high-unemployment sectors and as the numbers of unskilled labourers have diminished. On the other hand, with the more than proportionate increase in young people and women seeking jobs, differences in age/sex patterns of unemployment have widened.

One measure of the structural matching of workers and jobs through the cyclical phase of the economy has been the relationship between monthly or annual unemployment rates and job vacancy rates. Through the cycle, a fairly stable inverse relationship is expected; that is, when demand increases, job vacancies increase and unemployment drops and, when demand slackens, job vacancies drop and unemployment increases. But in the past few years this relationship has substantially altered, in the sense that unemployment has not responded as anticipated to changes in demand, as measured by job vacancies.

Our analysis has suggested that the Job Vacancy Survey is not an unbiased indicator of aggregate demand, although it is undoubtedly useful with respect to particular occupations. Neither is the Help Wanted index of the Department of Finance free of shortcomings as a statistical measure of aggregate demand.

As a measure of cyclical phase, the aggregate unemployment rate must be regarded with caution. When compared with other major indicators of economic activity, the unemployment rate tends to lead at peaks and to lag at troughs. However, other labour market indicators of cyclical phase, including job vacancy data and wage changes, individually yield no more certain results.

The unemployment rate covers groups that are, it could be argued, not truly part of the work-force core. The evidence shows, for instance, that if part-time job-seekers were excluded from the unemployment count, the effect would be to reduce the overall rate by about 0.2 to 0.3 percentage point. If teenagers and old people were excluded, the unemployment rate would be reduced by almost one point. Another such adjustment could be made for short-duration unemployment in response to arguments that brief periods of unemployment are inevitable in a dynamic, mobile, and growing labour market. The exclusion of short-duration unemployment, which includes persons on temporary layoff who, in a sense, have a job, reduces the unemployment rate substantially, by about 1.5 percentage points. The exclusion of all these groups could reduce the aggregate unemployment rate by close to 3 percentage points.

By the same token, adjustments can be made to take account of many "under-employed" part-time workers who would work full-time if such jobs were available. When this phenomenon is translated into a "time-lost ratio," the absolute

The unemployment/  
vacancies relationship

Different unemployment  
measures

level of unemployment is higher than the reported rate, but the cyclical patterns of the two rates are virtually identical.

#### Hardship

As suggested earlier, the aggregate unemployment rate is becoming less and less accurate as a measure of family-income hardship because of the increasing numbers of multi-earner families and the various income security programs. In 1974, 33 per cent of the unemployed were family heads compared with 46 per cent in 1961. Moreover, in two-thirds of the families with one or more persons unemployed in 1974, at least one other member was employed.

As an alternative measure of hardship, some experiments have been done to establish a "severity index" that would measure the combined effects of the duration and incidence of unemployment for age-sex groups. In addition, some fruitful efforts have been made in the United States to link unemployment and income data so as to secure a more complete index of hardship in personal and family situations.

### Looking Back and Looking Ahead

So far we have largely ignored the relationship between demand stimuli and labour supply. It is, however, possible with the help of the CANDIDE model to create a hypothetical economy for the 1961-73 period, to see how, for instance, additional government expenditures would have affected the unemployment rates of particular age-sex groups.

#### Economic activity and growth of employment

The effect of injecting additional fiscal stimulus – assuming no offsetting actions or price effects – would have been to increase real gross national product and employment throughout the period. It would also have resulted in a general increase in the labour force and a substantial reduction in unemployment.

However, the increase in the size of the labour force would not have been spread evenly among the age-sex groups because their response, as measured by participation rates, varies. Several of the groups appear to have a tendency to withdraw from the labour force as conditions improve, while others, such as males in the 14-19 age group and females 20 years of age and over, manifest a propensity to enter the labour force when jobs appear more plentiful.

The reasons for the withdrawals are not entirely clear but are probably related to the earnings situation of other family members. For instance, if wives go to work, men in the older age groups may retire earlier. Or, if economic conditions are buoyant, more teenage girls and young men aged 20 to 24 may elect to stay in school rather than go to work.

Given the different individual reactions to labour market changes, the inflows into the market by one group may be offset by the withdrawal of another. Taking into account these offsetting influences, the overall effect of a hypothetical stimulus of between \$0.4 billion and \$1.7 billion, broadly based, added to government expenditures annually, depending on conditions in the rest of the



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economy, would have been to increase the labour force by about 40 to 135 thousand persons.

In any single year, the injected stimulus would have increased employment, creating 144 to 422 thousand more jobs than actually occurred, depending on the year and the state of the economy. However, the effects would have varied for different sectors and different age-sex groups. For instance, the expenditures would have increased the labour requirements in the public administration and the community, business, and personal services sectors more than in others. And, as these are the industries in which female employment is relatively high, the increase in female employment would have been proportionately higher.

Somewhat surprisingly, unemployment among some groups – males aged 14 to 19 and females aged 20 to 24 and 45 to 64 – rises as a result of the hypothetical fiscal stimulus. The overall employment gains would not have been sufficient to offset their respective labour force increases.

There would also have been some regional differences. Much would have depended on where the expenditure stimuli fell and the consequent diffusion of demand. Historically, though, employment growth has fluctuated most in the Atlantic provinces and Quebec, and the aggregate stimuli might have helped to reduce unemployment rates in these regions more than proportionately – largely because they tend to have more slack, even in the best of years.

Looking ahead to the years from 1975 to 1982, three scenarios were chosen. The simulations confirmed that expansion in the working-age population will vary considerably among age groups and will differ markedly from the experience of the preceding decade. The numbers in the 25-44 age group will grow very rapidly during the next seven years.

Looking ahead

The overall participation rate will likely be approaching 62 per cent in 1982 – reflecting a somewhat slower rate of increase than over the past decade, partly because many of the women who want to work are now in the labour force. By 1982, given the medium-growth scenario, those aged 25 to 44 will constitute 46 per cent of all working Canadians, compared with 43 per cent in 1973. The female proportion of the labour force will continue to rise to about 36 per cent.

The demand for manpower will continue to shift towards the white-collar and related service industries, and their command of total employment will increase from 63 per cent in 1974 to 68 per cent in 1982, with a proportional decline in all the goods-producing industries – assuming, of course, reasonably healthy international markets.

With declining birth rates over the past fifteen years, the natural rate of labour force growth will slow towards the end of the 1970s. Immigration will take on greater significance as a source of labour force growth by the beginning of the 1980s.

Such are the main findings from our research of the Canadian labour market over the past several years. An elaboration of many of the findings, along with the analysis and the sources on which they are based, are contained in Part 2 of

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this report. The data there provide, we believe, a reasonably clear assessment of the profile of working Canadians in the 1970s, the underlying processes of the labour market, and some of the ways in which demographic and other developments, and government programs, have affected individual and family income patterns and attitudes. They carry implications for Canadians and suggest administrative and policy options that, in our view, warrant consideration.

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## CONCLUSIONS AND RECOMMENDATIONS

In the course of this study, we have reviewed the characteristics and structure of the labour force and labour markets in Canada, and have analysed how general economic conditions and the evolving system of manpower and income support programs have affected the supply of labour. It has become clear to us that many changes have been taking place that are not well understood. Clearly, the nature of unemployment in Canada is very different from what it was a generation or even a decade ago.

Our analysis has covered the developments occurring in the postwar period, particularly since 1970. In these last few years, Canada and other industrial countries have experienced relatively rapid growth, followed by foreign exchange and resource crises, price escalations, uncertainty, and pause. In Canada these developments culminated in 1975 in virtually no real growth of output and continuing high inflation and unemployment rates (Table 3-1).

Table 3-1

Real Gross National Product, Unemployment, and Consumer Prices, 1969-75

	Increase in real GNP	Unemployment rate	Increase in consumer price index
		(Per cent)	
1969	5.3	4.7	4.5
1970	2.5	5.9	3.3
1971	5.7	6.4	2.9
1972	6.0	6.3	4.8
1973	6.9	5.6	7.6
1974	2.8	5.4	10.9
1975	0.2	7.1	10.8

SOURCE Based on data from Statistics Canada.

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### **The Implications of Our Findings**

In our examination of labour markets we considered gross flows into and out of the labour force and between employment and unemployment for various categories of people. We also looked at some of the wage dimensions in both the organized and unorganized sectors, at vacancy/unemployment relationships, and at the impact of unemployment insurance, social assistance, and other social programs. Our analysis indicated that institutional changes and the various programs have had a considerable impact on labour markets even though their quantitative effect is difficult to determine in the presence of other changes. Thus the labour market in Canada today has characteristics very different from those of as recently as the mid-1960s. There are, for example, proportionately more youths and women in the work force, and their relative unemployment rates are higher now than in the mid-1960s. On the other hand, their increased working participation has helped to expand and diversify the sources of family income and, in many cases, has affected the decisions of other family members to work or not to work.

In view of these developments, it is clear to us that we can no longer rely on the aggregate unemployment rate alone as a measure of the extent to which labour and other resources of the economy are being underutilized. There is a host of factors that result in continuous changes in the labour market status of many individuals. Since many of these factors are mutually offsetting, they do not necessarily influence the overall measured rate of unemployment in a way that genuinely shows how labour resources are being used in the economy. Indeed, some employers are experiencing increasing difficulty in hiring workers at prices they are willing to pay, while many workers are not finding acceptable jobs. With more and more women becoming interested in additional roles outside the home and the increasing numbers of young people alternating between school and work, the threshold of the Canadian labour market is now very fluid. Improved methods of measuring employment and unemployment seem, therefore, to be essential.

Furthermore, the aggregate rate of unemployment is no longer an adequate indicator of family or individual economic hardship. Given the build-up of social security and related programs, many of which are designed to ease the income position of the unemployed or their families, and the increased participation of additional members of families in the labour force, we need more information about family income situations and the adequacy of their earnings from various sources, including employment. For example, it is reasonable to assume that unemployment represents a more serious problem for single-earner families than for, say, a supplementary earner who may only be seeking part-time work.

Manpower programs have not effectively stemmed the increases in unemployment, although they undoubtedly have raised the quality of skills and provided a second chance for persons inside and outside the work force; nor have the selective

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investment incentives of the Department of Regional Economic Expansion, despite the encouragement they have given to private and public growth in depressed regions.

Many of the personal and family income shortfalls caused by rising overall unemployment have been offset by Canada's unemployment insurance system. This system was conceived following the depression years, when families usually had only one adult income-earner and when relatively few young people attended school beyond grade 12. Today more than half of all married women work some time during the year, and one out of three leaves school with some postsecondary training. The result is considerably more movement of people into and out of the labour market. It is in this more complex setting that the comprehensive sharing of the risk of unemployment must be viewed.

There is no question about the essential value of unemployment insurance. Every major western nation provides such protection, either through wage or needs-related schemes or both. In Canada virtually all wage- and salary-earners are covered by unemployment insurance, and its almost universal accessibility provides a first line of defence against income insecurity and poverty. The need for such a system is borne out by the fact that four out of every five persons who draw benefits are unemployed for reasons beyond their control – because of layoffs or job terminations, for example. And, of those who do find new jobs, as many as half will likely be unemployed again within the year. The crucial importance of the unemployment insurance system is particularly evident when unemployment levels are very high.

This is not to say, of course, that the program has been without administrative flaws or has not been abused. Indeed, in response to legitimate public concern, significant administrative improvements have been made to the system during the past two years. But there are limits beyond which controls imposed to prevent potential abuses impinge upon the private lives of individuals or the quick and efficient processing of claims. Among unemployment insurance claimants may be some who for one reason or another do not wish to work continuously. How does one establish whether they are genuinely unemployed? Others already receiving benefits may not be searching for work as vigorously as they claim. Some may be entitled to benefits that exceed, or are close to, the wages of full-time workers or of unfilled jobs. What is the equitable balance in such cases? These are complex issues, which we shall not attempt to answer here. For, even if the administrative issues could be resolved, unemployment is still primarily the result of an inadequate demand for labour at local, regional, and national levels.

Our examination of attitudes suggests that most Canadians want to work but that many, especially the younger workers, seek interesting jobs and are prepared to continue their search for a suitable one rather than accept work they do not like, perhaps availing themselves of unemployment insurance benefits in the process. Many young people enter the labour force with little knowledge of the working world; they tend, as a result, to move between jobs and periods of further

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schooling, travel, or other activities until either they find a suitable job or feel the need to settle down. Many of the younger people just out of school still live at home, where their parents can support them between jobs without hardship. Some are married or share accommodation with others who work. These alternative sources of support ease the costs of experimentation, and this in turn contributes to a higher employee turnover rate in Canada than in almost all other countries.

The prospects of upgrading and humanizing work are limited by the realities of the jobs to be done. While workers are generally shifting to more skilled occupations, the largest proportion of white-collar employees work at routine jobs, and thousands of others do no more than clean up after others. High turnover may be the price we have to pay to accommodate the desires of individuals to choose their patterns of work and leisure more freely, particularly in sectors that continue to offer tedious jobs. And, if employers are unable to increase the challenge or the skill requirements in the jobs they offer, they may simply have to pay more to have the dull work done. There have, in fact, been differential rates of wage increases among industries. In the primary industries and construction, where there has frequently been difficulty attracting workers because of the arduous nature and the location of the work, wages have risen more rapidly than in other industries.

As will be enlarged upon in Chapter 5, to characterize the labour force primarily as people seeking, finding, and attempting to retain, a steady full-time job is misleading. The number of part-time workers has been growing much more rapidly than the number of full-time workers, and a large number of Canadians – students, housewives, and others – only work part of the year. Of the total of 13 million who participate in the labour force at some time during the year, probably 40 per cent or more change employment or move into or out of the labour force or into or out of unemployment. Of the unemployed, more than two out of five are young people under 25 years of age, with limited working skills or experience. Indeed, one out of four of these young unemployed is just out of school and looking for a first full-time job.

At the other end of the age scale are workers 55 years and over who, for one reason or another, have retired from full-time attachment to the labour force. A gradual lowering of the normal retirement age has been taking place in recent years, and more and more workers are retiring at age 60 or earlier. In some enterprises this is mandatory and is designed to provide more opportunities for younger employees. In such cases, pension plans are geared to the compulsory earlier retirement age. In other cases, retirement from the rigours of full-time employment are voluntary. But, while retirement ages have been dropping, life expectancy has been increasing, and these workers typically have a wealth of experience and ability that is being lost at present because of the very limited employment opportunities for older workers, on either a full- or part-time basis. We believe that quite a few of these people would welcome the opportunity to be usefully employed, perhaps on a gradually reducing scale. Besides, with double-

digit inflation, many may have a real need for additional income, either because they have no private pension or because inflation has eroded pensions that were contracted and funded years ago and are not indexed.

The main problem seems to be the reluctance of some employers to retain older employees on a reduced schedule or to hire older persons for either part- or full-time employment. If this problem were to become more widespread, governments could well take the lead in experimenting and innovating with different work arrangements that would enable the older worker to continue to produce longer than is possible at present.

### Some Forward Perspectives

The recommendations that arise out of this review should, of course, be geared to our expectations about the future. Some of the Economic Council's perspectives on what constitutes reasonable future scenarios are contained in Chapter 11 of this study, in our *Eleventh* and *Twelfth Annual Reviews*, and in our study of commercial policy for Canada;<sup>1</sup> others have emerged in considering the broader implications of labour market phenomena. They are summarized here.

First, it seems clear that, over the next decade, the need, as expressed through the price mechanism, for new sources of supply for food, energy, raw materials, and natural resources, many of which Canada has in some abundance, will grow substantially. Agriculture and fishing traditionally are highly seasonal, and their future will probably depend on greater specialization, capitalization, and larger production units that can provide reasonably stable income to a limited number of entrepreneurs and their work force. The other primary sectors – energy, forestry, and mining – will continue to be high-productivity industries, providing high incomes but limited employment opportunities per unit of output.

A country can prosper on the strength of its primary sectors but, if it is to absorb a growing work force, additional strength must come from its manufacturing and service sectors. In the 1980s we may not need high employment so much as high-productivity industries. Canada's favoured energy and natural resources position could make possible internationally competitive manufacturing opportunities, which it would be a pity to lose. Some high-technology services could also become more exportable.

By the 1980s much of the impetus to economic growth associated with natural population increase and the heightened participation of women in the labour force will have abated. By the mid-1980s the rate of labour force expansion will

1 Economic Council of Canada, *Eleventh Annual Review: Economic Targets and Social Indicators* (Ottawa: Information Canada, 1974), *Twelfth Annual Review: Options for Growth* (Ottawa: Information Canada, 1975), and *Looking Outward: A New Trade Strategy for Canada* (Ottawa: Information Canada, 1975).

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correspond to the limited rates of the 1930s. If to this is added a more restrictive policy on immigrants, who in the past have been credited with much of our fluid, diversified, and culturally enriched environment, real problems could arise. This is not to say that per capita incomes will not rise as productivity increases. But if they are to do so in the face of a slowdown in the growth rate of the adult population and the associated reduced requirements for housing, land services, food, fuel, and clothing, we will need to become more internationally competitive and to sell more abroad.

In this less expansive situation, Canada could experience serious domestic tensions unless the self-interests of competing groups are contained within reasonable bounds. Over the medium and longer term, increases in real wages cannot exceed productivity gains. Profits must be similarly aligned with productivity no less than with the real risks of enterprise. And, as organized interests confront one another, the public has the right to be protected against extreme or self-serving outcomes.

We have witnessed years of dramatic changes in international alignments, economic and social concerns, and personal mores. We have lived at peace for thirty years and have become more affluent and better protected from adversity. But, as adversity abates, so too do the unifying elements associated with hardship and national causes. There are dangers perhaps on two fronts: on the one hand, of complacency, smugness, and public apathy and, on the other, of excessive agitation and overreaction. In this milieu, expectations can outrun reality, and international tensions can be replaced by domestic tensions. Issues once easily debated in terms of the well-being of society can become a complex balancing of selfish interests. Affluence may enhance personal freedoms, but freedoms presuppose self-restraint and group responsibility.

We believe in the vitality of our young people, in the strength and the capacity and diversity of Canada, and in the ultimate spirit of generosity and involvement that historically has marked the relationship of Canadians to the global village. It is in this spirit and in the knowledge of the Canadian labour market, as set out in the following chapters, that we advance the following recommendations.

### **Statistical Measurements**

In this study of labour markets and in previous work done by the Economic Council, some deficiencies in the way data are used and interpreted have become apparent. A number of major gaps exist in the types of information available; some of these could be filled by more effective integration of existing data, while others would entail the collection of new information.

The most important source of existing information is the monthly Labour Force Survey, which is currently being revised and extended to provide a firmer basis for supplementary surveys. The enlargement of the household sample

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will increase the reliability of provincial estimates and should facilitate a better understanding of the changes taking place in individual provinces. We support these developments.

Unemployment rates derived from the Labour Force Survey have been widely used over the years as a measure of the extent to which labour resources are used both in the economy as a whole and in particular regions and labour market areas. It is now evident that the single aggregate unemployment rate should not be used for this purpose without supplementary information. And, from what we know now of the volatility of the flows of persons in, or on the threshold of, the labour force, the aggregate unemployment figure is a less-than-complete measure of economic performance, even when seasonally adjusted. Quite possibly a more appropriate indicator of activity, derived from the same survey, would be the seasonally adjusted changes in non-agricultural employment. Alternatively, the unemployment rate for males in the 25-44 or 25-54 age groups – for which the labour force participation rates are 95 per cent or higher – might be a useful indicator.<sup>2</sup>

The same aggregate unemployment rate has also frequently been used as an indication of the extent of hardship prevailing in the country. The build-up of the unemployment insurance program to the point where some benefits paid to individuals exceed provincial minimum wages, coupled with the fact that typically more than half the unemployed are not, in any event, the main family income-earner, makes it clear that inferences about hardship on the basis of aggregate unemployment rates can be quite misleading. For this purpose, although one might suggest more appropriate measures of the hardship associated with unemployment, we believe that it is more useful to concentrate directly on the adequacy of incomes, and on the improvement of data linking the incomes of individuals and families with their work activity.

There is also the additional problem of understanding seasonal influences. There is frequently a substantial divergence between the forecast of seasonal factors and the actual data obtained some years later. There are a number of alternative seasonal-adjustment methods, and all involve balancing sudden short-run phenomena and long-run trends. When used for forecasting, one technique may tend to discount recent real changes in activity; another may be misleading in that it overestimates temporary fluctuations. We are encouraged that Statistics Canada is now examining alternative methods of seasonally adjusting the labour force data and other relevant series for the assessment of cyclical patterns and the potential use of resources and skills.

In our study we have made considerable use of the gross flow figures derived from unpublished data in the Labour Force Survey. These figures provide an important additional perspective to labour market developments, enabling us to consider the gross changes that lie behind the net changes in stocks of employed

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2 See also Economic Council, *Twelfth Annual Review*.

and unemployed on which attention is usually focused. Statistics Canada and the Department of Manpower and Immigration have recently been making more use of this information. We believe that many insights could be gained by the further development and use of this type of analytical vehicle.

One aspect that is closely related to the gross flows into and out of the labour force and between employment and unemployment is the turnover that takes place within employment. Relatively sparse information is available on changes in the employment of individuals and on the extent of job turnover. We know, for instance, that turnover rates are higher in certain industries than others, and generally higher for women than for men. But we do not know how much of this turnover is the result of voluntary separations or the short or seasonal nature of jobs. Individual companies may experience higher personnel turnover for a host of reasons – the mix, seasonality, or remoteness of their production activity, their industrial relations, their personnel practices, the youthfulness and mobility of their employees, or simply their inability to pay wages that are competitive locally. But at present we know very little about the underlying causes. Some information about individual behaviour is available from supplementary data obtained at infrequent intervals through the Labour Force Survey and Canada Pension Plan records. But no systematic collection or tabulation of this type of information from firms or establishments is now being carried out.

We therefore strongly believe that effective ways must be developed to derive turnover data from the payroll records of business firms and other organizations and to make that information publicly available. In this connection we believe that Statistics Canada should press their efforts with administrative agencies, such as the Canada or Quebec Pension Plans and the Unemployment Insurance Commission (UIC), to introduce ways of developing and publishing employment duration records to supplement information in the Labour Force Survey. Some additional insights might be obtained from comparative case studies of labour turnover, focusing on the associated causes and costs for individual firms; these might be sponsored by employer associations, the Department of Manpower and Immigration, or federal or provincial departments of labour. But case studies are not enough. Regular monthly information on turnover, quits, and layoffs, similar to that available from the U.S. Bureau of Labor Statistics is what is really needed.

The Labour Force Survey uses household interviews to measure employment and unemployment. Information on employment and wages is also obtained by Statistics Canada from business and other establishments. We were limited in making the most effective use of wage data and in relating them to the gross flow movements of males and females between jobs and in and out of employment because of the heterogeneous nature of the published wage information and the fact that most of it is derived from surveys of establishments rather than from the Labour Force Survey or other surveys that focus on individuals or families. We would welcome initiatives by Statistics Canada to carry out and publish a recon-

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ciliation of their different monthly estimates of industry employment and wages with data derived from individual- and family-based surveys.

Moreover, although information on establishments with twenty or more employees is published regularly, results for the smaller establishments sampled have not been readily available. For some industries dominated by large firms the issue is not critical. But for others, such as the broad range of service industries in which most enterprises have fewer than twenty employees, the matter is more serious. One would like to be able to examine the employment time series, by industry, and to relate the estimates derived from households and establishments.

The integration or co-ordination of various sources of information is even more necessary when one attempts to make use of labour market data to measure "hardship" or the well-being of individuals in Canadian society. Several aspects are important, including the role of individuals in family units – whether they are main breadwinners or supplementary income-earners – and the duration of their unemployment. However, our main interest is the incomes of individuals and the extent of the disruption of this flow through loss of employment. Linkages of labour market and income data are, therefore, essential. With respect to administrative data, the Unemployment Insurance Commission and the Department of National Revenue have integrated selected information for a number of years. Their sample is useful in analyses of the income position of individuals with various family and employment characteristics, as well as in studying migration and other aspects of employment experience. Individual privacy is protected by the removal of specific identification. It would be possible to develop linkages with additional data from programs such as social assistance, manpower training, and local improvement projects without violating privacy regulations.

On the whole, we are encouraged by the recent efforts of Statistics Canada to develop and release annual data that correlate the income distribution of Canadians, by individual and family status, age, sex, and education, to those factors related to their activities in the labour force and to their participation in various government programs. But we would urge that Statistics Canada accelerate the co-ordination of their data with those of other government departments and agencies, as appropriate.

We believe that, while the movement of the aggregate seasonally adjusted unemployment rate has significance for the timing of government and business decisions, it is open to question whether that rate, taken uncritically, is as valid a measure of genuinely involuntary unemployment or of individual or family income hardship as it once was. Therefore,

#### *Recommendation 1*

*We recommend that Statistics Canada, with the co-operation of other departments and agencies, develop, publish, and analyse additional information with respect to employment, unemployment, turnover, gross flows, and the wages and incomes of families and individuals.*

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In considering the matter of bringing before the public more complete and systematic assessments of the labour market, we gave some thought to the creation of a Bureau of Human Resource Statistics and Analysis. We decided in the end not to make such a recommendation because we believed the purpose could be achieved through more effective co-ordination of the efforts and findings of existing departments and agencies, at both the federal and provincial levels. Insofar as the federal government is concerned, the statistical initiative rests in most instances with Statistics Canada, which has responsibility for virtually all surveys.<sup>3</sup> However, since surveys are becoming very expensive vehicles for the collection of information and since many useful data are collected through the administration of tax laws and various government programs, more effort should be undertaken to make such information available and to analyse it.

### **Unemployment Insurance and Manpower Services**

We have studied the performance of the labour market as a whole, as well as individual sectors of it. It is our impression that, despite some tensions and uncertainties associated with escalating prices, most men and women are relatively happy with their jobs and opportunities. For a large majority of people, decisions on how or when to work are relatively unaffected by our present unemployment insurance and other income-support programs. There are, however, certain groups of people in the labour market who do have problems and for whom the market mechanism operates less than perfectly. As a result, their energies and capacities are not being effectively harnessed, and they need help. One out of six Canadians who work sometime during the year experiences at least one bout of unemployment annually, and many are confronted with recurring periods of unemployment. In some outlying areas, there is simply no wage employment for part of the year at least.

We have looked closely at the provisions of the unemployment insurance system, as revised in 1971. We believe the system is comprehensive and generous by any standards and, as a second line of defence against financial hardship and income insecurity, it has gone a long way towards eliminating poverty in this country.

The present unemployment insurance system fulfils a number of purposes. It is a wage-related means by which workers, with their employers, can insure themselves against periods when they do not have a job and are seeking work. It is a means by which they can secure income protection during periods of

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3 Federal policy dictates that no survey in which more than ten respondents are contacted should be conducted by a federal department or certain specific agencies without the involvement of Statistics Canada.

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sickness or pregnancy – protection often, but not always, negotiated in collective agreements and not usually available in the unorganized sectors. It is a means of achieving a more equitable distribution of the national wealth by providing transfer payments to persons most exposed to uncertain or seasonal jobs. It has the effect, it may be argued, of transferring to persons most prone to involuntary unemployment, many of whom have less than average education, some of the income security that others now enjoy as a result of past public transfers of wealth implicit in the education and training systems. And finally, of course, unemployment insurance in the broadest sense serves as a major income-stabilizing element in the economy, safeguarding purchasing power at critical times, for groups and areas that would otherwise suffer. Indeed, this stabilizing aspect has been of particular importance recently in certain communities severely hit by layoffs. In general, then, the system meets these larger purposes adequately. But, given the vast variety and complexity of labour market situations, the enormous turnover, and the flows of men and women into and out of jobs, it would be little short of a miracle if it served all purposes equally efficiently or if its effects did not sometimes run counter to other often equally important objectives.

Several recent inquiries have shown that the vast majority of Canadians prefer work to idleness. We believe that most Canadians affected by unemployment are well served by the unemployment insurance system and use it honestly. Inevitably there will be inequities and some persons, including employers, who will abuse the system. We have observed, for instance, that women, who often have a less fixed attachment to the labour force, obtain benefits out of proportion to their unemployment as revealed by the Labour Force Survey. In many cases, jobs are available but the difficulty is to determine what is "suitable" for women with child-care responsibilities or inadequate transportation. We have noted too that, once on benefits, recipients remain unemployed considerably longer than before the 1971 revisions, even in buoyant years such as 1973. While much of this may reflect insufficient demand to keep pace with the growth of labour supply, some at least seems to be attributable to a less-than-vigorous search effort. Persons who draw high weekly unemployment insurance benefits have little incentive to accept lower-paying jobs. Moreover, for good or bad, the scheme affects other areas, and it seems apparent that the automatic escalation of benefits as individual wages rise will inevitably play a role in forcing up minimum wages and social assistance payments.

It would, of course, be possible to try to eliminate abuses by cutting certain categories of claimants or the duration of benefits, or by extending the period of work before claimants become eligible for benefits. But such recommendations could prove harmful to persons most exposed to periodic and genuinely involuntary unemployment. It would seem better to go after "malingerers" more directly. For this reason we believe that much of the problem of abuse of unemployment

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insurance could be solved by two methods – by tightening administrative efforts to get persons back to work, and by creating jobs to absorb them. Considerable tightening has already taken place in administering the 1971 unemployment insurance revisions, and there have been some legislative changes. In addition, it may be that more extensive re-interviewing, once a claimant is receiving benefits, is warranted or that the conditions by which persons are allowed to turn jobs down should be re-examined.

In this connection we are encouraged by the recent closer liaison between the Unemployment Insurance Commission and Canada Manpower Centres (CMCs), which currently come under one Minister, in their dealings with claimants in high-vacancy occupations. Unemployment Insurance Commission offices receive a daily list of occupational shortages from Manpower Centres, and claimants in these occupations are advised to report to a CMC counsellor within twenty-four hours. If they fail to report, they are called again and, if their explanation is not satisfactory, they are disqualified from benefits. According to Department of Manpower sources, nearly 40 per cent of these claimants do not even show up at their Centres and, as a result, UIC disqualifications have increased considerably. If extended to all major cities and towns, the program could probably reduce the number of beneficiaries by 10 to 15 per cent. The impact on the reported unemployment rate, as measured by the Labour Force Survey, would be somewhat less clear.

It is evident, of course, that the improvement and extension of facilities for matching jobs with individuals through Manpower Centres could more effectively serve not only the unemployed but also those seeking to improve their positions. Nonetheless, unemployment insurance is now compulsory for virtually all gainfully employable persons in Canada and, at some time in the future, it might be logical to establish integrated Manpower-UIC Centres to provide complete one-stop services for the unemployed and job-seekers.<sup>4</sup> Indeed, a number of steps are being taken to link the operation of the UIC and Manpower programs, with plans to locate offices in the same buildings wherever possible. The Minister of Manpower and Immigration has also suggested harnessing UIC benefits to promote the retraining of many of the unemployed, and an experiment along these lines has been initiated in Newfoundland:

For the time being it is important to continue improving the services offered by the Canada Manpower Centres. Their more than 450 offices throughout Canada currently place over 1 million Canadians in jobs each year, and they select and fund close to 200 thousand trainees in full-time training courses. None-

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4 It might seem curious for the Council now to suggest such action since, in its *First* and *Second Annual Reviews*, it endorsed their separation. But, at that time, UIC was available to only part of the work force, and the then National Employment Service offices did not have at their disposal the installations and programs now available through Canada Manpower Centres. See Economic Council of Canada, *First Annual Review: Economic Goals for Canada to 1970* (Ottawa: Queen's Printer, 1964), and *Second Annual Review: Towards Sustained and Balanced Growth* (Ottawa: Queen's Printer, 1965).



theless, they are still used by only some employers and for certain jobs, generally those requiring lower skills.

It has been suggested that Canada might emulate the Swedish system under which, through the aegis of tripartite labour market boards, employers have been encouraged, and soon may be obliged by law, to report all job vacancies to local public employment offices. In fact, however, though Swedish public employment offices already publicize a large proportion of actual vacancies, they make only about one out of three of the placements; direct hiring and placements through unions account for the rest. Thus, despite the virtual ban on competition from profit-making placement agencies and the benefit of extensive knowledge about vacancies, the Swedish public employment system does not achieve a significantly higher placement rate than Canada Manpower. Nor is it clear what would be accomplished by forcing employers to register all job vacancies with CMCs. There would first be the problem of enforcement. Many employers would probably simply notify a CMC after actually having done their recruiting. And, given the number of hirings in Canada each year – probably over 5 million – the results could prove to be an administrative nightmare. Moreover, if applied in Canada, provincial legislation would be necessary to compel private placement agencies and union hiring halls to report their job vacancies to Canada Manpower Centres. Thus, while we would not, without further study, completely rule out adoption of the Swedish system in Canada, we are not optimistic about the consequences. On the other hand, we do see a stronger and more formalized role for employer/labour/government advisory committees to Canada Manpower at regional and local levels. Such committees could, we believe, make a significant contribution towards improving CMC services for those who need jobs or training, and encouraging greater use of CMCs by employers.

We have already cited a number of ways in which these centres are attempting to render more effective service, both to employers seeking qualified workers and to individuals seeking jobs, including the increased use of computer installations, daily open-file printouts of available jobs, and other services. We support the continued exploration of other options, particularly those that offer promise of placing before job applicants a more complete array of employment opportunities than Canada Manpower Centres can now provide.

Among such options might be an experiment in one or more cities of contracting out to a private firm the task of a Canada Manpower Centre in order to compare their relative efficiency, particularly with respect to securing more positive responses from employers. Another experiment suggested in the course of the current federal-provincial review of social security has been to tie provincial and municipal social assistance offices more closely to the automated job-data reporting systems and the procedures of the CMCs. Some re-examination of the Adult Occupational Training Act, to determine whether adult training funds are being most efficiently directed or whether the current scales of allowance are appropriate and necessary to achieve the level of training now under way, also seems warranted. Therefore,

### *Recommendation 2*

*We recommend continued review of the provisions of the Unemployment Insurance Act and its accompanying regulations and administration. The objectives of the review would be to limit abuses of the Act and its regulations and to encourage claimants to take available jobs that are compatible with their skills and abilities. We also recommend continued re-examination of the services offered by Canada Manpower Centres, with the view to linking these services more effectively to those of the Unemployment Insurance Commission and increasing the effectiveness of the training and matching of jobs and workers.*

### **Direct Employment Creation**

In this study we have considered mainly the supply side of the labour market. But the persistently high levels of unemployment that we are currently confronting also require initiative on the demand side. The real problem is how to generate sufficient impetus to reduce the numbers of persons who are unemployed and drawing unemployment insurance benefits without simultaneously escalating inflationary expectations.

If at least a reasonable number of the unemployed are to be channeled to jobs, these jobs must coincide with their location and their skills. It is not at all clear that traditional monetary and fiscal measures now provide that type of selective employment stimulus. Over the next few years, unemployment will continue to be concentrated among our young people and among the least-educated, the unskilled, and those in highly seasonal activities. We believe the only realistic way to offer a positive alternative to their excessive reliance on unemployment insurance is to aim jobs directly at the problem areas and groups.

In the course of carrying out this study, we have been impressed by two things. First, although in the large metropolitan areas and cities the average rates of unemployment are lower than in most smaller communities, in absolute numbers most of the unemployed are living in or around cities. Second, it is in these same cities and metropolitan areas that there is a real need for better police protection, better health care, pollution control, industrial safety, recreational activity, transportation facilities, and the like, and where the tax base simply does not provide fully for these services. In short, unmet needs and idle human beings coexist. With a suitable catalyst, they might well be conjoined productively. By the same token, taxes that are now channeled to unemployment insurance claimants might well be more efficiently used to create jobs that help to meet recognized common needs.

We are aware, of course, that creating jobs will be neither administratively easy nor financially painless. Indeed, financially, it would probably be cheaper just to hand out weekly payments through unemployment insurance or welfare than to engage in building the administrative machinery required locally to create jobs effectively. However, assuming a reasonable level of administrative

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efficiency and that real needs would be fulfilled, productive employment would offer substantially more economic benefit than transfer payments, both to the individuals concerned and to society. For this reason, we believe that any new federal job-creation program should enlist, and be generated through, existing provincial and local service and business organizations, which are already aware of, and responding to, public needs in an accountable and continuous way. We also believe that if it is to be a productive alternative to unemployment insurance, it must be accompanied by administrative measures that will effectively redirect actual unemployment insurance claimants into the jobs created.

In 1975, unemployment insurance benefits totalled over \$3 billion, roughly half of which was financed by general taxation. We believe that a direct frontal assault on unemployment through the creation of jobs that would substitute for the idleness that is now supported by unemployment insurance benefits would offer most Canadians a far more positive and preferable form of public expenditure. Admittedly, to have the impact we visualize, such a program would not come cheaply. If, for instance, the objective were to create from 100 to 200 thousand jobs, the total financial commitment could be in the order of \$1 billion. But a significant portion of this expenditure would be equivalent to normal unemployment insurance commitments; to this could be added a supplement for wages. Accordingly, we would expect the program to become a continuing, but flexible, part of the tax and expenditure responsibilities of the federal government.

For most persons, unemployment is not an easy experience. Nor does it normally last long. Hence any program offering unemployed workers a real alternative to unemployment insurance must first be designed to accommodate, and indeed encourage, hiring for short periods of time and turnover of personnel. It would be unfortunate if the program were to become simply a permanent reservoir for auxiliary workers who would otherwise search and compete for other available jobs. The candidates for the jobs must be genuinely unemployed UIC claimants and permanent members of the labour force; otherwise, the program would become not an alternative, but an addition, to the unemployment insurance system. On the other hand, if a job is productive and meets a socially worthwhile need, it usually implies continuity. The program would thus involve creating continuing jobs that would be held only for limited periods by each participant, who would be expected soon to return to a mainstream job. It is also important to such a program that access to it be closely fitted to the administrative provisions applying to persons under the UIC scheme. For instance, a person's right to collect unemployment insurance benefits depends, among other things, upon there being no suitable job available and, since the creation of such jobs would be the purpose of the program, some greater flexibility in interpreting "suitability" might be necessary. Moreover, the program should be attractive enough that no unemployment insurance claimant would have to be compelled to use it. There should be sufficient incentive for claimants to take the jobs offered, while continuing to search for more regular employment.



From the standpoint of additional services made available, it would be equally important that expectations not be built up only to have the services discontinued. This, in turn, suggests the need for administrative control and accountability by agencies that are themselves self-sustaining. We have in mind, for example, auxiliary work that could be performed for, and administered by, the Red Cross, the Crippled Children's Association, the Canadian National Institute for the Blind, and other agencies, as well as by municipalities themselves. We also perceive a need for auxiliary social workers, paramedical workers in hospitals and clinics, police aides, recreational personnel, road and building maintenance crews, and day-care attendants. In the main, these are jobs that would not require substantial amounts of accompanying expenditure on overhead or equipment.

In our view, the jobs created should also be supportive of the traditional competitive elements in society. There are, for instance, broad areas, such as in the food-producing sectors or transportation, communications, and distribution systems in which a variety of very useful auxiliary work could be done, that would contribute to lower costs and higher productivity in many business enterprises. In some areas this could take the form of technical help or supply and marketing services, such as have been developed, for instance, in the agriculture and fisheries sectors. With such support, entrepreneurs might be able to offer additional employment to persons of limited skills or work experience. But under no circumstances should such persons be considered a continuing source of subsidized labour, to be exploited by an employer participating in the program. By the same token, it is equally important that the auxiliary jobs not displace regular jobs that would normally be fully paid for by employers.

Governments at different levels already contribute to the creation of jobs in many ways – through public works and direct purchases, through tax deductions and rebates to reduce business costs or to shore consumer expenditures, through direct incentive grants to new enterprises, through the direct payment of wage and related costs of projects established under such programs as the Local Initiatives Program (LIP) and, until recently, Opportunities for Youth (OFY), to name but a few. Indeed, it may be argued that a direct employment program, even of the magnitude outlined here, might well be channeled through the various existing job-creation initiatives and that there is little need for new instruments to be developed. This may be so, although it seems to us that for the kind of large-scale program we have in mind, which would be linked closely to the continuing responsibilities and purposes of existing public and private agencies, the extent of the necessary modification of existing federal job-creating programs would transform them into a totally new scheme.

In addition to OFY, which was cancelled, and LIP, which was cut back substantially late in 1975 and restricted to high-unemployment areas, the Department of Manpower and Immigration has had other programs, such as LEAP and OUTREACH, which were designed to create jobs or channel persons into public jobs or training.



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All have been relatively modest and supported individual projects for a short duration. Nor were they designed to serve as a genuine alternative to unemployment insurance, although no doubt they did help to reduce the number of claimants. Similarly, jobs have been effectively created as a result of the industrial incentive grants provided to newly establishing enterprises by the Department of Regional Economic Expansion (DREE); however, with a maximum allowable limit of \$30 thousand per job, these may be expensive. Some of the more modest enterprises that DREE is assisting in the northern parts of the western provinces, Quebec, and the Maritimes offer perhaps a better example of support to small business enterprises and are akin to the federal and provincial efforts to develop small industries on Indian reserves and in Métis and Eskimo communities. The new Community Employment Program (CEP) being developed jointly by the Departments of Manpower and of Health and Welfare, in co-operation with the provinces, offers a different route aimed selectively at communities where there are sizable numbers of welfare recipients. However, CEP is very modest – capable initially of financing only a few thousand new jobs annually, and calling for rather cumbersome community boards and co-ordinators to stimulate, supervise, and “evaluate” the projects.

It might be argued that LIP could be redesigned and financially reinforced to provide long-term jobs, in line with the need for continuity that we have stressed. However, the essence of LIP has always been on self-created, locally initiated short-duration projects, usually developed with the co-operation of municipalities, often independently of the needs or responsibilities of local service agencies. This approach runs counter to the continuing auxiliary-job concept we have in mind, although if LIP were to be revised to provide longer-term jobs, some reconciliation of the two approaches would undoubtedly be possible. However, it is perhaps worth re-emphasizing a point made earlier. The auxiliary-job program is not intended as a special measure to offset cyclical unemployment. Rather it is intended as a permanent instrument, providing a positive alternative to idleness for many who would otherwise draw unemployment insurance.

It is interesting to note some recent experiments involving the use of UIC funds. At a textile mill in St-Jérôme (near Montreal), for instance, workers were allowed to use their UIC benefits, supplemented in some cases, to support their efforts to purchase and reopen a plant that had closed down. In Newfoundland, claimants are taking vocational training while drawing their benefits, which are “topped up” with additional training allowances. Similar options might be adopted in a direct employment-creating program in which the auxiliary jobs created could be funded by unemployment insurance payments, topped up by administratively predetermined amounts. The auxiliary jobs would thus be somewhat akin to adult training, in the sense that they would have a finite duration, and participants would receive payments composed of unemployment insurance benefits plus an additional allowance to serve as an incentive premium.

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It is not clear at this time what federal agency or combination of agencies might most appropriately develop and administer a program of the kind we are suggesting. Undoubtedly, it would have to be very closely linked with the individual interviewing, reassessment, and automated data processes of the UIC. On the other hand, the Department of Manpower and Immigration also has offices throughout Canada and ties with UIC and local employers. Most of the candidates for a direct-employment program already go to CMCs in the normal course of events, and we would expect CMC counsellors to be responsible for finding mainstream jobs for those claimants who accepted the "auxiliary" jobs. By the same token, however, we can see the need for very close federal-provincial co-operation if at least a substantial part of the program is to be financed by conditional grants to provinces, municipalities, recognized social service agencies, and participating business enterprises of the kind with which DREE has had long experience. Certainly it would seem to us that joint federal-provincial auditing might be needed to reinforce the sponsoring municipalities and organizations in monitoring the additional payroll costs funded under the program.

The suggestion we are advancing here – a direct employment program fitted to the needs of community organizations and employers, supportive of their purposes, designed as an alternative to unemployment, and funded in part by unemployment insurance benefits topped up by additional amounts – at least initially would require earnest and extensive planning and administrative effort. As mentioned, there would be real administrative difficulties, which we do not dismiss lightly. Nonetheless, if the will is there, we believe these difficulties can be surmounted. Finally, we emphasize that no program of this kind should go forward without having enlisted in advance the co-operation of all participating parties and organizations, including appropriate labour and management agencies. Therefore,

#### *Recommendation 3*

*We recommend that the federal and provincial governments take steps immediately to develop a program to create continuing auxiliary jobs linked to the unemployment insurance system and aimed particularly at groups and areas faced with high unemployment. It would work through conditional grants to the provinces, municipalities, social service agencies, and participating business enterprises, and would be available to persons who would normally be eligible for unemployment insurance benefits.*

#### **Special Groups**

The direct-employment initiatives that we recommend could provide jobs for a great many persons who would otherwise draw unemployment insurance benefits sometime during the year. We believe, nonetheless, that there is still room for making more effective use of certain of our labour resources. For example, there

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are persons in outlying areas who would like to work but see no opportunity to do so. And there are groups – young people, women, the handicapped – for whom some additional help is needed. Indeed, this issue may become particularly important in a few years' time when the natural growth of our labour force will be tapering off.

As minimum and other wages continue to rise, it becomes increasingly costly to employ or hire persons who, through inexperience, inadequate skills, or physical or other disabilities, have limited productive capabilities. Unless protected by seniority clauses or other arrangements, they are frequently the first persons laid off and the last rehired when activity picks up. And, while many employers are genuinely concerned about helping persons with special needs and, in turn, have been rewarded by their loyalty and steadfastness, we believe that more can be done by all.

We have referred to high initial levels of unemployment among our young people. Many now enter the labour force with little appreciation of the world of work. Part of the job dissatisfaction of some young people seems to reflect a mismatching of their educational training and expectations with the realities of the jobs they are offered. There seem to be widespread misgivings, too, about the calibre and effectiveness of guidance and counselling at the secondary school level. On the employer side, the frequent insistence on experience, even when of questionable necessity, aggravates the difficulties of young people moving into employment. Efforts are already under way in some colleges and universities to provide for a smoother transition from school to work. In Western European countries there are other schemes that might be adopted in Canada. In the United Kingdom and West Germany, for example, a day-release system allows young workers to continue in secondary school even after taking a job. Senior students in Sweden are placed with employers for a few school weeks to learn how the enterprises function and, in West Germany, about 60 per cent of males in the 15-19 age group become apprentices in a wide range of trades and occupations.

We refer in Chapter 9 to the view of some participants at the 1974 National Economic Conference that children should be exposed to blue-collar skills from the earliest stages of their educational experience. We believe that provinces could usefully review their curricula and guidance activities, drawing directly on local employers and unions to help facilitate the transition from school to work. In this connection, new initiatives by the Department of Manpower and Immigration and provincial departments of education and labour are important. Employers, too, should be reviewing their hiring requirements to make sure they are keeping pace with the abilities of the young people they hope to attract.

Women are another group requiring special attention. They have been entering the labour force in increasing numbers over the past two decades, in response particularly to available jobs in retail, service, and professional and related occupations. In the process they are contributing to family income and helping to raise per capita real incomes. The evidence is that more would work if there were

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opportunities to do so while fulfilling their family obligations. Indeed, the numbers of women describing themselves as unemployed or underemployed in the 1971 Census were in some regions almost double those reported unemployed in the monthly Labour Force Survey, where "unemployed" and "actively seeking work" are more stringently defined. These figures suggest a wellspring of potential labour services, particularly in many rural or outlying communities where female participation rates are very low.

For some women with children, the problem is one of balancing family commitments with their desire for gainful employment of some kind. This may require work opportunities not bound to traditional hours or days per week, as well as adequate facilities for the care of their children. It suggests to us too that, in the planning and development of new and sometimes isolated communities, more attention should be given to investment that will create a balanced number of jobs for both women and men.

Changing mores and the higher incidence of marriage breakdown have left more divorced, separated, or abandoned mothers to raise their children alone. Between 1961 and 1971 the number of female-headed families with children increased by 60 per cent, compared with a 20 per cent increase in the number of all families with children. It may be preferable for these mothers to stay at home, on welfare if necessary, when their children are very young. But continued reliance on welfare is personally debilitating and, once the children are in school, the evidence is that most women want jobs of some kind. We support the views expressed by both federal and provincial Ministers of Welfare during their discussions of a guaranteed annual income that incentives and opportunities are needed to enable persons to work at least part-time without jeopardizing their right to social assistance. We believe, too, that the Ministers could go further and review their regulations and funding priorities with the idea of meeting the needs for day-care facilities for working parents, subject to the desirability of full recovery of costs from those who can afford it. In this connection, provinces might also re-examine their legislation to ensure that adequate income and protection is available to domestics who care for households in the absence of working parents. Individual firms, too, should take more initiative to provide day-care facilities for their own employees.

A third group, whose productive capabilities are not being adequately tapped, are some of the physically and psychologically handicapped, and some among our older members of society. This group represents a very sizable proportion of welfare caseloads. It has been estimated, for instance, that persons with disabilities of one kind or another account for about 3 per cent of the population. Canada's record on vocational rehabilitation – the provision of sheltered workshops and paramedical services that allow people to return to the labour force – is not a proud one by comparable standards. Considerable efforts have been made by voluntary organizations such as the Canadian National Institute for the Blind. But more initiative is required. Public efforts are channeled mainly through the shared-cost Vocational



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Rehabilitation for Disabled Persons Act, but annual federal-provincial expenditures have been limited to about \$15 million. Sweden, through her sheltered workshops, special aids and training for the handicapped, and her archives program for older workers, spends many times more per capita on her handicapped or relatively disadvantaged persons than does Canada. The U.S. federal government alone spends more than four times as much per capita on vocational rehabilitation services as the Canadian federal and provincial governments combined.

Our recommendation to create direct employment could provide the basis for help, by means of conditional grants, to the various public or voluntary agencies that provide persons with sheltered employment or related social and therapeutic assistance or that encourage the creative development of untapped talents and resources. But, in the case of the physically disabled, more specific initiatives may be needed.

While some employers have shown a very positive attitude towards the hiring of older or partially disabled persons, others have not. This raises the question of what responsibilities they should be expected to carry. Should they provide working facilities, at their own cost, for those among the handicapped who want to work and could with some assistance? Alternatively, should this cost be borne by governments through publicly administered workshops and subsidies to employers? We believe there are responsibilities on both sides. Similarly, what should be their responsibilities to older persons for whom the immediate costs of pensions may substantially exceed those for younger workers? We hope that the federal and provincial governments will increase the resources now available under the Vocational Rehabilitation of Disabled Persons Act and take initiatives to increase the number and diversity of projects and working opportunities for handicapped persons. This might involve as well a review of existing legislation to consider, on the one hand, the provision of subsidies to employers providing working facilities for specified handicapped individuals and, on the other hand, the enactment of regulations encouraging employers of larger establishments to hire a stipulated ratio of handicapped persons. And, over and above special measures for their employment, the extension of more general arrangements, such as the provision of ramps and related facilities, would undoubtedly facilitate the working lives, and indeed the daily lives, of the handicapped.

It might be noted that employers are sometimes discouraged from hiring persons with disabilities because they may be safety risks or more prone to industrial hazards. Hence efforts that are made to promote the hiring of physically or otherwise disabled persons should take account of whatever Workmen's Compensation or industrial safety regulations and laws apply. Legislation and incentives alone are not, of course, enough. It is equally imperative that employers and unions, in both the public and private sectors, harmonize their efforts to develop working environments that are responsive not only to the physical limitations of the disabled or older employees, but also to the special needs of women with families.

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In raising the issue of where such responsibilities lie, we are mindful of the situation of an analogous group, including many native persons, who lack jobs not because of personal disabilities, but simply because they live outside the geographic reach of the labour market. Here, too, we believe that there are responsibilities at the private and public levels to provide positive work opportunities for this group. In many cases, the individual malaise is particularly acute because families are large, health facilities are inadequate, and no employment opportunities exist locally for potential income-earners. Therefore,

#### *Recommendation 4*

*We recommend that the private sector, including enterprise and labour, and all levels of government review their efforts and funding priorities with a view to enriching the opportunities, career content, flexibility, and productivity of the work environment for young and older workers, women with young children, and persons who are physically or otherwise handicapped or disadvantaged.*

### **Industrial Relations**

In the course of this study we have observed with some disquiet the growing incidence of industrial disputes and the fact that, on average, the length of time required to settle strikes in Canada is three times that in most other western industrialized countries. We observed, too, that until relatively recently most strikes involved companies and unions in the private sector, and the effects of the strikes were limited largely to the parties directly involved. However, over the last few years the curtailment of public and quasi-public services, such as transportation and communications, education, health care, and public utilities, has seriously affected third parties – either the public in general or particular segments of it, including other workers and union members.

On a narrower front, it seems fair to observe that job security, safety, grievance, and related provisions in Canada have emerged primarily through the collective bargaining process. Most of these elements accrue formally only in the organized sectors. Governments, through standards legislation, have been called upon in all provinces to provide at least a minimum of corresponding protection for unorganized workers.

The right to bargain collectively applies to almost all employed workers who are not deemed to be part of management. This dividing line may sometimes be restrictive – in the case, say, of sales persons on commission or certain other white-collar workers. Moreover, in some jurisdictions there are a few groups that are denied the right to organize. Agricultural workers in some provinces, for instance, are not only prevented from making collective bargaining arrangements, but they are also denied protection under provincial minimum-wage

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legislation. In most provinces, moreover, labour standards are not enforced vigorously enough to provide the protection that unorganized workers warrant. We believe that provincial governments should review their legislation and the resources of their labour departments with a view to extending and tightening enforcement of employment, health, and safety standards, and the application of minimum wages for all employed workers. We also believe that, in some jurisdictions at least, there would be value in establishing or reinforcing procedures to facilitate the hearing and settlement of appeals on alleged violations of federal or provincial labour legislation affecting persons outside the ambit of collective bargaining. Strict application of the law could, of course, result in increased payroll costs for firms that remain competitive only by virtue of low pay and poor working conditions; but this, in our view, is a price Canadians would be willing to pay.

There are a number of other institutional arrangements that impede the effective utilization of labour. For instance, we have noted that turnover rates are substantially higher in Canada than in other western nations. Traditionally, as part of its prerogatives, management has claimed the right to hire and discharge workers, and only recently have restraints been introduced to the arbitrary dismissal of employees without compensation. We believe, however, that some employers have used the availability of unemployment insurance as an excuse to divest themselves of responsibility for the job security of some of their employees, particularly those hired and laid off seasonally. Some could undoubtedly rearrange their production to eliminate unnecessary hirings and dismissals. Both Sweden and France have recently adopted seniority and severance pay legislation designed to discourage dismissals without compensation and to encourage more permanency in employer/employee relationships. Federal and provincial labour departments might look again at the extent, adequacy, and uniformity of regulations for the advance notice of layoff or dismissal and for severance pay.

There is also the question of a growing compartmentalization of employment that is apparent in the tendency for employers, professional associations, and licensed groups to establish unnecessary skill requirements or other barriers to jobs. This is apparent in the tendency for employers, professional associations, and licensed professions imposing high entry requirements prevent upward mobility and, as a result, raise overall health care costs. But such barriers are prevalent, as well, in other professions and the skilled trades. It extends, for instance, into the systems of apprenticeship and trades certification and, at the working level, to jurisdictional issues involving different or overlapping skills. Indeed, the need to curb excessive compartmentalizing and to secure more flexibility in training options and skills was the focus of study of a recent Ontario Task Force Report on Industrial Training.<sup>5</sup> It is also an issue of concern to the Department of Manpower and Immigration.

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5 Ontario, "Training for Ontario's Future," Report of the Task Force on Industrial Training, Toronto, 1973.



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And when the question was discussed at the manpower workshops of the 1974 National Economic Conference, the conclusion was reached that

in the longer run, all industries should be looking to themselves to eliminate artificial work barriers, and to do the training to facilitate less costly systems of delivering goods and services, using more flexible work scheduling and improved systems of career planning.<sup>6</sup>

In this connection, we have found very interesting the operations of the Office des professions du Québec, which was created in 1973 to administer the "Professional Code," a law governing all questions related to professional practice in Québec. The Office and the Code are the main instruments used to administer and coordinate access to, and the practice of, the thirty-eight restricted professions in that province.

The issue emerges also in related matters involving job restructuring and job enrichment. We are encouraged by the joint efforts of some employers and unions to reduce unnecessary rigidities in work structures and to participate in the changes that are being adopted to improve job satisfaction. By the same token, we share their concern that seniority be protected and that employers be encouraged to design jobs and schedule output so as to provide as much continuity of employment and as few layoffs and dismissals as possible.

Another area more directly concerned with the general subject of health is the need for greater protection against industrial diseases. Recent dramatic findings in the asbestos industry highlight the problem of health hazards that persist in the mining industry generally and many areas of manufacturing. And, while it is true that safety standards designed originally to prevent accidents have been broadened in recent years to help prevent other health hazards, this area is regarded primarily as a provincial concern, and standards and their application vary from province to province. Federal involvement is divided among a number of different departments and branches. Moreover, little emphasis has been placed on research and training in the field of occupational health protection in Canada; most of our standards were developed in the United States or the United Kingdom. The study of such problems is left mostly to the initiative of part-time researchers in universities, and there is no institution in Canada that turns out industrial hygiene inspectors. While much of the responsibility in this field lies with the provinces, there would, in our view, be value in the federal government taking the lead, by consolidating its occupational health activities into a single department and by sponsoring research programs designed to improve, and provide more uniformity to, the occupational health standards administered in both federal and provincial jurisdictions. There would also seem to be value in federal-provincial collaboration in the development of training programs for the administration of occupational health standards. Therefore,

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6 *Priorities in Transition*, Proceedings of the National Economic Conference, Economic Council of Canada (Ottawa: Information Canada, 1975), p. 82.



*Recommendation 5*

*We recommend that federal and provincial governments, in conjunction with labour and management, accelerate their efforts to reduce discriminatory entry barriers to jobs; to ensure adequate standards of employment and income for unorganized workers, including the removal of barriers to collective bargaining, the extension of minimum-wage coverage, and notice and severance pay in the event of layoff; and to provide better protection against occupational health hazards.*

Since the beginning of the research related to this report, dramatic changes have occurred in the pace of economic activity and in inflationary expectations within virtually all western countries. Canada, being a nation profoundly affected by international conditions through extensive foreign trade and exchange relationships, has felt the repercussions and experienced its own pattern of rising unemployment, increased prices, and rounds of labour market confrontation. It was in response to these developments and in keeping with parallel remedial actions taken by many western countries that the Canadian government, only a few months ago, announced its current prices and incomes guidelines policy aimed at restraining inflation and restoring a more favourable environment for economic expansion. In short, economic and institutional events in Canada have moved very fast and will likely continue to do so, creating new problems and new challenges. These in turn may alter the circumstances surrounding the manner and timing of adopting the initiatives suggested here. Nonetheless, while acknowledging Canada's current macroeconomic difficulties, we believe that the issues we have raised in this report are important and that the implementation of our recommendations would enable the Canadian labour market to operate in a more balanced and humane manner.

The recommendations are concrete and realistic. Indeed, for the most part, they are in keeping with initiatives that may already be under way, including those to improve the measurement and understanding of unemployment, to render job-matching and market institutions more effective, to provide support for certain less favoured groups, and to enlist the co-operation of labour, management, and the different levels of government. One of the real difficulties associated with periods of restrained economic growth and high unemployment is that heavy unemployment insurance expenditures drain government financial resources that could otherwise be used to create employment. Our recommendation for a program of auxiliary jobs, conjoined with the payment of unemployment insurance, represents an attempt to cut through this difficulty and to give Canadians a more positive and rewarding alternative; it is also in keeping with the manpower proposals very recently endorsed by the Ministers of Labour and Manpower of the Organisation for Economic Co-operation and Development.



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# 4

## RECENT DEVELOPMENTS IN THE CANADIAN LABOUR MARKET

In this chapter we review recent developments in the Canadian labour market with a view to providing preliminary perspectives on our unemployment experience. We start by asking the usual questions: How has Canada fared in relation to other western nations in such matters as employment, unemployment, and productivity? And what has happened with respect to employment and unemployment in the various sectors of our economy, the main occupations, and the regions? We then examine the main influences on the growth of Canada's labour force and the changes in its composition: the flows of immigrants into, and emigrants from, Canada; the rise in the propensity of Canadian women to work and in their participation rates; and the impetus generated by youth entering the labour force for the first time.

We have not, however, attempted to analyse the fundamental elements contributing to the aggregate demand for labour in Canada – such as the rate and the locus of public and private investment – and how these may affect the overall level of unemployment and the unemployment rates of particular groups or areas. Demand factors have taken on a new complexity, interrelated as they are with international inflationary pressures and uncertain price and employment expectations on all sides. Moreover, other ongoing work at the Economic Council is examining demand management, price pressures, the need to increase capacity and investment, and the interrelationship of these factors with longer-run developments on the labour supply side.<sup>1</sup> We are also aware that our discussion of regional development is altogether too brief; however, more exhaustive regional studies are under way in the Economic Council and will, we expect, clarify many of the elements contributing to regional unemployment differentials.

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<sup>1</sup> See, for example, Economic Council of Canada, *Twelfth Annual Review: Options for Growth* (Ottawa: Information Canada, 1975).

## The Unemployment Issue

It is generally accepted that over the past few years the labour market in Canada has behaved in a somewhat perplexing fashion. Until well into 1974, when signs of a cyclical slowdown began to appear, demand was strong in the economy, real output grew steadily, consumer spending was buoyant, and employment increased at a rapid pace. Yet the average annual unemployment rate remained relatively high, declining only a few points from 6.4 per cent in 1971 – the highest in ten years – to 6.3 per cent in 1972 and 5.6 per cent in 1973, a year of very rapid economic expansion. In 1974, with somewhat less real growth in the economy, it averaged 5.4 per cent, rising by mid-1975 to over 7 per cent. This situation has created widespread disquiet, for at least two reasons: first, unemployment has traditionally meant economic hardship; and, second, high unemployment is usually associated with slackness in the productive capacity of the economy.

Yet throughout this recent period we have seen escalating prices and profits and evidence of considerable shortages of labour – phenomena that would normally cast some doubt on the relevance of the unemployment data and on the use of the aggregate unemployment rate as a valid measure of economic hardship. It has also been suggested that, within limits, high unemployment rates no longer necessarily signal a slump in total demand within the economic system, since the “trade-off” between unemployment and inflation seems to have shifted substantially in recent years. This shift implies that demand stimuli that would have brought unemployment rates down to quite low levels in the fifties and sixties no longer have that effect. Moreover, inflationary impulses are triggered more quickly now by an increase in real demand. What has happened?

It is perhaps germane to recall a few of the issues of the early 1960s, when unemployment rates were also high (see Table A-1). Concern was expressed then about Canada's growth potential, particularly since our productivity levels and incomes were about 20 per cent below those in the United States. At least part of this differential was alleged to be due to qualitative differences in the two labour forces, since the average Canadian had two fewer years of formal schooling than his U.S. counterpart. Related worries were also manifest about structural unemployment resulting from the growing obsolescence of old skills in the face of new job requirements. As the decade advanced and the economy moved out of its slump, these anxieties were translated into concern about shortages of skilled manpower, on the one hand, and the need for investment capital in slow-growth areas on the other. Traditional monetary and fiscal measures, it was suggested, were too blunt to overcome the difficulties of the groups and areas most prone to unemployment. The upshot was a major expansion of federal-provincial expenditures in the 1960s to encourage education, adult training, youth employment, and regional development.

Today, with educational attainments in Canada approaching those in the United States, and with arrangements that enable thousands of Canadians each year to



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renew their skills and to find worthwhile work, we seem even further removed from the dual objective of full employment and reasonable price stability than we were when these programs were first launched. Why has recent unemployment proved so difficult to reduce? And why does the Canadian economy now appear to operate at full capacity when less than 95 per cent of its labour force is employed?

### Some Traditional Comparisons

Traditionally, Canada exhibits a higher unemployment rate than most, if not all, western industrialized countries (see Chapter 10). Of course, differences in that rate must be viewed in the perspective of conditions in their respective labour markets and social and economic institutions.

In countries where most of the work force is organized, continuity of employment and the allocation and training of manpower, for example, may well be subject to collective bargaining or may be worked out through tripartite (government, labour, management) co-operation. Indeed, in many European countries, tenure arrangements and job security have long been subject to rather elaborate protective legislation, while in North America they have been left largely to collective negotiation. Only in recent years have the Canadian provinces legislated mandatory advance notice requirements when jobs are to be terminated. By and large, Canadian legislation permits employers, subject to correct notice, to dismiss employees at will; and there is no legislative provision, as in some European countries, for employee appeals against "unfair" dismissals.<sup>2</sup>

A second contributing factor is, of course, the Canadian climate. The severity of winter and the amplitude of the seasonal variation of employment are greater than in almost all other western industrial nations, save perhaps Norway and Sweden. Between February and mid-summer, roughly one million additional jobs emerge, only to disappear at the onset of winter. This seasonal job expansion coincides with our long summer education breaks – another phenomenon not shared by all other countries – which increase the size of our work force between May and September by about 7 per cent, or 700 thousand young men and women. In the process, as both labour supply and demand expand and contract seasonally, most of the winter unemployed and most students find jobs in the summer, but many face unemployment as warm-weather activities slacken.

And, of course, Canada's very large land mass, the tremendously variegated regions, and the geographic dispersion of our large urban communities greatly influence our overall labour market activity. Job opportunities and local labour forces do not necessarily expand or contract at the same rate or in the same places, leading to higher than usual unemployment in some locations and labour shortages in

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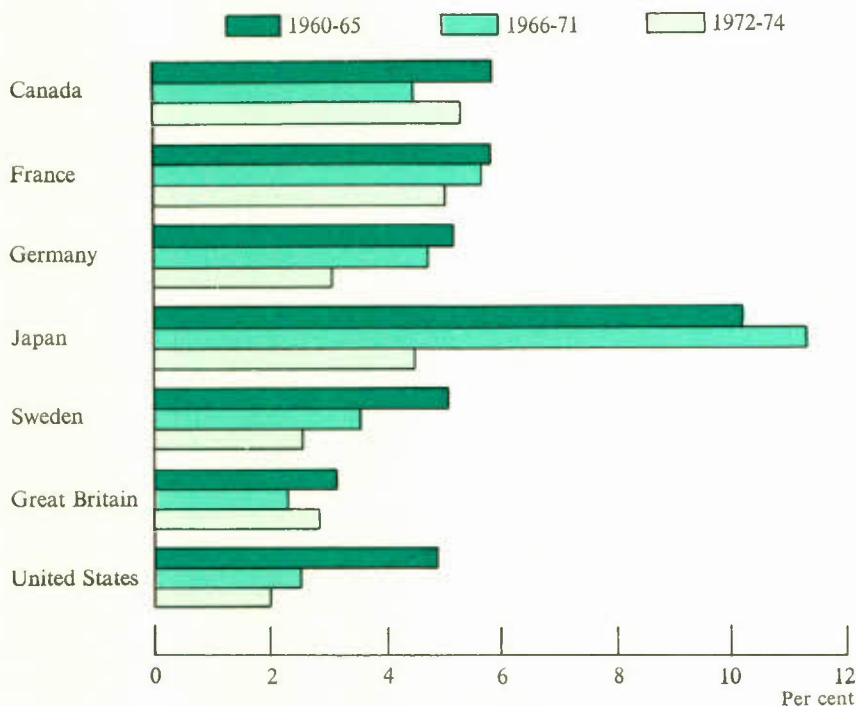
2 On the other hand, many collective agreements in Canada provide for such a procedure, in which case the dismissal can be challenged as a grievance and reviewed by labour and management.

others. Similar problems also occur with the growth of different industries and occupations and with the corresponding matching or mismatching of the changing skills and capabilities of the available work force.<sup>3</sup>

Perhaps as a consequence of all these factors, the Organisation for Economic Co-operation and Development observed in 1965 that hiring and separation rates were higher in Canadian enterprises than in virtually all of the leading European countries and the United States. In manufacturing, Canadian separation rates for quits and layoffs were 20 per cent higher than those in the United States, 50 per cent higher than in France, and triple the rates in West Germany.<sup>4</sup>

Chart 4-1

Average Annual Growth of Real Output,<sup>1</sup>  
Selected OECD Countries, 1960-74



<sup>1</sup> GDP in constant purchasers' values, except for France and Japan in 1960-65, when GDP at constant factor cost was used, and for Canada and Japan in the latest period, when GNP growth between 1973 and 1974 was used.

SOURCE Organisation for Economic Co-operation and Development, *National Accounts of O.E.C.D. Countries, 1960-1970* (Paris: OECD, 1972); OECD *Economic Surveys: Canada* (Paris: OECD, 1973); and *Main Economic Indicators* (Paris: OECD, 1975).

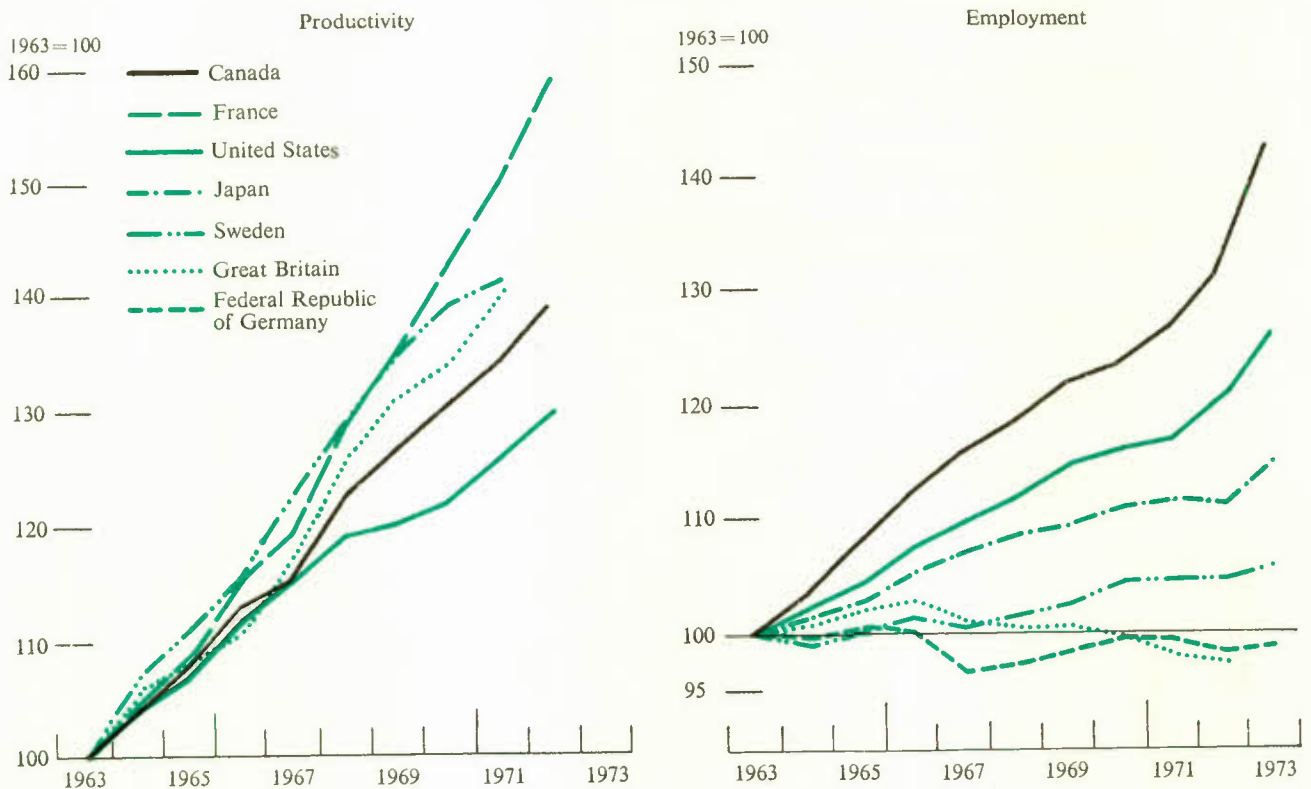
<sup>3</sup> In Chapter 10 we attempt to gauge statistically the extent to which regional, industrial, and occupational shifts have affected aggregate unemployment rates in Canada in recent years.

<sup>4</sup> Organisation for Economic Co-operation and Development, *Wages and Labour Mobility* (Paris: OECD, 1965).

A further source of concern about the labour market situation is related to Canada's disappointing productivity performance. Overall, this country has maintained relatively strong growth in output of goods and services throughout the period since 1961, and the pace of expansion in gross domestic product (GDP) was exceeded by only two other OECD countries (Chart 4-1). However, when we compare Canadian increases in output per man-hour – a usual measure of productivity – with comparable data for other countries, our position is a lot less satisfactory. Indeed, for some time now, Canada has registered a slower rate of increase in output per man-hour than almost any other advanced nation, with the main exception of the United States. To some degree this may be partly a problem of measurement: the more highly developed an economy becomes, the greater the share of employment in service activities, whose productivity changes are

Chart 4-2

Indexes of Labour Productivity and Employment Growth, Selected Countries, 1963-73



SOURCE International Labour Office, *Year Book of Labour Statistics, 1973* (Geneva: ILO, 1973).

notoriously difficult to calculate. Nevertheless, recent experience in western countries has been striking (Chart 4-2).<sup>5</sup>

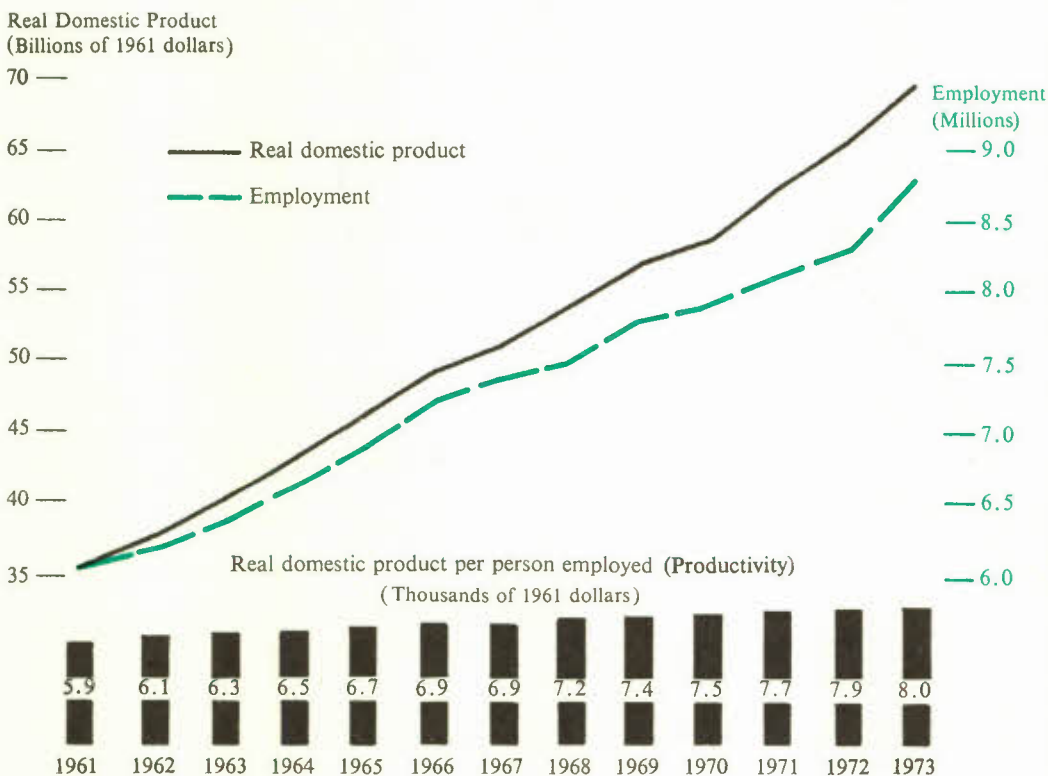
Chart 4-2 also indicates that output growth in Canada has derived mainly from employment expansion rather than from productivity increases. Canadian employment rose by an impressive 43 per cent between 1963 and 1973, compared, for example, with 26 per cent, 15 per cent, and 6 per cent in the United States, Japan, and Sweden, respectively, and with slight net declines over the same period in the United Kingdom and West Germany.

### Employment Trends

The close relationship between aggregate output and employment is depicted in Chart 4-3, which shows that, while real domestic product (RDP) rose from

Chart 4-3

Real Domestic Product, Employment, and Productivity, 1961-73



SOURCE Estimates by the Economic Council of Canada.

5 See also Economic Council of Canada, *Looking Outward: A New Trade Strategy for Canada* (Ottawa: Information Canada, 1975), Chapter 3.



\$35.5 billion in 1961 to almost \$70 billion in 1973, employment rose in the same period from about 6 million to 8.8 million persons. The link in this relationship is, of course, productivity, and the bars at the foot of the chart trace the trend of output per employed person over the period. The relationship between aggregate demand, output, and employment is dealt with in more detail in Chapter 11. Here it suffices to say that these developments contain interesting implications for the process of job creation through the usual market mechanisms. With RDP per person employed at a level of \$5,900 in 1961, a \$1-billion additional amount of RDP would have created an additional 171 thousand jobs. In 1973, by contrast, a similar addition<sup>6</sup> to RDP would have yielded only 125 thousand extra jobs.

While employment gains have constituted one of the outstanding features of the Canadian labour market in recent years, they have not been equally distributed among age-sex groups, industries, or occupational groups. The employment of women and young people has expanded remarkably, paralleling the rapid labour force increases of these groups. Employment of males increased by 36 per cent between 1961 and 1974; that of women, by 89 per cent; and that of young people (14-24 years old) of both sexes, by 91 per cent.

Chart 4-4 outlines the distribution of employment by industry. Manufacturing, the second largest employer of labour, lost ground – from 24 per cent of total employment in 1961 to 22.5 per cent in 1974. Service industries<sup>7</sup> expanded during the same period to account for 37.4 per cent of total employment. An interesting corollary of the relative expansion of employment in the service sector is the growth in part-time employment (Table 4-1). In aggregate, part-time employment now accounts for around 12.5 per cent of total employment, compared with less than 4 per cent in 1953.

Table 4-1

Part-Time Employment<sup>1</sup> as a Percentage of Total Employment, 1953, 1963, and 1973

	Males	Females	Young workers (14-24 years)
1953	1.8	10.7	n.a.
1963	4.3	21.5	13.9
1973	6.0	24.6	20.5

n.a. – not available.

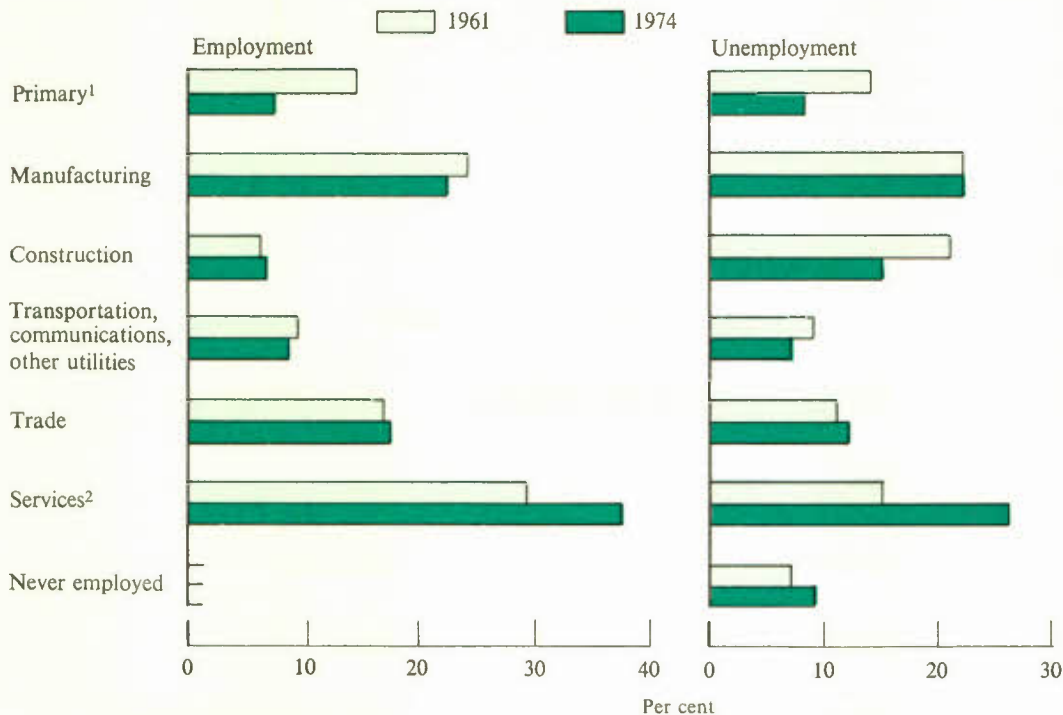
<sup>1</sup> Part-time workers are defined as those who normally work less than thirty-five hours per week.

SOURCE Based on data from Statistics Canada.

<sup>6</sup> This would be over \$1.5 billion in current dollars.<sup>7</sup> Defined by the Labour Force Survey to include community, business, and personal services; finance, insurance, and real estate; and public administration. This differs slightly from the National Accounts definition and that used by the Economic Council in its publication, *Looking Outward*, where "services" is used as a synonym for all tertiary sector enterprises. It should also be noted that the service and recreation occupational category differs somewhat from the industrial service category.

Chart 4-4

Distribution of Employment and Unemployment, by Industry, 1961 and 1974



1 Includes agriculture; forestry; fishing and trapping; and mines, quarries, and oil wells.

2 Includes community, business, and personal services; public administration; and finance, insurance, and real estate.

SOURCE Based on data from Statistics Canada.

Most striking of all, perhaps, is the decline in employment in primary industries – agriculture, forestry, fishing, trapping, and mining. Employment in agriculture has almost been halved since 1951, and this industry's share of total employment has fallen from 18 per cent in 1951 to about 5 per cent in 1974.<sup>8</sup> Moreover, a 1970 survey showed that only half of all farm operators in Canada identified self-employment in farming as a major source of income; indeed, wages and salaries and other non-farm income through self-employment provided close to 60 per cent of the income of farm families. Mining and much of the forestry industry have experienced progressive modernization and higher productivity. In the process, heavy equipment, new types of conveyors, and pneumatic drills have displaced

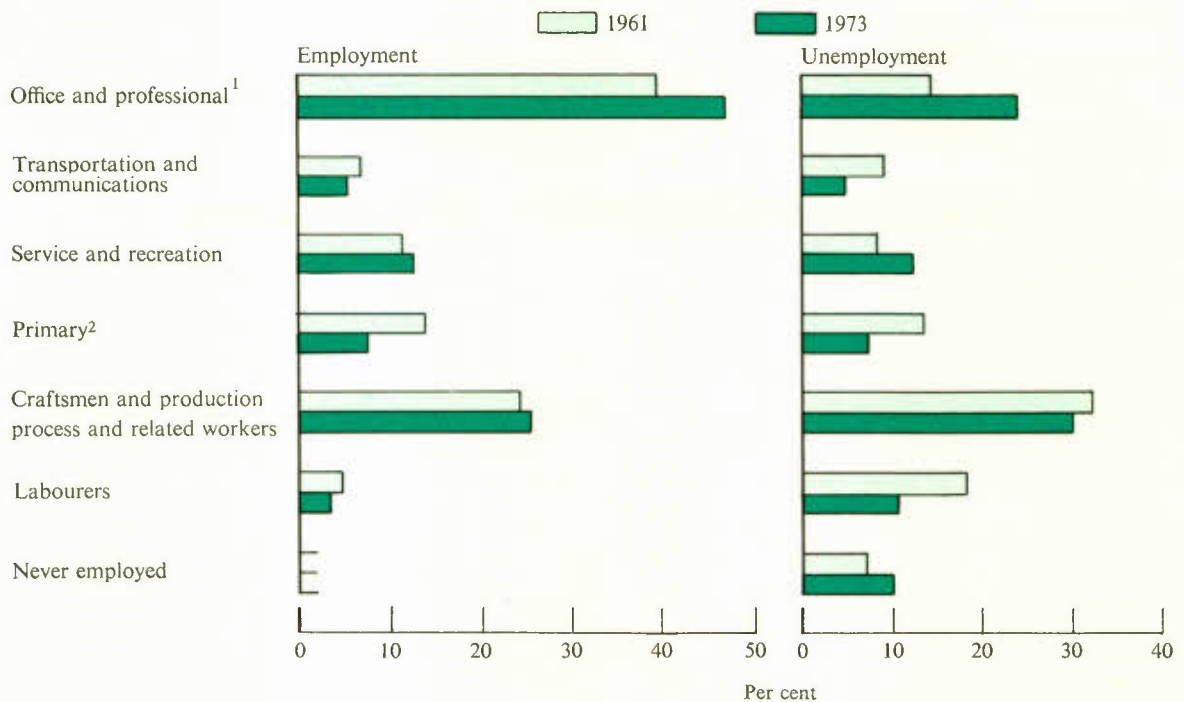
<sup>8</sup> While the number of farms has decreased considerably during this period, acreage has not.

many of the relatively unskilled workers. Employment in forestry has declined in absolute numbers, and in mining it has grown very slowly.

These substantial shifts in employment by industry are reflected in the occupational distribution shown in Chart 4-5. Close to half of all jobs are now in office and professional occupations; another quarter are held by craftsmen and production process and related workers. By contrast, the proportion of jobs in primary, labourer, and transportation and communications occupations has decreased since 1961.

Chart 4-5

Distribution of Employment and Unemployment, by Occupation, 1961 and 1973



1 Includes managerial, professional and technical, clerical, and sales workers.

2 Includes farmers; fishermen, trappers, and hunters; loggers and related workers; miners, quarrymen, and related workers.

SOURCE Based on data from Statistics Canada.

How has unemployment been distributed by occupation? While 1961 and 1973 are not absolutely comparable, because 1961 was the trough of a business cycle and 1973 was a relatively peak year, nonetheless what stands out is the relative

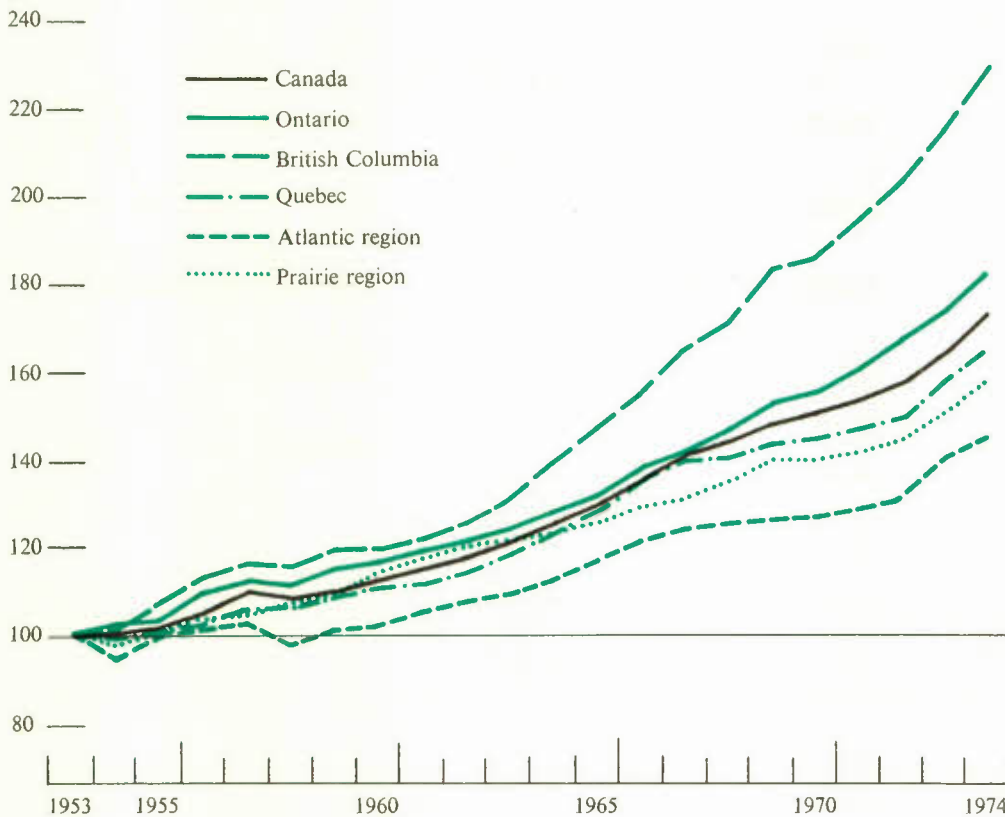
increase in unemployment among clerical and professional workers, sales personnel, and new labour market entrants, and the relative decline among labourers and those in primary and construction activities.

It is apparent, also, that Canada's employment growth has not been distributed evenly among the regions. Chart 4-6 shows, for example, that employment has grown almost three times as fast in British Columbia as in the Atlantic provinces. Quebec experienced a rapid rate of growth in the early sixties, followed by somewhat slower growth until 1972. Ontario's employment growth, though less spectacular than that of British Columbia, has generally followed a smoother course than that of any other region.

Chart 4-6

Index of Employment, by Region, 1953-74

(1953=100)



SOURCE Based on data from Statistics Canada.



The persistent regional growth differentials in Canada appear to stem from a number of causes, which include, in particular, the complex and interrelated differences in the composition of the labour force by education, occupation, and age; differences in the seasonality of labour demand; and differences in behavioural characteristics, which affect participation and turnover. Moreover, the lack of an adequate manufacturing base in the Prairies and the Atlantic provinces means that many of the usual stimulative effects of new investment on local supply industries instead flow back to the central regions. We found, for example, in our recent study of the construction industry<sup>9</sup> that, even in such a highly localized industry,

Chart 4-7

Birth Rate and Natural Labour Force Growth,<sup>1</sup> 1921-73



1 The annual percentage change in the natural-increase component of labour force growth was estimated by subtracting the growth components resulting from changed participation rates from the previous year and from net immigration (assumed to be one-half of total net immigration) from total labour force growth.

SOURCE Based on data from Statistics Canada, Department of Manpower and Immigration, and the Bank of Canada.

9 Economic Council of Canada, *Toward More Stable Growth in Construction*, Report of the Study on Cyclical Instability in Construction (Ottawa: Information Canada, 1974), p. 129.

69 per cent of all materials used in the Atlantic region came from the two central provinces. Quebec imported 23 per cent of its construction materials from Ontario. While, admittedly, construction is not representative of all industries, this type of leakage of secondary demand and employment to the stronger provinces is widespread and has undoubtedly contributed to the stronger rates of growth in the central provinces and British Columbia. The upshot is that, even if there were a demand stimulus sufficient to lower the overall Canadian unemployment rate to 4 per cent, with present regional patterns the rate would be in the range of 8 per cent in the Atlantic provinces, 6 per cent in Quebec, and below 3 per cent in Ontario.

These patterns of employment growth have interacted with certain developments on the supply side to produce the unique levels and distribution of unemployment in our labour market today. In large measure, rapid growth in the Canadian labour force, which started in the mid-1960s, resulted from the maturing of young people born during the so-called postwar "baby boom" years (Chart 4-7). Another factor entering increasingly into the labour supply picture is the growth in participation rates – that is, the proportion of people in working-age groups (14 years and over) who take jobs outside the home. The overall participation rate in Canada rose from 53.8 per cent in 1963 to 58.3 per cent in 1974, reflecting some pronounced changes in the level of involvement in the labour force among different age-sex groups. Together with the continuous net flow of immigrants, the demographic bulge in the working-age population and the growth in participation rates have meant that the Canadian economy has had to generate a sharp expansion in the number of jobs simply to match the annual increment of Canadians seeking work.

### **Immigration**

Immigration has been an important factor in the enlargement of the labour force (Chart 4-8). Since the end of the Second World War, Canada has absorbed about five times as many immigrants annually, in relative terms, as the United States and, indeed, more than any other country in the world, except Israel. About half of all Canada's immigrants are destined immediately for the labour force, and more than half settle in three major cities – Toronto, Montreal, and Vancouver.

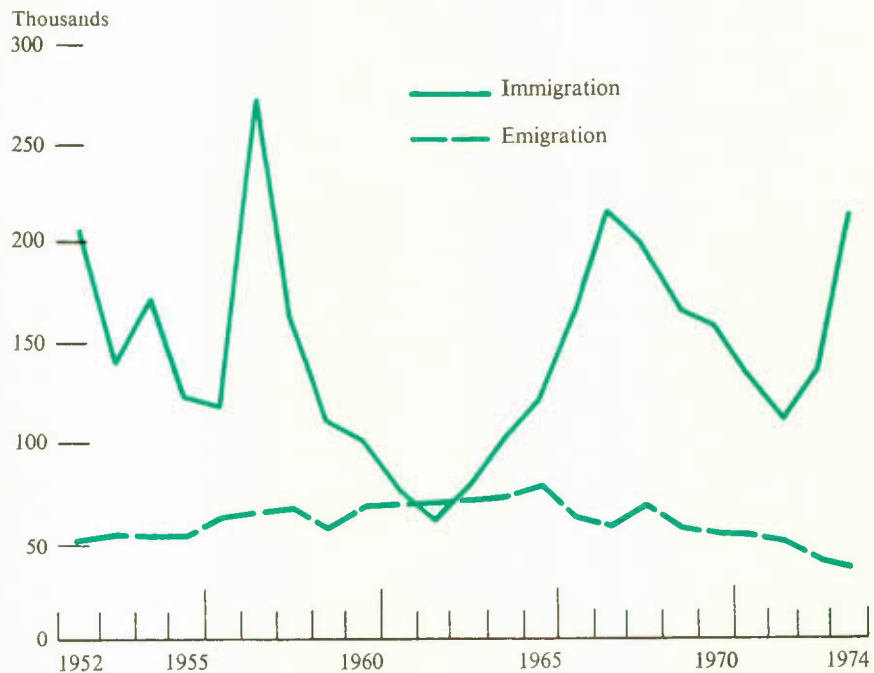
The other side of the coin, of course, is emigration. In the early 1960s emigration rates were higher than at any time since the Second World War. Whereas over 1.4 million immigrants entered Canada in the sixties, over 800 thousand Canadian residents emigrated. Roughly half of them went to the United States. However, since the introduction of new restrictions into the U.S. immigration laws a few years ago, the rate of emigration to the United States has been roughly one-third the average flow of the late fifties and early sixties; in 1974, only 12,300 Canadian

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residents emigrated to the United States compared with an inflow from there of 30,400 (Chart 4-9). If this changing net migration balance with the United States persists, we may anticipate a somewhat larger net effect of immigrants on the Canadian labour force in the years ahead.

Clearly, immigrants have profoundly influenced the growth and character of the labour supply in Canada, accounting for roughly one-third of the annual increase in the work force throughout the whole postwar era. This situation may change as we enter the 1980s.<sup>10</sup>

Chart 4-8

Immigration<sup>1</sup> to, and Estimated Emigration<sup>2</sup> from, Canada, 1952-74

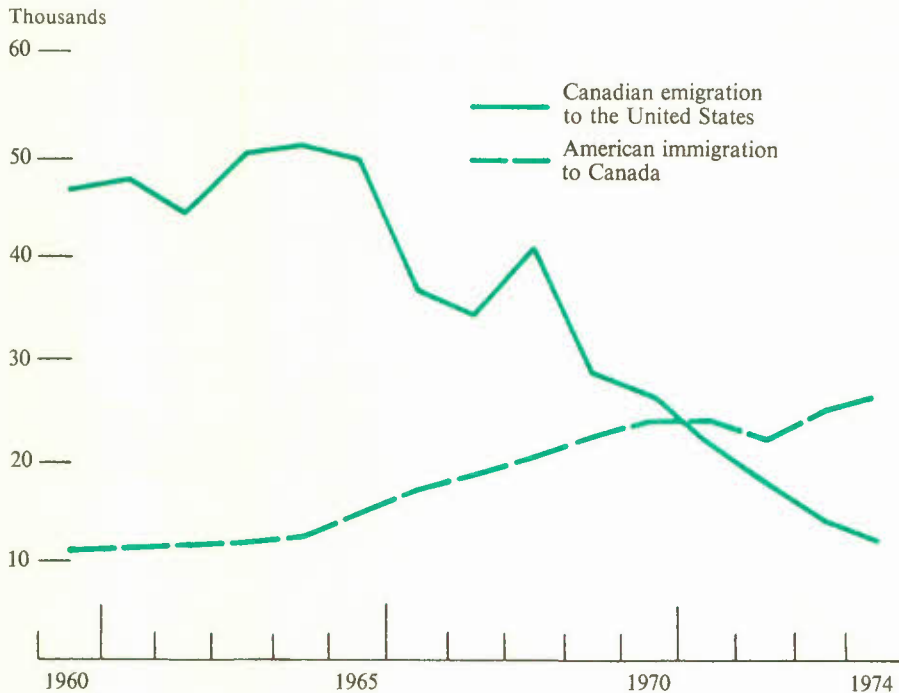
1 Annual data, beginning with the third quarter of each year.

2 Census year beginning June 1.

SOURCE Based on data from Department of Manpower and Immigration and Statistics Canada.

10 The federal Green Paper on Immigration provides detailed information on the flows of foreign-born to Canada, the evolution of immigration policy, and the recent patterns of immigrant settlement within the larger framework of Canada's overall population objectives and urban and regional development; see Department of Manpower and Immigration, *Report of the Canadian Immigration and Population Study* (Ottawa: Information Canada, 1975), 4 vols. We return to some of these issues in Chapters 7 and 11.

Chart 4-9

Migration between Canada and the United States, 1960-74<sup>1</sup>

<sup>1</sup> Data on immigration from the United States are based on a calendar year; those for emigrants from Canada, on July-to-June years.

SOURCE Based on data from Department of Manpower and Immigration and the U.S. Department of Commerce.

### Participation Rates

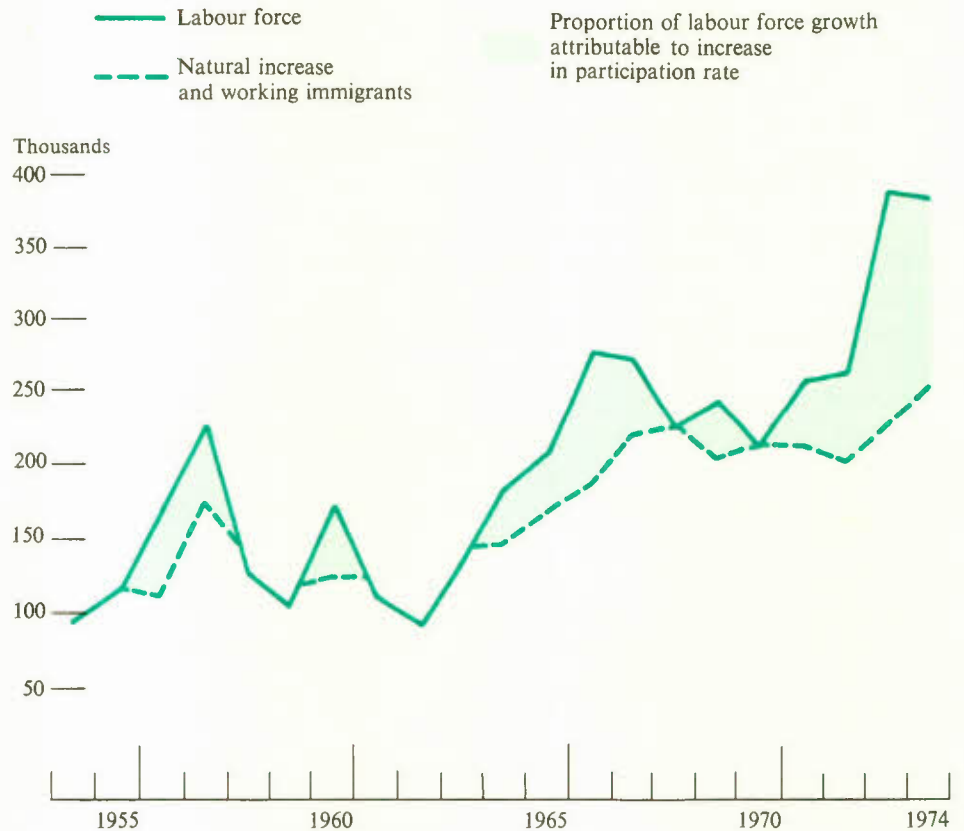
Chart 4-10 illustrates the year-by-year growth of the work force from 1954 to 1974, broken down by that attributable to increases in the working-age population (native-born and immigrant) and to changes in the participation rate. The importance of the latter is notable especially in periods of economic expansion, such as 1956-57, the mid-1960s, and 1971-74. Its significance in this last period, and especially after 1973, suggests that some new elements may now be present in the labour market.

Certainly one characteristic of the recent upsurge in participation rates is that about half the total working population now consists of women and young people. Their increased involvement is undoubtedly contributing to the changed response of labour force growth to fluctuations in aggregate unemployment, the reduced dependence of workers on their own earnings for the support of families, and the



Chart 4-10

Labour Force Growth Attributable to Increase in the Participation Rate, 1954-74



SOURCE Based on data from Statistics Canada.

high turnover of labour in many industries. It is, therefore, useful to examine the data on female and youth participation in the labour force before going on to look more closely at the other phenomena.

### Participation of Women

As Chart 4-11 illustrates, labour force participation among women has been increasing dramatically for some years. One-third of this increase has resulted from the larger number of young women reaching working age; the balance, from greater

participation by women of all ages – with the rate increasing from 23 per cent in 1953 to over 40 per cent in 1975. As a result, the proportion of women in the labour force has risen from a little over one-fifth to more than a third and has accounted for about half the net increase in the size of the work force. A feature of this increase in female labour force participation has been the unevenness of its growth, which correlates fairly closely with cyclical changes in the economy.

The reasons for the increased participation of women in jobs outside the home are complex, but a number can be identified. First, as Table 4-2 indicates, while there has been a relative decline for some years in the kinds of physical jobs that are traditionally looked upon as a male preserve – farming, fishing, logging, and mining – employment has expanded sharply in white-collar occupations, including teaching, nursing, and other professions where the talents of women have been increasingly recognized, and in clerical, service, and recreation jobs. Second, rising costs are encouraging employers to develop part-time work or short-term jobs that permit the employment of women who are prepared, at least for the moment, to accept fairly low remuneration in return for more flexible employment arrangements that meet the needs of their immediate family circumstances. But of probably even greater significance are the social and cultural developments that have altered women's perceptions of their role in society, which, coupled with more effective birth-control methods, have led to reduced emphasis on child-bearing and to greater career orientation.

The importance of these changes makes it worthwhile to examine the data on female participation in more detail. The groups of women whose participation rates have advanced most consistently and strongly are those aged 25 to 44, whose involvement in the labour force rose from 23 per cent in 1953 to close to 47 per cent in 1974, and those aged 45 to 64, whose participation increased from 17 per cent to 37 per cent. These developments are consistent with the job aspirations of, and opportunities for, married women outside the home, along with new perceptions of their role as contributors to the economic well-being of their families. Among women aged 20 to 24, on the other hand, the participation rate held steady throughout the 1950s at just under 50 per cent, but then it rose rapidly in the 1960s and early 1970s, reaching 63 per cent in 1974. This undoubtedly reflected a stronger inclination to make use of rising educational skills, as well as the evolution of new social forces, including new methods of family planning. By contrast, participation by young women aged 14 to 19 changed relatively little until recently, except for the slow and somewhat erratic decline from 34 per cent in the early 1950s to around 30 per cent in the late 1960s, presumably because of their increasing commitment to finish high school and go on to higher education. However, in the early 1970s participation rates among this age group grew significantly, reaching about 37 per cent in 1974. Only women 65 and over have shown a decreasing participation rate since the mid-1960s, the 1974 figure being about 4 per cent compared with over 6 per cent in 1964.

Chart 4-11

Participation Rate, by Age-Sex Group, 1953-74



SOURCE Based on data from Statistics Canada.

Table 4-2

Employment, by Sex and Occupation, 1961 and 1973

	1961		1973		Distribution of female employment <sup>1</sup>		Change in employment, 1961-73	
	Number employed	Females	Number employed	Females	1961	1973	Total	Female
	(Thousands)	(Per cent)	(Thousands)	(Per cent)	(Per cent)			
Managerial	560	11	823	15	4	4	47	102
Professional and technical	598	42	1,265	41	15	17	112	108
Clerical	805	62	1,388	73	30	34	72	103
Sales	446	36	625	40	9	8	40	57
All white-collar occupations	2,409	40	4,101	47	58	64	70	97
Services and Recreation	658	58	1,068	58	23	21	62	62
Transportation and communications	409	9	462	10	2	2	13	27
Farmers and farm workers	684	8	488	13	3	2	-29	14
Loggers, fishermen, and miners	130	n.a.	133	n.a.	0	n.a.	2	n.a.
All primary occupations	814	7	621	n.a.	3	n.a.	-24	n.a.
Craftsmen and operatives	1,464	15	2,206	15	13	11	51	55
Labourers	302	5	300	7	1	1	-1	43
All blue-collar occupations	1,766	13	2,506	14	14	12	42	54
All occupations	6,055	28	8,759	34	100	100	45	79

n.a. - not applicable.

<sup>1</sup> Figures may not add up because of rounding.

SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

It is worth noting, too, that the rate of participation of married women has been increasing almost twice as fast as that of all women. Indeed, between the 1941 and 1971 Censuses, the proportion of married women in the labour force advanced from 2 per cent to over 20 per cent. Thus, of all the women now in the labour force, about 60 per cent are married, compared with 10 per cent thirty-five years ago.

However, as the role of women in the work force has increased, so too has their share of unemployment. Indeed, unemployment rates among women have risen substantially since the mid-1960s and are approaching the rate for males in the same age groups. Until the end of the 1960s, the aggregate unemployment rate for women never exceeded 3.6 per cent. Since 1970, however, it has averaged over 5 per cent, and in 1975 it was 6.4 per cent. Whereas the women's share of total unemployment was 13 per cent in 1954, it was 32 per cent in July 1975. And, while much of this increase has been experienced by young women from 14 to 24, a corresponding rise has occurred among those 25 years and over (Chart 4-12).



Chart 4-12

Unemployment Rate, Two Age Groups, by Sex, 1953-74



SOURCE Based on data from Statistics Canada.

### The Young Worker

The increase in the number of young workers is largely a consequence of the increased birth rates registered in the 1940s and 1950s that are now observable in the 14-19 and 20-24 age groups. More important, however, are the recent developments with respect to the participation rate of younger workers. As Chart 4-11 shows, the downward trend in the participation rate of teenagers, both male and female, which had been apparent from 1953 until recent years, has turned sharply upward since 1969-70. The same is true for men aged 20 to 24. What is not yet clear is whether these rising participation rates among all young people represent a reversal of the earlier trend towards longer schooling, more part-time work by students, or a combination of both.

Somewhat more than a quarter of Canada's labour force is now composed of people aged 24 or younger; 12 per cent are in the 14-19 category and 16 per cent

are in the 20-24 group. Moreover, as Chart 4-12 clearly demonstrates, the rate of unemployment among young people is substantially higher than the Canadian average. For example, in 1974, youths aged 14 to 24 accounted for close to half of the unemployed – double their proportion in the work force. Whereas the aggregate 1974 unemployment rate was 5.4 per cent, it was 12.7 per cent among men 14 to 19, 9.5 per cent among those 20 to 24, and 10.1 per cent and 6.6 per cent, respectively, among young women of corresponding ages.

It is often suggested that one of the reasons for such high rates is the large number of young people who are seeking work for the first time and are having trouble finding it. However, recent evidence indicates that young people are usually able to secure at least temporary employment fairly quickly. This implies that much of the unemployment among younger workers reflects their search for more satisfying or secure jobs, as well as a high turnover rate as they move between jobs. Young people are, of course, more able than others to accept part-time and temporary work in construction, tourist and recreational activities, and other seasonal occupations. But these jobs terminate. Indeed, a study of the reasons for job separation among the unemployed regular workers aged 14 to 24 showed that close to 60 per cent had left their jobs because the work was seasonal or temporary or because they were laid off or discharged.<sup>11</sup>

Since more than half the population in the 14-24 age group consists of full- or part-time students, it is tempting to downplay the importance of this group's difficulties in the labour market as essentially a "student" problem – one that imposes certain strains during the summer months and artificially inflates the annual unemployment rates of younger workers. However, we were able to examine the labour force characteristics of students and the "out-of-school" work force in November 1972, a month reasonably representative of the situation during the full-time school year.

The results of our analysis, shown in Table 4-3, indicate that close to 2.4 million, or 52 per cent of all young people 14 to 24 years old, were attending school during that month; another 1.8 million were out of school and working or unemployed; and about 400 thousand were neither in school nor in the labour force – presumably travelling or staying at home. The most interesting fact, however, was that close to 0.5 million, or 21 per cent of all students, were also reported in the labour force. Since they worked during the school term, the presumption is that many held part-time jobs. In other words, of every five young persons aged 14 to 24 reported employed or looking for work in November 1972, one was a student attending school. The unemployment rate for students was only a third as high as for the non-student population. Thus very few in the pool of unemployed young people were students looking for jobs. Indeed, if the Labour Force Survey excluded students now reported as members of the labour force, unemployment rates among

11 B. MacDonald, "Reasons for Leaving Last Job," in Statistics Canada, *Notes on Labour Statistics, 1972*, Cat. No. 72-207, February 1973, p. 40.

young persons would in certain months be close to 2 percentage points above the levels reported for November 1972.

Table 4-3

Labour Force Profile of the 14-24 Age Group, November 1972

	Total		Out of School		Students	
	(Thousands)	(Per cent)	(Thousands)	(Per cent)	(Thousands)	(Per cent)
Population	4,588	100.0	2,200	48.0	2,388	52.0
Labour force	2,262	100.0	1,790	79.1	473	20.9
Employed	2,025	100.0	1,570	77.5	455	22.5
Unemployed	238	100.0	220	92.4	18	7.6
Participation rate		49.3		81.4		19.8
Unemployment rate		10.5		12.3		3.8

SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

What is particularly noteworthy about the large component of our total labour force represented by young people is that their patterns of behaviour and their attitudes towards work tend to be different from those of older members of the population. From the evidence, it seems reasonable to hypothesize that for those who have no children or other family responsibilities, or who may be able to depend on their parents for financial support, there is less concern about the continuity of earnings that steady employment provides. Thus they can more readily leave jobs they do not enjoy or take work they know will not last very long. This relatively relaxed attitude towards security of work may lead some to countenance unemployment more readily than is possible for those with families to support.

### Conclusion

The developments in labour markets outlined in this chapter indicate that the nature of unemployment in Canada is different today than even as recently as the mid-1960s. In this respect, it parallels U.S. experience – though, of course, with some important differences.<sup>12</sup> The relative unemployment rates of women and young people – the new unemployed – are higher now than in the mid-1960s, and this represents a bona fide change in labour market experience. The labour market has also been altered by legislative and institutional changes – most notably, the availability of enriched manpower programs and extensions to the

12 M. S. Feldstein, *Lowering the Permanent Rate of Unemployment* (Washington: U.S. Joint Economic Committee, 1973).

unemployment insurance machinery – which we shall examine in subsequent chapters. These changes have undoubtedly helped to reduce the insecurity and the financial burden of periodic unemployment but, when combined with the much greater prominence of married women in the work force, they may have had other ramifications in terms of how long workers stay at jobs they do not enjoy or how earnestly they look for work once unemployed. Underlying these major developments are the changes in attitudes, which in turn are closely interrelated with the factors influencing job turnover, multiple job-holding, part-time work, and other phenomena observable in the job market in recent years.

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In the previous chapter we described some of the factors that have produced growth and change in the Canadian labour market since the 1950s. The figures there were for the most part, however, “snapshots” of the numbers of persons in different labour force categories at various points in time. In this chapter we consider the dynamic forces that underlie and determine those “stock” figures. The forces are dynamic in a very special sense for, even if there were no changes in the main stock figures over time, there would nevertheless be an incessant process of turnover as workers quit, were laid off, retired, and entered or left the market. In reality, of course, demographic, institutional, and other longer-run forces act continuously upon the short-run movements to shape and reshape diverse patterns and flows of workers and jobs that are conjoined in the labour market.

### **Labour Market Stocks and Flows**

The monthly (or quarterly) data on the stocks of employed and unemployed persons, and on job vacancies in the economy, are regularly released by Statistics Canada, reported by the media, and popularly discussed. Less well known, however, is the nature of the flows whose interplay determines the magnitude of those stock figures. This section provides a simple illustration of these important dynamic relationships.

The efforts of business firms and other enterprises to meet the economy’s present and future demand for goods and services give rise to specific manpower requirements. These requirements are then compared with the firms’ currently available manpower to determine whether they need additional workers for unfilled jobs and/or for newly created jobs, or whether layoffs must be made. In the process, workers may be hired, thus filling and reducing the stock of job vacancies. Conversely, they may be laid off, thus increasing the pool of the unemployed – a flow from employment to unemployment.

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Other flows may add to, or diminish, the stock of available labour. Laid-off workers may, for example, feel so discouraged by the economic climate that they withdraw completely rather than join the pool of the unemployed and attempt to find another job. Yet others are workers who leave their jobs and the labour force because they have reached retirement age or are pursuing other goals, such as education. Simultaneously, some young people leave school and flow into the market, either directly into employment or into the stock of job-seeking unemployed. In the same way, large numbers of women, who may have worked earlier in their lives, enter the labour market when family circumstances permit. Immigration, too, provides a continuous flow of workers to the various categories or stocks of employed, unemployed, and persons not in the labour force.

Similarly, flows occur into and out of the stock of jobs. Workers who quit or retire each month leave behind vacant jobs that employers must fill. Moreover, when employers expand their operations, new job vacancies are created and advertised. Conversely, when economic conditions worsen, vacancy registrations tend to be withdrawn. In this way there are additions and reductions to the stock of job vacancies that parallel the flows of persons.

Such movements are at once the life-blood and the bane of the allocative mechanism: the former because the mobility of people and the flow of jobs are essential for healthy economic growth; the latter because the infinitely varied characteristics of workers and of jobs, and the inevitable imperfection of the information system, combine to produce the mammoth task of matching them in the labour market. The immensity of this function may be appreciated when we bear in mind that the unemployed are workers of almost infinitely diversified characteristics relating to skill, experience, ambition, reliability, location, and wage aspirations, while vacancies may similarly be variegated according to skill requirements, working conditions, opportunity for advancement, location, and wages. The more readily these attributes are matched, the more quickly vacancies and unemployed workers will be transformed into additional employment. The more difficult the reconciliation, the longer the duration of vacancies and unemployment.

In the search, there is no guarantee that workers and jobs will be perfectly matched. Vacancies and unemployment may occur simultaneously in each industry. Jobs no less than workers will be "evaluated" according to certain criteria. Employers may fill jobs with less than the best available employees, since time and the costs of a search are crucial factors, and there may be only a limited supply of candidates. Similarly, workers may take less than the best available job for a host of reasons. Most workers have a reserve price for their labour and some expectation about the wage level that is appropriate for their skills and experience. To the extent that a job is low-paying, of short duration, or otherwise unsatisfactory, it is unlikely to attract workers from the pool of unemployed primary breadwinners unless they are very unskilled or desperate. Rather, such jobs more likely attract persons from the secondary labour market whose commitment to continuous employment is more tenuous.

This rather stark sketch of the workings of the labour market is, of course, far removed from the detail and colour of the real world. There is obviously a wide variety of institutional arrangements within which the basic interrelationships take place. The characteristics of the jobs in the market place may, for example, be affected by legislation on safety and working conditions, equal employment standards, and minimum rates of pay. Most important, collective bargaining provides the background against which millions of workers and jobs interact.

A number of other factors influence the unceasing process of adjustment. Government policy may affect not only aggregate demand and, thereby, the magnitude of manpower requirements, but the government may also intervene directly in the labour market. The reconciliation between workers and jobs may, for example, be aided by training, mobility, and placement programs. Furthermore, the nature of the flows may be affected greatly by the availability of income derived from sources other than the labour market, including various types of transfer payments.

### **The Overall Patterns**

At any point of time in 1975 few more than 10 million Canadian residents were working or actively looking for work. At the same point of time, though, there were many residents who were not in the labour force but who did, in fact, work some period of the year, frequently replacing others who dropped out temporarily or permanently. Overall, taking account of the continuous ebb and flow of persons into and out of the labour market, the actual numbers who worked some time during 1975 in full-time, part-time, or casual jobs exceeded the reported 10 million by an estimated 2.5 to 3 million. Of the approximately 13 million total participants in the labour force at one time or another during the year, as many as 5 million, or possibly more, changed jobs with or without a bout of unemployment, entered, re-entered, left the labour force, or became unemployed. In the process, millions of jobs were vacated and refilled. And, in response to seasonal dictates and to the inevitable fluctuations of demand for different types of goods and services, scores of business enterprises opened and closed, and hundreds of thousands of jobs were initiated and terminated.

These processes are discussed here, using Statistics Canada estimates of the gross flows of the population among the "employed," "unemployed," and "not-in-the-labour-force" categories. The estimates are derived from survey data drawn from respondents' replies, not only about their current activities but also about their activities a month earlier. This permits comparison of their labour force status at two reference dates and facilitates quantification of the stock-flow relationships. Table 5-1 shows the stocks of persons employed, unemployed, and not in the labour force in January and February 1973, respectively, and indicates the magnitude of the month-to-month flows among those stocks.

Table 5-1

Labour Market Stocks and Flows,  
January and February, 1973

	Labour market status in February 1973			
	Employed	Unemployed	Not in labour force	
	(Thousands)			
Labour market status in January 1973				
Employed	8,193	7,944	133	116
Unemployed	688	182	492	14
Not in labour force	7,063	141	27	6,895
Working-age population in January	15,944	8,267	652	7,025
Net increase in working-age population between January and February	32	16	3	13
Working-age population in February	15,976	8,283	655	7,038

SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

In January 1973, there were close to 16 million persons in Canada aged 14 years and over, of whom roughly 8.2 million were employed, 688 thousand were unemployed, and a few more than 7 million were not in the labour force. By February, the number of employed persons had increased by 90 thousand, unemployment had dropped by 33 thousand, and 25 thousand fewer people were outside the labour force. But these stock figures masked flows of much larger magnitudes. During the month following the January count, and excluding those who simply changed jobs within that period, of the 8.2 million originally employed, 249 thousand moved out of employment – 133 thousand of them became unemployed, and 116 thousand left the labour force. But this was more than offset by a flow into employment of 339 thousand persons, 182 thousand of whom had been unemployed in January and another 141 thousand of whom had been outside the labour force at the time of the January survey. An additional 16 thousand were added to the stock of employed as a result of growth in the working-age population. For a net reduction of 33 thousand unemployed between January and February, 182 thousand unemployed persons found jobs and another 14 thousand stopped looking for work, to be replaced by 133 thousand persons who lost their jobs and 30 thousand who entered the labour force in February but did not find work. Thus, during the month, the net increase in employment of 90 thousand was the result of nearly seven times as many individual moves into and out of employment; the net decrease in unemployment of 33 thousand was the consequence of nearly eleven times as many moves into and out of unemployment.



During the course of a year, various movements into and out of the labour force and between employment and unemployment add up to impressive magnitudes. The tables in Appendix B include our estimates of the magnitudes of these various flows in the Canadian labour market. While the figures should be considered more as a preliminary basis for the development of monthly stock-flow accounts than as precise measures, they do reveal some interesting features. The quantitative significance of the gross flows is strikingly apparent. For example, the net increase in the total labour force between December 1971 and December 1972 was 0.27 million. But this change was the result of the flows we have described that take place continuously and, for convenience, are measured on a month-to-month basis. Over the whole year, there was a total movement from outside the labour force into employment of 2.48 million and into unemployment of 0.46 million. These flows were offset by movements in the reverse direction of 2.67 million and 0.20 million, respectively. In addition, there were net external population flows into the labour force of 0.20 million, the net result of children reaching working age and of immigration, emigration, and deaths.

Altogether, the increase in employment of 0.22 million persons during 1972 – from 8.13 million to 8.35 million employed men and women – reflected inflows of 4.46 million and outflows of 4.24 million. Similarly, the increase of just over 50 thousand unemployed during 1972 was the result of movements into unemployment of 2.05 million and outmovements of 1.99 million persons (Tables B-1 and B-2).<sup>1</sup> But these flow estimates relate only to movements between the stocks of persons employed, unemployed, and not in the labour force. The actual amount of movement in the labour market is greater still, as many people move directly from one job to another without experiencing unemployment or a spell out of the labour force.<sup>2</sup> Moreover, even persons who do become unemployed may well find a job within a month and thus be recorded as employed on both survey reference dates. And, of course, filled jobs may have a number of incumbents over time, without ever having been listed as vacant.

Seasonal characteristics of the labour market are also clearly reflected in the flow figures. Students taking summer jobs, for example, help account for the large flows into the employed category from the not-in-the-labour-force category in May, June, and July. For example, there was a net increase in the stock of employed

1 Individuals with more than one period of unemployment during the year would show up in this flow more than once, as would individuals moving into and out of employment and into and out of the labour force. The figures given do not correspond exactly because of rounding.

2 A study done a few years ago indicated that about 30 per cent of the population covered by unemployment insurance changed industry, occupation, or province of employment each year in the 1965-68 period; see J. Vanderkamp, *Mobility Behaviour in the Canadian Labour Force*, Economic Council of Canada Special Study 16 (Ottawa: Information Canada, 1973). Many others, of course, change jobs within the same firm or industry, or are laid off subject to recall. Unemployment Insurance Commission officials estimate that, in all, between 5 and 8 million separation certificates are issued by employers in the course of a year.

from April to May 1972 of 260 thousand; from August to September, there was a reverse net seasonal movement of 390 thousand (Table B-1). Seasonality is further illustrated in Chart 5-1, where the summer influx of young people is again strikingly apparent. It is worth noting parenthetically that, whereas the traditional problem of seasonality has been reduced by technological advances and the relative decline in employment in the primary sectors, this has been counter-balanced by the seasonality of the student work force.

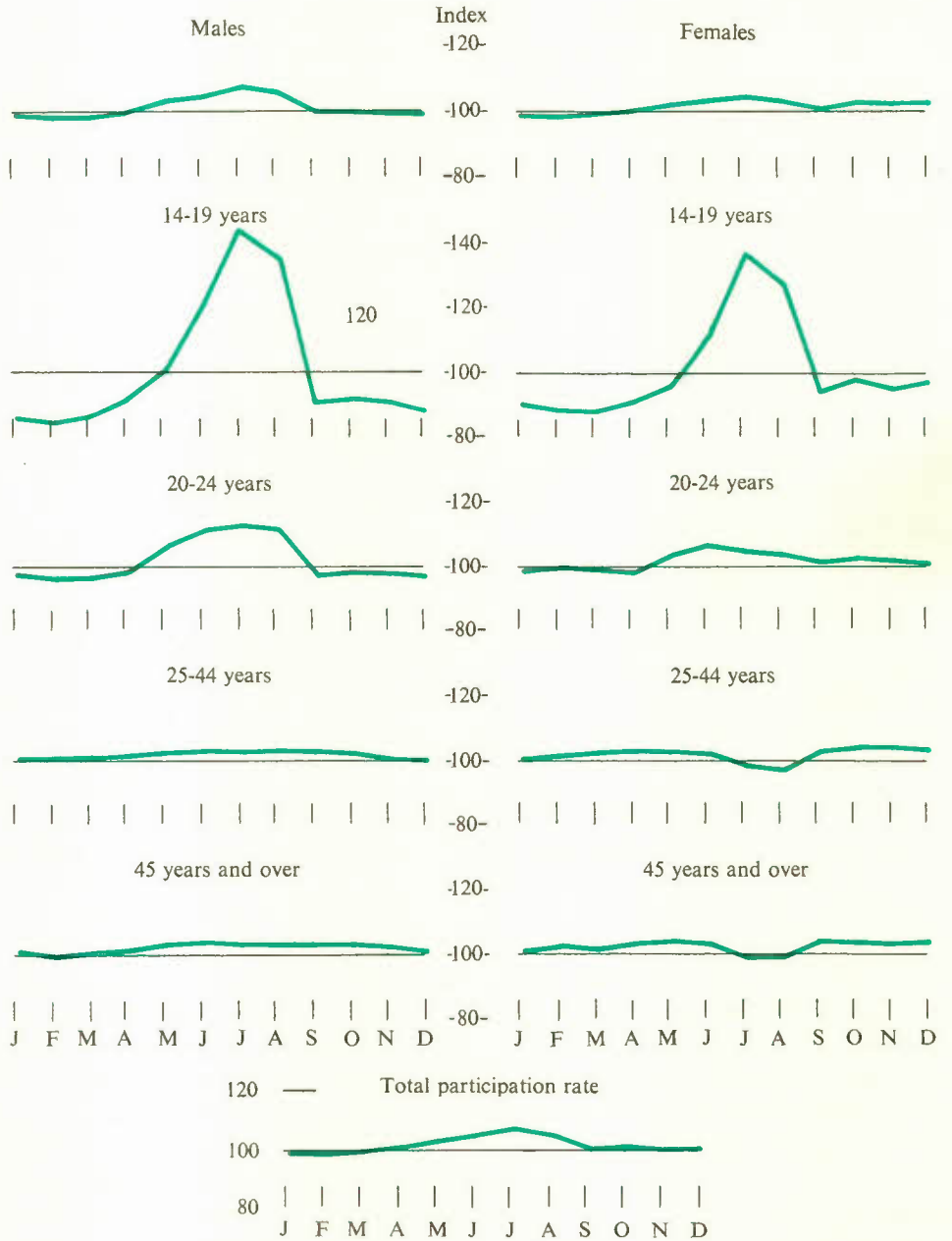
This most basic representation of stock and flow magnitudes may be amplified to include a considerable amount of detail. Through disaggregation of the data, for example, the unemployed might be classified according to duration of unemployment; and labour market status might be broken down by region, by age and sex, by industry, by occupation, or by a worker's situation in relation to other members of the family or household unit.

The effect of changes in the unemployment rate on the probabilities of movement among the various categories at two different times of the year are shown in Table B-4. Broadly speaking, the directions of change are similar for men and women, with the one major exception noted below. Quite obviously, as the overall unemployment rate rises, the probability that an individual will retain his job falls. The probability of moving from unemployment into a job also declines and that of remaining unemployed increases, as one might expect. There is also a decline in the likelihood of movement out of the labour force from employment – indicating, perhaps, a greater tendency for people to retain their jobs if the prospects of finding others are less favourable. Moreover, at higher unemployment levels, the chances of a person moving directly from out of the labour force into employment are lower and from out of the labour force to unemployment, higher. At the same time, proportionately more persons will remain outside the labour force. The notable difference between the male and female patterns occurs in the case of withdrawals from the labour force of persons already unemployed. When aggregate unemployment rates are high, men who are already unemployed are more inclined than hitherto to become discouraged and to leave the labour force; at such times unemployed women are more likely to continue to look for work. This difference is apparent not only in the aggregate but also applies across the various age groups, without exception.

Over the course of a year, men and women of different age groups exhibit considerably different patterns of labour force attachment. Table 5-2 shows the average monthly participation rates for various age-sex groups in a year and, in addition, their rates of participation at any time during the year. This latter figure takes account of people who participated rather sporadically – those, for example, who remained in the labour force for only one or two months of the year. The ratio of this annual participation rate to the monthly average provides us with an indication of the relative continuity of the labour force attachment of various groups.

Chart 5-1

Index of Seasonal Changes in Participation Rates, by Age-Sex Group, Three-Year Average, 1971-73



SOURCE Based on data from Statistics Canada.

Table 5-2

Estimated Participation Rates, Employment, and Unemployment in a Relatively Tight Labour Market, by Age-Sex Group<sup>1</sup>

	Participation rates			Employment	Unemployment	
	At any time during the year	Monthly average	Ratio of annual to monthly	Average duration for persons who worked at any time during the year	Persons unemployed at any time during the year	Average duration
	(Per cent)	(Per cent)		(Months)	(Per cent)	(Months)
Total participants	72.9	59.1	1.24	9.4	17.5	2.6
Men	87.8	77.9	1.13	10.2	19.8	2.6
Women	58.4	40.7	1.44	8.1	14.0	2.6
Men						
14-19	67.2	46.1	1.46	7.6	30.0	3.1
20-24	96.1	85.6	1.12	10.0	27.3	3.1
25-34	99.4	96.7	1.03	11.3	16.7	2.4
35-44	99.7	97.7	1.02	11.4	15.0	2.3
45-54	98.7	95.0	1.04	11.2	16.1	2.4
55-64	89.5	80.7	1.11	10.4	17.9	2.4
65 and over	28.9	18.3	1.58	7.5	14.7	2.1
Women						
14-19	59.4	37.3	1.59	7.1	23.4	3.2
20-24	81.7	66.0	1.24	9.3	17.3	3.0
25-34	64.1	45.9	1.40	8.4	13.5	2.6
35-44	65.2	47.3	1.38	8.6	10.0	2.2
45-54	61.8	43.9	1.41	8.4	9.2	2.1
55-64	49.1	31.7	1.55	7.7	8.6	2.0
65 and over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. - not available.

1 Of all persons, including students, working or seeking work at any time during the year, assuming high vacancy rates and a 5 per cent average monthly unemployment rate. Based on regressions for the 1962-73 period.

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, *The Short-Run Dynamics of the Canadian Labour Market*, Economic Council of Canada (forthcoming).

For the youngest and oldest male age groups the ratio is relatively high, as it is for all the female groups, reflecting their discontinuous pattern of participation over the course of the year. Not surprisingly, the ratio is lowest (close to unity, in fact) for men between the ages of 25 and 54. Moreover, the greater continuity of participation by these groups is reflected in their longer average periods of employment. Finally, Table B-5, which compares flows into and out of the labour force in 1963 and 1973, indicates that the magnitude of such flows has increased (which is consistent with a less firm attachment to the labour force for an increased proportion of the participants), while the flows within the labour force have decreased (which may be an effect of increased duration of unemployment or, perhaps, reduced seasonality).



Although the flows discussed so far relate to the population side of the labour market, it is also possible in principle to develop similar data on the job side. For example, estimates could be made of the gross flows of jobs between the "filled"<sup>3</sup> and "vacant" categories and of the numbers of jobs created and eliminated. At the present time, however, published estimates are available only for net changes in job stocks.

### The Duration of Employment and Unemployment

Dynamic processes have, of course, some important practical corollaries. Consider, first, that month-end stock figures – of unemployment, for example – are themselves the product of the monthly flows of persons into unemployment and the length of time they remain unemployed. It is this last factor – the *duration* of unemployment – that completes the stock-flow relationship and constitutes an interesting policy variable. For example, if the average monthly flow into unemployment in 1973 was 160 thousand persons and if this figure were multiplied by an average unemployment duration of 3.25 months, the 1973 average monthly unemployment stock would be 520 thousand persons. Table 5-3 illustrates the effects on unemployment of reducing by two weeks, and by one month, the average length of time that an unemployed person spent looking for work in 1973. The figures suggest that if, in their search process, unemployed workers had been able, or motivated, to find jobs two weeks sooner, on average, the effect would have been to decrease the unemployment rate by about 0.9 percentage point.

Table 5-3

Effect on Unemployment of a  
Reduction in Its Duration

Average duration of unemployment	Average monthly flow into unemployment	Average monthly stock of unemployed	Average unemployment rate during the year
(Months)	(Thousands)	(Thousands)	(Per cent)
3.25	160	520	5.6
2.75	160	440	4.7
2.25	160	360	3.9

SOURCE Estimates by the Economic Council of Canada.

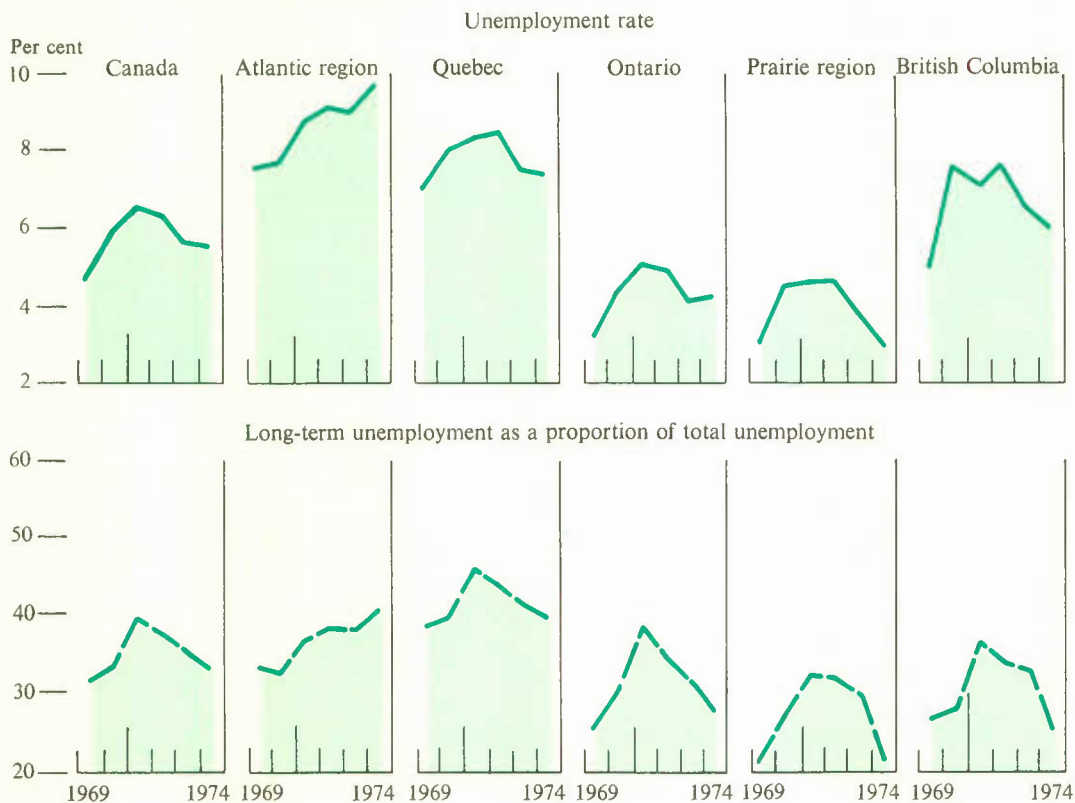
3 The relation between "employed" and "jobs filled" takes account of the fact that some people hold two or more jobs. Thus the number of jobs filled is equal to the number of people employed times the "multiple job-holding ratio." The latter is simply the average number of jobs filled per person.

An examination of month-to-month flows indicates that the duration of unemployment is itself influenced by the overall unemployment rate. In practically all age-sex groups, the probability of remaining unemployed rises as the unemployment rate rises. Also, for any given level of the overall rate, the probability of a person remaining unemployed increases with the length of time he or she has already been unemployed.

These points are illustrated by the regional data. Chart 5-2 indicates the proportion of the unemployed who were jobless for four months or more. With the exception of British Columbia in 1971, the proportion of long-duration unemployment rose and fell with the unemployment rate – reflecting the fact that, as economic conditions worsened and the jobless pool expanded, workers already unemployed were pushed further down the employment queue and took longer to find jobs.

Chart 5-2

Long-Term Unemployment<sup>1</sup> as a Proportion of Total Unemployment, Canada, by Region, 1969-74



1 Unemployed four months or longer.

SOURCE Based on data from Statistics Canada.

In addition, these duration figures serve to underline, once again, important regional disparities in the Canadian labour market. The contrast in the proportion of unemployment of long duration between Quebec and the Prairies, for example, is striking. Furthermore, the peaked pattern that is characteristic for Canada and all the other regions does not hold in the case of the Atlantic provinces, where both aggregate and long-term unemployment have exhibited a fairly sharp upward trend since 1969.

On the employment side it is apparent that some workers are interested in, and obtain, continuous employment over the course of a year; others do not. Nearly all males aged 25 to 54 participate in the labour force and have an average length of employment in excess of eleven months. In contrast, fewer than two-thirds of the women in these age groups are in the labour force, and their average duration of employment over a year is less, averaging just over eight months. For both men and women, the average duration of employment camouflages, to a greater or lesser degree, the important phenomenon of job-changing. In other words, in examining the duration of employment we must distinguish clearly between the length of time a person remains employed (as opposed to unemployed or not in the labour force) and the length of time he remains in a particular job. This is because the movement of workers going directly from one job to another is an important feature of the labour market. Thus data on the flow of separations from employment should differentiate between retirements, layoffs, and voluntary job changes. The distinction is not merely academic because, although voluntary movements from one job to another are usually beneficial to individuals, the flow nevertheless imposes costs upon employers. Indeed, the question of job permanency and the problems of turnover continue to be of major concern to employers throughout the economy.

### Turnover

In view of the substantial overhead costs that employers assume in recruiting and training new employees, an issue critical to the hiring decision is the length of time a worker is likely to remain in a particular job. Much the greater part of a typical employee's skills is acquired on a specific job; thus an employer must judiciously select workers whose backgrounds will minimize on-the-job training costs.<sup>4</sup> The expected length of time that a worker is likely to stay on a job is obviously of considerable importance in such a framework.

Some interesting insights into this question were obtained from a random sample of Canada Pension Plan data relating to individuals' earnings from each place of employment. The sample included 100 individuals of each sex in the 18-24, 25-44,

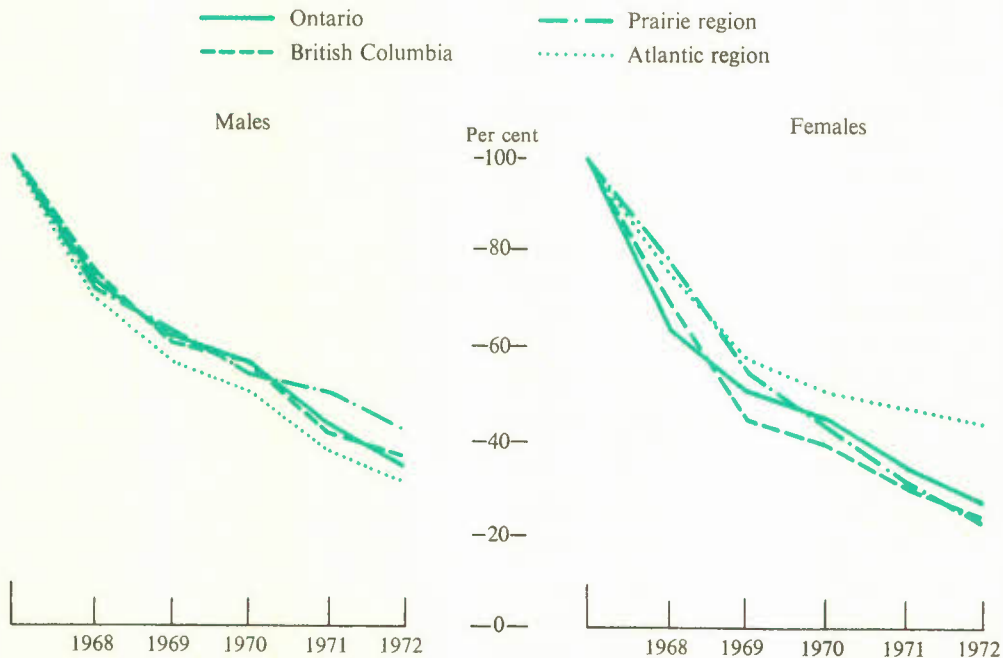
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4 L. C. Thurow and R.E.B. Lucas, *The American Distribution of Income: A Structural Problem* (Washington: U.S. Joint Economic Committee, 1972), pp. 15-46.

and 45-64 age groups in four regions<sup>5</sup> over the 1968-72 period. Since the data reveal each individual change in principal employment, it was possible to trace the numbers in each group who remained in their jobs throughout the five-year period, as well as those who moved to another employer. Over the five-year period, between half and three-quarters of male and female workers aged 25 to 44 had changed employers at least once (Chart 5-3). About one-quarter of the males aged 25 to 44 in Ontario had left their jobs in the first year; half had left by the fourth year (Chart 5-4). How much of this movement was voluntary, and how much was involuntary, seasonal, and followed by periods of unemployment, was not evident from the data.

Chart 5-3

Job Permanency<sup>1</sup> of 25-44 Age Group, by Sex and Region, 1968-72



1 Expressed as a percentage of the number of employees who worked for the same employer as in 1968.

SOURCE Based on data from Health and Welfare Canada and estimates by the Economic Council of Canada.

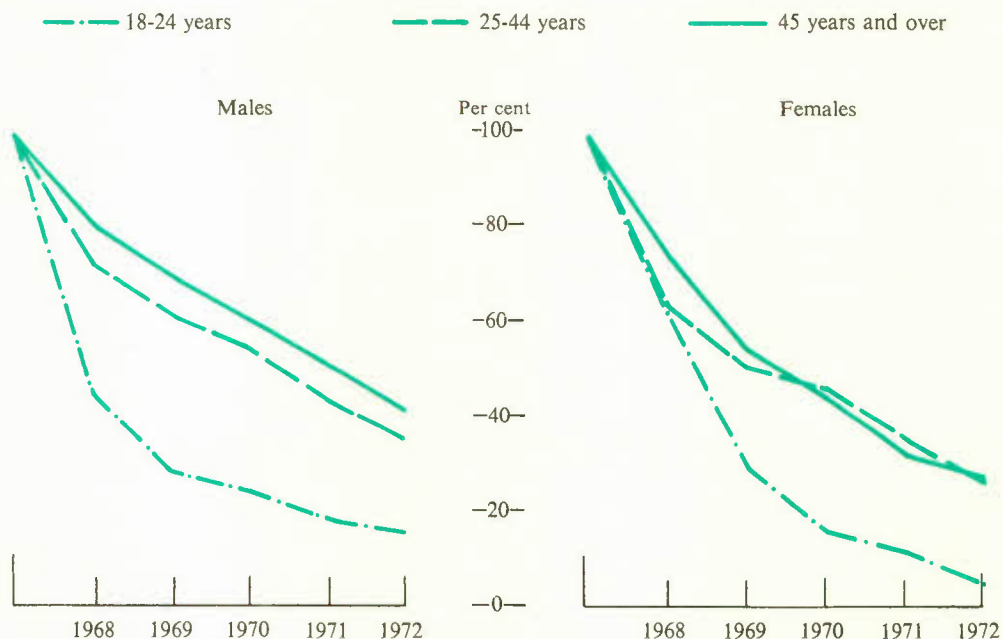
Among age groups, predictably, the 18-to-24-year-olds exhibit the least job permanency. In Ontario, for example, over half of the males had left their employer during the first year,<sup>6</sup> and only 16 per cent remained throughout the five-year

<sup>5</sup> Quebec is covered by a special pension plan and is excluded.

<sup>6</sup> This was not necessarily the first year of their service with that employer; the CPP records did not reveal length of service prior to 1968.



Chart 5-4

Job Permanency<sup>1</sup> of Workers in Ontario, by Age-Sex Group, 1968-72

<sup>1</sup> Expressed as a percentage of the number of employees who worked for the same employer as in 1968.

SOURCE Based on data from Health and Welfare Canada and estimates by the Economic Council of Canada.

period. Among Ontario females, the patterns for the younger age group again show less permanency; in 1973 only 6 per cent were still working with the same employer they had in 1968.

Another way to examine the extent of job-changing is to look at the turnover of personnel in individual firms. In a special survey of major employers across the country, we obtained information on separations as a percentage of the average number of employees during a year. These turnover rates are shown in Table 5-4, where the 123 reporting companies have been arranged into industry groups with the low, mean, and high rates portrayed for each group. The major findings from these data are: first, the sheer size of the turnover problem for the firms with the highest rates – 112 per cent in mining and 128 per cent in pulp and paper, for example; and, second, the very large disparity in rates between the high-turnover and low-turnover firms in certain industries, including the two mentioned, which is indicative of rather special problems for some firms. The firms were also asked to break down the turnover rates by sex. In most cases the rates are

much higher for women than for men. The few exceptions generally occurred in firms where women represent a small part of the labour force.

For longer periods of time, the turnover rate is more difficult to obtain. Fifty-two companies were able to provide data for 1968 and 1973, and thirty reported increased turnover. The increases were, however, extremely small, ranging from 2.2 to 7.2 per cent. When account is taken of those companies whose turnover had decreased during the period, the overall percentage increase in turnover was a minute 1.4 per cent.

Table 5-4

Employee Turnover Rates for Companies Surveyed  
in Selected Industries, 1973

	Low	High	Average	Male	Female
	(Per cent)				
Mining	15.5	111.6	43.2	43.9	33.8
Primary oils	18.1	48.3	24.3	22.8	37.3
Integrated oils	10.8	22.0	13.2	11.0	24.8
Pulp and paper	12.4	128.3	43.6	18.7	31.0
Manufacturing, non-durables	3.8	89.2	32.3	22.4	32.8
Manufacturing, durables	11.6	46.4	22.6	26.8	34.0
Trade - wholesale and retail	12.1	68.5	41.7	-	-
Transportation and storage	5.5	36.2	16.4	8.8	10.9
Telephones	9.4	28.2	19.7	9.8	29.7
Other utilities	5.2	16.7	8.1	6.7	15.1
Banks	23.0	36.1	28.2	14.3	34.0
Other finance and insurance	12.3	50.0	31.3	22.3	41.1

SOURCE Economic Council survey of major business firms and other organizations.

One must, however, treat these results with caution. It is usually the smaller shops and enterprises that exhibit the least job security, the lower rates of pay, and the highest turnover. However, the employers who responded to our survey were mostly large, well-established firms that probably have a more stable working relationship with their employees than many smaller enterprises. In addition, much of the expansion in employment since 1968 has been in the commercial and consumer services, retail trade, and related sectors, which are characterized by small enterprises, part-time work, and high turnover.

Thus, in general, high turnover rates are an especially acute problem in two quite different situations. One is typified by the mining and the pulp and paper industries, where much of the activity is in isolated areas or, in the case of the latter, exposed

to pronounced seasonal changes.<sup>7</sup> The other is represented by activity centred in urban areas and in small shops and industries that rely heavily on women workers, many of whom are less permanently attached to the labour force than men.

A further set of data about turnovers was obtained from a firm of actuarial consultants. These data are based upon the turnover of males and females of different age groups in the private sector, the provincial public service, and municipal government service. Generally, the figures based on 20 thousand employees in the private sector bear out the conclusions drawn from the Council's survey of business firms: turnover tends to be higher for females than for males and to decline with age. The same is true in the public sector. There seems to be some evidence of higher rates in the public service than in the private sector, but there is little difference in turnover between provincial and municipal employees, with one outstanding exception: the turnover rate for fire and police department employees is typically one-third that of other public service employees – probably a reflection of the demanding hiring standards and the high degree of specialization of these vocations.

### Conclusion

Extensive movements of individuals within the labour market are the result of a process of search – by employees for satisfying jobs and by employers for workers to do specific jobs – with the function of labour markets being to match workers with jobs.<sup>8</sup> In a large country like Canada, with geographically separated labour markets and more rapid employment growth in some regions than others, the process is very complex and may become increasingly more so, as the flows themselves increase and as more and more marginally attached persons enter the labour force (see Table B-5).

It is clear that an understanding of overall unemployment rates cannot be obtained by considering the Canadian labour market only in terms of its stocks. Moreover, it is also evident that we can no longer take the view that the labour force is mainly composed of workers who stay put, holding one job year in and year out,

- 7 Manpower problems in industries such as forestry and mining have been the subject of long-standing concern. See, for example, the committee reports for the 1974 National Economic Conference and the results of earlier studies, including, for example: Canadian Pulp and Paper Association, Woodlands Section, *Forty-Ninth Annual Meeting: Theme Papers*, March 1967; Canadian Institute of Mining and Metallurgy, *A Survey of Manpower Requirements of the Canadian Mineral Industry*, 1967; and J. A. MacMillan, J. R. Tulloch, D. O'Brien, and J. A. Ahmad, *Determinants of Labour Turnover in Canadian Mining Communities* (Winnipeg: University of Manitoba, Centre for Settlement Studies, May 1974).
- 8 The process was examined in the Economic Council's *Eighth Annual Review: Design for Decision-Making* (Ottawa: Information Canada, 1971), particularly Chapter 8. Also see Dennis R. Maki, *Search Behaviour in Canadian Job Markets*, Economic Council of Canada Special Study 15 (Ottawa: Information Canada, 1971), which reports on worker and employer search behaviour in 1968, using the results of supplementary data obtained through the Labour Force Survey.

while only a small number change jobs frequently and experience recurring unemployment. A more realistic view is that a large number of participants, probably 40 per cent or more of the total, may change their employment, leave or enter the labour force, or be confronted with unemployment sometime during a year.

Indeed, the reality is complicated by at least two other factors. First, while in the face of increased demand employers may seek to hire more workers and consequently add to the stock of vacancies, other responses are possible. Suppose, for example, that some part of the work force has been operating on short hours. The increase in demand may then simply serve to expand the number of man-hours worked to some "normal" weekly level, with no increase in the number of persons employed. Further demand increases may then necessitate overtime and/or job redesign, still without additional hirings. Eventually, of course, if demand increases continue, additional workers are likely to be hired.<sup>9</sup> Second, and most important, it must be borne in mind that the short-run dynamic processes have been illustrated only with respect to the quantities involved; we have not yet taken into account the important dimension of price. In fact, of course, every new vacancy flowing onto the market has its price tag, just as every unemployed worker has his own wage aspirations. The price for jobs and men is thus a most important element in the matching process. The question of wages is, however, a broad and complex one, to which we devote all of Chapter 6.

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<sup>9</sup> The employer's response may also depend on whether he sees the demand increase as transitory or permanent. Only if it is permanent will he add to his stock of workers. This is consistent with the well-known tendency of employers to reduce working hours during a downturn in economic activity rather than lay off workers.



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# 6

Any discussion of the functioning of labour markets and the causes and characteristics of unemployment must inevitably take into consideration the role of wages and related rewards for work. The price of labour in large measure determines its use and its availability. Changes in that price have an influence on the employment of labour over time, and price differentials affect the relative use of one kind of manpower over another.

This chapter little more than touches on some of the areas where wages and wage differentials have significantly affected the allocation of labour.<sup>1</sup> As with all prices, the price for labour is largely determined by continuously shifting configurations of demand and supply. But labour standards, collective bargaining, and minimum wage legislation have been built into the system, along with unemployment insurance or social welfare when jobs are not available or persons cannot work.

We have here contented ourselves with an appraisal of some of the most pertinent issues, including recent wage developments in Canada's various industries and their relation to our overall economic performance. We look at some of the occupations that simultaneously exhibit higher-than-normal job vacancy and unemployment rates and consider the role of wages in achieving a better match of workers and jobs. We also examine female/male wage differentials and factors bearing on the wages paid in the organized and unorganized sectors, including the effect of minimum-wage legislation. Finally, we turn from considering wages solely as compensation for productive effort to their other role as the major source of individual and family earnings.

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1 For a rigorous and highly technical econometric assessment of the effects of wage and salary changes on the labour market and of the difficulties inherent in interpreting the results, see John G. Cragg, *Wage Changes and Labour Flows in Canada*, Prices and Incomes Commission (Ottawa: Information Canada, 1973). Also, for a timely appraisal of the interrelationships of current wage developments, collective bargaining, and inflationary pressures, see Barbara Goldman and Judith Maxwell, *Wage Developments in Canada: The Pressure to Catch Up*, HRI Observations No. 7 (Montreal: C. D. Howe Research Institute, March 1975).

## Employment, Output, and Wages

As a rule, jobs emerge following decisions by entrepreneurs to invest in plant and equipment. The extent of the investment needed to create an additional job depends, of course, on the activity. Traditionally the capital value of plant and equipment is highest in the forestry, mining, heavy manufacturing, utilities, and transport sectors, which employ mostly males, and least in trade, in light industry, and in government and community services, which rely more heavily on female workers.

Within manufacturing, capital investment per job varies widely, depending on the industry and enterprise. For example, the primary metals industries require about \$45,000 worth of equipment for each production job, whereas some clothing and leather goods enterprises need little more than a worker with a sewing machine. On average, in 1974 each job in manufacturing was accompanied by \$32,000 worth of capital stock; in mining, \$208,000 worth; and in hydro and other public utilities, \$483,000 worth (Table 6-1). Decisions to expand employment significantly in these sectors will not be made lightly or without reference to available plant capacity and the new investment needed for replacement and expansion.

Table 6-1

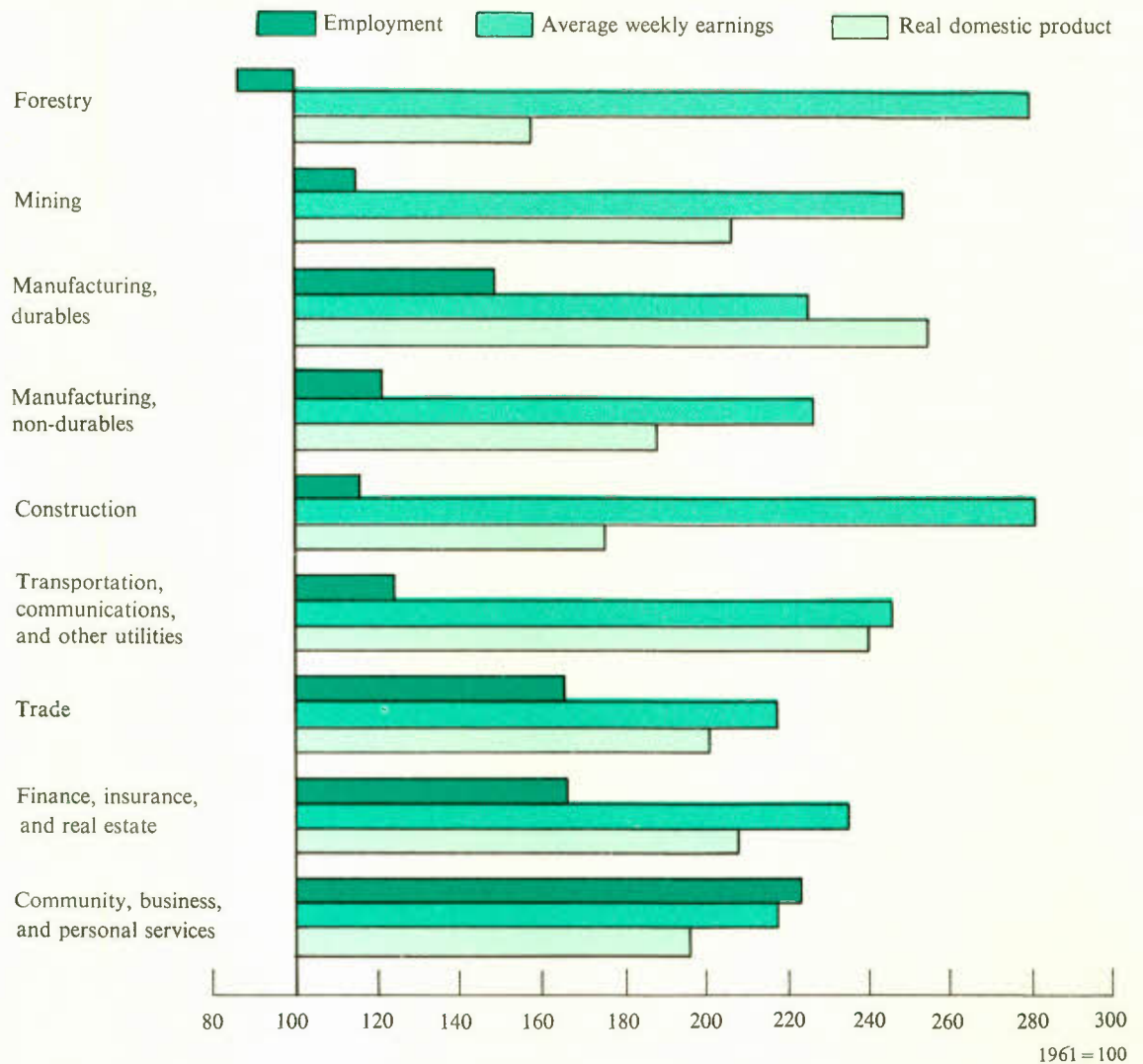
Average Capital Stock per Person Employed, by Industry, 1961, 1966, and 1974

	1961	1966		1974	
		Current dollars	Constant 1961 dollars	Current dollars	Constant 1961 dollars
		(Thousands)			
Agriculture	14.6	22.8	19.3	47.8	27.3
Forestry	8.5	13.9	11.9	26.1	16.4
Fishing	14.6	14.5	13.2	34.1	18.5
Mining	66.3	80.0	67.4	207.8	121.7
Manufacturing	14.3	18.2	15.0	31.5	19.0
Construction	4.5	4.1	3.6	6.3	4.2
Utilities	164.6	240.9	201.3	483.1	269.2
Transportation	42.7	49.8	43.8	79.4	46.2
Trade	5.9	6.9	6.1	10.0	6.1
Finance	10.6	14.5	12.7	29.1	16.9
Services	8.7	10.5	9.4	18.6	11.1

SOURCE Based on data from Statistics Canada.

Because of the wide variation in investment often required to create additional jobs, it is not surprising that the rates of increase in output, employment, and wages have differed substantially from one industry to another (Chart 6-1). Since 1961 the strong growth in mining, non-durables manufacturing, and transportation

Chart 6-1

Indexes<sup>1</sup> of Earnings, Employment, and Real Domestic Product, by Sector,<sup>2</sup> 1974

1 The data for employment and earnings in this chart are derived from Statistics Canada's Establishment Survey, which gives complete coverage only to establishments with twenty or more employees. Since much of the recent expansion in employment occurred in smaller establishments, the employment index may underestimate the actual growth in the numbers employed full- or part-time in the economy. Data for real domestic product cover establishments of all sizes.

2 In the first six sectors, more than 50 per cent of employees are covered by collective agreements; in the last three, fewer than 50 per cent.

SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

and communications has been achieved with relatively modest increases in the use of labour. Apart from manufacturing, most of the growth in employment since 1961 has been in the service and trade sectors, where output is largely related to the quality and quantity of labour input (Table 6-2). The greatest gains in money wages have been in forestry, mining, and construction – organized sectors with high labour turnover and increasingly keen competition for skilled tradesmen. In construction, average weekly earnings in 1974 exceeded those in 1961 by 182 per cent; in forestry, by 180 per cent; and in mining, by 150 per cent. By contrast, the 1974 money wage in the service industries was less than 120 per cent higher than the average in 1961.

Table 6-2

Change in Employment, by Industry, 1961-74

	Distribution of change	
	(Thousands)	(Per cent)
Agriculture	-208	-6.7
Forestry	-4	-0.1
Fishing and trapping	6	0.2
Mines, quarries, and oil wells	47	1.5
Manufacturing	572	18.6
Construction	222	7.2
Transportation, communications, and other utilities	227	7.4
Trade	550	17.8
Finance, insurance, and real estate	207	6.7
Community, business, and personal services	1,208	39.2
Public administration	257	8.3
All industries	3,082 <sup>1</sup>	100.0 <sup>1</sup>

<sup>1</sup> Figures may not add up because of rounding.

SOURCE Based on data from Statistics Canada.

Employers in the traditionally organized blue-collar sectors have responded to vigorous wage demands by switching to less labour-intensive techniques, thus off-setting some of the cost pressures by modernization and higher overall productivity. In the more labour-intensive and less well-organized sectors, wage rates have not kept pace; for example, wages of service workers now average roughly 50 per cent of construction wages, compared with 67 per cent in 1961.

These developments ought not to be a surprise. Increasing urbanization, education, and female participation have released a flow of young service and white-collar-oriented workers to match the growth in the demand for their labour. By contrast, the supply of tradesmen and unskilled labour to logging camps, mines, and construction sites has shrunk measurably. These differences in supply and demand become evident in the relative prices that labour can command in the various sectors.



Wages, salaries, and supplementary labour income currently account for close to 70 per cent of the national income; profits, for about 13 per cent. In the 1961-71 period, wage gains in real terms moved upwards from 2 to 4 per cent annually, despite some slowing of employment growth after 1966. But, by 1972, as prices rose, real gains slipped dramatically and, by 1973 and 1974, rising prices had eroded the purchasing power of much of the monetary wage gains achieved by labour (Chart 6-2).

Chart 6-2

Annual Percentage Change in Nominal and Real Wages per Worker, 1951-74



SOURCE Based on data from Statistics Canada.

Moreover, there has been a slowing of labour productivity gains in recent years.<sup>2</sup> Coupled with the concurrent escalation of unit labour costs, profits, energy, and other non-labour unit costs that hit peak levels during the economic surge of 1973 and early 1974, it was inevitable that a strong inflationary momentum would be generated.

<sup>2</sup> Economic Council of Canada, *Eleventh Annual Review: Economic Targets and Social Indicators* (Ottawa: Information Canada, 1974), p. 39.

Our prime concern now and for the immediate future is the extent to which high and rising inflation has been built into the expectations and strategies of labour, management, governments, and consumers. Wages, profits, and taxes enter the overall economic equation as costs and as sources of income and aggregate demand; and, in a completely interdependent economy in which individuals, business enterprises, and governments simultaneously produce and consume, it is difficult to single out inflationary causes and effects. The issue becomes even more complex when each participant in the productive process tries to stay one step ahead of his competitor and the next round of price increases.

Nonetheless, regardless of who leads in the process – consumers, price-setting enterprises, organized labour, or governments locked into price-escalating commitments – one thing is clear: nationwide wage gains that far exceed increases in labour productivity cannot help but be followed by price increases roughly equal to the excess of unit labour costs over labour productivity. Individual situations will, of course, be aggravated or eased by specific wage and price developments as well as by the fiscal and monetary policies of governments and by international events.

Table 6-3

Weekly Wage Change, by Industry,  
Canada and the United States, 1960-74

	Canada			United States		
	Average weekly earnings		Percentage change 1960-74	Average weekly earnings		Percentage change 1960-74
	1960	1974		1960	1974	
	(\$ Canadian)			(\$ Canadian)		
Mining	93.19	238.86	156.3	102.25	215.63	110.9
Construction	86.90	250.50	188.3	109.61	243.95	122.6
Manufacturing	78.88	185.72	135.4	87.00	172.13	97.9
Transportation, communications, and other utilities	79.68	204.31	156.4	101.69	214.15	110.6
Trade	62.93	141.22 <sup>1</sup>	124.4	64.01	116.06	81.3
Finance, insurance, and real estate	69.57	172.30	147.7	72.86	137.13	88.2
Services <sup>2</sup>	54.86	126.18	130.0	59.45	124.36	109.2
Overall average	75.76	178.17	135.2	78.23	151.05	93.1

1 Estimated from separate figures for wholesale and retail trade.

2 Excludes non-commercial services for Canada but not for the United States.

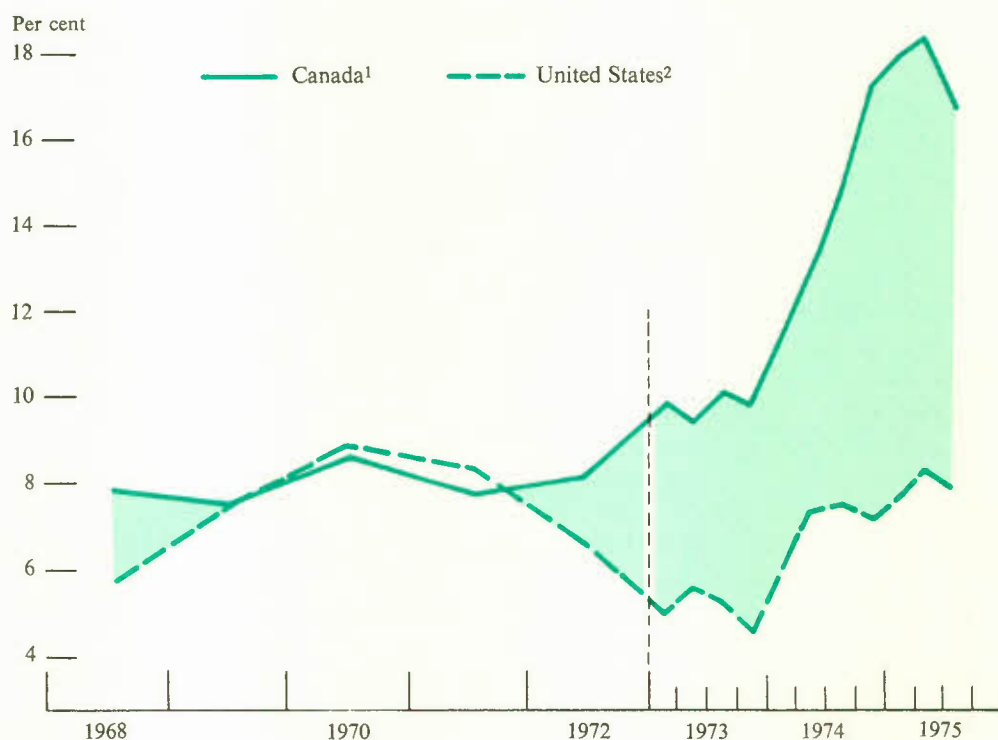
NOTE Caution must be used in interpreting this table for three reasons: 1/ the Canadian survey from which the data are taken covers only establishments with twenty or more employees at some time during the year, whereas the American survey covers establishments of all sizes; 2/ the American survey covers only production and related workers in the manufacturing and mining industries, construction workers in the construction industry, and non-supervisory employees in the remaining industries, while the Canadian survey covers all employees on the payroll of the establishment; 3/ the figures do not include fringe benefits, which, according to U.S. sources, are higher in the United States than in Canada. However, the general trend – relatively greater increases in Canadian weekly wages – is borne out by other findings. See, for example, Chart 6-3, which compares collectively negotiated base wages in major enterprises in Canada and the United States.

SOURCE U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* 21, no. 9 (March 1975); and data from Statistics Canada.

These developments are also altering our competitive profile relative to that of other major trading nations. Table 6-3 shows average weekly wages, by industry, in Canada and the United States. Canadian wages in most sectors are now equal to, if not higher than, those in the United States. Average wage gains have been greater in Canada than in the United States in all sectors. And, since 1971, wage settlements in Canada have resulted in annual increases over the life of the contract almost double the corresponding increases negotiated in the United States (Chart 6-3). In most cases these wage gains have been passed on to consumers through higher prices, although on balance our cost of living has risen no more rapidly than that of the United States. There is no certainty, however, that these relative gains will persist. While the productivity gap in manufacturing has narrowed since 1960, it still exceeds 20 per cent; thus U.S. manufacturers enjoy a

Chart 6-3

Average Annual Percentage Change in Base Wage Rates over Life of Collective Bargaining Contract, All Industries, Canada and the United States, 1968-75



1 Excluding construction.

2 Data for 1975 are preliminary.

SOURCE Based on data from Labour Canada, U.S. *Monthly Labor Review*, and estimates by the Economic Council of Canada.

considerable advantage over Canadian producers. And, compared with manufacturers in most OECD countries, we appear to be falling further behind.<sup>3</sup>

Understandably, some labour and professional groups wish to "catch up" through unusually large settlements. In this connection, however, it seems worth noting the warning of members of the C. D. Howe Research Institute:

While there are undoubtedly some workers in this country who are underpaid and who deserve a chance to improve their relative wage . . . to the extent that workers succeed in getting wage increases that are larger than the amounts needed to compensate for changes in prices and in productivity, they will delay the deceleration in inflationary pressures that normally takes place when the economy enters a business contraction, especially one as pronounced as that now being experienced in Canada.<sup>4</sup>

This observation, of course, applies equally to the pricing and profit ambitions of business enterprises.<sup>5</sup>

### **Wages and the Job-Matching Process**

Continuing upward price pressures introduce uncertainty into the hiring strategies of employers and the job decisions of persons in the labour force and may well be contributing to some of the turnover phenomena described in Chapter 5. In the vast majority of cases the price mechanism works – workers and jobs are matched. But, in times of considerable inflationary push, employers offering less than competitive wages or working conditions can expect to have difficulty hiring or keeping their work force. There is evidence, too, that some employers become more choosy about whom they will hire at the prices they have to pay. Job referral and placement data from Canada Manpower Centres (CMCs) indicate that, despite a marked increase in the number of clients referred to employers in 1973 and 1974, their success rate in filling employers' job vacancies slipped. This occurred at a time when job vacancies were at an all-time high.

In this connection it is instructive to examine the full-time job vacancies reported in the Canada Job Vacancy Survey quarterly statistics by occupational group. In 1974, 54 per cent of the job vacancies reported were in the semiskilled and low-skilled categories. The average hiring rate for low-skilled workers was \$2.80 an hour, and for semiskilled \$3.10. These rates were 15 to 25 per cent below the going rates for these occupations reported by the Department of Labour. The unattractiveness of these jobs becomes apparent when one remembers that

3 See Economic Council of Canada, *Looking Outward: A New Trade Strategy for Canada* (Ottawa: Information Canada, 1975).

4 Goldman and Maxwell, *Wage Developments in Canada*, summary.

5 For a useful discussion of profits, corporate accounting, and inflation, see Richard Shaffner, "The Search for a More Reliable Measure of Profits," in C. D. Howe Research Institute, *Policy Review and Outlook, 1975*, ed. J. Maxwell (Montreal: HRI, 1975).



unemployment insurance benefits that year averaged the equivalent of \$1.87 per hour and that minimum wage rates throughout Canada averaged about \$2.05 per hour. Even for professionals and skilled tradesmen, the wage rates reported in the Job Vacancy Survey were consistently below the going rates.

In specific occupations, therefore, there can, at the same time, be large numbers of vacancies and many unemployed workers. Table 6-4 cites several such occupations. The hiring rate of pay for sewing-machine operators, for example, was very low. Add to this the frequent layoffs, the fact that many small shops go bankrupt, the seasonal swings to which this occupation is susceptible, and the harsh working conditions in many establishments, and the large number of long-standing vacancies hardly seems surprising. While the wages of cabinet-makers were somewhat higher, they were probably still too low to attract more skilled workers into the trade.

Table 6-4

Selected Occupations with High Vacancy Levels, December 1974

	Vacancies	Unemployed <sup>1</sup>	Average rate of pay offered for hourly paid jobs
Timber-cutters and related workers	1,460	9,151	4.60
Mining and quarrying: cutters, handlers, and loaders	590	123	4.70
Cabinet- and wood furniture-makers	510	1,478	3.70
Sewing-machine operators	3,010	9,085	2.30

<sup>1</sup> Those registered at Canada Manpower Centres in December 1974. Figures do not represent total unemployed, since not all unemployed are registered at CMCs. Seasonal unemployment is high in December.

SOURCE Based on data from Statistics Canada and Department of Manpower and Immigration.

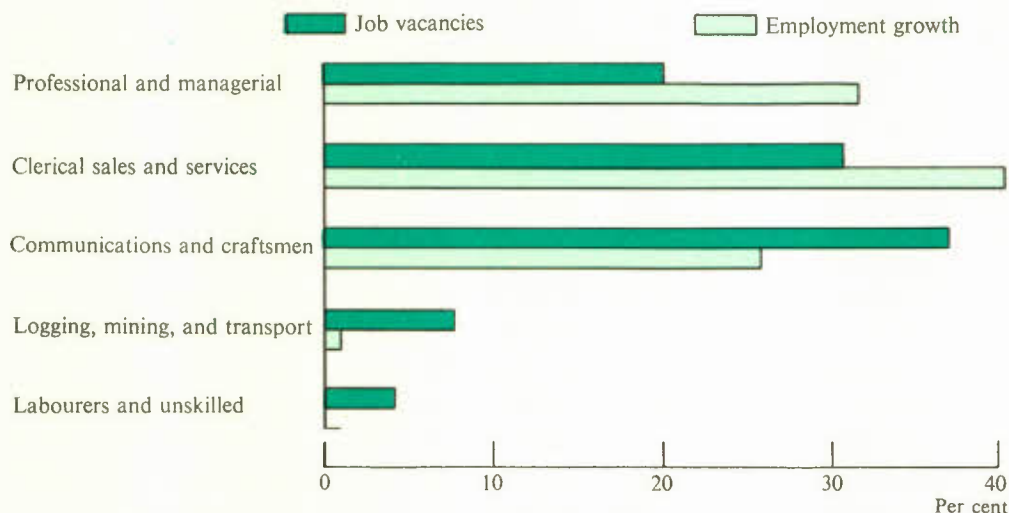
The forestry and mining jobs offered considerably higher wages but, as observed earlier, logging and timber-cutting occupations suffer from extreme seasonality and remote and tough working conditions; mining has the additional disadvantage of being potentially hazardous to health. For these primary industries the wage rates cited in the Survey were about two-thirds to four-fifths the negotiated union rate.

The Job Vacancy Survey provides information on unfilled jobs at particular points in time. However, the disproportionate number of unskilled and semiskilled jobs in it, as well as the numbers whose wage rates are below competitive levels for that industry or occupation, give cause for caution in interpreting the Survey as a true portrayal of the long-term demand for skills. In 1973, for instance, 12 per cent

of the job vacancies reported in the Survey were for labourers and unskilled workers in the primary and transport categories; 20 per cent were in the managerial, professional, and technical occupations (Chart 6-4). Yet, between 1961 and 1973, roughly 32 per cent of the growth in all jobs was in the professional and managerial categories; only 1 per cent was in the lower-skill trades.

Chart 6-4

Employment Growth, 1961-73, and Job Vacancies, 1973, by Occupation



SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

Since one might expect to find an even higher proportion of vacancies among jobs that are growing fastest, the foregoing suggests that the Job Vacancy Survey may be giving disproportionate weight to those occupations where employers are having hiring difficulties because of the nature of the jobs or their relatively low rates of pay and where there is also little genuine growth. If that Survey is indeed biased in favour of hard-to-fill jobs of the dead-end or underpaid variety, some caution should be exercised in interpreting even the aggregate results. It is true, of course, that the Survey could still be a valid measure of changes in aggregate demand and employment even though its occupational composition is distorted. But even that is unclear, given the market uncertainties associated with rapidly rising prices and wages.

In terms of ultimate policy, the issue is not unimportant. Traditionally, most observers confronted with shortages and persisting vacancies in specific occupations argue for more intensive manpower training, more vigorous government placement efforts, or more immigrants to fill the vacancies. But if our analysis here is correct, an alternative and simpler vehicle may in some instances be more appropriate; that is, employers should use the price mechanism more realistically.

### Wage Developments for Males and Females<sup>6</sup>

With women accounting for half of all new workers, how have they fared in terms of wages? How far have they progressed towards their legitimate and overdue objective of equal pay for equal work? While more women than men enter the labour force with Grade 12 education, fewer enter with college qualifications. Most women today still recognize the dual commitments and rewards associated with the care of a family while gainfully employed. According to 1973 figures the average male is expected to remain in the labour force just over forty years, whereas the average woman would work just over twenty years. Thus, despite some very positive achievements in recent years, one would not expect proportionately the same numbers of women as men in high-wage professional or managerial jobs requiring academic credentials and years of experience. Even in other occupations, women may well command lower wages than men simply for lack of equivalent experience. Nonetheless, for almost a decade women have been challenging educational and work stereotypes, and virtually all jurisdictions in Canada have legislation barring wage discrimination by virtue of sex. What have been the results?

Precise answers are elusive because available evidence on male and female wage rates is not adequately standardized for education, experience, or age. Indications are, however, that some progress is being made – but only slowly. Table 6-5, for instance, shows the relationship between female and male wages paid, by sector, for certain types of clerical and office skills in Toronto in 1965 and 1973. Three things stand out. First, differentials still exist even at junior levels, where presumably experience is not a significant factor. Second, these differentials increase with the seniority of the position – a phenomenon that occurs either because of greater job continuity among males or because employers tacitly or otherwise accord them preferential treatment. Third, in relative terms, the intra-occupational differentials are gradually being reduced.

Some support for these observations comes from a study of male and female university and college teachers in 1971.<sup>7</sup> This showed differentials of about 11 per cent for teachers with at least a master's degree – down from close to 17 per cent in 1963-64. Further evidence is available in a study by the Women's Bureau of the Department of Labour that compared developments between 1969 and 1972 in female and male hourly earnings for seventy-four occupations. According to the findings, 73 per cent of the seventy occupations in which men's earnings were higher than women's showed some increase in female/male wage rate ratios; 26 per cent showed a decrease in the ratio in favour of males; one occupation showed no change.

6 For a fuller account of female employment, see Labour Canada, *Women in the Labour Force: Facts and Figures*, published annually.

7 *Ibid.*, 1973.

Table 6-5

Ratio of Female to Male Weekly Salary Rates, Toronto, 1965 and 1973<sup>1</sup>

	Accounting clerk, junior		Accounting clerk, senior		Bookkeeper, senior		Clerk, junior		Clerk, intermediate		Clerk, senior	
	1965	1973	1965	1973	1965	1973	1965	1973	1965	1973	1965	1973
	(Per cent)											
Manufacturing	88	88	77	80	77	84	91	88	85	84	78	79
All non-manufacturing	89	83	79	80	77	80	89	90	86	90	78	84
Transportation	89	86	96	88	72	79	97	93	85	92	82	83
Trade	87	87	76	79	77	81	82	87	79	87	75	80
Finance	93	94	77	82	81	73	92	96	88	90	77	82
Public administration	—	84	—	90	—	—	90	81	—	96	100	95
Services	87	89	81	82	81	83	92	99	81	80	67	78
Average, all industries	88	85	78	80	77	81	89	90	84	89	78	83

<sup>1</sup> As of October 1 in each year.

SOURCE Based on data from Labour Canada.

How then are we to relate these findings to claims that, relative to male earnings, female wages today are no higher and may indeed be lower than some years ago? Several factors seem to be operating. First, there is the very rapid increase in the female participation rate that is swelling the supply of women workers relative to new male entrants into the labour market. Not all of these women will be absorbed into jobs comparable to those for males of the same age or education. Nor will all remain in the labour force for the full year. Second, there is the propensity of women to accept part-time or casual employment. If the retail trade is representative, part-time and casual employees work about twenty hours per week and draw about one-third the weekly income of full-time employees.<sup>8</sup> Inevitably, therefore, the higher propensity of females to work part-time will skew the distribution of their earnings towards the low side. Third, undoubtedly many employers continue to type-cast occupations for an assortment of reasons. Nonetheless, it must be recognized also that women and men still type-cast themselves into certain occupational categories. The upshot, of course, is that in some occupations too many female contenders are looking for too few jobs and accepting lower wages than would otherwise be offered. Finally, despite the relative improvement in female/male wage ratios, in some cases the absolute dollar gap has widened.

Table 6-6 affirms that women are overconcentrated in low-paying, and under-represented in high-paying, industries. Similarly, they are overrepresented in the

<sup>8</sup> Statistics Canada, *Earnings and Hours of Work in Canada: Retail Trade Industry*, Cat. No. 72-601.



Table 6-6

Ranking of Major Groups in Manufacturing, by Female/Male Employment Ratio and by Average Weekly Earnings, Clerical and Related Employees, Last Week in October, 1969

	Female/male employment ratio	Rank	Average weekly earnings	Rank
	(Per cent)		(Dollars)	
Knitting mills	206.7	1	98.11	19
Printing, publishing, and allied industries	193.0	2	96.22	21
Clothing	181.8	3	101.52	18
Miscellaneous manufacturing industries	150.6	4	105.38	14
Chemicals and chemical products	144.0	5	113.75	11
Textiles	142.7	6	104.74	15
Leather products	131.2	7	97.92	20
Food	129.3	8	102.09	17
Furniture and fixtures	119.0	9	102.29	16
Beverages	118.0	10	119.27	7
Petroleum and coal products	98.7	11	125.02	3
Tobacco processing and products	94.9	12	118.94	8
Paper and allied products	88.3	13	124.93	4
Metal fabricating	86.9	14	112.03	13
Electrical products	85.9	15	122.52	5
Non-metallic mineral products	83.1	16	115.54	9
Wood products	76.3	17	113.93	10
Primary metals	72.0	18	122.26	6
Rubber products	71.8	19	112.64	12
Machinery other than electrical	60.5	20	135.11	2
Transportation equipment	59.3	21	138.46	1

SOURCE Based on data from Statistics Canada.

least organized sectors and underrepresented in those that are organized. As long as these situations prevail, progress towards narrowing the overall wage differentials between females and males will be slow.

### The Organized and Unorganized Sectors

Collective bargaining plays an important role in wage determination at the firm level. However, its overall effect on the general level of money or real wages in the economy, or on the rates at which real wages are increasing, is less clear. Nor is it entirely evident precisely how unions have altered the distribution of income and the wages of organized labour over the long run.

Canada's industrial relations system is highly pluralistic and is subject to the separate jurisdictions of provincial governments or, in the case of a few industries and projects, to federal jurisdiction. There are about 170 different unions in Canada, with thousands of union locals. One-third of all workers on wages and salaries are union members. Their numbers, by industry and sex, are shown in Table 6-7.

Table 6-7

Paid Workers<sup>1</sup> and Union Members, by Industry and Sex, 1972

	Females			Males			Total paid workers	Total union members	Total union members as a percentage of total paid workers	Female union members as a percentage of total union members
	Paid workers	Union members	Female union members as a percentage of female paid workers	Paid workers	Union members	Male union members as a percentage of male paid workers				
Forestry	-2	89	-	64,000	23,728	37.1	65,000	23,817	36.6	0.4
Mines, quarries, and oil wells	-2	192	-	108,000	43,000	39.8	115,000	43,192	37.6 <sup>3</sup>	0.4
Manufacturing	433,000	148,559	34.3	1,359,000	629,997	46.4	1,792,000	778,556	43.4	19.1
Construction	20,000	1,102	5.5	377,000	259,906	68.9	397,000	261,008	65.7	0.4
Transportation, communications, and other utilities	122,000	55,234	45.3	579,000	302,611	52.3	701,000	357,845	51.0	15.4
Trade	501,000	31,399	6.3	788,000	63,240	8.0	1,289,000	94,639	7.3	33.2
Finance	204,000	1,719	0.8	170,000	2,766	1.6	374,000	4,485	1.2	38.3
Services	1,238,000	251,135	20.3	777,000	178,687	23.0	2,015,000	429,822	21.3	58.4
Public administration	150,000	84,202	56.1	401,000	252,958	63.1	551,000	337,160	61.2	25.0
All industries	2,688,000	575,584 <sup>4</sup>	21.4	4,690,000	1,801,617 <sup>4</sup>	38.4	7,378,000	2,377,201 <sup>4</sup>	32.2	24.2

1 Includes any person who worked for salary, wages, tips, piece rates, commission, or payment in kind; working owners, working shareholders, or executives of an incorporated business are paid workers. Excludes self-employed and unpaid family workers.

2 Data based on very small samples and not published.

3 This is somewhat lower than might be expected. According to the Department of Labour, 80 per cent, or 61,920, of mining non-office employees reported under collective agreement in establishments of twenty and over in 1973.

4 Includes pensioners, unemployed, and others who are union members.

SOURCE W. D. Wood, *The Current Industrial Relations Scene in Canada, 1973* (Kingston: Industrial Relations Centre, Queen's University, 1974), and data from Statistics Canada.

There can be little doubt that, wages aside, unions in conjunction with employers, have played a major role in achieving better working conditions, grievance procedures, pensions, and health and related benefits for their members and, in the process, have provided the impetus for more efficient and productive use of labour by management. Of course, there have been some illegal strikes as well as lockouts, jurisdictional squabbles, abuses, and make-work practices by union members (craft unions, in particular) that have reduced productivity and been costly in individual instances; but in the longer run these have not outweighed the positive effects of the unions in the economy. Moreover, through competition between unorganized enterprises and organized firms for available labour, and through government initiatives in the fields of minimum wages and employment standards, many of the benefits have now been diffused throughout the economy. Society has come to expect the more humane employment conditions originally negotiated collectively by labour and management.

A recent study of union/non-union wage differentials compared wages and working conditions in Ontario enterprises.<sup>9</sup> Its findings were roughly consistent with those for the United States. After taking account of differences because of region, plant size, sex, and skill, an overall union/non-union differential for production workers in manufacturing in the range of 10 to 17 per cent was found. The differential was particularly significant for the unskilled occupations, less so for the skilled. The study also found that, while the actual extent of the spillover could not be measured precisely, high wage settlements in organized firms did affect competing or adjacent enterprises, prompting non-union employers to respond to the threat of organization by raising their own wage rates. The study also found, at least for Ontario, virtually no union/non-union wage differentials for male white-collar workers, whereas the differentials for female white-collar workers averaged 10 per cent, or about the same as for female blue-collar labour.

In addition to basic wages, there are also additional labour costs, such as holiday pay, premium pay for overtime, and contributions to pension, sickness, and welfare benefit plans where they apply. The traditional contention of organized labour has been that the union impact on these and related employment security and grievance areas has been at least as important as on wages. The Ontario study examined gross payrolls in manufacturing for 1968 and found that, on average, organized employers contributed almost twice as much to benefit plans and half again as much to premium pay for overtime as the less organized sectors. It concluded, for those industries studied, that in addition to the higher pay available to production workers in organized establishments, a further 19 per cent of payroll costs were available in the form of fringe benefits, compared with roughly 13 per cent of the somewhat lower wages in unorganized industries.

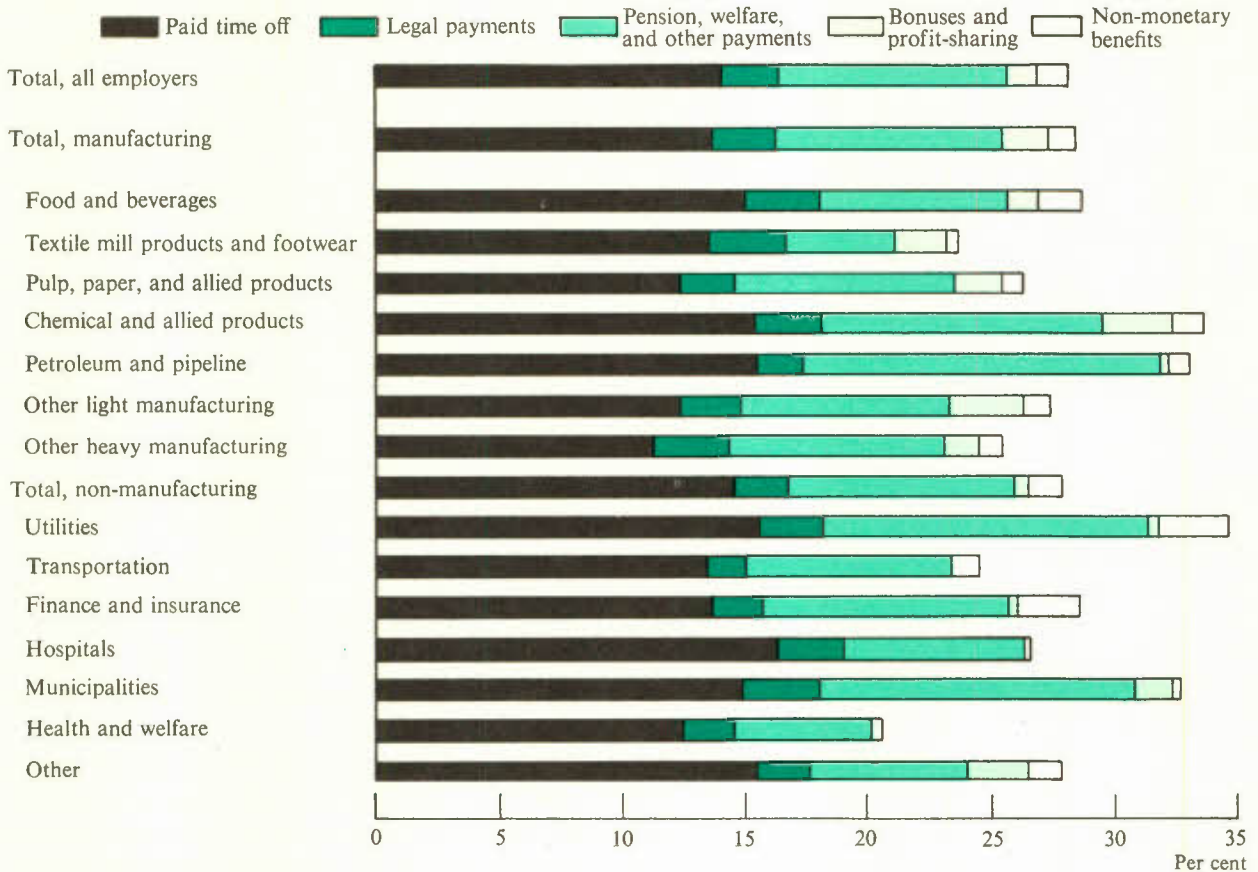
Chart 6-5 outlines the percentage of payroll costs spent on non-wage and related fringe items by some Canadian industries. While the firms included are larger enterprises, and mostly organized, the chart is indicative of the distribution of wage/non-wage expenditures. What is significant is that additional expenditures amount to close to 28 per cent when all the fringe items are taken into account. The textile and footwear industries, it might be noted, show very low pension, sickness, and welfare benefits. This reflects not so much low employer contributions as the averaging of the expenditures of firms that have such schemes with the ones that do not. The same reservation applies to a lesser degree to other industries in the sample.

9 G. F. Starr, *Union-Non-Union Wage Differentials: A Cross-Sectional Analysis*, Ontario Ministry of Labour, Research Branch (Toronto, 1973). Care must be taken in interpreting results of this study or in applying them to other parts of Canada. The extent of union organization in an industry often depends upon the character of the industry and the degree of market control it exercises. Moreover, unions that can organize all or most of an industry may be in a better position to obtain relatively higher wages for their members than unions in industries where many firms are still not organized. And many of the unionized enterprises have a high proportion of workers who are well paid because they are highly skilled.



Chart 6-5

Fringe Benefits as a Percentage of Gross Payroll, Selected Sectors, 1973



1 Sample of 101 enterprises.

SOURCE Thorne Group, *Fringe Benefit Costs in Canada, 1973* (Toronto, 1974).

It cannot, of course, be argued that if all enterprises were organized, these differentials would be eliminated. The structure of industries, their distribution, and the extent of union penetration and male/female participation vary from region to region, and one would expect substantial variations in productivity, labour costs per unit of output, and wages to continue to persist. To the extent that union demands force labour costs beyond limits that allow reasonable profits, they encourage capital/labour substitution over the longer haul. Union leaders are as aware of this as management. One result can be that the labour displaced or not hired becomes unemployed or is added to the pool of labour directed towards the unorganized labour-intensive sectors, where low productivity and frequently the small scale of operation limit an employer's room to manoeuvre relative to his competitors. Such considerations raise the broader issues associated with minimum



wages and labour standards legislation and with safeguards from dangerous, unfair, or exploitative work situations.

Undoubtedly there is considerable scope for trade union growth in Canada, as seen by the recent organizational impetus among government workers and teachers. Nonetheless, it is significant that in the postwar years, despite some considerable successes, the trade union movement has grown very slowly; indeed, with many of the new jobs emerging in the largely unorganized professional, technical, or service occupations, collective bargaining coverage in relation to total employment may even have declined. There are, of course, financial and physical limitations to organizing and servicing union membership in a country as geographically dispersed as Canada in which large parts of the labour force are distributed among many small enterprises.

There are, as well, some workers for whom the right to bargain collectively is precluded. For the most part, these involve sales personnel on commission, others for whom the dividing line between management and labour is rather hard to define or, as in the case of some professions and the self-employed, those for whom organization could be considered a restraint of trade. In other cases, however, as with agricultural labour in a few jurisdictions, exclusion from collective bargaining is more difficult to justify.

Before leaving the issue of industrial relations, some comment on the incidence of industrial disputes seems in order. The causes of industrial conflict, strikes, and lockouts are usually complex; wage demands are seldom the only issue. Questions of union recognition, fringe benefits, general working conditions, and unsolved grievances, play their role.

The direct cost to the Canadian economy of strikes and lockouts, measured as a percentage of estimated working time, is relatively slight – less than one day per worker per year.<sup>10</sup> However, the incidence of industrial disputes has risen perceptibly in recent years in tandem with the erosion of gains in weekly and hourly earnings resulting from the steep climb of consumer prices (Chart 6-6). Most wage settlements are still achieved without resort to strikes or lockouts; indeed, in some cases, existing contracts have been reopened voluntarily to permit cost-of-living or related wage adjustments. But, in other cases, wide gaps between the initial demands of unions and the initial offers of employers have led to prolonged and difficult bargaining, strike action, and lockouts. One manifestation of the interrelationship of inflation, uncertainty, and collective bargaining has been the trend towards contracts of shorter duration and inclusion in agreements of cost-of-living clauses. Another has been an increase in the number of instances where union members have refused to ratify contracts negotiated at the bargaining table.

Canada is by no means the only country that has experienced an increase in work stoppages in recent years (Chart 6-7). In fact, the number of strikes and the

10 Labour Canada, *Strikes and Lockouts in Canada*, annual reports.

Chart 6-6

Price Trends and the Incidence of Conflict in Major Negotiations, 1963-74



SOURCE L. A. Kelly and P. Kumar, "Inflation and Collective Bargaining," Industrial Relations Centre, Queen's University, Kingston, 1974 (mimeo.).

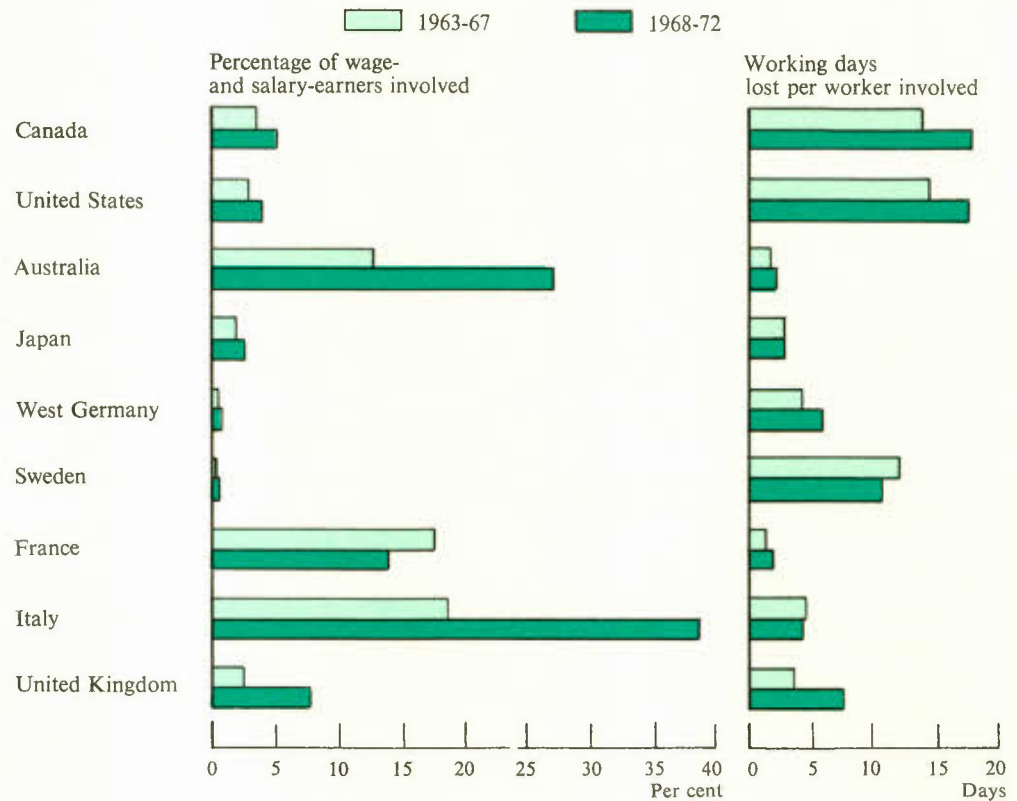
percentage of workers involved have remained low in this country. However, the length of time needed to settle the conflicts – measured by the average number of working days lost per worker involved – averaged over seventeen days, or more than triple the time lost in some other western countries, during the 1968-72 period.

Many factors may contribute to this phenomenon, which Canada shares with the United States, but one factor seems paramount – the extraordinary duration of negotiations. Of major negotiations in the last few years, only 15 per cent were settled within three months, and 20 per cent required close to one year of negotiations before a settlement was reached.<sup>11</sup> Obviously the duration of negotiations would be of little significance if settlements were achieved close to the expiry date of the previous contract. Indeed, the opening of negotiations at an early date often eases the situation by allowing individual issues to be resolved in a measured way. But

11 L. A. Kelly and P. Kumar, "Inflation and Collective Bargaining," Industrial Relations Centre, Queen's University, Kingston, 1974 (mimeo.), p. 5.

Chart 6-7

Indicators of the Effects of Industrial Disputes, Selected Countries, 1963-72



SOURCE Based on data from International Labour Organisation and Organisation for Economic Co-operation and Development.

what apparently creates frustration and often contributes to the rancour of disputes is the tendency towards protracted negotiations long after a contract has expired.

Changes in the patterns of economic activity and in the composition of the labour force are bringing distinct changes in the consequences of industrial conflict. Generally, conflicts in primary and secondary enterprises have had little or marginal effect on third parties, and whatever direct costs were involved were largely confined to the two negotiating parties. But, with the rapid expansion of the tertiary sector, particularly the public and quasi-public services, conflicts in transportation and communications, public utilities, and municipal services immediately affect the general public – locally, regionally, and even nationally. Many of these conflicts occur in situations where collective bargaining is relatively new and where parties lack experience and may still be burdened with issues accumulated over many years. Aware of the serious effects on the public as an innocent bystander, each disputing party is likely to use public concern as leverage to secure a more favourable settle-

ment. Exactly what should be the role of government, or indeed of the contending parties themselves, in safeguarding the public interest in these cases remains a crucial issue.

### **Labour Standards and Minimum Wages**

Not all workers in the unorganized sectors are confronted with poorly paid or unsuitable working conditions. There are considerable numbers of professional, semiprofessional, technical, and clerical employees, and even blue-collar workers, who have substantial individual bargaining power. Perhaps the best-paid workers in Canada are the highly skilled crews employed in the non-unionized petrochemical industry. On the other hand, there are many working in marginal rural industries, urban factories, and small enterprises, often with lower-than-average education, skills or, in the case of immigrants, knowledge of Canadian ways, who, for lack of a collective countervailing force, need legislative protection. Just as all jurisdictions have fair business and related practices acts to protect companies and consumers from businesses quick to exploit the weak, so all provinces and the federal government have legislation that protects individual employees against exploitation and raises the living standards of the working poor. For example, acts cover the use of child labour, excessive working hours, and advance notice of layoffs. Most jurisdictions have special statutory agencies – such as minimum wage boards and labour relations boards – that enforce minimum wages and standards. In all federal and provincial jurisdictions also, employment or labour standards branches of the various departments of labour have officers who investigate alleged violations and abuses, attempt to bring about voluntary settlements of claims or, in the last analysis, initiate proceedings in the courts.

Minimum wages and other employment standards legislation provide at least some countervailing pressure on unorganized management to act responsibly towards their employees, paralleling collective action in the organized sectors. Between 1969 and 1975, average hourly earnings in manufacturing in Canada increased by 85 per cent. During the same period the minimum wage rate doubled in almost all provinces of Canada and in the federal jurisdiction; at the beginning of 1976 it ranged from \$2.30 to \$2.80 per hour (Table 6-8). The impact has been to narrow the wage differential between the low- and average-income worker in Canada and, in the process, the male/female minimum-wage differentials that previously existed in the Atlantic provinces have been eliminated. Since the legislation applies to all enterprises within the relevant jurisdictions, no individual one, save those competing with imported products, is under competitive disadvantage on this account.

It is generally estimated that 10 to 15 per cent of the labour force works for the minimum wage. Nonetheless, there is little evidence that the increases in the provincial and federal minimum wages have altered the overall shape of employment



growth in Canada. This is not to say that increases in minimum wages, as with other wages, may not create employment difficulties for some enterprises. However, studies of this question in the United States and Canada have, generally speaking, been inconclusive. For example, a recent study of specific industries by the Ontario Ministry of Labour produced no clear picture of the longer-range impact of the minimum-wage revisions on employment in that province. A more comprehensive study of firms most affected by provincial minimum-wage legislation in British Columbia estimated that the increase in that province in December 1972 from \$1.50 to \$2.00 per hour resulted directly in the laying off of less than 1 per cent of those firms' employees, many of whom were casual staff anyway. Some employees are indirectly affected, in that they obtain wage increases as a result of their employer's desire to maintain wage differentials in their establishments. In the case of the British Columbia firms studied, in the eight weeks after the minimum-wage revisions, less than one-quarter of the firms' workers were directly or indirectly affected.<sup>12</sup>

Table 6-8

Minimum Wage Rate<sup>1</sup> for Experienced Adult Workers, 1969 and January 1, 1976

	Males			Females		
	1969	1976	Percentage change	1969	1976	Percentage change
	(Dollars/hour)			(Dollars/hour)		
Federal	1.25	2.60	108	1.25	2.60	108
Newfoundland	1.10	2.50	127	0.85	2.50	194
Prince Edward Island	1.25	2.30	84	0.95	2.30	142
Nova Scotia <sup>2</sup>	1.25	2.50	100	1.00	2.50	150
New Brunswick	1.15	2.30	100	1.15	2.30	100
Quebec <sup>3</sup>	1.25	2.80	124	1.25	2.80	124
Ontario	1.30	2.40	85	1.30	2.40	85
Manitoba	1.35	2.60	93	1.35	2.60	93
Saskatchewan	1.25	2.80	124	1.25	2.80	124
Alberta	1.25	2.50	100	1.25	2.50	100
British Columbia	1.25	2.75	120	1.25	2.75	120

1 Except for Newfoundland, New Brunswick, and Saskatchewan, all jurisdictions have somewhat lower rates for young workers and students.

2 The 1969 rate applies to urban areas in Nova Scotia. For other areas of the province the rate was \$1.15 per hour for men and \$0.90 per hour for women.

3 The 1969 rate applies to the Greater Montreal area. For other areas of the province, the comparable rate was \$1.15 per hour. In both 1969 and 1976, the minimum wage rate was lower for hotel and restaurant employees (who usually receive tips).

SOURCE Based on data from Labour Canada.

12 Ian B. McKenna, "The Long-Run Impact of the Thirty Cent Revision in Ontario's Minimum Wage in Five Industries," Ontario Ministry of Labour, Research Branch, August 1973; and Frank A. Rhodes, "A Study of the Impact of Minimum Wage Revisions on Selected Business Establishments in British Columbia," British Columbia Department of Labour, Research Branch, Victoria, B.C., October 1973.

Perhaps the main effect of rising minimum wages on employment – apart from encouraging capital/labour substitution and the greater productivity this allows – has been the increase in the use of part-time labour. A second result perhaps has been to discourage the hiring of the least productive and handicapped. There have, for instance, been cases also where parallel federal and provincial legislation requiring greater employer responsibility for the safety, protection, and health of their employees has had the effect of discouraging the hiring of older, less robust, or handicapped workers who might be more prone to ill health, or to accidents affecting others as well as themselves.

Most labour standards legislators attempt to meet these points by providing for different minimum-wage rates for experienced adult and other labour, and exempting workers who cannot carry a full workload. Nonetheless, it can be argued that, rather than contribute to diluted employment standards legislation, the problems of the handicapped should be treated more directly through special manpower programs and the wider use of sheltered – and, if necessary, subsidized – employment.

The effectiveness of employment standards depends crucially upon policing and enforcement. Violations of the various standards and minimum-wage provisions may be brought to light by routine inspections but, in the majority of cases, they are based on claims by individuals after their employment has ceased. Table 6-9 shows, for example, the nature of claims in the province of Ontario. Over 90 per cent of the employees involved complained about some kind of non-payment of wages or vacation, overtime, or straight pay. Only one in twenty of the complaints had to do with violation of minimum-wage legislation. In virtually all cases, the complaints involved small firms.

Table 6-9

Assessment of Claims under the Ontario Employment Standards Act, 1971-73

	Employers		Employees	
	1971-72	1972-73	1971-72	1972-73
	(Per cent)			
Minimum wages	7.2	5.8	5.1	5.2
Non-payment of wages	29.0	25.3	13.0	14.1
Overtime pay	17.3	15.3	22.3	22.9
Equal pay	0.4	0.1	7.1	0.5
Vacation pay	44.2	43.4	51.9	54.6
Termination of employment	1.8	10.1	0.6	2.7
Total claims	100.0	100.0	100.0	100.0

SOURCE Based on data for fiscal 1972-73 in Ontario Department of Labour, *54th Annual Report* (Toronto: Queen's Printer, 1973).

### Earnings, Low Income, and Unemployment

It has been suggested that even the current level of minimum wages provides insufficient income on which to raise a family. There is no doubt that this is true. For a family of four, a yearly income at the federal minimum-wage level (\$2.90 per hour as of April 1, 1976) would be below recognized poverty levels.<sup>13</sup> However, what is critical is whether many families do in fact live on such incomes. If many do, the level of the minimum wage is critical. But if most of the persons affected are supplementary breadwinners – wives or teenagers living at home – the issue of minimum wages and income adequacy is somewhat less acute.

Data from the Unemployment Insurance Commission (UIC) show that, of those unemployed, less than 14 per cent of the men had previous weekly earnings that, computed on an hourly basis, would have been at or below the federal minimum wage rate, compared with over 50 per cent of the unemployed women.<sup>14</sup> Unemployment insurance claimants are not, of course, representative of all working Canadians and, if we project these figures against the total earnings distribution, it appears that over 90 per cent of all working males draw wages that are, on an hourly basis, in excess of the legislated minimum wage.<sup>15</sup> Women – mostly supplementary breadwinners, it would appear – working full-time or part-time in stores, hotels, and small industries, are the ones principally affected by provincial minimum-wage legislation.

Chart 6-8 outlines the composition of income for all families, including non-earning families that are mostly on pension. For working families, the importance of wages and salaries is even greater than shown, representing about 83 per cent of income.

Average money income per family in Canada increased by 67 per cent from \$7,602 in 1967 to an estimated \$12,716 in 1973.<sup>16</sup> With the trend towards smaller families, the increase in average income per family member was more impressive – 82 per cent. This increase, however, stemmed almost entirely from the fact that proportionately more family members were working. Indeed, half of all families in Canada today report two or more income-earners. The actual contribution to

13 In January 1976 the poverty level, as defined by the Economic Council, exceeded \$6,300 for a family of four. A full year's employment at the federal minimum wage of \$2.90 per hour would yield an annual income of slightly over \$6,000.

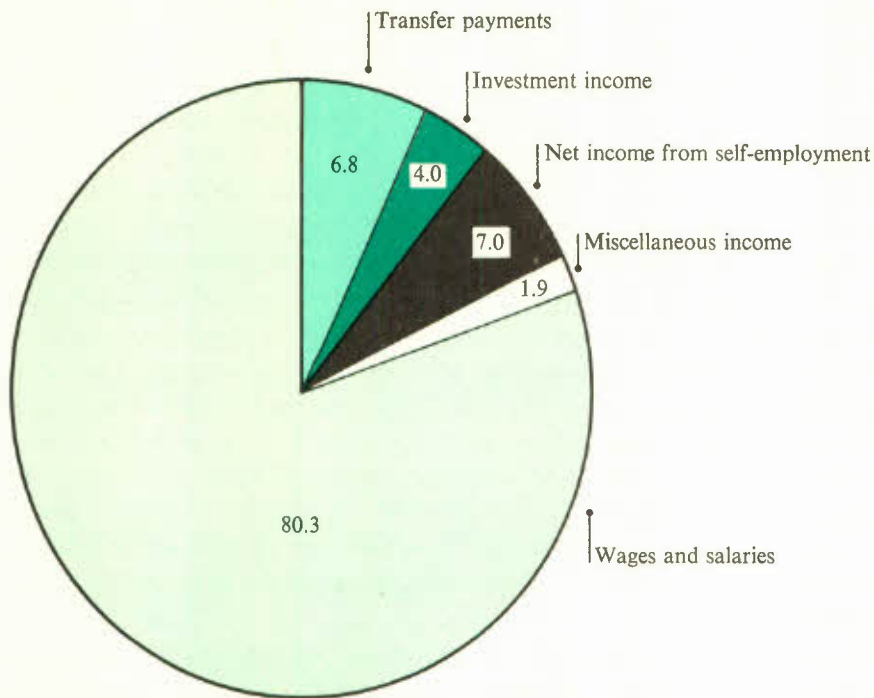
14 Weekly earnings may, for a number of reasons, fall below the minimum hourly wage levels applied to a forty-hour week: 1/ some people work part-time; 2/ some workers such as domestics, farm labourers, apprentices, and handicapped persons may not be covered by minimum-wage legislation; 3/ lower than the regular minimum rates may apply to certain types of worker such as students; and 4/ as indicated in Table 6-9, minimum-wage legislation may be disregarded at times.

15 A comparison of wages for unskilled male labour in the services industry in four metropolitan areas supports this finding (see Appendix C). See also Table 8-2.

16 The average annual consumer price index increased by 30 per cent from 115.4 in 1967 to 150.4 in 1973.

Chart 6-8

Composition of Family Income, 1973



SOURCE Based on data from Statistics Canada.

family income of the “supplementary” earners is, on average, considerably less than that of the primary earners, since they tend to work fewer hours in the week, or days in the year, and their pay scales tend to be considerably lower.<sup>17</sup> However, their participation has improved family circumstances and in general has probably altered the labour market behaviour of the entire family, in the sense that each working member of the family takes into account the earnings and work responsibilities of the others. Job choices, mobility, and wage demands are affected by the fact that working members of a family are simultaneously joint producers and consumers.

<sup>17</sup> Who is, or is not, a “supplementary” or “secondary” worker – or indeed the “head of the household” – in a family is, of course, merely a matter of definition, depending on family circumstances. If the trend to equality in marriages continues, it may well be appropriate to drop these expressions partly or entirely. Nonetheless, for clarity of understanding, we use them here in their traditional family sense, in keeping with Statistics Canada practice.



Chart 6-9 shows the proportion of income, by income group, accounted for by different family members in Canada in 1971. The proportion contributed by working wives ranged from about 4 per cent in low-income families to 14 per cent in top-income families. Comparable contributions by children and others ranged from about 4 per cent to 10 per cent. Care must, however, be taken in interpreting these figures, since fewer than half of all married women under 65 work. Indeed, if the figures were confined solely to families in which wives worked, the proportion of family income accounted for by the wife would probably be closer to 25 per cent.

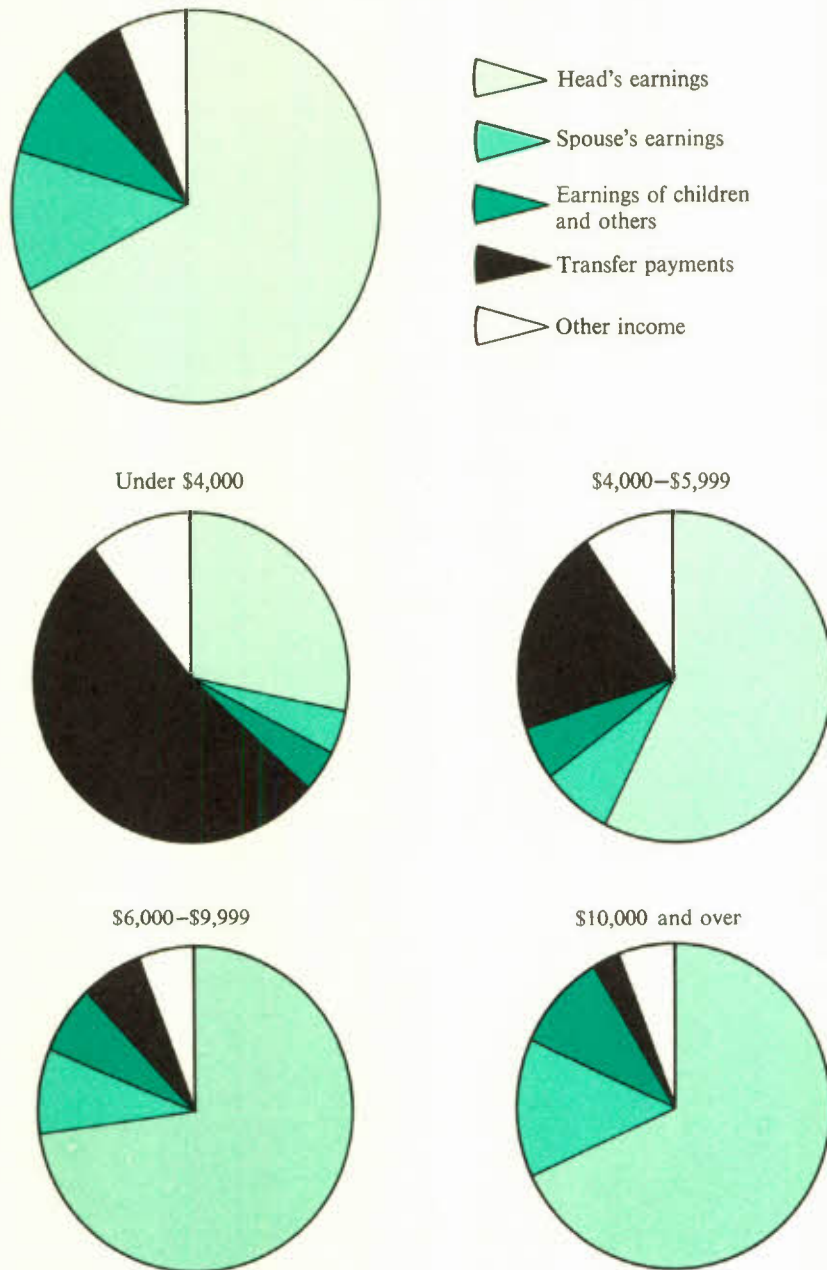
The combination of greater labour force participation by family members and enriched social security systems has resulted in a steady disappearance of the so-called "working poor." In its discussion of poverty in its *Fifth Annual Review*, the Economic Council of Canada defined low-income workers as persons using 70 per cent or more of their earnings for food, clothing, and shelter.<sup>18</sup> Using that definition, and updating the cutoff points for families of various sizes in line with increases in the consumer price index, the incidence of low income or poverty among families and unattached individuals has fallen in Canada. The percentage of Canadian families living at the poverty level has dropped from 18 per cent to 11 per cent since 1967; among unattached individuals, the figure has dropped from 39 per cent to 33 per cent (Table 6-10). While international comparisons are always precarious, we seem to have achieved more rapid progress than the United States in eliminating poverty among families.

What is the relationship between low income and employment? Table 6-10 shows that, in 1973, of families in which the primary earner was an employee at the time of the survey, 5 per cent had experienced poverty in the previous year. The incidence was considerably higher for families whose principal earner was self-employed, the majority of whom worked in the agricultural and fishing sectors. Additional information indicates that the majority of the unattached individuals with low incomes were either students or old-age pensioners – two-thirds were under 24 or over 64 years of age, and two-thirds were not working or looking for work. Among the over 500 thousand poor families, in almost half of the cases the heads were not looking for work. One-quarter of the families were headed by females and one-quarter by persons over 64 years of age (see Table A-21).

18 Economic Council of Canada, *Fifth Annual Review: The Challenge of Growth and Change* (Ottawa: Queen's Printer, 1968). There are many definitions of economic need and family hardship. There is also the question of economic deprivation in the relative versus absolute sense. As long as family income differences persist, there will always be some persons or families with less income than others, no matter how rapidly or slowly average incomes increase. And, even if those on the lowest rungs today have real incomes equal to the average of a generation ago, they will likely feel no less poor. By these relative definitions, however, no progress is ever made in resolving poverty, save by equalizing all family incomes – which in itself raises a host of equity issues. Hence, for purposes of judging performance over modest time periods, comparisons using absolute measures of real income seem more appropriate.

Chart 6-9

Composition of Family Income, by Income Level, 1971



SOURCE Based on data from Statistics Canada.

Table 6-10

Incidence of Low Income among Families and Unattached Individuals, Selected Characteristics, 1967 and 1973

	1967		1973 <sup>1</sup>	
	Unattached individual	Family	Unattached individual	Family
	(Per cent)			
By sex (head)				
Male	30.2	16.2	26.2	9.1
Female	47.3	36.3	37.6	36.5
By age (head)				
24 and under	38.0	14.6	34.3	14.1
25-34	11.6	14.9	12.5	9.7
35-44	16.0	15.7	15.5	9.8
45-54	26.0	14.6	27.5	8.2
55-64	39.6	17.7	37.3	12.0
65-69	57.2	31.1	37.0	20.2
70 and over	68.4	42.0	51.7	21.4
By labour force status (head) <sup>2</sup>				
In labour force	22.8	13.1	17.3	7.0
Employee	21.4	8.7	16.5	5.1
Self-employed	40.8	34.3	32.2	18.3
Not in labour force	70.7	45.9	56.2	32.5
All units	39.0	18.4	32.5	11.4

1 Based on updated low-income cutoffs.

2 Family units were classified by the head's employment status at the time of the survey. This was not necessarily his/her employment status during 1967 and 1973.

SOURCE Based on data from Statistics Canada.

The importance of the supplementary breadwinner, and the more cautious interpretation of unemployment figures as measures of hardship, can be seen from Table 6-11. In half the cases where unemployment occurred, the average family income was higher than that of families with no unemployment. This somewhat surprising statistic is a direct result of the fact that the net contribution of supplementary breadwinners to the family income more than compensated for the period of unemployment they endured. Moreover, of the 22.5 per cent of all families who experienced some unemployment during the year, it is estimated that less than one in five had incomes below recognized poverty lines. While these figures refer to 1971, one would expect that the increases in unemployment insurance benefits and family allowances that have occurred since then may have further improved the situation.

Table 6-11

Distribution of Families,<sup>1</sup> by Employment Status and Average Income, 1971

	Employment status			Total families
	Nobody unemployed	Head sometimes unemployed	Member(s) other than head sometimes unemployed	
	(Per cent)			
All families	77.5	11.4	11.1	100.0
	(Dollars)			
Family income <sup>2</sup>	10,643	7,558	11,325	10,368
Income of head	8,326	5,547	7,650	7,934
Income of wife	1,452	1,281	1,453	1,433
Transfer payments	602	783	658	629
	(Per cent)			
Head's contribution to family income	78.2	73.4	67.5	76.5

1 Economic families consisting of two or more persons have been classified by the unemployment experience of family members. The classifications used are:

- a Nobody unemployed - includes families whose members were employed in 1971 and/or did not participate in the labour force in 1971.
- b Head sometimes unemployed - includes families whose heads experienced some unemployment in 1971 regardless of the unemployment experience of other family members.
- c Member other than head sometimes unemployed - includes families with employed heads but unemployed wife, child(ren) or other relative(s). One or more family members may have experienced unemployment in 1971.

2 May differ from the sum of income of head and of wife and transfer payments, because transfer payments may have been double-counted and other members may have contributed to family income.

SOURCE Based on data from Statistics Canada.

In short, poverty in real terms, and in an absolute sense, is no longer a phenomenon closely related to the labour market. Only 7 per cent of families with the head in the labour force at the time of the survey was in the defined low-income group in 1973. Nearly half the unemployment involves supplementary breadwinners, and only in a few of these cases does low family income come with it. This is not to ignore the difficulties for many large families, or for divorced or separated mothers attempting to care for and support their families at the same time. It is, however, to cast a cautionary light over the indiscriminate use of unemployment statistics as an adequate proxy for economic hardship. Increasingly, the opportunity to participate in the labour force is eliminating poverty for those who can work. For others, wage-related income security pro-



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grams are not necessarily the answer. Measures that help to return the able-bodied to the work force, that give income protection for those who cannot work or have dependent children, and that provide adequately for those who are old are more appropriate.

### **Wages as a Measure of Labour Market Tightness**

Traditionally, unemployment is taken as the principal indicator of tightness or slackness in the economy. As such, it is deficient in that it measures the non-use of human capital but not of plant and machinery or other resources.<sup>19</sup> It also measures capacity utilization of labour from the supply side and does not adequately – or, it is alleged, sensitively – capture changes on the demand side.

Accordingly, we examined changes in wage rates to see whether they offered a better alternative or complementary measure of job tightness or slackness in the economy. However, the movements in average hourly earnings indexes were not sufficiently consistent through the 1953-73 period to be very useful in detecting either the extent of slackness or tightness in the economy or the turning point in the cycle. In general, the percentage change in money earnings responded to a decline in economic activity with a considerable lag, such that the peak in the percentage-earnings change tended to occur when the business cycle itself had reached its trough and turned into a recovery phase. In short, while theoretically there might seem to be some justification for using quarterly changes in hourly wages as an indicator of labour demand and labour market tightness, our estimates so far do not offer much hope for that measure's precision or usefulness.

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<sup>19</sup> It also has other deficiencies; for example, the unemployment indicator does not distinguish satisfactorily between gainful wage employment and voluntary employment or housework, or between unemployment and underemployment.

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# 7

## WORKERS AND JOBS: THE SEARCH AND MATCHING PROCESS

In considering the flows of men and women into and out of jobs, we have not attempted to look closely at local situations or at the push and pull factors that contribute to the geographic mobility of labour. Involved is a search process in which workers and employers alike may use personal contacts, the media, or public or private placement agencies. In times of seasonal or cyclical slack, there may be need for publicly funded job-creating initiatives; in times of labour shortages, expanded immigration. It is to these matters that we now turn.

### **The Local Labour Market and Migration**

Normally, people looking for work first explore the options in the labour market where they live. And, indeed, as the numbers of married women wanting full- or part-time jobs increase, so the "localizing" of the labour force becomes more pronounced. For if one member of the household has a regular job and the other is without work, in many cases the latter will fall back on unemployment insurance or withdraw completely from the labour market rather than split or move the family.

Perhaps the greatest disadvantage of outlying locations is the shortage of wage employment for women or for men in the off-season. This lack of alternative local jobs manifests itself in lower participation and higher unemployment rates. For instance, in 1971 the average participation rate in Canada for men 15 and over was 76 per cent and for women 40 per cent; yet in certain census divisions in Newfoundland, participation rates were as low as 55 per cent for men and 15 per cent for women. In most of rural Nova Scotia, New Brunswick, and Quebec, male participation rates were around 65 per cent; female rates were between 25 and 30 per cent. By contrast, in Toronto 82 per cent of men and 50 per cent of women over 15 years of age were in the labour force.

The uncertainties of local employment opportunities can be heightened if there is dependence on primary resources or on a single firm that is facing severe competition at home or abroad. Just as aggregate participation rate figures mask

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the diversity of real situations, so aggregate unemployment figures conceal the real problems facing many of these communities, particularly in winter. For example, in developing its special employment program for the winter of 1971-72, the federal Department of Manpower and Immigration estimated that the following local unemployment rates would be experienced: Corner Brook, 34 per cent; Gaspé, 30 per cent; Rimouski, 21 per cent; Sherbrooke, 34 per cent; Sturgeon Falls, 23 per cent; and Medicine Hat, 22 per cent. While these figures are not directly comparable with Labour Force Survey data, they do show the magnitude of the problem.

It is not, however, sufficient to point to pockets of high unemployment and conclude, as some do, that higher income support payments, in the form of unemployment insurance and welfare benefits, are the major factor in people's reluctance to move to labour-scarce locations. Jobs in the labour-scarce areas may involve a great deal of specialized skill or be for short periods only. Working and living conditions may be unfavourable and the location remote. Moving could mean lengthy family separations, or uprooting at considerable cost, with no assurance of continuing employment. The differential in housing costs alone can sometimes more than offset the real wage gains achieved by moving to a growth area. Geographic mobility involves other risks as well, including leaving behind friends and relatives and established credit and social and educational ties.

Relocation from depressed to expanding areas may therefore occur slowly, particularly among families with children or persons in older age groups. A recent study of the year-to-year experience of labour force participants who contributed to unemployment insurance during the 1966-71 period showed, however, that in an average year about 7 per cent of them changed localities. Roughly 14 per cent of those aged 20 to 24 moved, compared with 3 per cent in the over-65 age bracket (see Table D-1).<sup>1</sup> On balance, the direction is rural to urban, but considerable interrural movement occurs as workers switch from one job to another (Table 7-1). An annual mobility rate of 7 per cent today would represent about 700 thousand workers. It is not at all clear, of course, how many moves involve job separations and new hirings or how many are simply employed persons transferring from one locality to another. However, earlier studies of interprovincial migrants indicate that the rates of geographic mobility among the unemployed are twice as high as among the employed.<sup>2</sup> Hence much of the migration between localities undoubtedly reflects job search and experimentation processes that go on continuously and underlie the gross flow statistics in Chapter 5.

- 1 E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).
- 2 Thomas J. Courchene, *Migration, Income, and Employment: Canada 1965-68*, C. D. Howe Research Institute (Montreal, 1974); and John Vanderkamp, *Mobility Behaviour in the Canadian Labour Force*, Economic Council of Canada (Ottawa: Information Canada, 1973).

Table 7-1  
Rural-Urban Mobility Rate of  
Labour Force Participants,<sup>1</sup> 1968-69

	From	
	Rural	Urban
	(Per cent)	
To		
Rural	3.1	2.8
Urban	5.6	3.5
Total	8.7	6.3

<sup>1</sup> "Mobility rate" is defined as the ratio of people changing residence over a one-year period to the total population in the sample, by category, expressed as a percentage; participants represent a 2 per cent sample of all persons to whom a social insurance number has been issued.

SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).

People elect to move to, or stay in, a community because of the perceived advantages. They move in response to higher income and more diversified job and other opportunities, and are deterred by distance and linguistic barriers. On balance, whether because of youth, lower skill levels, or both, the pre-move income levels of those who leave a place to go elsewhere tend to be below the earnings of the non-movers in both locations. Indeed, persons moving from small- or medium-sized towns into major cities within their own province have pre-move incomes 10 to 30 per cent lower than the average earnings of the city-dwellers. Potential income advantages are also apparent but less pronounced in most interprovincial moves.

Table 7-2  
Increase in Income of Stayers and Movers, 1969 to 1970

	Stayers <sup>1</sup>	Movers
	(Dollars)	
1969 income	5,503	4,655
1970 income	5,978	5,136
	(Per cent)	
Increase	8.6	10.3

<sup>1</sup> Stayers are those persons who remained in the same province between 1969 and 1970.

SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).



Table 7-2 suggests that, at least in the first year, those who move obtain only a small income gain over those who stay in a community, although had they not moved, they might well have fallen further behind. However, over the longer period, those who move once or twice do better in terms of income than those who stay in their original community, despite the fact that they experience somewhat more unemployment. On the other hand, those who move three times or more do worse in terms of income – a reflection perhaps of the futility of drifting from one impermanent job to another (see Appendix D).

Among males there was some indication that white-collar workers who move benefit relatively more than blue-collar workers who move or white-collar workers who stay. However, on average, female workers – both white- and blue-collar, but particularly blue-collar – lose income as a result of moving. This somewhat surprising result supports our earlier observation that, in a family context, a move that may be advantageous for the main breadwinner may not be equally so for his wife or other dependants. The latter may well be confronted with adjustment difficulties and initially have to accept jobs in the new community that pay less than the ones they left (Table 7-3). Nonetheless, over the longer run, the female prospects are probably more favourable than the initial results imply, since on balance most migration is directed towards urban centres, which offer more diversified opportunities for women than do most small towns.

Table 7-3

Index of Gross Income of Stayers and Movers, by Sex and Occupational Group, 1970

	White-collar		Blue-collar	
	Stayers	Movers	Stayers	Movers
	(1969 = 100)			
Males	107	112	106	105
Females	106	85	103	77
Total	106	97	106	104

SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).

### The Search Process

How uncertain is the search for jobs? When do Canadians search for permanent, temporary, or part-time employment? And how effective are they in finding the right job? A recent survey by Statistics Canada indicates that 36 per cent of the people looking for work were employed when they began searching; 28 per cent were on layoff, a third of whom expected to be recalled; and another 36 per cent

were students coming directly from school (11 per cent), housewives entering the job market (10 per cent), and other persons out of the labour force (15 per cent).<sup>3</sup> Half the job-seekers were young men and women under 25 years of age.

The difficulties of finding a job emerged very clearly from the study's findings. Table 7-4 shows, for example, that only 54 per cent of job searches lasting from less than one month to five months or more led to employment. Only a third resulted in full-time jobs; one-fifth, in part-time or temporary jobs. Two out of five searches failed to produce any job offers at all. The percentage of searchers who found full-time jobs decreased with age (from 37 per cent for the 14-24 age group to 26 per cent for persons 45 and over), while the percentage who failed to receive even one job offer increased with age – in keeping, perhaps, with the fact that most hirings occur at junior levels in the job hierarchy.

Of course, since some in the study already had a job, not all experienced unemployment during their search; indeed, 22 per cent had no unemployment during the

Table 7-4  
Results of Job Search, by Duration of Search,<sup>1</sup> 1971

	Duration of job search				Total
	Less than one month	One to two months	Two to five months	Five months or more	
	(Per cent)				
Accepted a full-time job	15	7	6	5	35
Accepted a part-time or temporary job	5	4	5	5	19
Received one or more job offers but did not accept any	2	2	1	2	8
Did not receive any job offers	9	8	10	12	39
Total	32	22	22	24	100

1 Excludes 62,000 persons who did not give enough information to be classified. Figures may not add up because of rounding.

SOURCE David E. Gower, *Job Search Patterns in Canada*, Statistics Canada, Special Labour Force Studies, Cat. No. 71-525.

3 David E. Gower, *Job Search Patterns in Canada*, Statistics Canada, Special Labour Force Studies, Cat. No. 71-525. This study was undertaken during 1971 when the unemployment rate (seasonally adjusted) ranged between 6.2 and 6.8 per cent. Because it covered the period from April 1 to late October, the options of part-time or temporary seasonal work may be disproportionate. Moreover, it should be noted that search periods may be short either because a job was accepted quickly or because the search started shortly before the end of the reference period.

seven months covered by the survey. On the other hand, 32 per cent experienced more than three months' unemployment. Overall, including those who never left their initial jobs, about 60 per cent of the job-seekers were employed at the end of the reference period; about 32 per cent were unemployed; and 8 per cent (4 per cent of the men and 15 per cent of the women) had given up looking.

In searching for work, individuals have a number of alternatives before them. They can insert, or reply directly to, want ads; visit and seek the advice of counselors at local Canada Manpower or Quebec Manpower Centres; go directly to employers at their place of business; or ask friends and relatives or members of the same union. By and large, the method used most frequently, and most successfully, is to go directly to employers at their place of business. While many use Canada Manpower Centres (CMCs), their success rate, as reported by the searchers, is relatively low.<sup>4</sup>

The persons sampled in the survey showed a rather weak effort in searching for work. Regardless of education or age, the searchers averaged less than two contacts with employers per month and less than two responses to ads per month. The availability of income support from other sources – additional earners in the family or unemployment insurance for some – might partly explain that phenomenon.<sup>5</sup>

The conclusion of the Statistics Canada study coincides with our earlier suggestion that, for young workers, the difficulty is not so much that of finding employment, but rather that of finding a job that offers continuous and satisfying work. Many accept part-time or temporary work. Older workers are naturally more concerned with secure, permanent work. As a consequence, they have a narrower range of jobs to choose from and are unemployed for longer periods. However, in both cases, the longer the period of unemployment, the more willing searchers are to accept part-time or temporary job alternatives. On the other hand, of those who by the end of the survey period had been unemployed two months or longer, four out of five had had no job offer whatsoever.

### Canada Manpower Services

For a person out of work, or looking for work, the logical place to start the search for a job is a Canada or Quebec Manpower Centre. Indeed, most persons who file a claim for unemployment insurance are asked to register with Canada

4 The low success rate attributed to CMCs may be misleading. Canada Manpower or Quebec Manpower Centres do not hire; they simply counsel applicants and refer them to potential employers who have registered job vacancies. As a result, individuals, in responding to surveys, may attribute their success not to the CMC or QMC referrals but to their personal initiative and interview with the employer.

5 Unfortunately, the survey did not identify the income sources available to either those working or not working at the time of the survey.

Manpower Centres and, if suitable jobs are available, to report to the employers whose vacancies are registered with the CMCS.<sup>6</sup>

The prime responsibility of CMC counsellors is to facilitate, quickly and efficiently, the matching of men and jobs and, where training or other assistance will render an individual more employable, to try to place him in training courses consistent with his occupational goal. The task confronting CMC counsellors is not an easy one. For instance, in February 1974 – seasonally a low point of economic activity – there were 626 thousand regular unemployment insurance beneficiaries, most of whom were included among the 667 thousand clients registered with Canada Manpower Centres, and only 118 thousand job vacancies (of which one in six was of one week's duration or less) registered at the more than 450 CMCS across Canada. Inevitably, therefore, many CMC clients went away unhappy.

Figures on the vacancies that employers registered with CMCS, and the referrals and placements made by CMC counsellors, are given for the 1969-74 period in Table 7-5. In general, CMCS were able to provide workers for between two-thirds and three-quarters of the job vacancies registered with them. However, the information on referrals is more ambiguous. On the one hand, the more than doubling of referrals in the five-year span indicates a considerable expansion of CMC effort, consistent with the modernization and increasing number of offices and the much closer

Table 7-5  
Vacancies, Referrals, and Placements,  
Canada Manpower Centres, 1969-74

	Vacancies <sup>1</sup>	Referrals <sup>2</sup>	Placements <sup>3</sup>	Placements as a percentage of vacancies	Placements as a percentage of referrals
	(Thousands)				
1969	1,073	1,597	747	69.6	46.8
1970	888	1,441	642	72.3	44.5
1971	1,074	1,812	801	74.6	44.2
1972	1,344	2,299	999	74.3	43.4
1973	1,545	2,825	1,089	70.5	38.6
1974	1,586	3,496	1,083	68.3	31.0

1 Job vacancies reported by employers to CMCS, excluding casual vacancies of less than one week.

2 Clients referred by CMC counsellors to job vacancies, including laid-off workers who are recalled.

3 Placements of clients in jobs of more than one week's duration, within the CMC area.

SOURCE Based on data from the Department of Manpower and Immigration.

6 The interpretation of "suitable" employment involves administrative judgments based on discussions between the claimants, CMC counsellors, and UIC control officials. In the process, account is taken of factors such as skills required, wages compared with those the searcher had been earning, union affiliation, distance, working conditions, child responsibilities, and physical requirements. Such decisions are open to appeal.



link with the Unemployment Insurance Commission (UIC). On the other hand, the declining ratio of placements per referral suggests that much of this added effort is wasted because of the limited number of vacancies registered with CMCS. True, more referrals give employers a wider spectrum from which to choose; but they also entail interviewing time and may indicate less selectivity on the part of CMC counsellors. By the same token, they imply more employer rejections and discouragement for the persons being referred.

In theory, perfect labour market performance would require public and private employment agencies to know about all available jobs and all available personnel, so as to be able to provide reasonably rapid and effective placements. In Sweden, for instance, while some private and union-sponsored placement agencies do operate, new legislation may now require employers to register their job vacancies with local labour boards. In Belgium and in France there have been similar regulatory provisions, although it is not clear how closely they are observed. But in Canada neither employers nor employment agencies are obliged to register their vacancies with Canada Manpower Centres and, even though their services are free to the users, CMCS are used for (or have a penetration rate of) only 25 to 30 per cent of the total number of new hirings that occur during the year. Among the vacancies reported to the CMCS are a disproportionate number of low-skill jobs, often with small entrepreneurs who lack personnel departments that can efficiently search and hire on their own. Included as well are a considerable number of jobs in the primary sectors, where turnover is high and employers simply put in standing orders to the CMCS. The upshot is that, of the jobs they do have registered, CMCS carry a large number that are unattractive, frequently of a relatively temporary nature, low-paying and non-unionized.<sup>7</sup> In short, their role traditionally has been to provide a free service to the more fiercely competitive, labour-intensive sectors or, in the case of mining and forestry industries, to find skilled and unskilled workers for remote locations. These factors limit the overall effectiveness of CMCS and adversely affect their public image.

The Economic Council's special study of people searching for work in 1968 found that only 11 per cent of those who found a new job claimed to have found it through a Canada Manpower Centre; a Toronto area employment study of 1972 reported 12 per cent. Such findings are consistent with the results of a 1971 sample survey of CMC clients undertaken by the Department of Manpower and Immigration itself. Of the clients registered with CMCS – at most, three-quarters of all job searchers – only 22 per cent reported that they had acquired their last job through

<sup>7</sup> During the summer of 1974, the average weekly wage of job orders registered with CMCS in seven Canadian metropolitan areas from Halifax to Vancouver was \$114 – “30 per cent lower than the average industrial wage in Canada, and probably lower still than the average wage in those metro areas.” The Honourable Robert Andras, Minister of Manpower and Immigration, Address to the Canadian Chamber of Commerce, Toronto, Ontario, September 23, 1974, Press Release, p. 10.

CMCs. Their most effective techniques had involved personal calls on employers or initiatives through friends and relatives.<sup>8</sup>

Clearly, a system that is expected to match three-quarters of the job searchers with one-quarter of the available jobs has shortcomings. Perhaps, however, it is folly to expect perfection. Traditionally the labour market has operated with a mix of private and public agencies and initiatives, with licensing to ensure the integrity of the private entrepreneur. But, whereas private placement agencies often screen applicants for employers, officials of a public agency responsible particularly to persons most vulnerable to unemployment cannot in fairness exercise the same kind of selectivity. The result is that employers register with CMCs mainly those jobs requiring little selection and, in the knowledge of that fact, persons with qualitative skills and abilities tend to ignore the CMCs when looking for work. The image of the public employment service as a last resort is thereby reinforced.

In addition to, or more precisely as part of, its responsibilities in the labour market, a major role of Canada Manpower has been to facilitate the training and retraining of adult Canadians. Thus, in addition to the men and women placed monthly in short- or longer-term jobs by CMCs, thousands of others are being trained in institutional or on-the-job courses, depending on the time of the year. The impact of the Canada Manpower Training Program (CMTF) and the much smaller Manpower Mobility Program (CMMP) was appraised in 1971 in the Economic Council's *Eighth Annual Review*.<sup>9</sup> Since then, modest changes have been introduced into both programs, including, with mixed results, an on-the-job training program directed mainly at young people.

Finally, there are the two public employment programs that have caught considerable attention both in Canada and abroad. Initially, during the winters of 1971-72 and 1972-73 the Local Initiatives Program (LIP) provided work for about 85 thousand persons for three or four months, although in some cases projects were extended beyond that period. With about one-fifth as much funding as LIP, Opportunities for Youth (OFY) provided students with about 30 thousand summer jobs of somewhat shorter duration. Subsequently, LIP was considerably curtailed, enabling it to provide only about 30 thousand jobs during the following two winters. It was to have been expanded again for 1975-76, but the plans were cut back as part of the federal government's anti-inflation program. Other initiatives more closely attuned to the continuing needs and responsibilities of community organizations and social services are currently under review.

8 See Maki, *Search Behaviour*, p. 53, and Canadian Inter-Mark, *The Toronto Area Employment Study, 1972* (Toronto, 1972), pp. 126-27. The latter study reported that 20 per cent of the unemployed registered with CMCs found a job through the CMC. See, also, Department of Manpower and Immigration, "C.M.C. Client Characteristics," Ottawa, 1971 (mimeo.).

9 Economic Council of Canada, *Eighth Annual Review: Design for Decision-Making* (Ottawa: Information Canada, 1971).

The development of comprehensive manpower policies, along with regional incentives and greatly enriched educational funding in the late 1960s, was originally expected to facilitate quicker, more effective, and less costly matching of workers with jobs, thereby simultaneously reducing unemployment and skill-shortage bottlenecks. Such policies were expected to operate especially in depressed areas and among groups that needed special assistance.

In retrospect, it appears that more was expected of these programs than was feasible. While some regional unemployment disparities have been reduced, the overall unemployment/inflation situation has deteriorated. The increased number of placements by CMCS has really only kept pace with the combination of labour force growth, high rates of turnover, more part-time and temporary jobs, and the channeling of LIP, OFY, and other publicly funded employment programs through CMCS. Adult training has undoubtedly facilitated the re-employment of persons previously unemployed and quickened the re-entry of married women into the labour force. How much of the training would have been done anyway, either at the employer's or employee's expense, is not known. What is evident, however, is that there are now substantial interest groups in the community colleges in each province and in CEGEPS in Quebec that are oriented towards the continuing provision of institutional training for adults. There is some evidence that employers use graduation from adult training as a screening device in their hiring. And the proportion of trainees finding employment after completing their courses corresponds roughly with the expected probabilities of persons finding jobs, even without training.

Unquestionably, the Canada Manpower Training Program has helped raise the skill level of many Canadians. In recognition of its potential contribution, a number of arrangements have been worked out by the UIC and Manpower to encourage unemployed persons to take training in preference to drawing benefits and remaining idle. For example, where the CMTP allowances would be less than an unemployed person's unemployment insurance benefits, the UIC can "top up" the Manpower allowances to the applicable UIC benefit rate.<sup>10</sup> However, CMC counsellors have no way of ensuring that the occupational goals declared by persons applying for training are genuine or that employers will hire the trainee graduates in jobs that coincide with their newly acquired skills. The result can entail a considerable waste of training resources. For instance, half the construction workers who take skill training for other types of employment are back in construction jobs the next year.<sup>11</sup> And, according to Manpower, about one in six women simply return to house-keeping after completing their training.

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10 In 1975, maximum unemployment insurance benefits were \$123 per week, and the training allowance for single persons was \$68 per week.

11 Economic Council of Canada, *Toward More Stable Growth in Construction* (Ottawa: Information Canada, 1974), p. 80.

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The Local Initiatives Program has been an interesting and unique experiment in community activity and has helped provide some additional employment through the winter months. It is really two programs in one, with roughly half the funds being committed to small construction activities, such as community centres, arenas, organized house repairs, and forestry and park maintenance – mostly in outlying rural areas – and half to non-construction, social service activities, centred mostly in larger cities. Not surprisingly, the construction jobs are filled almost entirely by men, mostly in their late twenties or thirties, married, relatively unskilled, under-educated, and poor. The profile of participants in the other LIP projects has a quite different cast. They are younger, have higher-than-average levels of education, and include a substantial proportion of women. According to an initial analysis, many of the younger participants lived with parents or in families in which other members were working, and one-quarter of them came from relatively middle-income households. Over one-quarter of the women did not work or seek work prior to taking the LIP jobs.

In its presentation to the Standing Senate Committee on National Finance in February 1975, the Department of Manpower and Immigration advanced the following observations on the impact of LIP: it has created almost one-quarter of a million jobs in the four years since it began; it has involved hundreds of thousands of Canadians in the welfare of their communities; and, in certain depressed areas, it has stimulated a new sense of optimism and an awareness of the need for local planning. The Department's submission also emphasized the seasonal significance of LIP, in the sense that 80 per cent of the males and 55 per cent of the females involved in the 1972-73 program were either unemployed or about to be unemployed prior to their participation in LIP. Indeed, almost one-third of the LIP workers unemployed before joining the project had been out of work for five months or more. As for the financial costs and benefits of the program, not only was the \$7,500 expenditure per job-year in 1972-73 roughly half the average for all jobs in the economy, but there were positive benefits from expenditure multipliers and income tax recoveries.

We take no issue with the social significance of LIP nor do we question the contribution to family income or the sense of personal involvement it has generated. On the whole, LIP as a limited and imaginative adjunct to the arsenal of manpower policies has proven a useful contraseasonal job-creating instrument. Moreover, we applaud the efforts of the Department of Manpower, with other federal departments and provincial participants, to orient the Program to local needs; to direct it to the unemployed who need help the most; and to monitor and report the results.

We have attempted to assess the economic merits of LIP in two ways. One involved using macroeconomic simulations of the economy's performance to compare the employment-creating effects of the program with other federal expenditure options, including tax reductions. A second involved a detailed examination



of the microdata on LIP participants, to gauge more clearly who benefited and what ultimately happened to them.<sup>12</sup>

As a result of these studies, we can advance several observations. First, LIP does not, and was never intended to, provide permanent employment. Hence, to Manpower's statement to the Senate that, since coming into existence, LIP created 238 thousand jobs should be added the corollary that virtually all of these jobs were subsequently terminated. Indeed, as the Manpower statement affirmed, the main dissatisfaction among LIP workers was the lack of job security. Second, since LIP was one of a number of expenditure options open to the federal government to help reduce unemployment, it is germane to ask what the result would have been had the money been spent in other ways. According to macroeconomic simulations from the Toronto Quarterly Econometric Forecasting Model, even between 1971 and 1973 – years of quite high expenditures – LIP had relatively little impact on the reduction of overall unemployment below levels that might have been achieved through increased government expenditures or tax cuts of the same magnitude. The Program did create new jobs for a short period of time but, when averaged over the year, only about the same number as the net increase in the year-round labour force that it induced.

From the strict point of view of stabilization policy, the results imply that the Local Initiatives Program was neither significantly more nor significantly less effective in combatting high unemployment than the more traditional policies of expenditure increases or tax cuts would have been. The findings stress more than ever the importance that should be attached to evaluating the other kinds of social benefits associated with LIP and similar programs. It would appear to be these other benefits which hold the balance for determining whether such programs will be economically justifiable in the future.<sup>13</sup>

It may, of course, be true that the creation of job opportunities for many of the persons on the threshold of the labour market (who are concealed in some locations by low participation rates) is as important as the reduction in the absolute numbers of unemployed persons. Indeed, given the general fluidity of movement of supplementary breadwinners into and out of the labour force, and their significance as contributors to family income security, the distinction may be rather arbitrary. Nonetheless, the nature and the commitment to the labour force of those participating in the LIP projects are matters that bear examination. And here the microdata on the before-and-after employment situation of LIP participants are quite revealing. They yield the general conclusion that LIP participants are mostly either people with considerable difficulty finding or retaining stable employment or persons

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12 For both studies, we acknowledge with gratitude the extensive co-operation of the Department of Manpower and Immigration, the Unemployment Insurance Commission, and the Quebec Department of Social Affairs.

13 Peter A. Cook, Cyril D. Hodgins, Gregory V. Jump, and Charles J. Szabo, *Economic Impact of Selected Government Programs Directed towards the Labour Market*, Economic Council of Canada (forthcoming).

among the "threshold groups" of housewives, part-time students, or others who move sporadically between jobs and unemployment or out of the labour force. Moreover, if our follow-up findings for one region are representative, LIP does not, as once hoped, constitute a significant stepping-stone to regular employment for unemployed, marginal, or poor workers. Rather, for a substantial majority of the participants, LIP jobs constitute temporary sources of employment income, to be followed by unemployment, labour force withdrawal, another LIP job, social assistance, or some combination of each.

Table 7-6

Labour Force Status of Workers Employed  
in Local Initiative Projects, 1972-73

	Situation immediately preceding LIP			Situation during year preceding LIP
	Males	Females	Total	Total
	(Per cent)			
Employed	21	20	21	62
Unemployed	67	46	61	22
Other	12	34	19	16
Total	100	100	100	100

SOURCE Based on data from the Department of Manpower and Immigration.

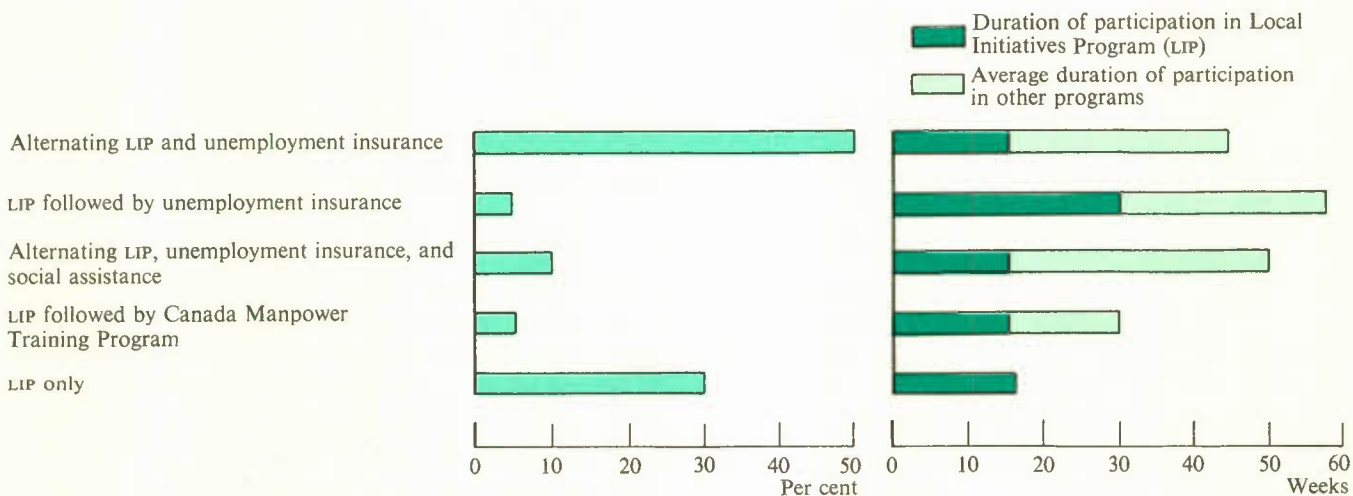
These observations are borne out by the records for LIP participants in 1972-73. Table 7-6 shows the prior labour force status of all persons employed on LIP projects during that winter. Just before taking a LIP job, about 90 per cent of the men and 66 per cent of the women had been in the labour force, the majority unemployed or just about to be laid off. Over one-third of the women had been at home, in school, or otherwise occupied. Overall, during the year prior to taking their LIP jobs, 62 per cent of the LIP workers cited employment as their main activity. But 38 per cent reported being mainly unemployed or out of the labour force.

How effective was LIP in recycling these persons into mainline employment? Manpower, basing its findings on a follow-up survey of 1972-73 LIP employees, reported that twice as many males and 1.5 times as many females were living on earnings and savings in preference to welfare or unemployment insurance benefits than before their LIP job. Our findings are not so sanguine. Indeed, if our results for the province of Quebec in 1972-73 apply equally to LIP participants elsewhere in Canada, 70 per cent of the people who worked on LIP projects subsequently fell back on government income support – unemployment insurance benefits, social

assistance, CMTF allowances, or some sequence of them combined. And, of the 30 per cent requiring no government income payments following LIP, some probably went back to school or to keeping house. These results, shown in Chart 7-1, are based on a week-by-week computerized linking of LIP data with unemployment insurance, CMTF, and Quebec social assistance data for 1972 and 1973. During the 20 or so months following the LIP project, 55 per cent of all LIP workers received from 15 to 45 weeks' unemployment insurance benefits. Another 10 per cent fell back on a mixture of about 35 weeks' unemployment insurance and 9 weeks' social assistance during the same period. A little over 5 per cent took adult training courses. In short, Local Initiative projects did not permanently lift persons out of dependency on other sources of income support. Nor did they appear to help them out of their discouraging round of periodic employment and unemployment or their weak attachment to the labour market.

Unquestionably, given the vast array of human needs, there is a place for special job-creation programs. They will, of course, remain marginal to the regular jobs associated with satisfying the demands of consumers, governments, and industry.

Chart 7-1

Participation in Local Initiatives and Other Programs,<sup>1</sup> Quebec, 1972-73<sup>2</sup>

1 Duration data for individuals on LIP were not available, so the average duration of LIP jobs – fifteen weeks – was used; an average of fifteen weeks was also used for duration of participation in Canada Manpower Training Programs.

2 LIP participation began during the 1971-72 fiscal year.

SOURCE Jean-François Gauthier *et al.*, "Une note sur quelques résultats sur les flux de personnes entre programmes sociaux," a study prepared for the Economic Council of Canada, 1975.

Also, real questions remain. Is the main goal of such programs the creation of employment or the meeting of perceived social needs? Are they to be fitted to the individual employed or vice versa? How does one test their social worth against other priorities? Where should the funding decision lie? And the accountability?

No doubt the construction projects initiated under LIP reach into the small towns and provide positive options for seasonally unemployed persons who need help. But a small town will take only so many arenas and community centres. The service projects employ a more mixed group and are directed at the people served no less than those employed. However, the temporary nature of such projects, in the face of some continuing social problems, can create difficulties if there is no subsequent supportive response by other agencies or groups. Thus, notwithstanding the value to local communities of federal LIP funding, it seems clear that special public-employment projects require local decision-making in light of local priorities. The need for projects reflects, on the one hand, the problem of inadequate municipal and local sources of funds and, on the other, rather special problems of local unemployment. They are not, in our view, the proper vehicles to confront broader unemployment caused by slack overall demand. We thus agree with the concluding assessment of the Department of Manpower to the Senate Committee that

a LIP-style start-stop program, while remaining effective for seasonal peaks, cannot be, and was never meant to be, a solution to the problem of continuing unemployment. . . . it cannot deal with the long-term unemployed or unemployable or the problem of geographically isolated and depressed areas which need among other things some sort of community based entrepreneurial activities.<sup>14</sup>

### **Immigration Policy**

The joining of manpower and immigration policies in 1967 was a logical and desirable step, since initially immigrants and native-born Canadians not only compete for the same jobs but work side by side. As yet, however, no definitive studies have been done on the longer-term relationship between immigration, labour force growth, and unemployment. Even international comparisons are none too helpful. Since the Second World War and until recently, for instance, several of the main countries of western Europe have had high rates of economic growth, very low unemployment, limited immigration, and low labour force growth; but they have also relied heavily on guest workers. Japan, similarly, had limited immigration and labour force growth combined with high economic growth, but much of her accelerating prosperity resulted from the unique restructuring and modernization of her economy. On the other hand, Israel and Australia had high immigration, high economic growth, and very little unemployment.

<sup>14</sup> Department of Manpower and Immigration, Presentation to the Standing Senate Committee on National Finance, Ottawa, February 1975, p. 42.



The capacity of a nation to absorb and use foreign-born labour depends on its savings and investment patterns, for it is these that determine the growth and locus of new employment opportunities. Canadians traditionally are among the highest savers in the world and, as a nation, continue to attract substantial amounts of job-creating foreign investment. In the shorter run, much depends on the cyclical phase of the economy. In periods of slow employment growth, too rapid immigration may well contribute to somewhat higher levels of unemployment. On the other hand, in times of accelerated demand, their entry may well help to fill bottlenecks and keep down production costs. But, in the longer run, their expenditures as consumers, savers, and taxpayers undoubtedly stimulate the demand for housing, food, clothing, and other essential goods and services, thereby contributing to the employment of native-born Canadians as well as other incoming immigrants.

The recently published Green Paper on Immigration has helped to focus public attention on some of the policy issues associated with Canada's immigration program.<sup>15</sup> Among its principal concerns are: the slowing rate of growth of Canada's population as the result of declining fertility rates; the consequent increase in the importance of immigration to Canada's population growth; the increasing pressure of applications for landed entry from nationals of non-European countries; the concentration of immigrants in the major metropolitan centres, particularly Toronto, Vancouver, and Montreal, with the ensuing stresses on urban growth; the limited numbers of French-speaking immigrants into Canada and the shift of immigrants away from French Canada; the reduced need in Canada for highly skilled manpower and professionals as a result of Canada's greatly enriched educational and adult training programs in recent years; and, finally, the need for more selective controls to contain the flow of immigration to predetermined and planned levels.

Throughout the Green Paper there is a cautiousness that stands in contrast to the relative optimism of the White Paper on Immigration in 1966, or indeed the Report of the Royal Commission on Bilingualism and Biculturalism of 1969.<sup>16</sup> The world has, of course, changed since then, but the altered mood in the Green Paper is somewhat surprising. Where the White Paper referred to Canada as "an underpopulated country by most standards of measurement" and suggested that "without a substantial continuing flow of immigrants it is doubtful that we could sustain the high rate of economic growth and the associated cultural development which are essential to the maintenance and development of our national identity," the Green Paper refers to the risks of immigration policy, in that "intensifying demand for housing, transit facilities, community services, and just plain space, mean that the calls the migrant makes on the receiving community's hospitality

15 Department of Manpower and Immigration, *Report of the Canadian Immigration and Population Study* (Ottawa: Information Canada, 1975), 4 vols.

16 "Canadian Immigration Policy." *White Paper on Immigration Policy*, Department of Manpower and Immigration (Ottawa: Queen's Printer, October 1966); and Royal Commission on Bilingualism and Biculturalism, Book IV, *The Cultural Contribution of the Other Ethnic Groups* (Ottawa: Queen's Printer, October 1969).

become more onerous, and are seen to be so." While the B and B Commission suggested that "the presence of the other cultural groups in Canada is something for which all Canadians should be thankful," and that their values constitute "an integral part of the national wealth . . . engendering healthy diversity within a harmonious and dynamic whole," the Green Paper refers to the "fairly high degree of social tension if not outright friction in modern urban living [in which] newcomers may too easily become the focus of frustrations and antagonisms that are no less socially disruptive for being quite out of proportion with the actual size of the immigrant group involved."

The events of the past few years affirm the need for Canadian immigration authorities to be able to exercise efficient and selective control over the flow of immigrants into this country. Immigration is a privilege, not a right. Equally, just as there is value in anticipating future occupational requirements in the planning and allocation of educational and manpower training resources, so there is value in establishing annual levels of immigration consistent with the expected economic and employment opportunities in this country. As to the future levels of immigration, we leave this to Chapter 11. Suffice it here to consider two issues raised in the Green Paper – the pressures associated with urban congestion, and the shifting source and ethnic mix of immigrants entering Canada.

Normal market forces are not neutral with respect to urban growth. As enterprises seek out the largest market and locate there, they create a string of subordinate demands for services, which in turn generate new demands that attract new enterprises, workers, and families. Governments, by providing the complementary infrastructure, social services, and educational facilities, reinforce the process of big-city enlargement. In Canada the annual rate of population growth in metropolitan areas is roughly 3 per cent; in medium towns and cities, 2 per cent – coinciding roughly with natural population growth; and in small hamlets, 1 per cent.<sup>17</sup> Farm dwellers, as indicated earlier, are leaving rural locations at the rate of almost 3 per cent per year. In this situation it is not surprising that immigrants tend to concentrate in the metropolitan communities, since it is there that most of the jobs are available. In the process, of course, they seek out, and in turn are assisted by, members of their own ethnic communities; and so, over time, they are integrated into, and make their contribution to, Canadian life.

The proportion of foreign-born of the total population in Canada was 15.3 per cent in 1971 – not significantly different from previous postwar levels despite our declining birth rate, and lower than in most periods since the turn of the century. The proportion, for instance, of Asian, African, and West Indian stock in Canada in 1971 was of the order of 2.3 per cent. Assuming that their fertility rates are not significantly different from the Canadian average, their current rates of immigration would raise this proportion to 3.6 per cent in 1981

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17 Derived from estimates of the Economic Council based upon census data and information from Leroy O. Stone, *Urban Development in Canada* (Ottawa: Queen's Printer, 1967).

and about 6 per cent in the year 2001,<sup>18</sup> by which time many will have inter-married and seen their children integrated into Canadian society.

In fact, we see little evidence of the friction that the Green Paper fears may, rightly or wrongly, be attributed to new Canadians. According to the Department of Manpower and Immigration figures, 90 per cent of the immigrants regard themselves as being generally accepted by the community, with proportionately more who had settled in British Columbia, Ontario, and Quebec, feeling at home in Canada. After two years, according to follow-up surveys carried out by the Department of Manpower and Immigration, the incidence of unemployment among immigrants is lower than among Canadians as a whole – although higher when compared with a control group of native-born Canadians of similar qualifications. And, while admittedly many seek accommodation in the downtown areas of big cities, inevitably this is followed by a centrifugal outflow of families to the suburbs. Hence, quite apart from the immigration issue, as long as the bulk of private and public investment and expenditure is concentrated in or around the metropolitan areas, creating jobs there, the attractiveness of metropolitan areas to in-migrants, whether Canadian- or foreign-born, will remain. The recent rapid expansion of Calgary and Edmonton – cities that are not noted for being destination points for landed immigrants – is a case in point. By the same token, the real answer to Quebec's concern for balanced immigration lies in her need for an adequate share of job-creating investments no less than for provisions within the province to encourage French-speaking among her newcomers, whatever their origin.

From an economic, and indeed humanitarian, point of view, of course, the ethnic composition of the population or the labour force is a matter of relative indifference, since a person is a producer, consumer, or taxpayer regardless of colour, creed, or language. Canadians, whether French- or English-speaking, are fortunate today in that through the spread of education, international communications, and the media, there is probably less prejudice with respect to religion and ethnic origin than at any other time in our history. Indeed, we see evidence every day that tolerance, particularly among our young people, is growing, not abating. It is our view that we are a nation with sufficient diversity, richness, productive adaptability, and awareness of the larger global setting that we can continue to welcome people from all quarters with the self-confidence and generosity that mark a strong and secure nation.

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18 By comparison, in the United States in 1973, 12.8 per cent of the population was of non-white stock (Negro, Indian, Asian, etc.), while 5.1 per cent was of Spanish origin.



In dealing with the flows of men and women into and out of employment, with their job-search experiences, and with federal manpower programs, we have stressed the family situation and frequently alluded to family income from sources other than work. The availability of income support can be critical for those who are searching for new jobs or who are unable to work for various reasons. In addition, such income support is crucial in the larger sense that it reinforces the purchasing power on which the existence or creation of jobs depends. In this chapter we consider some of the effects on the labour market of various government social security programs, including unemployment insurance, social assistance, pensions, old age security, and day-care services. Underlying these programs is a recognition that the economy does not deal even-handedly with Canadians in matters of employment and unemployment. It is to the incidence of unemployment that we now turn briefly.

### **Unemployment: An Overview**

The growth in the number of multi-earner family units whose members participate in the labour force to varying degrees, and at different times of the year, increases the likelihood that one family member or another will be unemployed during any particular period. We have seen, for instance, that each year one out of six working Canadians experiences some unemployment. Indeed, since 1973, over two million individuals have received unemployment insurance benefits sometime during each year. About a third of them are primary breadwinners; one-half, supplementary breadwinners; and one-eighth, unattached individuals. And, during the course of a year, between a third and a half of these beneficiaries experience two or more bouts of unemployment.<sup>1</sup>

1 E. Kenneth Grant and John Vanderkamp, *The Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).



Two of the major factors behind our present high levels of unemployment have been the faltering growth in capital investment and a lack of aggregate demand for labour. But we have also seen that much of the unemployment that occurs in Canada results from the inherent impermanency and seasonality of a considerable proportion of jobs. It has been estimated, for instance, that the average worker in the forestry industry will not be with the same employer more than three months. In construction, it is unusual for workers to remain in one job for over eight months,<sup>2</sup> and as many as one-quarter of the construction labour force are idle for most of the winter.<sup>3</sup> If 1971-73 averages are representative, the absolute number of men 25 and over who are unemployed in January is close to double the number out of work in July; and there are 50 per cent more unemployed women 25 and over in January than in July. On the other hand, with the inflow of young men and women seeking summer jobs, the highest incidence of unemployment among teenagers occurs during the summer. The lowest overall unemployment rate for women occurs at the Christmas peak of retail activity (Chart 8-1).

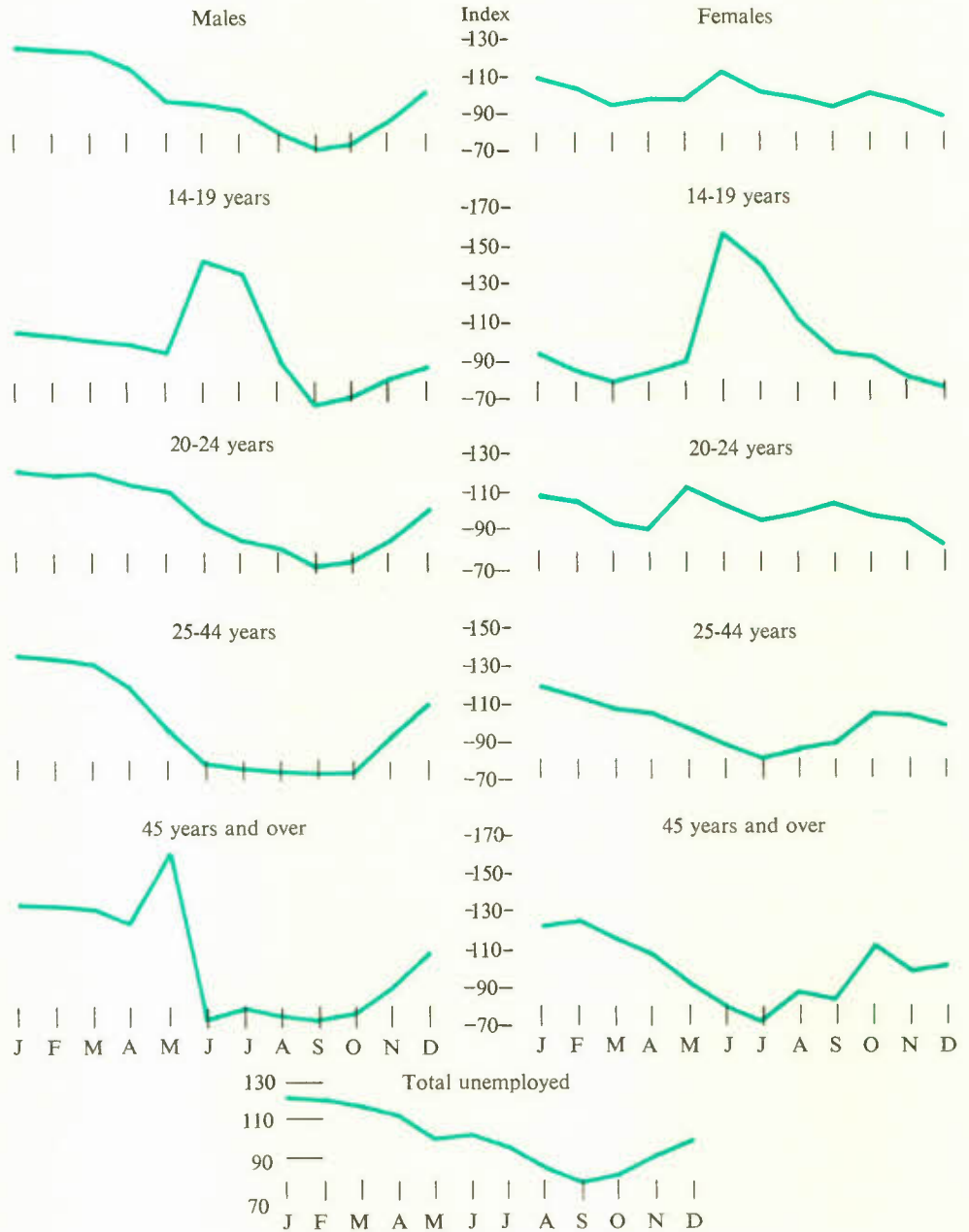
While seasonality affects the continuity of male employment more significantly, it would be wrong to think that, on this account, proportionately more women than men work continuously during the year. As discussed in earlier chapters, the pattern of movement into and out of the labour force is more fluid for women. Chart 8-2 shows the incidence of year-round full-time employment in Canada in 1971, for both men and women, by occupational group. Not surprisingly, the highest percentage of men and women employed full-time during the year were in the managerial, professional, and technical categories – including, incidentally, teaching, nursing, and other health-related occupations in which women substantially outnumber men. The lowest proportion of males working full-time were in labouring occupations; that of females, in sales and services. Overall, according to the Statistics Canada Consumer Finance Survey, roughly two-thirds of the men and fewer than half of the women held jobs throughout the year. These findings are generally in line with the U.S. experience<sup>4</sup> and with the ratios of annual to monthly participation rates shown in Table 5-2.

In short, apart from overall demand factors, much of the unemployment of prime-age men results from the discontinuity of jobs because of seasonal or related causes. For women who are not career-motivated, unemployment may be less the result of discontinuity and impermanence of the jobs than of the voluntary turnover

- 2 R. Jenness, "Taux de roulement et permanence de l'emploi dans l'industrie canadienne," *L'Actualité économique*, no. 2 (April-June 1974). Such averages may mask significant variations. The British Columbia forestry industry, for example, has longer seasons, and workers tend to stay with the same employer.
- 3 Economic Council of Canada, *Toward More Stable Growth in Construction*, a report on the study of cyclical instability in construction (Ottawa: Information Canada, 1974).
- 4 Anne M. Young, "Work Experience of the Population in 1972," *Monthly Labor Review* (February 1974): 48-56.

Chart 8-1

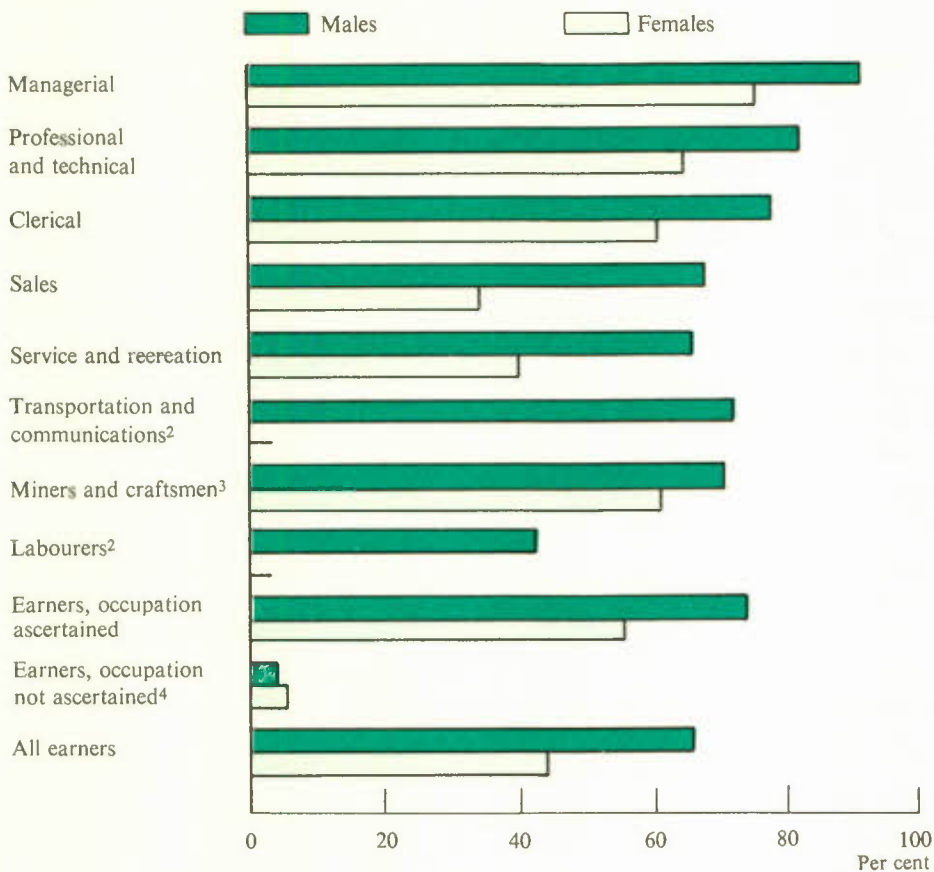
Index of Seasonal Unemployment Patterns, by Age-Sex Group, Three-Year Average, 1971-73



SOURCE Based on data from Statistics Canada.

Chart 8-2

Distribution of Full-Time<sup>1</sup> Earners Who Worked Year Round,  
by Occupational Group and Sex, 1971



1 "Full-time and year round" covers individuals who worked full-time for 50 to 52 weeks in 1971. Individuals were classified by occupation in April 1972.

2 Sample too small to provide reliable estimate.

3 Where the sample yield was very small, the data for several occupational divisions were combined. Thus miners, quarrymen, and related workers have been combined with craftsmen and production process and related workers, while farmers, loggers, and fishermen are reported in the aggregated groups only.

4 For 23.9 per cent of all female earners and 9.1 per cent of all male earners, occupation could not be ascertained.

SOURCE Based on data from Statistics Canada.

associated with a host of personal reasons and the relative unattractiveness of wages paid in the occupations customarily filled by females.

We referred in Chapter 4 to the high unemployment rate among young people and to the special concern that this has created in recent years because of their increasing numbers. Much of their unemployment experience, we suggested, reflects the normal job-search process, particularly during the period while they are looking for a first full-time job. Table 8-1 confirms the high unemployment rates among these new labour market entrants. Indeed, much of their unemployment, it would appear, reflects a testing and learning process in a market environment in which the links between the school system and employment are loose, unlike in some European countries where pervasive apprenticeship programs provide young people with continuity between formal schooling and occupational careers. In Canada, it is evident that many initially take full-time jobs and leave them, take part-time jobs for experience, or take labouring jobs just to earn money to return to school. In individual cases, some young people may experience acute financial difficulties. But unemployment does not seem to cause extreme financial hardship among teenagers and young people living at home or with others.

Table 8-1

Unemployment Rate of Persons under 25, by Age Group and Student Status, May to September 1972

	May	June	July	August	September
	(Per cent)				
<i>14-19 years of age</i>					
Full-time students					
Planning to return to school	8.6	15.3	10.0	5.5	3.1
Not planning to return to school	n.a.	23.8	20.2	17.9	17.2
Non-students	17.0	18.5	16.0	16.9	16.1
<i>20-24 years of age</i>					
Full-time students					
Planning to return to school	18.5	11.0	6.8	6.0	n.a.
Not planning to return to school	21.2	18.6	16.9	14.5	15.3
Non-students	8.7	8.1	8.0	8.3	8.1

n.a. - not applicable.

SOURCE Based on data from Statistics Canada.

Nor can it be said that young people are using the unemployment insurance scheme excessively. As we will see in the following section, the incidence of unemployment insurance beneficiaries 14 to 19 years of age in an average month is roughly one-third that of unemployed teenagers in the labour market at large and, among those 20 to 24 years of age, it is roughly 78 per cent of those in the same



age bracket reported unemployed by the Labour Force Survey (see Table 8-3). There would seem to be two main explanations for this phenomenon. First, roughly one in five of the young unemployed are new labour force entrants, who would not have accumulated any entitlement to unemployment insurance benefits. Second, some of the young people reported employed in the Labour Force Survey only work part-time and do not earn enough to meet the minimum criterion for unemployment insurance eligibility.

### Unemployment Insurance

Canada's unemployment insurance system had its genesis in the 1930s and took form in the Unemployment Insurance Act of 1940. While the Act has been revised several times since, its basic features have been preserved. The system is contributory and protects against financial losses during temporary unemployment; the benefits are generally wage-related, and the scheme is compulsory for all groups covered. The revisions contained in the 1971 Unemployment Insurance Act expanded the coverage to include almost all regular members of the labour force for whom an employer-employee relationship exists. The only exclusions were the self-employed and persons working only a few days or hours per week.<sup>5</sup> In addition, the funding procedures were revised, so that the federal government now assumes increased responsibility when the unemployment rate exceeds a predetermined level.<sup>6</sup> In 1973 and 1974, the total annual budget exceeded \$2 billion, of which the federal government contributed around 40 per cent. Unemployment insurance expenditures exceeded \$3 billion in 1975, and the federal share was over 50 per cent (Chart 8-3).

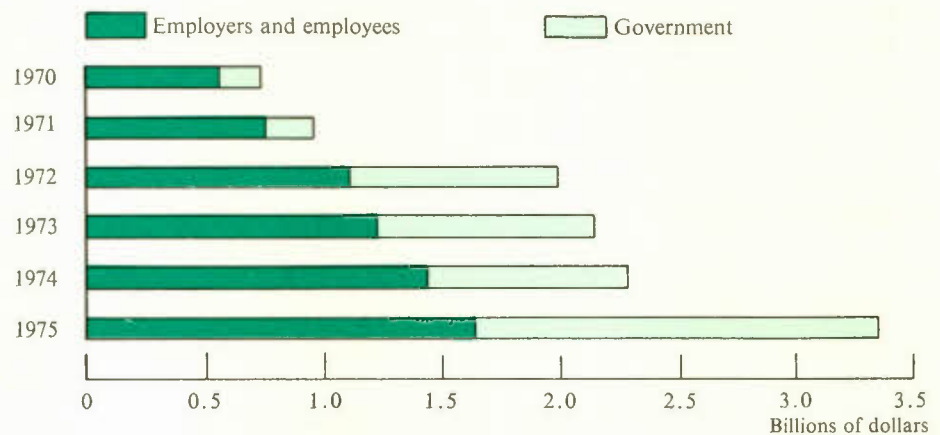
New legislation introduced in 1975 amended the original funding formula. Starting in January 1976, the federal contribution was reduced and the share paid jointly by employers and employees was increased. Other amendments included doubling the penalty period during which no benefits are paid to persons who voluntarily quit their jobs or are dismissed for cause – making their total waiting period eight weeks compared with two for persons involuntarily unemployed.

All persons who have worked and contributed to the Unemployment Insurance Commission (UIC) for a minimum of eight weeks in the previous fifty-two weeks, and who cannot find suitable employment, are currently entitled to draw benefits

5 Part-time employees may or may not be covered. The criterion is whether they earn through the week 20 per cent or more of the maximum insurable UIC weekly earnings (which at the beginning of 1976 was  $.20 \times \$200 = \$40$ ) or the equivalent of twenty hours at the provincial minimum wage, whichever is less. Persons earning below this amount are not eligible for unemployment insurance; nor are the self-employed.

6 A revision in 1975 changed this level from 4 per cent, set in the 1971 Act, to the average of the unemployment rate over the last eight years.

Chart 8-3

Share of Total Cost<sup>1</sup> of the Unemployment Insurance Program, 1970-75<sup>2</sup>

1 Includes total benefits paid and administration costs.

2 The last complete year under the old Act was 1970. The new Act became effective for new claimants July 1, 1971. All claimants were under the new Act by July 1, 1972. Consequently, 1973 is the first complete year under the new Act exclusively. Data for 1975 are preliminary.

SOURCE Based on data from the Unemployment Insurance Commission and estimates by the Economic Council of Canada.

up to a maximum of forty-four weeks, depending on national and local unemployment conditions. Persons who have worked twenty weeks are entitled to draw benefits for up to fifty-one weeks, again subject to national and local conditions. Benefits are limited to two-thirds of prior wages up to a maximum of \$133 per week at the beginning of 1976.<sup>7</sup> The same wage-related benefits are also available for a maximum of fifteen weeks to cover periods of sickness or maternity, provided the individual has worked twenty weeks in the preceding two years.

The unemployment insurance benefit rate of two-thirds of previous weekly earnings in Canada is generous compared with that in most countries of Europe, and it is considerably higher than that in the United States (see Appendix F). The overall maximum duration of fifty-one weeks is generally in line with European practices. However, in many European countries unemployment insurance is completely self-financed by employers and employees and is administered on an industry basis without government involvement; in these countries, it is usually reinforced by a government-funded program of unemployment assistance based on needs tests and is available to those who are not eligible for, or have exhausted, insurance

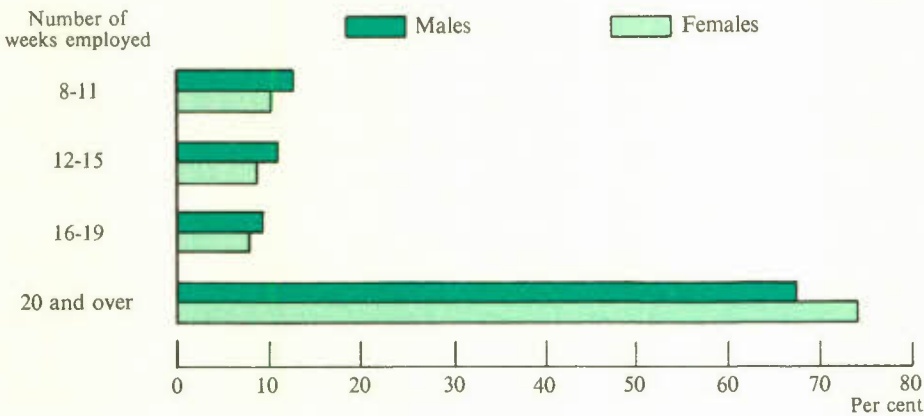
7 Under the 1971 legislation, persons with dependants could draw 75 per cent of earnings after roughly the fourth month on benefits or if their prior earnings were very low – that is, less than one-third of the insurable maximum (in 1975,  $0.33 \times \$185 = \$62$ ). The amendments adopted late in 1975 removed this provision, thus taking account of the increase in family allowances adopted in 1974.

entitlements. (Social assistance serves much the same purpose in Canada.) In most countries a considerably longer period of prior employment and contribution is required before a worker becomes eligible for benefits.

What is the prior working experience of Canadian beneficiaries? In 1974 – a year of strong employment growth – roughly one out of three male, and one out of four female, beneficiaries had worked less than twenty weeks before receiving benefits (Chart 8-4). And, overall, the length of past employment was short. Close to half of those drawing benefits had worked less than six months, and almost two-thirds of them had been employed less than one year since their last bout of unemployment.

Chart 8-4

Distribution of Unemployment Insurance Beneficiaries, by Duration of Past Employment and by Sex, 1974



SOURCE Based on data from the Unemployment Insurance Commission.

These findings ought not to be too surprising in view of the number of seasonal or temporary jobs in Canada, the consequent probability of job shifts and periodic unemployment, and the difficulties of the job search that we have described in Chapter 7. According to our analysis of Canada Pension Plan data for 1968-72, 30 per cent of the men aged 25 to 44 years in the Atlantic provinces left their employer, voluntarily or otherwise, during the first year of our sample period. The corresponding percentage for women in the same region was about 25 per cent; for women in Ontario, however, it was over 35 per cent (Chart 5-3). For many, perhaps most, of these persons, unemployment insurance provided at least some continuity of income during the periods they were involuntarily unemployed.

The likelihood of drawing unemployment insurance benefits is greatest for low-paid workers. This is borne out by Table 8-2, which shows that in April 1975 the average prior weekly wages of beneficiaries were well below the Canadian average. Before becoming unemployed, 71 per cent of the females and 22 per cent of the males were earning less than \$120 per week. Male claimants averaged roughly 72 per cent, and female claimants 52 per cent, of the industrial composite of the average weekly wage in Canada.

Table 8-2

Unemployment Insurance Beneficiaries, by Level of Previous Earnings and Sex, April 1975

	Males	Females
	(Per cent)	
Weekly earnings		
Less than \$75	2	19
\$75-\$119	20	52
\$120-\$149	23	18
\$150 and over	55	11
Total beneficiaries	100	100
	(Dollars)	
Average previous weekly wage of UIC beneficiaries	142	102
Average weekly wage in Canada (industrial composite)	198	

SOURCE Based on data from the Unemployment Insurance Commission and Statistics Canada.

Customarily, of course, the unemployment insurance system transfers income from those sectors and occupations least prone to unemployment to those subject to employment instability and job discontinuities. We saw in Chapter 4, for example, that construction workers and unskilled labourers typically have unemployment rates two to three times higher than the national average, whereas office and professional workers are less prone than average to unemployment. The income transfers inherent in the system were deliberately intended to assist in the stabilization of workers' incomes. But, in some cases – for instance, that of construction workers – the transfer can be in the order of several hundred million dollars at current benefit levels.<sup>8</sup>

There has been considerable discussion about whether the changes in the Unemployment Insurance Act in 1971 contributed to higher rates of unemployment as a result of the expanded coverage and enriched benefits. As part of our examination of labour markets, we had the benefit of several individual studies on this question. Some looked at the overall economy and others approached the issue on a more

8 Economic Council of Canada, *Toward More Stable Growth in Construction*, p. 67.



detailed micro basis, focusing on the response of labour market participants to the more generous coverage and benefits.<sup>9</sup>

The conclusion we drew from these studies is that the wider coverage and higher benefits introduced into the unemployment insurance scheme have had three general effects on labour market activity. The increase in benefits has provided some disincentive to search for gainful employment or, more precisely, a stronger inducement to remain idle voluntarily, particularly for women and those whose previous income was low and for whom the absolute dollar difference between weekly benefits and offered wages was not wide. On the other hand, the reduction in the previous work requirement seems to have provided an incentive to work (i.e., a sort of wage premium) for those previously outside, or those who normally withdraw completely from, the labour market. Finally, the injection of hundreds of millions of dollars into the economy to individuals whose spending propensities are fairly high has undoubtedly stimulated the aggregate demand for goods and services and contributed to employment growth. In short, while the immediate and separate effects are difficult to quantify, it seems clear that the 1971 revisions to the Act helped to stimulate the economy and to create new jobs. They encouraged some persons to enter the labour force and others to stay when they might otherwise have withdrawn. But, by easing the financial difficulties associated with unemployment, they also contributed to more voluntary idleness than would normally have occurred.

There may also have been some labour turnover effects. By reducing the costs to individuals of periodic bouts of unemployment, and by easing the responsibilities or costs to employers of layoffs or sickness and maternity leave, the Act may well have encouraged more frequent voluntary quits and layoffs. To the extent that it is publicly subsidized, unemployment insurance eases the employer's responsibility for providing greater employment and income security for the labour force.<sup>10</sup> Naturally, many employers find this to their advantage. Those, for instance, who hire and lay off frequently, or seasonably, benefit from the fact that unemployment insurance benefits or welfare payments maintain and preserve their work

9 See T. Siedule, N. Skoulas, and K. Newton, "The Impact of Economywide Changes on the Labour Force," a study prepared for the Economic Council of Canada, 1974; C. Green and J.-M. Cousineau, *Unemployment in Canada: The Impact of Unemployment Insurance*, Economic Council of Canada (forthcoming); H. G. Grubel, D. Maki, and S. Sax, "Real and Insurance-Induced Unemployment in Canada," *Canadian Journal of Economics* (May 1975): 174-191; Thomas W. Wallace, "The Effects of Unemployment Insurance on the Measured Unemployment Rate," Institute for Economic Research, Queen's University, Kingston, Discussion Paper No. 155, 1974; and P. A. Cook, C. D. Hodgins, G. V. Jump, and C. J. Szabo, *Economic Impact of Selected Government Programs Directed towards the Labour Market*, Economic Council of Canada (forthcoming).

10 It was estimated by the Minister of Manpower and Immigration that the new UIC provisions for sickness and maternity would result in 1974 in a reduction to employers and employees of \$75 million in premiums for private plans. Address by the Honourable Robert Andras to the Canadian Accident and Sickness Insurers' Association, Ottawa, May 29, 1974.

force in off periods. In the absence of such support, many of their workers would either move away or step up their pressure for higher wages and more employment security. Such, for instance, is the case in food- and fish-processing enterprises, which are vulnerable to seasonality and are located in outlying communities.

Table 8-3

Ratio of Unemployment Insurance Beneficiaries<sup>1</sup> to Unemployed Persons, by Age-Sex Group, October 1973

	Both sexes			Males			Females		
	Benefi- ciaries	Unem- ployed	Ratio of benefi- ciaries to unem- ployed	Benefi- ciaries	Unem- ployed	Ratio of benefi- ciaries to unem- ployed	Benefi- ciaries	Unem- ployed	Ratio of benefi- ciaries to unem- ployed
	(Thousands)			(Thousands)			(Thousands)		
Under 20	33	106	0.31	18	59	0.31	15	47	0.32
20-24	81	104	0.78	40	62	0.65	41	43	0.95
25-44	142	135	1.05	65	80	0.81	77	54	1.43
45-54	44	45	0.98	22	30	0.73	22	15	1.47
55-64	36	33	1.09	23	26	0.88	13	7 <sup>2</sup>	1.86
65 and over	15	6 <sup>2</sup>	2.50	12	6 <sup>2</sup>	2.00	3	-	-
All age groups	351	429	0.82	180	263	0.68	171	166	1.03

1 Regular beneficiaries without earnings. The UIC count was taken in the same week as the Labour Force Survey.

2 Very small sample.

SOURCE Based on data from Statistics Canada and the Unemployment Insurance Commission.

The actual magnitudes of these interacting processes, separately or combined, are difficult to isolate. There is the danger of attributing to a single piece of legislation the developments that are the result of a wide range of causes, not the least of which has been a sharp rise in prices since 1971 and the consequent erosion of family purchasing power. Moreover, because of data limitations, most of the studies relied exclusively on unemployment figures drawn from the monthly Labour Force Survey sample of 30 thousand households. Hence the changes in the number of beneficiaries resulting from the 1971 legislative revisions could not be isolated directly.<sup>11</sup> As shown in Table 8-3, the distinction between unemployment statistics and data on beneficiaries is significant. For instance, the number of women aged 25 to 54 years who were regular UIC beneficiaries in October 1973 was about 43 per cent higher than the number reported unemployed in the Labour Force Survey.

11 Statistics Canada introduced a new series of statistics, starting in July 1975, that reports each month on the number and characteristics of beneficiaries who receive unemployment insurance.

Overall, our estimates suggest that the stimulative effects of the program may have contributed to growth in employment of perhaps 0.5 to 1.0 per cent, or as many as 80 thousand additional employed persons during 1972. This takes account of the spending stimulus of the additional \$1 billion accruing to UIC beneficiaries, which undoubtedly contributed to resurgent real growth rates, jobs, and increased labour force participation. At the same time, though, there was a dramatic increase in the numbers of people looking for work and, since not all found permanent jobs and some may have displaced others who then became unemployed, there appears to have been an increase in unemployment that could be attributed to the 1971 legislation of somewhere in the order of 60 to 75 thousand persons, or an addition to the unemployment rate of around 0.7 percentage point (Table 8-4).

Table 8-4

Estimated Additional Unemployment Attributable to the 1971 Revisions of the Unemployment Insurance Act, 1972

	Increase in unemployment rate	Additional persons unemployed <sup>1</sup>
	(Percentage points)	
Siedule, Skoulas, and Newton	0.74	66,000
Green and Cousineau	0.67	60,000
Grubel, Maki, and Sax	0.80	71,000
Wallace	0.6-0.7	60,000

<sup>1</sup> Determined by applying the estimated increase in the unemployment rate to the average annual labour force.

SOURCE T. Siedule, N. Skoulas, and K. Newton, "The Impact of Economywide Changes on the Labour Force," a study prepared for the Economic Council of Canada, 1974; C. Green and J.-M. Cousineau, *Unemployment in Canada: The Impact of Unemployment Insurance*, Economic Council of Canada (forthcoming); H. G. Grubel, D. Maki, and S. Sax, "Real and Insurance-Induced Unemployment in Canada," *Canadian Journal of Economics* (May 1975): 174-91; and Thomas W. Wallace, "The Effects of Unemployment Insurance on the Measured Unemployment Rate," Institute for Economic Research, Queen's University, Discussion Paper No. 155 (Kingston, 1974).

What form did this higher incidence of unemployment take? Did more people voluntarily quit their jobs to obtain the benefits? This probably occurred in some cases but, on balance, the evidence suggests no wholesale exodus of this type. While the number of claimants greatly increased with the 1971 Act, so did the number of disqualifications, which more than tripled from 1970 to 1973.<sup>12</sup> Indeed, overall, the increase in the number of beneficiaries in 1972 and 1973 was roughly proportionate to the broader coverage provided by the Act. True, the additional

<sup>12</sup> Much of this can be attributed to increased participation by young people, greater turnover, and job availability. It is customary for UIC disqualifications to increase in periods of economic buoyancy.



groups covered (teachers, civil servants, etc.) were not in occupations normally prone to unemployment; hence some increase in voluntary unemployment probably occurred among traditionally insured workers. Undoubtedly there were abuses and some administrative confusion following the introduction of the new legislation but, since then, positive efforts have been made to tighten eligibility requirements and to screen claimants. In most urban centres, claimants in high-demand occupations are now required to produce confirmation from Canada Manpower Centres that no employment is available before their benefits are allowed.

However, the data on the duration of claims seem to indicate that once qualified for benefits, persons wait longer before returning to work. While duration of unemployment tends to vary with the cycle, there has been an alarming increase in the proportion of men and women who claim benefits for twenty-seven or more weeks. Much of this phenomenon can, of course, be attributed to insufficient demand. But between 1967 and 1973 – years of relative buoyancy – the proportion of women receiving benefits for half a year or more increased from 12 per cent to 20 per cent; the proportion of men, from 6 per cent to 16 per cent. At the same time, the percentage of females who were less than five weeks on claim dropped from 36 per cent to 24 per cent; that of men, from 46 to 22 per cent (Chart 8-5).<sup>13</sup> If there is a negative incentive to work because of unemployment insurance, therefore, the problem now seems to be not so much the inducement to quit work or the ease with which people draw benefits initially, but that recipients are less likely to undertake genuine job searches. The higher incidence of unemployment resulting from the more generous provisions of the Unemployment Insurance Act is seen more in the duration of their unemployment than in the numbers who are idle. As seen in Chart 8-5, the effects of the administrative tightening by UIC and of the more frequent interviewing of persons on benefits began to show up in 1974.

One of the studies carried out for the Economic Council undertook to determine where the unemployment induced by changes in the Unemployment Insurance Act was more pronounced.<sup>14</sup> It found that the additional unemployed were distributed throughout every region of Canada, but more than proportionately in the Atlantic and Prairie provinces. In 1973, for instance, it reported that one-quarter of the unemployed in the Atlantic provinces and one-tenth in the Prairie provinces could be accounted for by the more generous unemployment insurance provisions (Table 8-5). This finding seems reasonable, given the traditionally high seasonality

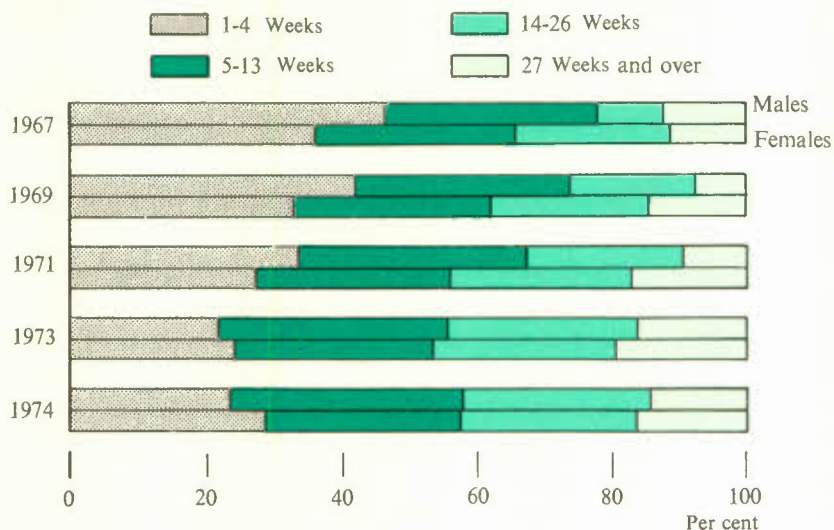
<sup>13</sup> Statistics in Chapter 10 on the duration of unemployment, drawn from the Labour Force Survey, differ from those of the UIC administrative records. They confirm the increase in duration (in that case, for the 1966 to 1973 period) but suggest that the duration of unemployment for women is less than for men. This opens up the question of how seriously women in receipt of unemployment insurance benefits are looking for work. It also points to certain difficulties in relating claims data to actual unemployment experiences.

<sup>14</sup> Green and Cousineau, *Unemployment in Canada*, Economic Council of Canada (forthcoming).



Chart 8-5

Distribution of Unemployment Insurance Beneficiaries, by Duration of Benefits and by Sex, 1967-74



SOURCE Based on data from the Unemployment Insurance Commission.

and lower female participation rates in these regions. Whereas, prior to 1971, some male workers in primary activities, or females, would not qualify or apply for UIC benefits in the off-season and would withdraw from the labour force, in 1973 it was to their advantage to stay listed as actively looking for work in order to draw the enriched benefits.<sup>15</sup> That women were particularly affected by the new Act is also borne out by Table 8-6. Where women would normally represent roughly one-third of all unemployed persons, during the first half of 1973 they accounted for 56 per cent of the estimated unemployment induced by the 1971 revisions. And, while some induced effects are evident for all age-sex groups, they were concentrated particularly among women aged 25 to 44 years.

These findings must, however, be considered in conjunction with two of our earlier observations. First, job turnover occurs more than proportionately among women, and their attachment to the labour market is less fixed. Second, family commitments among many working men and women vary, so that it is difficult for

<sup>15</sup> The conclusions about the effects in the Atlantic provinces are also supported by another analysis of the labour force effects of unemployment insurance in that area. It reported that "the effect of the recent increase in generosity and coverage of unemployment insurance has been considerably to increase measured participation rates in Canada, and in New Brunswick and Prince Edward Island, but apparently not in Nova Scotia." N. Swan, *Unemployment Insurance and Labour Force Participation, with Application to Canada and the Maritimes*, Economic Council of Canada Discussion Paper 31, 1975, p. 22.

Table 8-5

Estimated Additional Unemployment Attributable to the 1971 Revisions of the Unemployment Insurance Act, by Region, January to June, 1973

	Distribution		Induced unemployment as a percentage of unemployment
	Unemployment	Induced unemployment	
	(Per cent)		
Atlantic region	13	48	24
Quebec	36	23	4
Ontario	27	9	2
Prairie region	11	17	10
British Columbia	13	3	1
Canada	100	100	-

SOURCE C. Green and J.-M. Cousineau, *Unemployment in Canada: The Impact of Unemployment Insurance*, Economic Council of Canada (forthcoming).

UIC or CMC counsellors to decide what is a "suitable" job in such cases and whether a person must be disqualified from benefits.

The availability of enriched unemployment insurance has no doubt encouraged some among the marginally attached to apply for benefits between jobs rather than

Table 8-6

Estimated Additional Unemployment Attributable to the 1971 Revisions of the Unemployment Insurance Act, by Age-Sex Group, January to June 1973

	Unemployment	Induced unemployment
	(Per cent)	
Males	69	44
Females	31	56
Age-sex group		
14-24		
Males and females	49	41
25-44		
Males	22	20
Females	9	34
45-64		
Males	15	1
Females	4	4
Total	100	100

SOURCE C. Green and J.-M. Cousineau, *Unemployment in Canada: The Impact of Unemployment Insurance*, Economic Council of Canada (forthcoming).

withdraw from the work force completely, thus making explicit their underemployment from the point of view of the nation's overall labour capacity. But, while the change may be only one of degree, there are financial implications that may well concern taxpayers. The urgency or justifiability of the insurance claims of some persons among those who voluntarily choose to work only part of the time bear scrutiny, particularly in the light of other social priorities.

In the broadest sense, however, it would be unfair to overemphasize the less than positive effects of the new Unemployment Insurance Act. Overall, there can be little doubt about its efficacy. By making possible a wider sharing of the unemployment risk, it ensures more complete protection of workers who traditionally bear the twin burdens of low wages and high unemployment. Notwithstanding how the effects of the 1971 changes in the unemployment insurance regulations have been interpreted, one point is unquestionably clear: regulatory changes alone do not, and will not, send people back to work if there are no jobs available.

### **Social Assistance**

Reliance on social assistance programs is the last resort for persons unable to work. Welfare payments are based on needs tests and, in the case of able-bodied men and women, welfare counsellors normally ask Canada Manpower Centres if there are employment options before authorizing payment. When families are involved, welfare funds are available to supplement UIC benefits or wages when these are low in relation to needs.

The number of social assistance cases in Canada each year is estimated at over 500 thousand, or about 3 per cent of the working-age population. Between 60 and 80 per cent of these involve heads of families, with an average of two to three dependants. In all, Canadians depending on social assistance number about 1.3 million annually.<sup>16</sup> The incidence of welfare recipients varies considerably among the provinces, ranging from 15 per cent of the population in Newfoundland to close to 8 per cent in Quebec and somewhat over 4 per cent in Ontario.

The vast majority of welfare clients are not employable. Half are permanently disabled through illness, a physical handicap, or age; one-third are at least temporarily unable to work because of illness or the absence of a spouse to care for their family (Table 8-7). Overall, therefore, if the figures given to the Federal-Provincial Ministers of Welfare Conference in January 1971 still apply, probably about one out of four recipients of social assistance could be considered employable, and this would presuppose that better supporting services, child care, and labour market conditions existed. And, while some of these employable recipients are young, the average age is over 35.

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<sup>16</sup> Data from Health and Welfare Canada.

Table 8-7

Distribution of Social Assistance, by Age of Recipient and Reason for Assistance, 1971

Age group	Old age	Permanent disability or chronic illness	Illness or temporary incapacity	Absence of husband	Unemployed	Inadequate earnings <sup>1</sup>	Total
Under 25	-	4	13	13	26	15	10
25-39	-	11	24	43	34	39	23
40-54	1	33	41	38	27	28	32
55-64	20	42	20	6	13	16	24
65 and over	79	10	2	-	-	2	11
Total	100	100	100	100	100	100	100
Proportion of all recipients	9	41	8	26	13	3	100
				(Years)			
Average age	68	52	42	38	36	40	47

1 Small sample.

SOURCE Based on data from Health and Welfare Canada.

Who are the "employable" recipients? They have, of course, a complex array of characteristics in a variety of situations. Some are marginal farmers; some have used up their unemployment insurance benefits; and others have drifted in and out of agricultural and other jobs and are not entitled to unemployment insurance. Some are borderline alcoholics; others are merely having temporary difficulties. The majority have been laid off their last job. Some, particularly Métis, Indians, and Eskimos, live in remote areas where trapping and fishing offer inadequate cash income for their usually large families. Indeed, about 50 per cent of all Indians on reserves in 1972-73 drew welfare.<sup>17</sup> Two-thirds of employable recipients are men; three-fifths are married; and, on average, there are between three and four persons in their households.

In general, the number of employable persons drawing social assistance rises and falls as local employment conditions vary. Indeed, a 1972 Ontario Task Force on Employment Opportunities for Welfare Recipients reported that

there is good evidence that the greater numbers of employable welfare recipients are on public assistance because they cannot get a job, not because they do not want a job. . . . Also, throughout the year the experience of municipal welfare administrators is that, of all unemployed recipients, those who do not make reasonable efforts to

17 Calculated from Statistics Canada, *Perspective Canada* (Ottawa: Information Canada, 1974), pp. 244, 246, and 252; and *Canada Year Book*, 1973, p. 216, and 1974, p. 168.



find and hold employment are uncommon. Yet, these comparatively rare cases are troublesome. They are given wide publicity and arouse intense resentment.<sup>18</sup>

On the other hand, whether because of their location in marginal areas or their personal circumstances, even those cited as employable show a high degree of chronic welfare dependence and weak or discontinuous work histories. The survey for the 1971 Federal-Provincial Welfare Ministers' Conference reported that 40 per cent of employable welfare recipients had been without full-time work for more than one year, that 90 per cent had received welfare benefits on a continuous or discontinuous basis during the preceding year, and that 30 per cent had been on welfare, either continuously or fitfully, for five years or more.

It is, of course, true that social assistance represents a source of income for those not working and that the higher the welfare payment, the greater the incentive not to work. And, because welfare payments are based on family need, persons with two or more dependants may not gain significantly by wage employment. As of mid-1975 minimum wage rates for adult workers in Canada ranged from \$2.20 to \$2.60; this implies monthly earnings of from \$378 to \$447 for a forty-hour work week. In mid-1975 social assistance payments to unattached individuals averaged less than \$200 a month; to couples, about \$250 per month; and to large families, from about \$300 to over \$500, depending on province and circumstances.<sup>19</sup>

The Joint Income Security Study by the Council of Maritime Premiers and the Economic Council of Canada compared welfare with jobs at the minimum wage level and reported that

in Nova Scotia . . . allowing for child-care expenses, a single parent is clearly better off on welfare independently of family size. Very recent legislation has ensured that in New Brunswick welfare never pays better than work, provided one ignores child-care or work-related expenses, but . . . even now, the financial advantage of work at the minimum wage is quite small for any family or single parent with children.<sup>20</sup>

However, they argued, it is not enough simply to compare the relative accessibility and returns from welfare and wages. They went on to conclude that

even if welfare is both attractive and known to be attractive financially compared to work, only a proportion of the people who genuinely meet the necessary conditions for welfare will choose it, due to the stigma still attached to it by many. Those who do will often be single mothers with children, and society may well prefer that such

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18 Barry B. Swadron, *Task Force on Employment Opportunities for Welfare Recipients*, a Report to the Honourable René Brunelle, Ontario Minister of Social and Family Services, Toronto, 1972, p. 62.

19 Since 1974 much more generous family allowances have also been available to persons and families with children.

20 N. Swan, P. MacRae, and C. Steinberg, *Income Maintenance Programs: Their Effect on Labour Supply and on Aggregate Demand in the Maritimes*, a joint report of the Council of Maritime Premiers and the Economic Council of Canada (forthcoming).

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people choose welfare even if they could work. Among those who cannot legitimately meet the necessary legal conditions for welfare, only a small proportion are likely to desire welfare strongly enough that they will deliberately break the law.<sup>21</sup>

Perhaps the essential point about the option of working for minimum wages or accepting social assistance is that it is principally single-parent families with limited opportunities to earn who must make that choice. According to estimates derived from the 1972 Consumer Finance Survey, fewer than 10 per cent of married working males had weekly wages that on an hourly basis would have been close to provincial minimums, and in about half of these cases their wives were working. On the other hand, in families where only the mother was present and working full- or part-time, about one-third had earnings that on an hourly basis would have been close to prevailing minimum wages.

In all provinces, welfare is used on occasion to supplement the incomes of fully or partly employed persons – particularly single mothers with dependent children – and persons on full welfare are, in most provinces, permitted to earn some additional income per month without a reduction in their welfare payment. But the amount is not large, and earned income above that amount is usually offset completely, partially, or progressively by reductions from the welfare cheque, depending on the province. It is in this area that advocates of work-incentive payments have urged modifications.

For some time now, discussions have been taking place between federal and provincial authorities on how to change the present welfare system to provide adequate income protection along with better incentives to work. One approach has focused on the possibility that persons on welfare might earn income without undue penalty. Basically, it is proposed that income earned by recipients be “taxed” through reductions in benefits at lower rates than allowed under most of the current welfare regulations. A 1971 Alberta study confirmed that most welfare recipients would respond positively to earnings options.<sup>22</sup> Men with fairly high potential wage alternatives and with low guarantees from the welfare agency tend to stay on welfare only for a short time. This suggests that if there are jobs available, and where there is little net income advantage to working as opposed to relying completely on welfare, as is frequently the case for persons with three or more dependants, then there would seem to be merit in more generous incentives to encourage individuals to work.

Implicit in our discussion of social assistance schemes are the longer-run needs of women who are solely responsible for their families, many of whom could, and would like to, work if opportunities and family care facilities were available. The importance of family and parental continuity is, of course, paramount. Nevertheless, the passive continuing dependence on welfare is also psychologically debilitating.

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21 *Ibid.*

22 J.D.F. Rowlett, *Welfare and the Incentive to Work: The Alberta Case* (Edmonton: Human Resources Research Council of Alberta, 1971).

In our view more attention should be devoted to providing positive options and encouragement to mothers who are now unable to work, even part-time, or to draw supplementary income. For these women, manpower training and unemployment insurance benefits are useful when their family situation permits them to work; what appears to be lacking are the flexible hours, day-care facilities, and work incentives within the social assistance structure that would allow them to work even when their children are young. But any scheme designed to return welfare recipients to employment will only be as effective as the labour market permits; if jobs are not available, the scheme will either be ineffective or will at best simply involve a reshuffling of the clientele drawing unemployment insurance and welfare benefits.

### Working Parents and Child Care

One of the social assistance areas that has been changing rapidly in recent years has been that of the care of children of working parents. The changes have accompanied, and indeed permitted, the increasing participation of married women in the work force and, more fundamentally, they reflect basic variations in family formation and in work- and income-sharing arrangements within families.<sup>23</sup>

Between 1967 and 1973, the participation rate for mothers with only pre-school children increased from 19 per cent to 29 per cent; for mothers with school-age children only, from 28 per cent to 42 per cent.<sup>24</sup> These rates compare with an actual rate of 67 per cent for women in the same age bracket (20 to 54) without children. As a result of these changes, working mothers now account for about 34 per cent of the female labour force and 12 per cent of the total labour force. For example, in the case of families with children under 6 years, where the wife was in the labour force some time in 1973, the husband's income accounted, on average, for only 71 per cent of family income.<sup>25</sup>

The recent expansion of day-care facilities has been quite remarkable. Less than a generation ago formal day-care facilities were virtually non-existent. But, during the 1960s, the demand for them grew and, in the 1971-74 period, the number of day-care centres in Canada doubled and the number of spaces in the centres more than tripled (Table 8-8). In those three years, the estimated value of paid care

23 Throughout this section we refer mainly to women, both the working mothers and the women who provide child care in centres or in homes. However, the comments apply to single-parent families generally, male no less than female, and to couples facing difficulty combining work and child care.

24 May Nickson. "Preliminary Report on Working Mothers and Their Child Care Arrangements in 1973," Statistics Canada, January 1975 (mimeo.); and estimates by the Economic Council of Canada.

25 This finding pertains to husband-wife families only. See Statistics Canada, *Income Distributions by Size in Canada*, Cat. No. 13-207, 1973.



Table 8-8

Number of Day-Care Centres and Spaces Available, Selected Years, 1957-74

	Centres		Spaces Available	
	Number	Index (1971=100)	Number	Index (1971=100)
1957	50	7	1,800	10
1963	125	18	4,500	26
1967	200	29	9,000	52
1971	682	100	17,391	100
1973	971	142	26,811	154
1974	1,538	226	55,181	317

SOURCE Based on data from Health and Welfare Canada.

rose from roughly \$225 million to \$800 million.<sup>26</sup> However, about 90 per cent of this expenditure involves paid care in other than formal centres – mainly by sitters in the children's homes or in their own homes.

The day-care program that was begun under the Canada Assistance Plan in 1967, and expanded in 1974, provides for a 50 per cent federal contribution towards provincial day-care programs for children of single- or two-parent families that meet certain prerequisites of need, work, education, training, and rehabilitation. Present provincial programs typically provide subsidies that are less generous than the guidelines permit, and they are terminated when family incomes become equivalent to the provincial minimum wage. From 1971 to 1974, government subsidies under the Canada Assistance Plan day-care program more than tripled, and they now account for 33 per cent to 40 per cent of day-care centre expenditures. However, they represent less than 5 per cent of total paid care.

Since 1968, the number of commercial day-care centres in Canada has tripled (Table 8-9). Subsidies by governments have also made possible the much more dramatic growth of non-profit day-care centres. Whereas seven years ago non-profit centres accounted for less than one-fifth of all day-care institutions, they now account for more than one-half.

Although these recent developments have been impressive, the proportion of children of working parents in day-care centres and under other paid arrangements is rather small. In 1974, fewer than 3 per cent of the children under 3 years of age and 9 per cent of the children between the ages of 3 and 5 were being looked after in day-care centres. In all, fewer than 3 per cent of all children 14 and under, whose

<sup>26</sup> These figures, and the following on expenditures and subsidies, are estimates by the Economic Council of Canada.



Table 8-9

Sponsorship of Day-Care Centres, 1968, 1973, and 1974

	1968		1973		1974	
	Number	Per cent	Number	Per cent	Number	Per cent
Non-profit						
Community board	36	12	377	39	565	37
Parent co-op	-	-	43	4	179	12
Public	15	5	88	9	103	7
Commercial	225	75	463	48	691	45
Other	24	8	-	-	-	-
Total	300	100	971	100	1,538	100

SOURCE Based on data from Health and Welfare Canada.

mothers worked, were in day-care centres (Chart 8-6).<sup>27</sup> Another estimated 15 per cent of the children of working mothers were taken care of under other paid arrangements. Alternative types of care – such as matching the school hours of children with the working hours of one or both of the parents; relying on another adult member of the household, older brothers and sisters, or neighbours and friends; or leaving the children alone to take care of themselves – are provided for about four-fifths of the children of working mothers. Some arrangements are undoubtedly adequate and even preferable to paid care; however, at the other extreme, they may be so informal that they border on child neglect.

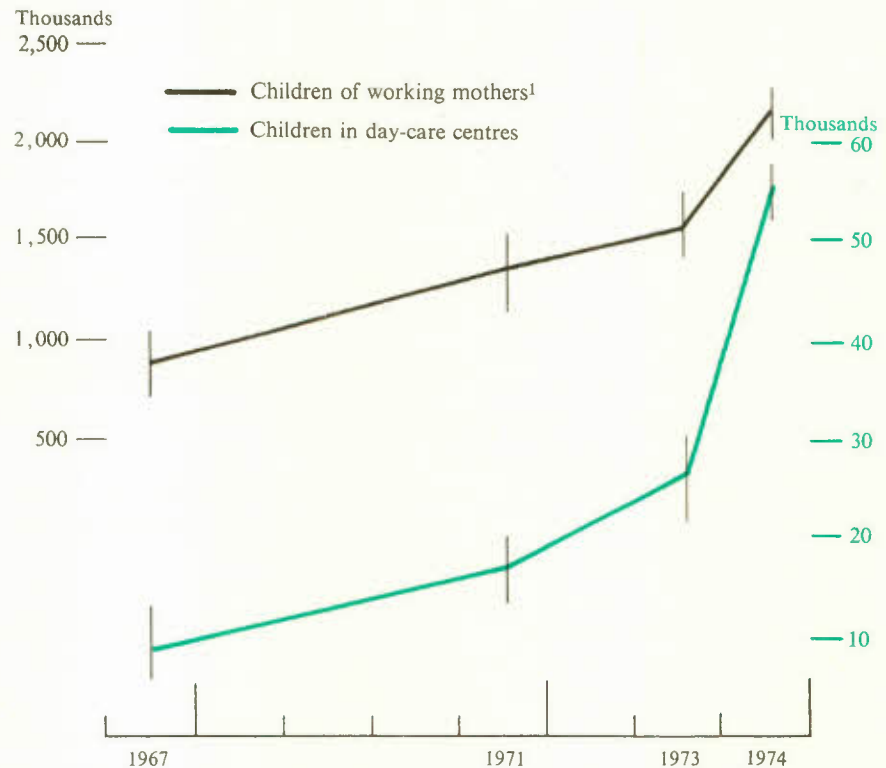
To the extent that women want careers and children too, there is a real issue of child well-being when care is difficult or costly to arrange. On the other hand, if care facilities are satisfactory, evidence suggests that there are often advantages in some combination of parental care and care outside the home, especially when the latter embodies positive opportunities for child development.

For many women whose potential job earnings are not very high, the costs associated with the care of their infants and pre-school children leave little advantage in going back to work, other than for their own personal sense of self-fulfilment. On the other hand, there are instances where those seeking child care could well afford to pay more attractive rates to those who depend on child-care earnings for at least part of their livelihood – hence, the need for public concern and subsidies to ensure adequate and stimulating child care, on the one hand, and more rewarding options for both working mothers and those looking after their children, on the other hand. Not only governments, but also firms and educational institutions,

27 Health and Welfare Canada, "Canadian Day-Care Survey," 1972, and "Status of Day-Care in Canada," 1973 and 1974; and estimates by the Economic Council of Canada.

Chart 8-6

Number of Children of Working Mothers and Children in Day-Care Centres, 1967-74



<sup>1</sup> Children under the age of 14 for 1967, 1971, and 1973, and under 15 for 1974.

SOURCE Based on data from Health and Welfare Canada and estimates by the Economic Council of Canada.

have a responsibility to devise more flexible work and education arrangements and, further, to organize child-care facilities of their own that better match the time, location, and aspirations of the parents working there.

### Old Age Security and the Canada Pension Plan

As with the other areas discussed in this chapter, that of pensions involves the complex interweaving of programs intended to provide reasonable income security for Canadians – in this case, during their post-working years. Inevitably the availability of an adequate pension affects the decision of older workers to retire and withdraw from the labour force or, in some cases, to continue working.

The roots of the present public system go back to the Old Age Pension Act of 1927 and to the Old Age Security (OAS) Act of 1952. In 1966 the latter was amended to include a Guaranteed Income Supplement (GIS), which is available in whole or in part to recipients of the basic pension whose income in the previous year was below stipulated levels.<sup>28</sup> In 1974 more than 1.8 million Canadians, or virtually all the eligible old people, drew the OAS basic pension. Of these, over 1 million, or 58 per cent, also received GIS benefits.

In addition to the OAS-GIS provisions, in 1965 the federal government initiated the Canada Pension Plan (CPP), designed to extend employment-related protection to people retired or disabled and to their widows or orphaned dependants. Any province wishing to have its own plan was free to do so. Quebec was the only province that chose this option, and the Quebec Pension Plan (QPP) was set up.<sup>29</sup> As with the OAS-GIS, monthly benefits of the CPP and QPP are indexed to changes in the consumer price index.<sup>30</sup>

There is no doubt that at present the coverage of, and benefits from, Canada's Old Age Security and public pension programs together are among the world's most generous. They are also ingenious in the sense that they combine a basic flat monthly grant available by right, an additional supplement related to income adequacy, and a contributory component related to previous employment earnings – all indexed to take account of cost-of-living increases.

The need for a universal plan to provide a reasonable minimum level of retirement income to Canadians, particularly those not covered by private pension schemes or those who may be threatened by dislocation or loss of vested pension rights because of, for example, unemployment or a change of employers, becomes apparent in Table 8-10. Private pension plans in Canada cover slightly more than one-third of the labour force. Moreover, since nearly half of those participating in private pension schemes in 1970 were employed in the public sector (which

28 At the beginning of 1976 the OAS pension amounted to \$132.90 per month per person aged 65 or over. The GIS, which varies according to other income, including Canada Pension Plan payments, may reach a maximum of \$93.22 per month for a single person or for a married person whose spouse is not a pensioner, and \$82.78 for each of the two spouses when both are 65 or over, or for a pensioner whose spouse is between 60 and 64. In the latter case, the Spouse's Allowance Program introduced in October 1975 provides an additional amount to a spouse aged between 60 and 64 that varies according to other income but may reach a maximum of \$215.68 per month. Thus total maximum amounts under these programs vary from \$226.12 per month for one person to \$431.36 for a couple, depending upon the circumstances.

29 Under their original provisions, the Canada and Quebec Pension Plans were closely co-ordinated, and they operated together as one and the same plan. Since their inception, however, both plans have undergone major changes. Portability between the plans still exists, with benefits from each plan being proportionate to the length of time an individual contributed to a particular plan. For our purposes here, only the Canada Pension Plan will be discussed.

30 At the beginning of 1976, the maximum monthly payment from the Canada Pension Plan was \$154.86.

Table 8-10  
Membership in Private Pension Schemes, 1970

	Males	Females	Total
	(Thousands)		
Public sector	845	425	1,271
Private sector	1,241	310	1,552
Total	2,087	735	2,822
Labour force	5,684	2,690	8,374
	(Per cent)		
Proportion of labour force covered by private pensions	36.7	27.3	33.7

SOURCE Based on data from Statistics Canada.

includes the three levels of government, Crown corporations, boards, and commissions), coverage in the private sector must have been very low indeed.

Partly because of the introduction in the late 1960s of federal and provincial legislation to regulate pension plans and establish uniform minimum standards for plans under their respective jurisdictions, and partly because of the introduction of the Canada and Quebec programs, the growth rate of private pension plans since 1965 has dampened considerably. Traditionally, pensions are a major component in collective bargaining, and most large industrial firms that are organized have group pension plans for both blue-collar and white-collar employees. Nonetheless, between 1965 and 1970 the increase in the number of wage- and salary-earners covered by private pensions kept pace only with the expansion of the labour force.

Many groups were affected by the introduction of the Canada and Quebec Pension Plans. A few private group plans, with relatively small coverage and comparatively low benefits, were eliminated, while some participants in other plans cancelled membership or withdrew their accumulated contributions and chose to rely entirely upon the universal schemes for their retirement benefits. In other cases, the administrators of group programs endeavoured to mesh their benefit structures with the CPP/QPP indexed benefits. In the private, small-enterprise, competitive sectors, where the turnover rates of personnel are usually high, the universal wage-related Canada/Quebec Pension Plans have assumed particular importance. For here, previously, there was frequently no protection for employees in their old age, other than the right to continue working after the traditional retirement age.

In a few industries, characterized by high turnover, there have been special problems, and certain unions, such as those in the construction trades outside Quebec, have had to make pension provisions for their members. But they have encountered difficulties because of their inability to register, for tax purposes, the schemes that lack employer contributions or to provide portability to tradesmen



moving from one activity to the next. To overcome such difficulties, the Province of Quebec introduced a portable pension plan in 1963 for all organized construction workers. The plan, unique in North America, has since been integrated into the Quebec Pension Plan.

In addition to their humanitarian importance, private and public pension programs constitute a major form of savings or deferred income. This raises the important issue of the erosion of future income through inflation, the actuarial difficulties of indexing private schemes, and the public funding of universal programs beyond the actuarially sound value of the contributions made by employers and employees. These matters have been, and are currently, the subject of continuing public concern and scrutiny. Here, however, we are interested in the interrelationships of pensions and an individual's decision to work or retire, as well as the effect of pensions or the fear of loss of vested pension rights on the mobility of older members of the labour force.

The effects of an earnings-related pension on the incentive to work or not to work are mixed, depending largely on the age of the individual. Since it is payment for non-work for persons over the pensionable age, those in the affected age group should be encouraged to exit from the labour force. On the other hand, for persons in their middle years, contributory pensions constitute a major inducement to work in order to build up credits towards a future pension. This is particularly a concern among primary breadwinners, but it seems likely that the possibility of securing additional benefits through the Canada Pension Plan has contributed to the re-entry of some married women into the labour force.

The figures on participation rates cited in Chapter 4 confirm the foregoing trends. There has been a steady reduction in the labour force participation rate of males 65 and over, and a modest reduction among those 55 to 64. Among females in the 45-64 age group, the reverse is true; their numbers in the labour force have more than doubled over the past two decades. For females 65 and over, there was a modest increase in the participation rate in the 1953-63 decade and some reduction thereafter. As will be seen from Table 8-11, though, considerably fewer older Canadians than Americans elect to work. The differences are particularly pronounced among females in the 55-64 age group. But even in the group aged 65 and over, while roughly one out of four males in the United States works, only one out of six does so in Canada; and while roughly one out of eleven American women in this age group works, only one in twenty-three Canadian women does so. This may partly reflect cultural differences and perhaps job availability, but undoubtedly it also reflects much more generous and broader old age security and pension coverage in Canada than in the United States. While virtually 100 per cent of Canadian residents 65 years and over drew OAS payments in 1973, only 90 per cent of Americans in this age group did so.<sup>31</sup>

31 "Old Age Pensions: Level, Adjustment and Coverage," *OECD Observer*, no. 77, September-October 1975, p. 24.

Table 8-11

Participation Rate of Older Workers, Canada and the United States,  
Selected Years, 1953, 1963, and 1972

	1953		1963		1972	
	Canada	United States	Canada	United States	Canada	United States
	(Per cent)					
Males						
55-64	86.4	87.7	85.8	86.6	82.4	81.2
65 and over	34.8	41.3	26.4	28.4	18.7	24.4
Females						
55-64	13.0	28.5	24.5	38.9	30.0	42.0
65 and over	3.6	9.4	5.9	9.4	4.3	9.0

SOURCE Based on data from Statistics Canada; and *Manpower Report of the President* (Washington: U.S. Government Printing Office, March 1973), p. 131.

Despite the trend to earlier retirement, a considerable number of Canadian men and women continue to work for some time beyond pensionable age. According to the Labour Force Survey, in 1974, for instance, close to 30 per cent of the men and 8 per cent of the women aged 65 to 69 years were working or looking for work. For those in professions, this undoubtedly reflects a reluctance to discontinue work that is highly satisfying. But, for the large majority of this age group, it indicates inadequate levels of savings and pension benefits, particularly in the face of rising prices.

What effect do pension programs have on the mobility of workers? It is, of course, difficult to sort out pension concerns from other motivating factors, such as seniority, experience, and community ties, that affect decisions to move voluntarily. A recent study for the Economic Council<sup>32</sup> looked at average mobility rates of workers in industries with varying degrees of unionization and pension plans. While the findings were not completely unequivocal, the lowest mobility was observed in industries where more than 80 per cent of the workers were covered by pensions. Involved here is the question of the vesting of employee benefits. Most private pension plans permit vesting after a specified number of years of service.<sup>33</sup> If the plan is contributory (75 per cent of all plans), workers who quit or are laid

32 J. Vanderkamp, *Mobility Behaviour in the Canadian Labour Force*, Economic Council of Canada Special Study 16 (Ottawa: Information Canada, 1973).

33 Legislation of private pension plans exists in Ontario, Quebec, Alberta, Saskatchewan, and the Yukon and the Northwest Territories. Under this legislation, plans must provide full vesting – that is, both the employee and the employer contributions are “locked in” to a retirement annuity – after the employee reaches age 45 and/or completes ten years of service. This legislation applies to 85 per cent of all private plans in Canada, comprising 92 per cent of total membership.

off before that time simply receive a refund; if non-contributory (i.e., only the employer makes contributions), they receive nothing. For persons who change jobs frequently or are subject to frequent involuntary unemployment, this could mean that they would retire with no pension income other than that available through the universal CPP/QPP scheme.

Lowering the normal retirement age would not necessarily result in an immediate exodus from the labour force of those in the affected ages. The response would vary, depending on individual circumstances. Some persons would retire; others would continue to work. We have seen, for instance, that despite OAS/ CPP retirement benefits at age 65, three out of ten Canadian men aged 65 to 69 are employed. And, in France, where public wage-related pensions are available at age 60, two-thirds of the men aged 60 to 64 are working. Moreover, to the extent that rising prices threaten the purchasing power of their fixed pensions and savings, older workers may want to reinforce their incomes through wage employment.

Older persons represent a pool of experience and a vital segment of the labour force, and their importance as a proportion of the population is growing. Present personnel practices, as well as pension regulations and legislation, tend to promote abrupt job terminations at age 65. Thereafter, employment opportunities are scarce. For many persons, however, a more progressive transition out of the labour market would be desirable; for others, some form of employment after retirement could be rewarding for both the individual and society. Whatever the individual circumstances, there would certainly seem to be advantages in developing more diversified and flexible working opportunities, consistent with the protection of personal income, for people approaching retirement age and afterwards.

## **Conclusion**

Underpinning the Canadian labour market is one of the most generous and comprehensive social security systems in the industrialized countries. This, along with our equally generous educational and manpower training systems, enables the present generation of Canadians to enjoy unique opportunities and relative security. These various programs give substantial stability to the economy and, equally important, they help to redress the inequities among individuals or families that occur by virtue of circumstances in a competitive and growing labour market.

This greater personal income security undoubtedly is shaping the responses of young people newly entering, and others already in, the labour market to the jobs that are offered them. We have seen, for instance, some evidence that Canadians today are more selective about the type of work and the wages they consider acceptable. In the long run, of course, matters of equity and efficiency tend to run hand in hand. Rising standards with respect to work and pay, if they are realistic, inevitably generate momentum within the economy as enterprises introduce new ways of combining labour and capital to produce the goods and services Canadians want. It is the motivating factors and attitudes towards work that we now turn.

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# 9

Our research into the phenomenon of high unemployment rates coexisting with labour shortages led us to examine the attitudes of Canadians towards work and towards particular types of jobs. At issue was whether changes in people's attitudes towards work and jobs have contributed to the apparent imbalance between employment, unemployment, and job vacancy levels. We also looked at a number of related questions. What are the attitudes of Canadians towards work in general? What job characteristics provide workers with the most satisfaction? What is management's view of employee work attitudes and job satisfaction? How do unions represent the interests of workers with respect to work and working conditions? What changes in work or in the work place appear likely to be productive?

It quickly became apparent that there are no clear or simple answers to these questions. This is partly because the importance of work as a source of income and satisfaction varies through one's lifetime and partly because the concept "work" has different meaning for different people, depending on their situation. There are also difficulties in interpreting the information because people's replies to hypothetical questions may not always coincide with their responses to actual situations. Moreover, individual attitudes frequently differ from those expressed collectively through union locals and the bargaining process.

For the most part, work is regarded here in the rather narrow sense – that is, simply as paid employment. But we would not disagree with the view expressed in *Work in America* that this definition "conforms with one readily measurable aspect of work but ignores its profound personal and social aspects and often leads to a distorted view of society."<sup>1</sup>

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1 W. E. Upjohn Institute for Employment Research, *Work in America* (Cambridge, Mass.: MIT Press, 1973).



### Attitudes of Individual Canadians

Studies show that Canadians are strongly motivated to work and regard work as the principal vehicle to success.<sup>2</sup> They enjoy being productive; they work not only because they have to but also because they like to; and the majority obtain some degree of satisfaction from their jobs. In terms of their sense of commitment and self-fulfilment, Canadians rank work second only to their family ties or, in some cases, their friends. Work constitutes a healthy balanced component of their lives; its significance is reflected too in the amount of unpaid work, such as gardening and household maintenance, done by Canadians in their leisure hours. At the same time, most feel that Canadians are working less hard than a decade ago.

Recent attitudinal surveys carried out by the Department of Manpower and Immigration confirm the importance that people attach to pay, advancement, and fringe benefits when they consider new jobs. They also attest to the fact that Canadians are selective about their jobs and that generally their wage expectations are considerably above the minimum level. Indeed, the majority of men and many of the women felt that a job paying only the minimum wage was beneath their dignity, and roughly one out of three employed Canadians agreed with the proposition: "I would rather collect unemployment insurance than work for the minimum wage." Such a view is not necessarily as extreme as might appear, however, since more than one in three draw, or would draw, higher unemployment benefits than the minimum wage in their province. Moreover, non-financial elements are just about as important in people's attitudes towards taking a job. In short, as the Manpower report indicates,

while the survey results do not dispute the significance of income as a motivating force underlying labour market behaviour, they do call into question the assumption of salary as a universal panacea. Whereas trade-offs between various aspects of jobs can and indeed are made, they cannot offset completely the desire for ideal working situations.

We noted in Chapter 5 that unemployment figures represent only the residual of very large flows of workers between jobs, into and out of employment, and into and out of the labour force. Indeed, according to Unemployment Insurance Commission officials, between 5 and 8 million job separations occur in the course of a year. Much of this movement is, of course, associated with the seasonality of employment, the growing importance of part-time work in many white-collar

2 We relied heavily in this section on the findings of a recent study published by the Department of Manpower and Immigration, supplemented by information from our own surveys as well as other studies conducted over the past few years. See M. Burstein, N. Tienhaara, P. Hawson, and B. Warrander, *Canadian Work Values: Findings of a Work Ethic Survey and a Job Satisfaction Survey*, Department of Manpower and Immigration (Ottawa: Information Canada, 1975); and David R. Williamson and John W. Gartrell, "Employee Work Attitudes and Work Behaviour in Canadian Business," Economic Council of Canada Discussion Paper 51, 1976.

occupations, and the high incidence of casual employment. Some of it simply reflects the normal mobility of persons not completely satisfied with their current employment who are searching for more rewarding opportunities. Most of the Canadians interviewed believe they have more ability than their current job demands. Not surprisingly, this view is found particularly among young people. By the same token, the lack of promotional opportunities is cited as the most dissatisfying element confronting employed persons. About half of all employed Canadians, and a substantial majority of younger Canadians, feel that their present job has limited career opportunities – a situation that inevitably leads to frustration and a high rate of turnover.

It is clear that, for Canadians, work provides a variety of satisfactions and stresses that are not necessarily related to remuneration. In making this observation, a distinction must be made between the conditions of employment and the satisfactions that accrue to persons while on the job. In the course of looking for and accepting a job, matters such as pay, job security, and career advancement are usually paramount; however, once a person is employed, these are taken largely for granted and other considerations take on added importance. The latter include having interesting tasks, sufficient information, and the authority to do a job satisfactorily; the friendliness of co-workers and supervisors; and the satisfaction of seeing the results of a job well done. For most employed Canadians, regardless of their income level, the most desirable requisite of a job is that it be interesting and challenging, and that it provide the individual with a sense of responsibility and some harmonious interactions with congenial people.

Few Canadians prefer complete leisure to working. And there is no evidence that young Canadians are any less inclined to work than their parents. There are indications, however, that with rising levels of education young people tend to attach less importance to the economic aspects of jobs and more to the content. In the process, it seems likely that as their level of education, aspirations, and income security increases, they will of their own volition change jobs more frequently.

There is evidence, too, that many young Canadians enter the job market without a clear understanding of the relationship of their education to their subsequent opportunities in that market. It appears that they have a marked preference for white-collar jobs and that this may be due, in part at least, to our educational system. Participants in the manpower workshops at the 1974 National Economic Conference expressed this view:

A large number of young entrants to the labour force have been conditioned to the notion of automatically aspiring to a white-collar profession. These feelings are reinforced by the orientation of the media to the life style of the white-collar, urban workers. We have, in short, lost our conception of the propriety and desirability of manual work. This suggests the need for more realistic work orientation at the earliest stages in the educational system, since the system is itself, by its very nature, white-collar. Exposure at an early age to a blue-collar environment could do much to ease

the difficulties which many of our young people experience in adjusting to the competitive realities of the world of work.<sup>3</sup>

In the Manpower findings both men and women consider government or professional jobs or self-employment to be the most attractive occupations and mining or assembly-line and factory work the least desirable. There are, however, significant changes occurring that parallel the gradual transformation in the content of jobs and in traditional occupational stereotypes. With modernization, the differences between white- and blue-collar occupations have been narrowing and, with the growth of collective bargaining among professional and white-collar workers, a convergence of attitudes may also be occurring. Jobs once traditionally reserved for males are now open to both sexes, and women are now seen on northern pipeline construction projects, in road maintenance gangs, and in almost all professional careers.

Indeed, the rather dramatic growth in the working participation of women and their movement in and out of the labour force are in line with many of the findings of the Department of Manpower surveys. Nonetheless, perhaps the most surprising observation was the response of both men and women to the proposition that "a woman's place is in the home." Almost 60 per cent of both sexes generally agreed with the statement. Four out of five Canadians concurred that a married woman should work by choice rather than necessity,<sup>4</sup> but 57 per cent of women and 41 per cent of men agreed that women should earn money to contribute to the household.

These responses are consistent with the much greater importance that women of all ages attach to family and other essentially non-economic considerations. Forty-three per cent of the women interviewed indicated that they were not ready for any long-term job commitment; many indicated that they were not interested in a career at all. The majority of working women agreed that they would not mind being unemployed for a while. The dual and supplemental role that women have as housewives and members of the paid labour force is reflected also in their attitudes towards the type of work they want to do. Generally, they are more

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3 Economic Council of Canada, *Proceedings of the National Economic Conference, 1974* (Ottawa: Information Canada, 1975), p. 83.

In a recent study of production-line workers in a General Motors plant, 95 per cent of the workers reported that they were happy with their jobs, and 71 per cent stated no part of their work was tiring or upsetting. The researchers were quite surprised at these findings, which they attribute to "the astounding degree of plasticity of the human mind. Man has a great capacity to adapt and to cope" (*Labour Gazette*, November 1974).

A Quality of Employment Survey taken in the United States in 1972 and 1973 found that, while blue-collar workers were considerably less satisfied with their jobs than white-collar workers, those with only grade school education did not record conspicuously low job satisfaction scores, though their working conditions were quite poor. This suggests a fair degree of worker realism with respect to job expectations (*Monthly Labor Review*, November 1973).

4 These traditional attitudes are less pronounced among young Canadians and among those with higher education.

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interested than men in the amenities and conveniences of the work place, even if these involve somewhat lower wages, and they are more likely not to work if they cannot find a job that suits them. On the other hand, for many of the women currently employed who intend to continue working, job interest, good interpersonal relations, challenge, and promotional opportunities are no less important than they are for men.

Recent studies indicate that Quebec workers share with other Canadians the general attitudes we have described. Francophones, perhaps, grant stronger priority to family than to work but, on the whole, they derive satisfaction from their jobs, particularly those that call upon their initiative and challenge their capabilities. On the other hand, not surprisingly, the greatest dissatisfaction among Francophone workers occurs where, perhaps because of linguistic differences, there are communication difficulties and a lack of rapport with senior personnel. For related reasons, along with family and other cultural affiliations in that province, Quebec workers, more so than others, tend not to welcome changes in job location, and they accept moves by their companies only if their living conditions will be very substantially improved.<sup>5</sup>

Other researchers have compared the attitudes of Francophone and Anglophone managers.<sup>6</sup> Differences in attitudes could likely be attributed, in part at least, to the relative newness of many Francophones to the role of manager, especially in the larger national or international business corporations. But the situation is changing rapidly, with greatly expanded management opportunities for Francophones in organizations of all types. Indeed, one recent study found no discernible difference in the management philosophy of Anglophone and Francophone managers.

- 5 See J. Dofny and H. David, "Les aspirations des travailleurs de la métallurgie à Montréal," *Recherches sociographiques* (1970); J. Dofny, *Les ingénieurs canadiens-français et canadiens-anglais à Montréal*, Document 6 of the B & B Commission (Ottawa: Information Canada, 1970); V. Kothari, "A Cross-Cultural Study of Worker Attitudes in a Bicultural Economic Environment," *Relations industrielles* 28, n° 1 (1973); C. P. Stewart, "Attitude Survey," *Studies in Personnel Psychology* 1, no. 2 (1969); J. M. Rainville, "Le système des relations du travail chez les enseignants du secteur public québécois," *Relations industrielles* 27, no. 3 (1972); R. Tardif and L. Bélanger, "Attitudes et réactions des travailleurs face à un licenciement éventuel: cas d'une entreprise québécoise," *Relations industrielles* 21, no. 4 (1966): 79-87; and G. Tremblay and I. Romao, "Le changement du lieu du travail," *Québec-Travail* (September-October 1973): 33-34.
- 6 Gilles A. Auclair and William H. Read, *Attitudes of French and English Canadians toward Industrial Leadership: A Cross-Cultural Comparison of Management Personnel in Large Industrial Organizations and Small Business Firms and of Students in Schools of Business*, Industrial Psychology Centre, University of Montreal, in collaboration with The Graduate School of Business, McGill University, Montreal, 1966; Centre des Dirigeants d'Entreprise, *Le Malaise des Cadres: Un Défi à l'Entreprise*, Montreal, 1974; A. E. Carlisle, "Cultural Differences and Supervisory Styles," *Relations industrielles* 23, no. 1 (1968): 48-56; R. N. Kanungo and H. J. Dauderis, "Motivation Orientation of Canadian Anglophone and Francophone Managers," Working Paper, Faculty of Management, McGill University, Montreal, 1974; and Donald V. Nightingale, "The French-Canadian Worker Shows Up Well in Study," in *Canadian Personnel and Industrial Relations Journal* 22, no. 5 (October 1975): 28-30.



The Manpower study of Canadian work values did not differentiate between the attitudes of native-born and immigrant Canadians. However, according to a component study of the Green Paper on Immigration, the majority of immigrants who came to Canada in 1969 expressed satisfaction with the job opportunities they found here. And, after the initial period of adjustment, immigrants appeared to be earning roughly the same as native-born Canadians in similar occupations.<sup>7</sup>

### Managerial Views

To balance the studies by Manpower and others on worker attitudes, we initiated interviews with a group of managers of large Canadian corporations having over 1,000 employees and held discussions with a number of management consultant firms.<sup>8</sup> The objectives of these interviews were to obtain from management their views on the attitudes and working characteristics of their employees, the way these attitudes and traits interacted with efforts to increase productivity, and the changes their firms had introduced in work practices and jobs to make them more interesting and rewarding for their employees.

In general, corporate executives appeared to be realistically conscious of the compositional changes that have occurred in the labour force and the attitudinal shifts that have accompanied them. Most acknowledged that today's young people are more responsive to change, use more initiative, are eager to accept responsibility, and want to advance at a much faster rate than did their predecessors a decade ago. On the other hand, in management's view, young employees tend to be less punctual, to have a lower tolerance for work discipline, and to be more careless and less "loyal" to their employers. The executives canvassed attributed these less positive attributes not so much to young professional, administrative, or management personnel, but rather to clerical and production-line employees.

Corporate officials expressed particular concern about unskilled and semiskilled production workers of both sexes, among whom there are signs of lack of interest in the work, absenteeism, illness, high turnover rates, and a general reluctance to accept responsibility. These problems were particularly prevalent among female

7 Department of Manpower and Immigration, *Three Years in Canada: First Report of the Longitudinal Survey on the Economic and Social Adaptation of Immigrants* (Ottawa: Information Canada, 1974). See also W. Kalbach, *The Impact of Immigration on Canada's Population*, Dominion Bureau of Statistics, 1961 Census Monograph (Ottawa: Queen's Printer, 1970); and the *Report of the Royal Commission on Bilingualism and Biculturalism*, Book IV (Ottawa: Queen's Printer, 1970).

8 The corporations included financial institutions, insurance companies, utilities, merchandising firms, and a range of manufacturers. In all firms, blue-collar workers were unionized and, for the most part, office, clerical, and administrative employees were not. Some of the companies operated in several provinces; others had a number of operations throughout Ontario; and some had single operations in Ontario only. See Williamson and Gartrell, "Employee Work Attitudes."

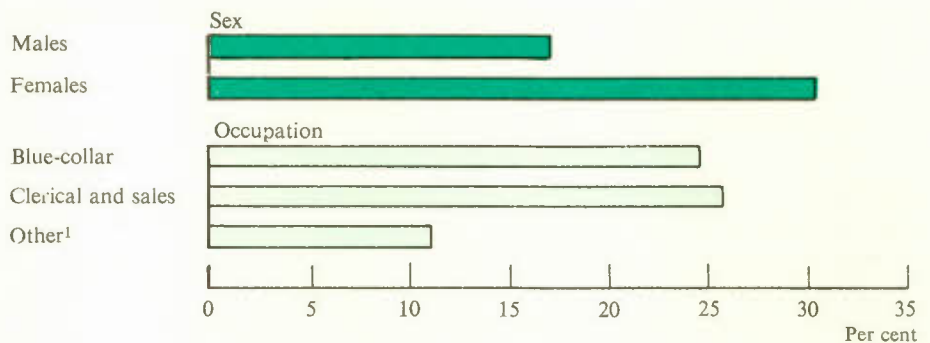
employees – a reflection perhaps of a lack of career opportunities and relatively low salary levels in some enterprises. Indeed, most executives acknowledged that they could, and should, be employing women’s talents more effectively, and some had taken steps to encourage female employees to advance into managerial ranks. On the whole, though, it seemed that personnel practices in these large firms were still largely bound by tradition and that not much imagination or initiative had been exercised to develop routes of advancement that were more interesting, or provided more responsibility, for female and junior personnel.

The executives noted that young people especially are reluctant to take dull, boring, routine assembly-line jobs that have no significant career opportunities. To a considerable degree, of course, through their union representatives and shop stewards, organized workers can make their concerns known to management and be assured of fair treatment within the context of the collective agreement. But the traditional separation of labour and management roles in most organized establishments limits most blue-collar workers to production-line jobs – or at best to a role as an elected union representative. Unless the employer has special training opportunities, or is actually concerned with developing rewarding work options for employees, few, if any, avenues exist for production personnel to secure senior responsibilities or more challenging jobs within the same enterprise.

These observations were borne out by the firms contacted separately in our turnover survey, which was outlined in Chapter 5. Turnover rates for women were roughly double those for men and, in the blue-collar and the clerical and unskilled white-collar occupations, they were more than double those in the administrative, professional, technical, and related fields (Chart 9-1).

Chart 9-1

Employee Turnover Rates, by Sex and Occupation, 1973



<sup>1</sup> "Other" includes technical, professional, managerial, administrative, and related salaried personnel.

SOURCE Based on a survey by the Economic Council of Canada.

In our survey we also asked firms to list the main reasons why their employees quit. Their answers, weighted according to total employment in the industries, are shown in Table 9-1. In interpreting the factors affecting quits, it should be noted that employees' decisions to leave a firm are often based on a combination of reasons. Hence the averages cited here should be regarded merely as broad measures of the relative importance of certain turnover factors attributed to the employees who quit the responding companies voluntarily during 1973.

Table 9-1

Reason for Quits in 114 Firms in Employee Turnover Survey, by Sector, 1973

	Mining	Manu- facturing	Trade	Utilities	Finance	Average <sup>1</sup>	Rank
	(Per cent)						
Working conditions	23.3	24.1	3.7	16.3	4.4	13.2	3
Higher pay or better opportunities elsewhere	19.0	22.6	50.0	33.7	47.5	37.1	1
Slow advancement because of job security provisions	10.0	9.6	2.0	3.7	3.4	5.4	6
Personal reasons	13.4	19.6	36.7	36.4	38.5	29.6	2
Unemployment insurance	10.6	14.4	-	1.7	1.0	6.0	5
Other	23.7	9.5	7.7	8.1	5.2	8.8	4
Total <sup>2</sup>	100.0	100.0	100.0	100.0	100.0	100.0	

1 Weighted according to total industry employment.

2 Figures may not add up because of rounding.

SOURCE Economic Council survey of major business firms and other organizations.

The prime reasons given by personnel quitting their jobs included competitive opportunities elsewhere with higher pay, and personal reasons such as health, family considerations, or the desire to return to school. Few employers regarded unemployment insurance benefits as a significant factor influencing people to leave their employ, although several commented that the more generous benefits may make it easier for persons to be without work when they leave for other reasons. Several also attributed recruitment difficulties to the more generous benefits, presumably since they enable unemployed persons to be more selective when looking for work.

Although it was not evident from our survey, the general consensus of the corporate officials interviewed was that the turnover of young employees has become an increasing problem in recent years. Our findings on gross flows and on the attitudes of younger people and women newly entering the labour force would seem to confirm these impressions, as would Statistics Canada's figures on job changes among young people.<sup>9</sup> Much of this turnover may, of course, be occurring in smaller

<sup>9</sup> Statistics Canada, *Employment Experience Survey and Supplementary Survey*, Labour Force Survey Division, October 1966 and April 1973.

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enterprises and retail stores that employ a substantial proportion of part-time and casual workers, often on a seasonal basis.

Some of the executives commented on the lack of realistic knowledge of the industrial and business milieu displayed by young applicants for employment or by students visiting company facilities. Even more conspicuous, however, was the apparent lack of familiarity with common business or industrial relations practices on the part of accompanying teachers, including those whose responsibilities include guidance and student counselling.

Not all companies regard their rate of employee turnover as excessive. Indeed, it appeared from our surveys that some firms are prepared to live with high turnover rates rather than accept the alternative costs of increasing wages and benefits or of otherwise improving their working conditions. Moreover, in quite a large number of organizations, the very nature of the operation limits career opportunities for all but a few. Such is the case, for instance, in banks and large department stores – enterprises that rely heavily on female labour and in which turnover rates are quite high.

### **Managerial Practices**

Our survey also asked firms to indicate what action they took to reduce turnover when they considered it excessive. The most common practice is to increase wages. However, most companies have more than one approach, such as training programs for both supervisors and workers, more selective hiring, and genuine efforts to improve physical working conditions and provide more generous benefit plans. A few have undertaken career planning and development programs. From our examination of the data on workers' attitudes, it seems clear that firms using a combination of techniques have a better chance of retaining their employees. Wage increases are important to most, if not all, workers; but, as we have seen, the opportunity for more interesting or challenging work and the possibility of career opportunities appear to be no less important to Canadians.

One final observation about labour turnover is in order. From a strictly economic point of view, it is not clear whether the current rates in Canada are too high or too low. We are a mobile society and, to the extent that turnover is voluntary, it may largely express the experimentation, personal mobility, and aspirations of young men and women. Much that is involuntary simply reflects the volatility of our economy and the ebb and flow of casual, part-time, and seasonal jobs. Not all jobs can, or ought to be, regarded as part of a permanent career path. In a dynamic economy, some job frustration and some employee dissatisfaction are inevitable. It is normal for expectations to run ahead of reality, and they inevitably run quickest among the young, who have the least experience but also the longest working horizons before them. All we can say is that, in the broadest sense, for employers and

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workers alike, it would be desirable to minimize involuntary and unnecessary turnover in favour of voluntary job changes and the orderly phasing of employment.

On the issue of improving productivity, it was evident that most of the executives interviewed considered that physical innovations such as automation and electronic mechanization offered far more promise than the restructuring of jobs or the reorganization of their work force. They also recognized that, although it was desirable to achieve both purposes, productivity improvements in the long run are not always consistent with increased worker satisfaction. Moreover, satisfied workers are not necessarily more productive.

Most executives appeared to be reasonably familiar with recent findings that the challenge and satisfaction derived from work itself may be no less important to employees than attractive pay levels and working conditions.<sup>10</sup> Nonetheless, most of the firms followed traditional managerial practices with respect to improving output and lowering costs, and looked at productivity incentives and turnover rate issues as matters to be resolved by selectively increasing wages and related fringe benefits. Few firms were experimenting vigorously with new forms of motivational techniques or changes in job structure. Except for a degree of job rotation in some firms, little was being done to enrich jobs, largely because employees were not showing much interest. A few firms had experimented with the compressed work week, and some were considering flexible hours for office employees but not for those in production jobs. None of the companies were using a participative management approach, nor were there any specific plans for greater employee involvement in operational decisions. In the eyes of management, such changes are not the panacea that some claim and, until there is a clear indication that such moves are necessary, they do not want the organizational disruption that attends them.

Several executives pointed instead to the need for more effective management and work supervision as the key to improving productivity in their organizations. They attributed many of their difficulties to a lack of well-qualified personnel for lower supervisory and management positions. Some of this is perhaps inevitable, given the reluctance of experienced workers to forgo the seniority and job security they get as union members, the difficulties inherent in supervisory and foremen's jobs, and in some cases the lack of sufficient compensation or support from senior management.

Of the firms surveyed, management appeared divided on the question of how unions affect their efforts to increase productivity. Some thought that unions do not influence productivity one way or the other. Others pointed to certain jurisdic-

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10 Some of the better-known researchers and their work in this area include: Frederick Herzberg, B. Mausner, and B. B. Snyderman, *The Motivation to Work* (New York: Wiley, 1959); Rensis Likert, *New Patterns of Management* (New York: McGraw-Hill, 1961), and *The Human Organization* (New York: McGraw-Hill, 1967); Douglas McGregor, *The Human Side of Enterprise* (New York: McGraw-Hill, 1960), and *The Professional Manager* (New York: McGraw-Hill, 1967); and A. H. Maslow, *Eupsychian Management* (Homewood, Illinois: Irwin, 1965).

tional and protective clauses that make it difficult or impossible to transfer workers freely, to reward superior performance, or to alter quickly the structure or content of jobs. How much of the lower productivity is genuinely attributable to low- and medium-level management, to union constraints as expressed through the collective bargaining process, or to senior corporate strategy, is of course a vital and complex question, but one outside the purview of this study.

Management consulting firms with which we discussed these findings had not had direct experience in surveying workers' or managers' attitudes. They did, however, believe that most employers were less than fully sensitive to employee attitudes and aspirations and advanced a number of reasons for this. First, managers are usually judged and rewarded on the basis of their ability to meet production goals rather than on such factors as job vacancies, turnover, and absenteeism; indeed, turnover and absenteeism are sometimes not recorded, and management may not be aware of the specific magnitude of their problem in these areas. Second, most companies are hesitant to conduct attitude surveys, suspecting that results would be unfavourable and pressure would be applied to make them known. Third, productivity may be a delicate subject. Study may reveal overstaffing – an unfavourable reflection on management – or it may result in layoffs – an unpopular move with workers. Fourth, results of changes in work or jobs are likely to become apparent slowly. Many managers move from job to job and the one initiating the job redesign may not be around to provide continuity or to see the results. Fifth, many managers are cautious about taking the responsibility for a new undertaking such as job restructuring. Finally, such restructuring could involve great expense and considerable disruption of normal operating procedures.

Contrary to the views of some corporate officials, the consultants did not believe that most labour unions would offer serious objections to well-considered changes in job content or work structure. Union stewards in some firms do work closely with management in determining the precise content of specific jobs at the plant level. And, according to the consultants, union leaders are increasingly under pressure from their members to negotiate relief from the boredom and monotony of certain types of jobs. For example, in a recent inquiry into possible changes in the Canada Labour Code, a number of the submissions by business firms reported that the initiatives for modifying or compressing the work periods had come largely from the employees.<sup>11</sup>

### **Labour Union Attitudes**

While the Manpower survey of workers' attitudes did not differentiate between organized and unorganized employees, it seems reasonable to assume that the

11 *Report of the Commission of Inquiry Concerning Changes in the Canada Labour Code, Part III* (Ottawa: Department of Labour, December 1972).

aspirations and the job satisfactions and frustrations reported there are common to both groups. These, in turn, will inevitably have been reflected in the collective bargaining positions taken by labour union representatives.

It is evident from even the most casual examination of labour contracts that wages, working conditions, and employment security are the foremost issues in the bargaining process. Wages and fringe benefits were discussed in a general way in Chapter 6. Working conditions cover a range of issues, largely specific to each establishment, from safety to management rights and grievance procedures; perhaps most prominent among these issues are the periods of work and rest, broadly defined.

It is generally taken for granted that most Canadians now work fewer hours per week and per lifetime than was the case a generation ago. The evidence confirms these trends. In 1972, 84 per cent of all non-office workers enjoyed a standard work week of 40 hours or less, and 82 per cent of office workers worked 37.5 hours or less.<sup>12</sup> In recent years longer vacations and earlier retirements, rather than reduced hours per work week, have accounted for most of the reduction in working time.<sup>13</sup> Table 9-2 gives estimates of standard weekly hours, holidays, vacations, and the "net working week," as developed by the Department of Labour. The

Table 9-2

Hours of Work for Non-Office Employees in Manufacturing, 1947-73

	Standard hours per week	Paid holidays per year	Weeks of vacation <sup>1</sup> per year	Net working hours per week
1947	45.32	4.18	2.22	42.97
1951	43.46	6.22	2.35	40.69
1956	41.89	6.98	2.50	38.90
1961	41.30	7.50	2.72	38.06
1966	40.99	8.01	2.93	37.51
1973	40.41	9.15	3.28	36.48

1 The method of computing vacations involves a weighted average of vacation time, depending on the proportion of employees in each establishment eligible for two or more weeks of vacation each year.

SOURCE Based on data from Labour Canada, 1974.

12 Labour Canada, *Working Conditions in Canadian Industry, 1971* (Ottawa: Information Canada, 1972).

13 One should be careful to distinguish between "standard weekly hours," the hours scheduled for the majority of employees of a firm, and "hours worked" and "hours paid for." "Hours worked" include overtime or temporary layoff; "hours paid for" include overtime and also the hours not worked because of vacations, holidays, sickness, standby allowances, etc.



figures given are for non-office employees in manufacturing industries – a sector that is more highly organized than most.

In the decade after the Second World War, the standard weekly hours in manufacturing decreased quite rapidly, but since then they have declined only marginally. Paid holidays and vacations, on the other hand, have increased significantly. Taken together, the “net working week” for non-office manufacturing workers was shortened from 43.0 to 36.5 hours of work per week between 1947 and 1973. This is a reduction of 15 per cent in working time over a period of about twenty-five years. Compared with workers in some other sectors, or indeed with office employees in manufacturing who share similar vacation and holiday privileges, the persistence of the 40-hour work week among blue-collar manufacturing employees is somewhat surprising. It would appear to reflect a continuing preference for income or income-related benefits over unpaid leisure, and to give support to the proposition advanced in an OECD paper in September 1972 that “the same general rule has applied in recent decades in the case of various industrialized nations – i.e., that something like two-thirds of productivity gains are passed on to consumption in the form of increased wages while the remaining third is converted into leisure time.”<sup>14</sup> Examination of recent contract settlements also confirms that workers’ choices in recent years have been directed not so much at reductions in the standard work week but at wages and security provisions, including health, medical protection, and earlier paid-for retirement.<sup>15</sup>

Organized labour has responded to the inevitability of some job insecurity in a variety of ways. One important way, designed to provide equitable treatment for experienced and older workers, involves seniority clauses, which determine the priority of employees in matters such as layoffs, dismissals, promotions, and vacations. Virtually all organized establishments with collective bargaining units of 200 employees or more follow seniority practices in these matters, although in many cases no explicit seniority provisions are written into the agreements.<sup>16</sup>

An associated line of negotiated defence against employment insecurity involves notice of job termination, severance pay, and provisions for recall. During the 1960s virtually all provincial and federal jurisdictions introduced legislation laying down minimum periods for the notice of termination of employment in the case of individual dismissals and, in some provinces, for collective or group dismissals. As a result, unions are now less concerned about this issue, although they continue to worry about dismissals that they consider unfair. Severance pay (with or without supplementary unemployment benefits) not only provides financial relief for workers laid off, but is also intended to discourage employers from arbitrary and

14 B. Teriet, *Distribution of Working Time*, Organisation for Economic Co-operation and Development (Paris: OECD, 1972), p. 4.

15 Paul Malles, *Canadian Labour Standards in Law, Agreement, and Practice*, Economic Council of Canada (forthcoming).

16 A statistical breakdown of clauses in Canadian collective agreements covering bargaining units of 200 or more employees is listed in Appendix G.



periodic dismissals. It constitutes an important element in *virtually all* major automobile, steel, and wood-processing enterprises. Severance pay clauses are contained in agreements in a considerable proportion of the major electrical, textile, clothing, and utilities enterprises, and in the public administration sector, but for other sectors and most bargaining units with under 500 employees, fewer than one-third of the workers are covered by agreements with severance pay provisions. Agreements covering more than half the workers in bargaining units of over 200 employees contain specific recall procedures in the event of layoff.

Advance notice, and/or consultation, in the case of technological change covers only about one-third of the organized workers examined in our study. Today, it seems fair to say that fears of automation as a cause of massive unemployment are less widespread than during the 1960s, although the issue of automation and technological change does flare up from time to time in specific instances, such as the recent dispute involving postal workers.

A final way by which organized groups protect their members' employment and incomes, particularly in the face of slack or declining demand, is to make access to their trade or profession more difficult. This is done in two ways – by raising the eligibility requirements and entry standards for certified tradesmen or qualified practitioners, and by lobbying for limited immigration of trained personnel into the country. A third even more questionable technique that has recently been observed in some of the professions has been to increase demand artificially through monopolistic pressures, ostensibly by increasing the "quality of service" – for example, by lowering student/teacher ratios or by increasing the number of medical or dental treatments per patient.

On the whole, organized labour has responded very cautiously to job experimentation or enrichment. This partly reflects the suspicion that experimentation may mask a process that would eliminate jobs or oblige employees to work at more demanding speeds or tasks than at present. And it may partly represent a healthy realism, since inevitably the very nature of some activities leads to impersonal, repetitive, or physically arduous jobs. In such instances, labour's approach has been to press for the highest possible earnings and fringe benefits, combined with sufficient leisure time to enjoy what the earnings will provide.

Nonetheless, organized labour has given some attention to experiments with flexible and compressed work weeks. The flexible work week seems already to enjoy a certain popularity among white-collar workers, although the range of its application is somewhat limited. But labour's attitude towards the compressed work week has been more guarded:

It is perhaps understandable that a number of groups of employees have been attracted by the compressed work week. It is also perhaps necessary to recognize that in some instances it is quite conceivable that certain groups of employees might not find it an undue strain mentally or physically to work an extended work day as the compressed work week envisages. The fatigue factor, however, is one which cannot be measured over the short run, but must be examined over an extended period of time. Furthermore, the fact that a person can safely work over the eight hours maximum presently

set by the Labour (standards) Code is not, in itself, any justification for extending the Code's provisions. The criterion by which this should be measured is whether such an extension is socially desirable in the light of Canada's present circumstances.<sup>17</sup>

Similarly, Canadian unions have approached participation in managerial decision-making or participatory management very cautiously. Labour/management committees in Canada tend to serve as advisory or consultative bodies for the purpose of smoothing communications and helping to settle grievances and eliminate irritations, rather than as vehicles for joint management. Some years ago the Canadian Labour Congress made a survey of European experiences with this technique. It approved, in principle, joint participation in decision-making on wages, working conditions, job security, and work methods, but it made clear that it preferred the traditional Canadian system to the newer industrial relations approaches being tried in other countries.

There is recent evidence, however, that organized labour may be about to take more interest in the nature of jobs and the work environment:

We intend to see that the work environment is improved, and we will make it clear to management at the outset that we are very serious about this. . . . We live in a comparatively free society; but when young people go into the plant . . . they find themselves in an atmosphere that is completely foreign to their idea of freedom. Of course the assembly line – that crippling monster – is the classic example of poor working conditions. . . . Some of the young people don't last more than two hours on the job; they just walk out. The turnover is terrific. The job is no longer the most valuable thing to them. The companies are well aware of this and I think they want to do something about it.<sup>18</sup>

### Improvements in the Work Place

Looking to the future, the evidence suggests that the pressures on Canadian employers to make jobs interesting and rewarding are likely to become more acute than ever. This is likely to be particularly the case for women seeking careers.

By the 1980s, a slowdown in the supply of new labour market entrants from Canadian schools, community colleges, and universities will occur, reflecting the falling birth rate of the 1960s. If our general expectations about the state of the economy materialize, unless the flow of Canadian-born entrants is substantially augmented by immigrants, the labour market is likely to be relatively tight and, as shown in Table 9-3, it will include a younger and substantially more educated labour force that can be expected to have different job aspirations than their parents. The demographic bulge in the 25-44 age group will likely mean intensified competition for the interesting professional and middle- and upper-management

17 Canadian Labour Congress, "Submission to the Commission of Inquiry on a Modified or Compressed Work Week," Ottawa, 1972.

18 See statement of D. McDermott, Canadian Director of the United Automobile Workers (UAW), as quoted in *Labour Gazette*, February 1973.

Table 9-3

Educational Attainment of Students Leaving School, 1971-85

	Annual average						Percentage change, 1971-75 to 1981-85
	1971-75		1976-80		1981-85		
	(Thousands)	(Per cent)	(Thousands)	(Per cent)	(Thousands)	(Per cent)	
Some secondary	195.0	41.9	180.0	36.9	159.6	32.4	-18.2
Secondary	96.0	20.6	101.6	20.8	85.9	17.4	-10.5
Some postsecondary	66.4	14.3	78.9	16.2	93.9	19.0	41.4
Postsecondary	108.2	23.2	126.9	26.0	153.6	31.2	42.0
Certificate or diploma <sup>1</sup>	55.0	11.8	68.3	14.0	81.4	16.5	48.0
University degree	53.2	11.4	58.5	12.0	72.3	14.7	35.9
Total	465.6	100.0	487.4	100.0	493.0	100.0	5.9

<sup>1</sup> Community college diplomas, undergraduate diplomas, and elementary teachers' certificates.

SOURCE Based on data from Statistics Canada.

jobs. It has already intensified competition for jobs such as teaching, which are directly affected by the decline in the birth rate. For many, the consequences could be highly frustrating, unless imaginative modifications occur throughout the work world.

Over the years there has, of course, been substantial humanization of working conditions in factories, offices, and stores. Automated and electronic equipment continues to reduce the physical or routine demands on labour of varying skills. Modern furniture and equipment, better lighting, air conditioning, and more colourful surroundings have made many offices and factories attractive places to work. Through more sensitive managerial techniques and improved labour/management communication the individuality of workers has been recognized, and this has helped to reduce unnecessary irritants in the work place.

Nonetheless, it seems fair to observe that Canadian enterprises have done little experimenting with providing more enriching jobs or work methods and shown relatively little ingenuity compared with those of some other countries. For instance, in 1972, according to a recent OECD report, some 20 per cent of all Swiss firms, over 1,000 German firms, at least 100 French firms, and 40 Dutch firms were already using fully flexible hours.<sup>19</sup> Both the employer associations and the labour movements of Norway and Sweden have strongly supported and co-operated in joint "industrial democracy" efforts to develop new forms of work organization that increase the opportunity for individual workers to control effectively much of their own work. The experiments at the Volvo and Saab plants in Sweden, whereby

<sup>19</sup> Organisation for Economic Co-operation and Development, *New Patterns for Working Time* (Paris: OECD, 1973).



automobile assembly procedures were modified to give workers more responsibility and job diversity, are well-known. Less familiar are experiments by the Olivetti Company in Italy, the Atlas-Copco Company in Sweden, and the Boussois-Souchon-Neuvesel Company in France, all of which involved efforts to replace conveyor-type operations by groups of workers with a high degree of individual responsibility and job control.<sup>20</sup> Similar experiments are under way in such companies as the Polaroid Corporation, IBM, Procter & Gamble, and General Foods, in the United States. In Britain, the International Chemical Institute reports that almost one-third of its members' total work force participates in some form of self-management.<sup>21</sup> Common to most successful job restructuring approaches has been the move towards small independently functioning groups, more varied assignments, and increased opportunities for individual employees to schedule their own activities and to take part in decision-making in the day-to-day operations.

Not all experiments have been completely successful. Nor, as a number of corporate executives were quick to point out in the interviews, do job enrichment and working flexibility offer a panacea to many of the discordant issues that mark industrial relations. Those who have undertaken experiments in this field have found that there is no single best way to improve the quality of working life. The most successful results are often achieved by adapting innovations to particular situations, but there can be little doubt that some types of work are likely to remain monotonous and unstimulating.

Undoubtedly, most of the significant changes in work design and organization will emerge, as they have in the past, through the normal price-responsive impulses of the market, when they become feasible and profitable. However, there are some constraints, both in legislation and in time-honoured contractual relations – for instance, in matters of hours or jurisdictional claims – that will bear re-examination in the process.

One aspect of particular concern for future conditions in the work place is that of occupational health. We are only now beginning to realize the long-term health implications of some of our traditional industrial practices. Safety laws and regulations have, of course, existed for a long time and, in recent years, these have been expanded to encompass more complete health protection rather than just accident prevention. New health protection regulations are now being added to the federal Labour Code and to regulations in various provinces dealing with such matters as radiation and air and noise pollution.

Though certain disabilities caused by industrial diseases have become cause for compensation, there is some evidence that a high proportion of occupational

20 J. M. Clerc, "Experiments in Humanising the Organisation of Industrial Work: Some Points from a Symposium," International Institute for Labour Studies, Bulletin 11 (Lausanne, 1974).

21 Louis E. Davis and Eric L. Trist, "Improving the Quality of Work Life: Sociotechnical Case Studies," in *Work and the Quality of Life*, ed. James O'Toole, The W. E. Upjohn Institute for Employment Research (Cambridge, Mass.: MIT Press, 1974), p. 272.



diseases are not being recognized or reported and hence are not being compensated. There is a growing recognition as well that, because some occupational diseases are not apparent before considerable time has passed and may not be traceable to a specific job, they are not considered compensation cases. A recent study in the United States revealed that 25 per cent of the workers surveyed were suffering from an occupationally derived disease. Equally startling was the discovery that 89 per cent of these diseases were unreported at the time.<sup>22</sup>

Research and training in the field of occupational health continues to receive low priority in Canada. Research is left almost entirely to the initiative of part-time researchers in universities and, for all practical purposes, there is no place in Canada that turns out industrial hygienists. It is our understanding that, if government funding were available, a number of Canadian universities today would have almost enough research and training facilities to fill this gap.

Finally, as we look to the future, it seems to us that in the development of more satisfying jobs, industrial relations, and occupational health, there is need for less militant confrontation and a higher degree of accord between Canadian management and labour. We have noted in this connection the establishment by the federal government of the Canadian Labour Relations Council, composed of representatives of organized labour, management, and the federal Department of Labour, to reduce the extreme adversary aspect of collective bargaining and find ways of decreasing the frequency and length of work stoppages. We welcome this development and hope that it may be emulated, as appropriate, at provincial levels.

We hope, too, that this new Council will go beyond the issues identified by the Minister of Labour to other matters, such as those we have raised here, and that in the process it will also examine the industrial relations practices and institutions of other countries to see what might usefully be adapted to our own setting. We have in mind, for instance, experiments in participative management, such as those that for a number of years have been a feature of the West German and Scandinavian industrial systems. There are matters of mutual disclosure that might facilitate more realistic bargaining between the parties involved. There are also, perhaps, possibilities for more continuous bargaining procedures aimed at overcoming the bunching of issues at the end of contracts – issues that often cause unnecessarily acerbic and prolonged negotiations. In addition, there is the matter of developing more stimulating and flexible working arrangements within the ambit of harmonious labour/management relations. And there is the need to develop career and training opportunities for women no less than for men, and for blue-collar workers no less than for others, that will allow workers at all levels to advance to more senior responsibilities.

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22 "Pilot Study for the Development of an Occupational Disease Surveillance Method," a study of small businesses in the states of Washington and Oregon, conducted from 1972 to 1974 by the University of Washington, under contract with the National Institute of Occupational Safety and Health.

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In this connection, we note the comment of the Director of the Industrial Relations Centre at Queen's University and former Chairman of the Ontario Economic Council:

... there is growing employee frustration and discontent with the modern world of work and these shortcomings lie at the foundation of much of our industrial relations unrest. Management will have to take the lead in this area in terms of improved organizational structures, job design, and related programs of job enlargement and enrichment. Unions, however, will have to co-operate by modifying some traditional policies and practices in order to accommodate the required changes in job structures.<sup>23</sup>

23 W. Donald Wood, "The Current Industrial Relations Scene in Canada (1973)," Industrial Relations Centre, Queen's University (Kingston, 1973).

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# 10

## THE MESSAGE OF THE UNEMPLOYMENT RATE

Earlier in this report, we expressed some disquiet over what appear to be high levels of unemployment even when the economy is operating close to capacity. And we asked ourselves whether certain factors were operating to make "normal" rates of unemployment substantially higher than in the past. Have the traditional problems of seasonality, regional disparities, or geographical dispersion worsened? Are higher jobless rates a result of demographic changes in the labour force? Or are they the consequence of inadequacies in the way we measure this phenomenon? Such questions raise the more fundamental issues of what the aggregate unemployment rate is supposed to measure, and whether it is a complete and consistent yardstick.

Traditionally, the unemployment rate has been used by economists as an indicator of the cyclical phase of the economy, the relative tightness of the labour market, and the extent of hardship in the population. But perhaps it is too much to expect a single measure to convey all that information. It may be more appropriate to supplement the overall unemployment rate with additional measures of various aspects of the labour market and the economy as a whole. In this chapter we examine a number of measures with the view to understanding better the message of the unemployment rate itself, and its strengths and shortfalls as an indicator of economic conditions.

### **Higher "Normal" Rates of Unemployment**

Canadian rates of unemployment are high by international standards (Chart 10-1). But such comparisons must be viewed in the light of two important considerations. First, variations exist in the methods of collection and measurement of unemployment data among different countries. Accordingly, the figures in Chart 10-1 have been adjusted to a common base in order to afford a more

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Chart 10-1

Unemployment Rate, Selected Industrial Countries, 1959-74<sup>1</sup>

<sup>1</sup> Adjusted to U.S. definitions. Rates for the European countries are mostly preliminary estimates based on incomplete data.

SOURCE C. Sorrentino, "Unemployment in Nine Industrialized Countries," *Monthly Labor Review* (June 1972): 30; C. Sorrentino and J. Moy, "Unemployment in the United States and Eight Foreign Countries," *Monthly Labor Review* (January 1974): 48; and C. Sorrentino and J. Moy, "Unemployment in Nine Industrial Nations, 1973-75," *Monthly Labor Review* (June 1975): 10.



meaningful comparison.<sup>1</sup> Second, the unemployment figures must also be interpreted in the light of the different institutional and cultural settings within which the various markets operate. The Canadian labour force, as we have seen, has experienced such rapid growth that, even with the number of jobs expanding more rapidly than in other western countries, unemployment rates have remained relatively high. By contrast, despite significant immigration, Britain's labour force has contracted slightly, and Germany has experienced such severe labour shortages in some occupations that she has had to rely heavily upon "guest workers."

The seasonal nature of much of the employment in Canada is, at first glance, one possible explanation for our high unemployment rates. One study done for the Council found that, overall – and this may be an underestimate – roughly one-fifth to one-quarter of the aggregate unemployment rate in Canada is attributable to seasonal factors. The study also suggested that males account for roughly 95 per cent of the seasonally unemployed, largely because the male-dominated construction, agriculture, forestry, fishing, and trapping industries, which employ less than 15 per cent of all workers, contribute close to two-thirds of all seasonality in employment.<sup>2</sup> These figures are deceiving, however, because they focus on the unemployed and ignore those who stop looking for work. Moreover, they also ignore considerable countervailing seasonality, particularly with respect to females, which tends to lessen the amplitude of the aggregate fluctuations.

Over the years, there has been a significant change in the traditional patterns of high summer employment and extreme winter unemployment (Chart 10-2). This reflects partly the decline in the numbers employed in agriculture and fishing, and partly the reduced requirements for unskilled workers in peak seasons in the forestry and construction industries. Thus, on the employment front, the winter trough is not so severe; nor is the summer peak so extreme. On the labour supply side, however, this has been matched by more young people in school and anywhere from 50 to 80 thousand adult trainees, depending on the month, in Manpower training courses during the winter; they flow in increasing numbers into the labour force in the spring and early summer.<sup>3</sup> The result is that unemployment

- 1 Among the various western countries, the United States, Canada, Australia, Italy, Japan, and Sweden use sample surveys for measuring unemployment. Britain, France, and Germany continue to rely upon public employment office registrations, although even these countries are now generating some sample survey data. Regular surveys are generally considered to yield more reliable results, since they cover everyone in the working-age population, not just those who register with public employment agencies. See C. Sorrentino and J. Moy, "Unemployment in Nine Industrial Nations, 1973-1975," *Monthly Labor Review* (June 1975): 9-18.
- 2 Donald A. Dawson, Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, "Seasonal Patterns in the Canadian Labour Force," Economic Council of Canada Discussion Paper 38, 1975.
- 3 As indicated in Chart 5-1, a somewhat reverse seasonal pattern occurs among women aged 25 to 64; of the roughly 2 million employed, 100 thousand leave the labour force in summer.

Chart 10-2

## Index of Seasonal Unemployment, 1961 and 1974

Annual average = 100

160 —

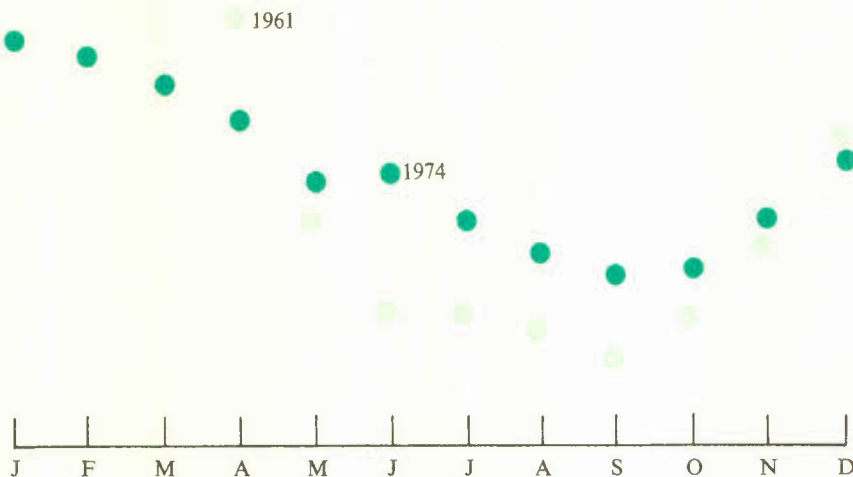
140 —

120 —

100 —

80 —

60 —



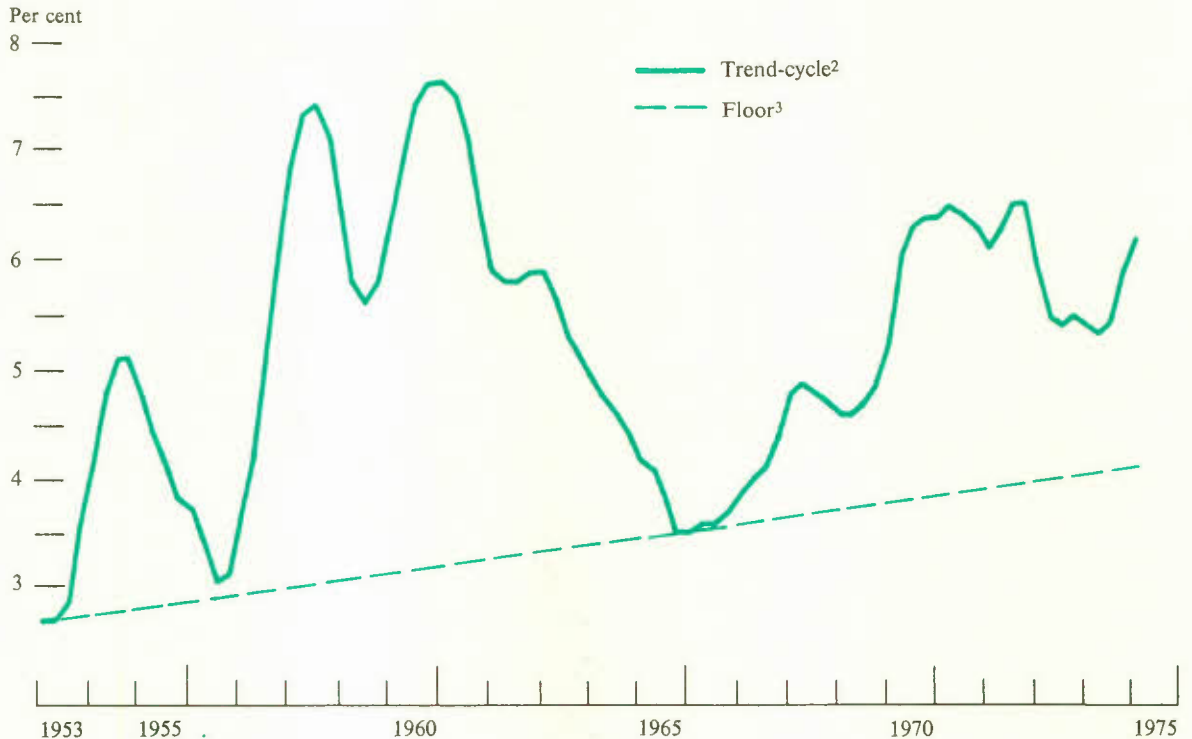
SOURCE Based on data from Statistics Canada.

rates are now somewhat higher in summer, offsetting the lower unemployment rates in winter.

Another possible explanation for the high unemployment rate in Canada is that the amount of structural and frictional unemployment has risen in recent years. Frictional unemployment is defined as short-duration unemployment arising from the movement into the labour force of new entrants or re-entrants and from the movement of workers from one job to another. Structural unemployment is of longer duration and arises from changes in the occupational character of demand for labour, leading to what we have described elsewhere as the problem of the mismatch of workers and jobs. The visual impression created by Chart 10-3, which shows the quarterly unemployment rate after seasonal and irregular variations have been removed, suggests the upward trend in the "floor" of the unemployment rate over time that might be explained by increased structural unemployment.

The simultaneous existence of unemployed workers and unfilled jobs arises when unemployed workers are unsuitable for the vacant jobs — because of lack of education, training, experience, or occupational background — or are unwilling

Chart 10-3

Quarterly Unemployment Rate, Trend-Cycle Series, 1953-75<sup>1</sup>

1 First quarter of 1975.

2 The trend-cycle series was determined by removing the seasonal and irregular components from the unemployment rate series.

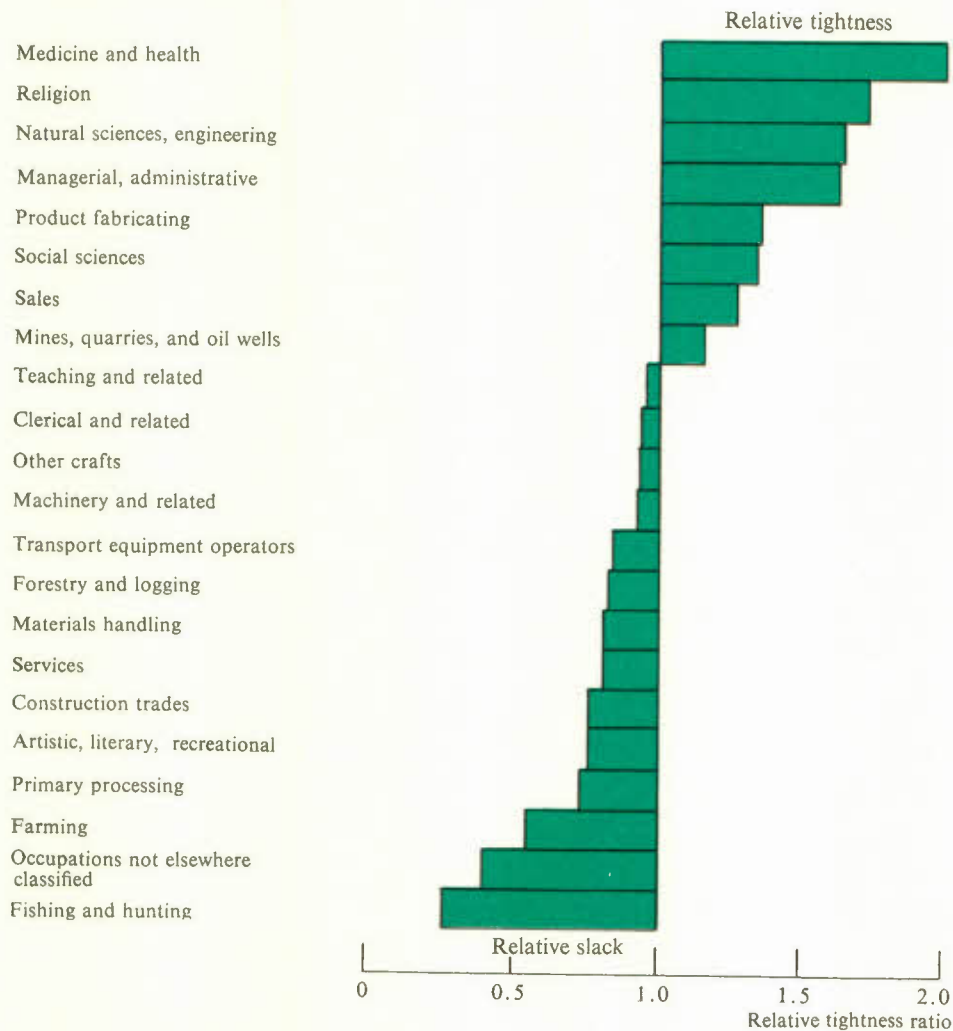
3 Estimate of the unemployment rate floor.

SOURCE Based on data from Statistics Canada, CANSIM databank, and estimates by the Economic Council of Canada.

to take them because of their location, arduousness, or wage levels. In the process some occupations experience "tightness" or relative shortages at the same time that others are experiencing relatively "slack" conditions. A simple example of this situation is shown in Chart 10-4. Of 22 major occupational groups reported in 1971, conditions for 14 were relatively slack, while those for 8 were relatively tight. While the reasons for the coexistence of slack and tight conditions among occupations may be worth explaining in themselves, as we implied in Chapter 6, an equally important question is whether these structural imbalances have worsened over time. In other words, has the mismatching problem become more acute?

Chart 10-4

Structural Unemployment in Major Occupational Groups,  
by Relative Tightness Ratio,<sup>1</sup> 1971



<sup>1</sup> The "relative tightness ratio" is defined as the vacancies for a particular occupation as a proportion of all vacancies, compared with the unemployed for the same profession as a proportion of all unemployed. If a group's vacancy/unemployment ratio is equal to the overall ratio, the index is 1. Groups whose index is greater than 1 are therefore "relatively" tight; groups whose index is less than 1 are "relatively" slack.

SOURCE N. Meltz. "Information Requirements for Government Programs Directed toward the Labour Market," a study prepared for the Economic Council of Canada, 1975.



Evidence on this question can be derived from examining the "dispersion" of unemployment. We know that in some sectors (age-sex groups, occupations, industries, or regions) their share of unemployment in relation to their share of the labour force is much higher than in others. This means that for such groupings the rate of unemployment is dispersed around the aggregate (or average) rate. Thus, if we examine the difference between each group's share of overall unemployment and its share of the labour force, we obtain an indication of the extent to which the relative incidence of unemployment is great or small for any group. And if we add up all these differences for the various groups, we get a measure of the overall disproportion of the incidence of unemployment – that is, a measure of the extent of "dispersion." If the unemployment shares of all groups are close to their labour force shares, the extent of dispersion is small. But if unemployment shares for some groups are disproportionately large and for others disproportionately small, then the extent of dispersion is large. An increase in dispersion is evidence of a worsening structural problem, since it indicates a growing imbalance among sectors of the labour market.

In Chart 10-5 we show the dispersion index by region, industry, occupation, and age-sex group. No clear trend for the 1953-74 period is discernible in the regional dimension but, for the age-sex breakdown, the trend is clearly upward; for occupation and industry over the 1961-74 period, it is downward. There are, however, considerable cyclical movements in the indexes from which we must abstract if we are to discern shifts in structural/frictional unemployment rather than changes resulting from aggregate demand factors. To eliminate purely cyclical effects, therefore, we examined the value of the index in years when there was low aggregate unemployment. Values of the dispersion index are shown for each of these years in Table 10-1.

Table 10-1

Unemployment Dispersion in Years of Low Unemployment, 1953-74

	Aggregate unemployment rate	Dispersion index			
		Region	Age- sex	Industry	Occupation
	(Per cent)				
1953	3.0	36	28	n.a.	n.a.
1956	3.4	39	29	n.a.	n.a.
1966	3.6	36	39	34	46
1969	4.7	37	39	31	44
1974	5.4	34	43	26	34 <sup>1</sup>

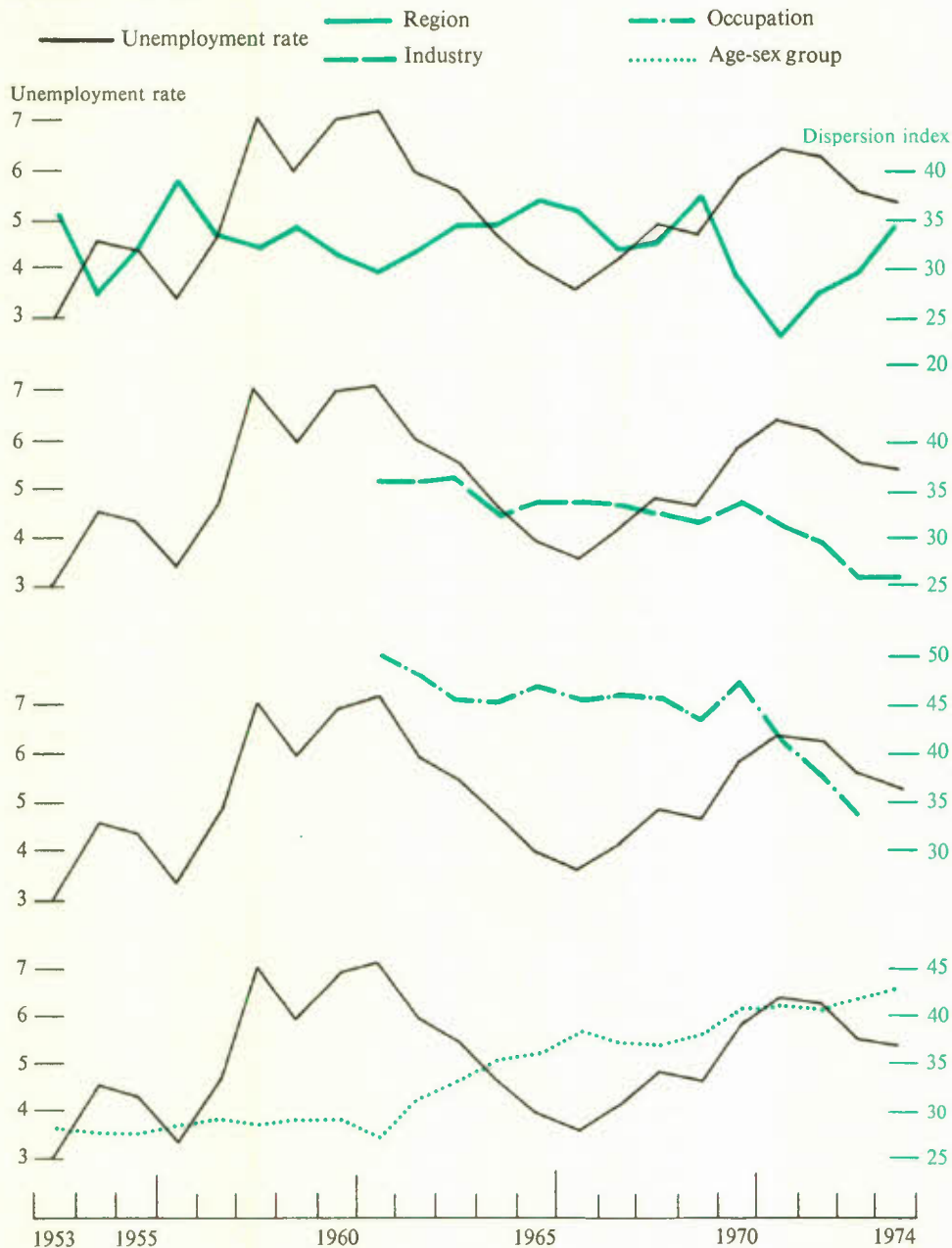
n.a. – not available.

<sup>1</sup> For 1973, since data for 1974 were unavailable.

SOURCE Based on data from Statistics Canada.

Chart 10-5

Index of Unemployment Dispersion,<sup>1</sup> by Region, Industry, Occupation, and Age-Sex Group, 1953-74



<sup>1</sup> The dispersion index is calculated by summing the absolute difference between the share of unemployment and the share of the labour force for each sector.

SOURCE Based on data from Statistics Canada.

The figures render clearly the message of Chart 10-5. While no absolute trend shows in the regional dispersion index, the results for the industry and occupation breakdowns are patently downward, while those for the age-sex classification are upward. Whatever the validity of the fears about the impact of technical change and automation in the early 1960s, a worsening of the unemployment pattern along occupational and industry lines in the more recent past is not apparent. The dispersion measures suggest that the worsening in structural/frictional unemployment patterns has resulted chiefly from changes on the supply side of the labour market, particularly in the age-sex composition. In other words, this unemployment was of demographic origin and has clear implications for manpower policy. It suggests that the answer to the rise in unemployment rates during periods of high aggregate demand may not be more occupational retraining and mobility grants but, rather, different initiatives aimed specifically at the options available to the young people and women flowing into and out of employment each year.

#### **Cyclical Phase, Idle Labour Capacity, and the Unemployment Rate**

The aggregate unemployment rate, strictly speaking, is simply a measure, expressed as a percentage of the labour force, of those persons of working age who were unemployed and looking for work in some reference week. Yet professionals and laymen alike have traditionally drawn inferences about a number of economic phenomena from the movement and level of the rate. For example, because increases in aggregate demand generally stimulate increases in the demand for labour, then, other things being equal, people expect employment to rise and unemployment to fall; the reverse is expected when aggregate demand declines. Such expectations are not, of course, always fulfilled. "Other things" do not remain "equal," and many factors may intervene to alter traditional relationships between the level of aggregate demand, output, employment, and unemployment. The same caveat applies to the supposed relationship between unemployment and the rate of inflation; whatever "trade-off" may have existed in the past is less and less apparent.

Associated with the question of cyclical phase is the concept of labour market "tightness." The unemployment rate has frequently been used as an indicator of the tightening or easing of the labour market. Other specific manifestations of labour market tightness are, as we have seen, the ratio of unemployed workers to vacant jobs in particular occupations and the rate of wage increases.

There are two difficulties with the use of the unemployment rate as a measure of overall tightness. One, of course, is that there is no single market for labour; therefore, certain submarkets (particular occupations or geographical locations, for example) may experience wage-increasing bottlenecks, while the overall message is still one of slack – as Chart 10-4 clearly illustrated. The second is related to the

reservoir of persons on the threshold of the labour market who may have skills or qualifications that are more attractive to employers than those who are unemployed.

In the literature of labour economics, one of the most firmly entrenched notions is that of the inverse cyclical relationship between the unemployment and job vacancy rates. Chart 10-6 indicates generally the relationship between the two rates. In years of buoyant economic activity, a high vacancy rate is paired with a low unemployment rate, as in 1956 and 1966, for example; in years of recession like 1958, 1960, and 1961, vacancy rates are low and unemployment rates are high.<sup>4</sup> What is disquieting, however, is that the relationship appears to break down after 1970. Why?

Several of the elements we examined are probably contributing to the altered situation. More of the labour force is composed of young people and women who are prone to job change and turnover, which in turn imply higher simultaneous unemployment and vacancy rates. Today, workers seem to exercise more discretion over the jobs they accept. Unemployment beneficiaries receive payments for longer periods than in the 1960s, and undoubtedly the fact that benefit rates are now two-thirds their previous wage discourages the acceptance of "just any other job." Employers, in turn, may be offering unrealistically low wages for their unfilled jobs. And, though there are more job vacancies, if corresponding numbers of new people enter the labour market, the unemployment rate may not fall and conceivably could rise (see Chapter 11).

Another important question relates to the timing of the cyclical fluctuations of the aggregate unemployment rate. It is informative, therefore, to see how the rate behaves vis-à-vis other indicators of economic activity.<sup>5</sup> For instance, does the Canadian unemployment rate, like its American counterpart, appear to lead at peaks and lag at troughs? The results of an investigation into this question are outlined in Chart 10-7.

The first observation to be made is that, with the exception of its 1961 trough and its 1969 peak, which coincide with those of the reference cycle, the unemployment rate appears to lead at peaks and lag at troughs throughout the period. This suggests that the unemployment rate is a less-than-perfect indicator of the phase of economic activity and that its widespread use, as such, in empirical investigation must be regarded with some caution. It also suggests that the notion of labour market "tightness" presented by the overall unemployment rate is incomplete and should be supplemented by other measures. The job vacancy series closely parallels

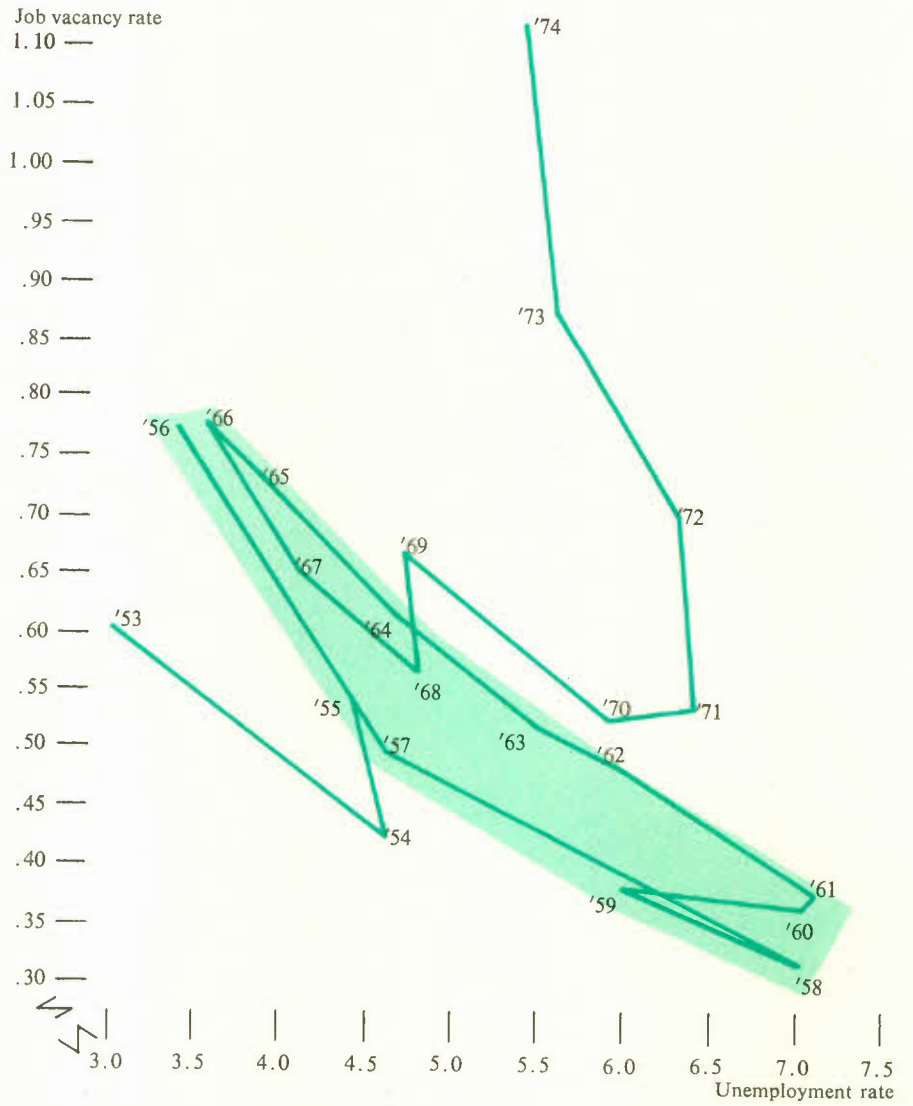
4 See, for example, C. Green and J.-M. Cousineau, *Unemployment in Canada: The Impact of Unemployment Insurance*, Economic Council of Canada (forthcoming); Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, "Patterns of Unemployment Behaviour in Canada," Economic Council of Canada Discussion Paper 36; and N. M. Meltz, "Information Requirements for Government Programs Directed toward the Labour Market," a paper prepared for the Economic Council of Canada, 1975.

5 See, for example, Geoffrey H. Moore and Julius Shiskin, *Indicators of Business Expansions and Contractions* (New York: National Bureau of Economic Research, 1967), Chapter 3.



Chart 10-6

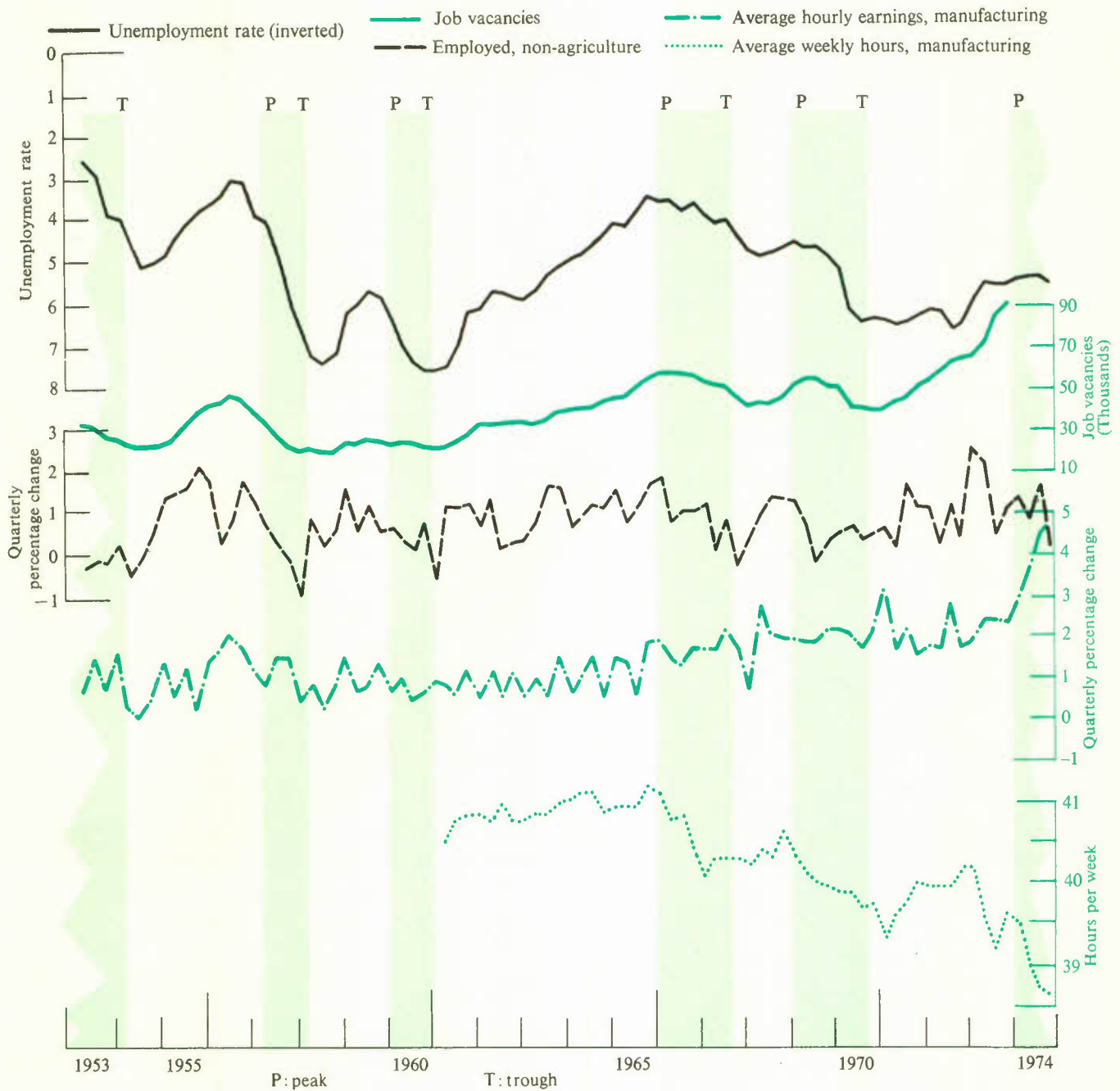
Relationship between Unemployment and Job Vacancies, 1953-74



SOURCE Based on data from Statistics Canada.

Chart 10-7

Cyclical Behaviour of Selected Labour Market Variables, 1953-74



SOURCE E. J. Chambers, "Canadian Business Cycles since 1919: A Progress Report," *Canadian Journal of Economics and Political Science* (May 1958); and estimates by the Economic Council of Canada.

the unemployment rate series and the turning points of the reference cycle – sometimes with a three-month lag.<sup>6</sup> The quarterly percentage changes in non-agricultural employment offer another measure of cyclical phase – one in which the turning points tend to lead those of the reference cycle.<sup>7</sup> A fourth measure – average weekly hours in manufacturing – provides no consistent pattern. Of the four, the non-agricultural employment measure is perhaps the most reliable, since it reflects the experience of most of the labour capacity.

Just as the relative imbalances of demand and supply in the goods market may be expected to determine how fast prices increase, so the amount of excess demand in the labour market ought to influence the rate of increase in wages.<sup>8</sup> Intuitively, therefore, wage movements would appear to be a good measurement of tightness, particularly at the level of individual markets.<sup>9</sup> There are, however, difficulties with this measure of phase, not the least of which are its omission of fringe benefits and the effects on it of the timing of rounds of collective bargaining. However, a number of wage measures were employed on an annual and a quarterly basis.<sup>10</sup> The results showed no systematic relationship between changes in wages and the timing of the peaks and troughs of the cycle. Chart 10-7 shows the changes in average hourly earnings in manufacturing in the 1953-73 period. On some occasions they lead, on others they lag, the reference-cycle turning points, with deviations that differ in length. While better data would no doubt permit a more judicious assessment of wage change as an economic indicator, it is interesting to note that in the United States, where some improved wage series have been developed, the National Bureau of Economic Research does not include a single wage rate variable in its basic menu of economic indicators.

A summary of the cyclical nature of the various labour market variables examined is provided in Table 10-2. The cyclical pattern of each variable is compared with the reference cycle by estimating its deviations, in numbers of quarters, from the reference-cycle turning points. Leads are shown as positive entries; lags, as negative.

The concepts of tightness or slackness in the use of labour and of cyclical phase are, of course, thorny in the extreme. However, they do serve to raise the important question of the appropriate measure for describing the state of the labour market. This in turn depends upon what purpose is being served. For example, if one were investigating whether inflationary pressures are generated when economic

6 But note our observations in Chapter 6 on whether the composition of reported job vacancies adequately reflects longer-run occupational demand.

7 The cyclical behaviour of the employment rate for males aged 25 to 44 was also examined but showed no significant differences in cyclical nature from the non-agricultural employment series.

8 This, in simple terms, is the basis of the so-called trade-off or Phillips relation.

9 Keith Newton, Alister Smith, and Lillian Buchanan, "Canadian Labour Market Data: Sources and Characteristics," Economic Council of Canada Discussion Paper 42, 1975.

10 Including the Statistics Canada series of average weekly earnings and average hourly earnings, respectively, and Labour Canada's index of average wage rates.

Table 10-2

Leads(+) and Lags(-) in Selected Labour Market Variables, Quarterly Turning Points, 1954-70

	Trough 1954-II	Peak 1957-II	Trough 1958-II	Peak 1960-I	Trough 1961-I	Peak 1966-I	Trough 1967-IV	Peak 1969-I	Trough 1970-IV
Unemployment rate	-1	+3	-1	+2	0	+1	-2	0	-2
Job vacancies	-1	+3	-1	0	+1	0	-1	-1	0
Employed, non-agriculture	0	+2	+1	+4	0	0	0	+2	+5
Average hourly earnings in manufacturing	-1	+3	-1	+4	-2	0	-1	+3	+1
Average weekly hours of work in manufacturing	n.a.	n.a.	n.a.	n.a.	n.a.	+1	+3	+1	-1

n.a. - not available.

SOURCE Based on data from Statistics Canada and Labour Canada.

conditions tighten, one might want to examine the unemployment rates for the Ontario region, which are considerably below those for the economy as a whole and fluctuate over a narrower band.

Chart 10-8 shows a variety of alternative unemployment rates, based on several different premises. Some observers contend that certain structural changes in the nature and the composition of the labour market - for example, the importance of part-time work and the number of secondary breadwinners - have altered the message of the overall rate. The result, it is argued, has been a certain amount of "soft" unemployment, accounted for by people who would "like" a job but tend to be highly selective because they are supported by another income source.<sup>11</sup> It is apparent from the chart that the effect of excluding part-time job-seekers from the calculation of the unemployment rate is to reduce the rate by 0.2 to 0.3 percentage point. The exclusion of teenagers and old people, whose attachment to the labour force is often somewhat ephemeral, also reduces the unemployment rate - by between 0.6 and 0.8 percentage point.

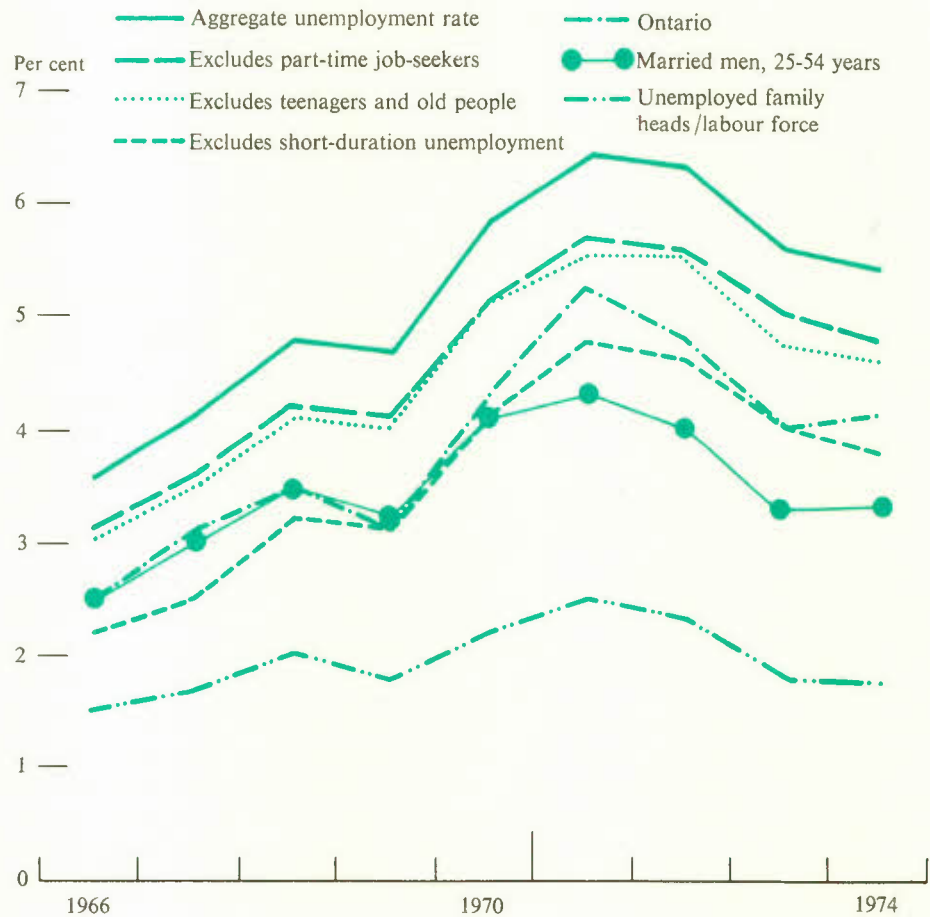
We have emphasized the duration of unemployment as a factor of considerable importance to the unemployment rate. It may be argued, for example, that short-term unemployment (up to thirty days) is, in a sense, simply a manifestation of the efficient functioning of the allocative mechanism of the labour market - the healthy concomitant of the process of economic growth and change. Such short-term unemployment includes persons in the process of making a relatively untroubled transition from their old job to a better one, for example. In Canada, for definitional reasons, it would also include persons temporarily laid off, who might, in one sense, be regarded as having a job.

11 D. Rumball, "Unemployment and Inflation: Traditional Policies Don't Work," *Financial Post*, Special Report on Canada, April 21, 1973.



Chart 10-8

Some Alternative Unemployment Rate Measures, 1966-74



SOURCE Based on data from Statistics Canada.

On such grounds, a case could be made for separating short- and long-duration unemployment. Indeed, a recent British monograph has suggested that unemployment should be redefined to exclude the portion of short duration.<sup>12</sup> This redefinition would have quite a marked effect. For example, in Chart 10-8 when short-duration unemployment is excluded, the aggregate rate for most years is reduced by 1.5 percentage points or more.

12 J. B. Wood, *How Much Unemployment?* (London: Institute of Economic Affairs, 1972).

Some additional alternative unemployment rates are depicted in Chart 10-8. The rate for married males aged 25 to 54 is rather stable in relation to the overall rate, but considerably lower. Finally, since it is frequently asserted that the family is the appropriate unit for many aspects of labour market investigation, we have shown the percentage of the labour force who are unemployed family heads. Their numbers turn out to be very small indeed, ranging from a low of 1.5 per cent to a high of 2.5 per cent. The interesting point that emerges from these comparisons relates to the magnitude of the adjusted rates vis-à-vis the overall unemployment rate rather than to the cyclicity of the rates, since all appear to reflect the variations in overall conditions rather closely.

The concepts of ease or tightness of the labour market, cyclicity, and the utilization of labour capacity are, of course, inextricably related. But the traditional measure of unemployment fails to take account of those persons who, though working, are not utilizing their full potential. The "time-lost ratio" reported below specifically incorporates the "hours" dimension of unemployment by taking account of persons involuntarily working part-time<sup>13</sup> – because of a cutback in production, for example, or because of their inability to get a full-time job as a result of recessionary labour market conditions. Basically, the measure is simply the number of man-hours lost to the economy, divided by the number of man-hours lost plus the number of man-hours worked.<sup>14</sup>

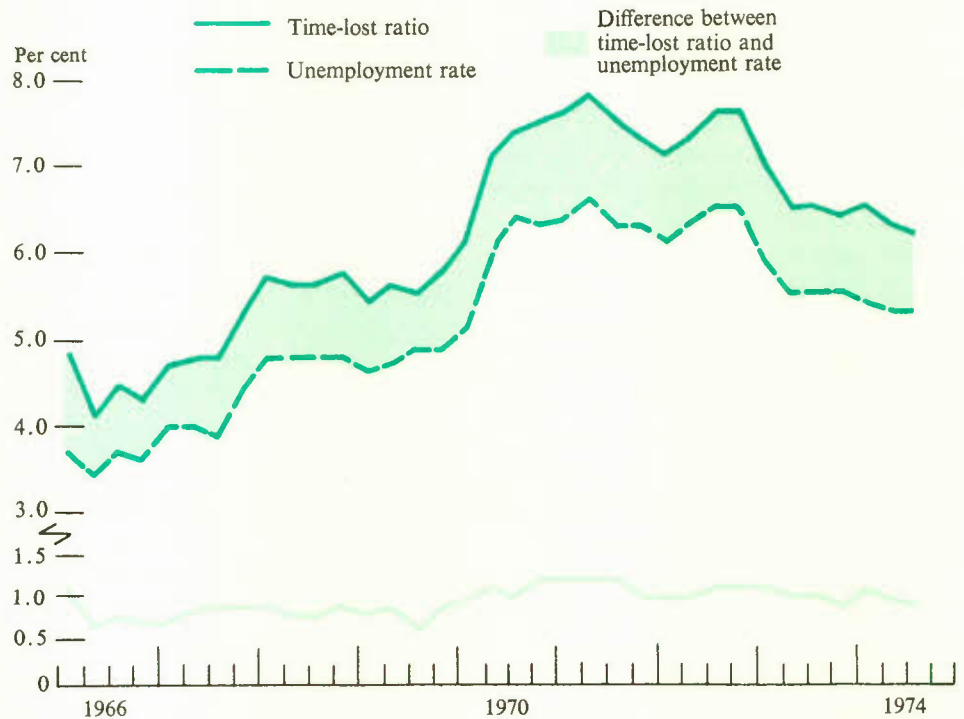
The time-lost ratio and the unemployment rate are plotted in Chart 10-9, which shows that, while the former moves in very close conjunction with the latter, it is typically about one percentage point higher. To this extent it offers no improvement over the unemployment rate as a cyclical indicator; moreover, additional calculations and more careful interpretation are required. What it does provide, however, is a more comprehensive measure of labour utilization, since it includes not only the unemployed but also part-time workers who desire full-time jobs but cannot find them. Moreover, by taking account of the hours dimension, the ratio also adds greater precision to the measurement of employment. In this sense it provides a useful – though specialized – supplement to the traditional unemployment statistics.

13 This is sometimes referred to as "visible" underemployment. We do not attempt to measure the degree to which persons are prevented from fully utilizing their full range of skills and experience on particular jobs, for example, or the hours lost because of malingering.

14 It is, therefore, completely analogous to the unemployment rate, which is the number of unemployed divided by the total number of unemployed and employed. In calculating man-hours lost to the economy, it is assumed that unemployed persons seeking full-time work would have worked the average weekly hours of the Labour Force Survey's reference week, while unemployed people seeking part-time jobs would have worked twenty hours per week. To these figures are added twenty hours for each person holding a job but working only part-time because of economic conditions. These assumptions are consistent with variant III of the measure calculated in E. Wong, "The Time Lost Index: A Technical Note," in Statistics Canada, *Notes on Labour Statistics*, 1972, Cat. No. 72-207.

Chart 10-9

Time-Lost Ratio, 1966-74



SOURCE Based on data from Statistics Canada.

**“Hardship” and the Unemployment Rate**

Many observers of the labour market use the unemployment rate as a measure of personal and financial hardship. However, the labour market has undergone – and is still undergoing – fundamental changes that have altered markedly the severity of the privations associated with the status “unemployed.” These include, of course, the extension and liberalization of the unemployment insurance system and the growing significance of multi-earner families.

To the extent that the unemployment statistics may reveal something about financial “hardship,” it can be argued that it is long-term – or “hard-core” – unemployment that is of interest because of its serious economic and social implications. Table 10-3 breaks down the aggregate rate into separate long-term (defined as four months or more) unemployment rates for particular age-sex groups in the labour force.

An additional measure of some interest is the index of unemployment severity.<sup>15</sup> This index takes explicit account of the fact that, although the official unemployment rate treats the short- and the long-term unemployed with equal weight, the "seriousness" of unemployment to the individual may well increase with duration. It is formed quite simply by taking the product of the unemployment rate and average duration of unemployment. Estimates of the index for a number of age-sex groups for the 1966-73 period are set out in Table 10-4. From these statistics it may be seen that, according to the Labour Force Survey, the duration of unemployment is shorter for women than for men, in most age groups.<sup>16</sup> Also, the average duration of unemployment is shortest for young people aged 14 to 24 and longest for the oldest age group – the reverse of the incidence of unemployment among these two groups, which is traditionally highest for the young and lowest for the old. In this light, the usefulness of the severity index, which takes account of both the unemployment rate and the duration of unemployment, is apparent.

Table 10-3

Long-Term Unemployment<sup>1</sup> Rate, Selected Age-Sex Groups, 1966-74

	Age-sex group								
	14-24 years			25-44 years			45 years and over		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
	(Per cent)								
1966	1.3	0.8	1.1	0.6	0.5	0.6	1.3	→	1.1
1967	1.5	0.9	1.3	0.8	0.4	0.7	1.4	→	1.1
1968	2.3	1.3	1.9	1.2	0.5	1.0	1.7	0.7	1.4
1969	2.5	1.3	2.0	1.1	0.8	1.0	1.9	0.8	1.6
1970	3.6	1.9	2.8	1.7	1.0	1.5	2.3	1.1	1.9
1971	4.8	2.9	4.0	2.1	1.5	1.9	2.7	1.3	2.3
1972	4.2	2.5	3.5	2.0	1.6	1.9	2.4	1.3	2.1
1973	3.4	2.4	2.9	1.7	1.5	1.6	1.9	→	1.8
1974	3.2	2.1	2.7	1.4	1.2	1.3	1.8	→	1.6

1 Unemployed for four months or more.

2 Based on samples too small to be reliable.

SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

15 Geoffrey Moore, *How Full Is Full Employment?* (Washington: American Enterprise Institute for Public Policy Research, 1973), Chapter 3.

16 This stands in contrast to their record according to the Unemployment Insurance Commission. Traditionally, women remain on unemployment insurance benefits longer than men. There are a number of explanations that account, at least partially, for the differences. One springs from the nature of the Labour Force Survey question itself, which requires the person categorized as unemployed to have actively searched for work during the survey week. Thus a woman receiving benefits during maternity and sickness would be listed as outside the labour force in the Labour Force Survey.



Table 10-4

Index of Unemployment Severity,<sup>1</sup> Selected Age-Sex Groups, 1966-73

	All Ages			14-24 years			25-44 years			45 years and over		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
<b>Unemployment rate</b>												
1966	3.6	4.0	2.6	6.0	7.1	4.3	2.6	2.9	1.9	3.1	3.7	1.6
1967	4.1	4.6	3.0	6.8	8.1	5.1	3.1	3.6	2.0	3.3	3.9	1.8
1968	4.8	5.5	3.4	8.2	9.7	6.0	3.7	4.2	2.3	3.7	4.4	2.0
1969	4.7	5.2	3.6	7.9	9.4	5.9	3.5	3.8	2.5	3.7	4.2	2.3
1970	5.9	6.6	4.5	10.4	12.4	7.7	4.4	5.0	3.1	4.3	4.9	2.6
1971	6.4	7.0	5.1	11.4	13.3	8.8	4.7	5.2	3.6	4.6	5.3	2.9
1972	6.3	6.8	5.3	11.1	13.0	8.6	4.8	5.0	4.1	4.3	4.8	3.1
1973	5.6	5.9	5.1	10.0	11.2	8.2	4.1	4.2	3.9	3.8	4.1	2.8
<b>Average duration of unemployment<sup>2</sup></b>												
1966	10.34	10.52	9.66	9.21	9.28	9.00	9.97	9.89	10.23	12.34	12.55	10.90
1967	10.33	10.54	9.56	9.17	9.20	9.13	10.14	10.22	9.76	12.42	12.66	10.91
1968	11.35	11.60	10.44	10.31	10.46	10.00	11.26	11.44	10.18	13.21	13.30	12.32
1969	11.76	12.07	10.80	10.55	10.94	9.78	11.69	11.53	11.81	14.07	14.81	12.86
1970	12.26	12.53	11.38	11.15	11.45	10.42	12.32	12.34	12.08	14.42	14.50	14.00
1971	13.64	13.85	13.05	12.73	12.91	12.38	13.78	13.78	13.52	15.33	15.59	14.12
1972	13.19	13.45	12.51	12.01	12.18	11.62	13.54	13.61	13.39	15.33	15.74	13.89
1973	12.74	12.91	12.39	11.58	11.69	11.37	13.18	13.16	13.27	14.85	15.01	14.25
<b>Index of severity<sup>3</sup></b>												
1966	0.37	0.42	0.25	0.54	0.66	0.39	0.26	0.29	0.19	0.38	0.46	0.17
1967	0.42	0.48	0.29	0.62	0.74	0.47	0.31	0.37	0.20	0.41	0.49	0.20
1968	0.54	0.64	0.36	0.85	1.01	0.60	0.42	0.48	0.23	0.49	0.59	0.25
1969	0.55	0.63	0.39	0.83	1.03	0.58	0.41	0.44	0.30	0.52	0.60	0.30
1970	0.72	0.83	0.51	1.16	1.42	0.80	0.54	0.62	0.37	0.62	0.71	0.36
1971	0.87	0.97	0.67	1.45	1.72	1.09	0.65	0.72	0.49	0.71	0.83	0.41
1972	0.83	0.91	0.66	1.33	1.58	1.00	0.65	0.68	0.55	0.66	0.76	0.43
1973	0.71	0.76	0.63	1.16	1.31	0.93	0.54	0.55	0.52	0.56	0.62	0.40

1 Unemployment rate multiplied by average duration of unemployment.

2 Average number of weeks per unemployed person.

3 Average number of weeks per person in labour force.

SOURCE Based on data from Statistics Canada.

Hardship is also measured by data on unemployment within family units. Tables 10-5 and 10-6 suggest a considerable qualitative difference between unemployment today and a dozen years ago. For example, the percentage of the unemployed who are heads of families has dropped substantially, as has the percentage of those family units in which everyone is unemployed. And, today, in two-thirds of the families in which someone is unemployed, someone else in the family is working.

Table 10-5

Unemployment in Family Units, by Position in Family, Selected Annual Averages,<sup>1</sup> 1961-74

	Family unit			Total	Unattached individuals	Total unemployed
	Head	Single sons or daughters	Other members			
	(Per cent)					
1961	46	34	11	91	9	100
1966	41	37	14	92	8	100
1971	37	37	16	90	10	100
1974	33	38	17	88	12	100

<sup>1</sup> Prior to 1973, annual averages were calculated using data for January, April, July, and October.

SOURCE Based on data from Statistics Canada.

Table 10-6

Unemployment in Family Units, by Number Employed in Family, Selected Annual Averages,<sup>1</sup> 1961-74

	Total	All members unemployed	Some member(s) employed	Number employed in family		
				One	Two	Three or more
	(Per cent)					
1961	100	45	55	33	15	7
1966	100	38	62	36	17	8
1971	100	36	64	39	16	8
1974	100	33	67	41	17	9

<sup>1</sup> Prior to 1973, annual averages were calculated using data for January, April, July, and October.

SOURCE Based on data from Statistics Canada.

Unemployment is, of course, only one of the causes of hardship in the labour market. Conditions of work, as we saw in Chapter 8, may well give rise to "psychic hardship," and many who have full-time jobs may well be experiencing financial hardship – the so-called working poor. It is perhaps worth noting in this connection that pressure for more "meaningful" earnings and labour market

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data in the United States moved the U.S. Congress to legislate recently that "the Secretary [of Labor] shall develop preliminary data for an annual statistical measure of labor market related economic hardship in the nation. Among the factors to be considered in developing such a measure are unemployment, labor force participation, involuntary part-time employment, and full-time employment at less than poverty wages."

The move for such a measure in the United States was undoubtedly inspired by the work of Sar A. Levitan, whose name is associated with numerous research studies in this field. His specific suggestion was for an "employment and earnings inadequacy index" that would encompass labour market problems such as unemployment, discouragement from participation, involuntary part-time employment, and earnings inadequacy.<sup>17</sup> Basically, such an index takes account of the fact that unemployment is only one of the ills associated with labour market imbalance and that it may not imply real hardship if the individual and his family have other income sources. Hence, in addition to a count of the unemployed, the measure would include persons who worked but whose income fell short of the amount required for adequate family maintenance. By the same token, it would exclude those persons who, though unemployed, nevertheless enjoyed an adequate family income. In Canada, a good deal of information of this kind is available from the Consumer Finance Survey. However, the data from that Survey are not sufficiently integrated into other labour market information or frequent enough to permit the calculation of an index comparable to the proposed U.S. measure (see Appendix H).

### Conclusion

Basic changes in the labour market have rendered the message of the unemployment rate today rather different from that of a decade ago. From our examination of it and other measurements, we believe that the aggregate rate alone is an incomplete indicator of idle labour capacity, cyclical phase, or economic hardship. Supplementary information is required for a balanced interpretation of the meaning of this statistical measure. The aggregate unemployment rate, in short, should be augmented by a number of other measures in order to achieve a balanced interpretation for purposes of government policy-making.

Clearly, supplementary measures are required to convey information about hardship in the labour market. A variety of government programs have helped to reduce the poverty associated with joblessness. Moreover, the increasing participation of secondary workers in the recent past makes the unemployment

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<sup>17</sup> See, for example, S. A. Levitan and R. Taggart, "Employment and Earnings Inadequacy: A Measure of Worker Welfare," *Monthly Labour Review* (October 1973): 19-27.

of family heads a more meaningful measure than the conventional one in which primary breadwinners and supplementary earners seeking part-time work are weighted equally. Further, it is important to recognize that the state of joblessness does not affect all unemployed workers equally – the economic and psychic costs of unemployment for a person who has been laid off and has experienced a frustrating job search through many months are different from those of the worker who quits his job and undertakes a shorter but successful search for a better one. The element of duration, in other words, is very important. Finally, it should be recognized that hardship in the labour market results not only from unemployment (indeed, some of the unemployed are members of families with higher-than-average income), but also from low wages.

The evidence of the unemployment/vacancies relationship, particularly in the last four years, suggests that somewhat greater amounts of unemployment are caused by factors other than deficient aggregate demand. And, while the minimum attainable rate of unemployment consistent with high demand seems to be increasing, the nature of the disequilibrium seems to be changing. The traditional dimensions of structural/frictional mismatching of workers and jobs along occupational, industrial, or geographic lines are undoubtedly still important. However, there are other characteristics of workers and jobs that must be reconciled if matching is to take place. For example, we have observed a host of psychic considerations apart from wages that affect workers' decisions to take or reject particular jobs.

Viewed in this light, the changing demographic composition of the work force, described in earlier chapters, offers some clues about the nature and seriousness of unemployment in relation to other economic and social concerns. The work attitudes, wage aspirations, and participation patterns of the most rapidly expanding age-sex groups in the labour force differ sufficiently from those of prime-age males to produce labour market friction. The broad changes in manpower, education, and social security legislation undoubtedly are also contributing to the situation. A key issue for the years ahead will be how long these largely demographically induced labour market developments will persist.

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Our examination of labour markets from the different perspectives set out in the preceding chapters has given us insight into the causes and effects of changes in unemployment rates. We are now also aware of the massive gross flows that lie behind the net changes that we typically observe. In addition, we have noted the influence of wages, social and manpower programs, attitudes towards work and jobs, and education on employment patterns and considered the problem of giving a balanced interpretation of unemployment data. But, in examining each of these aspects separately, we may have missed some important economywide interrelationships. The purpose of this chapter is to examine how the general level of economic activity affects the propensity of certain groups to work.

Employment opportunities and the inclination of persons to participate in the labour force are both directly affected by the level of economic activity. But amid the flows and the motivations that shape people's responses to jobs it is often unclear what determines the timing of their decisions to enter, withdraw from, or stay in, the labour force, and therefore it is difficult to predict commensurate changes in the unemployment rate. We need an overall framework with which to examine the concurrent influences.

The CANDIDE econometric model of the Canadian economy provides such an overall framework.<sup>1</sup> It takes into account the effects of the multitude of changes in final demand on industry output and then traces these through to determine labour requirements, which in the aggregate comprise total employment in the economy. It is also possible to extend the general model to accommodate separate estimates of total labour requirements for age-sex groupings, although under rather rigid

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1 For a discussion of the model, see Economic Council of Canada, *CANDIDE Model 1.1*, ed. Ronald G. Bodkin and Stephen M. Tanny, CANDIDE Paper 18, vol. 1 (Ottawa: Information Canada, 1975). For modifications and additional detail of the applications described in this chapter, see K. Newton, T. Siedule, and N. Skoulas, "Analysis of Longer-Term Changes in the Labour Force in a Modified CANDIDE Framework," a study prepared for the Economic Council of Canada, 1974.

assumptions of a continuation of past occupational preferences in each industry. In addition, the model can be used to estimate the effects of changes in economic activity, employment opportunities, social programs, and other factors on participation rates. Thus we can derive estimates of the labour supply in response to the requirements – that is, the number of workers in each of the ten age-sex groups who would be in the labour force under particular economic conditions. We use this analytical framework to assess the impact of general economic changes on labour markets, first in a retrospective, and then in a prospective, manner.

### **Economic Activity and the Growth of Employment**

The rate of growth of the Canadian economy varies, with surges of activity usually being associated with additional investments or exports, and lulls with insufficient demand stemming from either domestic or international weakness. The annual increases in employment associated with the fluctuations in Canada's economic activity can be seen from Chart 11-1. While they bear a general relationship to the rate of growth of the economy, they also show a cyclical pattern, which is reflected in productivity figures. In the early stages of a period of strong growth of the economy, enterprises initially accelerate output through the use of idle capacity, and only slowly increase their hirings. As a result of this pattern, increases in labour productivity are usually quite large in the early stages of a cyclical upturn. In later stages, employment increases may approach the increases in output, and productivity growth slows down. In fact, at the end of a period of rapid growth, there may be, as occurred in 1967 and 1974, no increase in output per person employed, with the real growth in the economy being mainly generated by the expansion in the labour force. These swings may be moderated somewhat by offsetting changes in the average number of hours worked.

In reality, of course, the impact of changes in economic activity on the composition of the additional employment is fashioned by the pattern of changes in both domestic and foreign demand played out at the level of industries and enterprises, and regions, cities, and towns. The actual number of additional jobs created each year may depend largely on how much idle capacity exists within each sector of the economy. For example, following a relatively slack period, a surge in export demand for potash may be met with little additional employment, perhaps limited to one province, whereas increased demand for housing may have marked effects on employment throughout the country.

The effect of changes in employment was discussed in Chapter 6 (see Chart 6-1 and Table A-7). Accompanying these changes has been a marked shift in the locus of economic activity. The decline in agricultural employment and the slow growth in the other primary industries have meant that more and more of the jobs are in urban centres. Today roughly three-quarters of the Canadian population live in urban centres of 2,500 or more people.

Chart 11-1

Increase in GNP and Employment, 1961-74



SOURCE Based on data from Statistics Canada.

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## Rewriting History

In developing econometric models that integrate economic processes, statistical information from the past is used as a basis for projections about the future. Since this procedure involves the mathematical simulation of complex causes and effects, it is important to test the model to see if the outcomes coincide reasonably well with what actually transpired. If the results seem reasonable it is then perhaps safe to apply the model to future issues.

But, in looking backwards, if one has confidence in the model, it is tempting to ask questions of history, such as what would have been necessary to keep unemployment rates below a stipulated level and what might have been the repercussions? Or, alternatively, what might have happened to the labour market had the federal government adopted a more expansionary fiscal policy, and how much additional employment would this have meant for the men and women in the separate age categories?

In yielding to these temptations we chose between two approaches: the first was to assume a quite different economic scenario for the 1961-73 period, taking into consideration all the ramifications this might have had politically, socially, and culturally; the second was to stick narrowly to the task and see how certain fiscal stimuli would likely have been spread by normal market forces through the economy to affect employment and unemployment rates among specific groups. We chose the latter, partly because we preferred realistic insights into specific labour market issues to the less reliable consequences of sweeping "what might have beens," and partly because of the strictly economic and somewhat mechanical capabilities of the CANDIDE model.

During the 1961-73 period, Canada experienced several years of rather high unemployment rates. To probe a possible alternative, we simulated for this same period a hypothetical economy in which we artificially increased government expenditures to reduce unemployment. These extra government expenditures on machinery, equipment, and construction, and on other goods and services and transfer payments, were distributed in a neutral fashion – that is, in proportion to actual annual expenditures, with the amount of fiscal stimulus varying each year so as to reduce aggregate unemployment more when the rate was higher. Within the mathematics of the model this stimulus was generated simply as an increase in the deficit (or a reduction in the surplus) on government account that varied between 0.4 and 1.7 billion dollars. We intentionally assumed amounts of fiscal stimulus that would yield marked effects on labour market variables.

In Table 11-1, we compare the hypothetical results with the actual performance of the economy for the years from 1962 to 1973. The additional demand – assuming no offsetting actions – increases the gross national product in real terms; but it also raises the rate of price increases throughout the period. With the simulated

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Table 11-1

Comparison of Actual Performance of the Economy with Hypothetical Results of CANDIDE Simulations, 1962-73

	Unemployment rate		Change in combined government fiscal position	Hypothetical versus actual			Increase over actual GNP <sup>1</sup> (\$1961)	Increase in GNE price deflator	
	Actual	Hypothetical		Labour force	Employment	Unemployment		Actual	Hypothetical
	(Per cent)		(Millions of current dollars)	(Difference in thousands)			(Per cent)		
1962	5.9	2.1	-430	-12	240	-252	5.1	1.4	5.3
1963	5.5	3.5	-635	39	177	-138	3.1	1.9	4.3
1964	4.7	3.1	-589	45	156	-111	3.7	2.5	3.3
1965	3.9	2.4	-636	42	144	-103	3.1	3.2	4.6
1966	3.6	2.3	-700	47	147	-100	2.8	4.4	5.9
1967	4.1	1.9	-765	40	207	-166	4.0	3.9	5.2
1968	4.8	2.1	-812	46	263	-217	4.5	3.3	6.4
1969	4.7	1.8	-955	66	298	-232	4.5	4.5	7.3
1970	5.9	2.8	-1,300	83	341	-259	5.1	4.5	6.6
1971	6.4	3.4	-1,698	103	364	-261	4.7	3.1	5.8
1972	6.3	4.2	-1,592	135	316	-182	2.6	4.8	7.5
1973	5.6	2.2	-628	107	422	-316	4.8	7.6	8.8

1 For example, gross national product increased in 1973 by 4.8 per cent, from an actual level of \$76.3 billion (in 1961 dollars) to \$80 billion.  
 SOURCE Based on data from Statistics Canada and estimates by the Economic Council of Canada.

stimulus, employment is raised throughout the period, and there is also a general increase in the size of the labour force.<sup>2</sup> Unemployment is substantially reduced.

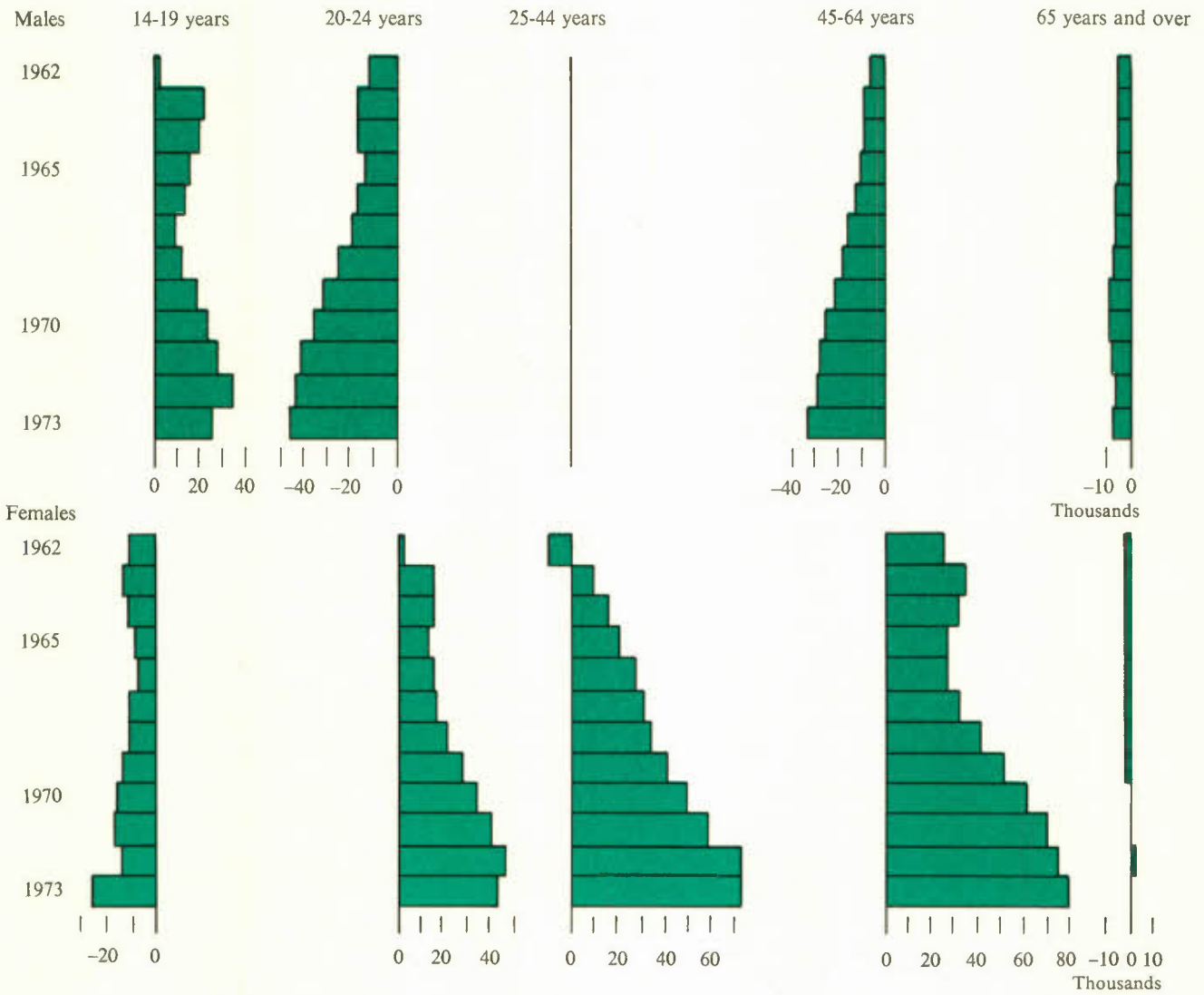
However, because a fiscal stimulus also prompts persons on the threshold of the labour market to seek jobs or encourages those who might otherwise withdraw to stay on in the work force, unemployment is reduced by less than the number of new jobs created. Moreover, the impact of a fiscal stimulus varies from group to group, depending on their propensities to work and the numbers who traditionally move in and out of jobs.

Complex and interrelated factors affect the participation decisions of different groups of people. It is apparent that individuals react differently to labour market changes and that inflows into the market by one group may be offset by the withdrawals of another. Chart 11-2 reveals that several of the age-sex groups have a tendency to withdraw from the labour force as conditions improve – as shown by the negative entries in the chart. These include females under 20, males 20 to 24, and males over 45. Four other groups – males 14 to 19 and females

2 A word of caution is required in interpreting the increases in employment. In fact, we only estimate employment requirements. In other words, the assumption is that labour is available and would have filled the jobs created by the demand stimulus.

Chart 11-2

Changes from Actual Participation in Labour Force Associated with Simulated Fiscal Stimulus, by Age-Sex Group, 1962-73



SOURCE Estimates by the Economic Council of Canada.

20 to 24, 25 to 44, and 45 to 64 – tend to enter the labour force when jobs appear more plentiful.<sup>3</sup>

It is interesting to speculate about some possible explanations for the labour force behaviour of the four groups of entrants. Expansionary economic conditions might induce teenage males to enter the labour market early rather than extend their education or to take advantage of a tight labour market to finance further studies at a later stage. Some of them may in fact continue their studies while they participate in the labour force on a part-time basis. Females between the ages of 20 and 64 seem to be encouraged to join the labour force when economic conditions improve – a reflection no doubt of the generally increasing role of women in the labour market. In the 20-24 age group, buoyant employment opportunities may induce women to delay marriage and/or family formation in order to pursue a career; in the 25-44 and 45-64 age groups, a propitious economic climate meshes well with the increasing tendency of women to work both in and outside the home – a tendency strengthened, in the case of older women, by the diminution of domestic responsibilities as children reach their teens.

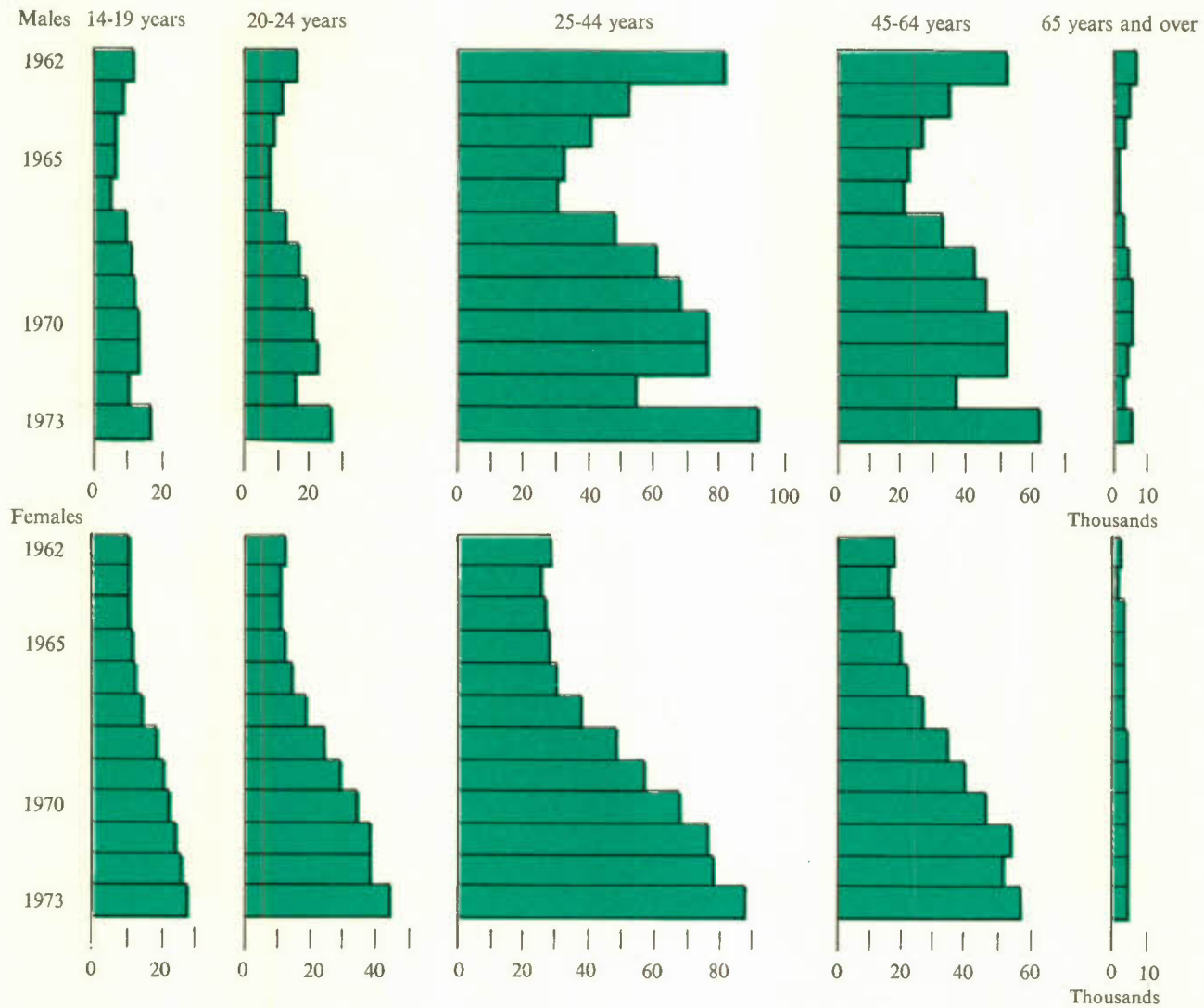
But individuals may not react the same way to similar economic conditions at different times. For example, there is evidence that some groups – males aged 14 to 19 and females 20 to 24 – in the face of improved employment opportunities, may first of all withdraw from the labour force (perhaps because augmented family income permits them to quit) and re-enter when continuing buoyant conditions prove too tempting to resist.

Taking into account these various offsetting influences, the overall net effect of the hypothetical stimulus is sufficient to increase the labour force by between 39 and 135 thousand persons for most of the period. Concurrent with these effects, the fiscal stimulus raises employment throughout the period, with increases ranging from 144 to 422 thousand (see Table 11-1). The distribution of employment among the various age-sex groups is shown in Chart 11-3. Because the stimulus took the form of broadly based additions to government expenditure, the increases in labour requirements for industry groups such as public

3 There have been many studies of the effects of changes in economic activity on participation rates of different groups. See, for example, Pierre-Paul Proulx, "La variabilité cyclique des taux de participation à la main-d'œuvre au Canada," *Canadian Journal of Economics* (May 1969): 268-77; L. H. Officer and P. R. Andersen, "Labour Force Participation in Canada," *ibid.* (May 1969): 278-89; R. Swidinsky, "A Note on Labour Force Participation in Canada," *ibid.* (February 1970): 146-51; and Neil Swan, "The Response of Labour Supply to Demand in Canadian Regions," *ibid.* (August 1974): 418-33. See also N. Skoulas, *Determinants of the Participation Rate of Married Women in the Canadian Labour Force: An Econometric Analysis* (Ottawa: Information Canada, 1974). A comparison of our results with those of Proulx and Swan indicates general agreement with the direction of the effects, except for females aged 45 to 64. The measurement periods and the variables used, however, differ among the various studies. For example, the variable that we used to capture the net cyclical effects of economic conditions on participation rates was the ratio of employment to the labour force of men aged 25 to 44, while Proulx and Swan used the aggregate unemployment rate.

Chart 11-3

Changes from Actual Employment Associated with Simulated Fiscal Stimulus, by Age-Sex Group, 1962-73

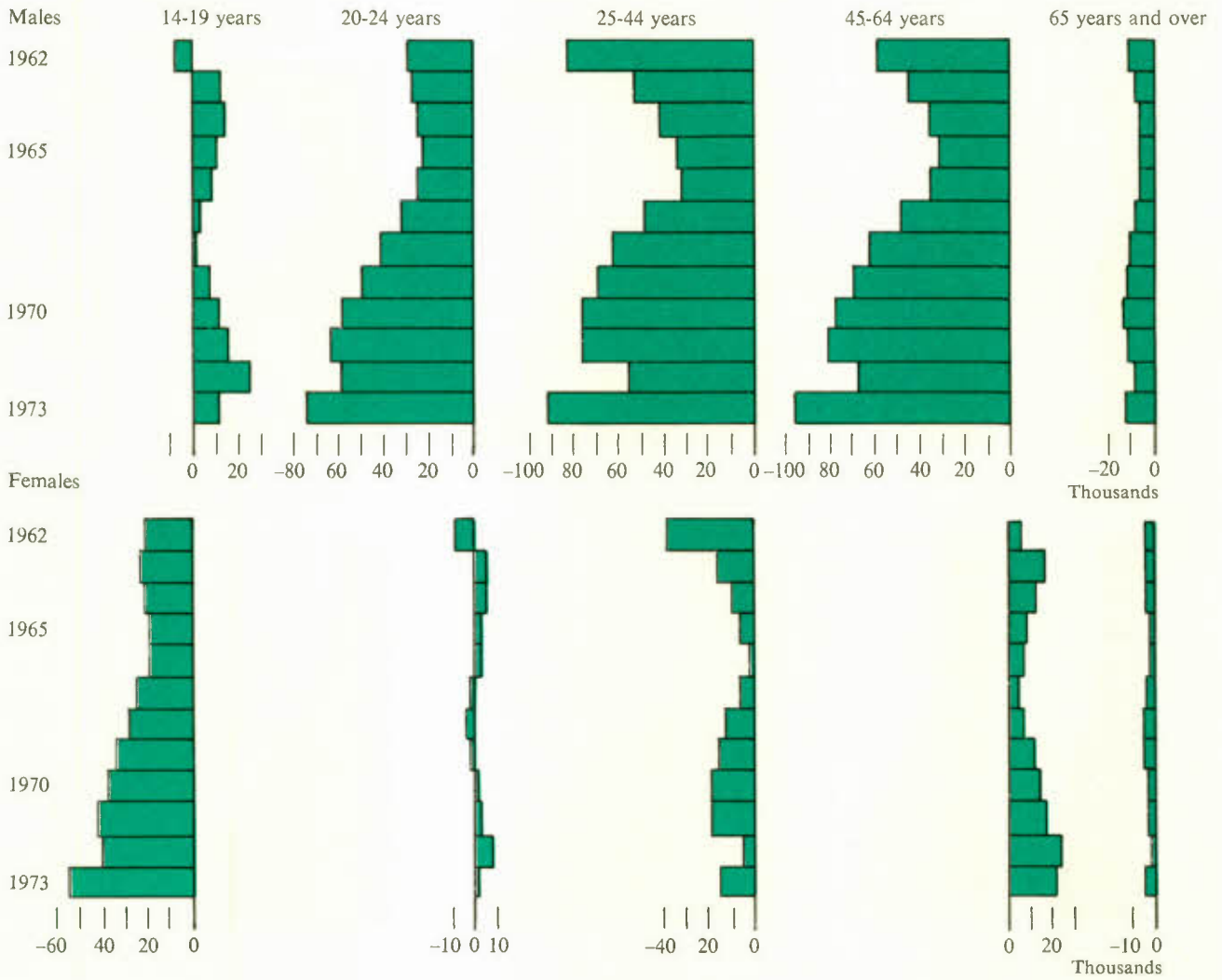


SOURCE Estimates by the Economic Council of Canada.



Chart 11-4

Changes from Actual Unemployment Associated with Simulated Fiscal Stimulus,  
by Age-Sex Group, 1962-73



SOURCE Estimates by the Economic Council of Canada.

administration, and community, business, and personal services, were greater than for others. The number of female workers is relatively high in these industries; thus the stimulus results in greater than proportionate increases in their employment, accounting for nearly half the total in most years. The increases for the various age groups are spread in proportion to the distribution of their actual employment in each year.

The effect of the moderate overall increases in the labour force and the substantial increases in employment is a reduction in the total number of unemployed each year. However, some groups – males aged 14 to 19 and females 20 to 24 and 45 to 64 – appear to be worse off in terms of unemployment as a result of the fiscal injections (Chart 11-4). The increased unemployment in these groups is the result of the separate effects of the stimulus upon the labour force and upon employment (Charts 11-2 and 11-3). While the fiscal stimulus increases employment across the board, employment gains for these three groups are insufficient to offset their respective growth in the labour force.<sup>4</sup>

There would probably also be marked regional differences in the effect of the stimulus on unemployment rates. While we were unable to take regional effects explicitly into account, we do know that actual fluctuations in employment growth tend to be greater in the Atlantic provinces and Quebec than in the other regions of Canada (see Chart 4-6). By the same token, the higher average unemployment rates in these regions might be reduced more than proportionately by a first-round fiscal stimulus; however, the effect would obviously depend on both the nature and persistence of the stimulus and the underlying causes of the higher unemployment in the Atlantic and Quebec regions. We saw in Chapter 4, for instance, that there may be a substantial leakage of first- and second-round demand back to the suppliers of materials and equipment in Ontario.

### Looking Ahead

We now take a brief look forward and, rather than set out a single view of what the future may hold, focus on how different economic conditions may affect labour market dimensions. Basically, we illustrate the effects of three possible courses of the economy over the 1975-82 period – courses characterized, for simplicity, by 1/ rapid, 2/ medium, and 3/ slow growth, respectively.

A number of factors come into play that were not taken into account in our simulation of the past. We no longer assume that the size of the population of working age remains unchanged as economic conditions change. And immigration

4 These results depend upon the assumption that employment requirements are specific for particular age-sex groups. While industries require a certain mix of experienced and less experienced workers (for which age can be regarded as a rough proxy) and typically employ different proportions of men and women, our results are intended to be illustrations rather than precise quantitative estimates.

varies as the state of labour markets in Canada changes. Other elements, such as the education levels of the labour force or the requirements that employers attach to particular jobs, may also differ cyclically, but we do not attempt to treat these latter factors explicitly.

Each of the three scenarios is based on assumptions essentially similar to those in the medium-price energy scenario in the *Eleventh Annual Review* of the Economic Council, but each assumes a different rate of personal income tax.<sup>5</sup> The model used here also includes estimates of the effects of unemployment insurance and the Canada Pension Plan on labour market behaviour, which in turn also lead to results that vary somewhat from those of the *Eleventh Review*.

Some perspectives on the general economic setting in these scenarios is given in Table 11-2. A comparison of the general characteristics of the economies of scenarios 1 and 3 with those of scenario 2 – the “control” solution – affords us an appreciation of the background differences against which changes in the labour market may be judged. The magnitudes in scenarios 1 and 3 range above and below the values in scenario 2 by equivalent amounts.

Table 11-2  
Major Economic Features, Three Scenarios, 1975-82

	Scenario		
	1	2	3
	(Per cent)		
Growth rates			
GNE (\$ constant)	5.3	5.0	4.7
Labour force	2.7	2.5	2.3
Employment	3.0	2.7	2.4
GNE price deflator	5.9	5.6	5.3
Average unemployment rate	4.5	5.3	6.0

SOURCE Projections by the Economic Council of Canada, using the modified CANDIDE model.

The average annual rate of increase in employment varies in the three scenarios from a low of 2.4 per cent to a high of 3 per cent, which is equivalent to the rapid rate experienced over the 1961-73 period. The resulting difference in the number of new jobs created during the period would be close to half a million.

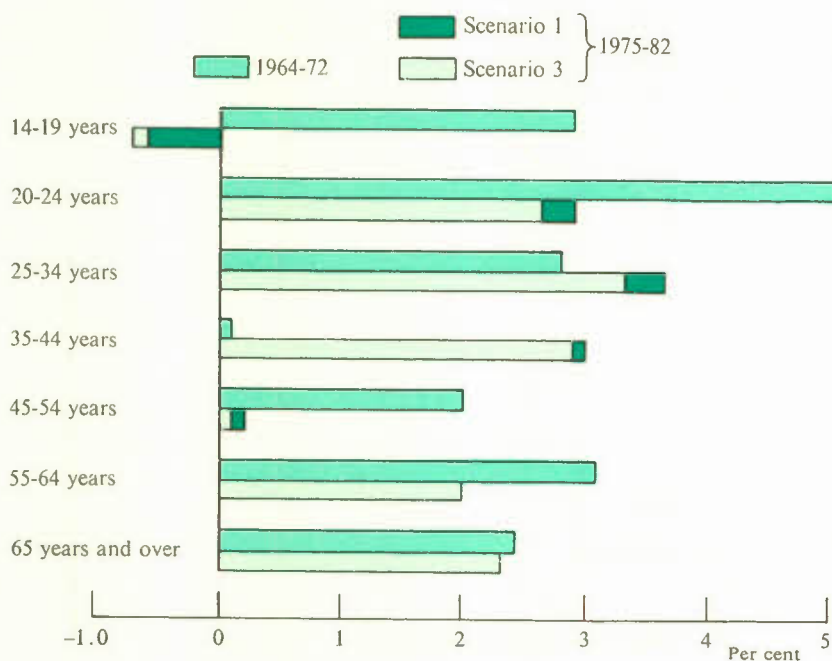
The labour force growth required to fill the increased numbers of jobs would come from increases in the working-age population – young Canadian entrants and immigrants – and from increasing participation rates. The difference in the growth of the working-age population in the three scenarios depends on the levels of net immigration that coincide with the growth rate – annual immigration

<sup>5</sup> Economic Council of Canada, *Eleventh Annual Review: Economic Targets and Social Indicators* (Ottawa: Information Canada, 1974), Appendix B.

that averages 101, 83, and 70 thousand over the seven years in scenarios 1, 2, and 3, respectively, but changes from year to year depending on economic conditions. As a result of these differences, the overall rate of increase in the total population aged 14 and over would vary from 1.8 to 2.0 per cent – well below the 2.4 per cent for the 1961-73 period.<sup>6</sup> Furthermore, there would be a slowdown, with the rate of increase in our control solution dropping from an average of 2.1 per cent over the 1975-79 period to 1.7 per cent between 1979 and 1982.

Chart 11-5

Average Annual Percentage Change in the Size of the Working-Age Population, by Age Group, 1964-72 and 1975-82



SOURCE Projections by the Economic Council of Canada.

<sup>6</sup> Since our interest here centres on the population of working age, we have ignored increases in the population under 14 years of age. Assuming a birth rate of 2.13 children per woman of child-bearing age – a rate well below the average of the 1960s – increases in this group are much lower than in the 1961-73 period. The annual rate of increase in total population over the 1975-82 period ranges from 1.2 to 1.4 per cent, compared with 1.7 per cent in the earlier period. The increasing proportion of the total accounted for by the population of working age is common to all of our scenarios. It was 68 per cent in 1961 and 72 per cent in 1971, and a further rise to nearly 79 per cent is projected by 1982. Similar projections were made by Statistics Canada, assuming average net immigration of 60 thousand and a number of alternative mortality rates. See J. Yam, *The Age-Sex Structure of Canada Population: A Compendium of Selected Data, Analytical and Technical Memorandum 9* (Ottawa: Statistics Canada, 1974).



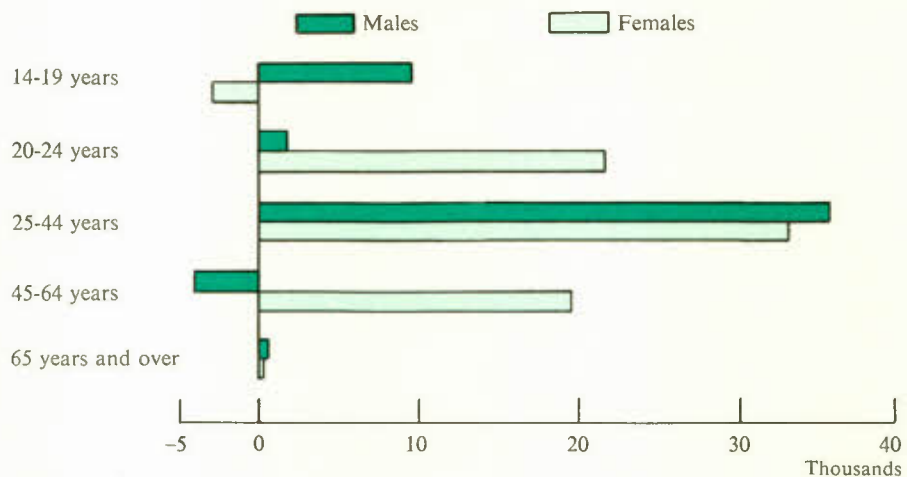
The simulations also indicate that the expansion in the population of working age will be quite different in the various age groups and will vary markedly from the experience of the preceding decade (Chart 11-5). There will actually be declines in the 14-19 age group in the projection period. The rest of the groups will expand, but among certain ones – those 20 to 24 and those over 45 – the numbers will increase more slowly than in the past decade. For the 25-44 age group, the next seven years will be a period of very rapid growth. Of course, immigration also affects the rate of increase in the various groups.

The other factor that influences the growth of the labour force – participation rates – is also strongly influenced by the level of economic activity. For example, distributed among the various groups, as shown in Chart 11-6, there are 116 thousand more labour force participants in 1982 in rapid-growth scenario 1 than in medium-growth scenario 2. As the level of economic activity rises, the expected decline in the participation of some groups (e.g., males 20 to 24 years) may be offset by changes in immigration – a factor that did not come into play in the 1962-73 simulations.

We have projected some continuation of the increases in participation rates among younger groups and among women aged 25 to 64, but little change for other groups – raising the overall participation rate from 57.5 per cent in 1973 to almost 62 per cent in 1982. Coupled with estimated immigration, increases in the average rate of labour force growth in the 1975-82 period would be between 2.3 and 2.7 per cent – well below the rate of increase over the past decade. The pro-

Chart 11-6

Effect of a More Favourable Economy on Labour Force Participation, by Age-Sex Group, 1982<sup>1</sup>



<sup>1</sup> Difference between Scenario 1 and Scenario 2.

SOURCE Projections by the Economic Council of Canada, using the modified CANDIDE model.

jected age-sex distribution of the labour force for scenario 2 is shown in Table 11-3. The other scenarios show only minor differences. By 1982 those aged 25 to 44 would comprise 46 per cent of the total, compared with 43 per cent in 1973. The female proportion of the labour force would continue to rise.<sup>7</sup> Obviously, since foreign and domestic changes have such an impact on the Canadian economy, the

Table 11-3  
Distribution of Labour Force, by Age-Sex Group, 1973 and 1982

Age-sex group	Percentage of total	
	1973	1982 <sup>1</sup>
14-19		
Male	6.4	5.8
Female	4.8	4.4
Total	11.2	10.2
20-24		
Male	9.3	9.2
Female	6.6	7.2
Total	15.9	16.4
25-44		
Male	29.2	30.4
Female	13.5	15.9
Total	42.7	46.3
45-64		
Male	19.6	16.9
Female	8.6	8.3
Total	28.2	25.2
65 years and over		
Male	1.5	1.4
Female	0.4	0.4
Total	1.9	1.8
All males	66.0	63.7
All females	34.0	36.2
Total, both sexes	100.0	100.0

1 Scenario 2.

SOURCE Projections by the Economic Council of Canada, using the modified CANDIDE model.

7 Our projections are similar to those for the United States. The labour force projections made by the U.S. Bureau of Labor Statistics in 1972-73 show distinctly slower labour force growth in the next decade than in the past one. The population under 25 years will actually decline, while the growth of the older population will speed up. Participation rates of women and girls are projected to continue rising, although less rapidly than in the past, while male participation rates will decline in all age groups. The net result is a clear shift towards an older labour force. The female proportion of the U.S. labour force is not, however, projected to increase from the present 39 per cent.

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net effects of these postulated developments on the aggregate unemployment rate and on the unemployment rates of particular groups are somewhat uncertain. The average rates for all groups shown for the 1975-82 period in Table 11-2 are not intended in any way to be projections, but rather to indicate the consequences of the various influences that we have simulated, albeit imperfectly.

### Conclusion

So much for the composition of the labour force at different levels of economic activity through the years to 1982. There are other labour market developments that require comment. One fairly obvious area has to do with the direction that immigration will take, given the review of policy that is under way. We have commented briefly on this in Chapter 7. With declining birth rates throughout the past fifteen years, the natural rate of increase in the labour force will slow down towards the end of this decade. Even with net immigration only averaging between 70 and 100 thousand persons per year during 1975-82, as assumed in our three scenarios, it is likely that we will have to depend increasingly on immigrants as a source of labour force growth and overall economic growth by the beginning of the coming decade.<sup>8</sup>

It is also likely that the demand for manpower in Canada will continue to shift towards the service and related industries. Our projections indicate that the share of total employment commanded by these sectors will increase from 63 per cent in 1974 to 68 per cent in 1982. The proportions for all goods-producing industries are projected to decline. The same general perspective emerges from long-term occupational projections developed by the Department of Manpower and Immigration, where the fastest-growing occupations for the future are expected to be secretarial, clerical, sales, and other service-industry occupations. Such projections are, of course, dependent upon the composition of the growth of demand for Canadian-produced goods and services, including the extent and types of export demand and the composition of domestic demand. Other significant factors shaping the configurations of the Canadian labour market will be the rates of growth in individual regions of Canada and the rising educational qualifications of our young people.

The implications of our projections for the future are that, with renewed economic growth and an easing in the rate of annual labour force expansion, unemployment in Canada will likely fall to more traditional levels. However, the area of greatest uncertainty, and perhaps of most crucial concern to Canadians, involves the interrelationship of inflationary expectations, the struggle of the different participants for real income gains, and the effects these will have on the job opportunities

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8 The subject of immigration is treated more fully in the Economic Council of Canada, *Twelfth Annual Review: Options for Growth* (Ottawa: Information Canada, 1975).

and work decisions of regular and part-time members of the labour force. Inflation rewards certain groups that exercise market influence and arbitrarily punishes the less protected by eroding their purchasing power. Windfall gains accrue to some; real losses, to others; and remedial efforts to redress the balance often set in train further inflationary pressures that, in turn, weaken financial credibility throughout the system. In the long run, market stability is undermined; investment opportunities are lost; and employment growth is delayed.

This study has shown that the vast majority of adult Canadians take satisfaction in their work and that, in addition to the over 10 million who are reported employed each month, another 2.5 to 3.0 million Canadians work, or seek work, some time during the year as certain jobs become available and others terminate. Each month, hundreds of thousands of employment decisions are made by individual enterprises and workers, tempered by other opportunities and institutional arrangements protecting the public well-being, some of which we have examined in earlier chapters. Implicit in these individual transitional processes within the broad confines of Canada's labour market, there is vitality, efficiency, and competitive initiative, which we expect will continue. But the system presupposes a sense of responsibility on the part of all parties. If the anti-inflation program introduced by the federal government towards the end of 1975 is not successful in curbing the high rates of income and price increases commanded by individuals and organization – public and private – much of the potential of the years ahead could well be undermined.

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**A**

Table A-1

Selected Labour Force Characteristics,  
Annual Averages, 1953-74

	Labour force	Participation rate	Employed		Unemployed	Unemployment rate
			Total	Non-agriculture		
	(Thousands)	(Per cent)	(Thousands)		(Thousands)	(Per cent)
1953	5,397	53.1	5,235	4,377	162	3.0
1954	5,493	52.9	5,243	4,365	250	4.6
1955	5,610	52.9	5,364	4,546	245	4.4
1956	5,782	53.5	5,585	4,808	197	3.4
1957	6,008	54.0	5,731	4,983	278	4.6
1958	6,137	53.9	5,706	4,988	432	7.0
1959	6,242	53.8	5,870	5,170	372	6.0
1960	6,411	54.2	5,965	5,282	446	7.0
1961	6,521	54.1	6,055	5,374	466	7.1
1962	6,615	53.9	6,225	5,565	390	5.9
1963	6,748	53.8	6,375	5,726	374	5.5
1964	6,933	54.1	6,609	5,979	324	4.7
1965	7,141	54.4	6,862	6,268	280	3.9
1966	7,420	55.1	7,152	6,609	267	3.6
1967	7,694	55.5	7,379	6,820	315	4.1
1968	7,919	55.5	7,537	6,992	382	4.8
1969	8,162	55.8	7,780	7,245	382	4.7
1970	8,374	55.8	7,879	7,368	495	5.9
1971	8,631	56.1	8,079	7,569	552	6.4
1972	8,891	56.5	8,329	7,848	562	6.3
1973	9,279	57.5	8,759	8,292	520	5.6
1974	9,662	58.3	9,137	8,664	525	5.4

SOURCE Based on data from Statistics Canada.

Table A-2

Participation Rates, by Age-Sex Group, Annual Averages, 1953-74

	14-19 years			20-24 years			25-54 years			55-64 years			65 years and over		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
	(Per cent)														
1953	42.4	51.7	33.2	69.3	92.9	47.2	59.7	97.1	22.4	34.8	60.5	8.2	19.4	34.8	3.6
1954	41.9	50.2	33.6	68.6	92.0	46.6	59.7	96.8	22.7	34.2	59.1	8.7	18.6	33.2	3.7
1955	40.7	48.6	32.9	68.5	92.2	46.3	60.2	97.0	23.4	34.1	58.7	9.2	18.2	32.3	3.9
1956	41.0	48.1	33.9	68.7	91.7	47.1	60.9	97.2	24.5	35.0	59.7	9.9	19.2	34.0	4.5
1957	40.4	47.8	33.1	68.4	91.4	46.5	61.7	97.3	25.9	35.8	60.2	11.4	19.5	34.1	5.0
1958	38.9	45.6	32.1	68.9	91.7	47.4	62.0	97.4	26.6	35.5	59.1	11.9	18.5	32.1	5.2
1959	37.9	43.6	32.1	68.1	91.0	46.5	62.3	97.4	27.4	35.4	58.6	12.4	17.9	31.0	5.2
1960	37.7	42.8	32.6	68.9	91.2	47.9	63.1	97.4	28.9	35.6	58.3	13.2	17.7	30.3	5.6
1961	36.2	40.3	32.3	68.9	90.7	48.7	63.4	97.2	30.0	35.9	58.0	14.1	17.3	29.3	5.9
1962	35.4	39.6	30.9	68.6	88.6	49.7	63.7	97.1	30.7	35.7	57.5	14.3	16.7	28.5	5.6
1963	34.6	39.2	29.9	68.8	88.7	50.3	64.2	97.2	31.7	35.4	56.5	14.9	15.7	26.4	5.9
1964	34.2	38.3	29.9	69.2	88.2	51.0	64.8	97.2	32.9	36.0	57.1	15.6	16.1	26.8	6.3
1965	34.5	38.7	30.2	69.8	87.6	52.6	65.2	97.1	33.9	36.3	57.2	16.2	15.6	26.3	6.0
1966	35.0	38.6	31.4	71.5	87.4	55.6	65.9	97.1	35.3	36.6	57.4	16.9	15.5	26.4	5.9
1967	35.5	39.4	31.6	71.3	86.0	56.6	66.7	96.9	36.9	36.3	56.8	17.0	14.7	24.7	5.9
1968	35.3	39.1	31.3	71.4	84.4	58.4	66.8	96.5	37.5	36.3	56.7	17.4	14.5	24.4	5.9
1969	34.6	37.9	31.1	71.8	84.2	59.3	67.4	96.4	38.8	36.3	56.5	17.8	13.8	23.6	5.5
1970	34.6	38.6	30.4	71.0	83.2	58.5	67.9	96.3	39.9	35.6	55.7	17.3	13.1	22.7	5.0
1971	35.1	39.0	31.1	71.8	83.4	59.9	68.4	96.3	40.9	35.0	53.9	17.9	11.9	20.0	5.1
1972	36.5	40.8	32.0	72.4	84.0	60.5	69.0	96.0	42.3	33.9	52.9	17.0	10.9	18.7	4.3
1973	39.1	43.7	34.2	74.0	85.3	62.5	69.9	96.1	44.0	33.7	52.1	17.5	10.6	18.3	4.4
1974	41.6	46.3	36.7	74.7	86.1	63.0	70.8	96.2	45.6	32.9	51.4	16.7	10.2	17.8	4.2

SOURCE Based on data from Statistics Canada.

Table A-3

Employment, by Age-Sex Group, Annual Averages, 1953-74

	14-19 years			20-24 years			25-54 years			55-64 years			65 years and over		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
	(Thousands)														
1953	515	309	207	702	450	252	3,272	2,648	624	746	657	89	209	189	20
1954	506	297	210	684	436	248	3,314	2,669	645	739	643	96	205	184	21
1955	504	294	210	689	441	248	3,420	2,744	676	752	650	102	205	182	23
1956	531	306	225	704	449	255	3,558	2,833	725	792	678	114	224	198	27
1957	537	309	228	703	449	254	3,668	2,883	786	822	688	133	230	199	31
1958	515	290	224	693	433	260	3,682	2,865	817	816	675	141	221	188	33
1959	536	300	236	701	443	258	3,799	2,936	863	835	684	150	217	184	34
1960	545	300	245	705	437	268	3,865	2,944	920	850	687	164	220	183	37
1961	548	294	253	715	439	275	3,923	2,957	965	870	690	180	217	178	39
1962	573	314	259	739	450	289	4,020	3,019	1,001	894	705	189	215	176	38
1963	596	332	264	770	469	300	4,098	3,055	1,042	911	711	201	207	166	41
1964	628	349	279	824	504	320	4,203	3,107	1,096	953	737	216	216	171	45
1965	673	377	296	892	546	346	4,306	3,160	1,145	991	759	232	212	168	44
1966	714	393	321	976	587	389	4,435	3,225	1,210	1,028	778	250	215	171	44
1967	740	410	331	1,036	617	419	4,558	3,271	1,287	1,045	786	259	208	162	46
1968	744	410	333	1,092	637	455	4,634	3,302	1,331	1,068	797	272	209	162	48
1969	749	412	336	1,166	676	490	4,768	3,372	1,396	1,098	812	287	202	158	44
1970	744	418	327	1,179	680	499	4,858	3,399	1,458	1,098	813	285	198	156	42
1971	764	426	337	1,229	705	524	4,977	3,457	1,520	1,110	804	306	182	138	44
1972	822	462	360	1,273	732	542	5,131	3,534	1,598	1,102	806	296	173	134	39
1973	916	520	396	1,351	777	574	5,365	3,659	1,706	1,126	810	315	172	132	40
1974	1,000	564	436	1,417	821	596	5,594	3,775	1,819	1,126	816	310	172	131	40

SOURCE Based on data from Statistics Canada.



Table A-4

Unemployment Rates, by Age-Sex Group, Annual Averages, 1953-74

	14-19 years			20-24 years			25-54 years			55-64 years			65 years and over		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
	(Per cent)														
1953	5.5	7.2	2.8	3.8	4.9	1.9	2.5	2.8	1.3	2.6	2.8	-	2.5	2.8	1.2
1954	8.2	10.0	5.4	5.9	7.6	2.7	3.8	4.3	1.8	3.9	4.3	-	3.9	4.4	2.0
1955	8.2	10.1	5.0	5.6	7.2	2.4	3.7	4.1	1.9	4.0	4.3	-	3.6	4.1	1.9
1956	6.3	8.1	3.8	4.3	5.7	1.9	2.8	3.2	1.5	3.1	3.4	-	2.9	3.2	1.5
1957	8.5	11.2	4.6	6.4	8.2	2.7	3.9	4.4	1.8	3.9	4.3	-	3.9	4.5	1.9
1958	12.9	16.6	7.4	9.6	12.7	4.1	6.0	6.9	2.6	5.7	6.2	2.8	6.0	6.9	2.6
1959	11.1	14.3	6.7	8.1	10.5	3.7	5.0	5.8	1.9	5.0	5.7	-	5.0	5.8	2.2
1960	13.1	16.4	8.6	9.3	12.2	3.9	5.8	6.9	2.3	5.9	6.7	2.4	5.9	6.9	2.5
1961	13.2	16.4	8.6	9.0	11.8	4.2	6.0	7.2	2.4	6.4	7.5	2.7	6.2	7.3	2.6
1962	11.6	14.4	7.9	7.6	10.0	3.7	4.8	5.6	2.2	5.5	6.5	2.1	4.8	5.6	2.4
1963	11.5	14.0	7.7	7.6	9.6	4.1	4.3	5.1	2.2	5.0	5.8	2.0	4.4	5.1	2.2
1964	10.3	12.3	7.6	6.2	7.9	3.3	3.6	4.1	2.0	4.3	4.9	2.3	3.6	4.1	2.0
1965	8.8	10.2	6.9	4.7	5.7	3.1	3.0	3.4	1.7	3.8	4.5	1.7	3.0	3.4	1.9
1966	8.2	9.7	6.4	4.2	5.3	2.5	2.7	3.0	1.8	3.6	4.3	1.6	2.6	2.9	1.9
1967	9.3	10.9	7.3	5.0	6.1	3.2	3.1	3.5	1.9	3.8	4.4	1.5	3.1	3.6	2.0
1968	10.8	12.7	8.3	6.3	7.7	4.2	3.6	4.1	2.2	4.2	5.0	1.8	3.7	4.2	2.3
1969	10.8	12.3	8.9	6.0	7.5	3.7	3.4	3.8	2.5	4.2	4.9	2.1	3.5	3.8	2.5
1970	13.6	15.0	11.4	8.3	10.5	5.1	4.3	4.8	2.9	4.8	5.5	2.7	4.4	5.0	3.1
1971	14.6	16.3	12.4	9.2	11.3	6.1	4.7	5.2	3.4	4.6	5.5	2.6	4.7	5.2	3.6
1972	13.6	15.2	11.3	9.5	11.6	6.6	4.6	4.9	3.9	4.5	5.1	3.0	4.8	5.0	4.1
1973	12.0	12.9	10.8	8.5	10.0	6.5	4.0	4.1	3.6	4.1	4.7	2.8	4.1	4.2	3.9
1974	11.5	12.7	10.1	8.3	9.5	6.6	3.8	4.0	3.4	3.8	4.3	2.5	4.0	4.1	3.8

SOURCE Based on data from Statistics Canada.

Table A-5

Labour Force, by Age-Sex Group, Annual Averages, 1953-74

	14-19 years			20-24 years			25-54 years			55-64 years			65 years and over		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
	(Thousands)														
1953	545	332	213	730	473	257	3,357	2,725	632	765	676	89	215	195	20
1954	551	330	221	727	472	255	3,446	2,789	657	769	672	97	213	191	21
1955	548	327	222	729	475	254	3,550	2,860	689	782	679	104	213	190	23
1956	568	333	235	736	476	260	3,662	2,927	736	817	701	115	231	204	27
1957	587	348	239	751	489	262	3,815	3,016	799	854	720	135	239	208	31
1958	591	349	242	767	496	271	3,914	3,076	839	865	720	145	232	199	33
1959	603	350	253	763	495	268	3,997	3,117	880	879	725	154	228	194	34
1960	627	359	268	777	498	279	4,104	3,162	942	903	735	168	230	192	37
1961	630	353	278	786	499	287	4,175	3,185	990	931	746	185	229	189	40
1962	648	367	280	800	499	300	4,222	3,198	1,024	946	754	192	225	186	39
1963	672	386	286	833	519	314	4,284	3,219	1,065	959	754	205	216	174	42
1964	700	398	301	878	547	331	4,359	3,240	1,118	997	776	221	224	178	46
1965	738	420	318	935	578	357	4,438	3,273	1,165	1,030	794	235	222	177	45
1966	778	435	343	1,019	620	399	4,557	3,325	1,232	1,066	813	253	224	179	45
1967	816	460	357	1,090	657	433	4,703	3,390	1,313	1,085	822	263	217	170	46
1968	834	471	363	1,164	690	475	4,806	3,445	1,361	1,115	838	277	218	170	48
1969	840	470	369	1,240	731	509	4,937	3,505	1,432	1,146	854	292	212	167	46
1970	861	492	369	1,286	760	526	5,074	3,572	1,502	1,153	860	294	206	163	43
1971	895	509	386	1,353	795	558	5,219	3,645	1,574	1,164	850	313	191	146	45
1972	952	545	407	1,407	827	580	5,378	3,716	1,662	1,154	849	305	179	139	39
1973	1,041	597	444	1,477	864	614	5,586	3,816	1,770	1,174	850	324	179	138	41
1974	1,131	646	485	1,545	907	638	5,815	3,931	1,884	1,171	853	318	178	137	41

SOURCE Based on data from Statistics Canada.

Table A-6

Number of Persons Employed, by Occupation,<sup>1</sup>  
Annual Averages, 1961-73

	Managerial	Professional and technical	Clerical	Sales	Services and recreation	Transportation and communi- cations	Farmers and farm workers	Other primary industries <sup>2</sup>	Craftsmen, production process and related workers	Labourers and unskilled workers (not in primary industries)
	(Thousands)									
1961	560	598	805	446	658	409	684	130	1,464	302
1962	581	659	830	454	676	407	662	121	1,536	298
1963	589	674	857	462	708	412	655	123	1,585	308
1964	609	702	884	491	772	429	632	136	1,628	327
1965	637	782	919	482	793	432	599	152	1,730	335
1966	669	876	1,007	480	813	403	552	143	1,864	345
1967	693	917	1,038	501	874	412	564	142	1,924	315
1968	714	980	1,100	516	908	413	548	137	1,910	312
1969	748	1,038	1,152	530	937	415	534	128	1,981	318
1970	786	1,070	1,168	558	967	418	513	125	1,954	319
1971	789	1,142	1,217	573	996	431	513	122	1,945	350
1972	817	1,180	1,279	583	1,010	445	488	121	2,054	352
1973	823	1,265	1,388	625	1,068	462	488	133	2,206	300

1 Statistics Canada did not publish data based on the 1961 Census Classification of Occupations after 1973.

2 Loggers and related workers; fishermen, trappers and hunters; and miners, quarrymen, and related workers.

SOURCE Based on data from Statistics Canada.

Table A-7

Number of Persons Employed, by Industry,  
Annual Averages, 1961-74

	Agriculture	Other primary industries <sup>1</sup>	Manufacturing	Con- struction	Transportation, communications, and other utilities	Trade	Finance, insurance, and real estate	Community, business, and personal services	Public adminis- tration
	(Thousands)								
1961	681	184	1,452	376	563	1,025	239	1,178	356
1962	660	178	1,502	393	588	1,049	248	1,244	362
1963	649	177	1,552	406	597	1,062	254	1,306	371
1964	630	195	1,650	410	591	1,105	264	1,386	377
1965	594	234	1,636	463	617	1,145	280	1,489	403
1966	544	223	1,744	499	620	1,180	302	1,622	419
1967	559	218	1,756	475	659	1,224	312	1,732	443
1968	546	221	1,754	470	673	1,260	327	1,830	458
1969	535	217	1,819	482	693	1,292	350	1,918	474
1970	511	218	1,790	471	692	1,320	365	2,025	486
1971	510	224	1,795	495	702	1,330	385	2,118	520
1972	481	217	1,857	501	730	1,410	385	2,194	553
1973	467	228	1,968	549	773	1,498	410	2,284	582
1974	473	234	2,024	598	790	1,575	446	2,386	613

<sup>1</sup> Includes forestry; fishing and trapping; and mines, quarries, and oil wells.

SOURCE Based on data from Statistics Canada.



Table A-8  
 Unemployment Rates, by Occupation,<sup>1</sup>  
 Annual Averages, 1961-73

	Office and profes- sional <sup>2</sup>	Transpor- tation	Services and recreation	Primary industries <sup>3</sup>	Craftsmen, production process and related workers	Labourers and unskilled workers (not in primary industries)
	(Per cent)					
1961	2.5	10.2	5.6	6.8	9.2	21.7
1962	2.0	7.9	4.9	6.1	7.2	19.3
1963	2.0	7.8	4.7	5.6	6.7	17.2
1964	1.8	6.0	4.2	4.5	5.5	15.1
1965	1.4	5.1	3.5	4.0	4.5	13.4
1966	1.3	4.5	3.1	3.9	4.3	11.8
1967	1.6	5.5	3.4	3.7	5.3	12.5
1968	1.9	5.8	4.2	4.7	6.1	14.8
1969	1.9	5.9	4.3	4.7	5.8	13.1
1970	2.6	7.6	4.5	5.5	7.7	16.3
1971	2.9	7.4	5.7	5.8	8.0	16.7
1972	3.1	7.2	6.1	5.9	7.6	16.7
1973	3.0	6.7	5.6	5.5	6.6	15.7

1 After 1973, Statistics Canada did not publish data based on the 1961 Census Classification of Occupations.

2 Includes managerial; professional and technical; clerical; sales; and communications occupations.

3 Includes farmers and farm workers; fishermen, trappers, and hunters; loggers and related workers; miners, quarrymen, and related workers.

SOURCE Based on data from Statistics Canada.

Table A-9

Unemployment Rates, by Industry,  
Annual Averages, 1961-74

	Primary industries <sup>1</sup>	Manu- facturing	Construction	Transpor- tation, communi- cations, and other utilities	Trade	Services <sup>2</sup>
	(Per cent)					
1961	7.2	6.7	20.8	7.2	4.8	3.7
1962	6.4	5.3	16.7	6.1	3.8	3.2
1963	5.8	4.8	15.2	5.5	3.8	3.2
1964	4.5	4.0	12.8	4.5	3.3	2.9
1965	4.2	3.4	10.3	3.9	2.6	2.4
1966	3.9	3.2	9.3	3.6	2.4	2.1
1967	3.8	4.0	11.0	4.2	2.7	2.2
1968	4.7	4.6	12.6	4.4	3.4	2.8
1969	4.8	4.4	11.4	4.3	3.4	2.7
1970	5.7	6.0	15.3	4.8	4.2	3.2
1971	5.9	6.5	14.7	5.1	4.8	3.8
1972	5.4	6.3	14.9	4.9	4.7	4.2
1973	4.9	5.2	12.7	4.4	4.3	4.0
1974	5.6	5.4	11.9	4.4	3.8	3.9

1 Includes agriculture; forestry; fishing and trapping; and mines, quarries, and oil wells.

2 Includes community, business, and personal services; public administration; and finance, insurance, and real estate.

SOURCE Based on data from Statistics Canada.

Table A-10

Full-Time and Part-Time Employment, by Sex,  
Annual Averages, 1953-74

	Full-time			Part-time		
	Total	Males	Females	Total	Males	Females
	(Thousands)					
1953	5,038	3,991	1,047	197	72	125
1954	5,035	3,970	1,065	208	74	134
1955	5,139	4,049	1,091	225	80	145
1956	5,342	4,186	1,156	243	79	164
1957	5,442	4,231	1,211	289	98	191
1958	5,356	4,142	1,214	349	121	228
1959	5,503	4,238	1,265	367	125	242
1960	5,565	4,234	1,331	400	134	266
1961	5,578	4,220	1,358	476	161	316
1962	5,728	4,318	1,410	497	170	327
1963	5,842	4,391	1,452	532	176	356
1964	6,012	4,501	1,511	597	197	400
1965	6,205	4,631	1,573	657	210	446
1966	6,475	4,772	1,703	678	212	466
1967	6,634	4,844	1,791	745	239	505
1968	6,708	4,879	1,829	829	267	562
1969	6,880	4,979	1,901	900	293	607
1970	6,908	4,978	1,931	971	332	639
1971	7,067	5,047	2,020	1,012	345	667
1972	7,291	5,190	2,101	1,038	343	695
1973	7,675	5,419	2,256	1,084	348	736
1974	7,972	5,608	2,364	1,166	368	797

SOURCE Based on data from Statistics Canada.

Table A-11

Unemployment Status,  
Annual Averages, 1953-75

	Total unemployed	On temporary layoff up to 30 days	In search of work						
			Full-time	Part-time	Total	Duration of search			
						Less than 1 month	1-3 months	4-6 months	More than 6 months
(Thousands of persons)									
1953	162	25	124	13	137	51	55	21	10
1954	250	15	221	14	235	70	94	46	26
1955	246	14	217	15	232	67	91	44	31
1956	197	17	166	14	180	61	74	30	16
1957	278	21	242	15	257	87	112	41	17
1958	431	27	387	17	404	98	158	93	55
1959	372	23	333	16	349	90	133	73	52
1960	446	30	297	19	416	108	166	89	54
1961	466	28	412	26	438	98	162	100	78
1962	391	23	349	19	368	95	138	71	64
1963	373	21	336	17	352	95	133	70	55
1964	324	19	289	16	305	93	113	54	45
1965	280	18	246	16	262	85	98	43	36
1966	267	20	232	15	247	83	100	38	26
1967	315	25	274	16	290	100	114	45	32
1968	382	26	333	23	356	106	140	61	48
1969	382	26	333	23	356	104	134	60	58
1970	494	36	429	30	458	120	174	87	77
1971	553	30	494	29	523	116	188	106	113
1972	562	30	499	34	532	126	196	109	101
1973	520	28	464	28	492	125	184	103	81
1974	525	32	459	34	493	130	190	100	72
1975	707	49	612	45	658	157	256	144	101

SOURCE Based on data from Statistics Canada.





Table A-13

Family Units with One or More Unemployed Persons,  
by Number of Employed Persons in Unit,  
Annual Averages,<sup>1</sup> 1961-74

	Total units	Units with nobody employed	Units with one or more employed			
			Total	One	Two	Three or more
(Thousands)						
1961	394	177	217	132	57	28
1962	331	148	183	112	46	25
1963	315	138	179	108	46	26
1964	284	115	170	99	48	23
1965	245	96	149	87	40	22
1966	229	87	142	83	39	19
1967	268	100	168	100	44	24
1968	319	119	200	119	54	28
1969	320	113	207	122	54	31
1970	396	141	256	157	69	30
1971	461	165	295	181	77	39
1972	456	159	297	186	76	36
1973	421	132	289	179	72	39
1974	415	138	277	172	68	37

<sup>1</sup> Computed by averaging estimates for January, April, July, and October.  
SOURCE Based on data from Statistics Canada.

Table A-14

Family Units with One or More Persons Unemployed, by Size of Family Unit,  
Annual Averages,<sup>1</sup> 1961-74

	Total units	Number of persons in family unit			
		2-3	4-5	6-7	8 or more
(Thousands)					
1961	394	135	133	72	54
1962	331	119	106	60	45
1963	315	109	106	57	44
1964	284	94	94	54	43
1965	245	88	78	45	35
1966	229	79	77	44	29
1967	268	98	90	48	33
1968	319	113	107	58	42
1969	320	117	108	58	38
1970	396	148	139	67	42
1971	461	177	164	75	45
1972	456	189	155	72	40
1973	421	179	141	64	37
1974	415	175	144	63	32

<sup>1</sup> Computed by averaging estimates for January, April, July, and October.  
SOURCE Based on data from Statistics Canada.

Table A-15

Size of Labour Force, by Region,  
Annual Averages, 1953-74

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
	(Thousands)				
1953	506	1,538	1,948	956	449
1954	501	1,562	2,022	949	461
1955	511	1,591	2,059	969	480
1956	520	1,615	2,147	998	503
1957	537	1,678	2,238	1,019	536
1958	535	1,735	2,264	1,055	548
1959	541	1,758	2,301	1,084	556
1960	550	1,803	2,377	1,115	565
1961	571	1,820	2,401	1,154	575
1962	578	1,852	2,422	1,175	590
1963	577	1,904	2,476	1,181	610
1964	588	1,951	2,556	1,199	639
1965	611	2,022	2,614	1,228	666
1966	626	2,116	2,719	1,248	710
1967	635	2,196	2,834	1,268	762
1968	643	2,227	2,934	1,318	797
1969	654	2,290	3,032	1,351	836
1970	658	2,328	3,130	1,380	878
1971	676	2,394	3,249	1,401	911
1972	698	2,426	3,381	1,436	950
1973	742	2,542	3,509	1,484	1,002
1974	777	2,618	3,671	1,537	1,060

SOURCE Based on data from Statistics Canada.



Table A-16  
 Participation Rates, by Region,  
 Annual Averages, 1953-74

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
	(Per cent)				
1953	46.9	54.1	55.2	52.2	50.6
1954	46.0	53.7	55.9	51.0	50.4
1955	46.4	53.5	55.7	51.4	50.9
1956	46.6	53.1	56.9	52.4	51.5
1957	47.7	53.6	57.2	52.9	51.9
1958	47.0	54.0	56.4	53.8	51.5
1959	47.0	53.5	56.2	54.2	51.7
1960	47.1	53.6	57.0	54.7	51.7
1961	48.1	52.8	56.7	55.6	51.8
1962	47.8	52.5	56.3	55.7	52.3
1963	46.8	52.6	56.5	55.0	52.8
1964	47.0	52.6	57.0	55.1	53.6
1965	48.1	53.2	56.7	55.5	53.8
1966	48.6	54.3	57.2	55.7	54.9
1967	48.5	54.9	57.6	55.8	55.8
1968	48.2	54.3	57.7	56.8	56.0
1969	48.1	54.5	58.0	56.9	56.7
1970	47.5	54.3	58.0	57.1	57.3
1971	48.1	54.9	58.3	57.0	57.2
1972	48.6	54.7	59.1	57.5	57.5
1973	50.5	56.2	59.7	58.4	58.4
1974	51.6	56.7	60.7	59.2	59.3

SOURCE: Based on data from Statistics Canada.

Table A-17

Employment, by Region,  
Annual Averages, 1953-74

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
	(Thousands)				
1953	478	1,480	1,907	938	432
1954	468	1,470	1,945	925	437
1955	478	1,493	1,993	939	462
1956	489	1,535	2,096	976	489
1957	492	1,576	2,161	992	509
1958	469	1,582	2,142	1,013	501
1959	482	1,620	2,198	1,049	521
1960	492	1,639	2,249	1,069	516
1961	507	1,652	2,269	1,100	527
1962	516	1,713	2,317	1,129	551
1963	522	1,762	2,382	1,138	571
1964	542	1,827	2,473	1,162	605
1965	566	1,912	2,548	1,196	639
1966	586	2,016	2,651	1,222	678
1967	593	2,080	2,745	1,238	723
1968	596	2,082	2,830	1,280	750
1969	605	2,132	2,936	1,312	795
1970	609	2,144	2,996	1,320	810
1971	618	2,197	3,079	1,338	847
1972	635	2,225	3,218	1,372	879
1973	676	2,353	3,366	1,426	937
1974	702	2,427	3,519	1,494	996

SOURCE Based on data from Statistics Canada.

Table A-18  
 Unemployment Rates, by Region,  
 Annual Averages, 1953-74

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
	(Per cent)				
1953	5.5	3.8	2.1	1.9	4.0
1954	6.6	5.9	3.8	2.5	5.2
1955	6.5	6.2	3.2	3.1	3.8
1956	6.0	5.0	2.4	2.2	2.8
1957	8.4	6.0	3.4	2.6	5.0
1958	12.5	8.8	5.4	4.1	8.6
1959	10.9	7.8	4.5	3.2	6.5
1960	10.7	9.1	5.4	4.2	8.5
1961	11.2	9.2	5.5	4.6	8.5
1962	10.7	7.5	4.3	3.9	6.6
1963	9.5	7.5	3.8	3.7	6.4
1964	7.8	6.4	3.2	3.1	5.3
1965	7.4	5.4	2.5	2.5	4.2
1966	6.4	4.7	2.5	2.1	4.5
1967	6.6	5.3	3.1	2.3	5.1
1968	7.3	6.5	3.5	3.0	5.9
1969	7.5	6.9	3.1	2.9	5.0
1970	7.6	7.9	4.3	4.4	7.6
1971	8.6	8.2	5.2	4.5	7.0
1972	9.0	8.3	4.8	4.5	7.6
1973	8.9	7.4	4.0	3.9	6.5
1974	9.7	7.3	4.1	2.8	6.0

SOURCE Based on data from Statistics Canada.

Table A-19

Job Vacancies, 1951-74<sup>1</sup>

	Number of vacancies		Number of vacancies
	(Thousands)		(Thousands)
1951	45.1	1963	34.1
1952	34.1	1964	41.7
1953	32.2	1965	52.1
1954	22.9	1866	57.3
1955	30.1	1967	50.1
1956	44.8	1968	44.3
1957	29.6	1969	53.6
1958	19.1	1970	43.5
1959	24.4	1971	45.8
1960	23.2	1972	61.9
1961	23.8	1973	80.3
1962	32.6	1974	108.4

<sup>1</sup> Special quarterly series estimated for the Economic Council of Canada. This series was generated so as to preserve the levels, seasonal patterns, and interregional weighting patterns implicit in the Statistics Canada Job Vacancy Survey.

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, "Patterns of Unemployment Behaviour in Canada," Economic Council of Canada Discussion Paper 36, 1975.



Table A-20

Immigration to Canada, 1946-74

	Total immigration	Immigrants destined for the labour force		Total immigration	Immigrants destined for the labour force
1946	71,719	11,852	1960	104,111	53,573
1947	64,127	35,218	1961	71,689	34,809
1948	125,414	71,636	1962	74,586	36,748
1949	95,217	50,285	1963	93,151	45,866
1950	73,912	37,947	1964	112,606	56,190
1951	194,391	110,464	1965	146,758	74,195
1952	164,498	84,900	1966	194,743	99,210
1953	168,868	91,133	1967	222,876	119,539
1954	154,227	84,376	1968	183,974	95,446
1955	109,946	57,987	1969	161,531	84,349
1956	164,857	91,039	1970	147,713	77,723
1957	282,164	151,511	1971	121,900	62,606
1958	124,851	63,078	1972	122,006	59,432
1959	106,928	53,551	1973	184,200	92,228
			1974	218,465	106,083

SOURCE Based on data from Department of Manpower and Immigration.

Table A-21

Low Income among Families and Unattached Individuals, Selected Characteristics, 1967 and 1973

	Incidence <sup>1</sup>				Distribution			
	1967		1973 <sup>2</sup>		1967		1973 <sup>2</sup>	
	Unattached individual	Family	Unattached individual	Family	Unattached individual	Family	Unattached individual	Family
	(Per cent)							
By sex (head)								
Male	30.2	16.2	26.2	9.1	38.0	92.5	36.8	73.1
Female	47.3	36.3	37.6	36.5	62.0	7.5	63.2	26.9
By age (head)								
24 years and under	38.0	14.6	34.3	14.1	21.7	4.2	23.9	7.6
25-34	11.6	14.9	12.5	9.7	4.1	17.1	6.8	20.0
35-44	16.0	15.7	15.5	9.8	3.8	21.1	3.6	19.4
45-54	26.0	14.6	27.5	8.2	7.5	16.5	8.0	14.6
55-64	39.6	17.7	37.3	12.0	15.9	14.2	15.8	15.5
65-69	57.2	31.1	37.0	20.2	13.0	8.5	10.5	9.3
70 years and over	68.4	42.0	51.7	21.4	33.9	18.3	31.4	13.6
By labour force status (head) <sup>3</sup>								
In labour force	22.8	13.1	17.3	7.0	38.5	59.6	32.5	50.9
Employee	21.4	8.7	16.5	5.1	33.2	33.0	29.7	31.7
Self-employed	40.8	34.3	32.2	18.3	5.3	26.7	2.9	19.2
Not in labour force	70.7	45.9	56.2	32.5	61.5	40.4	67.6	49.1
By work experience (head) <sup>4</sup>								
Mostly full-time	12.3	9.7	9.5	4.5	13.8	36.8	11.7	26.8
Less than full-time	44.1	30.8	31.6	18.6	24.1	26.3	23.4	27.1
Did not work	69.7	46.1	58.8	35.6	62.1	36.9	64.9	46.1
All families and unattached individuals <sup>5</sup>	39.0	18.4	32.5	11.4	100.0	100.0	100.0	100.0

1 Low-income families and unattached individuals as a percentage of all families and unattached individuals.

2 Based on updated low-income cutoffs.

3 Family units were classified by the head's employment status at the time of the Survey of Consumer Finances in 1968 and 1974. This was not necessarily his/her employment status during 1967 and 1973.

4 A full-time worker is one who worked 50 to 52 weeks during the year and worked normal hours for the particular occupation.

5 Percentage distribution may not add up because of rounding.

SOURCE Based on data from Statistics Canada.

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**B**

**GROSS LABOUR FLOWS**

Table B-1

Estimates of Month-to-Month Changes in Employment Viewed from Two Sides of the Labour Market, 1972

	Analysis of change from previous month					
	January	February	March	April	May	June
	(Thousands)					
<i>Population side</i>						
Number of persons employed in middle of previous month	8,125	7,917	7,928	8,016	8,085	8,345
Population flow						
Into employment from unemployment	100	174	146	189	201	168
Into employment from "not in labour force"	102	119	169	149	282	311
Out of employment to unemployment	-215	-134	-136	-125	-101	-109
Out of employment to "not in labour force"	-212	-162	-106	-163	-137	-149
Net external population flow into employment	17	14	15	19	15	15
Net change in number of persons employed	-208	11	88	69	260	236
Number of persons employed in middle of current month	7,917	7,928	8,016	8,085	8,345	8,581
<i>Job side</i>						
Number of persons employed in middle of previous month	8,125	7,917	7,928	8,016	8,085	8,345
Jobs held in middle of previous month <sup>1</sup>	8,369	8,155	8,166	8,256	8,328	8,595
Net change in jobs held	-214	11	90	72	267	243
Jobs held in middle of current month	8,155	8,166	8,256	8,328	8,595	8,838
Number of persons employed in middle of current month	7,917	7,928	8,016	8,085	8,345	8,581
	July	August	September	October	November	December
<i>Population side</i>						
Number of persons employed in middle of previous month	8,581	8,825	8,771	8,381	8,395	8,363
Population flow						
Into employment from unemployment	171	140	138	121	123	122
Into employment from "not in labour force"	398	162	300	188	143	154
Out of employment to unemployment	-102	-100	-112	-128	-144	-172
Out of employment to "not in labour force"	-244	-271	-732	-182	-169	-138
Net external population flow into employment	21	15	16	15	15	16
Net change in number of persons employed	244	-54	-390	14	-32	-18
Number of persons employed in middle of current month	8,825	8,771	8,381	8,395	8,363	8,345
<i>Job side</i>						
Number of persons employed in middle of previous month	8,581	8,825	8,771	8,381	8,395	8,363
Jobs held in middle of previous month <sup>1</sup>	8,838	9,090	9,034	8,632	8,647	8,614
Net change in jobs held	252	-56	-402	15	-33	-19
Jobs held in middle of current month	9,090	9,034	8,632	8,647	8,614	8,595
Number of persons employed in middle of current month	8,825	8,771	8,381	8,395	8,363	8,345

1 The relationship between "number of persons employed" and "jobs held" takes account of the fact that some people hold two or more jobs. Thus the number of jobs held is equal to the number of persons employed times the "multiple job-holding ratio." The latter is simply the average number of jobs held per person. Since information about variations in multiple job-holding is limited, a constant ratio of 1.03 jobs per person employed is assumed.

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, *The Short-Run Dynamics of the Canadian Labour Market*, Economic Council of Canada (forthcoming).



Table B-2

Estimates of Month-to-Month Changes in Unemployment Viewed from Two Sides of the Labour Market, 1972

	Analysis of change from previous month					
	January	February	March	April	May	June
	(Thousands)					
<i>Population side</i>						
Number of persons unemployed in middle of previous month	530	665	627	642	592	552
Population flow						
Into unemployment from employment	215	134	136	125	101	109
Into unemployment from "not in labour force"	32	21	34	27	67	82
Out of unemployment to employment	-100	-174	-146	-189	-201	-168
Out of unemployment to "not in labour force"	-12	-21	-9	-14	-8	-8
Net external population flow into unemployment	-	2	-	1	1	1
Net change in number of persons unemployed	135	-38	15	-50	-40	16
Number of persons unemployed in middle of current month	665	627	642	592	552	568
<i>Job side</i>						
Number of persons unemployed in middle of previous month	530	665	627	642	592	552
Job vacancies in middle of previous month	37	44	45	51	50	55
Net change in job vacancies	7	1	6	-1	5	9
Job vacancies in middle of current month	44	45	51	50	55	60
	(Per cent)					
Unemployment/vacancies ratio in middle of previous month	14.32	15.11	13.93	12.59	11.84	10.04
Change in unemployment/vacancies ratio	.79	-1.18	-1.34	-.75	-1.80	-.57
Unemployment/vacancies ratio in middle of current month	15.11	13.93	12.59	11.84	10.04	9.47
	(Thousands)					
Number of persons unemployed in middle of current month	665	627	642	592	552	568
	July	August	September	October	November	December
<i>Population side</i>						
Number of persons unemployed in middle of previous month	568	543	503	459	483	524
Population flow						
Into unemployment from employment	102	100	112	128	144	172
Into unemployment from "not in labour force"	66	25	31	24	30	23
Out of unemployment to employment	-171	-140	-138	-121	-123	-122
Out of unemployment to "not in labour force"	-23	-25	-50	-8	-10	-13
Net external population flow into unemployment	1	-	1	1	-	-
Net change in number of persons unemployed	-25	-40	-44	24	41	60
Number of persons unemployed in middle of current month	543	503	459	483	524	584
<i>Job side</i>						
Number of persons unemployed in middle of previous month	568	543	503	459	483	524
Job vacancies in middle of previous month	60	76	93	101	97	82
Net change in job vacancies	16	17	8	-4	-15	-9
Job vacancies in middle of current month	76	93	101	97	82	73
	(Per cent)					
Unemployment/vacancies ratio in middle of previous month	9.47	7.14	5.41	4.54	4.98	6.39
Change in unemployment/vacancies ratio	-2.33	-1.73	-.87	.44	1.41	1.61
Unemployment/vacancies ratio in middle of current month	7.14	5.41	4.54	4.98	6.39	8.00
	(Thousands)					
Number of persons unemployed in middle of current month	543	503	459	483	524	584

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, *The Short-Run Dynamics of the Canadian Labour Market*, Economic Council of Canada (forthcoming).

Table B-3

Estimates of Month-to-Month Changes in the Labour Force, 1972

	Analysis of change from previous month					
	January	February	March	April	May	June
	(Thousands)					
Labour force in middle of previous month	8,655	8,582	8,555	8,658	8,677	8,897
Population flow						
Into employment from "not in labour force"	102	119	169	149	282	311
Into unemployment from "not in labour force"	32	21	34	27	67	82
Total flow into labour force from "not in labour force"	134	140	203	176	349	393
Out of employment to "not in labour force"	-212	-162	-106	-163	-137	-149
Out of unemployment to "not in labour force"	-12	-21	-9	-14	-8	-8
Total flow out of labour force to "not in labour force"	-224	-183	-115	-177	-145	-157
Net external population flow into labour force	17	16	15	20	16	16
Net change in labour force	-73	-27	103	19	220	252
Labour force in middle of current month	8,582	8,555	8,658	8,677	8,897	9,149
	July	August	September	October	November	December
Labour force in middle of previous month	9,149	9,368	9,274	8,840	8,878	8,887
Population flow						
Into employment from "not in labour force"	398	162	300	188	143	154
Into unemployment from "not in labour force"	66	25	31	24	30	23
Total flow into labour force from "not in labour force"	464	187	331	212	173	177
Out of employment to "not in labour force"	-244	-271	-732	-182	-169	-138
Out of unemployment to "not in labour force"	-23	-25	-50	-8	-10	-13
Total flow out of labour force to "not in labour force"	-267	-296	-782	-190	-179	-151
Net external population flow into labour force	22	15	17	16	15	16
Net change in labour force	219	-94	-434	38	9	42
Labour force in middle of current month	9,368	9,274	8,840	8,878	8,887	8,929

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, *The Short-Run Dynamics of the Canadian Labour Market*, Economic Council of Canada (forthcoming).

Table B-4

Probability of Change in Employment Status between Categories, Selected Months, by Unemployment Rate and Sex

	Overall seasonally adjusted unem- ployment rate	Remained employed	Employed to unem- ployed	Employed to "not in labour force"	Unem- ployed to employed	Remained unem- ployed	Unem- ployed to "not in labour force"	"Not in labour force" to employed	"Not in labour force" to unem- ployed	Remained out of labour force
(Per cent)										
<b>Males</b>										
January-February	3	.9746	.0148	.0106	.3552	.6269	.0179	.0223	.0039	.9738
	5	.9710	.0192	.0097	.2762	.7029	.0209	.0200	.0048	.9752
	7	.9661	.0250	.0089	.2090	.7672	.0238	.0179	.0060	.9761
September-October	3	.9794	.0109	.0098	.3485	.6365	.0150	.0365	.0045	.9589
	5	.9776	.0132	.0092	.2939	.6896	.0165	.0342	.0053	.9605
	7	.9753	.0159	.0087	.2447	.7375	.0178	.0320	.0061	.9618
<b>Females</b>										
January-February	3	.9566	.0085	.0349	.3859	.5864	.0277	.0276	.0031	.9693
	5	.9563	.0110	.0328	.3192	.6570	.0238	.0237	.0032	.9731
	7	.9551	.0142	.0307	.2587	.7213	.0201	.0203	.0033	.9764
September-October	3	.9504	.0090	.0406	.3114	.6606	.0281	.0319	.0038	.9643
	5	.9502	.0108	.0390	.2707	.7054	.0239	.0290	.0039	.9670
	7	.9495	.0130	.0375	.2332	.7466	.0202	.0264	.0041	.9696

SOURCE Frank T. Denton, Christine H. Feaver, and A. Leslie Robb, *The Short-Run Dynamics of the Canadian Labour Market*, Economic Council of Canada (forthcoming).

Table B-5

Flows into and out of Labour Force, Employment, and Unemployment, 1963 and 1973

	1963	1973
	(Percentage of average labour force during year)	
Flows into and out of labour force		
Into employment from "not in labour force"	24.5	27.9
Into unemployment from "not in labour force"	2.9	4.6
Out of employment to "not in labour force"	25.3	29.0
Out of unemployment to "not in labour force"	1.3	2.1
Net external population flow into labour force	2.1	2.5
	(Percentage of average employment during year)	
Flows into and out of employment		
Into employment from unemployment	22.6	20.5
Into employment from "not in labour force"	25.9	29.6
Out of employment to unemployment	19.6	16.9
Out of employment to "not in labour force"	26.8	30.7
Net external population flow into employment	2.1	2.5
	(Percentage of average unemployment during year)	
Flows into and out of unemployment		
Into unemployment from employment	334.0	284.4
Into unemployment from "not in labour force"	52.7	82.9
Out of unemployment to employment	385.2	345.7
Out of unemployment to "not in labour force"	22.8	37.9
Net external population flow into unemployment	2.9	2.5

SOURCE Estimates by the Economic Council of Canada.



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# C

## MINIMUM WAGE AND LOW WEEKLY EARNINGS

In the course of this study of the labour market the question of the relationship between low wages and inadequate family earnings was frequently raised. More specifically, the issue was whether increases in legislated minimum wage rates constituted the most appropriate vehicle for eliminating poverty and assisting the working poor. Much has been written on the merits of increased minimum wages and, among other things, whether they lead to a significant displacement of labour. A more basic question, however, from the point of view of family income, is who are the persons drawing income at or below minimum levels. Are they mostly labourers? Women? Students? Married or single? No definitive study has been made in Canada on the characteristics of persons earning minimum wages; hence, as cited below, we drew data from a number of separate sources, including Labour Canada, Statistics Canada, and the Quebec Department of Social Affairs.

First, however, a word of caution. Statistics Canada or Labour Canada surveys of hourly wages contain no information on age or family status. UIC data link sex, age, and past hourly earnings, but they do not relate these to family status; nor are they published. And, while the Statistics Canada Consumer Finance Survey provides full data on age, sex, and family status, they report only individual earnings in the previous year and the number of weeks worked. Thus the individuals in the latter survey who appear to be earning very low wages may be in occupations excluded from minimum-wage legislation or, more likely, they may have worked less than a full week and may have been reported to have earned less than the equivalent of the minimum wage for an assumed forty-hour week.

We also used data from an unpublished survey of low-wage workers in the Quebec retail, wholesale, finance, public administration and related services sectors, carried out for the provincial Department of Social Affairs. About 15 per cent of the workers in these "tertiary" sectors are paid the minimum rate, and they represent about 95 per cent of the persons earning minimum wages in that province.

In considering the question of low wages, we looked first at the distribution of unskilled male labourers in the service industries in four metropolitan areas in

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1973 (Table C-1). The results show that over 95 per cent of these male labourers earn wages that are above provincial minimums. The Quebec survey of minimum-wage workers in services and related sectors suggests that this is also the case for married men, who represent around 6 per cent of all minimum-wage workers in these sectors; in half the cases their wives were working.

Table C-1

Distribution of Male Labourers in Service Occupations, by Hourly Wages Relative to Provincial Minimum Wages, Four Metropolitan Areas, October 1973

	Montreal	Toronto	Vancouver	Winnipeg
	(Dollars)			
Minimum wage	1.85	1.80	2.25	1.90
	(Per cent)			
Below minimum	0.2	0.2	0.5	0.4
At minimum	5.1	0.7	0.7	1.3
5-25 per cent above minimum	6.4	4.7	2.4	6.0
25-100 per cent above minimum	32.8	41.4	83.8	77.6
100 per cent and more above minimum	55.5	53.1	12.6	14.7
Total	100.0	100.0	100.0	100.0

SOURCE Based on data from Labour Canada.

A large proportion of the workers in retail and wholesale enterprises, banks, hospitals, restaurants, public administration, services, and other jobs in the tertiary sector in Quebec are young, and many work part-time. It is not surprising, therefore, that two-thirds of those earning the minimum wage are single (Table C-2). Married women whose husbands are working represent a quarter of the total that earn minimum wages; in 90 per cent of these cases the husbands are employed full-time for more than the minimum wage. Finally, women who are the sole breadwinners, either because they are the head of single-parent families or their husbands do not work, represent 5 per cent of the total.

We looked, too, at the distribution of the population in Canada receiving weekly earnings below \$60 in 1971 – that is, below the equivalent rate for a forty-hour week at the federal minimum wage (\$1.50). Married women whose husbands were working represented close to half of the total (Table C-3). Married men – about half of whom had working wives – represented a third. In contrast to their counterparts in Quebec, where they were the largest group of minimum hourly wage workers, single persons represented only between 10 and 15 per cent of workers receiving less than \$60 weekly in 1971 in Canada. About 10 per cent of the total were women who were the sole breadwinners in their households.

Table C-2

Distribution of Minimum-Wage<sup>1</sup> Workers in the Tertiary Sector,  
by Selected Family and Age-Sex Categories,  
Quebec, March 1974

	Percentage distribution
Unattached individuals	
Students under 25	22
Other single persons under 25	25
Single adults 25 and over	17
Males	
Married, wife working	3
Married, wife not working	3
Females	
Married, husband working	25
Married, husband not working	2
Heads of single-parent families	3
Total	100

1 The minimum hourly wage in Quebec in March 1974 was \$1.85.

SOURCE Based on data from Quebec Department of Social Affairs.

Table C-3

Distribution of Workers Receiving Weekly Earnings of Less than \$60,  
by Certain Family and Age-Sex Categories, Canada, 1971

	Percentage distribution
Married females, husbands working	45
Males	
Married, wives working	17
Married, wives not working	14
Separated	2
Subtotal	33
Unattached individuals	13
Females, sole breadwinners	
Heads of single-parent families	6
Married, husbands not working	3
Subtotal	9
Total	100

SOURCE Estimates by the Economic Council of Canada.

Low weekly earnings can be produced either by working full-time for the minimum wage or by working fewer hours per week at higher wages. It would appear that a significant number of married women whose husbands are working, and also of married men, appear as low-income earners because they worked only part-time through the week.

These sets of data appear to indicate that by usual standards the majority of workers who earn minimum or low weekly wages do not face serious economic hardship because other members contribute to the family income. Nevertheless, there is still a significant number of persons suffering economic hardship because their qualifications with respect to the present labour market are weak.

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D

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Table D-1

Mobility Rate<sup>1</sup> of Labour Force Participants,<sup>2</sup> by Age-Sex Group, 1968-69

Age group	Between provinces				Between localities			
	Males		Females		Males		Females	
	Married	Single	Married	Single	Married	Single	Married	Single
	(Per cent)							
14-19	2.9	3.6	3.7	3.3	13.5	9.4	12.9	11.9
20-24	3.7	4.6	3.4	5.0	15.0	13.5	12.6	17.2
25-34	2.9	4.1	2.6	4.2	10.1	12.3	9.1	12.3
35-44	1.5	1.8	1.3	1.7	4.8	6.6	4.4	5.3
45-54	.8	1.1	.7	.7	3.5	4.0	3.1	3.0
55-64	.7	.6	1.1	.6	3.1	3.2	3.4	3.1
65 years and over	.6	.5	.8	.6	3.3	3.4	3.0	3.0
Total	1.6	3.2	1.7	3.2	6.0	9.7	6.1	10.9

1 "Mobility rate" is the ratio of people changing residence over a one-year period to the total population, by category in the sample, expressed as a percentage.

2 These statistics are derived from a 2 per cent sample of all persons to whom a social insurance number has been issued.

SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).

Table D-2

Net Migration as a Percentage of Population, by Province, 1968-69

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	Out-migration	In-migration	Net migration
Newfoundland	5.42	2.81	-2.61
Prince Edward Island	5.68	3.73	-1.95
Nova Scotia	2.84	3.37	0.53
New Brunswick	4.34	2.68	-1.66
Quebec	1.17	0.83	-0.34
Ontario	1.22	1.44	0.22
Manitoba	4.44	2.77	-1.67
Saskatchewan	5.80	2.50	-3.30
Alberta	3.79	4.42	0.63
British Columbia	2.16	4.09	1.93

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SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).

Table D-3

Gross Income Ratios, by Number of Moves, 1967-70

	Income in 1970	Income ratio, 1970/1967
	(Dollars)	
Stayers <sup>1</sup>		
Provincial	6,693	1.25
Regional	6,630	1.24
Local	6,655	1.24
One move in 1967-68		
Provincial	7,430	1.43
Regional	7,497	1.39
Local	7,239	1.35
Two new moves		
Provincial	6,950	1.41
Regional	6,599	1.32
Local	6,343	1.33
Two moves, one a return move		
Provincial	6,071	1.36
Regional	6,604	1.32
Local	6,331	1.32
Three new moves		
Provincial	5,656	1.27
Regional	6,360	1.45
Local	6,436	1.46
Three moves, one a return move		
Provincial	6,569	1.31
Regional	6,102	1.27
Local	5,515	1.25
Three moves, two return moves		
Provincial	3,362	1.00
Regional	4,507	0.91
Local	4,356	0.94

1 Stayers are defined as those individuals who made no moves. For example, a provincial stayer is a person who did not change provinces.

SOURCE E. Kenneth Grant and John Vanderkamp, *Economic Causes and Effects of Migration in Canada, 1965-71*, Economic Council of Canada (forthcoming).



# E

Table E-1

Unemployment Insurance Program: Beneficiaries and Expenditures, 1969-75<sup>1</sup>

	Beneficiaries				Expenditures	
	Monthly average	Proportion of labour force	Annual total <sup>2</sup>	Proportion of labour force	Monthly average per person	Total
	(Thousands)	(Per cent)	(Thousands)	(Per cent)	(Dollars)	(\$ Million)
1969	308	3.8	-	-	135	499
1970	385	4.6	-	-	150	695
1971	440	5.1	-	-	169	891
1972	581	6.5	1,919	21.6	268	1,868
1973	569	6.1	2,052	22.1	294	2,004
1974	559	5.8	2,033	21.0	315	2,116
1975	750	7.5	2,300	23.0	367	3,300

1 Data for 1975 are estimates only.

2 Each individual is counted only once.

SOURCE Based on data from the Unemployment Insurance Commission and estimates by the Economic Council of Canada.

Table E-2

Social Assistance Program: Recipients and Expenditures, 1971-75

	Recipients in March of each year			Fiscal-year expenditures <sup>1</sup>	
	Total cases	Dependants	Total recipients	Monthly average per case	Total
		(Thousands)		(\$ Million)	(Dollars)
1971	555	960	1,515	117	782
1972	544	833	1,378	151	987
1973	523	696	1,219	164	1,027
1974	536	677	1,213	168	1,079
1975	-	-	-	-	1,375

1 Fiscal-year expenditures are estimates obtained by doubling the federal share of "general assistance" under the Canada Assistance Plan. The federal share is 50 per cent of shareable expenditures.

SOURCE Based on data from Health and Welfare Canada; and P. A. Cook, C. Hodgins, G. V. Jump, and C. J. Szabo, *Economic Impact of Selected Government Programs Directed towards the Labour Market*, Economic Council of Canada (forthcoming).

Table E-3

Canada Manpower Training Program: Participants and Expenditures, 1969-75

	Participants						Fiscal-year federal expenditures		
	Number of full-time trainees per month <sup>1</sup>			Number of full-time and part-time trainees per year			Institutional training	Industrial training	Total
	Low	Average	High	Institutional	Industrial	Total			
	(Thousands)						(\$ Million)		
1969-70	28	46	59	270	35	305	237	7.8	245
1970-71	34	57	80	320	25	345	284	6.4	290
1971-72	35	63	92	277	76	353	323	8.0	331
1972-73	43	77	125	276	77	353	333	51.8	385
1973-74	36	76	121	277	43	320	352	42.6	395
1974-75	-	-	-	263	72	335	364	37.3	401

1 On a calendar-year basis, beginning with 1969.

SOURCE Based on data from the Department of Manpower and Immigration; and P. A. Cook, C. Hodgins, G. V. Jump and C. J. Szabo, *Economic Impact of Selected Government Programs Directed towards the Labour Market*, Economic Council of Canada (forthcoming).

Table E-4

Job-Creation Programs: Jobs and Expenditures, 1971-75<sup>1</sup>

	Number of jobs of 3 to 4 months' duration			Fiscal-year federal expenditures		
	LIP	OFY	Total	LIP	OFY	Total
	(Thousands)			(\$ Million)		
1971-72	90	28	118	178	24	202
1972-73	86	30	116	201	34	235
1973-74	31	37	68	69	39	108
1974-75	30	28	58	84	26	110

1 In addition to the Local Initiatives Program (LIP) and the Opportunities for Youth (OFY) program, there was the Local Employment Assistance Program (LEAP) in 1973-74 and 1974-75, which provided 1.5 and 1.7 thousand jobs at a cost of \$5.5 million and \$12.0 million each year, respectively. There were also other job-creation programs in 1971-72, but LIP and OFY accounted for roughly two-thirds of the jobs created.

SOURCE Based on data from the Department of Manpower and Immigration; and P. A. Cook, C. Hodgins, G. V. Jump and C. J. Szabo, *Economic Impact of Selected Government Programs Directed towards the Labour Market*, Economic Council of Canada (forthcoming).

Table E-5

## Monthly Incomes under Selected Programs, Five Provinces, 1975

	New Brunswick	Quebec	Ontario	Alberta	British Columbia
	(Dollars)				
Unattached individuals					
Minimum wage <sup>1</sup>	396	447	412	430	430
Social assistance <sup>2</sup>	195	195	167	141	160
Canada Manpower training allowance <sup>3</sup>	292	292	292	292	292
Local Initiatives Program <sup>4</sup>	495	495	495	495	495
Old age security and guaranteed income supplement <sup>5</sup>	214	214	214	214	214
Average unemployment insurance benefits	337	359	366	388	390
Couples with three children					
Minimum wage <sup>1</sup>	396	447	412	430	430
Social assistance <sup>2</sup>	335	362	402	343	420
Social assistance and family allowance (for children aged 3, 6, and 9)	401	441	468	397	486
Canada Manpower training allowance <sup>3</sup>	469	469	469	469	469
Local Initiatives Program <sup>4</sup>	495	495	495	495	495
Old age security and guaranteed income supplement <sup>5</sup>	408	408	408	408	408
Average unemployment insurance benefits <sup>6</sup>	337	359	366	388	390

1 As of mid-1975, a 40-hour week and a 4.3-week month are assumed.

2 Maximum monthly amounts in May 1975; for Quebec and Ontario, they are also the maximums for ordinary needs. The amounts for Ontario are the averages of the amounts allowed under the Family Benefits Act and the General Welfare Act (\$170 and \$163, respectively, for a single person and \$415 and \$389 for a couple with three children). The amounts for Alberta are the averages of the amounts for short-term and long-term assistance (\$130 and \$152, respectively, for a single person and \$307 and \$379 for a couple with three children).

3 Effective July 1, 1975.

4 Maximum for 1974-75 program; minimum not below minimum wage. Working project sponsor gets \$602 per month.

5 Maximum GIS (assuming no other income and, in the case of a married couple, that both are over 65 years of age), effective July 1, 1975.

6 Total benefits paid divided by total number of beneficiaries, as of April 1975. Figures are not broken down by individuals or couples. Average for Canada is \$362.53.

SOURCE Based on data from Health and Welfare Canada; Labour Canada; Department of Manpower and Immigration; Unemployment Insurance Commission; and estimates by the Economic Council of Canada.



Table E-6

Social Assistance and Minimum Wage, by Province, 1973

	Unattached individual	Family unit			
		Couple	Couple with one dependant	Couple with two dependants	
(Dollars per month)					
Newfoundland					
Minimum wage	242.67	242.67	242.67	242.67	242.67
Social assistance	90.00	165.00	190.00	215.00	240.00
Prince Edward Island					
Minimum wage	242.67	242.67	242.67	242.67	242.67
Social assistance <sup>1</sup>	103.00	146.00	201.00	238.00	267.00
Nova Scotia					
Minimum wage	286.00	286.00	286.00	286.00	286.00
Social assistance	137.00	189.00	232.00	263.00	266.00
New Brunswick					
Minimum wage	260.00	260.00	260.00	260.00	260.00
Social assistance <sup>2</sup>	127.50	217.50	261.80	269.00	289.00
Quebec					
Minimum wage	294.66	294.66	294.66	294.66	294.66
Social assistance	116.00	166.00	216.00	240.00	268.00
Ontario					
Minimum wage	312.00	312.00	312.00	312.00	312.00
Social assistance <sup>2</sup>	135.00	219.00	270.00	363.00	378.75
Manitoba					
Minimum wage	329.33	329.33	329.33	329.33	329.33
Social assistance <sup>1</sup>	150.30	213.20	277.10	315.80	347.80
Saskatchewan					
Minimum wage	303.33	303.33	303.33	303.33	303.33
Social assistance <sup>1</sup>	145.00	206.00	266.26	311.00	353.25
Alberta					
Minimum wage	329.33	329.33	329.33	329.33	329.33
Social assistance <sup>1</sup>	109.00	159.00	211.00	254.00	290.00
British Columbia					
Minimum wage	346.66	346.66	346.66	346.66	346.66
Social assistance	140.00	250.00	300.00	350.00	400.00

1 Assuming an amount of \$50 per month for heating and rent.

2 Assuming an amount of \$10 per month for heating.

SOURCE Based on data from the Department of Manpower and Immigration; Health and Welfare Canada; and the Unemployment Insurance Commission.

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# F

## UNEMPLOYMENT INSURANCE PROGRAMS: SOME INTERNATIONAL COMPARISONS

Unemployment insurance programs vary greatly among countries and even within some countries. The benefits paid from these programs are of particular importance, in a social context, under conditions of high unemployment, but they also have a significant stabilizing effect on an economy under recessionary conditions.

Especially in Canada, but also in the United States and Germany, coverage by unemployment insurance programs is almost complete (Table F-1). In contrast, only about half the workers are covered in Italy and Japan. Benefits as a proportion of earnings appear to be highest in Canada, Germany, and Japan; however, in a number of the countries special additional payments are made under certain conditions and circumstances. Moreover, benefits may vary substantially from one part of a country to another. In the United States, for example, the range among the different states was from a low of 28 per cent to a high of 67 per cent of gross earnings, but in several instances individual states provided a range of benefits.

In a majority of the countries studied the maximum period during which unemployment benefits can be collected is about one year. Recent proposals in the United States provide for a maximum of sixty-five weeks, but most states provide benefits for periods ranging from twenty to thirty-six weeks.

Eligibility requirements for receiving benefits vary considerably. In Canada, a recipient must have worked eight weeks in the year prior to unemployment; in Italy, one year in the two years prior. Within the United States there is a wide variance in the conditions under which benefits are paid. Eligibility is frequently based upon minimum levels of previous earnings, usually in conjunction with a minimum period of employment. For example, Michigan stipulates a minimum of 14 weeks' employment at earnings of \$25.01 or more per week.

Total unemployment payments in a particular country depend, of course, on the degree of coverage of the working population, the amount of the benefits, the stringency of the eligibility provisions, and the length of time the benefits are paid. On this basis, Canada's unemployment program is among the most generous of the countries shown; accordingly, the stabilizing potential of unemployment payments

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is stronger in Canada than in most of the other countries. It is substantial in Italy as well, where the special additional payments may increase unemployment benefits to as high as 80 per cent of earnings. In France, the potential stabilizing effect of unemployment payments is weakest because of relatively low coverage and a low rate of benefits.

Table F-1

Comparison of Unemployment Insurance Programs,<sup>1</sup> Selected Countries, 1975

	Coverage as a percentage of total employment	Benefits as a percentage of gross earnings	Maximum weeks of benefit	Weeks of employment required prior to unemployment <sup>2</sup>
Canada	99	67	51	8/52
United States	95	51 <sup>3</sup>	65	- <sup>5</sup>
France	61	40 <sup>4</sup>	52 <sup>6</sup>	13/52
West Germany	93	60 <sup>3</sup>	52	26/156
Sweden	64	- <sup>5</sup>	60 <sup>6</sup>	22/52
United Kingdom	80 <sup>3</sup>	- <sup>4</sup>	52	26/52 <sup>5</sup>
Italy	51	- <sup>4</sup>	26	52/104 <sup>5</sup>
Japan	45	60-80	- <sup>5</sup>	26/52

1 Programs are administered solely by government in Canada, United States, United Kingdom, Italy, and Japan; and jointly by government, management, and labour in France, Germany, and Sweden.

2 In Canada, for example, to be eligible for unemployment insurance benefits, a person must have worked at least 8 of the 52 weeks preceding unemployment.

3 Estimate.

4 In the United Kingdom and Italy, flat-rate benefits apply. In these two countries and France, additional benefits may be available.

5 Varies.

6 The maximum period increases with age.

SOURCE *The OECD Observer*, July/August 1975; U.S. Department of Health, Education and Welfare, *Social Security Programs Throughout the World* (Washington: Office of Research and Statistics, 1973); and Swedish government sources.

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# G

## COLLECTIVE AGREEMENT ANALYSIS

An analysis, based on data supplied by the Collective Agreement Analysis Branch of Labour Canada, was undertaken to determine the relative importance of certain contract clauses that affect the working conditions of organized labour in Canada. These data were drawn from 1,709 agreements in force in January 1974, covering units of 200 or more employees in 2,379 establishments throughout Canada.<sup>1</sup> They included somewhat more than one-fifth of the Canadian labour force, or about 2 million employees.

The findings must, however, be interpreted with some caution. Most Canadian collective agreements are highly complex, and interpretive classification involves a certain amount of subjective judgment. The coding system used for recording the original data does not fit all industries in all details. Moreover, the absence in certain industries or firms of certain provisions does not necessarily mean that there is a lack of concern or agreement by both parties; it may simply mean that the issue has become part of accepted practice and does not require formal collective negotiation. On the other hand, areas or issues that have become subject to law in some or all jurisdictions may or may not be retained in collective agreements or may show up only in agreements negotiated in provinces where appropriate legislation does not yet exist, thereby distorting the apparent numerical frequency of the coverage.

The following data should therefore be interpreted as at best only a partial indication of prevailing labour-management preoccupations and preferences within the formal contractual relationships.

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<sup>1</sup> For a more complete discussion of the implications of these data, see P. Malles, *Canadian Labour Standards in Law, Agreement, and Practice*, Economic Council of Canada (forthcoming).



Table G-1

Selected Coverage under Canadian Collective Agreements, All Industries, January 1974

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
Union security, membership, and jurisdiction of trade: management rights				
Total	1,641,232	100.0	265,513	100.0
Union security: union membership as condition of employment				
No provision	871,697	53.1	104,554	39.4
Closed shop	66,253	4.0	12,621	4.8
Union shop	288,971	17.6	72,543	27.3
Modified union shop	345,780	21.1	59,798	22.5
Maintenance of membership	65,786	4.0	14,909	5.6
Other	2,745	0.2	1,088	0.4
Union dues check-off				
No provision	68,870	4.2	18,452	7.0
Compulsory check-off (Rand Formula)	790,811	48.2	141,349	53.2
Other check-off (modified Rand Formula)	781,551	47.6	105,712	39.8
Jurisdiction of work - each trade				
No provision	1,590,069	96.9	258,692	97.4
Provisions respecting the scope of work	51,163	3.1	6,821	2.6
Management rights				
No provision	502,893	30.6	55,981	21.1
General statement	452,934	27.6	45,768	17.2
Enumerated list of rights residual with management	274,487	16.7	42,469	16.0
Enumerated list, silent on residual rights	410,918	25.0	121,295	45.7

Table G-1 (cont'd.)

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
Employee security: seniority				
Total	1,641,232	100.0	265,513	100.0
Preferential seniority				
No provision	1,378,368	84.0	198,434	74.7
Special seniority	262,864	16.0	67,079	25.3
Seniority on promotion				
No provision	533,636	32.5	43,409	16.3
Straight seniority	8,400	0.5	2,418	0.9
Other (qualified seniority)	1,099,196	67.0	219,686	82.7
Seniority on layoff				
No provision	610,617	37.2	36,556	13.8
Straight seniority	149,889	9.1	28,537	10.7
Other (qualified seniority)	880,726	53.7	200,420	75.5
Retention of seniority during term of layoff				
No provision	710,731	43.3	68,033	25.6
Twelve months or less	428,321	26.1	103,109	38.8
More than twelve months	224,762	13.7	34,442	13.0
Graduated according to length of service	232,638	14.2	54,791	20.6
Other (not specified or indefinite)	44,780	2.7	5,138	2.0
Retention of seniority during illness				
No provision	914,394	55.7	138,646	52.2
Provision exists	726,838	44.3	126,867	47.8
Seniority - "bumping"				
No provision	1,173,893	71.5	157,814	59.4
Provision exists	467,339	28.5	107,699	40.6
Length of probationary period				
No provision	624,918	38.1	42,889	16.2
One month or less	117,653	7.2	20,026	7.5
Up to two months	261,604	15.9	75,453	28.4
Up to three months	295,242	18.0	88,441	33.3
Up to four months	46,885	2.9	3,749	1.4
Up to five months	11,145	0.7	2,886	1.1
Up to six months	147,928	9.0	16,560	6.2
More than six months	74,940	4.6	12,228	4.6
Other	60,917	3.7	3,281	1.2

(cont'd.)

Table G-1 (cont'd.)

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
<b>Employee security: hiring and firing</b>				
Total	1,641,232	100.0	265,513	100.0
Notice of layoff				
No provision	837,155	51.0	146,582	55.2
One week or less	396,175	24.1	86,608	32.6
Two weeks	196,922	12.0	7,081	2.7
Three weeks	7,720	0.5	760	0.3
Four weeks or more	100,261	6.1	5,298	2.0
Graduated according to length of service	21,497	1.3	4,813	1.8
Other	81,502	5.0	14,371	5.4
Posting of job vacancies				
No provision	701,566	42.7	77,248	29.1
Provision units	939,666	57.3	188,265	70.9
Severance pay and supplementary unemployment benefits				
No provision	865,942	52.8	192,546	72.5
Severance pay specified in agreement (SUB)	525,632	32.0	64,417	24.3
Severance pay fund (no SUB)	16,325	1.0	975	0.4
SUB with severance pay	177,590	10.8	3,257	1.2
SUB without severance pay	55,743	3.4	4,318	1.6
Recall procedure				
No provision	775,134	47.2	53,587	20.2
In the inverse order of layoff	134,276	8.2	34,840	13.1
Other	731,822	44.6	177,086	66.7
Distribution of work during slack periods				
No provision	1,538,881	93.8	243,553	91.7
Provision exists	102,351	6.2	21,960	9.3

Table G-1 (cont'd.)

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
Employee security: technological change, training/retraining, and education (general)				
Total	1,641,232	100.0	265,513	100.0
Advance notice and/or consultation				
No provision	1,013,144	61.7	209,516	78.9
Less than three months	120,140	7.3	26,735	10.1
Three to six months	279,996	17.1	8,438	3.2
Six months to one year	5,460	0.3	-	-
One year or more	2,070	0.1	310	0.1
Other	220,422	13.4	20,454	7.7
Training or retraining				
No provision	1,167,015	71.1	224,912	84.7
Specified in case of technical change	474,217	28.9	40,601	15.3
Labour-management committee				
No provision	1,302,099	83.7	232,024	87.4
Specified to deal with technical change	339,133	16.3	33,489	12.6
Wage and employment guarantee				
No provision	1,363,157	83.1	232,690	87.6
Guarantee other than SUB or severance pay	278,075	16.9	32,823	12.4
Notice of layoff in case of technological change				
No provision	1,490,112	90.8	246,982	93.0
Less than three months	84,328	5.1	8,942	2.6
Three to six months	43,394	2.6	4,966	1.9
Six months to one year	650	-	343	0.1
Other	22,748	1.4	4,280	1.6
Reopener clause in case of technological change				
No provision	1,618,322	98.6	262,856	99.0
Provision exists	22,910	1.4	2,657	1.0
Other reference to technological change				
No provision	1,420,858	86.6	228,606	86.1
Provision exists	220,374	13.4	36,907	13.9
Training/retraining (general)				
No provision	779,182	47.5	193,079	72.7
Specific provision exists	862,050	52.5	72,434	27.3
Educational assistance				
No provision	1,222,054	74.5	232,783	87.7
Provision exists	419,178	25.5	32,730	18.3
Education leave of absence				
No provision	1,340,646	81.7	246,951	93.0
Provision exists	300,583	18.3	18,562	7.0

(cont'd.)



Table G-1 (cont'd.)

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
<b>Special groups</b>				
Total	1,641,232	100.0	265,513	100.0
<b>Women</b>				
Equal pay				
No provision	1,569,011	95.6	254,085	95.7
Provision exists	72,221	4.4	11,428	4.3
Separate seniority unit				
No provision	1,601,093	97.6	257,603	96.8
Provision exists	40,139	2.4	7,908	3.2
Maternity leave (seniority)				
No provision	858,629	52.3	199,905	75.3
Seniority retained	474,480	28.9	40,463	15.2
Seniority accumulated	181,479	11.1	17,789	6.9
Provision for seniority (general)	126,644	7.7	7,356	2.8
Maternity leave (pay)				
No provision	1,622,777	98.9	262,578	98.9
Provision exists	18,455	1.1	2,935	1.1
Maternity leave (time limitation)				
No provision	806,878	49.2	177,736	66.9
Provision exists	834,354	50.8	87,777	33.1
<b>Other groups</b>				
Employment of older or handicapped workers				
No provision	1,267,282	77.2	204,174	76.9
Provision exists	373,950	22.8	61,339	23.1

Table G-1 (concl'd.)

	Size of agreement unit			
	500 and more employees		200 to 499 employees	
	Number covered	Percentage covered	Number covered	Percentage covered
<b>Health and welfare plans</b>				
Total	1,641,232	100.0	265,513	100.0
Hospital plans (provincial)				
No provision	747,047	45.5	96,048	36.2
100 per cent employers' contribution	306,612	18.7	65,842	24.8
Partial employers' contribution	377,707	23.0	73,413	27.6
Other*	209,866	12.8	30,210	11.4
Medical, surgical, and supplementary hospital				
No provision	326,929	20.0	61,590	23.2
100 per cent employers' contribution	381,511	23.2	66,111	24.9
Partial employers' contribution	618,827	37.6	98,544	37.1
Other*	313,965	19.2	39,218	14.8
Life insurance, accident, death, and disablement				
No provision	364,820	22.2	59,966	22.6
100 per cent employers' contribution	534,512	32.6	71,565	26.9
Partial employers' contribution	396,199	24.1	81,610	30.7
Other*	345,701	21.1	52,492	19.8
Private pension plans				
No provision	505,613	30.8	125,509	47.3
100 per cent employers' contribution	123,864	7.5	19,956	7.5
Partial employers' contribution	307,077	18.6	15,169	5.7
Other*	704,678	42.9	104,879	39.5
Sickness weekly indemnity (period)				
No provision	611,710	37.3	117,482	44.2
Provision exists	1,030,522	62.7	148,031	55.8
Sickness weekly indemnity (amount)				
No provision	622,810	37.9	108,645	40.9
Provision exists	1,018,422	62.1	156,868	59.1
Paid sick leave (days per year)				
No provision	631,321	38.5	174,881	65.8
Provision exists	1,009,911	61.5	90,632	34.2
Accumulation of unused sick leave				
No provision	751,968	45.6	89,258	33.6
Provision exists	889,264	54.2	76,255	66.4
Reimbursement for unused sick leave on termination of employment				
No provision	1,287,889	78.5	242,441	91.3
Provision exists	353,343	21.5	23,072	8.7
Reimbursement for unused sick leave on retirement				
No provision	1,337,633	81.5	243,974	91.9
Provision exists	303,599	18.5	21,539	8.1

\* Contracts in which health and welfare plans are mentioned but no details are given.

SOURCE Based on data from Labour Canada.

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# H

## LABOUR MARKET DATA SOURCES

Information about the labour market is derived from regular surveys and operational data. The surveys are conducted mainly to provide information on the demand, supply, and remuneration of labour.<sup>1</sup> A more comprehensive description and an assessment of the data are available in a separate paper prepared in connection with the background work that led to this report of the Canadian labour market.<sup>2</sup>

Valuable labour market information also flows from the ongoing operations of a number of government departments and agencies such as the Unemployment Insurance Commission, the Department of Manpower and Immigration – including the various manpower training programs – the Canada Manpower Centres, and the Immigration Branch.<sup>3</sup> Labour Canada (formerly the Department of Labour) publishes annual data, collected under the Corporations and Labour Unions Returns Act, on union membership by type of union, by industry, and by region.<sup>4</sup> Further information about organized labour is contained in annual reports by Labour Canada, such as *Strikes and Lockouts in Canada* and *Working Conditions in Canadian Industry*. The Census provides considerable data relevant to the labour market and, while it is carried out in full every ten years and in part every five years, its much broader coverage permits detailed analysis.

A number of obstacles interfere with direct comparison of data from the labour force surveys, on the one hand, and with data from unemployment insurance

- 1 See Statistics Canada, *The Labour Force* (monthly), *Income Distribution by Size in Canada* (annually), *Employment Earnings and Hours* (monthly), *Quarterly Report on Job Vacancies*; and Labour Canada, *Wage Rates, Salaries and Hours of Labour* (annually), *Wage Developments Resulting from Major Collective Agreements* (quarterly).
  - 2 Keith Newton, Alister Smith, and Lillian Buchanan, "Canadian Labour Market Data: Sources and Characteristics," Economic Council of Canada Discussion Paper 42, November 1975.
  - 3 Department of Manpower and Immigration, *Canada Manpower Review* and *Quarterly Immigration Bulletin*.
  - 4 Labour Canada, *Labour Organizations in Canada* (annually); see also Statistics Canada, *Quarterly Report on Job Vacancies*.
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claimants and from the Job Vacancies surveys, on the other hand. In the main, the difficulties arise from differences in definition and coverage and from the fact, highlighted in Chapter 5, that stock figures such as provided by the Labour Force and Job Vacancies surveys do not capture the large flows of persons into and out of employment, unemployment, and the labour force.

The fact that present labour market data do not record such flows or provide information on the characteristics of the people or jobs involved in the movements represents a major deficiency in our knowledge of how the labour market actually functions. Nor has information on turnovers been available from employers in recent years. In general, better liaison is necessary between those supplying the data and those wishing to use it.

Some moves aimed at improving our knowledge of the labour market are, however, under way. An occupational employment survey currently being tested by Statistics Canada is designed to provide much more information by occupation and will be a valuable aid in matching workers and jobs. A new Labour Force Survey, roughly double the size of the present one, is being introduced in 1976 and will provide more detailed information on the labour force and fill some of the lacunae.

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