

# Manpower Policy : Nature, Objectives, Perspectives De la politique de la main-d'oeuvre?

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Article abstract

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# Manpower Policy: Nature, Objectives, Perspectives

Noah M. Meltz

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Manpower has come of age. The Federal Government has created a department of Manpower and Immigration, the 1966 Ontario Throne Speech declared an assault on manpower problems and the Economic Council of Canada has continually stressed the importance of educated and skilled manpower.

In this paper I will examine the manpower area in general and then focus on public policy in this field. The paper is organized into four sections, each dealing with a separate question. Section 1 ask: What is manpower? Here the manpower field is placed in an economic framework and then the different types of manpower policies are identified. Section 2. deals with the question: Why the sudden interest in manpower policy? Various developments in the postwar period are identified including the present stress on economic growth. Section 3. asks: What is government manpower policy today? The answer, or rather answers are fitted into the conceptual framework presented at the outset. Finally, Section 4 is concerned with the question: What direction should government policy take in the manpower field?

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This paper was originally presented to a meeting of the University League for Social Reform at the University of Toronto on February 3, 1966. It has been revised subsequently.

## What is Manpower ?

The manpower field is primarily concerned with the supply of labour and the labour market. The term manpower itself is essentially another name for the supply of labour. Since manpower policies are primarily economic policies the notion of manpower or supply of labour has to be seen as a part of the functioning of the economy.

To provide an economic framework for this paper I have included a simplified diagram showing the interrelationships between the major institutions in the economy. (see Figure 1). The reader will appreciate that the diagram is intended for explanatory purposes. It can be compared with the television advertisements which depict the brain as consisting of a rope that is unravelling (at least until the appropriate headache tablet is taken) or the stomach as a pool into which acid is slowly drip, drip, dripping.

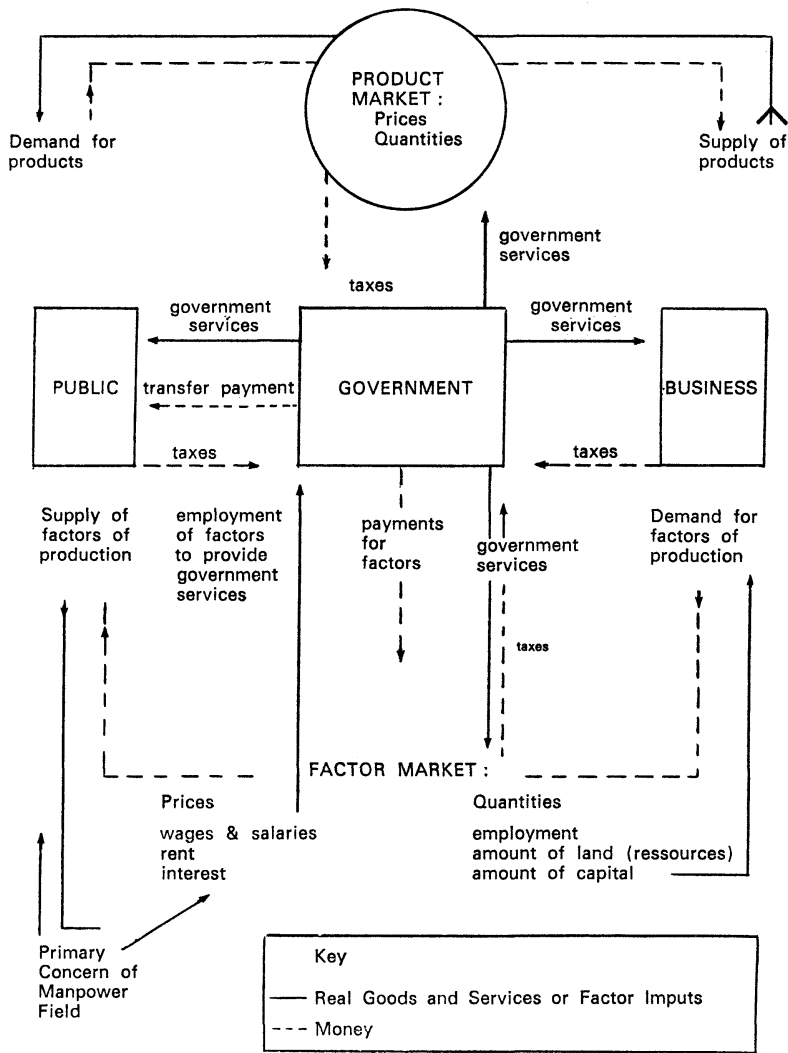
To begin let us look at the public and business sectors, leaving government aside for a moment. The public determines the demand for final goods and services by the amount of money they are prepared to spend on these commodities. The public also provides the supply of factors of production which are identified in traditional economics as: land (physical resources), labour (human resources), capital (buildings, machinery and equipment) and enterprise (organizing or managing ability). The business sector produces and sells the final goods and services which the public wants in exchange for money. In order to produce these commodities businesses hire the factors of production also in exchange for money.

Two types of exchange take place: the exchange of final goods and services which occurs in what economists refer to as the product market; and the exchange of factors of production in the factor market. In both markets the exchange has two dimensions, a price and a quantity. In the labour market, (which is one of the factor markets) the price dimension is measured by wages and salaries, and the quantity dimension by employment in numbers of persons or hours of work.

The primary areas of concern for manpower policy can be seen in the diagram. These are: (1) the supply of labour; and (2) the bringing together of the supply of labour and the demand for labour in the labour market. The diagram also shows that the labour market is an integral

Figure 1

SIMPLIFIED DIAGRAM SHOWING HOW THE MANPOWER FIELD RELATES TO THE GENERAL OPERATION OF THE ECONOMY



part of the economy. The wages and salaries received by labour factors provide the most important source of demand in the product market. At the same time the demand for labour is a « derived demand », that is, it is derived from the demand for final goods and services. Hence the term circular flows is often applied to the operation of the economy.

Where does government fit in ? As the diagram shows, government (federal, provincial and municipal) affects the product and factor markets as well as the public and business as institutions. The government provides such services to the public and business as fire and police protection, administration of justice, maintenance of weights and measures, food and drug laws, etc. In addition to these functions which would be classified as government, there are other areas of operation primarily education and health as well as public utilities. Education and Health services affect the quantity and quality of the supply of labour.

In order to provide these services the government must enter the factor market. In the case of the labour market, the government is a substantial employer of persons in the fields of education, government and health. The funds to hire labour and other factors are obtained primarily from direct taxes on the public and business and indirect taxes in the product market.

The federal government is directly involved in the operation of the labour market. The Department of Manpower and Immigration's Canada Manpower Centres (formerly known as National Employment Service offices), are one means by which labour supply and demand are brought together. In addition to the direct relationships to the product and factor markets, the federal government can affect the overall operation of the economy by means of fiscal and monetary policy.

There are two aspects of labour supply: quantity and quality. In practice, quantity of labour supply is defined as the civilian labour force, the number of persons in the country 14 years of age and over, not living in institutions, who are employed or unemployed and seeking work. <sup>(1)</sup> The

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<sup>(1)</sup> The labour force is measured once a month in Canada by the Dominion Bureau of Statistics. For a discussion of this and other labour market information available in Canada see: Noah M. Meltz, « Labour Market Information and Analysis in Canada », in Arthur Kruger and Noah M. Meltz, *The Canadian Labour Market: Readings in Manpower Economics*, Toronto: Centre for Industrial Relations, University of Toronto, 1968, pp. 221-242.

quantity of labour supply is determined by four factors. (see figure 2) The first is the size of total population, which in turn is determined by (a) the initial size and amount of natural increase (births minus deaths) and (b) the number of immigrants less the number of emigrants. The second factor is the age-sex composition of the population while the third is the attachment to the labour force of males and females in different age groups (which is termed the participation rate). The final factor which affects the total labour supply is the number of hours people work.

The quality of the labour supply refers to the amount and type of education, training, experience and health <sup>(2)</sup> of the labour force. It should be noted that there is a difference between the education and training a person has and the type of work (that is the occupation) he or she is performing. Some jobs require a very specialized type of training such as a medical doctor. However the vast majority of work functions could be learned in a variety of ways. Even the training of medical doctors varies from country to country <sup>(3)</sup>.

In addition to labour supply the manpower field includes the bringing together of the supply and demand for labour through the labour market. The operation of the labour market includes: the finding of jobs by workers and the finding of workers by employers, the movement of persons to find jobs, job counselling, the provision of information on jobs currently available at various rates of pay and information on people looking for work <sup>(4)</sup>. Studies of the labour market not only deal with these functions but also with possible future developments in labour demand and labour supply.

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<sup>(2)</sup> I am indebted to Mrs. Frieda Paltiel of the Canada Department of Health and Welfare for calling my attention to the need to include the health of the labour force as a factor in labour supply.

<sup>(3)</sup> Much less information is available on the quality of the labour supply than on the quantity. The only data obtained regularly refer to the number of years of formal schooling by level of education, that is primary school, secondary school, and university. Until recently this measure was obtained once every ten years from the decennial population census. Now the education level on the labour force is measured once a year. However there is little information on the other types of education, training or experience.

<sup>(4)</sup> The state of the labour market is measured once a month primarily in terms of total employment, employment by industry and average earnings by industry. Unfortunately there is a dearth of current data on employment and earnings by occupations. Some research has been conducted into future population and labour force trends but very little work has been done on possible trends in labour demand. For a reference to information on the labour market see Meltz, *op cit*.

Is there a valid reason for using the fancy term 'manpower' rather than the more traditional references of labour supply and labour market? In early theories of production little attention was given to the education and training required to perform different jobs. For example, in the classic case of division of labour in a pin factory as described by Adam Smith, the seraparte jobs require little in the way of education or training. « One man draws out the wire, another straightens it, a third cuts it . . . Ten persons could make upwards of 48,000 pins in a day whereas if each had made them separately . . . they could not each of them have made twenty, perhaps not one pin in a day <sup>(5)</sup> ».

Today one can't discuss the division of labour without being concerned with the education and training investment in human beings. The labour factor has therefore been altered (improved) and it can be argued that another term should be used instead of labour supply — this is, manpower. My own feeling is that it doesn't matter whether you call it manpower or labour supply as long as the term is used consistently and as long as everyone knows what it refers to.

In summary the manpower area includes the supply of labour, both quantity and quality, as well as the bringing together of demand and supply of labour through the labour market. The various factors affecting manpower are shown in Figure 2.

### **Why the Sudden Interest in Manpower Policy ?**

Six reasons can be given for the sudden interest in manpower policy.

To begin with there was the acceptance in the postwar period of government responsibility to promote full employment and economic growth. This was first stated in 1945 in the Federal Government White Paper on Employment and Income, as follows: « . . . the Government has stated unequivocally its adoption of a high and stable level of employment and income, and thereby higher standards of living as a major aim of Government policy <sup>(6)</sup> ». In establishing the Economic Council of Canada in 1963, the duties as set out in the Act read as follows: « It shall be the duty of the Council to advise and recommend to the Minister how Canada can achieve the highest possible levels of employment and efficient production, in order that the country may enjoy a high and consistent rate

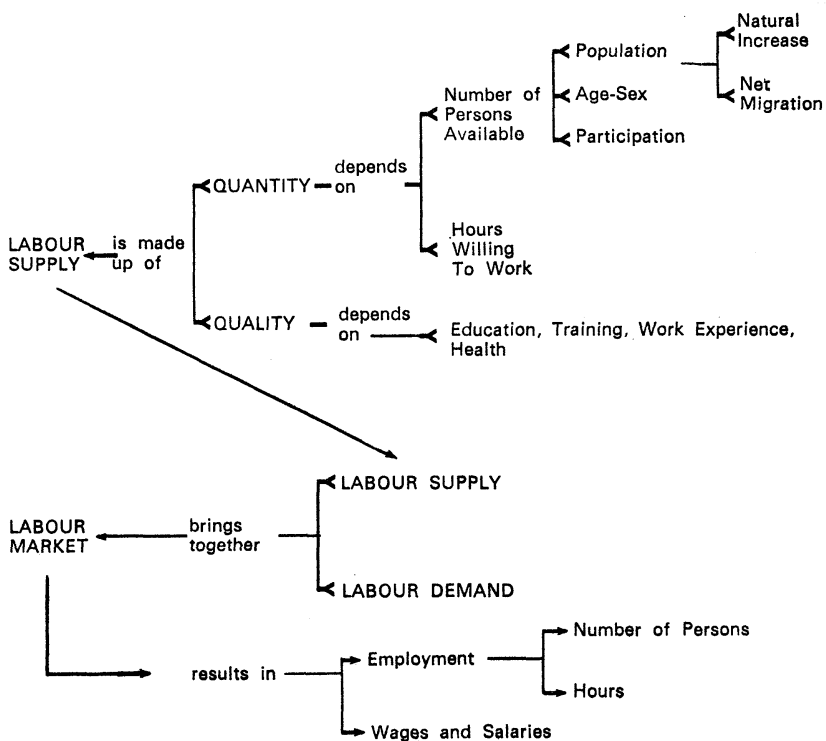
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<sup>(5)</sup> Adam Smith, *Wealth of Nations*, Modern Library Edition, p. 4.

<sup>(6)</sup> S. G. Peitchinis, *The Economics of Labour*, p. 162.

Figure 2

SUMMARY CHART OF AREAS WHICH RELATE DIRECTLY TO THE MANPOWER FIELD





of economic growth and that all Canadians may share in rising living standards . . . »<sup>(7)</sup> This concern with the level of employment meant that Government had to take some interest in the labour supply and the operation of the labour market<sup>(8)</sup>.

Secondly, several changes were taking place in the Canadian economy in the postwar period. These changes included significant shifts in the industrial composition and occupational structure of employment. There was a sharp and continuous decline in employment in agriculture. Employment in manufacturing rose substantially during the war and first post-war decade but the amount of increase was small for most of the second decade. From the mid 1950's on many of the so-called service-producing industries experienced rapid employment growth: trade, health and education, government and personal service (restaurants, hotels, etc.)<sup>(9)</sup>

There were also changes in the occupational structure of employment. During the war and early post-war period demand for labour focused on manual occupations. As the 1950's progressed the demand for persons to perform whitecollar and service occupations increased sharply. Both the shift in industrial composition and employment structure were the result of changes in demand for products, innovations and other technological changes (including automation) affecting the productivity of industries as well as changes in the supplies of different types of labour<sup>(10)</sup>

Other general developments include the shift of population from rural to urban, the increase in female participation in the labour force and the increase in the birthrate, the so-called baby-boom. All of these developments had implications for labour demand and labour supply.

A third reason for interest in the manpower field arose as a result of the slowdown in the economy between 1957 and 1963. Although the previously-mentioned structural changes were occurring throughout the whole postwar period they only came under severe scrutiny when the economy entered a period of prolonged slowdown. The unemployment

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(7) Bill C-72, House of Commons of Canada, 26th Parliament, 1963 « An Act to provide for the establishment of an Economic Council in Canada », pp. 2-3.

(8) During World War II there was also concern with manpower as part of the mobilization of the country for the war effort.

(9) See *Manpower Trends in Canada: A Chartbook*, Economics and Research Branch, Department of Labour Canada, Ottawa: Queen's Printer, 1965.

(10) For an analysis of the factors underlying shifts in occupational structure see: Noah M. Meltz, *Changes in the Occupational Composition of the Canadian Labour Force, 1931-1961*, Ottawa, Queen's Printer, 1965.

rate rose in both the 1949-50 and 1953-54 recessions but unemployment only emerged as a serious problem in 1957-58 and 1960-61 when the annual average unemployment rate rose to 7.0 and 7.1 per cent of the labour force. Analysts observed that the unemployment was concentrated among youths with lower levels of education and older workers with little training.

These observations led to a great debate among economists as to whether the higher levels of unemployment resulted from the slowdown in the economy or whether the increased unemployment and the slowdown were the results of imbalances between the types of labour available and the types demanded by employers. Those persons who held the former explanation were termed members of the « deficient demand » school. Adherents of the latter view were called « structuralists ». The structuralists put the primary emphasis for the solution on manpower policies designed to change (improve) the quality of the labour supply. The deficient demand school advocated employment policies aimed at raising total spending. It should be noted that neither school rejected the other approach completely, instead they merely gave their own remedies first priority.

The debate has largely ceased now that the current expansion has sharply reduced unemployment rates. The Economic Council of Canada attributed the bulk of the excessive unemployment between 1957 and 1963 to deficient aggregate demand. However the unemployment level, which averaged 3.6 per cent in 1966, and 4.1 per cent in 1967 is still above the Economic Council's interim goal of 3 per cent. As a result the role of manpower policies in reducing unemployment is not yet a dead issue.

If high unemployment were the only basis for the interest in manpower then the past 1961 economic upswing and the reduction in unemployment should have ended this interest. However, a fourth reason for concern with manpower is the emphasis being given to economic growth. This has created interest in manpower policies because it is believed that shortages in certain occupations could create bottlenecks which would reduce output, raise costs and ultimately raise prices. The fact that these vacancies have appeared in such occupational categories as managerial, professional and skilled tradesmen means that some action is required with respect to the quality of the labour supply. It is also relevant to the structural-demand debate that these vacancies for highly educated and trained persons have appeared at the same time as there are unemployed persons with low levels of education and training.

A fifth reason why people are concerned with manpower policy is the increased interest in education as well as the rising costs of education.

Part of the interest in education arises from the assertion that education is an important factor in economic growth. Studies in both the United States and Canada have attempted to measure the contribution of education to the economy. The Economic Council of Canada in their second annual review said the following :

....the average real income per person in the male labour force [ in Canada ] is estimated to have been roughly one quarter higher in 1961 than it would have been if the average educational attainment had remained at the 1911 level.

A comparable calculation for the United States suggests that increased educational attainment was a relatively much more important factor accounting for more than two-fifths of the growth of real per capita income of the male labour force of the United States over the same period. <sup>(11)</sup>

What is the relationship between investment in education and manpower ? Investment in education improves the quality of the labour supply. To the extent that increasing the quality of the labour force fills unsatisfied demands for persons with higher levels of education or particular training then total output will be raised, or at least costs will be reduced. However, higher levels of education may affect economic growth through other channels in addition to the manpower effects. A more educated population may tend to innovate as well as generally contribute to productivity improvement. This would promote higher levels of output per capita. On the other hand it should be noted that a longer period of formal education reduces the quantity of the labour supply by keeping young persons in school and therefore out of the labour market.

The increased interest in education has led to an interest in the relationship between different kinds of education and various occupations and an interest in what types of jobs will be available in the future. Both of these are considerations which educational authorities are weighing. These same factors are important for retraining and upgrading programs as well as for guidance work.

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<sup>(11)</sup> Economic Council of Canada, *Second Annual Review*, Ottawa: Queen's Printer, 1965, p. 92.

A final reason for interest in manpower is the expectation that Canada will not be able to recruit from abroad as many professional and skilled persons as was done in the early post-war period. This is because the demands by European and other countries for highly trained persons are likely to rise rapidly. In addition the demands for skilled persons in the United States will also be strong. <sup>(12)</sup>

To sum up there are six major reasons for the sudden interest in manpower policy : (a) The acceptance of Government responsibility to promote full employment ; (b) the changes in the structure of the Canadian economy in the postwar period ; (c) the slowdown in the economy from 1957 to 1963 ; (d) the emphasis on economic growth ; (e) the increased interest in and cost of education ; and (f) the anticipated inability to continue to recruit large numbers of skilled persons from abroad.

### What is Government Manpower Policy Today ?

« Manpower policy, as we are concerned with it in our new federal Department, is based on the services that must be provided to adults if they are to have adequate opportunities for consistent, productive employment in the economic and technological conditions of today and tomorrow; or, to describe the other side of the same coin, we are concerned with the services that must be provided to employers in order to meet their needs for the right kind of manpower, with the necessary skills at the right time and in the right place. To meet these needs adequately and precisely is essential to achieving an economic efficiency that exploits modern conditions of rapid technological change ». <sup>(13)</sup>

So said Manpower Minister Marchand. <sup>(14)</sup>

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<sup>(12)</sup> Economic Council of Canada, *First Annual Review, Economic Goals for Canada to 1970*, Queen's Printer 1964, p. 35. However in their second set of projections the Economic Council increased the estimate of net immigration from 50,000 annually to 70,000. This is the result of a higher anticipated immigration than was expected earlier. See *Fourth Annual Review*, Ottawa: Queen's Printer, 1967. pp. 54-56.

<sup>(13)</sup> Notes for an address by the Honourable Jean Marchand, Minister of Citizenship and Immigration, to the conference of Ministers of Education, at Montreal, September 9, 1966. p. 4.

<sup>(14)</sup> Subsequent to the preparation of this paper Mr. Marchand has relinquished the Manpower portfolio and become Minister of Forestry and Rural Development.

Tom Kent, Deputy Minister of Manpower, <sup>(15)</sup> defined the objectives of manpower policy as follows :

« The purpose of manpower policy is to assist the growth of Canada by helping people to get better jobs and to do better jobs. And the essential way in which government can help them is to be able to offer them good advice.

Advice has become a slightly offensive word. It has been depreciated by generations of fathers giving advice to their sons. The more respectable words nowadays is counselling, which I suppose means the giving of advice based primarily on providing information rather than applying pressure. But whatever word we use this is the essential activity in manpower policy ». <sup>(16)</sup>

These statements put the weight of manpower policy primarily on the provision of labour market information. In this section I want to take a broader view of the policy areas which have manpower considerations. Accordingly I will briefly sketch the policy areas which relate to the various stands of manpower : quantity of labour supply, quality of labour supply and labour market. In addition policies designed to alter labour demand in relation to labour supply will be outlined along with wage and salary considerations.

#### QUANTITY OF LABOUR SUPPLY

Of all the various strands which come under the manpower category, immigration is the oldest. Since Confederation, the objective has been to expand Canada's population and fill up the country. In the 100 years prior to World War Two, we attracted seven and one-quarter million people to Canada. However, the net gain for Canada from the international flow of persons was quite small since during this same period six and three-quarter million persons left Canada, largely to the United States.

Following the Second World War we have been more successful. In excess of two and one-quarter million have entered Canada while approximately three-quarters of a million have left. <sup>(17)</sup> Recently immigra-

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<sup>(15)</sup> After this paper had been prepared Mr. Kent moved from the Manpower Department to become Deputy Minister of the Department of Forestry and Rural Development.

<sup>(16)</sup> « People and Jobs : Canada's New Manpower Programs », notes for an address by Tom Kent, Deputy Minister of Citizenship and Immigration to the Personnel Association of Toronto. March 31, 1966, p. 4.

<sup>(17)</sup> Canada Year Book, 1966, pp. 224 and 234.

H.D. Woods and Sylvia Ostry, *Labour Policy and Labour Economics in Canada*, Macmillan of Canada, Toronto, 1962, p. 297.

tion policy has been altered with the stated emphasis being to provide the skills which are in short supply in Canada. This means that immigration is now considered important for the quality of the labour supply. Up to the present there have been no attempt to discourage emigration. Recently efforts have been made by the Manpower Department to encourage highly trained Canadians in the United States to return to Canada.

Since net migration made such a small contribution to population increase in Canada prior to World War Two, the rapid growth of population was the result of natural increase, that is births minus deaths. In the early postwar period Canada experienced one of the highest birth rates in the world coupled with a low death rate. However recently the Canadian birth rate has been falling. Government health departments have contributed to the reduction in death rates but beyond the so-called « baby bonus » there is no government policy in the area of birth rates. <sup>(18)</sup>

The quantity of labour supply is also affected by the participation rate, that is the proportion of men and women in different age groups who are in the labour force. Participation rates of youth have been reduced through compulsory schooling requirements. In addition, during the prolonged economic slowdown from 1957 to 1963 the federal Department of Labour launched a campaign to encourage young persons beyond the school-leaving age to stay in school.

The number of hours people work per week also affects the total labour supply. The federal government has passed legislation setting minimum wages of \$1.25 per hour for workers under its jurisdiction and a maximum of 40 hours per week. There are also provincial acts governing hours of work.

#### QUALITY OF LABOUR SUPPLY

Education is a provincial responsibility although the federal government has been providing some financial assistance and is likely to increase this at the university level. The federal government has recently assumed the responsibility for the entire field of adult training. In the past, programs in this field such as the Technical and Vocational Training Assistance

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<sup>(18)</sup> It has been suggested that the laws against the sale of birth control devices or the dissemination of birth control information are a subtle form of government manpower policy. This suggestion has not been examined.

Act which provided for retraining of the unemployed, (the On-the-Job Training Programme in Ontario — OJT) and upgrading have been jointly shared with the provinces. Here the federal government generally took the initiative in promoting training, retraining and upgrading. In spite of this the number of vacancies that exist in several fields indicates that either the programs were inadequate or else wage rates in the jobs being offered are relatively unattractive.

In its second annual review the Economic Council of Canada argues that top priority should be given to government spending on education at all levels. This is based on the twin arguments that there is a high rate of return in investment in education and that Canada has not only continued to lag behind the United States in terms of level of education but that the gap has widened. The Council's findings on the education gap have manpower implications because the occupations which have grown most rapidly in the past decade have been precisely the ones which employ persons with the highest levels of education, managerial and professional personnel and skilled tradesmen.

Canada has tended to rely heavily on immigration of what have been termed, « high talent manpower ». If the average cost of training and educating people for various professions and skills is applied to both the inflow and the outflow of persons, it is estimated that on balance Canada is ahead of the game.<sup>(19)</sup>

However, I would argue that while immigration has certainly been an important source of educated and trained manpower, the tendency to look to immigration whenever we encountered any labour market difficulties may not have been the best approach. Only now with the drying up of potential foreign sources of high talent manpower has there been an awareness of the full extent of the underdevelopment of education and training facilities. I would argue that this underdevelopment was aggravated by the tendency to turn to immigration rather than attempting to develop manpower resources here. A few years ago the vice-president of a large electrical products firm told me that every year he took two trips to England to recruit electronics technicians. He added that if the

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<sup>(19)</sup> See: Louis Parai, *Immigration and Emigration of Professional and Skilled Manpower During the Post-War Period*, Special Study No. 1, prepared for the Economic Council of Canada, Ottawa: Queen's Printer, 1965, p. 4.

firm found itself short, then he would make an extra trip. When asked why they didn't attempt to develop the resources here he said why should he bother when he could get them in England. Besides, he liked to travel.

## LABOUR MARKET POLICIES

Since the establishment of the federal Manpower Department early in 1966, the emphasis has been given to improving the flow of information on labour market conditions and job counselling. What were formerly called National Employment Services offices have been renamed Canada Manpower Centres. Information available within Canada Manpower Centres is to be greatly increased. <sup>(20)</sup> Deputy Manpower Minister Tom Kent says : « Whatever our programs, they are only as effective as the counselling that brings them home to people. The test is whether we can advise a man accurately where he can get a job or how he can improve his chances of getting and holding a better job. The point at which this counselling is done is, so to speak, the point of production in the manpower process ». <sup>(21)</sup>

A related function is guidance to youth concerning career decisions. A limited amount of information has been provided by some provincial governments and the old federal Department of Labour. However there is nothing in Canada that comes close to the program of occupational information and guidance in the United States.

In 1965 the federal government introduced the Manpower Mobility Program which was designed to provide « payments of loans or grants to (unemployed) workers who move from one place in Canada to another place in Canada where employment is available ». This particular program has generated some controversy on the grounds that the federal government is encouraging depopulation of certain regions and provinces. In fact, in the first two years of operation, out of five million dollars budgeted for the program, less than one million was spent. The program has since been revised and the loan provisions have been dropped in favour of outright grants.

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<sup>(20)</sup> For an examination of information available within Canada Manpower Centres and recommendations for improvements see: Noah M. Meltz, *Study of Labour Market Information Systems Final Report*, Ottawa: Department of Manpower and Immigration, 1968.

<sup>(21)</sup> See footnote 15.



Innovations and technological changes also cause displacement and need for both retraining and a shift in employment. The Federal Manpower Consultative Service was set up to help firms anticipate future dislocations as a result of technological changes. Not too much use has been made of this service. Until recently, few employers have been interested in their future manpower situation, although for many years they have projected sales and capital investment.

Two programs at the federal level which are outside the Manpower Department have manpower implications. These are the Agricultural Rehabilitation and Development Act (ARDA) and the Area Development Program (ADA).

#### ATTEMPTS TO DIRECT LABOUR DEMAND IN RELATION TO AVAILABLE LABOUR SUPPLY

The Manpower Department (and its predecessor the old Department of Labour) are and were involved in several programs which attempt to direct labour demand in relation to available labour supply. One such group of projects, is concerned with seasonal unemployment. The Winter Works Project, <sup>(22)</sup> the Winter House-building Project (now defunct) and the « Do-it-now » campaign all fall into this category. The program of « Designated Areas » of high unemployment — for which reduced taxation rates were given to firms locating in the area was designed for long term or structural unemployment. There are also special programs for disadvantaged groups, such as the sheltered workshops for the handicapped.

#### MANPOWER IMPLICATIONS OF WAGE RATES

At the outset of the paper I mentioned that along with employment, wages were determined in the labour market. Although wages are often omitted from a discussion of manpower policies, I feel that this dimension should be examined because it certainly has manpower implications.

The establishment of a minimum wage (unless it is so low as to be meaningless) is bound to effect the distribution of manpower among occupations and industries. The results of studies of the impact of the

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<sup>(22)</sup> Since writing this paper the Winter Works Project has also been discontinued.

establishment of minimum wages in the federal jurisdiction and in Ontario should throw some interesting light on this area.

In addition to general policies governments have a specific impact on wages (and employment) in those industries and occupations where they employ a substantial number of people. In the fields of education and health as well as government itself, they primarily determine wage and salary scales. The rates that are set in these areas will have an important impact on the manpower supplies that are likely to be forthcoming.

In summary then, what is government manpower policy today? The answer is that in terms of the framework set out in Section 1 there is not an all-encompassing government manpower policy at the federal or provincial level. Instead we have a series of programs administrated by the provincial and/or federal governments which deal with various components of the manpower field. Furthermore, within each level of government responsibility over different facets of the manpower area is often split among several departments. Such splits have been reduced at the federal level with the creation of the Manpower Department. In the case of the Province of Ontario, the Departments of Education, Labour, Agriculture, as well as Economics and Development all deal with some aspects of the manpower area.

What should be done in the manpower field? This question is taken up in the next section.

### **What Direction Should Government Policy Take in the Manpower Field ?**

The direction that government policy should take in the manpower field depends on the basic objectives of the policy. I think manpower policy should have two objectives :

(a) To promote the general economic goals set by the Economic Council of Canada : full employment ; stable prices ; economic growth ; favourable balance of payments ; and an equitable distribution of income.

(b) To enable each person to obtain the highest earnings he can, taking into consideration both his present education, training and experience, and the net gain of benefits over costs which can be achieved through additional education, training and experience.

The first objective clearly shows that manpower policy is derived from general economic policy. If one accepts the Council's goals then the primary concern of manpower policy must be to assist in achieving these goals.

The second objective looks at manpower policy from the point of the individual. Enabling each person to maximize his income given his potential and his desire for work (versus his desire for leisure) is for the most part consistent with the first set of objectives. This principal is similar to Adam Smith's « unseen hand ».

Having just set these manpower objectives, the next thing to be said is that there can be conflicts among manpower programs in relation to these goals, just as there are conflicts in attempting to achieve the general economic goals. Economists largely accept the dilemma of the « trade-off » between unemployment and inflation. The lower the rate of unemployment, the higher the likely increase in prices. Hence a choice must be made between so much unemployment and so much inflation. It has been suggested that the trade-off dilemma can be reduced through manpower policies which enable unemployment to be lowered with less of a price rise. This is accomplished through programs which increase the supply of those types of labour which have been creating bottlenecks and thereby raising costs and ultimately prices. The recommended manpower programs to increase supply include programs to encourage mobility, training and immigration.

Such proposals pose a choice for manpower authorities since the increase in labour supply is likely to reduce relative wages in particular occupations. In fact this is the very thing these manpower programs are designed to do. Thus manpower authorities are choosing to meet the general economic goals at the expense of higher relative earnings in certain occupations. <sup>(23)</sup>

On what basis do you choose between manpower objectives (a) and (b) ? Some economists have argued that governments should abandon all training and mobility programs. They contend that training programs such

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<sup>(23)</sup> A reduction in relative earnings doesn't necessarily mean a lower level of dollar earnings. More likely it would mean that the dollar earnings in the occupation wouldn't rise as much as they would have in the absence of the manpower programs.

as on-the-job Training Program in Ontario (OJT) are nothing more than outright subsidies to employers which enable them to hire extra persons without raising wages. As a result the labour market is distorted and consequently manpower misallocated. Instead of such programs, these economists contend that the manpower authorities should only provide (improved) labour market information.

While I definitely agree with the need for better job information, I find too sweeping the proposal to simply abandon all attempts to change labour supply. First, even if training programs were cut off, this would only mean a reduction in a relatively small amount of government funds which directly affect labour supply. The massive expenditures on formal education, including the new colleges of Applied Arts and Technology in Ontario, all ultimately affect the quantity and quality of labour supply. To be consistent we should really consider the impact of all government expenditures which affect labour supply. Secondly I think individual training programs should be evaluated in the light of the benefits and costs involved in relation to the two manpower objectives. Public support for a training program in a poorly-paying industry in a time of a tight labour market would likely be rejected on a benefit-cost basis. On the other hand, government support would be justified if the benefits to society as a whole were relatively great, whereas the benefits to individual employers from conducting their own training were limited.

A further argument against government interference with labour supply has been voiced by Professor John Dales. He argues that « . . . government is willing to solve the excess demand problem by promoting immigration whenever the economy can absorb more people at the going wage rate, rather than letting nature take its course — which, he said, would involve an increase in wages and a reduction in the Canadian-U. S. income gap. 'Government's role in the mechanism' he said, 'seems to reflect an interest in a Big Canada — a willingness, up to a certain point, to increase Canada's population, even if that involved a lower standard of living for Canadians than would otherwise be (sic) possible'. » <sup>(24)</sup>

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<sup>(24)</sup> *Globe and Mail*, March 29, 1967. Review by Ronald Anderson of: *The Protective Tariff in Canada's Development*, by J.H. Dales, University of Toronto Press; 1967.

I agree in part with Professor Dales, as I indicated earlier, that the ability to recruit from abroad has removed pressure from the need to develop our human resources at home. The relatively lower investment in education (especially at higher levels) in Canada has been documented by the Economic Council of Canada's *Second Annual Review*. Almost a year earlier Professors Harbison and Myers also provided a relatively low estimate of the amount of higher education in Canada when compared with other developed countries. <sup>(25)</sup>

My policy prescription would be different from Professor Dales. If we have accepted the additional goal of having a « Big Canada », then we have been prepared to pay the price of a lower standard of living. However I would agree that even if we want a Big Canada we could have raised the standard of living by devoting more resources to all forms of post-secondary school education at a much earlier date. We find ourselves suddenly in crash programs to expand university education, especially at the graduate school level, and build the so-called « community colleges » — Colleges of Applied Arts and Technology. Had we looked to developing our human resources instead of simply turning on the immigration tap we would not be in a crisis situation today. Instead of recommending a reduction in immigration, I would propose a long run consideration of the broad range of education and training needs along with a recognition of the necessity for quality as well as quantity.

In order to indicate what direction government manpower policy should take, it is necessary to briefly sketch what is likely to happen to labour demand and supply in the next decade. Labour demand should continue to increase primarily in service industries with demands for both highly educated persons as well as for persons in low skill and low pay occupations. Labour supply will show a rapid increase in the number of younger persons most with at least some high school education. There will be a gap in the middle age group 30-45 as a result of the low birth rates in the 1930's. At the same time there will be a bulge in older workers who will have much less education than the younger persons entering the labour force.

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<sup>(25)</sup> See their book, *Education, Manpower and Economic Growth*, McGraw Hill, 1965.

## QUANTITY OF LABOUR SUPPLY

The quantity of labour supply is an important factor in the potential economic growth of a country. However, there are a range of economic and non-economic considerations which will determine the policies in this area. As has just been discussed there are non-economic as well as economic considerations involved in encouraging immigration.

By the same token, there are economic and non-economic considerations of whether to encourage women to enter the labour force. On the economic side, the average level of education of women is higher than that for men. (Incidentally, the Economic Council confined its discussion of education levels in Canada and the United States to the male labour force). At the same time Canada has a lower female participation rate than many developed countries including the United States. This would seem to suggest policies to increase female participation. On the other hand, gains from increased female participation may not be as great as it would seem. To some extent, one would be increasing Gross National Product only by passing through the market sector, functions that were formerly performed in the home, e.g. laundry, cooking, etc. In addition there is the social effects on families of both parents working. Hence no simple answer can be given whether to encourage increased female participation.

## QUALITY OF LABOUR SUPPLY

With the high rate of return that the Economic Council has estimated for education, it seems reasonable to suggest that in addition to encouraging persons to stay in school longer, some effort might be made to draw young people from the labour force back into the education stream. Almost 1/5 of all unemployed are between ages of 14 and 19. Their unemployment has been consistently at least double the overall average. Consideration might be given to a broader range of post-secondary schooling as well as work and school combinations. The experiment in Ontario with Colleges of Applied Arts and Technology will be worth watching.

It is becoming the accepted view that most young people now can look forward to several careers in their lifetime. As Tom Kent observes: « We all have to recognize that rapid technological change must lead us to regard recurrent periods of training as a normal and productive part

of people's working lives ». <sup>(26)</sup> If this is the case, then the notion of sabbaticals, which have been almost the exclusive prerogative of academics, may have to be applied more generally to an increasing portion of the labour force. Periods of upgrading through a return to school will be essential.

The fact that there will be relatively few people in the middle-age group for the next decade has serious implications for managerial, executive and supervisory occupations. Either young persons will have to be recruited for these jobs or else the present managerial personnel will have to be retained beyond normal retirement age. This same consideration will apply to certain professional and skilled occupations.

## LABOUR MARKET

I certainly agree with the federal Manpower Department that there is a urgent need for more and better labour market information to enable workers to move to the highest paying jobs. Far more research has to be conducted in the guidance field to provide additional information on career requirements and training opportunities. There is undoubtedly a substantial cost to society when a person flounders from job to job trying to find his niche.

Concerning the exploration of future labour market conditions, I suggest that the economic projections which are being prepared in various branches of governments be translated into manpower terms. This can be done at different levels of sophistication, but at least some efforts should be made to tie manpower in with general economic forecasts. <sup>(27)</sup>

Finally, I would recommend a yearly assessment of the operation of the Canadian labour market somewhat along the lines of the Annual Manpower Report of the President in the United States. Such an annual stock-taking is necessary for a continuing appraisal of the manpower policy needs.

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<sup>(26)</sup> See footnote 15.

<sup>(27)</sup> For a discussion of gaps in labour market information, see: Noah M. Meltz, « Labour Market Information and Analysis in Canada », in Arthur Kruger and Noah M. Meltz, « *The Canadian Labour Market*, » Centre for Industrial Relations, University of Toronto, 1968.

Two other areas were touched on in section 3: The alteration of labour demand by manpower authorities and the role of wages. Governments will soon have to assess the impact their own labour demand is having on the economy, both in terms of the size and nature of employment. At the same time, governments will have to recognize that relative wages are important especially in areas or occupations where governments themselves have a sizeable labour market impact.

### CONCLUDING COMMENT

In this paper I have examined how the manpower field fits into the operation of the economy and what public policy areas affect manpower. Policies dealing with manpower are just one set of tools which can be used to achieve economic and social goals. Manpower policies should always be conceived in this broader context.

## DE LA POLITIQUE DE MAIN-D'OEUVRE

Le domaine de la main-d'oeuvre couvre principalement l'offre et la demande de travail. Le terme main-d'oeuvre a aussi une autre connotation: on peut l'utiliser pour désigner l'ensemble des effectifs nécessaires pour l'exécution d'un travail donné. Un graphique simplifié montrant la place de la main-d'oeuvre dans l'économie apparaît dans la première section. Ce diagramme illustre comment l'offre et la demande de travail peuvent se rencontrer pour constituer un marché du travail. Il montre aussi comment le gouvernement peut affecter les marchés des produits et des facteurs de production, de même que le monde des affaires et le public en général.

Un deuxième graphique illustre le marché de la main-d'oeuvre sous ses deux aspects: la quantité et la qualité des effectifs ouvriers. La quantité de main-d'oeuvre dépend de la population totale; de la répartition de cette population par âge et par sexe; du nombre d'hommes et de femmes groupés par âge et rattachés aux effectifs ouvriers; le nombre d'heures que les ouvriers accepteront de faire. La qualité de la main-d'oeuvre réfère au degré et au genre d'éducation, d'entraînement, d'expérience et de santé des ouvriers. Le fonctionnement du marché de la main-d'oeuvre comprend les opérations suivantes: les démarches que fait le travailleur pour obtenir un emploi; les démarches que fait l'employeur pour se procurer de la main-d'oeuvre dont il a besoin, les conseils fournis à ceux qui ont à opérer un choix entre des emplois, la distribution d'informations sur les ouvertures d'emploi existantes, les taux de salaires offerts; enfin, des informations touchant des personnes qui cherchent un emploi.



### POURQUOI UN INTÉRÊT SOUDAIN POUR LA POLITIQUE DE MAIN-D'OEUVRE?

On peut trouver six raisons pour expliquer cet intérêt: (1) l'acceptation par le gouvernement d'une responsabilité vis-à-vis la création d'emplois; (2) les changements dans la structure de l'économie canadienne; (3) la baisse de l'activité économique entre 1957 et 1963; (4) l'accent mis sur le développement économique; (5) l'accroissement de l'intérêt pour l'éducation et la montée des coûts dans ce secteur; (6) l'impossibilité de continuer le recrutement à l'étranger des personnes qualifiées.

### EN QUOI CONSISTENT DE NOS JOURS LES POLITIQUES GOUVERNEMENTALES DANS LE DOMAINE DE LA MAIN-D'OEUVRE ?

Il serait plus exact de dire qu'il n'existe pas de politiques de main-d'oeuvre, mais une série de programmes tant fédéraux que provinciaux qui s'intéressent à divers aspects du marché de la main-d'oeuvre, tels que la qualité et la quantité de main-d'oeuvre, l'influence que peut jouer l'augmentation des salaires. Au sein de chaque gouvernement, les responsabilités concernant l'administration des programmes sont assumées par plus d'un ministère.

### QUELLE ORIENTATION LE GOUVERNEMENT DOIT-IL PRENDRE DANS LE DOMAINE DE LA MAIN-D'OEUVRE ?

L'orientation que la politique gouvernementale devrait prendre dans le domaine de la main-d'oeuvre dépend des objectifs fondamentaux de cette politique. Nous pensons que la politique de main-d'oeuvre devrait avoir deux objectifs: (1) promouvoir les buts généraux de l'économie fixés par le Conseil économique du Canada: éliminer le chômage, stabiliser les prix, favoriser la croissance de l'économie, réaliser une balance favorable des paiements et une distribution équitable des revenus; (2) permettre à chacun d'obtenir le meilleur salaire, en tenant compte de son éducation, sa formation et son expérience.

Il peut y avoir des conflits entre des programmes de main-d'oeuvre en relation avec ces objectifs, de la même façon qu'il peut y avoir des conflits au niveau de la réalisation des buts généraux de l'économie. Il faut tenter de déceler les conflits possibles et faire un effort pour tenter d'en minimiser l'impact.

Plusieurs suggestions spécifiques s'offrent pour aplanir certaines difficultés dans le domaine de la main-d'oeuvre. Pour améliorer la quantité de main-d'oeuvre, on suggère qu'on encourage une plus grande participation des femmes à la population active. Pour améliorer la qualité de la main-d'oeuvre, on peut recommander: que les jeunes personnes avec une éducation insuffisante soient encouragées à retourner à l'école; (2) que l'éducation et l'entraînement ne devraient jamais être considérés comme terminés. Finalement on pourrait améliorer le fonctionnement du marché de la main-d'oeuvre en fournissant une meilleure information.