

**Royal Commission
on Canada's Economic Prospects**

The Service Industries

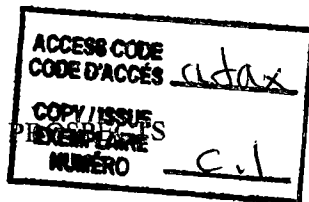
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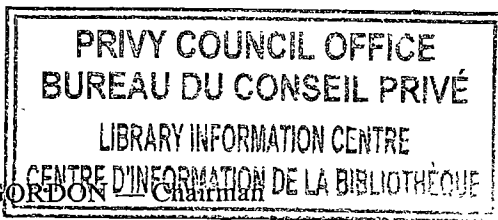
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THE SERVICE INDUSTRIES

by the Bank of Montreal

MARCH, 1956

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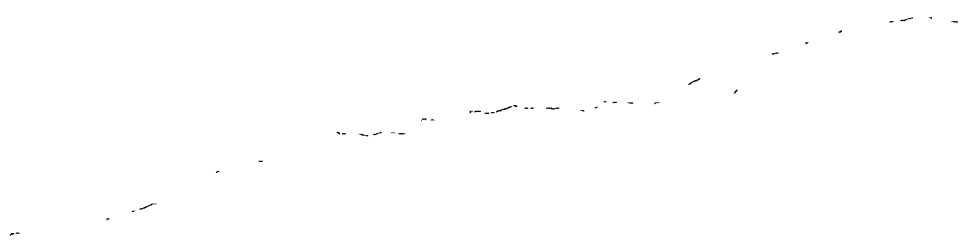


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PREFACE

At the request of the Royal Commission on Canada's Economic Prospects, the Bank of Montreal has been pleased to arrange for the preparation of this study of the Service Industries in Canada. While the bank provided the staff and facilities for its preparation, the intention and endeavour has been to make an independent and objective study and it is to be understood that opinions expressed or forecasts made do not reflect the views of the bank or its officials or employees as such.

Grateful acknowledgement is due to the many individuals, firms and associations apart from the bank's employees who have contributed in some part to this report.

Trade associations, notably the Retail Federation of Canada, through its general manager, Mr. E. F. K. Nelson, have been particularly helpful. Mr. Bruce R. Power and Mr. F. C. Dimock of the Canadian Life Insurance Officers' Association, Mr. H. L. Robson of the Canadian Bankers' Association, Mr. J. E. Fortin of the Dominion Mortgage and Investment Association, Mr. C. Gordon Smith of Credit Union National Association Inc., and Mr. Howard B. Moore of the Federation of Automobile Dealers' Associations of Canada are others who have been generous in their assistance. Over 20 wholesale associations replied to our request for information; the substance of their replies forms a special section in the chapter on wholesale trade and their names are listed in Appendix C. Useful comments have also been received from Mrs. F. L. Montgomery of the Canadian Restaurant Association, Mr. Dalton J. Caswell of the Hotel Association of Canada, and Dr. W. D. Piercey of the Canadian Hospital Association.

Mr. Leo Dolan of the Canadian Government Travel Bureau and Mr. Vernon Lang of the Canadian Tourist Association have reviewed the section on recreational facilities and the tourist trade.

A special acknowledgement is extended to the staff of the Dominion Bureau of Statistics whose assistance and records have been freely made available to us through the kind co-operation of Dr. S. A. Goldberg, Assistant Dominion Statistician. Mr. H. McLeod and Mr. J. C. Brearley of the Industry and Merchandising Division have been especially helpful. Others who have extended assistance from time to time include—Miss W. I. Harvey, Miss A. G. Wood, Mr. V. R. Berlinguette, Mr. Frank Curry, Mr. D. G. Campbell, Mr. D. J. Bailey, Mr. D. Steinthorson, Mr. W. Purcell, and Mr. H. O. Taylor.

Dr. D. E. Armstrong of McGill University read the study in draft form and made a number of useful suggestions.

Finally, we are indebted to members of the staff of the Royal Commission, notably Mr. D. H. Fullerton, and Mr. H. A. Hampson, whose co-operation, advice and guidance at all times have been invaluable in making a survey which it is hoped will meet the Commissions requirements.

Mr. J. E. Toten has been responsible for preparing this study under the supervision of Mr. E. A. Walton, the Bank's Economic Adviser. Miss Kay Morris and Mr. E. de Bellaigue have assisted Mr. Toten in the preparation of certain sections, while the bank's library and statistical facilities have been used extensively.

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INTRODUCTION

The Role of the Service Industries

The service industries are generally regarded as comprising all those sections of the economy that do not produce goods but do provide a service of some kind. They may be conveniently grouped under the general headings of trade, finance, commercial and personal services, services provided by government departments and public institutions, and transportation and public utilities.

These industries have played a significant part in the development of our economy. They provide distribution and marketing facilities for an increasing quantity and variety of products. They supply the financial and commercial services for the growing business community as well as the financial requirements of individuals. Finally, they make available the personal services and conveniences required by a population whose occupations are becoming increasingly specialized and whose demands for such services and conveniences are becoming greater and more diversified as the economy grows in wealth. That they have historically played an important part in the development of many Canadian cities is well summarized in the following—

“The expansion of trade, finance and commercial services in Canada was accelerated around the turn of the century by the rapid development of the specialized wheat economy of the Prairies, and by the exploitation of mineral and lumber resources in British Columbia and the Canadian Shield. For a time, in fact, the trade, finance and service industries were the chief support of many urban centres in the four western provinces. It was also in the two decades preceding World War I that Canadian financial institutions developed their characteristic centralization, the western communities being serviced mainly by branches of organizations having their head offices in Ontario and Quebec. Thus these two provinces became the commercial and financial centre of the country at the same time as they came to be the manufacturing centre of Canada. During World War I the production of both

foodstuffs and manufactured goods was further stimulated. The twenties in turn saw renewed development of the extractive and processing industries as well as expansion of manufacturing facilities, all of which contributed to further growth of the complementary trade, finance and commercial services sector of the economy."¹

The Scope of the Study

While the more general portions of this study cover the entire service area, certain aspects of the service industries are dealt with in other studies prepared for the Royal Commission. Transportation, for instance, forms the subject of a separate paper. The more detailed portion of this study has therefore been confined to the employment and capital expenditure aspects of trade, both wholesale and retail, financial institutions, government and personal services, and separate chapters have been prepared on each. Some attention has also been devoted to recreational services and the tourist trade.²

Employment potential both directly and through the initiating of capital projects has been the primary object of investigation and where other aspects are touched on they are explored mainly to bring into perspective the primary objective.

Some further points of clarification of the rather loose use of terms in this field are worth making at the outset. Frequently in general economic writing the terms "service industries" or "tertiary industries" are used to designate all those areas of the economy outside the clearly productive industries such as agriculture and manufacturing. However, many statistical publications use the term "service" to indicate a very much narrower field such as those referred to in this study as "personal" or "professional" service. In the pages following and unless the context clearly indicates otherwise the term "service industries" refers to the industries covered in this paper. Whenever a more restrictive area is referred to terms such as "personal service" or "professional service", etc. have been used to achieve clarity.

The study does not aim solely to plot the future of the service industries in Canada but, within the limits outlined above, to throw some light on their past growth and present place in our economy and to suggest possible avenues of development. Whenever future trends are projected the methods and assumptions are outlined in some detail so that those interested may be in a position to form their own judgment as to their validity.

Although the service industries as a whole form a large and growing section of the Canadian economy, representing more than one-third of total

¹Department of Trade and Commerce, "Section 5. Investment in Trade, Finance and Commercial Services," *Private and Public Investment in Canada, 1926-1951* (Ottawa, 1951), p. 85.

²See Appendix A for a list of industries covered in this study, grouped according to The Standard Industrial Classification Manual.

employment, there appear to be no definitive or satisfactory background studies of them relating either to Canada or the United States and the available statistics and source material for Canada are fragmentary and scattered. In the circumstances, readily available information together with consultation with trade associations had to be relied upon, and intensive research had to be limited to the sectors of preponderant importance.

It is hoped that the Royal Commission will share, in perusing it, some of the absorbing interest that the authors have had in putting together a picture of a part of the Canadian economy that is surprisingly unexplored, considering its significance as a reflection of Canadian living standards and its rise within half a century from minor to major importance as a source of employment.

As a concluding note in this introduction, it is suggested that the Royal Commission would further increase its contribution to knowledge and guidance of the Canadian economy by urging the appropriate authorities to initiate more intensive and extensive background studies of the service industries and to enlarge and co-ordinate the flow of information about **them**.

THE GROWING IMPORTANCE OF THE SERVICE INDUSTRIES

Labour Force in the Service Industries

The industrial structure of the Canadian economy has changed importantly over the years and this has been reflected in a changing pattern of employment within the major segments of our economy.

In Table 1 the industrial distribution of the labour force¹ in Canada and the United States are compared at decennial intervals over the past seven decades. In Canada in 1881 less than one in five persons in the labour force was employed within the service industries, including transportation and public utilities, while one-half of the labour force was engaged in the primary industries of agriculture, forestry and fishing. Manufacturing accounted for one person in eight.

There has been a gradual shift over the intervening years so that in 1951 nearly half of the labour force was in the service industries and agriculture accounted for only one person in five, almost a complete reversal of the positions in 1881. Manufacturing employed one person in five instead of one person in eight while the construction group has lost ground. Chart 1 dramatically illustrates the growth of the service industries in graphic form and its development is particularly striking in relation to the other two major groups.

This rising trend, important though it has been, has still not carried the service industries to the relatively important position they have attained in the United States. Similar employment shifts have occurred in the U.S., as is evident in Chart 2, but service industries occupied nearly 52% of the U.S. labour force in 1950 in comparison with 45% in Canada, a figure reached by the U.S. some 20 years ago. In the U.S. the proportion employed in agriculture in the 1880's was the same as in Canada, viz. 50%, but by the early 1950's had fallen to 12%—much lower than the 19% in Canada. The other

¹See Appendix B for discussion of labour force concept, used in 1951 census, and gainfully occupied concept used prior to 1951.

Table 1
LABOUR FORCE BY INDUSTRY COMPARING CANADA AND THE U.S.A.
(thousands of persons)

	U.S. (1880)	Canada (1881)	U.S. (1890)	Canada (1891)	U.S. (1900)	Canada (1901)	U.S. (1910)	Canada (1911)
Retail and wholesale trade.....	1,155	78	1,825	108	2,460	155	3,366	265
Per cent of total.....	6.6	5.7	7.7	6.7	8.5	8.7	9.1	9.7
Finance.....	63	1	163	1	302	5	517	18
Per cent of total.....	0.4	0.1	0.7	0.1	1.0	0.3	1.4	0.7
Professional service.....	304	48	518	63	721	83	1,079	121
Per cent of total.....	1.7	3.5	2.2	3.9	2.5	4.7	2.9	4.4
Personal service.....	1,445	78	2,152	130	2,712	154	3,670	212
Per cent of total.....	8.3	5.7	9.1	8.1	9.3	8.6	10.0	7.8
Government including armed forces.....	396	8	597	18	803	17	1,304	77
Per cent of total.....	2.3	0.6	2.5	1.1	2.8	1.0	3.5	2.8
Sub-total (service industries in this study).....	3,363	213	5,253	320	6,999	414	9,936	693
Per cent of total.....	19.3	15.5	22.1	19.9	24.1	23.2	26.9	25.4
Transportation and public utilities.....	816	41	1,476	69	2,034	81	3,022	218
Per cent of total.....	4.7	3.0	6.2	4.3	7.0	4.5	8.2	8.0
Service industries.....	4,179	254	6,729	389	9,033	496	12,958	910
Per cent of total.....	24.0	18.5	28.3	24.2	31.1	27.8	35.1	33.4
Agriculture, forestry and fishing.....	8,701	699	10,171	778	10,914	761	11,588	1,011
Per cent of total.....	50.0	50.7	42.8	48.4	37.5	42.7	31.4	37.1
Mining.....	314	7	475	16	760	29	1,054	63
Per cent of total.....	1.8	0.5	2.0	1.0	2.6	1.6	2.9	2.3
Manufacturing and hand trades.....	3,170	173	4,748	237	6,342	284	8,232	493
Per cent of total.....	18.2	12.6	20.0	14.8	21.8	15.9	22.3	18.1
Construction.....	830	231	1,445	186	1,663	213	2,297	246
Per cent of total.....	4.8	16.8	6.1	11.6	5.7	11.9	6.2	9.0
Commodity production and construction.....	13,015	1,110	16,840	1,217	19,679	1,287	23,172	1,814
Per cent of total.....	74.8	80.6	70.9	75.8	67.7	72.2	62.8	66.6
Not specified.....	198	13	169	—	362	—	750	—
Per cent of total.....	1.1	0.9	0.7	—	1.2	—	2.0	—
Total Labour Force.....	17,392	1,378	23,739	1,606	29,073	1,783	36,881	2,724
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 1 (Cont'd.)
LABOUR FORCE BY INDUSTRY COMPARING CANADA AND THE U.S.A.
(thousands of persons)

	U.S. (1920)	Canada (1921)	U.S. (1930)	Canada (1931)	U.S. (1940)	Canada (1941)	U.S. (1950)	Canada (1951)
Retail and wholesale trade.....	4,064	349	6,112	388	7,179	465	9,608	696
Per cent of total.....	9.8	11.0	12.5	9.9	13.5	10.3	16.0	13.4
Finance.....	795	25	1,445	92	1,549	90	1,949	143
Per cent of total.....	1.9	0.8	3.0	2.4	2.9	2.0	3.2	2.8
Professional service.....	1,503	222	2,295	266	2,936	294	3,709	452
Per cent of total.....	3.6	7.0	4.7	6.8	5.5	6.5	6.2	8.7
Personal service.....	3,334	212	4,931	322	5,703	366	5,458	309
Per cent of total.....	8.0	6.7	10.1	8.2	10.7	8.1	9.1	6.0
Government including armed forces.....	1,871	95	2,456	114	3,061	452	5,298	295
Per cent of total.....	4.5	3.0	5.0	2.9	5.7	10.0	8.8	5.7
Sub-total (service industries in this study).....	11,567	903	17,239	1,182	20,427	1,667	26,022	1,895
Per cent of total.....	27.8	28.5	35.4	30.2	38.3	37.0	43.3	36.6
Transportation and public utilities.....	3,981	268	4,548	303	3,837	292	5,095	454
Per cent of total.....	9.6	8.4	9.3	7.7	7.2	6.5	8.5	8.8
Service industries	15,548	1,171	21,787	1,485	24,264	1,959	31,117	2,349
Per cent of total.....	37.4	36.9	44.7	37.9	45.5	43.4	51.8	45.3
Agriculture, forestry and fishing.....	11,401	1,111	10,525	1,222	9,141	1,227	7,141	975
Per cent of total.....	27.4	35.0	21.6	31.2	17.2	27.2	11.9	18.8
Mining.....	1,230	51	1,158	72	1,110	93	969	100
Per cent of total.....	3.0	1.6	2.4	1.8	2.1	2.1	1.6	1.9
Manufacturing and hand trades.....	10,882	556	10,876	724	11,944	966	15,486	1,346
Per cent of total.....	26.1	17.5	22.3	18.5	22.4	21.4	25.8	26.0
Construction.....	2,167	285	3,029	250	3,508	220	3,743	344
Per cent of total.....	5.2	9.0	6.2	6.4	6.6	4.9	6.2	6.6
Commodity production and construction.....	25,679	2,002	25,588	2,267	25,703	2,506	27,339	2,765
Per cent of total.....	61.7	63.1	52.5	57.8	48.2	55.6	45.5	53.4
Not specified.....	387	—	1,337	169	3,331	46	1,595	66
Per cent of total.....	0.9	—	2.7	4.3	6.2	1.0	2.7	1.3
Total Labour Force	41,614	3,173	48,712	3,922	53,299	4,511	60,052	5,180
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures for Canada do not include Yukon, Northwest Territories and Newfoundland.

This table has been modelled on that of Harold Barger in *Distribution's Place in the American Economy Since 1869*, "National Bureau of Economic Research Series No. 38" (New York, 1955) p. 4. For conformity, Canadian Census categories "Community and Business" have been shown under the general heading of Professional Service. Source of Canadian data: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954) Tables 10 and 11 and Dominion Bureau of Statistics, *Sixth Census of Canada, 1921*, Vol. IV, Table VI, p. XV and Table 1, p. 2. It should be noted that it has not been possible to check the differences in classification included within each industry between countries and censuses.

CHART 1
CANADA - DISTRIBUTION OF LABOUR FORCE

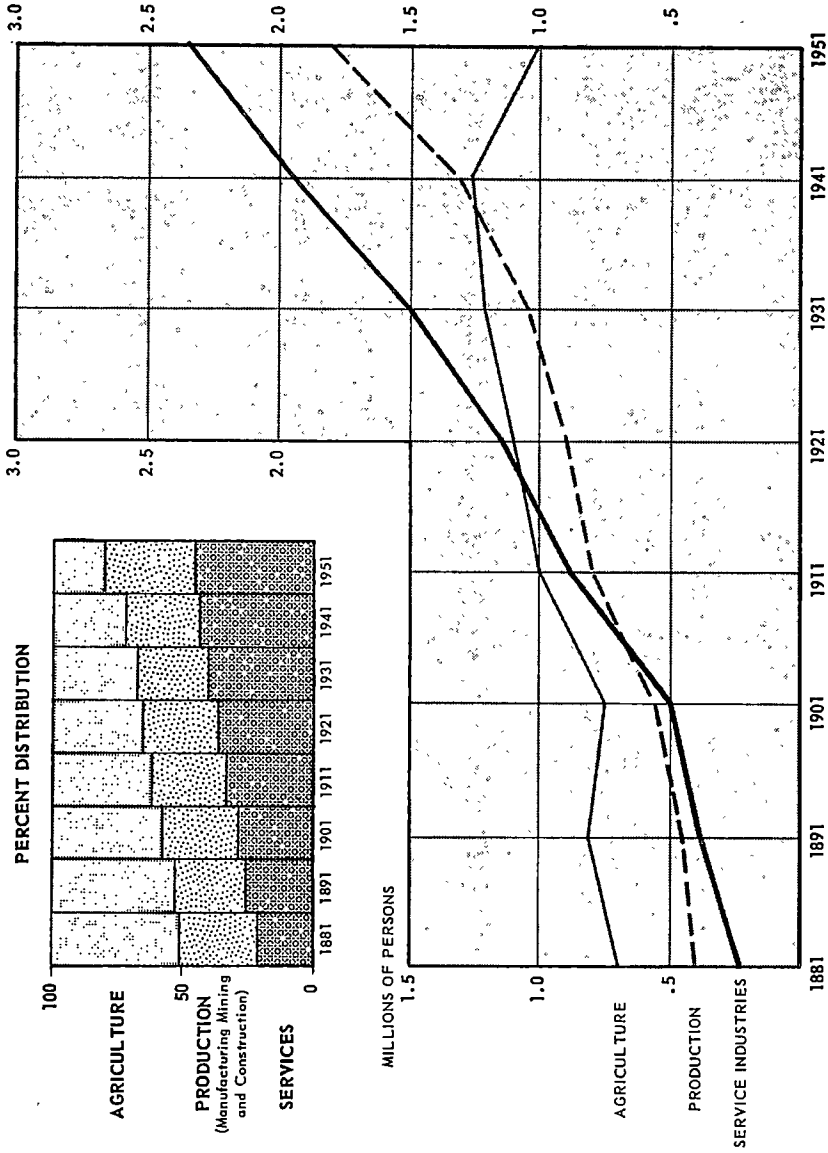
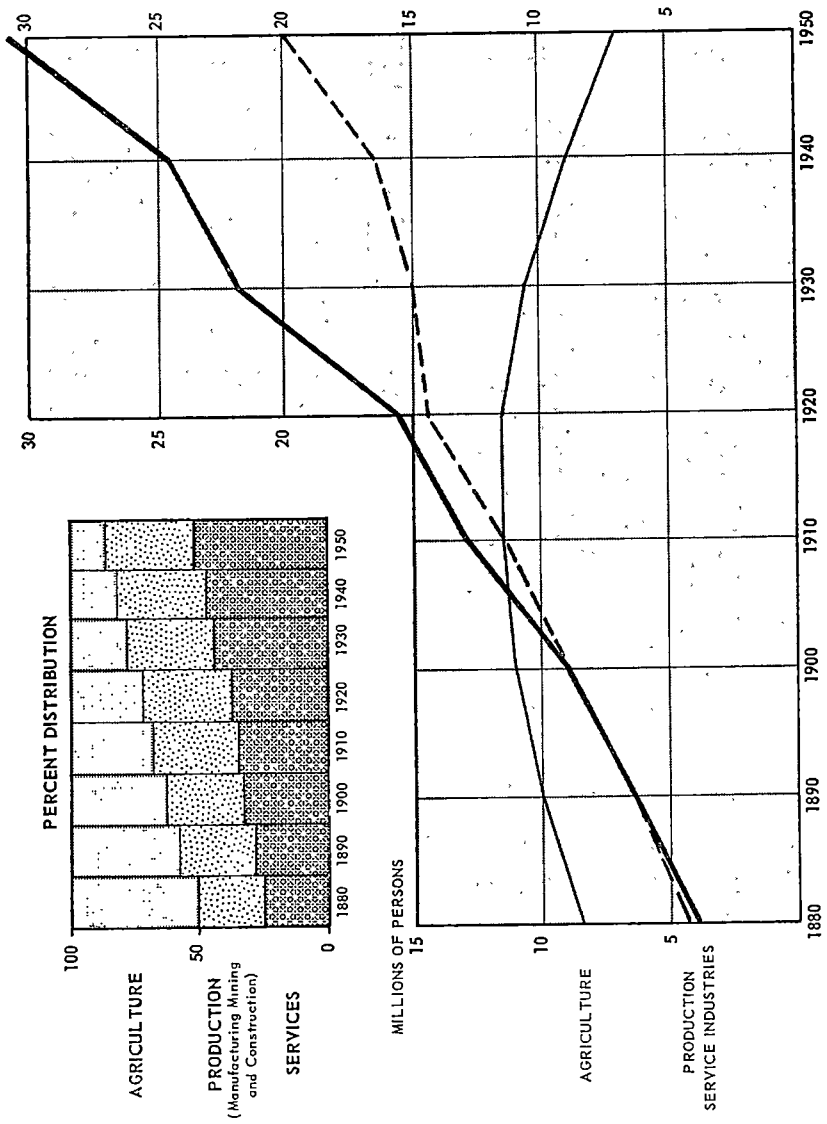


CHART 2
UNITED STATES - DISTRIBUTION OF LABOUR FORCE



main industries of manufacturing, mining and construction have enlarged their share of the labour force by about 5% in Canada but all the rest of the decline in the agricultural labour force has been reflected in the rise of the service industries. In both countries about 34% of the labour force was devoted to non-farm production (manufacturing, mining and construction) in 1951, but this represents a rise from 25% in 1881 for Canada compared with a rise from 30% in 1880 for the U.S.A.

To simplify these trends still further, the labour force may be divided into two segments only—commodity production and construction on the one hand and service industries on the other—dividing “not specified” pro rata. The shift in the two countries may then be summarized as shown in Table 2.

Table 2

PERCENTAGE DISTRIBUTION OF THE LABOUR FORCE,
CANADA AND U.S.A.

	Canada							
	1881	1891	1901	1911	1921	1931	1941	1951
Commodity production and construction.....	81.3	75.8	72.2	66.6	63.1	60.4	56.2	54.1
Service.....	18.7	24.2	27.8	33.4	36.9	39.6	43.8	45.9
	U.S.A.							
	1880	1890	1900	1910	1920	1930	1940	1950
Commodity production and construction.....	75.7	71.4	68.5	64.1	62.3	54.0	51.4	46.8
Service.....	24.3	28.6	31.5	35.9	37.7	46.0	48.6	53.2

Note: Derived from Table 1. The “not specified” in that table are assumed to have the same industrial composition as the identified portion of the labour force. Armed forces are included for all years under “service”.

This division serves to re-emphasize the growing importance of the service industries in the two countries and to point up the fact that their relative share of the labour force was the same in Canada in 1951 as it was in the U.S.A. in 1930. In Canada it is especially striking to note that the percentage of the labour force in the service industries increased 2½ times between 1881 and 1951.

While it is not possible to carry the figures contained in Table 1 on an exactly comparable basis beyond 1951, estimates made by the D.B.S. for later years based on sample surveys indicate that the service industries’ share of the labour force has continued to grow at an accelerated pace.

The increasing importance of the service industries is in line with economic theory in that during this period Canada’s national income per capita has been steadily rising. The general principle has been set out in concise form by Colin Clark—“Studying economic progress in relation to the economic structure of different countries we find a very firmly established generali-

zation that a high average level of real income per head is always associated with a high proportion of the working population engaged in tertiary industries."¹

In 1938 Canada's net national income was estimated at 357 U.S. dollars per head and at that time six other countries were said to have a higher per capita income.² Since that time, Canada's income per capita has continued to rise and in 1949 was estimated at 870 U.S. dollars, second only to the United States with \$1,453.³

This illustrates statistically a fact of some relevance and consequence to this study, namely, that Canada's average income per capita is rising faster than that of most other countries. While the full ramifications of this on our economy are outside the scope of this paper, it points to a substantial increase in employment in the tertiary industries as our economy develops.

While Canada has climbed into second place in terms of net income per capita in recent years, it is apparent from the above that we are still some distance behind the U.S.A. Moreover, productivity per employed worker is undoubtedly higher in the U.S.A.—the difference is estimated by one writer at 14% for the non-agricultural sector of the economy and somewhat higher over-all,⁴ based, of course, on gross national product data.

Furthermore, a larger portion of the population is in the labour force—42% for the U.S.A. in 1951 in comparison with 38% in Canada. While this difference is not unimportant, productivity per worker is probably the main key to the differences in living standards and may have a bearing on the division of workers between industries shown in Table 1.

It seems fair to conclude that as a country becomes more developed the tertiary industries become relatively larger employers of labour. Proceeding from that point into the area of speculation we might say that the very fact of increased productivity per worker in the U.S.A. releases additional manpower for use in selling goods or for employment in other portions of the service industries.

While we may safely conclude that employment in the service sector will increase both absolutely and as a percentage of the labour force, there are undoubtedly diverse trends within this very broad category. New and important industries have grown up in recent years. Perhaps the largest single example in terms of employees is the sale and servicing of automobiles and the closely allied service station industry. Another is the large growth in government service of one kind or another.

¹Colin Clark, *The Conditions of Economic Progress* (London, 1940), p. 6.

²W. S. Woytinsky & E. S. Woytinsky, *World Population and Production: Trends and Outlook* (New York, 1953), p. 389.

³Statistical Office of the United Nations, *National and Per Capita Incomes—Seventy Countries, 1949* (New York, 1954), Table 1.

⁴G. D. Sutton, "Productivity in Canada," *The Canadian Journal of Economics and Political Science*, Vol. 19, No. 2 (Toronto, May, 1953), p. 185.

On the other hand, domestic servants represented a rather high proportion of the labour force in 1911. The figure was 103,000 out of 2,724,000 in that year, in contrast to 80,000 domestic servants in a working force of over 5 million in 1951. This, however, is one of the few examples of a declining trend within the service sector and our chief object in more detailed examination is to investigate relative rates of growth of certain important sub-groups in order to arrive at a better picture of how the service industries have grown in the past and how they may develop in the future.

Income Originating in the Service Industries

In the previous section, the importance of the service industries has been discussed in terms of its increasing share of the labour force. In this section, the place of the service industries, in terms of their share of the national income, will be surveyed.

Table 3 gives a breakdown of national income for selected years from 1926 to 1954, with the main divisions of the service industries shown separately. Each main division shown here is discussed later in the appropriate chapter devoted to the service industry concerned.

Table 3

NATIONAL INCOME BY INDUSTRY, 1926-1954

(millions of dollars)

Industry	1926	1931	1936	1941	1946	1951	1954
Wholesale trade.....	155	146	157	298	454	863	927
Per cent of total.....	3.7	4.4	4.5	4.5	4.6	5.0	4.9
Retail trade.....	352	336	341	555	957	1,531	1,716
Per cent of total.....	8.4	10.1	9.8	8.4	9.7	8.9	9.1
All trade.....	507	482	498	853	1,411	2,394	2,643
Per cent of total.....	12.1	14.5	14.3	13.0	14.4	14.0	14.1
Finance, insurance and real estate.....	390	414	366	459	630	1,180	1,708
Per cent of total.....	9.3	12.4	10.5	7.0	6.4	6.9	9.1
Service.....	503	496	378	533	722	1,289	1,598
Per cent of total.....	12.0	14.9	10.8	8.1	7.9	7.5	8.5
Government(a).....	320	417	392	860	1,057	1,397	2,041
Per cent of total.....	7.6	12.5	11.2	13.1	10.8	8.2	10.9
Sub-total.....	1,720	1,809	1,634	2,705	3,870	6,260	7,990
Per cent of total.....	41.1	54.3	46.9	41.2	39.4	36.5	42.6
All other.....	2,465	1,524	1,853	3,858	5,951	10,878	10,784
Per cent of total.....	58.9	45.7	53.1	58.8	60.6	63.5	57.4
Total national income.....	4,185	3,333	3,487	6,563	9,821	17,138	18,774
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Includes government non-business transactions only. Income originating in government business enterprise is included in the appropriate industrial groups within the business sector.

Sources: Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1926-1950* (Ottawa, 1951), Table 20, pp. 50 and 51.
 Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1951-1954* (Ottawa, 1955); Table 20, p. 31.

Table 4

INCOME ORIGINATING IN SERVICE INDUSTRIES BY SOURCE, 1931-1954

(millions of dollars)

	1931	1941	1951	1954
Wages, salaries and supplementary labour income	1,061	1,657	3,761	5,067
Per cent of national income	31.8	35.2	21.9	27.0
Corporation profits	40	213	630	612
Per cent of national income	1.2	3.2	3.7	3.3
Net-income of unincorporated business	331	415	1,007	1,062
Per cent of national income	9.9	6.3	5.9	5.7
Investment income(a)	377	420	862	1,249
Per cent of national income	11.3	6.4	5.0	6.6
Total income of service industries	1,809	2,705	6,260	7,990
Per cent of national income	54.3	41.2	36.5	42.6

(a) A major part of this represents mortgage interest paid by persons on residential property. This interest is included in finance, insurance and real estate, as all persons paying such interest are considered to be paying it in their capacity as real estate operators rather than as persons.

Sources: Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1926-1950* (Ottawa, 1951).

Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1951-1954* (Ottawa, 1955).

In order to facilitate an examination of the share of national income attributed to the service industries as a whole, the total amount is divided by kinds of income in Table 4. It will be noted that investment income in the service industries dropped from 11% to 5% of national income in the 20 years to 1951 but included in this item is an amount representing mortgage interest paid by persons, as such persons are considered to be paying it in their capacity as real estate operators rather than as persons. The exact amount included here is not shown in the national accounts but is believed to be substantial. Placing this under finance, insurance and real estate may be quite justified statistically, but it does have the effect of increasing national income attributed to the service industries without a corresponding increase in its share of labour force.

For comparative purposes it may be of interest to show in brief form the service industries share of labour force and national income—

	1931	1941	1951
<i>Service Industries' Share of:—</i>		(percent)	
Labour force	30.1	37.0	36.5
National income	54.3	41.2	36.5

Six percent of the change in the share of national income attributed to the service industries has been accounted for by changes in the amount designated as investment income and discussed above. Other reasons for the converging trends during this period are probably quite complex but, in the main, they reflect some of the characteristics of the service industries.

It is apparent from Table 4, for instance, that wages and profits attributed to

these industries represented 43% of the total national income in 1931 but only 31.5% in 1951. A part of this drop undoubtedly reflects the fact that a larger percentage of employees of government and financial institutions and professional workers of all types kept their jobs and thus maintained their incomes in the depression years than did those in other sectors of the economy. Furthermore, wages and salaries in many manufacturing, construction and mining occupations have risen more than in service occupations, as shown in Table 5. Factors responsible for this increase are discussed in some detail in Chapter XII.

For all these reasons, although the service industries' share of labour force rose during the period, its share of national income dropped as indicated.

Table 5

INDEX NUMBERS OF AVERAGE WAGE RATES (1949 = 100)

	1931	1941	1951	1954
Personal service.....	52.1	56.7	110.6	128.6
Metal mining.....	51.2	62.1	121.6	136.7
Construction.....	62.3	60.6	118.6	140.0
Steam railways.....	57.3	64.3	121.9	147.6
Manufacturing.....	42.7	52.9	120.3	138.5
General average.....	47.2	55.3	119.1	137.9

Source: Department of Labour, *Wage Rates and Hours of Labour in Canada*, Annual Report No. 37 (Ottawa, October, 1954) Table II, pp. 20 and 21.

Note: The term "Average Wage Rate" is the weighted average of straight-time rates paid to workers either on a time or incentive basis or both.

Table 6

NATIONAL INCOME BY INDUSTRIES, U.S.A.

	1930	1931	1936	1941	1946	1951	1954
Wholesale.....	4,053	3,181	3,234	5,228	10,393	15,922	17,150
Per cent of total.....	5.4	5.3	5.0	5.0	5.8	5.7	5.7
Retail.....	8,176	6,562	7,356	12,026	24,024	31,958	34,872
Per cent of total.....	10.8	11.0	11.3	11.5	13.4	11.5	11.6
Trade.....	12,229	9,743	10,590	17,254	34,417	47,880	52,022
Per cent of total.....	16.1	16.3	16.3	16.5	19.2	17.3	17.4
Finance, insurance and real estate....	10,592	8,646	6,580	9,172	14,479	22,407	27,875
Per cent of total.....	14.0	14.5	10.1	8.8	8.1	8.1	9.3
Service.....	9,187	7,863	7,479	9,806	17,205	24,754	29,827
Per cent of total.....	12.1	13.2	11.5	9.4	9.6	8.9	10.0
Government.....	5,316	5,426	8,108	10,500	22,592	30,192	35,331
Per cent of total.....	7.0	9.1	12.5	10.0	12.6	10.9	11.8
Sub total.....	37,324	31,678	32,757	46,732	88,693	125,233	145,055
Per cent of total.....	49.3	53.1	50.5	44.6	49.4	45.2	48.4
All other.....	38,405	28,030	32,154	57,978	90,884	151,808	154,618
Per cent of total.....	50.7	46.9	49.5	55.4	50.6	54.8	51.6
Total.....	75,729	59,708	64,911	104,710	179,577	277,041	299,673
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: U.S. Department of Commerce, *National Income 1954*, pp. 176-177

National income by selected industries in the U.S.A. is shown in Table 6. This table is similar to Table 3 which breaks down national income in Canada and both show a somewhat similar pattern of changes for the service industries, as illustrated below—

Service Industries' Percentage Share of National Income

	1931	1941	1951	1954
Canada	54	41	37	43
U.S.A.:	53	45	45	48

Capital Expenditures in the Service Industries

Turning now to the capital investment originated by the service industries, Table 7 shows gross domestic capital investment in current dollars, and also in terms of percentages for selected years.

Table 7

**GROSS DOMESTIC CAPITAL INVESTMENT BY INDUSTRIES
(EXCLUDING INVENTORIES)**

(millions of dollars)

	1926	1931	1936	1941	1946	1951	1954
Trade	24	25	19	32	83	235	357
Per cent of total	2.6	2.8	3.2	2.2	4.9	5.1	6.5
Finance, insurance and real estate	8	11	5	6	15	69	111
Per cent of total	0.9	1.2	0.8	0.4	0.9	1.5	2.0
Commercial services	18	12	22	43	39	108	109
Per cent of total	2.0	1.4	3.7	2.9	2.3	2.4	2.0
Institutional services	38	52	18	17	74	236	329
Per cent of total	4.1	5.9	3.1	1.2	4.3	5.2	6.0
Sub-total	88	100	64	98	211	648	906
Per cent of total	9.6	11.4	10.8	6.7	12.4	14.2	16.5
Government(a)	86	159	110	448	224	595	765
Per cent of total	9.4	18.0	18.6	30.6	13.2	13.0	13.9
Residential construction	212	168	139	233	371	821	1,178
Per cent of total	23.1	19.1	23.5	15.9	21.8	17.9	21.4
All other	531	454	277	684	897	2,513	2,658
Per cent of total	57.9	51.5	46.9	46.8	52.7	54.9	48.3
Total	917	881	590	1,463	1,703	4,577	5,507
Per cent of total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Excluding government-owned enterprises and government-operated institutions and housing.

Source: Department of Trade and Commerce, *Private and Public Investment in Canada, 1926-1951, Outlook, 1953 and Outlook, 1955, Mid-year Review*, Table 1, pp. 10 and 3 and 145.

It is interesting to note that in most years capital investment by governments is larger than that of all the rest of the service industries. Including government investment the service industries accounted for just over 28% of the total capital investment on the average over the selected years, varying from a low of 19% in 1926 to a high of 37% for the year 1941.

Government capital investment is often influenced by factors somewhat different from those that influence the balance of the service sector, and some further attention is devoted to this in the chapter on government.

Apart from the activities of the government, the service industries have accounted for an increasing share of the total gross domestic capital investment in recent years, rising to a high of over 16% in 1954, up from 10%-11% prewar. This increase is all the more striking considering the large and spectacular projects that have been executed in other sections of the economy.

Large increases have occurred in the capital investment made by the trade sector, chiefly accounted for by the large sums spent in building shopping centres and new stores and in remodelling existing stores. Important amounts have also been spent by institutions such as hospitals and schools.

In summary the service sector of the economy accounts for a somewhat smaller percentage of gross domestic capital investment than either its share of national income or of labour force. But for most years it has accounted for between 25% and 30% of the total, including government expenditure, and is certainly a vital factor in the size of this very significant sector in our economy, capital investment.

MAJOR LABOUR FORCE TRENDS WITHIN THE SERVICE INDUSTRIES

UNFORTUNATELY the detailed composition of the labour force is not available on a consistent basis prior to 1931. For the census years 1931, 1941 and 1951 labour force statistics are available under the headings that are used throughout the balance of this study and a summary of this information is shown in Table 8. In order to obtain maximum comparability for the three years the Yukon and Northwest Territories and the Province of Newfoundland have been omitted from this table along with armed forces for 1941.

None of the three years could be termed typical. For instance, in 1931 Canada was plunging into the great depression. In 1941 Canadians were engaged in a world war and no less than 315,000 persons were in the armed services of whom 251,000 were otherwise gainfully occupied prior to enlistment. The census for the year 1951 was taken in June just a year after the outbreak of war in Korea and in the midst of the Korean boom. However, there would probably be objections to almost any set of years and broad trends should be discernible from the statistics available. Both population and labour force rose at almost the same rate, with 38% of the population in the labour force for both 1931 and 1951.

In Table 9 the figures for total employment by categories have been shown as a percentage of employment in the labour force. We have already shown in Table 1 and in Chart 1 the general increase that has been taking place in employment by the service industries as a percentage of the total labour force and this is also apparent in Table 9.

The percentages shown for 1941 in this table differ from those in Table 1 as the latter includes armed forces in all years whereas they are omitted, for 1941 only, in Tables 8 and 9.

Table 8

DISTRIBUTION OF THE POPULATION OF CANADA SHOWING THE LABOUR FORCE BY SELECTED INDUSTRIES
(thousands of persons)

Group or Industry	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Wholesale.....	52.2	8.8	61.0	84.5	15.8	100.3	155.6	35.9	191.5
Retail.....	250.5	76.2	326.8	267.7	97.0	364.7	332.6	171.4	504.0
All trade.....	302.7	85.1	387.8	352.2	112.8	465.0	488.3	207.3	695.5
Finance, insurance and real estate.....	67.4	25.0	92.3	61.3	28.4	89.7	79.7	63.7	143.4
Community and business.....	100.2	148.1	248.2	108.0	168.2	276.2	174.7	249.1	423.8
Government.....	98.4	15.5	113.9	109.1	27.9	137.1	243.4	52.4	294.8
Recreation.....	15.3	2.4	17.8	14.5	3.1	17.5	21.4	7.0	28.4
Personal.....	111.0	211.5	322.5	103.8	262.4	366.2	126.6	182.3	308.9
Total service industries.....	695.0	487.4	1,182.4	748.9	602.8	1,351.7	1,133.0	761.8	1,894.8
Other industries.....	2,561.5	177.9	2,739.4	2,614.2	230.0	2,844.2	2,899.4	385.4	3,284.8
Total labour force.....	3,256.5	665.3	3,921.8	3,363.1(a)	832.8(a)	4,196.0(a)	4,032.4	1,147.2	5,179.6
Population not in labour force:									
0-13 years of age.....	1,549.3	1,515.4	3,064.8	1,505.9	1,469.0	2,974.8	1,989.5	1,910.2	3,899.6
14 years and over.....	560.8	2,815.8	3,376.6	1,021.7	3,297.2	4,318.9	867.3	3,676.3	4,543.7
Total population.....	5,366.7	4,996.5	10,363.2	5,890.7	5,599.0	11,489.7	6,889.2	6,733.7	13,622.9

(a) Persons on active service are excluded from the 1941 labour force figures.

Note: Not including Yukon, Northwest Territories and Newfoundland. The "Gainfully occupied" rather than the "Labour force" concept was used prior to 1951 for determining the labour force status, see Appendix B.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 1, 10 and 11.

Table 9

PERCENTAGE DISTRIBUTION OF THE LABOUR FORCE, CANADA
(percentage of total)

Group or Industry	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Wholesale trade.....	1.6	1.3	1.6	2.5	1.9	2.4	3.9	3.1	3.7
Retail trade.....	7.7	11.5	8.3	8.0	11.6	8.7	8.2	14.9	9.7
Total trade.....	9.3	12.8	9.9	10.5	13.5	11.1	12.1	18.1	13.4
Finance, insurance and real estate.....	2.1	3.8	2.4	1.8	3.4	2.1	2.0	5.6	2.8
Community and business.....	3.1	22.3	6.3	3.2	20.2	6.6	4.3	21.7	8.2
Government.....	3.0	2.3	2.9	3.2	3.4	3.3	6.0	4.6	5.7
Recreation.....	0.5	0.4	0.5	0.4	0.4	0.4	0.5	0.6	0.5
Personal.....	3.4	31.8	8.2	3.1	31.5	8.8	3.1	15.9	6.0
Total service industries.....	21.3	73.2	30.2	22.3	72.4	32.2	28.1	66.4	36.6
Other industries.....	78.7	26.8	69.8	77.7	27.6	67.8	71.9	33.6	63.4
Total labour force.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Derived from Table 8.

Wartime conditions influenced the distribution of labour between industries in many ways quite apart from the movement of persons into the armed forces. However, in spite of the influence of wartime conditions it is apparent that there was a steady growth in the proportion of the labour force engaged in the service industries as a whole and in most of the individual industries. By far the larger part of the general increase was concentrated in the decade 1941-1951 when a rise of 4.4 percentage points occurred in contrast to a rise of only 2 percentage points between 1931-1941. In the 1941-1951 decade personal service declined 2.8 percentage points, and the balance of the service industries gained a total of 7 percentage points, more than offsetting the one sharp decrease.

The government category showed the largest increase of any service industry in relation to its size, with wholesale trade next. The growth of government employment is widely recognized and arises in part from the expansion in services demanded of and rendered by all levels of government. The increase in wholesale trade is rather complex, but in the main it arises from a rather large increase in distribution services being provided to industry all of which is classed as wholesale trade, rather than an increase in establishments servicing retail stores. These trends are, of course, examined in more detail in later chapters.

Male and Female Employment in the Service Industries

The service industries as a whole have a much higher proportion of women workers than other industries. Two of every five persons in the service industries' labour force were women in 1951 and this proportion has held for each of the three most recent censuses. By contrast, in 1951 only one in nine employees in other industries were women although this is an increase from previous census periods.

It follows naturally that there are a larger number of occupations in the service industries which are generally considered as suitable for women employees and which they in turn find attractive. It is frequently the case that persons in these jobs are paid lower wages than in other occupations and it is probably fair to state that the lower average wage rates paid in the service industries are not unconnected with the larger proportion of female employees.

In previous sections the increase in the percentage of the total labour force engaged in the service industries has been pointed out, but an examination of the increase on the basis of sex shows up several major trends. On the whole there was very little change in the division of men and women between service and other industries from 1931 to 1941. (See Table 9.) Indeed there are only fractional changes in any one of the service industries between these years.

Between 1941 and 1951, however, a number of very sharp changes took place. While there was an increase of 4.4 percentage points in total service

labour force, female labour force in the service industries declined percentage-wise (Table 9), while the increase in the proportion of male labour force in the service industries not only offset this decline but accounted for the over-all increase.

Furthermore the decline in female employment was wholly accounted for by a reduction of women employees in the personal service category, as every other category showed an increase, some relatively important in size. It will be shown in a later chapter that the reduction arose almost entirely because fewer persons are employed as full-time domestics in private households. It is interesting to note that if personal service had remained at 31% of total female labour force there would have been a very substantial increase in the proportion of female labour force in the service industries.

All categories in the service industries with the exception of personal service accounted for 40.9% of the female labour force in 1941 and 50.6% in 1951. The largest increase took place in retail trade with a rise of 3.3 percentage points with finance, insurance and real estate next with a rise of 2.2 percentage points.

Male employment rose almost six percentage points with almost half of this concentrated in the government service, and most of the balance in wholesale trade.

Discussing these major trends in terms of percentage of labour force has a tendency to minimize the absolute increases in numbers that have taken place. For instance, in the 20-year period 1931-1951 female employment in wholesale trade increased more than four times, while male employment tripled. Female employment in the government service also tripled, but in both wholesale trade and government service the proportion of female employment to male was still very much lower than in other service industries. (See Table 10.)

Table 10

PERCENTAGE OF WOMEN TO TOTAL LABOUR FORCE BY INDUSTRIES, CANADA

(percentage of labour force in each group)

Group or Industry	1931	1941	1951
Wholesale trade	14.5	15.8	18.7
Retail trade	23.3	26.6	34.0
Total trade	21.9	24.3	29.8
Finance, insurance and real estate	27.0	31.6	44.4
Community and business	59.6	60.9	58.8
Government	13.6	20.4	17.8
Recreation	13.7	17.5	24.5
Personal	65.6	71.7	59.0
Total service industries	41.2	44.6	40.2
Other industries	6.5	8.8	11.7
Total labour force	17.0	19.8	22.1

MAJOR LABOUR FORCE TRENDS WITHIN THE SERVICE INDUSTRIES

The over-all pattern that seems to emerge from these trends is a tendency for all sections of the service industries to increase the proportion of female employees except for community and business service which has remained relatively unchanged and the personal service section which has shown a substantial decrease. While the employment of women shows a decrease in the government category in the period 1941-1951 on the basis shown in Table 10, when armed forces are removed from all government figures the percentage of female employees rises to 23% in 1951 (see Table 74) about the same as the rise in total labour force.

FUTURE POPULATION AND G.N.P.

IN MANY respects the service industries are dependent on the other sections of the economy and changes in production in the primary or secondary industries have far-reaching effects on the shape and size of the tertiary industries. In view of this it is considered necessary to make some general estimate of the future of the economy as a whole in order to arrive at a reasonable projection for the service industries.

It is manifestly outside the scope of this paper to indicate the lines on which our economy is most likely to develop, or on which it ought to develop, but we must make some assumptions in this field before we can proceed to the more detailed discussion of individual service industries. The very minimum assumptions we must make concern population and labour force, and gross national product.

This is not the place to introduce original research in these fields and fortunately there are available various other reliable future estimates of population, a sample of which is shown in Table 11. It is apparent that the Royal Commission estimates shown are approximately the same as other estimates and these are the figures used in later sections of this study.

Estimates of future labour force and gross national product are more difficult to find from published sources, but have been made by the Royal Commission and their estimates are shown in Table 12 for five-year intervals.

It should be pointed out that in the case of G.N.P. these are the average of a range of forecasts. While only one estimate has been shown here, in later sections use has sometimes been made of higher and lower estimates to give an indication of the possible range of future development.

Table 11

ESTIMATED FUTURE POPULATION OF CANADA
(thousands of persons)

Net immigration per annum	Royal Commission Staff Estimates		Bank of Montreal Estimates(a)		Bell Telephone Estimates(b)		Canadian Economic Research Associates(c)	
	50	75	100					
1960.....			100			50	30	100
1965.....	19,200	19,500	19,800	17,300		17,200	17,300	17,700
1970.....	21,200	21,600	22,100	19,000		19,000	19,000	20,000
1975.....	23,300	24,000	24,700			21,000	20,900	22,400
1980.....	25,800	26,700	27,500			23,200	23,200	25,200
						25,600		

Sources: (a) Bank of Montreal, *Business Review, January, 1956*.

(b) Based on remarks by L. Sherwood at the annual meeting of The Canadian Political Science Association—Winnipeg, June 3, 1954.

(c) Canadian Economic Research Associates, *The Future Population of Canada*, Technical Reference Paper No. 1 (Toronto, August, 1955).

Table 12

COMMISSION FORECASTS OF POPULATION, LABOUR FORCE
AND GROSS NATIONAL PRODUCT
(assuming net immigration of 75,000 persons per annum)

	Population		Labour Force		Gross National Product (average of forecasts) (Millions of 1949 \$'s)
		(Thousands of Persons)	(incl. Armed Forces)	(Thousands of Persons)	
1965.....	19,500	7,100			32,350
1970.....	21,600	8,000			40,700
1975.....	24,000	9,000			50,250
1980.....	26,700	10,000			61,750

Source: Prepared by the Royal Commission on Canada's Economic Prospects.

Note: Approximately 100,000 persons are assumed to be in the armed forces each year.

WHOLESALE TRADE

SIXTY YEARS ago the wholesalers were a very powerful group in Canada's economic life. A good description of their operation is given by Mr. C. L. Burton in very brief form—"Toronto's greatness, in the years prior to the eighties, was based upon its function as a distributing centre. Therefore, the business world into which I stepped as a boy was one in which the wholesalers were the great men.

"In these days, when what the public wants is the first and only criterion of business, and both manufacturers and merchants most sedulously govern themselves accordingly, it is difficult to appreciate the power of the wholesaler who ruled our world within the lifetime of men like me.

"The wholesaler told the manufacturer what to make. The wholesaler told the merchant what to sell. He was the king pin of commerce. The public took what it was offered."¹

Conditions have changed radically from the day when Mr. Burton first entered trade and there appears to be a fairly widespread feeling now that the days of wholesaling in Canada are numbered. This is an overstatement as will be seen later.

Unlike some other industries very little economic investigation has been carried on in the wholesale trade and detailed information is hard to obtain. There is, for instance, no central trade organization for all the wholesale industry nor indeed are there many trade organizations that can be called truly representative of any particular section. There is the basic problem that in many cases one manufacturer will set up distribution through wholly-owned branches, while another will deal through established wholesalers. We then have two different basic types of distributors competing against each other with a similar product.

This situation frequently occurs in the grocery trade where still another competing element comes in. There are now food brokers in this field who

may or may not carry stocks, but in any case never attempt to provide a full line of groceries as does the wholesaler. Instead the broker carries a few lines exclusively which he will sell to retailers, chain and department stores, wholesalers or large users. A wholesaler in this field on the other hand services retailers and large users but chain and department stores do not, as a rule, buy from him nor does the food broker. A manufacturer may distribute direct to retailers, as well as to wholesalers, chain and department stores, but a food broker would have no occasion to buy from him unless acting as the manufacturer's exclusive agent in a particular territory.

This complicated structure exists in many sections of the wholesale trade and as it is necessary to take a broad view, we must necessarily deal with aggregate figures in the main.

The most extensive and reliable general source of statistical information on the wholesale industry in Canada is the decennial census of wholesale trade conducted by the Dominion Bureau of Statistics. The information was gathered for three years 1930, 1941 and 1951 by means of returns mailed by wholesalers in response to requests of the D.B.S. for information.

As might be expected there is often considerable difficulty in deciding when a particular concern should be considered as a wholesaler and when it should be classified in some other industry or group. In addition there were some changes in definition in different census years, but in general there is a high degree of comparability, especially in the broad categories used in this study. However, as noted in the tables concerned certain changes have been made in census data based in part on the work of J. C. Brearley and M. S. Segall in their comparative study "Wholesale Trade in Canada, 1930-1951". These changes have improved the comparability between years in certain sub-sections.

In general all concerns engaged in trade with customers other than household consumers are classed as wholesalers provided the establishment is mainly engaged in the resale of goods originally purchased. It also includes agents or brokers who bring buyer and seller together and many traders who buy and sell within the wholesale field itself.

The census data divides wholesaling into five main categories and Table 13 shows the number of establishments, sales and employees under these headings. In the year 1951 the census gathered figures on over 26,000 establishments, with total sales of \$14 billion and with average employment over the year as a whole, including working proprietors, of over 213,000. The increase in the number of establishments between 1941 and 1951 was quite small but sales and employment increased considerably in the period. The dollar value of sales, for instance, increased 174.6% between 1941 and 1951, in comparison with an estimated increase of 209.5% in retail sales and 169.7% in the gross value of manufacturing production. Although sales were considerably higher in dollar terms the increase in physical volume would be much less, of course, because of general price increases.

Table 13

WHOLESALE TRADE BY MAJOR TYPE OF OPERATION

Type of Operation	Number of Establishments		Sales (millions of dollars)		Average Employees and Working Proprietors		
	1930	1941	1930	1941	1930	1941	1951
Wholesalers proper.....	5,137	9,417	10,465	1,254	53,394	81,470	124,387
Per cent of total.....	27.6	38.5	40.0	40.0	58.3	63.1	58.3
Manufacturers' sales branches.....	1,546	1,593	2,713	755	19,367	16,678	39,416
Per cent of total.....	8.3	6.5	10.4	24.0	21.1	12.9	18.5
Agents and brokers.....	1,798	2,106	1,741	573	7,172	6,223	8,732
Per cent of total.....	9.7	8.6	6.7	18.2	7.8	4.8	4.1
Petroleum bulk tank stations.....	3,602	4,002	3,880	185	8,257	12,375	17,553
Per cent of total.....	19.4	16.3	14.9	5.9	9.0	9.6	8.2
Assemblers of primary products.....	6,482	7,366	7,177	373	3,452	12,291	21,845
Per cent of total.....	34.9	30.1	27.4	11.9	3.8	9.5	10.2
Other types.....	11	5	165	1	22	137	1,573
Per cent of total.....	0.1	(a)	0.6	(a)	(a)	0.1	0.7
All types.....	18,576	24,489	26,157	3,141	91,664	129,174	213,506

(a) Less than .05%.

Note: Yukon and Northwest Territories included in "All types" only.

Source: Census of Distribution 1930, 1941, 1951. A few changes have been made in Census data based on a paper by J. C. Breatley and M. S. Segall. The most important change is the increase in the number of establishments in 1930 from 13,140, as shown in the census, to the 18,576 shown above. Most of this difference is accounted for by a change in the treatment of country elevators to bring the 1930 figures into line with those for 1941 and 1951.

Table 14

DISTRIBUTION OF WHOLESALE SALES BY SIZE OF BUSINESS, 1951

Type of Operation	Under \$100,000		\$100,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over	
	Number	Sales (\$ million)	Number	Sales (\$ million)	Number	Sales (\$ million)	Number	Sales (\$ million)
Wholesalers proper.....	4,120	174	3,983	938	1,109	781	1,274	3,600
Per cent of total.....	39.3	3.2	38.0	17.0	10.6	14.2	12.1	65.5
Manufacturers' sales branches.....	644	33	973	240	376	270	709	3,251
Per cent of total.....	23.8	0.9	36.0	6.3	13.9	7.1	26.2	85.7
Agents and brokers.....	502	22	746	173	221	151	272	2,147
Per cent of total.....	23.8	0.9	42.8	6.9	12.7	6.1	15.6	86.1
Petroleum bulk tank stations.....	2,375	97	1,214	271	152	108	139	545
Per cent of total.....	61.2	9.4	31.3	26.6	3.9	10.6	3.6	53.4
Assemblers of primary products.....	1,021	36	571	129	146	102	156	610
Per cent of total.....	53.9	4.1	30.1	14.8	7.7	11.6	8.2	69.6
Other types of operation.....	36	2	87	20	32	23	10	34
Per cent of total.....	21.8	2.5	52.7	25.3	19.4	29.1	6.1	43.0
All types.....	8,698	363	7,574	1,772	2,036	1,435	2,560	10,186
Per cent of total.....	41.7	2.6	36.3	12.9	9.8	10.4	12.3	74.0

Note: Data on "Grain elevators", a component of the "Assemblers of primary products" group, were not collected in a form permitting inclusion in this table. Figures for Yukon and Northwest Territory included only in "All types" line.

Source: Dominion Bureau of Statistics, *Census of Canada, 1951*, Vol. VIII (Ottawa, 1954), Table 6.

The relatively small increase in the number of establishments in the period 1941-1951 referred to in the previous paragraph undoubtedly indicates that the average size of all existing establishments is larger but does not necessarily indicate a consolidation of more business in the hands of the largest concerns. Table 14 gives a detailed distribution of sales by size of business and shows that 12.3% of all wholesalers with sales exceeding \$1 million accounted for 74% of the total wholesale trade in 1951. By way of comparison 12.3% of the total establishments accounted for 77% of the total trade in 1941, only a 3% difference in the 10-year period and with a slight decrease in sales for these larger concerns.

At the other end of the scale 41.7% of the total establishments accounted for only 2.6% of total sales in 1951. Again there was a very similar pattern in 1941 when 36.0% of the establishments by number accounted for 1.8% of total sales. This similarity between the two census figures while showing that a large part of the wholesale business is done by a relatively few concerns does not indicate a disappearance of the small establishments who appear to be able to hold their very small share of the business and to continue to operate.

Virtually nothing is known of the many small firms. Of the 20,000 wholesalers in Table 14 (which excludes grain elevators) some 8,700 were in the smallest class with sales under \$100,000 in 1951. Four groups account for most of these:

Regular wholesalers	3,340
Petroleum bulk stations	2,375
Buyers of primary products	835
Importers and exporters	700
	7,250

There is some evidence that recent immigrants to Canada have played a large part in the small-scale import and export trade and these, being new and in some cases experimental concerns, might be expected to operate in a small way. Petroleum bulk stations are nearly all either commission stations or independent stations, with very few in the salary station class.

Sales by Class of Customer

As mentioned in the previous section sales of the wholesaling industry include a considerable volume of sales between wholesalers so that the sum of sales of all types of wholesalers overstates the actual value of goods moving out of the wholesale field. The value of inter-company sales in 1951 exceeded \$2 billion and accounted for almost 20% of all sales.

Table 15

DISTRIBUTION OF WHOLESALE SALES, BY CLASS OF CUSTOMER, 1951
(millions of dollars)

Class of Customer	Retailers for Resale	Industrial and Other Large Users	Other Wholesalers for Resale	Household Consumers	Export	Total
Wholesalers proper	2,219	1,476	477	88	279	4,539
Per cent of total	48.9	32.5	10.5	2.0	6.1	100.0
Petroleum bulk tank stations	298	322	239	65	13	937
Per cent of total	31.8	34.4	25.5	6.9	1.4	100.0
Assemblers of primary products	120	209	338	20	91	778
Per cent of total	15.5	26.9	43.4	2.5	11.7	100.0
Manufacturers' sales branches and offices	988	1,193	556	5	465	3,207
Per cent of total	30.8	37.2	17.3	0.2	14.5	100.0
Agents and brokers	223	364	574	2	587	1,749
Per cent of total	12.7	20.8	32.8	0.1	33.6	100.0
Other types of operation	20	3	(a)	(a)	(a)	24
Per cent of total	82.8	14.6	2.0	0.3	0.3	100.0
All establishments	3,868	3,568	2,184	180	1,435	11,236
Per cent of total	34.4	31.8	19.4	1.6	12.8	100.0

(a) Less than \$500,000.

Source: Census of Canada, 1951.

Note: About 78 per cent of all establishments supplied sufficient detail to warrant inclusion in this table.

A study of the distribution of wholesale sales by class of customer in 1951 (refer to Table 15) shows that a little more than one third of all sales were made to retailers for resale, 31.8% went to industrial and other large users while 12.8% represented exports. Only 1.6% of all sales were made direct to consumers.

The distribution of sales by class of customer varies a great deal between different kinds of business since it depends upon the type of operation and the nature of the commodity handled. Thus agents and brokers transact most of their business with three categories only, industrial and other large users, other wholesalers and for the export trade. Wholesalers proper and manufacturers' sales branches on the other hand deal largely with retailers and industrial and other large users.

If we examine sales by class of customer in still more detail to show up differences in the handling of various commodities we find the pattern is not quite as clear cut. For instance, while agents and brokers transact only 12% of their business with the retail trade speaking generally, in the dry goods and apparel trade 44.1% of total sales were made to retailers.

Table 16

DISTRIBUTION OF SALES BY CLASS OF CUSTOMER, 1951

Kind of Business and Type of Operation	Distribution of Sales to				
	Retailers	Industrial and Other Large Users	Other Wholesalers	Consumers	Export
	(per cent of total sales)				
Food (except groceries) and tobacco—					
Wholesalers proper	72.9	5.1	18.4	1.2	2.4
Mfrs. sales branches	55.7	13.0	28.2	0.2	2.9
Agents and brokers	13.0	6.5	66.8	(a)	13.7
Groceries and food specialties—					
Wholesalers proper	79.3	8.9	10.8	0.5	0.5
Mfrs. sales branches	53.5	13.2	27.8	0.1	5.4
Agents and brokers	19.4	17.2	61.7	(a)	11.7
Farm products (raw materials)—					
Wholesalers proper	13.9	51.7	5.7	2.4	26.3
Agents and brokers	0.8	10.1	34.1	(a)	55.0
Assemblers of primary products	3.4	34.3	49.6	0.8	11.9
Chemicals and drugs—					
Wholesalers proper	37.0	46.7	13.2	0.9	2.2
Mfrs. sales branches	27.5	48.1	20.6	0.1	3.7
Agents and brokers	19.5	32.0	48.0	0.1	0.4
Dry goods and apparel—					
Wholesalers proper	69.5	22.9	6.2	1.1	0.3
Mfrs. sales branches	28.1	51.4	19.9	0.1	0.5
Agents and brokers	44.1	28.8	26.3	0.4	0.4

Table 16 (Cont'd.)

DISTRIBUTION OF SALES BY CLASS OF CUSTOMER, 1951

Kind of Business and Type of Operation	Distribution of Sales to				
	Retailers	Industrial and Other Large Users	Other Wholesalers	Consumers	Export
	(per cent of total sales)				
Furniture and house furnishings—					
Wholesalers proper	71.5	17.1	9.0	2.2	0.2
Mfrs. sales branches	47.3	26.9	25.4	(a)	0.4
Agents and brokers	58.8	10.4	30.8	(a)	—
Automotive—					
Wholesalers proper	62.2	12.5	18.4	6.2	0.7
Mfrs. sales branches	80.3	14.8	3.4	0.2	1.3
Agents and brokers	14.6	9.8	73.7	1.1	0.8
Electrical goods—					
Wholesalers proper	39.4	47.6	11.7	1.1	0.2
Mfrs. sales branches	10.6	73.2	15.9	0.2	0.1
Agents and brokers	12.0	43.2	44.0	0.1	- 0.7
Lumber and building materials—					
Wholesalers proper	34.0	39.1	11.4	3.4	12.1
Mfrs. sales branches	22.1	20.0	17.8	0.5	39.6
Agents and brokers	25.2	9.3	49.6	0.1	15.8
Paper and paper products—					
Wholesalers proper	17.0	37.7	7.8	0.8	36.7
Mfrs. sales branches	3.3	33.2	12.7	(a)	50.8
Agents and brokers	1.0	15.6	0.7	—	82.7
Hardware—					
Wholesalers proper	49.7	41.3	4.6	4.3	0.1
Mfrs. sales branches	54.4	15.8	29.8	—	—
Agents and brokers	20.3	7.3	71.7	0.6	0.1
Machinery equipment and supplies—					
Wholesalers proper	16.0	78.2	4.2	1.0	0.6
Mfrs. sales branches	36.5	44.0	10.4	0.2	8.9
Agents and brokers	10.7	66.6	15.0	1.3	6.4
Metal and metal work—					
Wholesalers proper	2.4	44.5	10.2	0.1	42.8
Mfrs. sales branches	0.5	51.1	13.1	(a)	35.3
Agents and brokers	6.3	63.1	6.5	(a)	24.1

(a) Less than .05%

Source: J. C. Brearley and M. S. Segall, *Wholesale Trade in Canada, 1930-1951* (unpublished manuscript).

Table 16 shows the distribution of sales for the more important kinds of business and it can be seen from these figures that the trades showing the greater proportion of sales directly to retailers were those dealing in consumer goods, such as food and tobacco, groceries and furniture. On the other hand the largest part of sales of electrical goods, machinery, and metals go to industrial and other large users, as would also be expected.

Increasing Control of Distribution by Manufacturers

While not apparent from the study of a single year's figures, the influence of the reorganization of sales methods can sometimes be traced through

changes in these figures from one census to the next. For instance, as a result of the reorganization of sales methods by several large paper manufacturers the proportion of export sales in the paper and paper products trade has shifted from wholesalers proper to manufacturers' sales branches and agents and brokers between the years 1941 and 1951.

The example cited is one of a number of such changes which have taken place in Canada and very naturally raises the question of whether there is a trend towards increasing control of distribution by manufacturers.

Reference to Table 13 gives some support to this as the share of sales made by wholesalers proper has fallen from 45% in 1941 to 37.9% in 1951 while manufacturers' sales branches have risen from 23.1% to 26.5%. In another instance petroleum bulk tank stations can be divided into three classifications the largest being "salary stations" operated by the large oil refineries and operators. Salary station sales increased four times over 1941 whereas those stations that are independently owned and those operated by agents on a commission basis increased their sales three times.

Table 17

WHOLESALE TRADE BY SELECTED KINDS OF BUSINESS AND TYPES OF OPERATION, 1930, 1941, 1951

Kind of Business and Type of Operation	1930		1941		1951	
	Estab. No.	Sales (\$ million)	Estab. No.	Sales (\$ million)	Estab. No.	Sales (\$ million)
Food (except groceries) and tobacco—						
Wholesalers proper	1,264	295	2,075	404	1,395	854
Mfrs. sales branches	100	85	202	97	189	274
Agents and brokers	142	50	162	83	110	138
Groceries and food specialties—						
Wholesalers proper	561	221	743	347	823	858
Mfrs. sales branches	191	97	233	116	286	323
Agents and brokers	180	76	259	102	130	145
Farm products(a) (raw materials)—						
Wholesalers proper	220	133	305	150	80	136
Agents and brokers	138	181	151	364	117	1,345
Assemblers of primary products	6,160	328	6,333	368	5,941	1,160
Chemicals, drugs and allied products—						
Wholesalers proper	149	35	365	94	357	163
Mfrs. sales branches	141	36	152	98	158	259
Agents and brokers	102	20	75	20	42	15
Dry goods and apparel—						
Wholesalers proper	556	102	715	126	979	282
Mfrs. sales branches	169	56	176	161	204	274
Agents and brokers	467	73	664	117	512	192

Table 17 (Cont'd.)

**WHOLESALE TRADE BY SELECTED KINDS OF BUSINESS
AND TYPES OF OPERATION, 1930, 1941, 1951**

Kind of Business and Type of Operation	1930		1941		1951	
	Estab. No.	Sales (\$ million)	Estab. No.	Sales (\$ million)	Estab. No.	Sales (\$ million)
Furniture and house furnishings—						
Wholesalers proper	104	14	176	28	321	93
Mfrs. sales branches	76	11	65	12	81	30
Agents and brokers	39	4	97	15	61	23
Automotive—						
Wholesalers proper	158	27	561	69	902	349
Mfrs. sales branches	77	75	43	50	135	316
Agents and brokers	31	5	75	20	32	14
Electrical goods—						
Wholesalers proper	133	23	229	44	390	185
Mfrs. sales branches	164	112	132	134	187	408
Agents and brokers	61	8	57	8	79	32
Lumber and building materials—						
Wholesalers proper	259	68	395	118	698	317
Mfrs. sales branches	56	34	44	33	256	303
Agents and brokers	70	18	54	29	74	77
Paper and paper products—						
Wholesalers proper	124	22	233	140	320	213
Mfrs. sales branches	49	25	98	50	168	327
Agents and brokers	32	29	29	5	31	95
Hardware—						
Wholesalers proper	153	66	224	112	280	247
Mfrs. sales branches	32	6	10	5	28	16
Agents and brokers	54	6	52	12	60	20
Machinery, equipment and supplies—						
Wholesalers proper	386	59	955	208	1,549	606
Mfrs. sales branches	220	57	183	78	580	465
Agents and brokers	190	25	187	43	166	37
Metal and metalwork—						
Wholesalers proper	50	14	91	111	141	217
Mfrs. sales branches	60	51	75	177	104	428
Agents and brokers	49	32	27	38	33	161

(a) There were no manufacturers' sales branches in this kind of business in 1930 and 1941 and only six in 1951. Assemblers of primary products are shown here because of their importance.

Source: Brearley, J. C. and Segall, M. S. *Wholesale Trade in Canada, 1930-1951* (unpublished manuscript), p. 16.

It is only by examining wholesalers by the type of commodity they handle that some of the differences mentioned above become apparent. In the census tabulations wholesale trade is divided into 165 different kinds of business in 26 groups cross classified by major types of operation. In Table 17 sales and number of establishments are shown for 13 of the 26 principal kinds of business for three major types of operation for the years 1930, 1941 and 1951, representing about 80% of the dollar volume of sales.

It can readily be seen that wholesalers proper dominate in the food, grocery, furniture and hardware lines, while manufacturers' sales branches handle much of the electrical goods, paper products and metals. Agents and brokers lead in farm products where grain brokers are an important factor.

These figures reinforce the argument that manufacturers' sales branches are displacing wholesale middle-men in certain branches of Canadian wholesaling. Comparative increases for the following categories are shown below.

PERCENTAGE INCREASE IN SALES 1941-1951

	<i>Manufacturers' Sales Branches</i>	<i>Wholesalers Proper</i>
Chemicals and drugs	164.4	74.4
Food and tobacco	183.8	111.2
Groceries and food specialties	178.2	146.8
Lumber and building materials	810.2	168.3
Machinery	497.7	191.5
Hardware	197.7	119.9
Paper and paper products	560.2	51.2
Metals	141.6	95.2

Messrs. Brearley and Segall suggest three major factors influencing this forward integration by manufacturers: "(1) the desire by manufacturers for tighter control over the distribution of their products; (2) the need for intensive and specialized selling efforts in certain technical lines; and (3) favourable cost conditions when the manufacturer produces a large variety of different products or when his particular products have a high unit value."¹

Examples of (1) above arise when there is a high degree of style element or physical perishability. "In such situations, the closer the manufacturer is to the market (timewise or in number of marketing steps), the less his risk is likely to be."²

Tighter control may also be desirable when it is necessary to design or modify the product to meet the customer's needs, or where a considerable amount of servicing is involved. A manufacturer may wish to take over his own wholesaling as he finds established wholesalers are pushing other brands. In this case wholesalers are sometimes offered an exclusive territory, including sales to department and chain stores, in return for the wholesaler agreeing to carry only the one manufacturer's product in the particular line concerned, as an alternative to the manufacturer handling his own distribution.

In addition to cases noted in (3) above, where a manufacturer already has a diversified line there have recently been some instances in which a

¹Brearley, *op. cit.*, p. 7.

²Edwin H. Lewis, "Comeback of the Wholesaler," *Harvard Business Review*, Vol. 33, No. 6 (Massachusetts, 1955), p. 117.

manufacturer has agreed to distribute allied but noncompetitive lines of other manufacturers to help spread distribution costs.

Finally a manufacturer may take over his own distributing with the idea of reducing wholesale costs, or in the hope of increasing volume sufficiently to offset increased expenses, but in any case aiming at raising total dollar profits on his entire operation.

Geographical Distribution

Wholesale establishments located in Quebec and Ontario handled 58.5% of total wholesale sales in 1951 and almost 70% of the sales by wholesalers proper and manufacturers' sales branches. Sales of the assemblers of primary products group include a large proportion of grain transactions most of which take place at country points and general figures do not give a true picture of the concentration of other classes of wholesalers in a few large centres.

Four large cities—Montreal, Toronto, Vancouver and Winnipeg—in order of importance dominate the industry accounting for \$8.4 billion in sales out of a total of \$14 billion in 1951, and the proportion of wholesalers other than assemblers of primary products was even larger. It should be noted, however, that there was some decline in their relative importance. For instance, the proportion of total sales made by wholesalers proper in these four cities declined from 64.7% in 1941 to 55% in 1951; similarly, the proportion of sales by manufacturers' sales branches dropped from 75.5% to 68.9%. In other cities of over 30,000 population there was a noticeable increase in the percentage of business transacted, especially in the manufacturers' sales branches group (up from 18.3% to 21.9%). In the remainder of Canada, outside cities over 30,000, sales also rose; for wholesalers proper from 13.6% to 22.2% and for manufacturers' sales branches from 6.1% to 9.2%.

This latter development may arise in part from a tendency for wholesalers to move to "fringe" areas of large cities, but at least a part of the increase outside the four largest cities comes from the expansion of manufacturers into the wholesaling field and the setting up of branches by them in major cities across Canada to look after both sales and service required at the wholesale level. This trend, if continued, must lead to a decline in the relative importance of the four large distributing centres.

Profit Margins

Information on profit margins has been gathered by the D.B.S. for certain types of wholesalers for the years 1947, 1949, 1951 and 1953. Wide variations are shown between the different trades and between different years. For instance, the fruit and vegetable trade showed a net profit margin of

0.74% on sales in 1953 while hardware wholesalers showed 4.8% and other trades studied varied between these limits.

A survey of profits in 1953 by size of establishment reveals that in only two cases, grocery, and fruits and vegetables, do the smallest firms show the largest net operating profit on a percentage basis. In the remaining eight trades the highest margin is split between large and medium sized concerns.

Table 18

GROSS AND NET PROFIT FOR SELECTED WHOLESALE TRADES, CANADA

(percentage of net sales)

Trade	1947		1949		1951		1953	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Dry goods.....	16.6	4.5	15.7	2.3	17.0	3.1	16.0	1.6
Piece goods.....	18.4	7.5	15.9	3.3	15.2	1.4	16.1	1.2
Footwear.....	12.6	2.6	12.8	1.5	14.1	2.5	13.5	1.1
Automotive parts and accessories..	24.5	5.7	25.2	5.2	25.3	4.8	24.9	3.3
Drugs.....	12.8	2.2	12.5	2.6	13.4	2.5	12.4	1.9
Groceries.....	8.1	1.7	7.7	0.6	8.0	1.0	7.7	0.5
Fruits and vegetables.....	9.1	1.4	10.6	1.1	11.3	0.9	11.8	0.7
Tobacco and confectionery.....	6.9	1.7	7.1	1.5	7.6	1.3	7.6	1.1
Plumbing and heating supplies....	20.5	8.9	19.1	7.2	17.8	5.8	17.0	4.4
Hardware.....	20.1	6.7	19.3	5.2	20.5	6.7	19.5	4.8

Source: Dominion Bureau of Statistics.

Net operating profits have generally been reduced in the period 1947-1953 as shown by the figures in Table 18, and reports received direct from the trade confirm that this is still occurring. Of course, the effects of reduced margins on individual concerns are no doubt offset to some extent by enlarged volume per firm, but on the other hand profits shown are average and, especially in the very low margin groups, many concerns operated at a loss.

Some wholesalers refer to the Canadian legislation prohibiting Resale Price Maintenance as a factor in the trend toward lower margins as the absence of Resale Price Maintenance has enabled large stores to cut prices and has led to the rise of discount houses. Manufacturers deal directly with these concerns selling at about the same price as they sell to wholesalers and the latter have been cutting their own margins in an effort to keep their own retail customers in a competitive position.

For comparative purposes, operating profits of wholesalers located in the United States are shown in Table 19. The year 1947 is the latest for which gross margin data are available, while net profits have been included for this year together with the same three later years included in the table of Canadian Gross Net Profits. In 1947, five of the six trades for which gross mar-

gins are included show a higher percentage in the U.S.A. than in Canada. For the same year a comparison of net profits of these six trades shows five of the six with lower net profits in the U.S.A.

Table 19

OPERATING PROFIT OF WHOLESALERS, U.S.A.

(percentage of net sales)

	1947		1949	1951	1953
	Gross	Net	Net	Net	Net
Dry goods.....	18.0	2.95	0.77	1.50	0.69
Shoes.....	14.0	2.01	1.16	2.47	1.11
Automotive parts and accessories.....	23.5	4.41	2.20	2.89	1.99
Drugs and sundries.....	15.6	2.38	1.80	2.38	1.41
Groceries.....	11.0	1.47	0.76	0.80	0.79
Fresh fruits and vegetables.....	(a)	1.64	1.19	1.02	1.95
Tobacco products.....	(a)	0.99	0.88	0.42	0.47
Confectionery.....	(a)	2.72	0.93	0.46	1.22
Plumbing and heating supplies.....	(a)	4.79	3.15	2.76	1.65
Hardware.....	24.0	3.11	4.31	3.06	1.89

(a) Not available.

Note: 1947-1951 data from—Dun and Bradstreet, Inc., *Behind the Scenes of Business*, Revised Edition, 1952.

1953 data from—*Dun's Review and Modern Industry*, November, 1954.

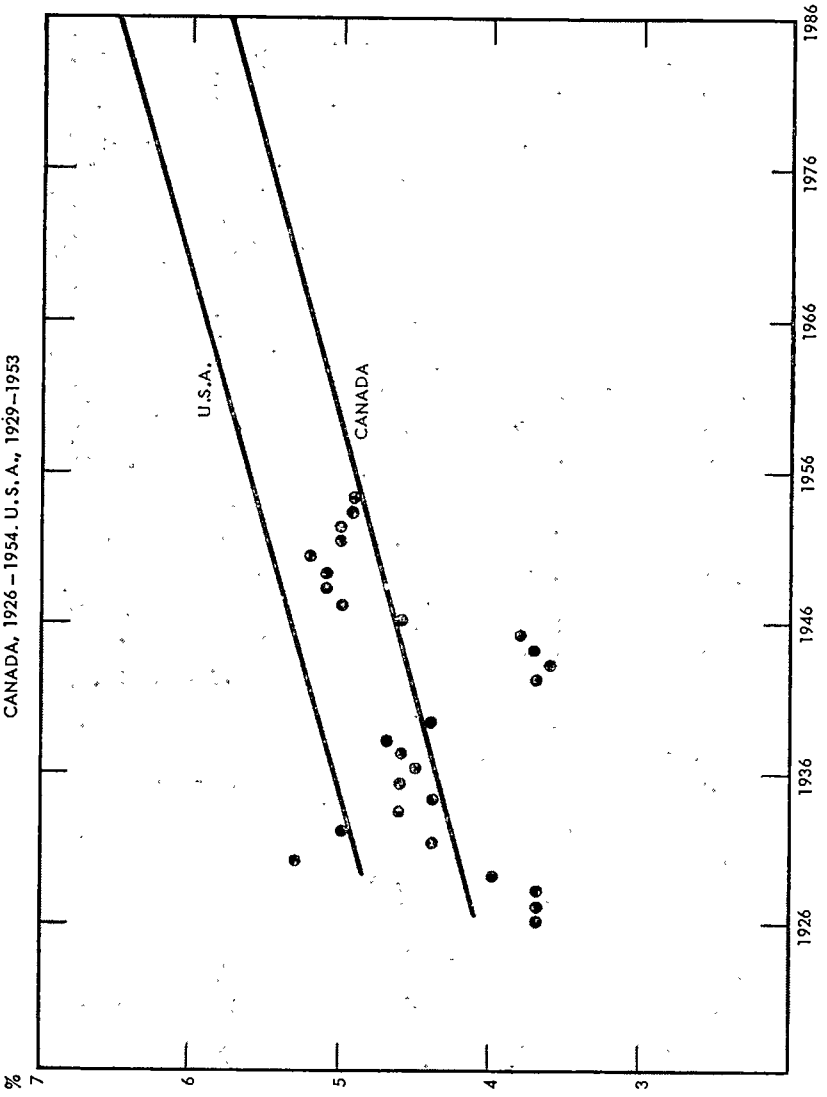
Source: Edwin H. Lewis, "Comeback of the Wholesaler," *Harvard Business Review*, Vol. 33, No. 6 (Massachusetts, November-December, 1955), Exhibit II, p. 117.

Harold Barger, *op. cit.*, p. 84. Note: For Gross Margin data.

A comparison of net profits in all four years indicates that these are lower in the U.S.A. in most trades except those handling food products. While gross margins appear to be higher in the U.S.A., because only one year's data is available for both countries, it does not seem possible to draw any firm conclusions in this regard. In a later chapter, comparative U.S. and Canadian margins for retail trade are discussed, and it will be found that a higher gross margin, along with a lower net profit than in Canada, seems customary, and it may be that this also occurs in the wholesale trades.

Unfortunately no records are available to show the rate at which firms enter or leave this industry. Dun and Bradstreet list failures which are likely to end in loss to creditors but do not include the many discontinued enterprises where loss, if any, is confined to the proprietor. As an indication of the latter's importance the relative average ratio for all business in the U.S.A. is estimated at 18 discontinued business establishments for every failure listed by Dun and Bradstreet. Failures in the Canadian industry have been climbing since the low reached during World War II and were 72 and 73 for 1951 and 1952 in comparison with 7 for 1945 and 42 for 1941, the first year for which figures are available.

CHART 3
SHARE OF NATIONAL INCOME - WHOLESale TRADE
CANADA, 1926-1954. U.S.A., 1929-1953



Share of National Income

The share of national income attributed to wholesale trade is shown in Table 2 for selected years and is estimated at \$863 million for the year 1951, just 5% of the total net national income, and has been rising since 1926 as illustrated by Chart 3. The percentage of national income attributed to wholesale trade in Canada in each year 1926-1953 has been plotted on the chart and a trend line fitted by the method of least squares. Several points of interest emerge. Since the war the percentage of national income attributed to the wholesale industry has been above the line of trend but the two have been growing closer in the last few years. If the line is extended into the future the percentage should rise to 5½% by 1975 an indication of the growing importance of this industry in Canada's economy.

For comparative purposes a trend line for the U.S.A. has been added to the chart (without plotting the individual years) and shows an almost identical trend but at a higher level. The difference is about ¾ of 1% and the increase for both countries does not suggest any significant change in this gap.

It does reinforce the suggestion that in our expanding economy wholesaling instead of being regarded as an industry declining in importance must be looked upon as a dynamic industry likely to provide a somewhat larger share of the national income in future years.

The argument is sometimes advanced that the wholesaler's function is being taken over from both sides and that he will eventually disappear. On the one hand chain and department stores have their own buying and warehousing facilities which endeavour to by-pass both wholesalers and brokers whenever possible while, on the other hand, manufacturers set up their own distributing organizations which frequently deal directly with retailers. Employees of chain and department stores are included with retailers in the usual breakdowns, but, in the case of manufacturers the situation is a little different. If a manufacturer sets up a separate concern or branch office whose principal function is distribution the establishment is regarded as part of the wholesaling industry and not manufacturing and its operations are included in the census of distribution statistics.

No separate figures are available for the wholesaling functions of department stores but statistics are available for chain store warehouses. In 1941, chain store warehouse employees numbered 1,660 according to the Census of Distribution compared with an average of about 5,000 ten years later. Total employment in wholesale trade exceeded 213,000 in 1951, as shown by Table 13, so that, while there has been a threefold growth in the numbers of employees in chain store warehouses in the period, the total is not large in relation to the rest of the wholesale trade.

Table 20

GROSS DOMESTIC CAPITAL INVESTMENT IN TRADE (EXCLUDING INVENTORIES)
(millions of dollars)

	1926	1931	1936	1941	1946	1951	1954	Forecast 1955
Wholesale.....								
Chain stores.....	1.0(a)	1.6(a)	2.3(a)	4.5(a)	9.6	34.7	55.7	37.6
Independent stores.....					14.9	44.4	58.7	66.0
Department stores.....					32.4	102.8	145.1	161.4
Automotive trade.....	22.7(a)	23.5(a)	16.9(a)	27.1(a)	6.9	11.0	36.7	22.4
Capital items charged to operating expenses.....					16.3	26.0	48.3	63.2
					2.8	15.6	12.8	13.3
Total.....	23.7	25.1	19.2	31.6	82.9	234.5	357.3	363.9

(a) Estimated

Source: Department of Trade and Commerce, *Private and Public Investment in Canada, 1926-1951, Outlook, 1953 and Outlook, 1955, Mid-Year Review.*

Capital Investment

Before turning to a more detailed study of the employment potential of this industry a brief look at capital investment would seem in order. In Table 6 gross domestic investment is divided into main categories one of which is trade. Capital investment for the trade category has risen sharply in the past 30 years from \$24 million to \$357 million and as a percentage of all capital expenditure from 2.6% to 6.5%.

However these figures give no indication of the amount spent by the wholesale industry and for this we must turn to Table 20. This further breakdown reveals that the bulk of the capital expenditure in trade has risen in the retail section of the trading industry and for most years the activity in wholesale trade is unlikely to have an important influence on the figures for domestic investment.

Employment

While we may safely say that the investment potential is rather small in the wholesaling industry this does not apply to employment, which represents about 10% of the total service labour force dealt with in this paper. A reference to Table 8 shows that the percentage of the labour force engaged in wholesale trade has more than doubled in the period 1931-1951 a much sharper increase than would appear warranted by the percentage increase in share of the national income, and by the increase in real sales volume.

Table 21

INDEX NUMBERS OF EMPLOYMENT IN WHOLESALE TRADE (1941 = 100)

	Census of Distribution(a)	Index Number(b)	Official Census(c)
1930.....	73.8	81.1	—
1931.....	—	75.4	60.8
1941.....	100.0	100.0	100.0
1951.....	160.0	166.7	190.9

(a) Derived from Table 13.

(b) Derived from D.B.S. *Annual Review of Employment and Payrolls* (1949 = 100 series).

(c) Derived from Table 7.

There are two parallel sources of employment information for trade within the census data—the official census compiled from calls made by census takers upon individuals and the census of distribution data gathered from questionnaires completed by concerns in the industry. To bring the information on employment derived from these two sources to a comparable basis the two are shown in Table 21 as index numbers together with a third source, an index compiled by the D.B.S. on a continuing basis.

While all three figures move in the same direction it is apparent that the first two are much closer together and lend some validity to the argument that the information supplied by the industry through the census of distribution is somewhat more reliable. A comparison of the census of distribution figures with estimates of total labour force shows some differences from the percentages shown in Table 8.

EMPLOYMENT IN WHOLESALE TRADE AS A PERCENTAGE OF LABOUR FORCE

	1930	1941	1951
Labour Force.....	3,921,833('31)	4,195,951	5,286,153
Employment (Census of Distribution)	91,664	129,174	213,506
Per Cent	2.3	3.1	4.0
Per cent shown in Table 8 (Main Census)	1.6	2.4	3.7

While the data are rather too slim to make any definite assertions the percentage derived from the census of distribution has been increasing at the rate of about one-third in every decade and this increase would, if continued, place about 5% of the total labour force in wholesale trade by 1961 and over 9% by 1981.

A comparison of increase in employment in this industry with increase of sales is contained in Table 22. In order to arrive at some estimate of productivity, sales have been deflated by using the index of wholesale prices. The result indicates an increase of approximately one-third in real volume between 1941 and 1951 and somewhat more than this in the period 1930-1941.

Table 22

WHOLESALE TRADE—CANADA COMPARISON OF SALES AND EMPLOYMENT

	1930	1941	1951
Sales (\$000,000).....	3,141	5,235	14,377
Price Index (1935-39 = 100).....	112.9	116.4	240.2
Deflated Sales (\$000,000).....	2,782	4,498	5,985
Index of deflated sales.....	61.9	100.0	133.1
Employment.....	91,664	129,174	213,506
Average weekly hours worked.....	48	49	43.7
Total hours worked per week (000's).....	4,400	6,330	9,330
Index of hours worked.....	69.5	100.0	147.4
Deflated sales per employee — adjusted for man-hours (\$000).....	30	35	28

Employment figures for each of the years 1930, 1941 and 1951 have been multiplied by an estimate of average weekly hours worked to obtain total hours worked per week. There was an increase of almost one-half in total man-hours worked for 1941-1951 and somewhat less than this for the period 1930-1941.

While we must have reservations as to the validity of these two series, a comparison appears to give some indication of a small increase in employment in proportion to sales apart altogether from the reduction in hours of work. This impression is substantiated by opinions expressed by some of those engaged in the trade. The main reason given for this trend is the increased service now being given by wholesalers. They not only sell goods to the retailer but give him advice on accounting, advertising and merchandising problems generally and this requires more employees in relation to sales. Establishments servicing industry are also required to give more service than in the past.

Several sections of the wholesaling industry have reported renewed and vigorous efforts in the last few years to decrease labour costs. The most commonly reported were improved methods of handling goods, the introduction of cash and carry methods, reduction of credit terms generally, and reduced delivery services. It is too early to say whether or not this will lead to a reversal of the squeeze on profit margins noted above or affect the number of employees required in relation to sales.

Views of the Trade

Letters were sent to 42 associations of concerns engaged in the wholesale trades asking for their opinions on current conditions in the trade. Useful replies were received from individuals connected with 21 associations and their names are shown in Appendix C together with a copy of the letter sent to all associations. Many of the replies received went far beyond a simple answer to the questions put and gave excellent summaries of the present position in the particular wholesaling industry concerned.

While a summary of answers to our specific questions does not give an adequate picture of the excellent letters received, they are most interesting. There were nine answers to the question—"Is wholesaling in your line failing to grow relatively because of the loss of business by small retailers to chain and department stores?" Six replied yes and three replied no. In answer to the question—"Is it more or less costly to handle a given quantity of goods as a percentage of dollar sales now than a few years ago?"—eleven answered yes more costly, one said it was less costly while five said there was no change. Obviously those who answered that there was no change did not go on to reply to the question—"Do you think the costs have now stabilized?" Of the 11 who did reply to this question five said yes and six said no.

In reply to the last question—"Are methods of operation changing?"—eleven said that methods were changing and five said there were no changes, except for refinements that are always being made in almost every line of business.

In general, replies received tended to confirm trends already indicated by statistical information. For instance, a number of wholesaling associations mentioned the effect of the ban on resale price maintenance. This has led to a considerable volume of price cutting in certain trades, notably in cigarettes and tobacco, which were mentioned more than once, resulting to some extent in the transfer of retail business from small independent retailers to retail chains. As a consequence wholesalers have lost volume and have also cut their margins to help independent retailers to compete. At the same time they are adding other allied lines with better margins in order to stay in the wholesaling business.

The growing trend for manufacturers and retailers to deal directly with each other was mentioned frequently. This appears to have resulted in a sharp reduction in the number of wholesalers in some areas. Mr. Saunders of Halifax points out in his letter that in 1900 there were 12 wholesale dry-goods houses in Halifax; today there is one. In the same year there were 14 wholesale grocers and today there are four.

As noted above, about half of those who replied said that conditions in the industry were changing and proceeded to describe in some detail precisely how they were changing. An important trend was the tendency for wholesalers to develop retail outlets. In the case of lumber industry these are usually direct branches of the wholesaler while in the case of other trades such as the grocery trade, retailers are grouped under a common name, for whom the wholesaler supplies standard advertising, grants special discounts and other assistance in return for the bulk of their trade.

Methods of distribution in the industry are changing in order to reduce cost and increase efficiency. Some wholesalers have set up "cash and carry" establishments along the lines of a modern supermarket and this system is even being tried in the wholesale plumbing business. Some specialized types of wholesalers, such as tobacconists and candy jobbers are reducing cost by reducing service; deliveries are made once or twice a week instead of daily. Credit is being more closely watched and many wholesalers are dropping from their lists altogether the very small retailer whose business is costly to handle.

The way in which companies with their own retail dealer outlets are taking over the function of wholesalers is well illustrated by the brief description of conditions in the automotive supply trade included in a letter from Mr. Thomas H. Whellams.

“Perhaps the greatest change in the wholesale distribution of automotive supplies comes through the practice of car manufacturers and oil companies, requiring their retail outlets (dealers in the case of car manufacturers, and service stations in the case of oil companies) to stock parts and accessories supplied by them or by a distributor who has exclusive access to such outlets. We refer to what is known as “tied sales” where retail outlets are required to buy from one source or are not permitted to handle so called “foreign” brands to those supplied by the parent companies. We feel this practice should be classed as restrictive trade.

“In other words, the distribution picture has changed to the extent that we now have car manufacturers, oil companies, retail distributors doing their own warehousing, and manufacturers selling direct to the retail trade. Most of this used to be done by the wholesaler. All of these different ways of distribution play an important part in the automotive aftermarket industry and will likely continue to do so, with each segment performing a particular function and handling different and changing types of supplies as the trend in design and operation of the cars and trucks changes from year to year.”

Unfortunately there were very few replies from wholesaling organizations representing those who deal with industrial products. The several replies which do fall into this field, however, clearly indicate that conditions are quite different here.

These concerns do not seem to find the manufacturer taking over their functions to the same extent. The wholesaler's customers in this case usually purchase for use in further processing, often in response to specific orders. It was pointed out, for instance, that printers do not as a rule carry in stock the many types of paper and supplies that might be required to fill orders, but rather depend on the wholesaler to carry “well-assorted and adequate stocks from which the printers' requirements can be supplied immediately upon demand.”

The difference in approach is simply that a retailer usually loses the sale of an item if it is not in stock at the time an enquiry is made for it. The intermediate processor such as a printer, on the other hand, makes little attempt to carry extensive stocks but depends on his wholesaler to supply many items when required.

Conclusion

The trend of employment in this industry on the basis of a percentage of labour force has risen faster than its share of national income. Yet wage increases seem to have kept pace with other industries. It would appear that

profit margins have been squeezed over a period of time and this is confirmed by reports from wholesalers' associations and by the figures in Table 18. While increased volume has compensated in part for lower margins, it seems that many firms have been forced into a position where repeated operating losses have occurred and, especially in the last few years, efforts have been made to increase profits by improved methods. While marginal concerns are bound to lose out in this situation it appears that there is little danger of the industry declining in importance as it provides an essential service to the community.

As in all industry there is a definite trend toward shorter hours. In addition to this there are some indications of a trend toward the provision of more services in the wholesale trade. These two factors together with the upward pull of generally increasing business (assuming a continuance of this trend) should lead toward increasing employment.

Offsetting this to some extent is the squeeze on profit margins now going on which will lead entrepreneurs to look for ways and means of increasing efficiency in order to handle more goods with relatively fewer employees—a trend already affecting several types of wholesalers.

While manufacturers are taking over more of the field through wholly owned outlets this tendency leads towards more employees rather than less. The trend toward forward integration on the part of manufacturers also leads to a somewhat different point of view of profits and costs. A manufacturer may be quite willing to allow the wholesaling section of his enterprise to operate with a very small profit or none at all; and may further hand as much of the servicing as possible to this division. This latter may account for part of the decline in the importance of the four large centres of distribution noted on Page 35, as manufacturers are interested in providing service on a more widely spread basis.

In assessing the future of this industry one factor of importance is the surprisingly widespread nature of its function. As pointed out previously only one-third of all sales are made to retailers. The future of the wholesalers engaged in this section is tied to their ability to provide a useful service to the smaller retailers and to the ability of independent retailers to make sales in competition with other outlets such as chain and department stores.

Another third of the industry is engaged in supplying machinery and materials to manufacturers or other large users, or in supplying the construction or transportation industries, and their future is naturally tied to that of their customers. About one-eighth of all sales are for export and the interest and future trends of these concerns may not always coincide with the remainder of the industry.

As pointed out previously, there is not as much detailed information available as might be desirable. Partly for this reason, it appears to be neces-

sary to take a very broad view of possible developments, relating the future of the industry to the general trends which have operated in the past.

One method of projecting future employment is simply to extend the line of trend for the employment figures as shown by the Census of Distribution, which works out at 377,000 for 1980. This, of course, ignores many changing factors including the trend toward shorter hours and probably underestimates future employment.

Another projection of future employment may be constructed by extending the trend indicated by the D.B.S. index of employment maintained on a monthly and annual basis. (See Table 21). Based on employment shown by the Census of Distribution in 1951 and on the line of trend of this series for the period 1930-1954 extended to 1980, employment in the wholesale industries would be 410,000 at that time. This estimate lies about mid-way between the two outside estimates shown here, but also fails to take into account the trend toward shorter hours.

As pointed out above, average hours worked is a very important factor in the numbers employed in the industry—much more important than in the case of some other sectors of the service industries where a higher percentage of the labour force are self-employed. Instead of assuming an increase in the rate of employment in line with increases in the 1930-1951 period as in the first method outlined above, we might turn to total hours worked (line 7 of Table 22), and assume an increase in this figure at the rate indicated for 1930-1951. This projection works out at approximately 16 million hours for the year 1980. Average hours of work in this industry are estimated at 36.8 per week in 1980, based on the changes in the years 1944-1953. Dividing average hours worked per week into total hours produces a figure of 435,000 as the approximate employment in this field in 1980. This method takes into account one more factor than the others outlined and is the one used in the over-all projection. Wholesale employment of this size would represent 4.4% of the projected labour force in 1980, in contrast with 3.7% in 1951.

It will be seen later that this is not as large an increase in terms of percentage of total 1980 labour force as predicted for some other service industries. In part this is based on the belief that pressures being exerted on the industry to use improved methods, including automation where applicable, will lead to increased productivity per man, and thus tend to hold down the total numbers employed.

RETAIL TRADE

Forms of Outlet

There have been three complete censuses of retail stores in Canada covering the years 1930, 1941 and 1951. Every establishment which was a recognizable place of business, engaged mainly in the selling of merchandise to household consumers was included in the coverage of all three. Prior to these dates information on Canada's retail trade is incomplete, but much information of a non-statistical nature is available from which changes in the industry can be traced. In general the development of trade has largely paralleled that of the country itself and it may be traced from the pedlar and small general store of the frontier or early settlement days to the numerous forms of retail distribution which exist in our modern complex society.

In the history of Canadian retailing many new forms of distribution have appeared but by and large the older ones remain although they do not continue to have the same relative importance as in former years. Thus, the pedlar, the trading post and the general store still exist in Canada today. The development of the department store, the mail order house, the chain store system, the supermarket and the shopping centre have all taken place at various stages but have not completely displaced the older forms of distribution.

Perhaps the first significant development in Canadian retailing after the very early stage was that of the specialized independent store which grew and flourished pretty much in pace with the growth of settled communities. The first really new mechanism that appeared was the department store, which was actually a collection of individual stores under one roof. It was made possible in part by the growth of Canadian cities both in population, industrialization and wealth. This increasing industrialization and urbanization led some active general store merchants to move into the larger cities. For instance, Timothy Eaton moved from a small general store at St. Mary's

to Toronto in 1869. Robert Simpson moved from Newmarket to Toronto in 1871¹.

The development of the mail order company followed naturally. In a country of great distances and scattered populations such an organization was an obvious way of bringing the department store into the homes of Canadians at points distant from the larger centres.

The opening of the west following construction of the Canadian Pacific Railway and the increase in population after the turn of the century brought an expansion of the Canadian market and with it the rise of Winnipeg and other western cities as centres of distribution. Department stores including the Hudson's Bay Company, The T. Eaton Company and Robert Simpson Company established branches in many cities but did not attempt to set up their own manufacturing facilities on a large scale and, in the main, this policy has continued.

The extent of our national boundaries and the distribution of our small population have given Canadian trading establishments a character of their own and partly as a result they have developed differently from those in the United States. For instance, mail order departments were set up by the large department stores instead of being separate institutions as they were in the United States. Indeed in Canada it is impossible to segregate statistics of mail order concerns from those of department stores as their operations are so closely interlocked.

The development of the chain store largely represented a structural variation in ownership. The stores themselves were much like good independent stores but it was the management aspect that differed. Thus the early chain grocery stores were small units comparable to independents, differing only in the number owned by a single management.

The two most recent innovations are the supermarket and the shopping centre. The supermarket is usually a grocery store with a meat market providing a minimum of service and serving a fairly wide area. To a large degree both the supermarket and the shopping centre have been products of the change in Canadian life brought about by the motor car and the movement of the population to the suburbs.

As Canadian cities have grown and the number of automobiles has increased, particularly in recent years, there has been a corresponding increase in the difficulty of moving into and out of the downtown areas. Even if this situation had not existed the modern shopping centre would probably have appeared; certainly it would have appeared on the perimeter of our large metropolitan centres. The location of thousands and sometimes hundreds of thousands of people on the outskirts of cities and the sheer distance from

¹George G. Nasmith, *Timothy Eaton* (Toronto, 1923) p. 70.

the downtown or main shopping areas has probably made the rise of the shopping centre inevitable.

Three factors of importance influenced the changing nature of our retail establishments over the years. Perhaps the most important has been a steady movement away from the farms in Canada. Increasing urbanization has meant an automatic increase in retail trade as the city dweller buys much more of his food, as well as some other commodities such as fuel, than does a similar family living in the country.

Secondly, even for those families who remained on the farms, changing tastes and habits have reduced drastically their self-sufficiency. Most signs of a subsistence economy have disappeared and rural dwellers are very large purchasers of consumer goods, frequently by means of mail order catalogues.

The rising number of women in the labour force has increased family dependence on prepared food items and increased patronage of restaurants, both factors affecting our retail trade per capita. Unfortunately we do not have reliable figures for retail sales prior to the thirties although a partial census of trading establishments was conducted for the year 1923. Retail sales per capita were \$342 in 1931, doubling in 1951 to \$685, both figures in terms of 1949 dollars.

One further development should be noted at this stage, the discount house. Discount houses have purchased durable consumer goods in large quantities at bargain prices and have cut sharply into the share of the market held by other concerns. They have proved that it is possible to move goods in volume at a very low mark-up for a short period, but it remains to be seen whether or not such concerns will become a permanent feature of our retailing system.

The Importance of a Fixed Price Policy

An important factor that is sometimes overlooked is the fact that the growth of large stores was made possible by a fundamental innovation in marketing technique—the institution of a single fixed price for each article. A century ago there were no price tags on merchandise and the actual amount charged for a particular item was a matter of bargaining between customer and store-keeper. As stores grew larger it became more difficult for a merchant to keep control over a number of clerks and real progress in point of size was only possible when a single fixed price was set for each article on a take-it-or-leave-it basis. Among other advantages this reduced sharply the chances of fraud on the part of employees, an ever present danger when prices are flexible.

When Timothy Eaton opened his store in Toronto in 1869 he advertised—"We propose to sell our goods for cash only—in selling goods to

have only one price."¹ This was a revolutionary idea and it was freely predicted that his store would not last long. While Timothy Eaton was probably the first merchant in Canada to follow this practice, a few stores were already doing business on this basis in the United States including Wanamakers of Philadelphia and A. T. Stewart of New York.

While most stores followed Eaton's in due course and instituted fixed prices the system was never universal and even today there are some commodities for which prices are flexible. Partly because of the trade-in feature, automobile prices have usually been a matter of negotiation, and in recent years other articles have also tended in this direction. In terms of retail productivity this is probably a retrograde step as it takes longer to handle sales on the basis of bargaining, and requires more supervision.

Size and Scope of the Industry

A summary of the principal statistics for retail trade is contained in Table 23 which divides the industry into nine main sub-headings. Retail trade is one of Canada's major industries and in 1951 the census of distribution gathered figures on over 153,000 stores with sales of 10.7 billion dollars and average employment over the year as a whole including working proprietors, in excess of 680,000. The increase in the number of stores between 1941 and 1951 was only about 12% but sales more than tripled and the number of employees and working proprietors increased 44%.

It should perhaps be noted here that, while the figures shown in Table 23 are based on the census of distribution carried out for the years 1930, 1941 and 1951, some changes have been made on the basis of subsequent information. It has not always been possible to carry through these changes to other tables dividing retail stores on different bases—for instance, by size of establishment as in Table 25 or by type of store as in Table 26. These latter tables and others similar to them therefore differ slightly in total from Table 23.

Examination of Table 23 in more detail shows the most significant changes appearing in the automobile group and in the general merchandise group. In the former, sales have risen from 14% to 24% of all sales between 1931 and 1951 while the number of establishments and number of employees have risen only two percentage points and nearly three percentage points respectively. The general merchandise group, which includes both general stores and department stores, has fallen eight percentage points in relative sales but only 1.3% in the number of stores with employment about the same percentage for both years.

¹George G. Nasmith, *op. cit.*, p. 72.

Table 23

RETAIL TRADE BY KIND OF BUSINESS

Type of Operation	Number of Stores			Sales (millions of dollars)			Average Employees and Working Proprietors		
	1930	1941	1951	1930	1941	1951	1930	1941	1951
Food and beverage.....	48,365(a)	58,491	66,534	806(a)	1,062	3,273	118,565(a)	162,908	223,439
Per cent of total.....	38.8	42.7	43.5	29.5	31.1	30.6	31.8	34.4	32.8
General merchandise.....	14,889	15,711	16,153	680	741	1,796	83,801	106,865	154,254
Per cent of total.....	11.9	11.5	10.6	24.9	21.7	16.8	22.6	22.6	22.7
Automobile.....	13,016	16,867	18,380	381	595	2,544	42,783	59,151	97,185
Per cent of total.....	10.4	12.3	12.0	13.9	17.4	23.8	11.5	12.5	14.3
Apparel and accessories.....	10,474	12,601	16,283	220	295	783	32,704	42,050	61,575
Per cent of total.....	8.4	9.2	10.6	8.0	8.6	7.3	8.8	8.9	9.0
Bldg. materials and hardware.....	6,144	5,801	7,887	164	174	674	19,956	20,967	37,340
Per cent of total.....	4.9	4.2	5.2	6.0	5.1	6.3	5.3	4.4	5.5
Furniture, household appliances, radio and house furnishings.....	3,079	3,498	5,221	100	118	394	14,042	15,249	24,515
Per cent of total.....	2.5	2.6	3.4	3.7	3.5	3.7	3.8	3.2	3.6
Drug and health appliances.....	5,328	4,790	4,712	84	109	257	13,415	17,051	20,990
Per cent of total.....	4.3	3.5	3.1	3.1	3.2	2.4	3.6	3.6	3.1
Second hand.....	1,606	1,740	1,244	12	11	23	2,986	2,954	2,368
Per cent of total.....	1.3	1.3	0.8	0.4	0.3	0.2	0.8	0.6	0.3
Other retail.....	21,707(a)	17,491	16,612	289(a)	310	949	44,903(a)	46,243	58,265
Per cent of total.....	17.4	12.8	10.9	10.6	9.1	8.9	12.0	9.8	8.6
All stores.....	124,608	136,990	153,034	2,736	3,415	10,693	373,155	473,438	680,931
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Estimates.

Source: Census of Distribution, 1930, 1941 and 1951—adjusted to conform to 1951 base. See also—D.B.S., Retail Trade, 1930-1951, Reference Paper No. 56.

There is some evidence of a growing efficiency in the industry' as indicated by the increasing volume handled per employee. Using figures taken from the table, sales per employee are as follows:—

	1930	1941	1951
Sales per employee in current dollars	7,300	7,200	15,700
Sales per employee in 1949 dollars	9,700	10,400	13,800

One factor influencing the enlarged productivity per employee is the average size of the stores. Table 24 divides establishments according to the size of their sales for 1941 and 1951. The most significant change between these two years is the disappearance of nearly 40,000 stores from the category with sales of less than \$10,000 per annum. It can be presumed that these stores or their successors have moved up into the next larger category, that with sales between \$10,000 and \$50,000 which has become the largest category. An upward grading has taken place all along the line and the group with the largest stores, those with sales over \$500,000, has increased in number from 413 to 2,625 and in proportion of sales from 19% to 34%.

There still exists a wide disparity between the larger and smaller stores in spite of the over-all increase. For instance, in 1951, 70% of the stores had sales of less than \$50,000 and accounted for about 20% of the total sales, whereas about 5% of the stores accounted for nearly 50% of the total business.

Included in the food and beverage section of this industry are a large number of restaurants and other eating places, but in spite of this the bulk of the sales made by the retail industry are sales of goods in the ordinary course of business. Statistics taken from the 1951 census showed that receipts from sales of meals totalled \$431 million, wholesale sales made by retail stores \$325 million, receipts from repairs and services \$218 million leaving a presumed balance of retail sales of goods of \$9,679 million out of a total \$10,653 million.

Offsetting these to some extent are the retail sales made by the wholesale trade and by other service establishments. Sales direct to household consumers by wholesale establishments totalled \$180 million in 1951, and while only 78% of all establishments supplied sufficient information to warrant inclusion in this table of the wholesale establishments (Table 15) it is understood that most of the firms omitted were country grain elevators whose retail sales would likely be relatively small.

Sales of meals and merchandise reported by other service establishments totalled \$313 million in 1951. The hotel and tourist camp group reported the bulk of these—\$65 million receipts from sales of meals and \$197 million receipts from sales of merchandise.

Table 24

RETAIL ESTABLISHMENTS GROUPED ACCORDING TO ANNUAL SALES, 1941 AND 1951

	Stores				Annual Sales			
	1941		1951		1941		1951	
	Number of Stores	Per Cent of Stores	Number of Stores	Per Cent of Stores	Amount (\$ million)	Per Cent of Sales	Amount (\$ million)	Per Cent of Sales
Less than \$10,000.....	70,966	51.7	31,714	21.0	299	8.7	151	1.4
\$10,000 to \$49,999.....	54,265	39.4	74,556	49.1	1,200	34.8	1,955	18.3
\$50,000 to \$99,999.....	7,523	5.5	25,922	17.1	509	14.8	1,794	16.8
\$100,000 to \$199,999.....	2,856	2.1	11,527	7.6	389	11.3	1,567	14.7
\$200,000 to \$499,999.....	1,308	1.0	5,282	3.5	395	11.5	1,600	15.1
Over \$500,000.....	413	0.3	2,625	1.7	650	18.9	3,585	33.7
All stores.....	137,331	100.0	151,626	100.0	3,441	100.0	10,653	100.0

Source: *Canada Year Book, 1955, p. 971.*

Forms of Organization

It is apparent that there has been a trend towards concentration of more of the business in the hands of corporations and partnerships. In 1951 for instance, corporations represented 11% of the number of establishments but accounted for 45% of the sales, whereas individual proprietorships representing 75% of the number of the establishments handled about 38% of the sales, a decrease of eight percentage points from 1941 (see Table 25). We have the more precise statistics for a short period only, but this information ties in with general data to which reference has already been made.

While it is apparent that the corporate and partnership form of organization is becoming more popular, it does not follow that chain and department stores are growing in relative importance. Table 26 divides retailers into three main categories—*independent, chain and department stores* for the years 1930, 1941 and 1951 with sales for 1953.

During the period 1930 to 1951 sales of both chain and department stores have fallen somewhat as a percentage of all sales, although of course sales in absolute figures have risen substantially in all categories. Independent stores including automobile dealers, garages and service stations have increased their share of sales from about 69% in 1930 to nearly 75% in 1951. Sales figures for 1953 indicate little relative change from the percentages for 1951.

However, while it is true that independent stores as a whole have increased their share of total sales, a large part of the increase arises from increased sales by concerns connected with the automotive industry. Most automotive establishments are classed as independent and their percentage of sales has risen from 12.6% of the total to 23.4%. Other independent stores have lost nearly five percentage points, department stores four-point-four percentage points while chain stores other than automotive lost .7%.

If the sales of automotive dealers are taken out of the sales picture, sales of the remaining concerns represent the following percent of total.

PERCENT OF TOTAL SALES, EX. SALES OF CONCERNS CONNECTED WITH AUTOMOTIVE INDUSTRY

	1930	1941	1951	1953
Independent	65	65	68	67
Chain	20	22	21	22
Department stores	15	13	11	11
Total sales	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

On this basis of comparison changes are less striking but do indicate that the independent store has been more than able to hold its own against the other forms of distribution.

Table 25

RETAIL TRADE BY FORMS OF ORGANIZATION

Forms of Organization	1941			1951		
	Number of Establishments	Sales (\$ million)	Full-Time Employees	Number of Establishments	Sales (\$ million)	Average Employees
Individual proprietorships.....	113,627	1,589	120,605	114,744	4,081	174,271
Per cent of total.....	82.7	46.2	40.6	75.7	38.3	32.9
Partnerships.....	10,562	319	25,235	18,149	1,292	55,819
Per cent of total.....	7.7	9.3	8.5	12.0	12.1	10.5
Corporations.....	12,051	1,401	147,211	16,564	4,805	287,505
Per cent of total.....	8.8	40.7	49.5	10.9	45.1	54.4
Co-operative associations.....	445	20	1,961	1,191	134	5,418
Per cent of total.....	0.3	0.6	0.7	0.8	1.3	1.0
Other forms.....	646	112	2,035	978	341	6,329
Per cent of total.....	0.5	3.2	0.7	0.6	3.2	1.2
Total.....	137,331	3,441	297,047	151,626	10,653	529,342
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Dominion Bureau of Statistics, *Census of Canada, 1941*, Vol. X, T. 17 and *Census of Canada, 1951*, Vol. VII, T. 15.

Table 26

RELATIVE POSITIONS OF INDEPENDENT, CHAIN AND DEPARTMENT STORES

	1930		1941		1951		1953	
	Stores (000)	Sales (\$ million)	Stores (000)	Sales (\$ million)	Stores (000)	Sales (\$ million)	Stores (000)	Sales (\$ million)
Independent.....	116.4	1,897	128.8	2,420	142.9	7,967	142.9	9,053
Per cent of total.....	93.1	68.8	93.8	70.3	94.2	74.8	94.2	74.7
Automotive.....	12.2	346	16.4	560	18.1	2,495	18.1	2,824
Per cent of total.....	9.7	12.6	11.9	16.3	11.9	23.4	11.9	23.3
Ex automotive.....	104.2	1,550	112.4	1,860	124.8	5,472	124.8	6,229
Per cent of total.....	83.4	56.2	81.9	54.0	82.3	51.4	82.3	51.4
Chain.....	8.5	504	8.0	643	8.1	1,776	8.1	2,048
Per cent of total.....	6.8	18.3	5.8	18.7	5.3	16.7	5.3	16.9
Automotive.....	0.8	35	0.5	34	0.1	44	0.1	16
Per cent of total.....	0.7	1.3	0.3	1.0	0.1	0.4	0.1	0.1
Ex automotive.....	7.6	469	7.5	609	8.0	1,732	8.0	2,032
Per cent of total.....	6.1	17.0	5.5	17.7	5.3	16.3	5.3	16.8
Department.....	0.1	355	0.5	378	0.6	910	0.6	1,025
Per cent of total.....	0.1	12.9	0.4	11.0	0.4	8.5	0.4	8.4
All stores.....	125.0	2,756	137.3	3,441	151.6	10,653	151.6	12,126
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Dominion Bureau of Statistics, *Census of Canada, 1941*, Vol. X (Ottawa, 1944), Table XVI, Table 2, p. 4 and Table 2, p. 556.

Dominion Bureau of Statistics, *Census of Canada, 1951*, Vol. VII (Ottawa, 1954), Table 13.

Dominion Bureau of Statistics, *Retail Trade, 1953*, Vol. 3, Part II (Ottawa, 1955), Table 4, p. F-10 and F-11.

While the reasons for this are varied, perhaps the most important is the effort made by independent retailers to compete with chain stores by means of co-operative wholesaling and introduction of improved methods of operation such as self-service, elimination of charge accounts, etc.

These facts belie the generally held impression that chain and department stores have gained an overwhelming dominance of the retail trade. It is a fact, however, that most of the recent innovations have come from these two types of organizations and the independent store has tended to change methods to keep abreast of changes elsewhere.

Retailing has always offered to the enterprising newcomer an opportunity to make a start in ownership with modest capital. However, with the increase in size of the average store the opportunity for the small investor may be shrinking. For instance, because of the rise of the gigantic supermarket, with its large investment requirements, newcomers would venture into the grocery trade today with far more hesitation than ever before. There are however, still opportunities for small specialized establishments to flourish both in the older shopping areas and in the new shopping centres.

Instalment and Charge Sales

Details of instalment and charge sales in Canada are shown in Table 27 for 1951. For this year, while the total of sales financed on instalments was more than double that for 1941, the percentage of all sales actually fell 2.3% and in some categories the reduction was even more spectacular. For instance, in 1941, over 50% of the sales of furniture, household appliances and radios were sold on the instalment plan whereas only 30% were sold on this basis in 1951. A similar situation exists for automobile dealers where 35% of their sales were made on the instalment plan in 1941 and only 22% in 1951. Both of these years, however, were affected by credit restrictions. Credit restrictions were introduced by the Wartime Prices and Trade Board in October 1941 which affected the figures for that year. Restrictions were again imposed in Canada in the fall of 1950 and increased in the spring of 1951, so that the statistics gathered by the census in either year can hardly be considered as typical for the industry.

Figures for instalment and charge sales in 1953 are shown for nine types of stores in Table 28 which give a better picture of the importance of charge and instalment sales.

There is little doubt that the convenience of selling on charge accounts is widely used by the public and is a necessary part of the service provided by stores in many lines. Instalment selling while concentrated in the concerns selling durable consumer goods, is also growing rapidly in all fields. In this case varying charges are made by the stores and income from this source is frequently very important to the operating profits of concerns selling on an instalment basis.

Table 27

INSTALMENT AND CHARGE SALES IN CANADA, 1951

Kind of Business	Number of Stores	Total Sales (\$ million)	Charge Sales		Instalment Sales	
			Amount (\$ million)	Per Cent of Sales	Amount (\$ million)	Per Cent of Sales
Food and beverage group.....	65,134	3,232	342	10.6	77	4.3
General merchandise.....	16,153	1,796	375	20.9	447	17.6
Automotive.....	18,380	2,544	468	18.4	437	22.0
Automobile dealers.....	5,168	1,984	366	18.5	26	3.4
Apparel and accessories.....	16,283	783	119	15.2	12	1.8
Building materials and hardware.....	7,887	674	337	50.0	123	31.2
Furniture, household appliances, radios and home furnishings	5,221	394	81	20.6	—	—
Drug and health appliances.....	4,712	257	18	7.2	—	—
Other retail stores.....	1,244	23	2	8.9	28	2.9
Jewellery stores.....	16,612	949	294	31.0	10	9.8
All stores.....	151,626	10,653	2,036	19.1	714	6.7
All stores (1941).....	137,331	3,441	528	15.3	311	9.0

Note: In 1951, the number of stores and sales included 31,363 stores with sales of \$1,599 million which did not report on the division between cash and credit sales. The similar figures for 1941 were 39,059 stores with sales of \$459 million.

Sources: Dominion Bureau of Statistics, *Census of Canada, 1941*, Vol. X, Table 19 and *Census of Canada, 1951*, Vol. VII, Table 12.

Table 28

INSTALMENT AND CHARGE SALES, 1953

	Total Sales	Charge Sales		Instalment Sales	
	(\$ million)	Amount (\$ million)	Per Cent of Sales	Amount (\$ million)	Per Cent of Sales
Department stores.....	1,024.7	215.8	21.1	146.1	14.3
Motor vehicle dealers.....	2,284.0	517.0	22.6	987.3	43.2
Men's clothing.....	214.1	55.3	25.8	6.6	3.1
Family clothing.....	208.8	52.0	24.9	11.4	5.5
Women's clothing.....	219.0	45.6	20.8	6.1	2.8
Hardware.....	248.5	86.4	34.8	11.5	4.6
Furniture.....	195.1	42.3	21.7	86.4	44.3
Household appliances and radios.....	284.4	49.5	17.4	142.5	50.1
Jewellery.....	120.9	25.5	21.1	22.7	18.8

Source: Dominion Bureau of Statistics, *Retail Consumer Credit*, Vol. X, No. 4.

Geographic Distribution

In Table 29 sales of Canadian retail establishments are divided into five regions for the years 1930, 1941, 1951 and 1954. Each of the regions has been fairly stable in its share of total sales. Over the 20-year period Alberta sales showed the greatest percentage increase with a gain of almost 400% in contrast to an average rise of 290% for the whole of Canada. It is interesting to note that the increase in Alberta was accompanied by an increase of only 18% in the number of stores in contrast with an average rise of 23% in the number of stores in the whole of Canada.

Table 29

GEOGRAPHIC DISTRIBUTION OF RETAIL SALES
(millions of dollars)

	1930	1941	1951	1954
Atlantic Provinces(a).....	197	279	899	1,025
Per cent of total.....	7.2	8.2	8.4	8.5
Quebec.....	646	820	2,443	2,798
Per cent of total.....	23.6	24.0	22.8	23.2
Ontario.....	1,091	1,388	4,130	4,634
Per cent of total.....	39.9	40.6	38.6	38.4
Prairie Provinces.....	551	609	2,122	2,359
Per cent of total.....	20.2	17.8	19.8	19.6
British Columbia, Yukon and Northwest Territories.....	251	318	1,100	1,250
Per cent of total.....	9.2	9.3	10.3	10.4
Total.....	2,736	3,415	10,693	12,066
Per cent of total.....	100.0	100.0	100.0	100.0

(a) Includes Newfoundland in 1951 and 1954.

Source: Dominion Bureau of Statistics, *Retail Trade, 1954*.

Table 30

GROSS AND NET PROFIT FOR SELECTED RETAIL TRADE
(percentage of net sales)

Trade	1938		1948		1952	
	Gross	Net(a)	Gross	Net(a)	Gross	Net(a)
<i>Unincorporated stores:</i>						
Grocery	16.0	4.5	14.0	5.7	13.8	5.3
Combination	17.4	4.1	14.6	4.4	14.6	4.1
Meat	22.4	5.6	16.6	5.5	17.5	6.1
Fruit and vegetable	—	—	17.5	6.5	17.5	5.6
Confectionery	—	—	19.1	8.5	18.8	7.5
Men's clothing	28.7	7.0	25.9	11.9	26.6	10.0
Women's clothing	29.7	4.6	25.8	10.4	26.8	7.9
Family clothing	27.1	4.4	23.4	10.0	24.4	8.9
Shoes	29.8	6.6	26.5	11.5	27.7	10.8
Hardware	25.6	5.5	24.7	11.5	25.9	10.4
Furniture	33.5	4.3	26.7	9.6	27.8	8.3
Appliances and radio	—	—	27.4	9.5	26.4	7.8
Filling stations	21.6	6.2	19.0	6.2	20.1	5.9
Garages	33.1	5.7	26.2	7.8	29.9	8.3
General stores	—	—	15.1	6.0	14.6	5.7
Restaurants	40.2	4.6	37.1	6.9	38.9	7.6
Fuel	21.1	3.5	20.4	5.4	20.4	4.6
Drugs	—	—	28.4	11.7	29.1	12.0
Jewellery	40.2	—	39.1	15.3	39.5	14.2
Tobacco	21.5	5.7	16.5	7.9	16.5	6.8
<i>Incorporated stores:</i>						
Men's clothing	—	—	28.6	6.4	29.3	3.0
Women's clothing	—	—	28.5	5.1	29.3	2.8
Family clothing	—	—	28.8	6.0	29.8	3.5
Shoes	—	—	32.1	7.6	30.0	3.2
Hardware	—	—	26.2	6.5	27.3	2.7
Fuel	—	—	19.9	2.1	22.0	1.6
Drugs	—	—	33.1	5.6	34.1	5.4
Jewellery	—	—	40.8	4.4	41.8	3.3
Department	—	—	—	—	32.4	1.7
<i>Retail chain stores:</i>						
	1947		1949		1953	
Grocery	16.8	2.4	16.0	3.0	15.0	1.2
Combination	16.0	2.2	15.6	2.5	16.5	3.2
Meat	20.5	3.3	17.6	0.6	—	—
Men's clothing	30.0	7.5	29.1	3.6	30.9	1.8
Women's clothing	30.2	6.2	29.4	4.1	31.5	4.7
Family clothing	26.4	5.6	30.2	2.7	31.0	2.0
Shoes	30.8	6.5	30.8	4.9	31.6	4.9
Variety	37.7	13.0	37.5	11.3	37.8	9.4
Drugs	34.2	5.4	33.3	3.0	33.8	3.2
Furniture	32.6	7.8	35.1	4.0	31.8	5.3

(a) Before income tax and proprietors' salaries.

Note: Department store data from Mr. E. G. Burton's brief to the Royal Commission.

Source: Dominion Bureau of Statistics.

On a provincial basis Ontario accounts for almost 40% of all the sales and Quebec for about 23%. Well over half the market in Canada is therefore located in the two central provinces and this fact is important especially to the manufacturers of goods for the domestic consumer market.

Operating Ratios

Statistics have been gathered for a number of years by the Dominion Bureau of Statistics on the operating ratios of certain retail stores. The gross and net profit for selected retail trades is shown in Table 30 for the latest year, 1952 or 1953, and for two earlier years when available. It seems evident from these figures that the gross profit of retailers in the unincorporated classification has fallen appreciably between the years 1938 and 1952. On the whole, incorporated retailers or retail chain stores have been able to maintain their gross margins and even in many cases increase them.

While it would appear from the figures that unincorporated stores now show a larger net profit than formerly, the other two classes show a reduced net profit. This can be explained in part by the fact that net profits of unincorporated stores are before proprietor's salary or withdrawals while in the cases of incorporated stores or retail chain stores all salaries and withdrawals have been paid before arriving at net profits.

Table 31

COMPARISON OF GROSS MARGINS AND INVENTORY TURNOVER

	Inventory Turnover Per Year	Gross Margins			U.S.A.
		Canada			All Stores
		Unincorporated Stores	Incorporated Stores	Chain Stores	(1954)
		(1952)	(1952)	(1953)	(1954)
Jewellery.....	1.2	39.5	41.8	—	44.4(d)
Shoes.....	2.0	27.7	30.0	31.6	37.1(d)
Hardware.....	2.1	25.9	27.3	—	29.4
Family clothing.....	2.2	24.4	29.8	31.0	30.1(b)
Men's clothing.....	2.3	26.6	29.3	30.9	33.7
Furniture.....	2.4	27.8	—	31.8	38.0
Variety chain.....	3.8	—	—	37.8	37.6
Department stores.....	3.9	—	32.4	—	35.7(c)
Drug stores.....	3.9	29.1	34.1	33.8	33.5
Women's clothing.....	4.8	26.8	29.3	31.5	34.4
Appliances and radios...	5.4	26.4	—	—	34.0
Grocery.....	13.6	13.8	—	15.0	15.9(c)
Combination grocery and meat.....	17.2	14.6	—	16.5	16.3(a)
Filling stations.....	20.7	20.1	—	—	22.6(b)
Restaurants.....	35.5	38.9	—	—	47.3(a)
Meat.....	53.3	17.5	—	—	20.7

(a) 1950

(b) 1951

(c) 1952

(d) 1953

Sources: Canadian margin figures extracted from Table 30. Department store data from Mr. E. G. Burton's brief to the Royal Commission. U.S. data—Dun & Bradstreet, Inc., *Operating Ratios for Thirty-Five Lines of Retail Trade* (New York, Sept., 1955).

On the whole, therefore, it seems fair to conclude that net profit margins have been squeezed in recent years. The effects of this squeeze on margins has been offset to some extent by the higher volume in recent years per store and per employee, both of which have been pointed out previously in other connections.

Another interesting point brought out by these figures is that where there are similar trades in all three groups, unincorporated stores have the lowest gross margin, with incorporated stores next and chain stores the highest. In shoes, for example, the gross margins are 27.7%, 30% and 31.6%, as shown in Table 31. These percentages tend to confirm the generally held impression that the larger concerns are able to buy at lower prices and achieve a higher mark-up without necessarily charging higher prices. Of course, in many cases the incorporated store and the chain store buy direct from the manufacturer, assuming themselves the wholesaling function with the additional expense involved.

To make a proper comparison of distribution costs we should add the wholesaler's margin to that of the small retailer and compare this with the margin shown for the chain or department stores. Assuming both wholesalers and chain or department stores bought from manufacturers at about the same price this method would give a valid comparison, but insufficient information is available to pursue the question further.

In addition to the disparity noted between margins for different classes of stores, there is an even wider difference between different kinds of trades. Grocery and general stores had gross margins of 13.8% and 14.6% in 1952 whereas jewellery stores and restaurants had gross margins of 39.5% and 38.9%, to list only the trades at the two extremes. In general the margins often represent some measure of the service provided. The modern grocery stores and supermarkets not only do not grant credit but endeavour to persuade customers to serve themselves and reduce service generally to the lowest possible minimum. Furthermore, processing and packaging of food is generally carried as far as possible by the manufacturer in contrast to the problem of furniture dealers for instance, who must unpack shipments from manufacturers, assemble and display the merchandise and sometimes make minor repairs before delivery.

While grocery stores provide a minimum of service the modern large department stores offer extensive facilities. Charge, instalment and deposit accounts are extensively used. The return privilege is used and abused at great cost to the store. Department stores move customers from floor to floor by elevator and escalator, offer varied restaurant facilities and normally have either a garage or parking lot attached. Cloak rooms, post offices and rest rooms are only some of the services supplied.

In these great air-conditioned stores with their display of varied merchandise, their multiplicity of credit facilities and their other services, in-

tangible satisfactions appear which, while they undoubtedly add to the cost of the goods sold, are the product of public demand. The store that does not supply some such satisfactions, expensive though they may be, will undoubtedly fall behind in the competitive race.

In addition to the general nature of the service, the rate of stock turnover has some bearing on the margin of profit earned in different trades. As shown in Table 31 jewellery stores have the lowest average turnover and the highest gross mark-up. While there is a far from exact correlation in general those lines with high rates of turnover have lower gross margins and the two are not unconnected.

Table 31 also includes figures for gross margins as a percentage of net sales for 16 lines of retail trade in the United States. It is interesting to note that these are higher than for similar types of stores in Canada in almost every case. Gross retail margins are also available in Harold Barger's study of distribution in the U.S.A.¹ While the most recent data from this source are for the year 1947, comparison of this information with Canadian margins confirms the impression gained from more recent figures shown in Table 31 that retail margins are usually noticeably higher in the U.S.A. than in Canada.

Net profit margins are more difficult to compare as the United States figures include different types of stores in one figure, whereas in Canada there are wide differences between the unincorporated stores and the other types. However comparing available United States net profit² figures with net profits of Canadian incorporated and chain stores there seems to be about an equal division between those trades yielding a higher net profit in Canada in spite of lower gross margins, and those with a lower net profit.

Rates of Failure

As pointed out in a previous section, it is relatively easy for a newcomer to start up for himself in the retail trade, but because of its highly competitive nature the life of many establishments in the industry is traditionally short. In connection with the 1941 census, statistics were gathered on date of inception for over 100,000 stores. These showed that about 38% of all stores had been in operation for four years or less and an even higher percentage was true for individual proprietorships and partnerships. A similar table appearing in the 1930 census shows that about 13% of all stores were one year old or less and 40% four years old or less. These figures, of course, do not indicate the number of failures but are of some assistance in judging the rate of turnover in the industry.

Rates of failure in retail trade are published by Dun and Bradstreet and their figures include only failures of concerns where loss to creditors are in-

¹Harold Barger, *op. cit.*, p. 81.

²Dun & Bradstreet, *op. cit.*

volved. For the year 1954 they reported almost 1,000 failures in the retail trade; a figure not exceeded since the depression year of 1933. The number of failures has been climbing each year since the low of 58 in 1945. In the late 1930's failures were between 500 and 700 each year and were again within this range for the years 1950 and 1953.

A recent survey of the survival of business concerns in the United States indicates that retail stores have the highest rate of turnover, and it is very probable that a similar situation exists in Canada. A summary of the survey's findings reads in part:—

“Wholesale trade firms have the best survival record: three-fourths survive their first full year of operation, half survive about three years and about 30% survive more than 10 years. At the other end of the scale are firms classified in retail trade where three-fifths survive their first year and about one-sixth reach the age of 10 years.”¹

Share of National Income and Gross Domestic Investment

The percentage distribution of national income by industry is shown in Table 2 and the figures do not indicate any definite trend for retail trade. In the late thirties the percentage of national income attributed to retail trade was about 9.8% for four years in a row and this same percentage was in evidence for the years 1948, 1949 and 1950. Since the Korean war, however, the percentage has been lower—8.9%, 9.1%, 9.2% and 9.1%. From a long term point of view there does not seem to be any definite trend either up or down. Similar data for the United States is available in Table 5 and this indicates that over 11% of the national income is allocated to the retail sector. In contrast to Canada the United States shows a definite upward trend which could easily carry the percentage above 13% by 1970.

In connection with gross domestic capital investment, however, the figures have reflected the large expansion on new plants made in recent years. Table 20 divides capital investment in trade into main headings from which it can be seen that the bulk of the expenditure remains in the field of independent stores. This very large capital expenditure in recent years has arisen in large part from construction of shopping centres and supermarkets and a continuance of the large capital expenditure probably depends on the development of the industry as a whole. A trend line based on this sample alone would be highly misleading because of the very large differences between the four early years and the later ones.

Characteristics of the Market

The Canadian market has grown mainly for two reasons, because population has increased and because incomes of Canada's working force have risen. There has been a consequent increase in the ability of people to spend

¹Betty C. Churchill, “Age and Life Expectancy of Business Firms”, *Survey of Current Business*, Vol. 35, No. 12 (Washington D.C., December, 1955), p. 15.

more on goods and services. While it is true that Canada's population has increased every year since 1900, the record of incomes has been somewhat less steady. In an address to the Canadian Retail Federation Dr. O. J. Firestone turned to a study of gross national expenditure back to the turn of the century as an aid in measuring the size of the Canadian market. He pointed out that the market has grown at a compound annual average rate of 3.62% over this period, 1.97% of which was related to population growth.¹

The relationship of retail sales to gross national expenditure over the past quarter century shows a remarkable stability except during the war. Table 32 gives the relationship between these two and shows for nine pre-war years that the average was 49.3% with no year below 48.3% and none above 50.7%. In the postwar years the average has been 50.3% with a range of 48.1% to 52.8%.

¹O. J. Firestone, "Canada's Growing Market and Retail Trade", Address to the 12th Annual Conference of the Canadian Retail Federation, May 3, 1954.

Table 32

COMPARISON OF GROSS NATIONAL EXPENDITURE AND RETAIL SALES

(millions of dollars and percentage)

	Gross National Expenditure	Retail Trade	
		Sales	Per Cent of G.N.E.
1930.....	5,546	2,736	49.3
1931.....	4,560	2,305	50.5
1932.....	3,767	1,908	50.7
1933.....	3,552	1,773	49.9
1934.....	4,034	1,984	49.2
1935.....	4,345	2,105	48.4
1936.....	4,701	2,289	48.7
1937.....	5,355	2,593	48.4
1938.....	5,233	2,530	48.3
1939.....	5,707	2,578	45.2
1940.....	6,872	2,935	42.7
1941.....	8,517	3,415	40.1
1942.....	10,539	3,619	34.3
1943.....	11,183	3,786	33.9
1944.....	11,954	4,093	34.2
1945.....	11,850	4,573	38.6
1946.....	12,026	5,787	48.1
1947.....	13,768	6,963	50.6
1948.....	15,613	7,835	50.2
1949.....	16,462	8,532	51.8
1950.....	18,203	9,617	52.8
1951.....	21,474	10,693	49.8
1952.....	23,255	11,532	49.6
1953.....	24,449	12,126	49.6
1954.....	24,041	12,066	50.2

Table 33

PERSONAL DISPOSABLE INCOME AND RETAIL SALES
(millions of dollars and percentage)

	Personal Disposable	Retail Trade	
	Income	Sales	Per cent of P.D.I.
1930.....	4,292	2,736	63.7
1931.....	3,629	2,305	63.5
1932.....	3,001	1,908	63.6
1933.....	2,774	1,773	63.9
1934.....	3,879	1,984	64.4
1935.....	3,293	2,105	63.9
1936.....	3,482	2,289	65.7
1937.....	3,930	2,593	66.0
1938.....	3,975	2,530	63.6
1939.....	4,208	2,578	61.3
1940.....	4,808	2,935	61.0
1941.....	5,600	3,415	61.0
1942.....	6,980	3,619	51.8
1943.....	7,478	3,786	50.6
1944.....	8,164	4,093	50.1
1945.....	8,430	4,573	54.2
1946.....	8,965	5,787	64.6
1947.....	9,599	6,963	72.5
1948.....	11,121	7,835	70.5
1949.....	11,968	8,532	71.3
1950.....	12,682	9,617	75.8
1951.....	14,663	10,693	72.9
1952.....	15,753	11,532	73.2
1953.....	16,725	12,126	72.5
1954.....	16,747	12,066	72.0

Source: Dominion Bureau of Statistics, Sales—Retail Trade of Canada, 1954.

Table 34

RETAIL TRADE—PERCENTAGE DISTRIBUTION OF TOTAL SALES
BY COMMODITIES

	Per Cent of Total		
	1930	1941	1951
Alcoholic beverages.....	5.2	4.6	4.7
Food and kindred products.....	27.6	25.6	24.0
Clothing and footwear.....	15.5	15.5	12.5
Automotive.....	12.7	16.1	22.0
Home equipment.....	8.8	7.5	8.5
Building materials and hardware.....	5.9	4.6	5.5
Drugs.....	2.9	2.4	2.2
Sundry.....	14.4	16.7	14.3
Fuel and ice.....	4.0	3.3	2.4
Receipts from sale of meals and lunches.....	3.0	3.7	3.9
	100.0	100.0	100.0

Sources: Dominion Bureau of Statistics, *Census of Canada, 1931*, Vol X (Ottawa, 1934), Table 26A, p. 132.

D.B.S., *Census of Canada, 1941*, Vol. X, Part I (Ottawa, 1944), Table 24, p. 474.

D.B.S., *Census of Canada, 1951*, Vol. VII (Ottawa, 1954), Table 23, p. 23-1.

Table 33 shows the relationship between retail sales and personal disposable income. Here the average for nine prewar years was 64.3% and for nine postwar years 71.7%, considerably different from the one percentage point change in relationship of retail sales to gross national expenditure. It is popularly supposed that retail sales vary more or less directly with personal disposable expenditure but these figures indicate that the relationship between retail sales and gross national expenditure is more stable. Perhaps one explanation for this situation is the growing importance of retail sales to business and government establishments. For instance, there is no way of telling what proportion of the automobiles sold are used for personal reasons and what proportion are used for business reasons.

The change in the pattern of trade is pointed up by the figures shown on Table 34 where the sharp increase in percentage of expenditures on automobiles from 13% in 1930 to 22% in 1951 stands out. When this is coupled with the fact that sales in current dollars quadrupled in the period, the increasing dominance of this one industry takes on added importance. The only other item to show an increase was that for receipts from sale of meals and lunches which rose from 3% to 3.9% of the total.

The sharpest percentage declines were shown by food and clothing, 3% in each case, both of which may be tied in with the fact that the increasing average wealth of Canadians permits a larger share of dollar expenditure on items other than these necessities. Another and perhaps more important factor is the volume of retail sales going to business and government establishments whose purchases of food and clothing would be relatively small. As mentioned above, it is this factor that may help to explain the relatively stable relationship between gross national expenditure and total retail sales.

Employment

Table 23 shows the number of working proprietors and the average number of employees over the year as a whole for the three years covered by the census of distribution. This figure has risen from 370,000 in 1930 to 679,000 in 1951. The percentage of the labour force engaged in trade on this basis has risen from 9.4% in 1930 to 11.4% in 1941 and 13.1% in 1951, a rise of about 2% in each decade. These figures include, however, a number of part-time employees. For instance, in 1951, working proprietors totalled about 150,000 while paid employees varied between a minimum of 455,000 and a maximum of 604,000.

For comparison we may turn to the figures in Table 8, which lists the employees in trade for one week in June of the year concerned according to the official census. To those employed by retailers in this table we must add restaurant employees who are included under personal service in the census but shown as a separate figure in Table 56. The two figures together are as nearly comparable as possible with the census of distribution data shown

in Table 23 and represented 9.6% of the labour force in 1931, 10.0% in 1941 and 11.3% in 1951. In this case while the trend is in the same direction the difference from year to year is not as large as the figures received from the industry through the census of distribution, nor is the proportion of the labour force engaged in trade as high for 1941 and 1951. As noted above probably the main explanation for the difference lies in the problem of part-time and seasonal employment.

There is considerable seasonal employment in retail trade which, of course, tends to vary with the product carried by the merchant. Generally sales and employment rise at Christmas and to a lesser extent at Easter and other special occasions such as Mother's Day. While some products such as clothing and automobiles are subject to wide seasonal fluctuations these are frequently offset in different sections of the industry, the divergent tendencies being cancelled out to some extent in figures for retailing as a whole. The amplitude of seasonal employment variations in retail trade in Canada as a whole is 13% i.e. the difference between actual peak and trough levels of employment expressed as a percentage of average employment.

Merchants endeavour to offset the effect of seasonal demand by the employment of housewives, students and others not continuously in the labour force as part-time or extra help particularly at the Christmas period. For this reason, the impact of seasonality on retail trade employment is rather less of a problem than the statistics would suggest. Other means used to offset seasonal fluctuations are the movement of employees from department to department, introduction of self-service and advertising campaigns all of which tend to reduce the influence of seasonal buying.

Retailing is generally considered a low wage industry and average weekly wages are considerably lower than the composite of all industries (\$39.95 per week against \$49.61 in 1951). As pointed out in previous paragraphs, employees may be divided into two groups. One group represents career people who plan to spend their working lifetime in a trade, another numerically large group is represented by those who seek relatively short time employment, mostly women looking for a few years' employment between school and marriage. It is often from this latter group that relief employment comes for peak periods after the employee has ceased to be classed as a permanent one.

The first group, the career people, probably have as satisfactory incomes as their opposite numbers in most other types of employment. For the very large number of office employees wages would tend to be more or less parallel to similar employment by other industries in the same location.

The average of wages and salaries is brought down by the large number of employees who perform the very simple operations of assistance in selection of merchandise for the customer, wrapping, making change etc. Not all

sales persons, however, are in receipt of relatively low wages. For two reasons they may, indeed, be highly paid. One reason for high income is the combination of keenness, ability and sales technique, the other reason is the combination of these with product knowledge of an expensive or complicated item, e.g. the major appliances.

There is very little unionization in this industry. Based on agreements forwarded to the Department of Labour, a little more than 26,000 retail trade employees are covered by about 300 collective bargaining agreements. This represents less than 5% of the workers in comparison with about 40% of workers in non-agricultural occupations generally who are covered by collective agreements. In part the reason for this low unionization is the white collar nature of most occupations and relatively heavy turnover of employees. Turnover is highest among sales personnel because of the large number who are employed on a seasonal basis only, or, in the case of female employees, for the relatively few years between the end of education and marriage.

More attention is being paid to the education of future store executives than ever before. This is illustrated by the development of the three-year course in retail merchandising at the Ryerson Institute of Technology in Toronto, by the retail school at Sir George Williams College in Montreal, the junior executive course at McMaster University in Hamilton and similar developments in other parts of the country.

Opinion of the Trade

The Canadian Retail Federation has provided considerable background material for this section of the study and the following paragraphs on the outlook for Retail Trade is a part of the material supplied by that organization.

“We feel that the development of Canadian retailing is closely tied to the social changes and growth of personal wealth in the country. The average Canadian appears to have reached the position where he or she has a considerable amount of disposable income over and above the requirements for the necessities of life. It would seem reasonable, then, to assume that as long as this situation continues great demands will be placed upon the distributive system.

“There is no particular indication that we can see that manpower requirements will be reduced. The changes that have taken place in Canadian retailing over the past years would seem to verify this. For example, the self-service feature of supermarkets undoubtedly builds up requirements for non-selling staff in warehouses, for stock supply and arrangement, etc. Department stores, too, currently have requirements for slightly more non-

selling staff than sales people, and in their case this appears to suggest that services outside of the actual handing over of merchandise are involved. Office staffs, delivery people, etc., are indications of this.

“The future for Canadian retailing appears to be closely related to the future of the country and, in the light of known factors, appears to be bright. Certainly there does not seem to be any lack of optimism on the part of successful distributors whose investment plans appear to be going ahead with energy. Perhaps the greatest problem for the future within the trade is the question of how to solve the problem of rather low productivity per man hour.

“Very large numbers of people are employed who probably do not intend to be indefinitely in the labour market. This is particularly true of women. Their remuneration is relatively low as compared with the career people, where remuneration appears to be on a scale equivalent to similar responsibilities in other occupations. Under present circumstances, it is difficult to see how the wage levels of the first group can be significantly raised unless their individual productivity can be increased in proportion.

“It is undoubtedly true at the present that the customer expects to find a sales clerk behind the counter when required. The resultant situation can be compared adversely with manufacturing, where the employee is usually fully engaged during the hours of labour. Self-service and open displays are one attempt to combat this problem. This is particularly noticeable in supermarkets and to some extent now in variety stores and even department stores. On the whole, we do not think it can yet be said that self-service is any general answer to the problem.

“In view of Canada’s expanding wealth, it is probable that retailing will continue to assume a growing importance in Canadian life. This is simply because the average Canadian has more money to spend on things that are not necessities. The same reason will probably continue to make it an important user of labour. The personal aspect of the business and the difficulty of mechanization in selling would appear to substantiate this.”

Problems of Automobile Retailers

As brought out in previous sections, retailers handling products connected with the automobile industry are a large and growing factor in the industry. Retailers of new cars perform a specialized function within this group and their problems are somewhat different from those of other retailers. The Federation of Automobile Dealers Associations of Canada has contributed the following section, setting out the position of these dealers.

“Very briefly the operator of the blacksmith shop, the harness maker, the carriage builder and the livery stable operator, as the automobile dis-

placed the horse and buggy, moved into the motor car business. In many instances general stores added automobiles to their lines of merchandise.

"From that humble beginning, the automobile dealer has become a specialist with a one-purpose building, very substantial staff and has become second only to food stores in the amount of retail volume in small and large communities throughout Canada.

"We have established the fact that there are approximately 5,500 retail automobile dealers in new (and used) automobiles in Canada, not including dealers who sell used cars exclusively. By inquiry among a substantial cross section of Canadian dealers, we can give a reliable estimate that the 5,500 dealers employ 55,000 people.

"Employees of automobile dealers are not highly unionized. There is more unionization on the west coast, in Saskatchewan and in Newfoundland than elsewhere, and there are some union contracts in other areas. While this is being written, an effort is being made to unionize automobile salesmen in Toronto.

"Dealers are authorized by automobile manufacturers to sell their products and have a written agreement outlining the conditions under which they operate. They buy new automobiles from the manufacturer for cash and maintain large inventories of repair and replacement parts and accessories which are paid for on a 30-day basis. In total volume of business there is a marked seasonal trend with a concentration of business in a short period in the spring and early summer.

"In 1954 average *net* profit of dealers before income tax, was .7% of total sales and for 1955—1.93%.

"There appears to be good reason to anticipate very considerable expansion of automobile sales in future years."

"However, it is apparent that the average net profit on sales noted above is considered low by some dealers, in spite of increased sales volume, and many dealers have not been satisfied with their place in the existing marketing system, even though in 1956 net profit margins have increased sharply."

In the opinion of some dealers, too many sales have been made because of over-production by the manufacturers and undue pressure upon the dealer, which have resulted in price slashing and a tendency to sell on down payments that are too low and periods of repayment that are considered too long.

On the other hand many persons connected with the automotive business believe that the development of a range of quantity discounts by the manufacturers has broadened the market for cars and contributed to a greater volume of sales per dealer, thereby enabling the latter to modernize selling methods and to reduce costs of each unit sold.

Table 35

PRODUCTIVITY IN RETAIL TRADE

Type of Store	Deflated Sales			Deflated Sales per Employee		
	1930	1941	1951	1930	1941	1951
	(millions of 1949 dollars)					
Food and beverage.....	1,070	1,526	2,879	9,025	9,367	12,885
General merchandise....	903	1,065	1,580	10,776	9,966	10,243
Department and mail order.....	471	543	800	10,673	9,323	9,186
Automotive.....	506	855	2,237	11,827	14,455	23,018
Apparel and accessories..	292	424	689	8,929	10,083	11,190
Building material and hardware.....	218	250	593	10,924	11,923	15,881
Furniture, etc.....	133	170	347	9,472	11,148	14,155
Drugs.....	112	157	226	8,349	9,208	10,767
Second hand.....	16	16	20	5,358	5,416	8,446
Other.....	384	445	835	8,552	9,623	14,331
All stores.....	3,633	4,907	9,405	9,736	10,365	13,812
All stores less automobile.....	3,127	4,052	7,167	9,465	9,781	12,278

Note: Deflated sales have been derived from Table 23, using the Consumer Price Index (1949=100).

Productivity

In an attempt to arrive at some rough measure of productivity, the sales figures shown in Table 23 have been deflated by using the Consumer Price Index and the results of these calculations are shown in Table 35. The deflated sales have then been divided by the average number of employees and the results are shown in the same table.

From these figures it would appear that productivity has risen about 42% for all trades, but only 30% for all trades less automotive concerns over the period 1930-1951. The tabulation also indicates in a rough way that it takes fewer persons to handle durable goods generally than it does semi-durable or non-durable goods. Similar figures taken from a United States source¹ reinforce this conclusion. Actual estimates were made for 1939 as follows:

<i>Type of Goods</i>	<i>Sales per Worker</i>
Perishable	\$5,930
Semi-durable	6,587
Durable	9,522

Part of the increase in efficiency that has taken place probably arises from the general increase in the size of stores as indicated in Table 24. Average sales per store, including automotive concerns, were about \$22,000 in 1930, \$25,000 in 1941 and \$70,000 in 1951, in terms of current dollars.

¹G. J. Stigler, *Trends in Employment in the Service Industries*, p. IV-25.

This idea is supported by a recent article in *The Economic Journal* comparing retail stores in three countries which reads, in part, as follows:— “the larger size of shops in the United States is in fact associated with higher productivity there, as measured by the partial index of real sales per person engaged.”¹

Another important factor that Table 35 does not take into account is the reduction in hours worked. While there are available some figures for average weekly hours worked these must be used with considerable caution as the more than 150,000 working proprietors and unpaid family workers are unlikely to conform to the average hours.

On the basis shown department and mail order establishments actually sold less per employee in 1951 than in 1931. In both years it is likely that these concerns were performing their own wholesale functions which would tend to give a downward bias to all their figures, but the reasons for the actual decrease probably lie in two other factors. First is the enlarged services provided, including a widespread and costly use of the privilege of returning goods, as well as the many ancillary services outlined in previous paragraphs. Secondly there was a reduction in hours worked by employees, coupled with an actual increase in store hours in many cases, both leading to an increase in employment.

A series of average hours worked in retail trade is available for the period 1944-1954 inclusive but prior to this date only estimates derived from other general indices are available. In 1951 average hours per week were shown at 43.8 and in 1944 at 47.8. These hours are slightly higher than for other average figures at that time and we estimate hours at 48.4 for 1941 and 50.0 for 1930 based on other series and their relationship. Using this data a general index of productivity per man-hour can be constructed, for what it is worth, and under three headings reads as follows:—

	1930	1941	1951
All stores.....	100	110	162
All stores less automotive.....	100	105	145
Department stores.....	100	90	98

This deflated series is probably most satisfactory for department stores as they have a very small proportion of working proprietors. If valid they indicate that it took slightly more department store employees to move a given quantity of goods in 1951 than it did in 1930 but the situation was somewhat improved over 1941. Other groups have made some progress on this basis of calculation.

¹Lady Hall and J. Knapp, “Numbers of Shops and Productivity in Retail Distribution in Great Britain, the United States and Canada”, *The Economic Journal*, Vol. LXV, No. 257 (London, March, 1955), p. 79.

Employment is also likely to be affected by the disappearance of many small grocery stores and their replacement by supermarkets or shopping centres. But increasing productivity achieved by an increase in the proportion of business handled by larger retailers of staple products may be offset by a growth in the number of small specialized luxury stores. A possible trend is indicated by the findings in a recent study—"wherever productivity in distribution and the real income of the community both increase over fairly long periods of time, the relative numbers of shops selling necessities will tend to decline and the relative number of shops selling luxuries will tend to increase."¹

In addition, the continuing trend toward shorter hours is bound to lead to increased employment per unit unless productivity can be sufficiently improved to fully offset this trend. The figures in Table 35 indicate that this improvement has been achieved with varying success, but that on an over-all basis definite progress has been made.

Future Developments

Future employment in retailing is tied to two main factors—the increase, if any, in general retail sales and the increase or decrease in productivity within the industry.

As pointed out previously there appears to have been a reduction in retail margins in most lines and this trend is probably increasing somewhat because of the action of discount houses and increasing price competition among retailers. With a squeeze on profit margins retailers are endeavouring to reduce their costs in various ways, especially by an increasing emphasis on self-service features. In some cases manufacturers are taking over the servicing features of consumer durables, which ties in with their apparent policy of absorbing wholesale functions.

In spite of efforts by retailers to reduce costs and staff, the basic fact remains that people expect a clerk to be available to wait on them in most stores and in most lines other than groceries. The rise of discount houses which stress price instead of service may have an influence in changing this, but in the past new innovations—department stores and chain stores, for example—generally started with a tremendous emphasis on price but as time passed became more and more orthodox.

We cannot, then, look to any very great increase in productivity in trade and the extent noted below is probably an over-estimate. To the extent that increasing productivity is over-estimated future employment is under-estimated.

¹Lady Hall and J. Knapp, *op. cit.*, p. 86.

To summarize our findings in this field the thesis was developed earlier that the volume of retail sales is likely to approximate one-half of gross national expenditure. Projecting forward from Table 35 a trend line for average sales per employee in 1949 dollars a figure of just over \$19,000 in sales per employee is arrived at for the year 1980, representing an annual improvement in productivity of just over 1% on a compound basis. Relating this to the projections of gross national product outlined in Chapter IV, the following estimates of employment in this field are shown for 1980.

PROJECTION OF EMPLOYMENT IN 1980

	<i>Low</i>	<i>Median</i>	<i>High</i>
Retail sales in 1949 dollars (millions)	\$29,725	\$30,875	\$32,075
Deflated sales per employee	\$19,148	\$19,148	\$19,148
Average number of employees	1,552,381	1,612,440	1,675,110

Of course, because of the large number of temporary employees seasonal changes would normally take employment well above this figure at Christmas time, and well below it in slack seasons. As shown in Table 78, this will represent about 14.8% of the labour force in 1980 an increase of 3.5 percentage points over the relationship in 1951.

FINANCE, INSURANCE AND REAL ESTATE

INCLUDED in this section are all financial institutions such as chartered banks, credit unions and investment houses, together with insurance companies of all types. The real estate heading includes concerns dealing in land and real estate or in operating commercial or residential property.

Share of National Income

A reference to Table 2 will show that, while there has been a very sizable expansion in the dollar value of the income of this section of the economy, its percentage share of national income is almost the same as in 1926. In the depressed years from 1931 to 1936 inclusive, it appears to have accounted for a somewhat larger than usual share of national income and, in line with other service industries, a smaller share in the war and immediate postwar period.

Table 36

NATIONAL INCOME FINANCE, INSURANCE AND REAL ESTATE (millions of dollars)

	1926	1941	1954
Wages and salaries	104	132	474
Corporation profits	43	67	261
Investment income	227	243	919
Net income of unincorporated business	16	17	54
Total	390	459	1,708

Source: *National Accounts 1926-1954, 1952-1954.*

In Table 36, the aggregate income derived from this sector is broken down into its main components for selected years and the importance of "investment income" is readily apparent. Interest paid on mortgages on residential property is included in this item as persons paying such interest are considered to be doing so as real estate operators, a factor which tends to reduce the usefulness of the national income approach for the study of specific problems in this section of the economy.

From another section of the National Accounts gross domestic capital investment by industries can be derived and these have been shown by broad categories in Table 6.

Table 37

**GROSS DOMESTIC CAPITAL INVESTMENT
(EXCLUDING INVENTORIES)
FINANCE, INSURANCE AND REAL ESTATE**

(millions of dollars)

	1926	1931	1936	1941	1946	1951	1954	1955
Banks.....	1.5	6.9	3.2	2.9	6.1	24.5	20.0	23.8
Insurance, trust and loan companies.....					1.0	8.6	21.2	10.7
Other financial (real estate co's & bond houses, etc.).....	6.1	4.2	1.6	3.4				
					7.9	36.0	70.4	81.8
Total.....	7.6	11.1	4.8	6.3	15.0	69.1	111.6	116.3

Note: Detailed figures for the years 1926-1941 are estimated.

Source: *Private and Public Investment in Canada 1926-1951 and 1955.*

While the capital investment of this section has risen from the \$5 to \$15 million shown in the years prior to 1946 to the very respectable sum of \$111 million in 1954, this is still not very large in relation to total Canadian capital investment. Table 37 divides these figures into three main sections—Banks, Insurance and Trust Companies, and Other and it is apparent that the last section accounts for the bulk of new capital investment.

This miscellaneous section includes concerns set up to build and hold real estate, including office buildings, and the enlarged investment by such companies in recent years is reflected here. There is a general impression that investment of this type is cyclical in nature with the upward cycle generated by entrepreneurs' optimistic estimates of the future prospects for rental accommodation which in turn usually depend on business conditions. In any case while such investment adds to general activity it is not a key factor in the over-all level of capital investment since it does not at most exceed 2% of the total.

Employment

A reference to Table 1 shows that over-all employment in this category has risen considerably over the years as a percentage of the labour force but the change since 1931 has been less than one-half of a percentage point. Detailed figures for the last three censuses are shown in Table 38, from which it will be seen that the largest employer is insurance with banking next in order of importance. These two together make up more than half the total employment, and are discussed separately in the following pages.

Table 38

LABOUR FORCE IN FINANCE, INSURANCE AND REAL ESTATE, CANADA

	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Banking.....	22,124	6,686	28,810	18,239	8,954	27,193	21,726	25,045	46,771
Insurance.....	26,826	12,630	39,456	22,905	13,131	36,036	31,018	25,593	56,611
Investment and loan companies.....	12,282	4,267	16,549	8,247	3,784	12,031	12,744	8,955	21,699
Real Estate.....	6,137	1,382	7,519	11,920	2,500	14,120	14,175	4,129	18,304
Total.....	67,369	24,965	92,334	61,311	28,369	89,680	79,663	63,722	143,385

Note: Excluding Yukon, Northwest Territories and Newfoundland.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

Life Insurance Companies in Canada

At the end of 1954 it is estimated that there were over 6 million holders of life insurance policies in Canada and while this was almost double the number of policyholders in 1925, the percentage of the total population was about 40% in both years. Since 1925 the average amount held per policyholder has more than tripled. The increase in the number of policyholders and their average holdings resulted in total life insurance in force in Canada rising from \$4 billion in 1925 to \$24 billion in 1954.

According to information prepared by the Institute of Life Insurance, only the United States exceeded Canada in total value of life insurance in force at the end of 1954. Moreover, at that time life insurance owned was 144% of personal income in Canada, as compared to 129% in the United States.

Table 39

CANADIANS' LIFE INSURANCE SAVING AND TOTAL SAVING

1926-1954

	Life Insurance Saving		Total Saving
	(millions	of dollars)	(millions of dollars)
1926.....	77		353
1927.....	83		267
1928.....	95		387
1929.....	81		325
1930.....	74		42
1931.....	63		13
1932.....	29		- 121
1933.....	46		- 80
1934.....	73		20
1935.....	80		51
1936.....	89		81
1937.....	87		164
1938.....	86		132
1939.....	81		211
1940.....	84		366
1941.....	108		665
1942.....	125		1,186
1943.....	159		1,747
1944.....	172		2,032
1945.....	178		2,043
1946.....	184		852
1947.....	183		498
1948.....	192		976
1949.....	208		1,067
1950.....	209		689
1951.....	228		988
1952.....	245		1,397
1953.....	272		1,584
1954.....	300		1,312

Note: Total Saving 1926-1938—D.B.S. residual estimates excluding farm inventory change; 1939-1954—average of above and Bank of Canada direct estimates excluding farm inventory change and individuals' inventory change.

Over the period since 1926 one dollar in every five saved by Canadians has been saved through life insurance companies. A remarkable stability in the dollar amount of saving through life insurance has contrasted with wide fluctuations in saving by other means, as illustrated by Table 39. Between 1926 and 1929, 25% of the personal savings of Canadians went into life insurance. For several years in the 1930's the net amount invested in life insurance actually exceeded the total of all saving and this is true on balance for the whole period. Because of heavy taxation, including compulsory saving, and investment in bonds during World War II, only 10% of the total amount saved went into life insurance but this proportion has again risen to 22% in the postwar years.

The companies engaged in selling life insurance in Canada comprise not only Canadian owned institutions but also United States companies, British companies and within the last few years two Netherlands companies. Of the total life insurance in force in Canada at the end of 1954, 69% was with Canadian companies, 3% with British companies and 28% with United States companies. The share with Canadian companies has risen from 63% since 1920 with a corresponding drop in the share of U.S. companies.

While British companies do not sell life insurance in the United States and United States companies do not sell in Britain, some Canadian companies have developed substantial business in both these countries as well as many others. So much so that during 1954 no less than 42% of the total premium income of all Canadian companies came from outside Canada. This represents a rise from about 38% since 1925. Of the Canadian companies' life insurance in force outside Canada, 66% is held by residents of the United States.

Life insurance companies render a service that has an impact on the Canadian economy from several angles. From the point of view of the policyholder, the companies provide protection and income in times of need and a method of saving. For the country as a whole, the companies are important long and medium term investors and the judgment of their investment departments on the merits of a particular project sometimes has an important influence on whether or not it will be carried out. Governments at all levels look to these companies for financial assistance through the purchase of their bonds.

Both Canadian and foreign companies must hold assets in Canada at least equal to their obligations to Canadian policyholders. In addition, the assets in Canada of the Canadian companies represent a substantial proportion of the contingency reserves and surplus funds held for the added protection of policyholders in and outside Canada. The figures for total life insurance assets in Canada are shown in Table 40 for selected years.

Table 40

LIFE INSURANCE ASSETS IN CANADA COMPARED TO
CHARTERED BANK ASSETS .*(millions of dollars)*

December 31st.....	1920	1930	1940	1950	1954
Life Insurance Assets.....	537	1,491	2,220	3,997	5,209
Chartered Banks' Assets.....	3,057	3,144	3,731	9,496	11,433

Note: The assets of provincially licensed insurance companies, which at the end of 1954 amounted to \$109 million are not included.

Source: Canadian Life Insurance Officers Association. Returns by banks to the Minister of Finance pursuant to the Bank Act.

The bulk of the life insurance assets in Canada are held in bonds and mortgage loans, and relatively small amounts of capital are invested in property required for the companies' own purposes. For instance, in 1951, as noted in Table 37 it is estimated the life insurance companies, together with trust and loan companies, spent \$8.6 million on capital expenditures for their own purposes out of a total capital investment in Canada for the year of \$4,577 million.

The life insurance companies had about \$135 million invested in real estate at the end of 1954 but only a portion of this was used by the companies themselves, the balance representing lease-back or other holdings of real estate not used for company operations. Most companies own their own head office buildings and the only capital requirements of this group would be in the continued expansion of their own buildings—a relatively small amount as noted above.

Employment

The life insurance business appears to be less subject to fluctuations than other financial institutions, and at the same time shows steady growth. Insurance in force at the end of 1954 in the U.S.A. was \$334 billion in contrast to Canada's \$24 billion—approximately \$2,040 per capita for the U.S.A. and \$1,560 per capita for Canada.

Judging from this comparison, in spite of our relatively high holdings of life insurance there would appear to be scope for further increase as the country continues to develop and this sector should expand somewhat faster than the economy as a whole.

Employment in the insurance sector including all types of insurance totalled 57,000 in 1951 (see Table 38) an increase of 43% since 1931, somewhat under the increase of 64% in other parts of the financial section combined. It may be that the reason for the smaller relative increase is tied to the fact that the insurance business was not as depressed in 1931 as some

other parts of the financial sector. Canadians made strenuous efforts to keep their life insurance in force during this period, at the expense of other means of saving, although there were a large number of contracts terminated in spite of all their efforts.

Details of employment by life insurance companies in Canada are shown in Table 41 for three selected years. These have been provided by the Canadian Life Insurance Officers' Association and unfortunately no information is available on this basis prior to 1939. Comparing these figures with the census data contained in Table 38, life insurance employment appears to represent about half of the total employment in the insurance category.

While sufficient information is not readily available to enable an exact comparison to be made between the number of employees and the estimated size or the activity of the industry, it is apparent from Table 40 that life insurance companies more than doubled their assets between 1940 and 1954, while employment increased by about 50%. (See Table 41.)

It is impossible to make precise measurements of productivity in this field but office methods have changed in recent years and many new labour saving devices have been installed. Furthermore, giant electronic computers are almost certain to come into use by all of the larger companies, increasing still further the productivity of certain employees.

The increasing use of complex machinery may lead to a requirement for more highly skilled personnel, almost on a level with actuaries, to handle the machines. There has been a tendency to employ a greater proportion of women in office work—the percentage increased from 56% in 1939 to 63% in 1954—but whether this tendency will continue in the future is difficult to predict.

The most common work week for insurance company office employees is 37½ hours and there does not appear to be any tendency to decrease this at present. There is, however, some tendency to grant more generous vacation allowances but this, and any further reduction in the hours of work may be more than fully offset in the future by increased efficiency, rather than leading to increased staff requirements.

Assets of life insurance companies operating in Canada have increased at a rate in excess of 6% compounded annually in recent years, and projecting this forward should reach \$24 billion by 1980. This represents about four and one-half times the 1954 total. For the various reasons outlined above and, judging from the rate of change in the 1942-1954 period, employment will not increase at the same rate as expanding life insurance business but at less than half that rate. On this very rough basis, employment in life insurance in 1980 should be about double the 1954 figure of 30,490.

Table 41

LIFE INSURANCE PERSONNEL IN CANADA

	September 1st. 1939		December 31st. 1942		December 31st. 1954	
	Male	Female	Total	Male	Female	Total
Office employees.....	4,902	6,230	11,132	3,744	7,353	11,097
Full-time agents.....	8,435	152	8,587	7,059	223	7,282
Total.....	13,337	6,382	19,719	10,803	7,576	18,379

Source: The Canadian Life Insurance Officers' Association.

Banking

Assets of Canada's principal types of banking institutions are shown in Table 42 for the three latest census years and for 1954.

Comparing 1931 with 1954, chartered banks have improved their position, credit unions have shown phenomenal growth, while other institutions have lost ground on a percentage basis. Chartered banks gained some four percentage points between 1931 and 1941 but this had been reduced to a gain of two points by 1954. Loan companies declined in each decade but have gained fractionally since 1951. The remaining types of institutions have remained almost constant on a percentage basis between 1941 and 1954. It is apparent that the gain of 3.7 percentage points by credit unions between 1941 and 1954 has been largely at the expense of the chartered banks and the loan companies.

Credit Unions

While credit unions have shown the most dynamic growth their business is conducted with relatively few full-time employees. Including full-time employees of the *caisses populaires* in Quebec and employees of the Credit Union National Association and the affiliated leagues, the C.U.N.A. estimates that only 458 persons were being paid by the credit union movement at the end of 1955. In addition to these there were probably over 45,000 persons serving on boards of directors, or on credit or supervisory committees on a voluntary basis.

At the end of 1954 there were 3,873 credit unions and *caisse populaires* in existence in Canada, with nearly 1,600,000 individual members and with savings on deposit in excess of \$518 million.

The Credit Union National Association considers that there should be 7,500 credit unions with 2½ million members by 1965; and member savings should be approximately \$1½ billion. In spite of this it is evident that full-time employment will not be very large—perhaps 1,500 persons at most—and the dominant factor in the banking employment picture will continue to be the chartered banks.

Canadian Loan Companies

Loan companies in Canada originated as building and loan societies about 1845. These societies required borrowers to become members and as a condition of the loan were required to subscribe for stock in the society. Two types of stocks were issued, terminating and permanent. Upon repayment of a loan the terminating stock was retired but the permanent stock remained. Over the years this method of obtaining loanable funds or capital gradually changed. Some societies began to take deposits and this was confirmed by legislation about 1865. Societies began to borrow by way of

debentures and gradually what are now known as loan companies evolved. These companies flourished for a time but gradually through amalgamations, liquidations and acquisition of trust company powers the number of them has dwindled until only a few continue to survive. For example, in 1900 there were 83 loan companies operating in Ontario, in 1910 the number was 54 and in 1927 it was 27. By the end of 1954 only seven remained in operation in Ontario. The companies registered in Ontario and those supervised by the Superintendent of Insurance for Canada at the end of 1954 totalled only 10, with about 750 employees.

The loan company is not likely to gain in relative importance among banking institutions in the foreseeable future. As already noted, the decline in the role of loan companies is part of an historical trend. There are a variety of reasons for this decline, among which two may be cited.

They face increased competition in attracting savings in comparison with earlier days. This competition includes that of the chartered banks, life insurance companies, credit unions, investment trusts and other types of funds, the increase in pension funds, the availability of such forms of savings as Canada Savings Bonds, and the general acceptance by the public of corporation and other bonds as saving media. The loan companies compete in getting their money and in consequence they have to offer to pay a rate of interest higher than do the chartered banks in respect of deposits and a rate on debentures in keeping with market conditions for the type of security they offer in competition with other forms of securities. Secondly, the bulk of the money they obtain is loaned in mortgages. Over the years the competition in mortgage loaning has become extremely keen with other types of institutions entering the mortgage market in a large way, the last of which institutions were the chartered banks.

About 90% of new houses are now being financed under the National Housing Act. The loan companies do not operate under that Act because of the long term of N.H.A. mortgages and the low rate of interest. The loan companies do make mortgage loans, other than N.H.A., on new residential construction, but the volume of them is not relatively large and the bulk of the business of loan companies is pretty well concentrated on mortgage in respect of existing properties. Likewise loans obtainable under such legislation as the Canadian Farm Loan Board Act and the Farm Improvement Loans Act have curtailed the farm loaning field for them. While the larger existing loan companies will continue to prosper and increase in size, it is doubtful that the industry will gain in relative importance in the scheme of things.

Canadian Trust Companies

The first trust company in Canada was incorporated in 1872 and commenced business in 1882. By 1900 there were 14 companies operating. By

1914 the number had increased to 23. At the end of 1954 about 51 companies were operating in Canada, of which about 40 were carrying on a general trust business, the remainder being chiefly private holding companies or subsidiaries of other trust companies as is permitted by some jurisdictions. The trust companies have about 175 branch offices in Canada, and employment is estimated at 5,200.

The fundamental business of Canadian trust companies is the management and administration of estates, trusts and agencies. The growth of industrial corporations and investment by the public in the securities of industrial and commercial enterprise, the increasing complexities of property ownership, high taxation as the result of two world wars—all the problems accompanying the ownership and management of property and accumulation of funds—brought about an increasing demand for the specialized services which trust companies perform.

Table 42

TOTAL ASSETS OF CANADA'S PRINCIPAL BANKING INSTITUTIONS

(millions of dollars)

December 31st.	1931	1941	1951	1954
Chartered Banks.....	2,998	4,137	9,610	11,433
Per cent of total.....	83.0	87.4	86.7	85.0
Trust Companies(a).....	233	226	455	637
Per cent of total.....	6.5	4.8	4.1	4.7
Credit Unions.....	11	31	359	590
Per cent of total.....	0.3	0.7	3.2	4.4
Loan Companies.....	214	189	292	373
Per cent of total.....	5.9	4.0	2.6	2.8
Quebec Savings Banks.....	80	87	205	243
Per cent of total.....	2.2	1.8	1.8	1.8
Provincial Gov't Savings Offices(b).....	51	41	126	135
Per cent of total.....	1.4	0.9	1.1	1.0
Post Office Savings Banks.....	25	21	37	36
Per cent of total.....	0.7	0.4	0.3	0.3
Total.....	3,612	4,732	11,084	13,447

(a) Not including funds under administration

(b) March 31st.

Source: Company annual statements and Government Accounts Credit Union National Association Inc.

The trust companies obtain a very large proportion of their revenue from fees and commissions. For 1954, out of gross revenue of \$25.4 million, fees and commissions accounted for \$21.1 million. This is not to say, however, that the acceptance and repayment of moneys akin to deposits, technically known as "guaranteed funds", is not an important and valuable

function of a trust company. As shown in Table 42, these funds had assets of \$637 million at the end of 1954. It is interesting to note in Table 42 that while these assets do not represent as high a proportion of the total assets of the principal "banking" institutions as they did in 1931, they bear practically the same proportion as in 1941. The "service" (estates, trusts and agencies) aspects of the trust company business are likely to continue to show large gains, assuming of course healthy economic conditions in Canada. Guaranteed fund operations of trust companies should show continuing gains and, over a long period, remain at least of the same relative importance. The trust companies have an advantage over loan companies in obtaining funds for investment. In addition to the avenues open to loan companies, the trust companies have a large and ready-made advantage as, through the operation of the "service" side of their operations, they have contacts with a large number of persons who can be interested in depositing some of their funds with the trust company or buying the company's guaranteed investment receipts. Thus through the "service" department a trust company gets a readily accessible source of funds. While the trust company guaranteed account has the same problem in respect of mortgage investments as do the loan companies, guaranteed funds, at the end of 1954, did not have nearly as large a proportion of their assets invested in mortgages as had the loan companies, one of the reasons being, of course, that the principal business of a loan company is lending on the security of real estate.

Chartered Banks in Canada

Commercial banking in Canada is in the hands of the chartered banks and the Canadian banking system has developed on the lines of relatively few banks, each with many branches, and this system is firmly entrenched.

Table 43

EMPLOYMENT BY CHARTERED BANKS IN CANADA

July	1931		1941			1951			January, 1955		
	Total	Total	Male	Female	Total	Male	Female	Total			
Salaried employees..	—	25,383	19,939	24,347	44,286	21,105	28,061	49,166			
Wage earners..	—	3,816	2,822	1,510	4,332	3,058	1,666	4,724			
Total	25,293	29,199	22,761	25,857	48,618	24,163	29,727	53,890			

Details of employment in Canada's chartered banks are shown in Table 43 for the three census years and for January 1955. These figures exceed the census data (see Table 38) in 1941 and 1951 although the latter includes employees of such institutions as the Bank of Canada (1,156 employees in 1951) as well as credit unions and Quebec savings banks. The discrepancies are not large and probably arise from different classifications given to some types of wage earners in the census data.

Table 44

AGE AND SIZE OF CANADIAN CHARTERED BANKS DECEMBER 31, 1955

(millions of dollars)

Bank	Deposits Payable in Canadian Currency	Total Assets	Began Business
Bank of Montreal.....	2,504	2,851	1817
The Bank of Nova Scotia.....	971	1,173	1832
The Toronto-Dominion Bank.....	1,165	1,261	1856
The Provincial Bank of Canada.....	240	254	(Bank of Toronto) 1861 (La Banque Jacques Cartier)
The Canadian Bank of Commerce.....	2,026	2,341	1867
The Royal Bank of Canada.....	2,576	3,351	1869 (The Merchants Bank of Halifax)
Banque Canadienne Nationale.....	602	631	1874 (La Banque d'Hochelaga)
Imperial Bank of Canada and Barclays Bank (Canada).....	757	829	1875
The Mercantile Bank of Canada.....	7	12	1953

There are at present nine chartered banks in Canada after allowing for the two recent amalgamations, that of the Toronto and Dominion banks and that of Barclays Bank (Canada) and the Imperial Bank of Canada. Since 1867, bank charters have been granted to 38 new institutions but, of all these, only three remain in existence today. Table 44 lists the existing institutions in order of their formation. The last three, namely those formed since 1867, plus one other (The Provincial—formed in 1861) are appreciably smaller than the older banks. Furthermore, the Mercantile Bank of Canada is a special case as it was formed and is solely owned by National Handelsbank N. V. of Amsterdam, Netherlands.

However, the fact that the number of banks has been so drastically reduced does not indicate that service to the public has fallen off. Indeed, competition among the remaining institutions is extremely keen and has led to a large increase in the number of bank branches especially in prosperous times.

As a result of a very sharp expansion after World War I the number of branches and sub-agencies reached an all-time high of 4,676 in 1920. Many of these branches could not justify continuance of the service on the basis of business transacted. This, together with two other factors, the Home Bank failure and the amalgamation of a number of banks, led to a reduction in the number of branches by 836 in the five-year period ended December 31, 1925. Beginning in 1926 the trend was reversed and branches continued to

increase until the end of 1930 when they numbered 4,083. In the 1930's, partly in order to eliminate unprofitable branches, the number of branches was again reduced and, by 1939, there was a net reduction of 761. During the war, as a measure to conserve manpower, a further 232 branches and sub-agencies were closed.

In the postwar period a competitive effort to serve new and growing communities and districts has led to the opening of many new branches. By 1947 the number of branches was up to the 1939 figure and the trend has continued steadily until there were 4,245 branches in Canada at December 31, 1955.

Projection of Number of Branches and Employees

In both 1951 and 1954 there were 27 branches and sub-agencies per 100,000 Canadians in contrast to a ratio of 53 per 100,000 in 1921, as shown in Table 45. Thus in relation to population there does not appear to have been an over-expansion of branches. In the light of this there seems no reason to look for any large-scale reduction in the number of branches in the future. Some branches will be closed from time to time, of course, if it becomes apparent that profitable operation is impossible in a particular location, but these will likely be more than offset by a commensurate number of branches opened in new locations.

Projecting the present ratio of branches to population would produce a figure of over 7,000 branches in 1980. However, this ignores the trend toward larger branches that has gone hand in hand with the trend toward fewer branches in relation to population. In the United States, for example, there were only 13 banking offices per 100,000 population in 1954, although it must be born in mind that U.S. banking is largely on the unit system which tends to keep the number of offices to a minimum.

On the whole it would probably be more realistic to project a gradually reducing number of branches in relation to population in Canada down to say 22 per 100,000 by 1980. On this basis there should be approximately 5,870 branches in 1980, based on the median population estimate, implying that an average of over 60 new offices will be opened each year. In the past four years an average of over 120 has been opened annually—a rate twice as high as this estimate would provide for. The estimate of 7,000 branches by 1980 mentioned in the previous paragraph would mean an expansion of 110 branches per year.

Employees per branch have increased from six in 1921 to 13 in 1951 and will probably continue to increase. If they were to double in the next 30 years employees per branch would reach 25 by 1980 putting bank employment at 146,850 on the basis of 5,874 branches. However, in the years

Table 45

NUMBER OF BANK BRANCHES AND EMPLOYEES

	Actual				Projected 1980			
	1921	1931	1941	1951	1954	Low	Median	High
Total population (thousands)	8,788	10,377	11,307	14,009	15,195	25,800	26,700	27,500
No. of branches of chartered banks	4,659	3,970	3,300	3,776	4,114	5,676	5,874	6,050
No. of branches per 100,000 population	53	38	29	27	27	22	22	22
Total employees	28,000	25,293	29,199	48,618	53,890	113,520	117,480	121,000
No. of employees per branch	6	6.4	8.8	12.9	13.1	20	20	20

Note: Number of branches includes sub-branches and sub-agencies.

Table 46

RELATIONSHIP OF CHEQUES CASHED AND CHARTERED BANK EMPLOYMENT

	Actual				Projected 1980		
	1931	1941	1951	1954	Low	Median	High
Cheques cashed in clearing centres (millions of 1949 dollars)	50,066	58,917	98,322	121,065	326,975	339,625	352,825
Cheques cashed per employee (millions of 1949 dollars)	1.98	2.02	2.02	2.25	2.50	2.50	2.50
Employment in chartered banks	25,293	29,199	48,618	53,890	130,790	135,850	141,130

Source: Dominion Bureau of Statistics, *Cheques Cashd in Clearing Centres, 1954* (1931-1954 data).

1951-1954 the increase in number of employees per branch has not been nearly as large as the increase in the previous decade and a rate of increase in the future somewhat lower than the 1921-1951 increase seems probable. As shown in Table 45 there would be 117,000 bank employees in 1980 on the basis of 5,874 branches with 20 employees per branch. This method of predicting employment and branch expansion is much too rough to be taken seriously and is put in here merely to put into perspective the three factors, population, branch extension and employment.

Projection of Cheques Cashed and Employees

Another relationship of interest is that between amount of cheques cashed and the number of bank employees. Table 46 shows that cheques cashed in deflated dollars per employee was the same in 1951 as in 1941. New machinery and improved methods are being installed in banks, however, and an improvement in the amount of cheques cashed per employee occurred in the period 1951-1954 and further improvement is forecast for the future. On the basis of this improvement bank employment in 1980 may reach 135,000—two and a half times the staff of banks in 1954.

The forecast of cheques cashed in 1980 is based on 5.5 times projected gross national expenditure, and here again the figures for estimated future employment merely suggest that if the Canadian economy continues to expand at the rate suggested in Chapter IV, and if the relationship between the volume of cheques cashed and general activity continues at the average of postwar years (it has been much higher in many years), and if banking efficiency increases moderately, bank employment will probably more than double in the next 25 years.

While there are continuous efforts being made to improve banking methods and the volume of work handled by the average member of today's staff far exceeds that of 20 to 25 years ago there is no reliable method of measuring the over-all increase in productivity. Over the years a large part of the increased efficiency has resulted in a reduction of working hours rather than a reduction in staff, and the five-day week is now the rule rather than the exception in Canadian banking. Extra night work and late evening hours have still not been eliminated entirely but have been greatly reduced especially with the introduction of machine posted ledgers and delayed posting which permit a better control of work-loads and of hours worked.

Banking has a characteristic common to many other service industries in that the customer rather than the industry determines the work-load. When people walk into a bank they expect to be waited on personally and they expect sufficient tellers to give them reasonably prompt service. In an average month there are probably only five or six days in which facilities for handling routine business are fully taxed. To keep sufficient staff to give first

class service on these days means an excess of staff for the remainder of the month. As we have seen, this identical problem is handled by retailers with large-scale use of part-time employees and to a lesser extent this is done by some banks. In addition every effort is made to spread the work-load by having such duties as the balancing of ledgers and computation of interest carried out on quiet days. Basically it is the very personal nature of the banking service that prevents any substantial increase in productivity. Whereas in manufacturing the productive process is controlled with a definite objective in terms of unit output, banking service does not exist until a customer enters the bank and requests a specific transaction and then, in most instances, the service is completed as far as the customer is concerned. Making the necessary entries in the bank's books may be delayed as much as a day but this is probably the extent of planning possible.

Projections of bank employment have, therefore, been made on the basis of an assumption of some slight, but only slight improvement in productivity in comparison with the improvements achieved in industries outside the service sector.

Another point of some interest in connection with employment is the sharp increase in the employment of women. The 1941 census listed 9,000 women employees out of 27,000, but in 1951 there were 25,000 women employees out of 47,000. In other words male employees increased by 3,500 in the decade and female by 17,000. This is a continuation of a long-term trend in banking, stimulated by the almost exclusive use of women for the operation of ledger-posting machines and as tellers as well as their extensive use on other duties. While there is no reason to expect a reversal of this trend in the future, the very sharp increase in the proportion of women employees that occurred in the forties is not likely to continue and the increase in the number of women employees as a percentage of all employees should be more gradual in future.

Small Loan and Sales Finance Companies

There is no association of these companies in Canada to whom we can turn for employment statistics. A private estimate shows the following number of persons employed in the two groups of companies:

	1941	1951	1954
Sales finance companies	1,400	2,750	4,900
Small loan companies and money lenders	750	1,750	3,000
Total	<u>2,150</u>	<u>4,500</u>	<u>7,900</u>

It is apparent that there has been a very large growth in the short period of three years between 1951 and 1954 but, as pointed out in the discussion of consumer credit in the chapter on retail trade, there were credit restrictions in force in both 1941 and 1951 which would arbitrarily reduce employment in those two years. The growth of these companies over the long term has been closely allied to the growth of the automobile industry and it is likely that the future expansion of finance companies will be tied in no small measure to the continued expansion in sales of automobiles, and to lesser extent of other consumer durables.

While precise forecasts would probably serve little purpose, this industry has shown greater than average growth in recent years and this is taken into account in the over-all figures for finance, insurance and banking.

Conclusion

The two most important sections of the Finance, Insurance and Real Estate sector of the economy have been discussed in some detail. These two areas together make up about half the employment of the whole sector, but, in most years, account for a much smaller share of the capital investment.

The capital investment included in this sector is relatively small even in the most active years and by far the most volatile section is that of the real estate companies, which are engaged in building and operating rental accommodation. This type of accommodation is constructed in prosperous times but construction often dries up completely in recessions. In the long term there is no reason to suppose the pattern will be any different and the finance section should generate a small amount of capital investment in most years, climbing sharply when the general business outlook appears good.

As pointed out above, the life insurance business has shown steady growth and on the basis outlined employment should be 60,000 by 1980 compared with 30,000 in 1954. Extending this increase to the balance of the insurance section (a premise that may not be wholly valid as the general insurance field may not be subject to the same influences) employment in insurance as a whole would be 120,000 by 1980, compared with approximately 60,000 in 1954.

Employment by chartered banks is expected to increase two and a half times between 1954 and 1980 reaching a total of about 135,000, to which must be added *caisses populaires* and central bank employees.

Trust companies are expected to expand along with the economy, and while loan companies may be inclined to lag the sub-section of Investment and Loan companies as a whole should show good progress.

For the whole section comprising Finance, Insurance and Real Estate, employment of about 350,000 is forecast by the year 1980, representing about 3.5% of the projected Canadian labour force at that time.

COMMUNITY AND BUSINESS SERVICES

THIS GROUP is the second largest segment of the service industries as a whole, its employment of 424,000 in 1951 being exceeded only by that of retail trade, which employed 504,000, as shown in Table 8. Moreover, the group was half again as large in 1951 as it had been in 1941 and accounted for 8.2% of the Canadian labour force at the end of the decade compared with 6.6% at the beginning.

As shown by Table 47, the two largest sub-groups are Education and Health which together accounted for 70% of the employment in the community and business service industries and included most of the female employees in the sector—about 80% of the total in 1951. Because of their importance education and health have been made the subjects of separate studies for the Commission. From the brief outline above the employment prospects can be seen to be quite large and it will be shown later that investment prospects are equally large. It is therefore most desirable that they should be given separate attention by the Royal Commission. However, in order to complete the over-all picture of the service industries in Canada it is necessary to include in this study forecasts of the size of all sections of the service industries including community and business services, although these are not given as comprehensive a treatment here as in other studies prepared for the Royal Commission.

Employment in Educational Services

Table 48 shows past and prospective enrolment in public schools and universities in Canada, together with the teaching staff required. Projections have been made on the basis of the population forecasts contained in Chapter IV in respect to public school attendance; and on the basis of this future population together with an assumed increasing relative enrolment in respect to universities. The 96,000 teachers in public schools and universities shown in Table 48 for 1951 are only about two thirds of the education group included in Table 47 for the three census years. Therefore, the projection contained in Table 48, amounting to 220,000 in 1980, would result in an employment of about 330,000 in the whole educational service in that year.

Table 47

THE NUMBER AND PER CENT OF THE LABOUR FORCE IN COMMUNITY AND BUSINESS SERVICE INDUSTRIES, FOR CANADA, 1931-1951

	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Accountancy.....	4,055	539	4,594	4,384	800	5,184	8,600	2,211	10,811
Per cent of total.....	4.0	0.4	1.9	4.1	0.5	1.9	4.9	0.9	2.6
Advertising.....	2,624	666	3,290	2,515	887	3,402	3,320	1,812	5,132
Per cent of total.....	2.6	0.4	1.3	2.3	0.5	1.2	1.9	0.7	1.2
Education.....	31,047	75,285	106,332	35,872	75,074	110,946	52,454	91,397	143,851
Per cent of total.....	31.0	50.8	42.8	33.2	44.6	40.2	30.0	36.7	33.9
Health.....	24,143	44,396	68,539	27,480	62,567	90,047	48,900	105,329	154,229
Per cent of total.....	24.1	30.0	27.6	25.4	37.2	32.6	28.0	42.3	36.4
Law.....	8,594	6,317	14,911	7,784	5,058	12,842	8,523	7,046	15,569
Per cent of total.....	8.6	4.3	6.0	7.2	3.0	4.6	4.9	2.8	3.7
Religion.....	17,573	8,787	26,360	19,936	11,116	31,052	22,502	15,663	38,165
Per cent of total.....	17.5	5.9	10.6	18.5	6.6	11.2	12.9	6.3	9.0
Other community and business service....	12,128	12,065	24,193	10,023	12,738	22,761	30,377	25,626	56,003
Per cent of total.....	12.1	8.1	9.7	9.3	7.6	8.2	17.4	10.3	13.2
Total labour force in community and business service.....	100,164	148,055	248,219	107,994	168,240	276,234	174,676	249,084	423,760
Per cent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Not including Yukon, Northwest Territories and Newfoundland.

The 1941 figures in this table are exclusive of persons on Active Service on June 2, 1941.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

Table 48

ENROLMENT AND TEACHING STAFF IN PUBLIC SCHOOLS AND UNIVERSITIES IN CANADA

(*thousands of persons*)

	Public Schools		Universities	
	Enrolment	Teaching Staff	Enrolment	Full-Time Teaching Staff
Actual				
1931.....	2,138	71	32	3
1941.....	2,076	76	36	3
1951.....	2,444	90	69	6
Projected				
1980.....	5,400	197	235	23

Source: Dominion Bureau of Statistics (1931-1951):

Trends of Employment in Hospitals

The Canadian Hospital Directory for 1955 lists 1,398 hospitals of all types in Canada. With a rated bed capacity of 168,495 beds, this is a substantial increase both in the number of hospitals and the number of rated beds in the past decade. An increasing population and an increasing emphasis on good health are two factors which are quite noticeable with regard to current hospital expansion. Other factors which are playing a part are health insurance programmes, either voluntary or governmental, and greater willingness than formerly to enter hospitals, rather than be nursed at home for comparatively minor illnesses.

Hospitals today usually employ 1.5 to two employees for each bed. In the past decade or so this figure has tended to rise. It is not so long ago that a 12-hour day, six-day week for nursing personnel and others in the hospital field was quite common. Today it is exceptional for a hospital to have a longer work week than a 48-hour week. Many hospitals are on a 44-hour week, and some are on a 40-hour. It would seem quite logical that the trend of employment in hospitals in the foreseeable future will be for more people to be employed. This will be, first, because of the shortened work week for many classes of workers, and, second, because it is anticipated that there will be actually more hospital beds to provide for the growing population.

Apart from these trends, there will be more employment in hospitals because of the changing concept of the hospital itself. The general hospital is more and more becoming the community health centre. At one time the hospital emphasis was on treatment. More recently, the hospital became more of a diagnostic centre, and today the tendency is for the hospital to assume a full role as a treatment centre, diagnostic centre, and a preventative

centre—a centre where health knowledge flows out to the community. There has been a considerable change also in the past decade in the classification of patients while they are in hospital. Patients on the average stay for shorter periods in the hospital today than they did formerly. While they are in hospital, the intensity of care has been stepped up, which requires more staff in itself. New sections of the medical staff and new spheres have been opened up, such as cardiac surgery and thoracic surgery. Many intricate and long operations have been developed, and these require highly skilled nursing staffs during the post-operative period.

While there is much in hospital operation which can be compared to hotel operation or industry, because of the nature of the work most hospital procedure cannot be put on a streamlined or assembly-line basis. The question of giving good patient care will always be the factor requiring individual personal attention. While it is true that in the business office, the engineering department, laundry, purchasing department, et cetera, modern methods adopted from industry may tend with the use of modern machinery to curtail to some extent hospital personnel, there is a definite limit to how far this can be applied to hospital work. The great bulk of personnel required in the hospital falls into the nursing division. They render a personal service to the patient, one which does not lend itself to mass production methods.

The demand for more people to be available for work in hospitals will continue to grow. It will grow if for no other reason than because the population of Canada is growing. It will, however, grow faster than this because of other forces, such as health insurance, a demand for better health care than heretofore, and the shortening of the work week for hospital employees so that the trend of employment in hospitals in the foreseeable future is definitely upwards.

Future Labour Force in Community and Business Services

Dividing the community and business labour force into three parts only, health, education, and all other, it is apparent that health services have grown the fastest. Comparing 1951 with 1931, health services have increased 125%, education 35% and all other community and business services 71%.

A projection of a long-term line of trend for the health sector alone would bring its total to about 270,000 employees by 1980. This seems rather low in view of the prospects for increased employment in hospitals and in view of the very large increase which has taken place between 1941 and 1951. An increase of this latter order of magnitude would bring total employment in health services to about 350,000 by 1980. Even this may be low in view of continued emphasis on improved hospital facilities and the increase already recorded since 1951. The estimate has, therefore, been increased by 20% to a total of 420,000.

As noted above, education will likely climb from 144,000 to 330,000. On a conservative basis the balance of the community and business sector should double from 125,000 to 250,000 in the period.

Thus total labour force in community and business services should exceed a million in 1980, based on the median forecast of population. In short, community and business services would represent about 10% of the projected total labour force in 1980, compared with 8.2% of the labour force in 1951.

One further aspect calling for attention is the question of females employed within this group. In 1951, 58.8% of all the employees were female, a percentage reached by only one other sector—personal services. These figures are in contrast with an average of 40% for all the service industries and of 22% for the labour force as a whole. There does not seem to be any tendency for the ratio of female employees to rise; in fact, there has been a very small decline since 1931, as shown by Table 10. No doubt the high proportion of female employees arises from the nursing profession being included here and the relatively large number of female teachers in our public schools. There is no reason to suppose that there will be any marked change in the ratio of women employed in community and business service in the future.

Capital Investment

Table 49 divides gross domestic capital investment for this sector into five main categories, churches, universities, schools, hospitals and other institutional investment. Figures are not available for the last category prior to 1954 but in most years, it is assumed that this figure would be relatively small. It can be seen that in general expenditures by all categories were sharply reduced in the 1930's, and remained low during the war. The very large demand for new schools arising from the increase in the birth rate during and after the war has resulted in an increasing expenditure for schools. It will be noted that school population is expected to continue to rise and we may therefore expect continued buoyant capital expenditures in this sector. Both hospitals and churches have also shown a remarkable increase in capital expenditure since the thirties and early forties.

As shown by Table 7 institutional services now represent 6% of the total gross capital investment in Canada and are exceeded, as far as the service industries are concerned, only by the government and trade sectors. Since the whole question of future capital investment by hospitals and schools has presumably been considered in separate studies for the Royal Commission, no attempt is made here to forecast the dimensions of future capital expansion other than to say that it seems obvious that large expenditures will continue.

Table 49

GROSS DOMESTIC CAPITAL INVESTMENT (EXCLUDING INVENTORIES) BY INSTITUTIONAL SERVICES

(millions of dollars)

	1926	1931	1936	1941	1946	1951	1954	Forecast 1955
Churches.....	8.7	7.0	2.0	2.1	6.2	32.1	33.7	34.4
Universities.....	3.5	8.5	1.6	3.2	12.4	14.0	15.0	19.1
Schools.....	19.7	24.1	9.4	5.6	27.4	111.3	155.5	171.0
Hospitals.....	5.6	12.3	5.7	6.1	28.3	79.0	117.0	161.6
Other institutional							7.9	9.2
Total.....	37.5	51.9	18.7	17.0	74.3	236.4	329.1	395.3

Sources: Department of Trade and Commerce, *Private and Public Investment in Canada, 1926-1951* (Ottawa, 1951), Tables 76 to 79, pp. 183 and 184.

Department of Trade and Commerce, *Private and Public Investment in Canada, Outlook 1953* (Ottawa, 1953), Table 5, p. 14.

Department of Trade and Commerce, *Private and Public Investment in Canada, Outlook 1955: Mid-Year Review* (Ottawa, 1955), Table 5, p. 7.

COMMERCIAL RECREATIONAL SERVICES AND TOURIST TRADE

Commercial Recreational Services

While commercial recreational services in Canada account for a relatively small amount of employment, current trends in this field are of interest and are briefly dealt with in this chapter.

In the census of service industries this group is composed of establishments primarily engaged in providing amusement, entertainment or recreational facilities on payment of a fee as admission charge. Enterprises conducted on a non-profit basis and clubs conducted on a membership basis rather than along commercial lines are excluded.

Table 50 divides the industry into two main sub-divisions with a third as a residual figure. Almost half the total employment falls into the category of the regular motion picture theatres with about 1,800 establishments, gross receipts of \$100 million and 15,000 employees. Even this does not give the full picture of expenditure in motion picture entertainment as "regular theatres" exclude drive-in theatres and entertainment for which an admission is charged put on by community enterprises and itinerant operators, the inclusion of which would bring total receipts to over \$108 million in 1951.

In Table 51 recreational services are divided into only two sections, i.e. theatres and "other", on the basis of labour force statistics contained in the official census. Both sources—census of service industries and the regular census—show a similar trend of increasing employment in the period 1941-1951. An increase does not appear for the period 1931-1941 in Table 51 derived from the regular census, although the other source indicates marked improvement over 1931 in the census of service industries. The explanation for this may lie in the large number of part-time employees reported by concerns in the industry, but listed elsewhere in the regular census.

RECREATIONAL SERVICES

Table 50

	Establishments			Receipts (Millions of Dollars)			Employees		
	1930	1941	1951	1930	1941	1951	1930	1941	1951
Regular theatres.....	910	1,244	1,799	38	41	100	6,889	9,570	15,047
Bowling alleys & pool halls.....	1,537	1,463	1,915	7	8	19	3,908	5,280	6,235
Other.....	620	974	1,850	7	9	32	3,286	7,572	8,845
Total.....	3,067	3,681	5,564	52	58	151	14,083	22,422	30,127

Sources: Dominion Bureau of Statistics, *Census of Canada, 1931*, Vol. XI (Ottawa, 1934), Table 5, p. 64.
D.B.S., Census of Canada 1941, Vol. XI (Ottawa, 1947), Table 1, p. 410.
D.B.S., Census of Canada, 1951, Vol. VIII (Ottawa, 1954), Table 21, p. 21-1.

RECREATIONAL SERVICES — LABOUR FORCE

Table 51

	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Theatre & theatrical services.....	4,435	1,255	5,690	4,772	1,521	6,293	7,050	4,356	11,406
Other.....	10,905	1,170	12,075	9,687	1,551	11,238	14,605	2,692	17,297
Total recreation.....	15,340	2,425	17,765	14,459	3,072	17,531	21,655	7,048	28,703

Note: Not including Yukon and Northwest Territories. Including Newfoundland in 1951.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

MOTION PICTURE ENTERTAINMENT — CANADA

Table 52

	1931	1936	1941	1946	1951	1952	1953	1954
	Per capita expenditure.....	\$3.28	\$2.70	\$3.63	\$6.15	\$7.72	\$8.21	\$8.30
Number of paid admissions (millions).....	—	127	162	228	252	263	259	237

Note: Based on total receipt of regular theatres, drive-ins, community enterprises and halls serviced by itinerant operators.
 Source: Dominion Bureau of Statistics, *Motion Picture Theatres, Exhibits and Distributors*, (annual bulletins).

Table 52 shows per capita expenditure in motion picture entertainment and number of paid admissions for scattered years from 1931 to 1954. These figures are based on total receipts of regular theatres, drive-ins, community enterprises and itinerant exhibitors. On a regional basis, 1954 per capita expenditure varied from a high of \$10.00 in British Columbia and Alberta to a low of \$4.43 in Newfoundland. Each province shows an increasing trend in recent years until 1953 when Ontario turned down. In 1954 a further three provinces joined Ontario in showing a declining trend of expenditure. This is likely the influence of T.V., the long run effects of which it is too early to assess.

On an over-all basis the number of paid admissions turned down in 1953 and dropped a further 22 million in 1954.

The 1954 annual report of Famous Players Canadian Corporation Limited, which controls over 400 of Canada's 1,900 theatres contained the statement that business is good on first run showings, but some of the smaller theatres have been suffering from television competition. "Experience has shown that television competition is most severe just after its installation, after which theatre attendance increases."

All in all it seems evident that a rising trend of expenditure on movies is coming to an end and, indeed, a downward trend may take its place. It would appear that little expansion can be expected in this industry in the foreseeable future and some contraction is likely.

Capital expenditures are available for a few years only and are in relatively small amounts of five to nine million dollars and no important capital investment can be expected in the near future. (Figures are shown in Table 66.)

The foregoing discussion has included theatres in some detail because this category not only has been the largest factor in employment but the most dynamic. If this industry is likely to decline somewhat in importance then the whole recreational services field, as defined, is likely to lack the factors required for expansion and we may well see a much slower rate of growth. While it is very hard to make any definite statements in a matter depending so much on personal taste there seems little likelihood of an actual numerical decline in over-all employment but instead a very slow growth.

The Tourist Industry in Canada

While estimates are available of the amount of money spent by foreign travellers in Canada, no government statistics are available showing the amounts spent by Canadians in travel. An attempt has been made by Vernon Lang¹ to gather figures that should be included in any total of annual expen-

¹Vernon Lang, "Can Canada Make Tourism Pay?", *The Business Quarterly*, Summer, 1955, Vol. XX, No. 2 (London, Ontario, 1955).

Table 53
BALANCE OF PAYMENTS ON TRAVEL ACCOUNT BETWEEN CANADA AND OTHER COUNTRIES, 1926-1954
(millions of dollars)

	Account With United States		Account With Overseas Countries(a)		Net
	Credits	Debits	Credits	Debits	
	Spent by Americans in Canada	Spent by Canadians in U.S.A.	Spent by Non-Residents in Canada	Spent by Canadians Abroad	Net
1926.....	140	70	12	29	-17
1931.....	141	52	12	19	-7
1936.....	129	54	13	21	-8
1941.....	107	18	4	3	+1
1946.....	216	130	6	6	-
1951.....	258	246	16	34	-18
1953.....	282	307	20	58	-38
1954(b).....	280	313	22	69	-47

(a) Prior to 1949, Newfoundland was classed as an overseas country.

(b) Subject to revision.

Source: Dominion Bureau of Statistics, *Travel Between Canada and Other Countries, 1954* (Ottawa, 1955) Table 11, p. 38.

diture by all tourists and travellers in Canada both Canadian and foreign and his summary is as follows based on figures taken from various sources and years between 1950 and 1953:

	<i>(millions of dollars)</i>
Public transportation	215.7
Automobile transportation	194.7
Hotel rooms and meals	164.9
Motels, etc.	12.5
Total	587.8

Table 53 shows the expenditure of foreign travellers in Canada which amounted to over \$300 million for each of the years 1953 and 1954, and if Vernon Lang's estimate were to be considered as complete, only half of all the travel in Canada would be done by Canadians. However, as Mr. Lang points out in his article, this is only a part of total tourist expenditure as among other things such items as restaurant meals, amusements and other retail purchases which are typical of travel and tourism are omitted altogether.

Figures in Table 53 are the balance of payments on travel account between Canada and other countries and give some indication of the growing importance of this industry in terms of current dollars. It is only in recent years that Canadians have spent more elsewhere than outsiders have spent in Canada.

Table 54

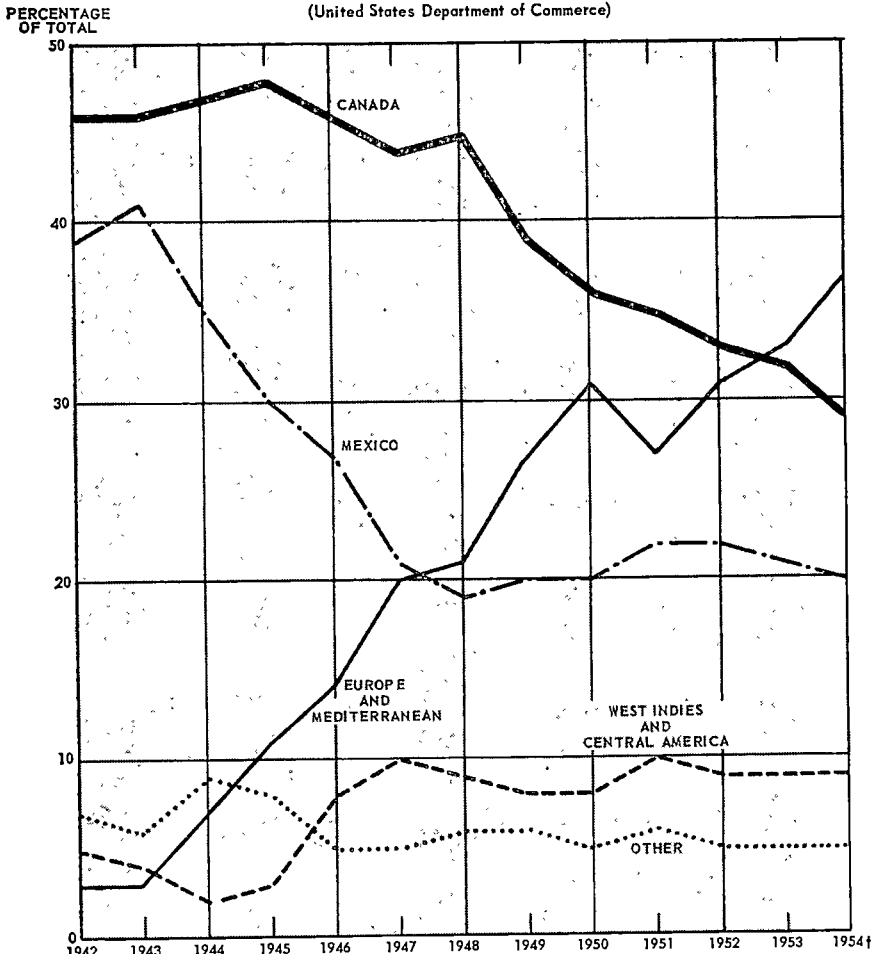
**BALANCE OF PAYMENTS ON TRAVEL ACCOUNT BETWEEN
U.S.A. AND OTHER AREAS—1946 AND 1953**

(millions of dollars)

	Credits Spent by Non-Residents in U.S.A.		Debits Spent by Americans Abroad		Net	
	1946	1953	1946	1953	1946	1953
Western Europe.....	33	41	62	293	-29	-252
Western Europe dependencies...	6	9	11	54	-5	-45
Canada.....	130	307	209	282	-79	+25
Latin American Republics.....	77	138	164	239	-87	-101
All other countries.....	11	32	11	27	—	+5
United Kingdom.....	11	15	15	57	-4	-42
Other sterling areas.....	10	20	19	64	-9	-44
Total.....	278	562	491	1,016	-213	-454

Source: U.S. Department of Commerce, *The Balance of Payments of the United States, 1919-1953: A Supplement to the Survey of Current Business* (Washington, D.C., 1954).

CHART 4
 DISTRIBUTION OF TRAVEL EXPENDITURES* IN FOREIGN COUNTRIES
 BY RESIDENTS OF THE UNITED STATES, 1942 - 1954
 (United States Department of Commerce)



* EXPENDITURES ARE EXCLUSIVE OF PAYMENTS TO OVERSEAS COUNTRIES FOR TRANSPORTATION TO AND FROM THE UNITED STATES

† DATA FOR 1954 ARE SUBJECT TO REVISION

The most important reason for this change is the changing habits of United States travellers in recent years. The travel expenditures abroad of U.S. travellers are shown in Table 54 and illustrated in terms of percentages by Chart 4. It is apparent that both Canada and Mexico have been losing out on a percentage basis to Europe and the Mediterranean areas in the competition for U.S. visitors. In this case, it is undoubtedly the wealthier traveller who has accounted for most of this switch, but there is a much larger group of U.S. tourists who prefer to remain in their own country, many of whom could conceivably be attracted to Canada to offset those who now choose to go further afield.

An estimate made by the Curtis Publishing Company and quoted by Vernon Lang claimed that almost 94% of trips taken by American families were within the U.S. borders and the greatest competition to the Canadian tourist is alternative American attractions. There seems little doubt that the potential market exists if Canadian tourist agencies can succeed in attracting the large volume of business that is available.

In terms of number of visitors there are still more travellers from the United States coming to Canada each year than Canadians visiting the United States. The available statistics are shown in Table 55 and this fact is clearly shown. The 26 million visitors from the United States is down from 28 million in 1953 but about the same as in 1952.

Table 55

NUMBER OF CANADA-UNITED STATES TRAVELLERS, 1954
(thousands of persons)

	Number of Canadians Visiting U.S.A.	Number of United States Travellers in Canada
Short term traffic.....	20,636	22,212(a)
Per cent of total.....	88	84
Long term traffic.....	2,708	4,201
Per cent of total.....	12	16
Total.....	23,343	26,413
Per cent of total.....	100.0	100.0

(a) Includes only non-permit or local automobile traffic.

Source: Dominion Bureau of Statistics, *Travel Between Canada and Other Countries, 1954* (Ottawa, 1955), Statement 8, p. 13 and Statement 12, p. 18.

As a result of a special survey of Canadian visitors to the United States made in August--December, 1954, an estimate is available showing the purpose of each visit and the average expenditure per trip. Almost 21% of Canadian visitors reported making shopping trips to the United States, 5% were on business, 3% listed the purpose as education, while the remainder go either for recreation or to visit relatives or friends. While the business and education

trips covered only 8% of all visitors, the average expenditure per trip was much higher in these two categories.

The problem of attracting tourists to Canada has received a great deal of attention from tourist bureaus set up by federal, provincial and municipal governments, by travel organizations such as airlines, railways and buslines and by private tourist organizations. The field is far from neglected and most authorities seem to agree that continued publicity is required along with more and more attention to the provision of resorts designed to satisfy visitor requirements, more good roads, and distinctive tourist attractions.

The importance of tourist business was given special emphasis in 1934 when the Canadian Senate set up a special investigating committee under Senator W. H. Dennis to consider Tourist Traffic in Canada. The major conclusions of that committee were summarized as follows:—

1. That the Tourist Trade of Canada is capable of great expansion.
2. That this is a matter of national concern, in the interests of the Dominion as a whole.
3. That there is a need for the establishment, at as early a date as possible, of a central organization at Ottawa to co-ordinate the activities of the multitude of tourist agencies, public and private, throughout the Provinces, as well as the work of those Federal Departments and Services interested in the promotion of tourist travel within and to Canada.¹

This latter organization has since been set up and is doing excellent work, but it is the first two statements that perhaps need re-emphasis at this time. Two important and continuing trends are apparent in all branches of Canadian and American industry, a trend toward a shorter work week and a trend toward longer paid holidays. This increased potential business is a challenge to the Canadian industry to provide the attractions not only to bring in U.S. visitors but to keep Canadians at home.

While there are few statistics available to indicate the capital expenditure being made primarily to facilitate tourist trade, hotel expenditures are listed in Table 66 and show that capital expenditures have been \$15-24 million in recent years. If data were available, capital expenditure on other facilities connected with the tourist trade would probably exceed these figures by a wide margin. Expenditure for the construction of other types of accommodation such as motels and resort accommodation is not separated, and, of course, it is impossible to say how much of our expenditure on roads and improving transportation facilities is connected with the tourist industry.

¹The Senate of Canada, *Reports and Proceedings of the Special Committee on Tourist Traffic* (Ottawa, 1934), p. VIII.

It seems clear that the tourist trade has great possibilities as an industry. It is one for which Canada has all the "raw materials" and one which does not involve the use of a wasting asset. It is generally felt in the industry that capital investment carefully made within this field and further expenditure on publicity to support the already existing resort areas could achieve worthwhile returns by persuading more Canadians to see Canada first and by attracting to Canada many U.S. tourists who now restrict their travel to the U.S. or journey abroad.

PERSONAL SERVICE

IN GENERAL personal services are those that can be performed by individuals with relatively little formal training, so that many consumers perform them for themselves. The major industries in this class are laundering and cleaning, domestic service, barbering and hairdressing, and hotels and lodging houses. A complete list of the industries included under the heading of personal service in the Standard Industrial Classification Manual may be found in Appendix A.

Table 56

DISTRIBUTION OF THE LABOUR FORCE IN THE PERSONAL SERVICE INDUSTRIES, CANADA, 1931-1951

(thousands)

Industry	1931			1941			1951		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dyeing, cleaning and pressing...	3.7	1.3	5.0	4.8	2.6	7.4	10.0	9.1	19.1
Laundries.....	10.1	5.3	15.5	8.3	7.0	15.3	6.2	8.2	14.4
Sub-total.....	13.8	6.6	20.5	13.1	9.6	22.7	16.2	17.3	33.5
Barbering and hairdressing....	16.4	6.8	23.2	14.9	11.1	26.0	13.2	10.3	23.5
Photography.....	2.2	0.6	2.9	2.6	0.9	3.5	3.1	1.5	4.6
Private households.	12.6	145.7	158.4	8.2	178.1	186.2	5.1	75.1	80.2
Undertaking.....	1.8	0.1	1.9	2.3	0.1	2.4	2.7	0.2	2.9
Other personal service.....	5.8	2.8	8.6	4.4	0.7	5.1	7.5	2.6	10.1
Hotels and Lodging houses.....	28.5	29.0	57.5	28.5	36.9	65.4	40.7	32.9	73.7
Sub-total.....	81.2	191.7	272.9	74.0	237.3	311.3	88.6	140.0	228.6
Restaurants, cafes and taverns....	29.8	19.7	49.5	29.8	25.1	54.9	38.0	42.3	80.3
Total.....	111.0	211.5	322.5	103.8	262.4	366.2	126.6	182.3	308.9

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

Note: Not including Yukon, Northwest Territories and Newfoundland.

In sharp contrast to other service industries, the labour force under the heading of personal service actually declined by some 13,500 persons, or 4%, between 1931 and 1951. Personal services' share of the labour force also declined from 8.2% in 1931 to 60% in 1951. In spite of these declining trends there are still over 300,000 people engaged in personal service and, as shown by Table 8, only retail trade and community and business services were larger in 1951.

Table 56 shows the distribution by industry and sex of the labour force engaged in personal service in the years 1931, 1941 and 1951. Comparable detailed figures are not available prior to 1931.

It is evident from this table that the four largest categories in personal service are domestic servants, hotels and lodging houses, dyeing, cleaning and pressing together with laundries, and finally restaurants, cafes and taverns.

Restaurants are considered elsewhere in this study under Retail Trade because the Census of Distribution classifies them under this heading. The remaining three groups are considered separately in this section.

Domestic Service

In 1931 and 1941 about half of the personal service labour force was employed in private households, but in the decade 1941-1951 the number of people engaged in private households fell very sharply from 186,000 to 80,000. Not only was the increase that occurred in the previous decade 1931-1941 wiped out but the reduction continued to the point where there were only half as many in the labour force in 1951 as there had been twenty years earlier, and the percentage of total labour force fell from 4% to 1½%. Insofar as we are able to determine, this marks an unprecedented change in employment within such a short period and for this reason domestic service is dealt with in some detail.

While the census figures show a very sharp drop there is no way of determining the number of persons who were engaged as part-time domestic help at either census date. It may be assumed, we believe, that there would be a tendency for the census to understate the number engaged on a day to day basis and there may have been a very real increase in their number in the ten year period which, if true, would offset in part the very sharp decrease in the numbers recorded by the census.

The fact that there were less than half as many domestic servants in 1951 as there had been ten years earlier suggests that many routine personal services formerly handled by domestics are now being carried out by persons in their own homes partly with improved mechanical aids and sometimes with increased part-time help. This implies a change in the habits of Canadians and especially of Canadians as part of the family unit, which in this case is considered as an actual or potential employer of labour.

Most people would agree that there has been a change in the structure and function of the family since the turn of the century as well as in the role of the mother in relation to this changing family pattern.

Table 57

**DOMESTIC SERVANTS IN PRIVATE HOUSEHOLDS
PER 1,000 FAMILIES—CANADA, 1931-1951**
(thousands of persons)

	1931	1941	1951
Domestic servants in private households(a).....	158	186	80
Number of families.....	2,149(b)	2,525(c)	3,208(c)
Domestic servants per 1,000 families.....	73.5	73.7	24.9

Note: Not including Yukon, Northwest Territories and Newfoundland.

Sources: (a) Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

(b) *D.B.S., Census of Canada, 1931*, Vol. V (Ottawa, 1935), Table 86, p. 1110. *Note:* For this year the figure for families of two or more persons was used.

(c) *Census of Canada, 1951*, Vol. III (Ottawa, 1951), Table 127, p. 127-1.

In 1951 there were one and a half times as many families in Canada as there had been in 1931 as shown by Table 57. In contrast to this there were considerably fewer domestic servants in 1951 than there were in either 1931 or 1941, so that in terms of servants per 1,000 families there was a very sharp reduction from 74 per 1,000 in 1941 to 25 per 1,000 in 1951.

Very naturally the question is raised—has there been a decrease in the effective demand of Canadian families for servants in spite of the increase in the number of families which implies an increased potential demand for servants? Or has there been a decrease in the supply of servants so sharp that they cannot be had at any reasonable price in certain regions?

So many factors are involved in the problem that the fundamental answers are difficult to isolate. Certainly many families would be very quick to say that they do want a full-time servant if one of high quality could be obtained at a reasonable price. But the real cost of maintaining a full-time domestic servant is very high today. A recent article in *Fortune* magazine describes the situation very briefly:

“... And consumers, no matter how prosperous they become, will tend to spend their money where they get the most for it. It is often said that ‘nobody (meaning only a couple of million Americans) can afford servants today.’ Actually plenty of Americans, probably more of them than ever before, could ‘afford’ servants, but they don’t have them simply because they can get so much more for their money elsewhere. Because keeping a servant costs as much as keeping three motorcars or carrying a \$50,000 house, many well-to-do people prefer to spend the money on luxuries other than servants. If keeping a servant in 1980

costs as much as keeping three motorcars *and* carrying a \$75,000 house, well-to-do people will tend more than ever not to 'afford' full-time servants."¹

In spite of the cost of domestic servants several factors in addition to the increase in the number of families noted above seem to indicate that demand for servants ought to be very high in Canada today.

The proportion of married women in the labour force in Canada in recent years has increased considerably. In 1951, one married woman in every nine went off to work. In other words, 11.2% of married women, 15 years of age and over, were in the labour force in 1951, as compared with 3.7% in 1941, as shown in Table 58. One would expect this to increase the demand for servants as working wives should be in a better position to afford servants and would be less likely to be in a position to perform as much household work.

Table 58

**NUMBER AND PERCENT OF MARRIED WOMEN,
15 YEARS OF AGE AND OVER, IN THE LABOUR FORCE—
CANADA, 1941 AND 1951**

	Number of Married Women—15 Years of Age and Over	Married Women in The Labour Force	
		Number	Per Cent of Married Women
1941.....	2,292,478(a)	85,633(b)	3.7
1951.....	3,119,824(c)	348,961(d)	11.2

Note: Labour force figures for 1941 do not include those on active service. There were 1,132 females on active service in 1941 of whom 889 were gainfully occupied prior to enlistment.

Sources: (a) Dominion Bureau of Statistics, *Census of Canada, 1941*, Vol. IV (Ottawa, 1941), Table 3, p. 20.

(b) *Ibid.*, Vol. VII, Table 5, p. 55.

(c) *D.B.S., Census of Canada, 1951*, Vol II (Ottawa, 1951), Table 1, p. 1-1.

(d) *Ibid.*, Vol. IV, Table 11, p. 11-12.

At this point it is of interest to look briefly at the situation in the United States and Great Britain with respect to working wives. A quotation from *America's Needs and Resources: A New Survey* gives a good picture of the situation in the United States.

A century ago the married woman with paid employment was exceptional. In 1900, six per cent, and in 1940, 15 per cent of all married women were estimated to have employment outside the home. By the early 1950's the employment of married women had so increased that one wife out of four either had or was seeking a job.²

¹Gilbert Burck and Sanford Parker, "Productivity: The Great Age of 3%," *Fortune*, November, 1955, p. 105.

²J. Frederick Dewhurst and Associates, *America's Needs and Resources: A New Survey* (New York, 1955), p. 244.

A recent newspaper article from the New York Times News Service confirms this and elaborates on the situation.

"The old time career woman is disappearing and her place is being taken by the mother of children who goes to work when her children reach school age.

"Early marriage and concentration of child bearing in the early years brings women permanently into the labor market at around 35, Dr. David (executive director of the National Manpower Council) indicated. Women live longer, Dr. David said, and can work longer. Today, with 30 per cent of the total labor force women, 60 per cent of employed women are married and half of them are over 40 years of age, figures presented to the conference showed. Of all wives in the country one-quarter are in the labor force."¹

Turning to Great Britain, a recent newspaper article from the Associated Press gives some insight into the situation there.

"Tucked away in a quiet corner of a factory yard, 20 children play in a nursery—symbols of a silent revolution that has altered the pattern of British family life.

"Before the Second World War, only 900,000 British wives went out to work. Now, nearly 4 million put out notes for the milkman and hurry off to shops, offices and factories . . ."²

A third factor which would seem to increase the demand for servants is greater urbanization, since non-farm families employ more domestic servants than farm families and between 1941 and 1951 the percentage increase in urban population was 32.7% as compared with a 7.7% increase in rural population for the same period.

A fourth factor which would imply an increased demand for servants is the rise in real income per family. Disposable income per family is estimated at \$2,036 in 1951 in contrast to \$1,665 in 1941, both figures expressed in 1935-1939 dollars.

On the other hand, a factor in reducing the demand for servants was the greater proportion of households occupied by two or more families in 1951 than in 1941 (6.7% in contrast to 5.3%). Families with more than two adults should have less need for servants and have available a larger supply of "unpaid" service.

Moreover, about 21% of all occupied dwellings were apartments and flats in 1941 in contrast to 26% ten years later, and a number of interesting factors tending to reduce the demand for servants can be associated with this in-

¹"More Mothers Work in U.S., Survey Shows," *Montreal Gazette*, January 19, 1956, p. 11.

²"'Latchkey' Children Deplored," *Montreal Gazette*, January 11, 1956, p. 9.

crease. Wealth alone is no longer a sufficient reason for families to maintain large homes and many servants. Scarcity of cooks and gardeners, combined with the high wages of those available, as well as high taxes on large homes, many of which are no longer needed after children have grown up, causes numbers of families to sell their homes and move into luxury apartments. Sometimes these families rent two apartments, while some are able to acquire luxury apartments with three bedrooms and two bathrooms and much larger rooms. Often maid service is provided at cost. In this we may be seeing the emergence of a new trend that will tend to reduce the demand for workers in private households in the future.

In a discussion of domestic service one can hardly ignore the question of technological advances in the function and design of household appliances which have had a revolutionary effect on home management since the turn of the century. Early in this century the mother spent the greatest part of her day in the kitchen. The family was most often an independent economic unit and the husband worked long hours in or near the home. The wife, when she did not have a servant in the home, did all the domestic work and sometimes even assisted her husband in the family trade. Her days were filled with preparation of food. Family washing meant boiling water on the wood stove and using wash tubs, scrubbing board and hand wringer. Irons had to be heated on the stove and reheated at frequent intervals.

Technological developments have greatly reduced the time and effort necessary to perform routine household tasks. By 1910 a few power driven washing machines were available but vacuum cleaners and washing machines were produced in quantity only after World War I.

A study of the increase between 1940 and 1950 in the number of occupied dwelling units in the United States equipped with electricity, electric or gas stoves and refrigerators, electric washing machines and vacuum cleaners indicates that these pieces of equipment are now so widely owned as to be almost standard equipment. In 1950 an electric iron was found in nine out of ten homes in the United States, a refrigerator in eight out of ten homes, a gas or electric stove in more than seven out of ten homes, and a washing machine in nearly seven of ten homes in the United States.¹

In each case the increase, between 1940 and 1950, in the number of homes equipped with these appliances was greater than the increase in the number of occupied dwellings.

A similar situation exists in Canada. For instance, the proportion of consumer expenditure for goods and services spent on mechanical appliances, furniture and furnishings followed much the same pattern in Canada between 1940 and 1950 as in the United States, but at lower levels. (See Tables 59 and 60.)

¹Dewhurst and Associates, *op. cit.*, pp. 240 and 241

Table 59

**AMOUNT AND PERCENT OF CONSUMER EXPENDITURE ON
GOODS AND SERVICES ON SELECTED CONSUMER
DURABLES^(a) CANADA, 1941-1950**

(millions of dollars and percentage)

	Total Consumer Expenditure on Goods and Services	Consumer Expenditure on Selected Consumer Durables	
		Amount	Per Cent
1941.....	\$ 5,053	\$245	4.8
1942.....	5,515	247	4.5
1943.....	5,728	224	3.9
1944.....	6,187	234	3.8
1945.....	6,811	265	3.9
1946.....	7,977	403	5.1
1947.....	9,172	518	5.6
1948.....	10,112	575	5.7
1949.....	10,833	628	5.8
1950.....	11,718	663	5.7

(a) This category includes furniture, house furnishings, appliances and radios.

Note: Figures for 1949 and 1950 are exclusive of Newfoundland.

Source: Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1926-1950* (Ottawa, 1951).

Table 60

**AMOUNT AND PERCENT OF CONSUMPTION EXPENDITURES ON
SELECTED CONSUMER DURABLES^(a), U.S.A., 1941-1950**

(millions of dollars and percentage)

	Total Consumption Expenditures ^(b)	Consumption Expenditure on Selected Consumer Durables ^(c)	
		Amount	Per Cent
1941.....	\$ 82,255	\$ 5,870	7.1
1942.....	91,161	5,781	6.3
1943.....	102,244	5,247	5.1
1944.....	111,550	5,292	4.8
1945.....	123,079	6,033	4.9
1946.....	146,907	10,540	7.2
1947.....	165,570	12,968	7.8
1948.....	177,890	13,692	7.7
1949.....	180,588	12,931	7.2
1950.....	194,550	15,382	7.9

(a) This category includes furniture and furnishings, mechanical appliances, radio and television receivers, phonograph parts and records, pianos and other musical instruments.

Sources: (b) Frederic Dewhurst and Associates, *America's Needs and Resources: A New Survey* (New York, 1955), Appendix 4-4, p 966 and 967.

(c) *Ibid.*, pp. 969, 970, 978 and 979.

In addition to technological advance, many of the activities formerly carried on at home have been transferred to industry. Bakeries now make bread and canneries preserve the fruits and vegetables that were once the task of the housewife or her servants. An ever growing list of frozen foods are now fully prepared, except for cooking, for household consumption, and

manufacturers are paying increasing attention to providing other food products in the most convenient form possible.

Consider too the growth in laundries, dyeing, cleaning and pressing establishments as well as restaurants.

Thus technological advance and the abandonment of activities by the household as well as certain changes in the characteristics of families and in housing trends help to explain the decrease in the desire of Canadian families to hire servants.

Discussion in the previous pages has been confined to various aspects of the effective demand for domestic servants. Certainly many more families would like to employ domestic servants but one factor in their unwillingness to do so is the very large increase in servants' wages and supplementary benefits. Even at the increased wages the effective demand for experienced domestics is not being satisfied, as witness the classified columns of our large daily newspapers.

Turning now to a discussion of the supply side of the picture, it will be noted from Table 56 that over 90% of the employees in private households were women and women employees in this category fell from 178,055 in 1941 to 75,122 in 1951. There are many reasons that have helped to account for this change but chief among them is the new role of women in industry during and since World War II and in order adequately to explain this change it is necessary to look at the whole picture of women in industry.

Female Labour Force in the Service Industries

Women made up 22% of Canada's labour force in 1951, up from 17% in 1931. (See Table 10.) Both in absolute numbers and as a percentage of the female population, there were more women in Canada's labour force in 1951 than ever before; comparing 1951 with 1931, 3.7% more of the female population of Canada was in the female labour force. (See Table 61.) Numerically there were approximately one and three quarter times as many women in the Canadian female labour force in 1951 as in 1931.

Of particular interest is the change in the distribution of women workers within the various industrial classifications of the labour force, and this is brought out by Table 62 which shows the number and per cent of the female labour force by industry for the years 1931, 1941 and 1951.

In 1951 two-thirds of all women employed were in the service industries, a decrease of six percentage points from 1941. This relative loss by the service industries was wholly accounted for by the reduction in domestic servants, only partially offset by increases in other service industries. In terms of percentage points, trade showed the largest increase, up 4.6 points between 1941 and 1951, although all sections except personal service also registered an increase.

Table 61

PERCENTAGE OF POPULATION IN LABOUR FORCE, BY SEX
(thousands and per cent)

	Male Labour Force			Female Labour Force		
	Male Population	Number	Per Cent of Male Population	Female Population	Number	Per Cent of Female Population
1931.....	5,367	3,257	60.7	4,997	665	13.3
1941.....	5,890	3,363	57.1	5,599	833	14.9
1951.....	6,889	4,032	58.5	6,734	1,147	17.0

Note: Not including Yukon, Northwest Territories and Newfoundland. Persons on active service are excluded from the 1941 labour force figures.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Table 1.

Table 62

DISTRIBUTION OF FEMALE LABOUR FORCE BY INDUSTRY

	1931	1941	1951
Private households.....	145,729	178,055	75,122
Per cent of total.....	21.9	21.3	6.5
Other personal service.....	65,735	84,326	107,211
Per cent of total.....	9.9	10.1	9.3
Personal service.....	211,464	262,381	182,333
Per cent of total.....	31.8	31.5	15.9
Trade.....	85,050	112,783	207,261
Per cent of total.....	12.8	13.5	18.1
Finance.....	24,965	28,369	63,722
Per cent of total.....	3.8	3.4	5.6
Professional service(a).....	150,480	171,312	256,061
Per cent of total.....	22.6	20.5	22.3
Government.....	15,475	27,946	52,431
Per cent of total.....	2.3	3.4	4.6
All service industries.....	487,434	602,791	761,808
Per cent of total.....	73.3	72.3	66.5
Transportation, storage, communication and public utilities.....	24,440	21,786	53,522
Per cent of total.....	3.7	2.6	4.7
Agriculture, forestry and fishing.....	24,970	19,994	37,664
Per cent of total.....	3.7	2.4	3.2
Mining.....	355	584	2,265
Per cent of total.....	0.1	0.1	0.2
Manufacturing.....	122,806	181,290	273,136
Per cent of total.....	18.5	21.8	23.8
Construction.....	1,576	1,489	5,958
Per cent of total.....	0.2	0.2	0.5
Not specified.....	3,721	4,926	12,888
Per cent of total.....	0.6	0.6	1.1
Total female labour force.....	665,302	832,840	1,147,241
Per cent of total.....	100.0	100.0	100.0

(a) Includes Community, Business and Recreation.

Note: Not including Yukon, Northwest Territories or Newfoundland.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Table 11.

In passing it should perhaps be noted that transportation, public utilities, and manufacturing as well as the service industries have been attracting an increasing percentage of the female labour force.

Thus, in conclusion, one can say that the distribution of women workers within the various industrial classifications has significantly changed. Although there was an increase in the proportion of the total labour force employed in the service sector of the economy, a smaller proportion of all women workers were thus employed. In effect, women moved from domestic service in private households to employment in other industries.

Immigration as a Source of Domestic Servants

One commonly held view is that immigration provides one particularly good source of supply for domestics. This does not appear to have been the case with immigrants coming to Canada between 1946 and 1951. Department of Citizenship and Immigration records show that 20,300 persons who came to Canada between 1946 and 1951 intended to become domestic servants at the time of immigration. (See Table 63.) We do not know exactly how many of these followed their original plan, but there is evidence that a good many either took other work or married. The 1951 census reveals that a total of 16,290 persons in the labour force in personal service, including hairdressing, laundries etc. in addition to domestic service, came to Canada between 1946 and May 31st, 1951.¹ As we have seen from Table 56, domestic service made up only a quarter, or 26.0%, of the personal service category in 1951 and yet there were 4,010 fewer immigrants employed in the whole personal service section than indicated their intention to become domestics.

¹Dominion Bureau of Statistics. *Census of Canada, 1951*, Vol. IV (Ottawa, 1953), Table 20.

Table 63

IMMIGRATION TO CANADA SHOWING INTENDED OCCUPATION AS DOMESTIC SERVICE FOR THE PERIOD JANUARY 1, 1946 TO MAY 31, 1951

Period of Immigration	Number of Persons
Jan., Feb. and March of 1946.....	139
Apr. 1, 1946 - Mar. 31, 1947.....	653
Apr. 1, 1947 - Mar. 31, 1948.....	3,260
Apr. 1, 1948 - Mar. 31, 1949.....	8,175
Apr. 1, 1949 - Mar. 31, 1950.....	3,734
Apr. 1, 1950 - Mar. 31, 1951.....	3,127
April and May of 1951.....	1,212
Total — Jan. 1, 1946 - May 31, 1951.....	20,300

Note:.. Immigrants coming to Canada, showing intended occupation domestic service, for the fiscal year ended Mar. 31, 1946 numbered 556 persons. For the fiscal year ended Mar. 31, 1952 they numbered 7,273 persons.

Sources: Data for 1946-1949: Department of Mines and Resources — Immigration Branch — Annual Reports.

Data for 1950 and 1951: Department of Citizenship and Immigration — Immigration Branch — Annual Reports.

Table 64

DOMESTIC SERVANTS PER 1,000 POPULATION FOR CANADA,
THE UNITED STATES AND GREAT BRITAIN, 1931-1951

	1931 Domestic Servants			1951 Domestic Servants		
	Population 000	Number 000	Per 1,000 Population	Population 000	Number 000	Per 1,000 Population
Canada(a).	10,363	158	15.3	13,623	80	5.9
United States..	122,775(b)	2,025(c)	16.5	150,697(b)	1,513(c)	10.0
Great Britain(d)	44,795	1,523	34.0	48,854	494	10.1

Sources: (a) Figures for Canada taken from Table 8 and Table 56.

(b) U.S. Department of Commerce, *Statistical Abstract of the United States 1952* (Washington, 1952), Table 2, p. 5—Note: For the years 1930 and 1950.

(c) George P. Stigler, *Trends in Employment in the Service Industries*, (New York, 1955), Chapter V, p. 3.

(d) Central Statistic Office, *Annual Abstract of Statistics*, Bulletin No. 92 (London, 1955), Table 12, p. 15 and Table 14, p. 16 and Table 6, p. 7.

Comparison with Other Countries

Table 64 shows the number of domestic servants per 1,000 population for Canada, the United States and Great Britain.

In 1901, Great Britain had 41.3 servants per 1,000 population—more than Germany, the United States¹ or Canada. By 1931 this had fallen to 34 domestic servants per 1,000 population compared with 16.5 per 1,000 in the United States and 15.3 per 1,000 in Canada.

As shown in Table 64, the number of domestic servants per 1,000 population in Great Britain had fallen sharply to 10.1 in 1951, almost the same ratio as in the United States. In Canada, the number of domestic servants declined to 5.9 persons per 1,000 population, much lower than in either the U.S.A. or Great Britain.

Future Employment in Domestic Service

Having considered employment in domestic service in Canada from the point of view of supply and demand, and having taken a brief look at the situation in Great Britain and the United States, one can only conclude that a smaller proportion of the Canadian labour force will be employed in private households in the future.

The major consideration on the side of increased demand for servants is the question of married women working. Experience in the United States and Great Britain has shown that this does not turn the tide in the direction of greater employment in private households. In this connection it is possible that there has been a demand that has not been met due to the short supply

¹George Stigler, *Domestic Servants in the United States, 1900-1940*, "National Bureau of Economic Research—Occasional Paper, No. 24" (New York, 1946), Table 2, p. 4.

of domestics, but a more important influence is a changing outlook on the whole question of servants. For example, industry has reduced the number of hours which employees are required to work, and there is every evidence that this trend will continue. Thus people, generally speaking, have more leisure time today than ever before. Some of this leisure time is spent in the home and current magazines encourage the "do it yourself" philosophy. Such hobbies as gardening, carpentry, interior decoration and painting are popular and also serve to beautify the home and facilitate household operation. Entertaining and meal service has to a certain extent become more simplified, as witness the widespread custom of having barbecues in place of more formal meals. Then too, the modern husband helps his wife with her housework since many wives are gainfully employed to supplement the family income.

Because potential domestics have opportunities to work in industry under good working conditions with satisfactory wages and opportunities to join unions for the protection of these rights, few are willing to stay in their former jobs and those who do naturally think in terms of the going wage rate.

A further important factor in this field is the increasing use of part-time help both for general domestic work and as baby-sitters. While the provision of such assistance is being placed more and more on an organized basis, the major part still remains unorganized and, in large part, unrecorded. Frequently persons employed are either older or younger than most of those in the labour force and are unlikely to be counted as part of the labour force by the census.

However, the very sharp change that took place between 1941 and 1951 has probably reduced the number of domestic servants to as low a figure as we are likely to see, and this together with the increasing number of part-time workers who should be included here leads to the prediction that there will be a small numerical increase in labour force in private households—the resulting figure being in the neighbourhood of 100/125 thousand by 1980. This, of course means a further drop in the percentage of total labour force engaged in private households at that time.

In order to predict the labour force for 1980 in the personal service category, excluding restaurants, cafes and taverns, we must now turn to other major industries such as laundries, cleaners and dyers, hotels and lodging houses which, taken together with domestic service and restaurants, cafes and taverns, made up all but a small percentage of the labour force in personal service in 1951, as shown in Table 56.

Laundries, Cleaners and Dyers

Data from three different sources, namely the Census, the Census of Distribution and the annual reports of the Dominion Bureau of Statistics on

laundries, cleaners and dyers all show an increase of approximately 50% in employment in these industries between 1941 and 1951, as shown in Table 65.

Table 65

EMPLOYMENT IN LAUNDRIES, CLEANING AND DYEING ESTABLISHMENTS

	Census(a)	Census of Distribution(b)	Annual Reports(c)	Index of Employment(d) (1949=100)
1930.....	—	20,389	11,885	—
1931.....	20,482	—	11,772	—
1941.....	22,723	25,088	18,889	75.3
1951.....	33,518	38,166	29,231	99.5
1954.....	—	—	30,490	102.6
1955.....	—	—	—	106.5

Sources: (a) Data taken from Table 56. Figures do not include the Yukon, Northwest Territories or Newfoundland.

(b) Dominion Bureau of Statistics, *Census of Distribution 1930, 1941, 1951*.

(c) *D.B.S., Laundries, Cleaners and Dyers, Bulletins*.

(d) *D.B.S., Annual Review of Employment and Payrolls*.

Table 66

GROSS DOMESTIC CAPITAL INVESTMENT (EXCLUDING INVENTORIES)

Commercial Services

(millions of dollars)

	1931	1941	1946	1951	1954	Forecast 1955
Laundries and dry cleaners.....	—	—	1.7	4.2	4.9	3.6
Theatres.....	—	—	5.1	5.0	8.5	5.9
Hotels.....	—	—	10.5	24.1	15.1	17.6
Other commercial services.....	—	—	21.9	74.7	80.5	85.2
Total.....	12.2	42.7	39.2	108.0	109.0	112.3

Sources: Department of Trade and Commerce, *Private and Public Investment in Canada*.

There was, however, a very small increase in employment between 1951 and 1954, according to the annual reports and also the index of employment. It would seem that the increased home use of automatic washing machines and dryers has begun to make itself felt in the laundry trade.

The difference in the increase in the two periods makes a projection of employment in these industries difficult. If we assume that the increase will be twice that of the period 1951-1954 (which was about 10% a decade according to the index of employment) and less than half that of the 1941-1951 period, a projection of employment in laundries, cleaning and dyeing

establishments for 1980 would reach approximately 57,000 persons, including working proprietors and paid employees, compared with 34,000 in the 1951 labour force.

Capital investment, in comparison with national totals, has been very small as shown by Table 66.

Hotels and Lodging Houses

The census figures for hotels and lodging houses are shown in Table 67 and give an over-all picture of employment in these two categories taken together. According to these figures there was an increase of approximately 12% in each of the decades 1931-1941 and 1941-1951. As these are regular census figures they represent information gathered from individuals.

Table 67

EMPLOYMENT IN HOTELS AND LODGING HOUSES

	Hotels and Lodging Houses	Hotels and Tourist Camps	Hotels
	(Census)(a)	Census of (Distribution)	Hotel (Bulletins)
1930.....	—	33,847(b)	33,309(e)
1931.....	57,508	—	—
1941.....	65,415	53,877(c)	50,608(f)
1951.....	73,659	66,632(d)	59,263(g)
1953.....	—	—	64,231(h)

Sources: (a) Data taken from Table 56. Figures do not include Yukon, Northwest Territories and Newfoundland.

(b) Dominion Bureau of Statistics, *Census of Canada, 1931*, Vol. XI (Ottawa, 1934) Table 1, p. 1249 and Table 1A, p. 44. Figures include camp grounds.

(c) *D.B.S., Census of Canada, 1941*, Vol. XI (Ottawa, 1947), Table 1, p. 612 and Table 1, p. 410. Figures include camp grounds and tourist camps.

(d) *D.B.S., Census of Canada, 1951*, Vol. VIII (Ottawa, 1954), Table 21, p. 21-3. Figures include tourist camps.

(e) *D.B.S., Census of Canada, 1931*, Vol. XI (Ottawa, 1934), Table 1, p. 1249.

(f) *D.B.S., Hotel Statistics, 1941*, (Ottawa, 1943), Table 1, p. 4

(g) *D.B.S., Hotels, 1951*, Vol. 4, Part III (Ottawa, 1954), Table 4, p. S-9.

(h) *D.B.S., Hotels, 1953*, Vol. 3, Part III (Ottawa, 1954), Table 6, p. S-12.

The Census of Distribution column, also shown in Table 67, includes hotels and tourist camps and the data was based on returns from concerns in the industry. The hotel bulletin data is for hotels alone and represents returns made by the hotels.

A study of Table 67 seems to suggest a gradual decrease in employment in lodging houses alone, as hotel employment alone has increased much faster than the two combined. While the figures shown are from different sources and exact comparisons are not possible, the general conclusion is borne out by Stigler's statement concerning the United States—"The taking of boarders and lodgers is an activity that has largely left the household . . ."¹

¹Stigler, *op. cit.*, p. 12

Employment in tourist camps increased at a somewhat faster rate than in hotels between 1930 and 1951 which ties in with more general information received from the tourist industry. Employment in tourist camps after 1951 is not available but for hotels alone the growth of employment between 1951 and 1953 appears to have been something in the nature of 9%. While it does not seem likely that growth of employment in hotels will continue at this rapid rate, it may well indicate an increasing trend and employment in hotels and lodging houses, taken together, may well increase at a faster rate than 12% per decade.

The 12% increase per decade, mentioned above, seems rather low when the rapid 1951-1953 increase is considered. However, 9% in two years would be 45% in a decade and there seems little ground to expect such a rapid increase. Those engaged in operating lodging houses have now been reduced to relatively low figures and further reductions in the future will likely be small. Motels have expanded rapidly in the postwar period and tourism has already been described as an industry with very great possibilities.

While it seems apparent that the 12% shown for the past decades is too low, the 45% figure is definitely too high and it seems sensible to arrive at a compromise between the two. A rate of increase of 25% per decade would mean an employment in hotels, motels and lodging houses for 1980 of approximately 145,000 and our forecast is based on this.

As shown by Table 66, capital investment was not very large for any of the years shown in this table and in comparison with a total gross domestic capital investment for 1954 of \$5,507 million the figure was quite unimportant. There are of course several large hotels now under construction and more in the planning stage which will boost these figures but, in the long run, capital investment in hotels is likely to be relatively small.

Future Employment in Personal Service

To summarize, three sections of the personal service category have been examined in some detail. Laundries, cleaners and dyers are not expected to expand at the 1941-1951 pace while hotels, motels and lodging houses are likely to increase at a faster rate than has been the case since 1931. Domestic servants, including part-time workers, are likely to increase in number, although continuing to fall in relative importance. The balance of the personal service industries will likely expand moderately as they have done in recent decades.

The final forecast of employment in personal service by 1980 ranges from 417,000 for the lowest population estimate to 447,000 for the highest estimate with 432,000 for the middle population estimate, about 4.3% of the labour force at that time.

Capital Investment

As shown by Table 66, the bulk of the investment in this section is included under the heading of "other commercial services" which includes "estimates for other commercial vehicles not covered, recreation and amusement centres other than theatres, professional service and independent restaurants."

A guess might be made, perhaps, that the bulk of the expenditure is probably for restaurants but this does not give a basis for an intelligent forecast. The outlook for large expansion of laundries and dry cleaners and theatres is not considered to be such as to lead to large capital expenditures, while the situation in respect to hotels is somewhat better.

GOVERNMENT SERVICE

GOVERNMENT employment — federal, provincial and municipal — has shown a strong upward trend since the beginning of this century as Canada's population has virtually tripled and the country has changed from an essentially rural economy to one that is increasingly specialized and urban.

During this period, there have been a number of major influences, apart from economic growth, that have contributed to the increase in government employment. Of these, the most important were World War I, the Great Depression and World War II. It is the aim of this section to trace the effects such influences have had on government employment as well as to examine the broader movement associated with the growth and development of the country. Special emphasis is laid on the last twenty-five years, which cover the period for which the most satisfactory figures are available.

Total Government Employment

The growth in total government employment since 1921 and the variations in employment trends at the different levels of government are apparent in Table 68. The figures reveal that the number of federal and provincial employees combined has been higher at each census date, with the largest increase taking place between 1941 and 1951. This has been reflected in a steady rise since 1931 in the proportion of total government employees engaged by the two senior branches combined. On the other hand, employment by municipal governments has increased much more moderately after actually declining in the decade to 1941. At the beginning of this period, municipal employment accounted for more than one-third of the total government service but in 1951 this proportion had dropped to close to one-fifth.

It should be emphasized that the figures for government employment cover only those engaged in services essentially governmental in character. Teachers in public schools, numerous categories of social workers and

various other groups are thus excluded by definition from this particular study. There are in addition other exclusions, notably the active armed forces¹ and employees of crown companies.

¹In the United States and Canada, the active armed forces have been subtracted from government employment for the census years 1920/21-1950/51.

These forces amounted to:

	(000's)	1920/1	1930/1	1940/1	1950/1
U.S.A.		334	256	458	1,460
Canada		5	6	315	71

Sources: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8, (Ottawa, 1954) Introduction p. IV.

D.B.S., *Census of Canada, 1921*, Vol. IV, (Ottawa, 1928), Table 2.

D.B.S., *Canada Year Book, 1932*, (Ottawa, 1932), pp. 928, 930 and 932.

Department of Commerce, *Statistical Abstract of the United States, 1928*, (Washington, 1928), Tables 147 and 149.

Ibid., 1952, Table 243.

Table 68

TOTAL GOVERNMENT EMPLOYMENT IN CANADA

	1921	1931	1941	1951(a)
Federal government employment.....			71,214	137,050
Per cent of total.....			51.9	58.8
		(not segregated)		
Provincial government employment.....			23,087	37,078
Per cent of total.....			16.9	15.9
Total federal and provincial government employment.....	55,923	59,888	94,301	174,128
Per cent of total.....	62.3	55.3	68.8	74.7
Municipal and local government employment.....	33,848	47,961	41,971	53,347
Per cent of total.....	37.7	44.3	30.6	22.9
Other government employment, n.e.s.....	—	467	847	5,559(b)
Per cent of total.....		0.4	0.6	2.4
Total government employment.....	89,771	108,316	137,119	233,034
Per cent of total.....	100.0	100.0	100.0	100.0

(a) Excludes certain classes of maintenance workers who were included in earlier years.

(b) Includes 4,068 men and 633 women who were reported for Newfoundland and are presumed to be U.S. civilian personnel on air force bases.

Note: Excludes Yukon, Northwest Territories and persons enlisted in the active armed forces; Newfoundland is included in 1951. Such services as health, education, etc., which are administered by private agencies as well as by public authority are classified elsewhere. Only services peculiar to government service are listed under this head. Except where otherwise specified, census figures of government employment appearing in subsequent tables are subject to these qualifications.

Sources: Dominion Bureau of Statistics, *Census of Canada, 1921*, Vol. IV (Ottawa, 1929), Table 2, p. 34. D.B.S., *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954) Tables 10 and 11.

In Tables 69 and 70 the growth in government employment is related to the expansion in total population in both Canada and the United States at the last eight census dates. At all times, government employment as a proportion of population has been higher in the U.S. than in Canada and whereas the U.S. has seen a steady expansion in this proportion, Canadian experience has been less consistent. However, such inconsistencies, which may be due to imperfect comparability between the earlier censuses, do not obscure the substantial growth in government employment that has taken place in Canada since the beginning of the century.

Table 69

CANADA — GOVERNMENT EMPLOYMENT AS PER CENT OF POPULATION

(thousands of persons)

	1881	1891	1901	1911	1921	1931	1941	1951
Total population(a).....	4,325	4,833	5,344	7,192	8,775	10,363	11,490	13,984
Total government(b) employment.....	8	18	17	77	90	108	137	228(c)
Govt. employment as per cent of population.....	0.18	0.37	0.32	1.07	1.03	1.04	1.19	1.63

(a) Yukon excluded 1901. Yukon and Northwest Territories excluded 1911-51.

(b) Active armed forces excluded 1921-51 (See Note 1, p. 225). For source of government employment figures, see Table 1.

(c) Excluded are 4,701 men and women reported for Newfoundland under other government employment who are presumed to be U.S. civilian personnel on air force bases.

Table 70

UNITED STATES — GOVERNMENT EMPLOYMENT AS PER CENT OF POPULATION

(thousands of persons)

	1880	1890	1900	1910	1920	1930	1940	1950
Total population.....	50,156	62,948	75,995	91,972	105,711	122,775	131,669	150,697
Total government(a) employment.....	396	597	803	1,304	1,537	2,200	2,603	3,838
Govt. employment as per cent of population.....	0.79	0.95	1.06	1.42	1.45	1.79	1.98	2.55

(a) Active armed forces are excluded 1920-50 (See Note 1, p. 225).

Sources: U.S. Department of Commerce, *Statistical Abstract of the United States, 1952*, (Washington, D.C., 1952), Table 2, p. 5.
Harold Barger, *Distribution's Place in the American Economy*, (Princeton, 1955), Table 1, pp. 4 and 5.

A comparison of the two tables would seem to indicate that Canadian experience has very roughly paralleled that of the U.S. and that the more striking movements in government employment have been in response to influences affecting the two nations simultaneously. At the same time, since the two countries have experienced different rates of growth, Canada during these years has found itself at levels of development previously attained by the U.S. In the degree of government employment, however, there does not appear to be any consistent time-lag between the United States and Canada.

The first major increase in Canadian government employment after Confederation occurred between 1901 and 1911. This coincided with a similar substantial rise in the United States during the first decade of this century following more moderate increases between 1880 and 1900.

The next 10-year period, covering World War I, probably saw an expansion in civilian personnel on the federal government payroll in both countries but by 1920-21 the proportion of government employees to population had actually fallen in Canada and risen only slightly in the U.S. from the previous census, indicating the temporary nature of the World War I expansion in government service.

The stability of the ratio of public personnel to total population persisted through to 1931 in Canada but rose again in the next decade which spans the depression years. The American trend was different in that government employment expanded more rapidly than population between 1920 and 1930 as well as during the depression.

Finally, the lasting impact on government personnel of World War II is apparent in the very large increases in both countries indicated by the 1950-51 censuses. This stands in sharp contrast to the temporary effects of World War I, noticed earlier.

A study of employment on the basis of decennial figures does, of course, ignore intercensal fluctuations. Furthermore, the figures for the census years themselves may represent exceptional situations—as was the case in Canada in the depression year 1931 and the war year 1941.

In view of this, it is desirable to make a more detailed study of government employment and it is fortunate that annual figures of Canadian federal civil service employment are available since 1925. While they do not correspond with federal government employment as defined in census tabulations, since they exclude certain groups of temporary employees and include some employees engaged in services that are not of an exclusively governmental character, nevertheless, they do provide a fairly reliable picture of year-to-year movements in federal service.

The Depression

Table 68 shows that federal and provincial government employment rose only moderately between 1921 and 1931 and then jumped 57% in the

next decade. However, it is apparent from Table 71 that these combined figures obscure a number of important fluctuations in federal government employment.

Table 71

FEDERAL CIVIL SERVICE EMPLOYMENT
SELECTED YEARS 1925-1955

1925.....	38,946	1941.....	66,926
1927.....	39,592	1943.....	104,055
1929.....	42,790	1946.....	120,557
1931.....	45,581	1947.....	125,337
1934.....	40,469	1949.....	123,924
1936.....	41,132	1951.....	124,580
1939.....	46,106	1955(a).....	138,335

(a) Figures for 1955 are not completely comparable with the previous years due to some changes in the earlier classification, which had tended to overstate federal employment levels, and to other statistical improvements.

Note: Figures are for employment during March of each year. Excluded are workers in government enterprises, casual workers, members of the R.C.M.P. and persons on active service in the armed forces.

Sources: Dominion Bureau of Statistics, *Federal Civil Service Employment and Payrolls, 1952* (Ottawa, 1952).

D.B.S., *Federal Government Employment and Payrolls, March, 1955* (Ottawa, 1955).

D.B.S., *Explanatory Memorandum re: Government of Canada—Employment and Payroll Statistics*, (Ottawa, 1953).

Table 72

SELECTED QUARTERLY AVERAGES OF RELIEF RECIPIENTS

(thousands of persons)

	Direct Relief		Other Relief Including Public Works		Total Relief	
	First Quarter	Third Quarter	First Quarter	Third Quarter	First Quarter	Third Quarter
1932.....	—	741	—	22	—	763
1933.....	1,440	993	70	81	1,510	1,074
1934.....	1,333	964	143	105	1,476	1,069
1935.....	1,304	1,037	116	61	1,420	1,098
1936.....	1,368	983	78	52	1,446	1,035
1937.....	1,198	754	81	42	1,279	796
1938.....	1,035	716	96	47	1,131	763
1939.....	1,008	716	103	74	1,111	790
1940.....	747	362	51	45	798	407
1941.....	326	—	44	—	370	—

Source: Department of Labour, *The Unemployment and Agricultural Assistance Act, 1940* (Ottawa, 1941), Appendix D.

Such employment rose steadily between 1925 and 1931 and then dropped sharply in the next three years. Following a low of 40,469 in 1934 there was a period of consistent but generally slow expansion through to March 1939 when the figures exceeded the 1931 level for the first time.

The inability to separate federal and provincial government employees in the years 1921 and 1931 and the lack of annual provincial figures com-

parable to those of the federal civil service enables only very general conclusions to be drawn about provincial government employment.

In the absence of any evidence to the contrary and with the support of some general statements from a number of sources, including H. Carl Goldenberg's "Municipal Finance in Canada",¹ it appears likely that provincial government employment followed broadly the same pattern as federal government employment during this period; rising in the decade before the depression, dropping during the depression itself and then firming in the late 1930's.

As indicated in Table 68, employment by municipal and local governments was relatively stable between 1921 and 1951, rising only 58% compared to a jump of 211% in combined federal and provincial employment. Moreover, the drop in the municipal sector between 1931 and 1941 amounting to some 6,000 employees stands in sharp contrast to the increase of more than 34,000 in the total of federal and provincial employees over the same period. H. Carl Goldenberg² notes that reductions were made, not so much in the services of general administration and in those of police and fire protection, as in such fields as new construction, repairs and maintenance (notably of roads), which could be curtailed more easily.

The above comments on reduced employment at all three levels of government during the years of the depression may seem surprising to those who have come to associate with the period of the depression a vast increase in the role of government and a concurrent jump in public personnel. The explanation to the paradox lies in the exclusive nature of the census figures whereby health, welfare, relief and the whole field of social services—areas in which government activity increased most noticeably during the depression years—are eliminated from this particular study. In Table 72 the number of relief recipients between 1932 and 1941 is tabulated, and while those on direct relief and some of those receiving "other relief" could not possibly be viewed as government employees (irrespective of the limitations imposed by definition in the censuses) the fact that at its peak over one and a half million persons were receiving some form of aid indicates the immense role played by all levels of government in this field. However, the census figures for government employment do not adequately reflect this increase in government responsibilities partly because these welfare and relief programmes were at their peaks between census years.

The War and Postwar Years

As indicated in Table 68, the ten years between 1941 and 1951 saw an immense increase in public employment, with federal government employ-

¹H. Carl Goldenberg, *Municipal Finance in Canada: A Study Prepared for the Royal Commission on Dominion-Provincial Relations* (Ottawa, 1939).

²*Ibid.*, pp. 44 and 47.

ment nearly doubling. Looking at the war and postwar period in somewhat more detail, it appears from Table 71 that the federal civil service (which may be considered fairly characteristic of federal government employment as measured by the census) rose steadily through to 1947, fluctuated at a high level for six years and since then has renewed its upward trend.

Since April 1952 statistics have been published for other classes of federal employees including employees paid at prevailing rates, casuals and ships' crews. In Table 73 the grand total of federal government employment is shown for the last three years and the figures reveal a steady rise in the number of casuals, compared with fluctuations in prevailing rates and ships' crews.

Table 73

FEDERAL GOVERNMENT EMPLOYMENT

Class of Employees	1953	1954	1955
Temporary and permanent.....	126,858	132,526	138,335
Prevailing rates.....	22,189	20,414	24,231
Casuals.....	10,405	11,077	12,570
Ships' crews.....	1,665	2,601	1,962
Total employees.....	161,117	166,618	177,098

Note: Figures are for March of each year. Excluded are workers in government enterprises, members of the R.C.M.P. and persons on active service in the armed forces.

Sources: Dominion Bureau of Statistics, *Federal Government Employment and Payrolls*, March, 1954 (Ottawa, 1954), March 1955 (Ottawa, 1955).

D.B.S., Explanatory Memorandum Re: Government of Canada—Employment and Payroll Statistics (Ottawa, 1953).

D.B.S., Police Statistics, 1953, Table 2, p. 36.

Table 74

DISTRIBUTION OF GOVERNMENT EMPLOYEES BY SEX

		Male (per cent)	Female	Total Employees
Federal and provincial governments.....	1931	79.2	20.8	59,888
	1941	74.5	25.5	94,301
	1951	73.1	26.9	174,128
Municipal and local governments.....	1931	94.0	6.0	47,961
	1941	91.7	8.3	41,971
	1951	89.5	10.5	53,347
All governments.....	1931	85.7	14.3	108,316
	1941	79.6	20.4	137,119
	1951	77.0	23.0	228,333

Note: The two groups "Federal and provincial governments" and "Municipal and local governments" do not add up to the totals given for "All governments" because of the exclusion of "Other government employment", see Table 68.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954), Tables 10 and 11.

Table 75

NEW CAPITAL INVESTMENT FOR SELECTED YEARS SINCE 1926

(millions of dollars)

	1926	1931	1936	1941	1946	1951	1954
Federal government.....	33	60	27	370	40	231	282
Provincial government....	28	68	59	54	101	205	270
Municipal government....	25	31	24	24	83	159	213
All governments.....	86	159	110	448	224	595	765
Per cent of total.....	9.4	18.0	18.6	30.6	13.2	13.0	13.9
Total public and private investments....	917	881	590	1,463	1,703	4,577	5,507

Sources: Department of Trade and Commerce, *Private and Public Investment in Canada 1926-1951* (Ottawa, 1951).

D.T.C., *Private and Public Investment in Canada, Outlook 1953* (Ottawa, 1953) *Outlook 1954* (Ottawa, 1954)

D.T.C., *Private and Public Investment in Canada, Outlook 1955 Mid-Year Review* (Ottawa, 1955).

At the end of hostilities many of the war-time sections were disbanded, but others were continued on a permanent basis.

It is striking that in the postwar period the major expansionary influence has been civilian employment in the Department of National Defence. From a low of 13,808 permanent and temporary employees in 1948 the department expanded to 32,688 in 1955. If employees termed as casual or prevailing rates are also included the 1955 figures are further swelled to 53,909 or 30% of total federal civil service employment in that year. The other department that has experienced fairly steady postwar expansion has been the Post Office.

Provincial government employment, as indicated in the censuses, rose over 60% in the period between 1941 and 1951. Mr. Taylor Cole¹ points out that whereas the federal services received most of the impetus of wartime expansion, provincial government employment experienced its most rapid increase in the immediate postwar years.

Provincial figures are even less reliable than those for other levels of government. Mr. Cole examines the two census totals that are available for 1941 and 1951 and, finding the coverage inadequate, makes his own estimate of provincial government employment. The year he has selected is 1946 and his estimates exclude employees of all provincial commercial enterprises, public school teachers, provincial university staff and casual employees. The total figure he arrives at is 40,981 full-time provincial government employees. He also calculates that the number of casual employees was between 8,000 and 12,000.

¹Taylor Cole, *The Canadian Bureaucracy—A Study of Canadian Civil Servants and Other Public Employees, 1939-1947*. (Durham, N.C., 1949), pp. 177 and 178.

If Mr. Cole's figures are accurate they show how the census figures understate provincial government employment and they point up the dangers of making generalizations on the basis of such statistics.

Municipal and local government employment, which had fallen between the 1931 and 1941 census years, rose again over the next decade but at a more modest rate than employment in either the federal or the provincial fields. Contributing to this rise was a jump in urban population of more than 25% compared with an increase of under 11% in rural population in the same period.

The importance of part-time employment in the municipal sector is stressed by K. Grant Crawford¹ who writes that "in total number, considering all the smaller and rural municipalities, the part-time officials probably exceed those on a full-time basis". In so far as employment by the municipalities is not the major activity of such persons (who are included elsewhere in the industrial classification), census figures of municipal employment are to this extent low. It is impossible to discover how far this holds, but on the basis of past experience, as the country develops and the municipal functions become more complex, so local governments feel the need for more full-time and fewer part-time employees. Thus, the trend is probably towards an increasing proportion of full-time municipal officials.

Distribution of Government Employees by Sex

From Table 74 it is evident that the proportion of women in government service has risen at each census date from a little over 14% in 1931 to 23% twenty years later. (It will be noted that these percentages differ from those shown in Table 8 because of the exclusion in Table 74 of the active armed forces in *all three* census years).

It is striking how employment of females in the federal and provincial sectors has been relatively much greater than in municipal and local governments. The larger requirements for clerical duties of the senior governments may account for much of the difference. Another factor is that the smaller offices at the local levels do not permit of the same degree of specialization as occurs at other government levels; the clerk-treasurer and the assessor, for instance, are frequently called upon to perform their own clerical work as well as their regular administrative duties.

While there is no breakdown available between federal and provincial figures for 1931, the proportions of male and female employees in these two sectors were approximately the same in 1941 and 1951.

Public Capital Investment

The size of public capital investment in durable physical assets provides another measure of the role of government activity in the economy, and

while it may have only a slight influence on the extent of employment in the government sector itself (since most government projects are under contract to private companies) it can play a major part in determining the levels of employment in the country as a whole.

In Table 5 new capital expenditures by governments are related to those of the various other components of the service group and of the other industrial sectors that account for gross domestic capital investment. The importance of government investment is borne out by the fact that during this period it has been larger than any single item in the service group and that it amounted to the considerable sum of \$765 million in 1954, or nearly 14% of gross domestic capital investment.

In Table 75 the changes that have taken place since 1926 in capital expenditures at the three governmental levels are shown. The selection of census and intercensus years obscures, however, some of the wider fluctuations. Thus new capital investment by government rose substantially after 1926 to a high of \$193 million in 1930, at which time it accounted for 15% of combined public and private investment.

The early years of the depression saw a drop to levels below those in 1926 but the proportion of public investment to total investment (public and private) rose to a high of 24.2% in 1933, indicating an even sharper decline in investment in the private sector. Excluding the war years 1939-45, the 1930 levels were not reached again until 1946, and while capital expenditures have risen immensely since that date the share of total investment by government has not risen significantly and is still below that of 1930.

Within the public sector, investment by municipal governments remained generally stable through to the beginning of the war. By contrast, the capital expenditures of federal and provincial governments fell sharply in the early years of the depression, with investment in the provincial sector eventually recovering the more rapidly. In the postwar period, investment by the federal government has shown the greatest increase. However, one of the most striking changes is the new and important role played by investment in the municipal field.

The whole field of capital investment is examined more carefully in other studies being prepared by the Royal Commission on Canada's Economic Prospects, so it may suffice here to say that predictions of future levels are particularly hard to make since capital expenditures by government are within certain limits controllable. Since the 1930's, public capital expenditures have been regarded in part as an anti-recession measure; although it is true that they have reached their peak in the boom years of the postwar period, this approach is still alive in government circles as indicated in Mr. Harris' April 1955 budget speech wherein he stated "in order to help maintain employment, there has been no curtailment in the planned programme of use-

ful and necessary public works."¹ Thus, should the economy suffer from a severe recession at any future date, government capital investment might well rise far above the levels that would be predicted on the basis of an assumed steady rate of expansion in the economy.

Government Share of National Income

Income originating from the government sector (including military pay) expressed as a proportion of national income, offers yet another yardstick of changes in the role of government in the nation's economy. (Table 76). During the depression years, income from government fell, but not as rapidly as that from other sectors, so that its contribution to national income, which in 1926 was 7.6%, rose to 12.5% in 1931, as shown in Table 2. After dipping slightly during the later 1930's, the proportion rose to a war-time high of 18%, but by 1948 it had dropped back to 1926 levels. Since then, income from government has steadily risen and has expanded its share of national income to close to 11% in 1954.

Predictions of Government Employment in 1980

An extension of the trend of government employment figures between 1911 and 1951 by the method of least squares sets public employment in 1980 at the low figure of 304,000; this would indicate a sharp drop in the proportion of the population employed by government from 1.63% in 1951 to 1.14% assuming an annual population increase from net immigration of 75,000.

Alternatively, it is possible to obtain a trend of the percentage of the population employed by government from the census years 1911-51 and then to apply the percentage obtained for 1980 (1.83%) to the population forecast mentioned above. In this case government employment in 1980 would be 488,000.

In the first of these two sets of estimates, government employment as a percentage of population actually falls by 1980 and in the second it rises only moderately. As a further basis of comparison the assumption may be made that government employment as a percentage of population will increase between 1951 and 1980 at the same rate as between 1931 and 1951, these being the years for which the available figures are most reliable. This would result in an increase in the proportion from 1.63% in 1951 to 2.49% in 1980, which, though large, would still leave the Canadian ratio below the percentage that actually prevailed in the United States in 1950 (See Table 70). Again, using the population estimate based on net immigration of 75,000, government employment would rise to 665,000 in 1980. Based on other population estimates shown, employment would range from a low of 642,000 to a high of 685,000.

¹Canada, *House of Commons Debates*, Official Report, Tuesday, April 5, 1955 (Ottawa, 1955), Hon. W. E. Harris, Minister of Finance and Receiver General, p. 2734.

Table 76

SHARE OF NATIONAL INCOME ORIGINATING FROM GOVERNMENT

(millions of dollars)

	National Income	Government(a) Sector	Per cent of National Income
1926.....	4,185	320	7.6
1927.....	4,417	340	7.7
1928.....	4,823	358	7.4
1929.....	4,789	384	8.0
1930.....	4,283	412	9.6
1931.....	3,333	417	12.5
1932.....	2,630	400	15.2
1933.....	2,452	370	15.1
1934.....	2,897	387	13.4
1935.....	3,188	388	12.2
1936.....	3,487	392	11.2
1937.....	4,062	409	10.1
1938.....	4,018	433	10.8
1939.....	4,373	460	10.5
1940.....	5,263	641	12.2
1941.....	6,563	860	13.1
1942.....	8,337	1,177	14.1
1943.....	9,043	1,501	16.6
1944.....	9,826	1,681	17.1
1945.....	9,840	1,776	18.0
1946.....	9,821	1,057	10.8
1947.....	10,985	853	7.8
1948.....	12,560	953	7.6
1949.....	13,194	1,088	8.2
1950.....	14,550	1,176	8.1
1951.....	17,138	1,397	8.2
1952.....	18,326	1,644	9.0
1953.....	19,156	1,821	9.5
1954.....	18,774	2,041	10.9

(a) Consists principally of wages, salaries and supplementary labour income (including military pay). Also includes investment income (rent, net interest payments, etc.) which have been remarkably stable during this period rising slowly from \$78 million in 1926 to \$126 million in 1954.

Source: Dominion Bureau of Statistics, *National Accounts Income and Expenditure—1926-1950, 1949-1952, 1951-1954*, (Ottawa), Table 20.

Table 77

PERSONS IN THE ACTIVE ARMED FORCES FOR SELECTED YEARS, CANADA

1925.....	4,210	1947.....	35,366
1930.....	5,137	1948.....	34,759
1939.....	7,945	1949.....	41,676
1940.....	88,725	1950.....	47,185
1941.....	246,572	1951.....	68,427
1942.....	426,105	1952.....	95,394
1943.....	640,592	1953.....	104,237
1944.....	709,666	1954.....	112,529
1945.....	672,632		
1946.....	197,511		

Sources: Department of National Defence, *Report for the Fiscal Year Ending March 31, 1949* (Ottawa, 1949) Table 3.

D.N.D., *Report for the Fiscal Year, 1953-1954* (Ottawa, 1955), Appendix 6, p. 73.

Armed Forces

As a qualification to this study, it must be remembered that the armed forces have been excluded wherever possible from federal government employment figures. They deserve, however, some separate comment and in Table 77 their size is shown for selected years since 1925. It is particularly noticeable that since the war, following a low of under 35,000 in 1948, the active armed forces have steadily increased. While the Korean emergency certainly contributed to this rise as late as 1952, the continued expansion in subsequent years indicates that, provided the present form of peace persists, world conditions will call for a continued high level of enrolment in the active armed forces.

Consequently, in the predictions of federal government employment through to 1980, although the armed forces have been excluded, it is well to remember that their exclusion is based on definitional grounds and not because of the insignificance of the number involved; the armed forces are likely to remain numerically important for many years to come and they therefore constitute a sizeable area of government activity. As for predicting their actual number in 1980, the most one can say is that they will probably not fall below present levels and that they may very well rise much higher.

CONCLUSIONS

The Place of Service Industries in Economic Thought

Economic thought regarding the service industries has changed materially over the years and is still evolving. The Physiocrats believed that only agriculture yielded a "net product"; all other parts of the economy were considered "sterile" and were unproductive in the sense that they added no extra wealth.

Adam Smith considered manufacturing as productive in addition to agriculture but did not go beyond this point and considered anyone whose "services generally perish in the very instant of their performance" as unproductive and specifically listed churchmen, lawyers, physicians, menial servants and musicians among those whose labour was in this class.¹

Service industries are now generally regarded as productive in every sense of the word but there is still considerable discussion regarding their place in our modern economy. According to Colin Clark, who in turn quotes the 17th century writer Sir William Petty, economic progress is marked by movement of labour force from agriculture to manufacturing and from manufacturing to commerce.

Woytinsky and Woytinsky have made an examination of labour force statistics in many countries leading to the conclusion that labour force employed by service industries is "necessarily low in primarily agricultural areas and increases as one moves to urbanized and industrialized nations and regions."² But Clark's theory that there is a general pattern of labour movement from agriculture to manufacturing and from manufacturing to the service industries is not confirmed by the international and interregional comparisons made by Woytinsky and Woytinsky.

Labour may very well move from agriculture into either manufacturing or the service industries, depending on the basic structure of the economy and on the relative opportunities available.

¹Adam Smith, *The Wealth of Nations*, Vol. 1 (London, 1904), p. 314.

²Woytinsky, *op. cit.*, p. 426.

Comparative Canadian and U.S. Development

In the introduction the development of the service industries was sketched over a long period of time and the increasing percentage of persons finding occupations within the service industries was clearly shown. It was also shown that a similar expansion has taken place in the U.S.A. and that the swing to the service industries there has made them even more important than in Canada. But the United States has in many ways an essentially different economic structure than Canada and it is not to be taken for granted that Canadian developments will continue to follow those in the U.S.A. While some of the percentage relationships indicate that the Canadian economy may be 20 years behind the U.S.A. (i.e. service industries encompassed by this study accounted for 35.4% of the labour force in the U.S.A. in 1930 compared with 36.6% in Canada in 1951) it does not necessarily follow that this relationship will hold for the future.

Why Does Labour Move into the Service Industries?

If it could be shown that the increasing proportion of labour finding occupation in the service industries was accompanied by higher than average wages in the service industries there would be an inclination to look no further for an answer to the question posed above. In fact, however, quite the opposite is true as shown by average weekly wages and salaries in 1954 listed below:

Forestry	\$59.85	Public utilities	\$67.76
Mining	70.48	Trade	50.60
Manufacturing	60.94	Finance, insurance	
Construction	61.04	and real estate	53.78
Transportation	62.62	Service ^(a)	38.77

(a) Mainly hotels, restaurants, laundries, dry cleaning plants and business and recreational service.
Source: Dominion Bureau of Statistics, *Annual Review of Employment and Payrolls, 1954* (Ottawa, 1955).

One reason average weekly income may be lower in service industries is the fact that women comprise a large percentage of all employees in the service industries. It is true, of course, that some occupations in manufacturing industries pay lower wages than some service industry occupations, and it would be quite possible for an individual to move from one to the other for no other reasons than to achieve a higher income. On the whole, however, in view of the low average wages in service industries we must look elsewhere for reasons to explain the movement of individuals into the service industries.

Among the reasons that attract people into the service industries the desire to have independent business probably ranks high. There were over 150,000 working proprietors in the retail trades in 1951, 12,000 in whole-

saling and nearly 60,000 in the miscellaneous service industries. There are many successful owner-operated businesses from which entrepreneurs receive a very good return. The service sector also includes industries with very high rates of failure and turnover and a large number of marginal concerns. But it is the chance of making a satisfactory and successful living "on their own" that continues to attract many newcomers to the field.

For another very large group job security and pension benefits may be a prime attraction. This applies especially to government service, banking institutions and the insurance companies. The desire for prestige may influence some to enter the professions and other groups; but on the other hand it is probably an important factor in influencing domestic servants to switch to other occupations.

Still another factor is the relatively low level of skill, dexterity and experience required to become, say, a retail store employee. This factor is no doubt one reason for the relatively large percentage of women in the service industries (40% in comparison with 11% for all other industries combined). Included in the women employees are many new entrants to the labour force who plan initially to stay in the labour force a relatively short time and who do not attempt to acquire the education and skill for more remunerative jobs. After marriage many of these continue to work on a part-time or a full-time basis, but they are more concerned with short hours of employment and with congenial employment than in seeking out higher paid positions. It should be noted that while the labour force as a whole was 38% of the population in both 1931 and 1951 a larger percentage of women are now entering the labour force than formerly and this tendency has offset such influences as later school leaving and earlier retirement.

In summary, while it is probable that there is a high rate of turnover in many groups of employees within the service industries, in the main it seems possible to obtain the necessary employees, even with relatively low average wages.

The Influence of Increasing Productivity

Few would deny that in recent decades there has been a revolution in productive techniques, especially in agriculture and in some branches of manufacturing. The service industries have participated in this revolution but to a far lesser extent than other sectors of the economy.

A recent U.S. study of distribution arrived at the conclusion that "despite uncertainties in measuring output in trade, we may say that output per man-hour rose by almost one-fifth between 1929 and 1949; in agriculture, mining, and manufacturing combined, it rose by two-thirds."¹

¹Harold Barger, *op. cit.*, p. IX

While it has been necessary in this study to separate the various sectors of the service industries from manufacturing and transportation, they are all really closely connected and the division between production and distribution is becoming less marked. The enormous strides made by manufacturers in processing foods is perhaps the most obvious example of this. Not so many years ago a host of processes, now completed by the manufacturer, were done in the home. In addition the packaging of food by the manufacturer has reduced the work of the retailer and also of the wholesaler. It has been one factor in enabling the housewife to get along without domestic servants.

In the coming years manufacturers are likely to intrude still further into the service industries field, both to absorb some of the actual functions of the wholesalers, and perhaps retailers too, and also to continue the process of placing things in the consumer's hands in the most convenient form possible.

The most potent influence likely to affect the next 25 years is the increasing introduction of automation into manufacturing and to a lesser extent into service industries. One of the factors responsible for the steadily increasing general rate of productivity in recent years has been the enormous increase in research expenditures both by industry and by government. Partly as a result of the work of large research organizations the process of invention and innovation continues year by year, but the addition of what is called automation may accelerate this influence.

In the service industries, automation will likely have its strongest effects in the area of finance, insurance and real estate and partly for this reason a relatively small increase in employment is predicted for this area of the economy. There will be an increased volume of goods to be moved by wholesale and retail trade as the standard of living continues to rise in Canada. Automation will be an important factor in this rise, but automation is difficult to apply to personal service industries, such as many of those in this category, and we therefore do not expect a significant increase in productivity. The fact that productivity gains in these industries will be less than in the other sections of the economy means in effect that they will provide a livelihood for a larger percentage of labour force.

It should be noted that the advances in productivity by other sectors of the economy have been accompanied by relatively large expenditures for research and development. Many sections of the service industries are fragmented and there is no one concern that could logically be expected to carry out expensive research into new methods.

While there is no intention of recommending any specific line of action to improve conditions in the service industries in this study, consideration might well be given to some or all of the following lines of approach:—

Concerted efforts should continue to be made to obtain more adequate economic information about the service industries on an annual basis.

A research and development centre might well be set up either in every province or in every region or in connection with trade associations or universities to provide additional assistance to those entering the field as independent proprietors or to give expert assistance to those in the field. Such a centre would have available various aids to small business people not only in matters of merchandising but in accounting, advertising, taxation and other factors of interest to management.

This centre or centres once set up would, if adequately financed, be able to conduct research on behalf of different sections of the service industries to assist them in increasing productivity and to improve methods of operation generally.

Forecast of Future Labour Force in the Service Industries

In previous chapters various forecasts have been made on the basis of the past history and structure of individual service industries, and on the basis of general forecasts of population and G.N.P. In the light of the changes which have taken place, especially in the postwar period, not only in the structure of our economy but in public taste, it is extremely difficult to decide on a valid past period on which to base predictions.

Furthermore, while we have taken 1980 as the target year it should be made clear that our forecasts really apply to a typical year in the neighbourhood of 1980.

The conclusions arrived at chapter by chapter are summarized in Table 78 and indicate that about 47% of the population will be engaged in the service industries in 1980 compared with 36.5% in 1951. According to the individual tabulations the highest rates of increase should take place in retail trade and in government service.

To tie in this forecast with past changes as shown in Table 1 and Chart 1 a forecast of labour force in transportation and public utilities must be added to the service industries outlined in this study. An estimate of 8% of future labour force for these would bring employment in the whole tertiary sector to about 55% of the total labour force. Agricultural industries, including forestry and fishing, are expected to account for only about 10% of total labour force in 1980, leaving 35% for productive industries. The resulting division between the three major sectors is set out in Chart 5, and the accompanying table, together with similar data back to 1881.

LABOUR FORCE IN CANADA

(thousands of persons)

Table 78

	1931	1941	1951	1980 Median Forecast
Wholesale	61	100	195	435
Per cent of labour force	1.6	2.2	3.7	4.4
Retail	376	420	595	1,610
Per cent of labour force	9.6	9.3	11.3	16.1
Total trade	437	520	790	2,045
Per cent of labour force	11.2	11.5	15.0	20.5
Finance, insurance and real estate	92	90	143	350
Per cent of labour force	2.4	2.0	2.7	3.5
Community and business	248	276	431	1,000
Per cent of labour force	6.3	6.1	8.2	10.0
Recreation	18	18	29	50
Per cent of labour force	0.5	0.4	0.5	0.5
Personal (ex. restaurants)	273	311	233	430
Per cent of labour force	7.0	7.0	4.4	4.3
Government (ex. armed forces)	108	137	233	665
Per cent of labour force	2.8	3.0	4.4	6.6
Armed forces	6	315	71	135
Per cent of labour force	0.1	7.0	1.3	1.4
Total service	1,182	1,667	1,931	4,675
Per cent of labour force	30.2	37.0	36.5	46.8
Other industries	2,739	2,844	3,355	5,325
Per cent of labour force	69.8	63.0	63.5	53.2
Total labour force	3,922	4,511	5,286	10,000
Per cent of labour force	100.0	100.0	100.0	100.0
Population not in labour force	6,440	6,979	8,698	16,700
Total population	10,363	11,490	13,984	26,700

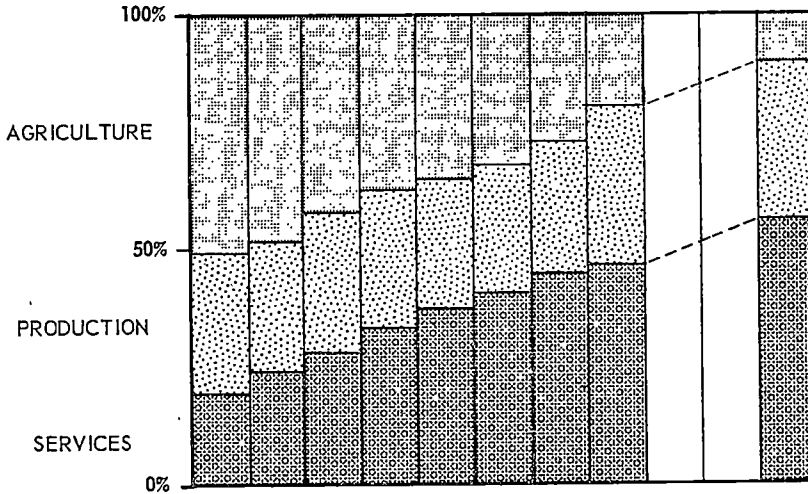
Note: Not including Yukon and Northwest Territories. Newfoundland has been included and this accounts for totals for 1951 differing from Table 1. In comparing this table with Tables 8 and 9, it should be noted that the armed forces have not been included in the latter tables for 1941. Furthermore, labour force in restaurants has been removed from personal services and added to retail trade in the above, while armed forces have been shown separately.

Future Capital Investment

Capital investment initiated by the service industries including the government sector is an important percentage of total gross domestic capital investment. The largest single factor is the government, with institutional services and retail trade next in order of importance.

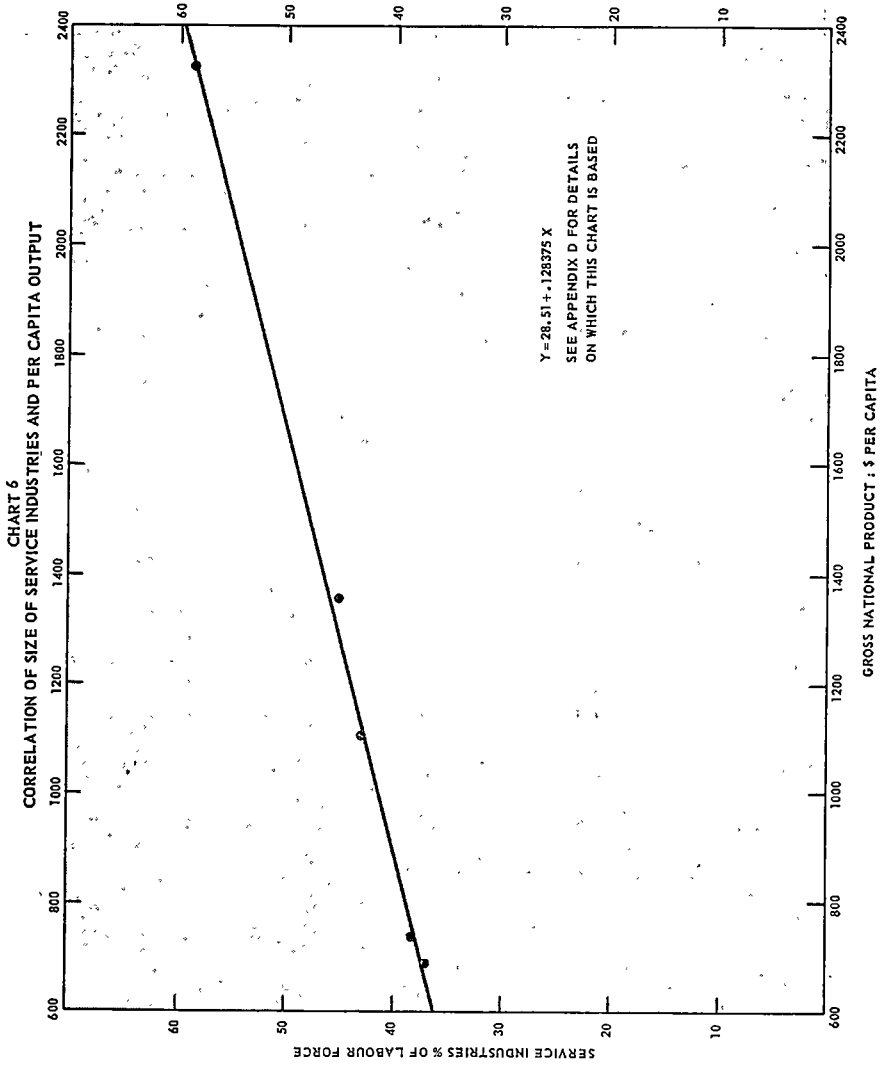
Government capital investment is influenced by somewhat different considerations from the rest of the service industries and its future size is very difficult to predict. It may well be expected that government expenditures will be used unhesitatingly to stimulate the economy in time of recession, and perhaps to some extent be held down in years of peak activity.

CHART 5
CANADA - PERCENTAGE DISTRIBUTION OF LABOUR FORCE
1881 - 1980



	1881	1891	1901	1911	1921	1931	1941	1951			1980
AGRICULTURE	51	48	42	37	35	32	27	19			10
PRODUCTION	30	28	30	30	28	28	29	35			35
SERVICES	19	24	28	33	37	40	44	46			55

NOTE: Data for 1881 - 1951 based on Table 1. It has been assumed that the "not specified" in that table has the same industrial composition as the identified portion of the labour force.



The requirements of institutional services are the subject of separate inquiry in another study and comment is omitted from this summary.

Finally, it has been noted that capital investment by retail trade has been particularly high in postwar years partly because of the construction of supermarkets and shopping centres. Expansion on the scale indicated by the forecast of the labour force in retail trade will likely involve continued large capital expenditure in most years.

Influence of Rising per Capita Income

It was indicated in Chapter III that one of the reasons for the increase in relative size of the service industries was the increasing average income of Canadians. As a further check on the assumptions made and conclusions arrived at in this study, the relation between gross national product per capita and the percentage of the labour force in the service industries has been plotted on Chart 6 for the last four census years. A line of trend has been calculated on the basis of these four points and has been projected on the chart. This line passes somewhat above the projected percentage for 1980 (55) with the actual calculation being 58.20. (See Appendix D for technical data on which this chart is based.)

The difference of 3% indicated for 1980 compares with a difference of one-half of 1% between the line of trend and the actual percentage in 1951. While 3% is a relatively large percentage to differ and may indicate either that the formula is invalid or that the projections of G.N.P. and percentage of population in the service industries are at variance with each other, the relationship is included here as a matter of interest. It is felt that the line of trend and the projected percentage in 1980 are close enough to confirm the idea that if Canada continues to develop along the line of past patterns, as the country grows wealthier on a per capita basis the proportion of the labour force finding employment in the service industries will increase and the approximate rate of increase can be calculated from the slope of the line on Chart 6.

Summary

In the introductory chapters, the steady increase in the size of the service industries over a long period of time was shown. It is predicted that this increase will continue, based on many factors, not the least important of which is the increasing prosperity of the average Canadian in future years.

But the increase will be spread unevenly over different sections of the service industries, with some industries gaining in relative importance and others falling back. The increases in productivity which have played so dramatic a part in the progress of manufacturing have been and are likely

to be much less important in service industries generally, although past improvements have been noted and further increases predicted for some sectors.

In 1881 about 20 in every 100 persons in the labour force found employment in service industries, including transportation and public utilities. By 1980 it is predicted that 55 persons in every 100 will be occupied in the service industries, assuming a continued increase in the real income of Canadians.

LIST OF SERVICE INDUSTRIES¹

TRADE

Wholesale Trade

Food

- 701 Dairy and poultry products
- 703 Fresh fruits and vegetables
- 705 Groceries
- 706 Meat and fish

Other Merchandise

- 710 Apparel and dry goods
- 712 Drugs and toilet preparations
- 713 Electrical machinery, equipment and supplies
- 714 Farm machinery and equipment
- 715 Farm products, n.e.c.
- 716 Fuel
- 717 Furniture and housefurnishings
- 718 Gasoline, lubricating oils and greases
- 720 Hardware, plumbing and heating equipment
- 721 Lumber and building materials
- 722 Machinery, equipment and supplies, n.e.c.
- 723 Motor vehicles and accessories
- 724 Optical and ophthalmic goods
- 725 Paper products and office supplies
- 726 Scrap, junk and waste
- 727 Tobacco and confectionery
- 729 Wholesale trade, n.e.c.

Retail Trade

Food

- 731 Bread and pastry
- 732 Candy and confectionery
- 733 Dairy products
- 735 Fresh fruits and vegetables
- 736 Groceries
- 737 Groceries and meats
- 738 Meats
- 739 Other foods

¹D.B.S. *Standard Industrial Classification Manual* (Ottawa, 1948), pp. 13 and 14.

General Merchandise

- 742 Department stores
- 747 Variety stores
- 749 Other general merchandise stores

Automotive Products

- 754 Automobile accessories, tires and batteries
- 758 Gasoline, lubricating oils and greases
- 759 Motor vehicles

Apparel and Footwear

- 763 Footwear
- 765 Men's clothing
- 767 Women's and children's clothing
- 769 Clothing and dry goods, n.e.c.

Hardware and Building Material

- 773 Hardware
- 775 Lumber, building materials and supplies

Furniture, Housefurnishings and Radios

- 778 Furniture and housefurnishings

Other Merchandise

- 781 Books, news and stationery
- 784 Drugs and drug sundries
- 786 Farm feeds, seeds and fertilizers
- 787 Farm implements and equipment
- 789 Flowers
- 792 Fuel and ice
- 793 Jewellery
- 795 Liquor, wine and beer
- 796 Optical goods
- 797 Tobacco, cigars and cigarettes
- 799 Miscellaneous retail trade

FINANCE, INSURANCE AND REAL ESTATE

- 802 Banking
- 804 Investment and loan
- 806 Life insurance
- 808 Non-life insurance
- 809 Real estate

SERVICE

Community or Public Service

- 901 Education
- 903 Health
- 904 Religion
- 906 Welfare institutions
- 909 Community or public service, n.e.c.

Government Service

Dominion Government

- 911 Defence services
- 914 Dominion post office
- 916 Other Dominion Government

Other Government

- 917 Municipal and other local government
- 918 Provincial government
- 919 Other government service, n.e.c.

Recreation Service

- 922 Theatres and theatrical services
- 924 Other recreation service

Business Service

- 932 Accountancy
- 934 Advertising
- 936 Engineering and scientific services
- 937 Labour organizations and trade associations
- 938 Law
- 939 Other business service

Personal Service

- 941 Barbering and hairdressing
- 942 Domestic service
- 943 Dyeing, cleaning and pressing
- 944 Photography
- 945 Hotels and lodging houses
- 946 Laundries
- 947 Restaurants, cafes and taverns
- 948 Undertaking
- 949 Other personal service

THE LABOUR FORCE CONCEPT VERSUS THE GAINFULLY EMPLOYED CONCEPT

LABOUR FORCE. (1951) The labour force, as defined in the 1951 Census, includes all persons 14 years of age and over, who, during the week ending June 2, 1951:

(a) Worked for pay or profit or did unpaid work that contributed to the running of a farm or business operated by a member of the household. This includes persons who did some work for pay or profit, even though their principal activity was keeping house, student, etc.

(b) Had jobs but did not work because of illness, bad weather, vacation, industrial dispute, or temporary layoff with definite instructions to return to work within 30 days of the time of being laid off.

(c) Were without jobs and were seeking work during the week. This category includes those who would have looked for work except that they were temporarily ill, were on indefinite or prolonged layoff, or believed that no suitable work was available in their community, as well as persons seeking their first job.

GAINFULLY OCCUPIED. (1901-41) Prior to the 1951 Census, persons 14 years of age and over, regularly engaged in a gainful occupation, were classified as gainfully occupied whether or not they were working or seeking work on the census date. A gainful occupation was defined as one by which "the person who pursues it earns money or in which he assists in the production of marketable goods". Persons in this category were simply asked to report their occupation and industry. Thus, those who were unemployed at the census date reported the occupation in which they were last employed, while persons customarily following more than one occupation reported the occupation at which they were employed most of the time during the census year or from which they received the greater part of their earnings.

On the other hand, women doing housework in their own homes without payment, were not classified as gainfully occupied. However, if usually employed in some remunerative job, they were classified as gainfully occupied. Students working part-time as newsboys, messengers, etc. were enumerated as "students", and excluded from the gainfully occupied.

All other persons, 14 years of age and over, not reporting a gainful occupation or enumerated as homemaker, student, or retired were reported as "None". Persons, 14 to 24 years of age, seeking their first job, were reported as "None (yes)".

Differences Resulting from the Change of Concept

The chief difference between the two concepts is that the labour force approach measures employment characteristics at a particular brief period of time, whereas the gainfully occupied definition is more concerned with a person's usual activity.

The differences resulting from this change of concept affect the classification of persons in the following categories:

(a) Persons whose principal activity was keeping house, going to school, retired or "none" (no occupation) during the census week and who, in addition, did some work for pay or profit during that week, were included in the labour force in 1951 but excluded from the gainfully occupied in earlier censuses.

(b) Persons voluntarily idle during the week ending June 2, 1951 were not included in the labour force in 1951 but were included in the gainfully occupied in past censuses if usually engaged in a gainful occupation, even if not working or looking for work during the census week.

(c) Persons seeking their first job, were included in the labour force in the 1951 Census but not in the gainfully occupied in past censuses. Therefore, for closer comparison with previous censuses, persons seeking their first job have been excluded from the 1951 labour force figures in this report. They are shown by age for Canada and the provinces in Table 3, Volume IV, 1951 Census.

It is difficult to measure the effects of this change of concept on all the occupation and industry classes, although for those included in this report the gainfully occupied population is reasonably comparable to the experienced labour force. The difference in concept chiefly affects the comparability of the economically active female population, since in 1951, a considerable number of women, principally engaged in keeping house, were also employed for pay on a part-time basis. For some occupation and industry classes, however, mainly those including a relatively large number of seasonal workers, the gainfully occupied concept brings into the economically active population persons excluded by the labour force concept.

Source: Dominion Bureau of Statistics, *Occupation and Industry Trends in Canada*, Pub. No. SP-8 (Ottawa, 1954).

Appendix C

**TEXT OF LETTER SENT TO WHOLESALING ASSOCIATIONS
AND LIST OF THOSE RESPONDING IN DETAIL**

"We have been asked by the Royal Commission on Canada's Economic Prospects to prepare a study embracing all the Service Industries in Canada. This broad category includes all the wholesale concerns and we are writing to ask your assistance in preparing the section dealing with these.

"The Commission would be most interested in the view of the trade regarding their future and we would appreciate any comments you care to make about the future development of the wholesale industry.

"While we would not wish to restrict you in any way, the following points occur to us as ones to which answers might be of interest:—

- (1) 'Is wholesaling in your line failing to grow relatively because of the loss of business by small retailers to chain and department stores?
- (2) Is it more or less costly to handle a given quantity of goods as a percentage of dollar sales now than a few years ago? If relative costs have changed, do you think they have now stabilized?
- (3) Are methods of operation changing? If so, how, and where is the trend leading?

"We would appreciate it if in your reply you would list briefly the principal types of commodities handled by your members and the area where most sales are made.

"May we emphasize that the foregoing are suggestions only and any information you can provide that would be of assistance in preparing the study would be appreciated."

Useful replies were received to above letter from the following. Question (1) was not asked to those marked with an asterisk.

Marshall L. Cunningham, Western Canada Produce Association,
Vancouver, B.C.

E. A. Saunders, Nova Scotia Wholesale Grocers' Association,
Halifax, N.S.

W. H. Dingle, Alberta Food Brokers' Association,
Calgary, Alta.

David K. White, Lakehead Food Brokers' Association,
Fort William, Ont.

- George S. Stammers, New Brunswick Food Brokers' Association,
Saint John, N.B.
- W. J. Phenix, Ontario Wholesale Tobacco Distributors, Inc.,
Toronto, Ont.
- H. B. McKelvie, British Columbia Tobacco & Candy Jobbers' Association,
Vancouver, B.C.
- J. A. Manseau, L'Association des Distributeurs de
Tabac en Gros de la Province de Quebec,
Montreal, Que.
- R. F. Chisholm, Canadian Wholesale Dry Goods Association,
Toronto, Ont.
- E. Guter, Textile Wholesalers Association,
Montreal, Que.
- *Thos. H. Whellams, Canadian Automotive Wholesalers'
& Manufacturers' Association,
Ottawa, Ont.
- J. A. Bennet, Canadian Automotive Electric Association,
Toronto, Ont.
- *A. A. Thomson, The Manitoba Wholesale Implement Association,
Winnipeg, Man.
- *John F. Bowler, Canadian Institute of Plumbing & Heating,
Montreal, Que.
- Ivan Moffitt, Canadian Paper Trade Association,
Toronto, Ont.
- *M. J. Fitzgibbons, Manitoba Wholesale Lumber Dealers' Association,
Winnipeg, Man.
- *T. Wood, Ontario Plywood Distributors Association,
Toronto, Ont.
- Ronald Edgecombe, Canadian Industrial Diamond Association,
Toronto, Ont.
- Henry R. Bockner, Fur Trade Association of Canada Inc.,
Toronto, Ont.
- C. Atherton, Canadian Toy Importers Association,
Toronto, Ont.
- *D. C. Campbell, Canadian Association of Equipment Distributors,
Ottawa, Ont.

Appendix D

**CORRELATION OF GROSS NATIONAL PRODUCT PER CAPITA
AND SERVICE INDUSTRIES' LABOUR FORCE AS A
PROPORTION OF TOTAL LABOUR FORCE**

	G.N.P. (millions of 1949 dollars)	Population (thousands)	G.N.P. Per Capita	Service Industries' Labour Force (per cent of total labour force)
1921.....	5,949(a)	8,775	678	36.90(b)
1931.....	7,558	10,363	729	37.90(b)
1941.....	12,635	11,490	1,100	43.40(b)
1951.....	18,340	13,623	1,346	45.30(b)
1980.....	61,750(c)	26,700(c)	2,313(c)	58.20(d)

Sources: (a) Private estimate.

(b) See Table 1.

(c) Royal Commission estimates—see Chapter IV.

(d) Calculated from correlation of 1921-1951 figures in the last two columns, on the basis of gross national product per capita of \$2,313.

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The Canadian Labour Congress
- Labour Mobility —
by The Trades and Labor Congress of Canada, now
The Canadian Labour Congress
- Skilled and Professional Manpower in Canada, 1945-1965 —
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of Labour, Canada
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- Industrial Concentration —
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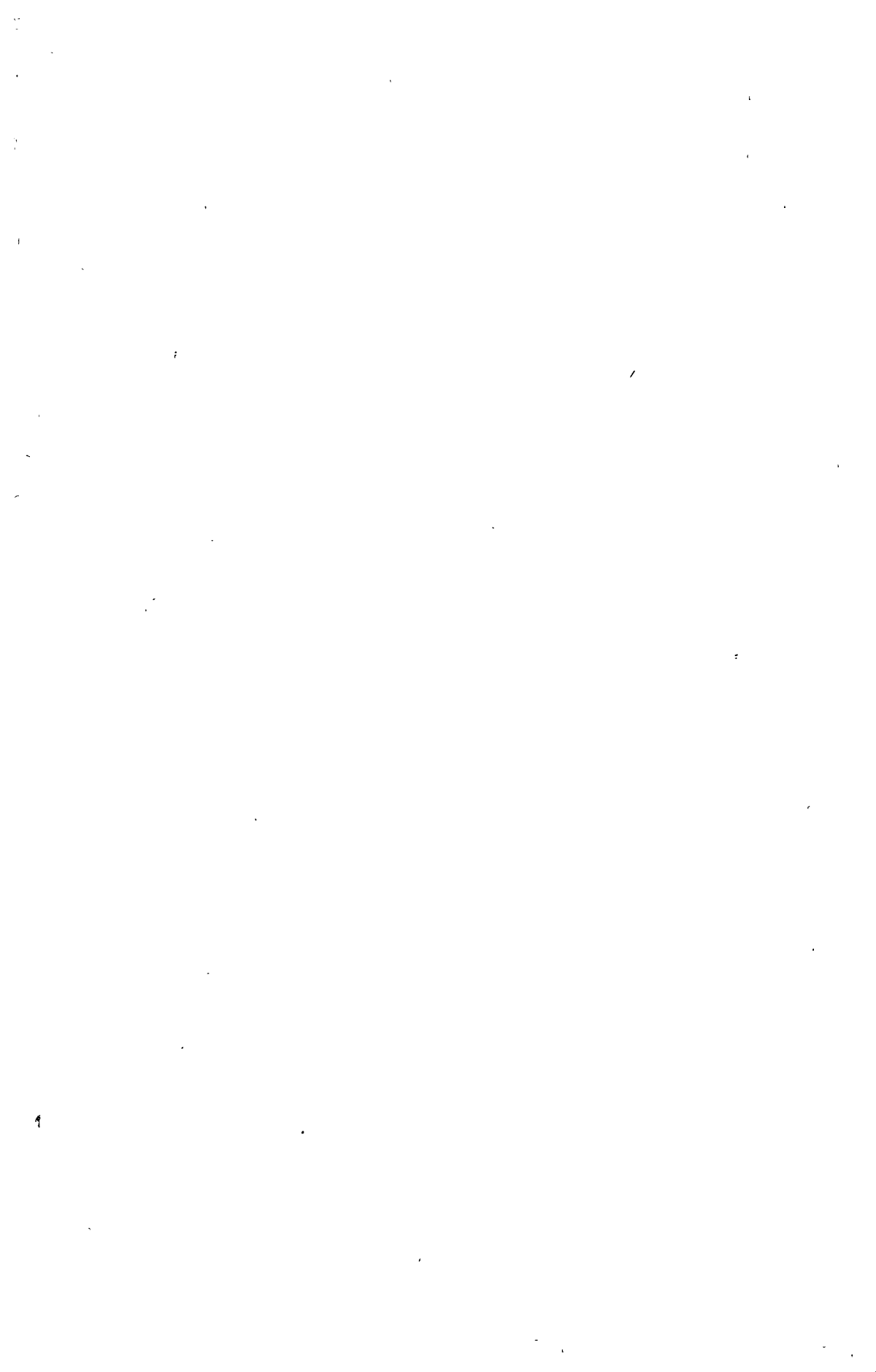
¹This is one of a series of three studies on Canadian international economic relations prepared under the direction of S. S. Reisman.

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