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RELEVANCE OF FULL EMPLOYMENT

INQUIRY—DEBATE ADJOURNED

Inquiry by:

The Honourable Diane Bellemare

Tuesday, October 25, 2016

THE SENATE

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[Translation]

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INQUIRY—DEBATE ADJOURNED

Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate) rose pursuant to notice of September 28, 2016:

That she will call the attention of the Senate to the relevance of full employment in the 21st century in a Globalized economy.

She said: Honourable senators, I know it's getting late, but I would still like to speak to my inquiry, which has to do with full employment in a globalized economy.

Canada is at a crossroads, as are most industrialized countries. Economic growth is slow, and there is nothing to indicate that it's going to improve significantly. On the one hand, our population is aging so quickly that some of our country's communities are withering. On the other hand, commodity prices remain lower than ever, and their rebound will be limited by the constraints of sustainable development. Our prosperity depends largely on an abundance of labour and our natural resources. Clearly, that can't last forever.

Economically speaking, we have hit a wall, considering the prospect of slower growth combined with weak demographic dynamics. This does not bode well for our future prosperity. We need to make a major shift, and quickly, in order to establish a new foundation to improve the standard of living of Canadians.

[English]

There are two main avenues the government can follow. The first one is enlarging income support programs and the welfare state, and hence creating new "entitlements," as if this would generate the wealth to pay for them. We all know that a society cannot progress that way.

The other avenue is engaging ourselves in the pursuit of full employment, and this is what I want to pursue.

[Translation]

Honourable colleagues, this summer I was invited to attend a conference on the relevance of full employment in the 21st century in the context of a forum organized by the Canadian Association on Business Economics. I was asked to take part in a session on full employment organized in honour of economist Mike McCracken, whom some of you may know. He founded the association and the company Informetrica and helped create economic forecasting models.

[English]

Mike died a year ago at the age of 75. Mike was a proponent of full employment.

The question I was asked to answer in this conference is whether full employment is still a relevant concept in the 21st century. My answer was, and still is, yes, indeed. And this is what I want to share with you.

Let me start by saying that full employment does not mean zero unemployment. It does not mean that people only work in life. It does not mean that all people are obliged to work and to accept low-quality jobs.

On the contrary, full employment is about individual economic independence, freedom and opportunity. It's about economic security. It's about professional and social mobility, and it is about social inclusion. It is also about adaptation, flexibility and security.

In a free and peaceful world, individuals need to be gainfully employed so that they can participate in the creation of wealth.

Full employment is a macroeconomic concept. In a free and democratic world, it means creating the macroeconomic conditions so that everyone who wants to work can find suitable employment. In such an economic world, workers are in demand, and there are incentives for employers to offer decent jobs.

In the first part of the 20th century, full employment was mainly a man issue. In the second part of the 20th century, it incorporated the woman cause. Now it is also about youth, minority groups and indigenous people finding decent jobs.

At its core, it is always about social integration.

Full employment is a social goal and an economic goal also. It is about pursuing long, durable economic growth. It is about enabling people to better their qualifications and to promote productivity. It is about improving the well-being of all citizens and pursuing a better distribution of income.

Pursuing full employment also goes hand in hand with pursuing trade and commerce in a globalized world, but doing that in an orderly manner where displaced workers are taken care of not by monetary compensation only but by being trained and offered a good job in new sectors of the economy.

[Translation]

Pursuing full employment is entirely consistent with pursuing a better environment and decisive targets for fighting global warming.

[English]

Employment, environmental and economic targets are not contradictory. It is quite the opposite. Full employment is a triple-E issue, in other words.

[Translation]

Before going any further, let us look at how famous economists have defined full employment. In my opinion, the clearest definition of full employment came from economist Lord John Maynard Keynes in the 1930s, and I quote:

Full employment is a situation in which everyone who wants to work at the prevailing wage rate is able to find employment near their home in their area of expertise.

Lord Beveridge, a contemporary and a great admirer of Keynes, elaborated on this concept. He said:

Full employment is defined as a state where there are slightly more vacant jobs than there are available workers.

For the past few years, Statistics Canada has been releasing data about the number of vacancies, and it is clear that Canada is a long way from full employment. In the first quarter of 2016, Statistics Canada reported 328,000 vacancies and 1.3 million unemployed workers in Canada. On average in 2015, there were 5.8 unemployed workers per available job.

The local and regional data are even more surprising. For example, in 2015, there were 13.6 unemployed workers per vacancy in Newfoundland, 19 in Nunavut, 11.6 in New Brunswick, 6.6 in Quebec and 4.4 in Alberta.

[English]

That said, the employment situation is relatively good compared to some European countries. Indeed, Canada enjoys relatively high employment rates; that is, the proportion of people of working age who are employed is higher than the OECD average. Around 70 per cent of people between 15 and 64 years of age have a job. However, the proportion of people above 65 is growing, and we need a larger workforce to tackle this issue.

Unemployment is relatively high in Canada. Indeed, it averages around 7 per cent, with wide regional variation: 12.3 per cent in Newfoundland and 5.5 per cent in British Columbia.

[Translation]

Other than those actively seeking work, many unemployed workers have become discouraged. Far too many of them are struggling with addictions in devitalized communities.

We are here to talk about whether full employment is a worthwhile goal for the 21st century. Is it old fashioned to raise the issue of full employment? I will try to get at the answer by asking other questions. For example, is it old fashioned to want young people to get paid for doing the work they were trained to do?

The official unemployment rate for young Canadians aged 15 to 24 is 13.2 per cent, and 46 per cent of young people work part-time. The proportion of young people not working, not

seeking work, and not studying is quite large. According to the OECD, they represent over 10 per cent of the population, which is much higher than in a number of other countries.

Is it old fashioned to hope that aboriginal peoples looking for work can find good paying jobs? I don't think so. Is it old fashioned for us as a nation to want to create wealth and distribute it more equally? Is it old fashioned to want to implement tools that will enable workers and businesses to adapt to more intense global competition? I don't think so. Is it old fashioned to want to help people who settle in Canada find decent jobs? No, it's not.

[English]

The pursuit of full employment is as important today as it was in the past. Another reason why the pursuit of full employment is so important today is that the economy is increasingly globalized. Each country has to adapt more and more quickly to those economic changes. As Barack Obama said so eloquently in the House of Commons in June, globalization and free trade are matters of fact; they are not ideological choices.

Because they are so entrenched, it is futile to fight against them, so we had better adapt. The pursuit of full employment makes this easier because it helps to address the fear that walks hand in hand with change.

Similarly, the pursuit of full employment makes adaptation to technological change easier.

Pursuing full employment does more than partially compensate for a limited time those who are mainly affected by change. By investing in their permanent adaptation to change, it keeps them active participants in society. At the same time, it creates wealth for society.

[Translation]

For example, with the United States once again threatening our forestry products' market access, which could cause the loss of thousands of jobs in Canada, we need to do more than provide partial unemployment compensation to bridge the gap between employment insurance and old age security for displaced older workers in the industry. We need to take measures similar to the targeted initiative for older workers.

[English]

There are other reasons to pursue full employment on a continuous basis. It prevents inflation in a growing economy, and it helps curb labour shortages by encouraging labour mobility.

Society should strive to achieve low unemployment rates because they are still useful indicators of the demand for gainful employment. For example, Alberta and Saskatchewan achieved unemployment rates as low as 3 per cent in the recent past.

Employment rates should also be taken into account because many people would like to work and are not looking for work, for all sorts of reasons. Employment rates capture this dimension.

In practice, what does a full employment policy really mean? When teaching at university, I researched that question with my friend and colleague Lise Poulin-Simon, who died in 1995. We did an in-depth study in the 1980s about labour market institutions and policies in countries well known for their success in that area. We wrote books about it. I updated this research in the 1990s and recently.

I have much to say about how we go about pursuing full employment that I have no time to explain here. This is why I intend to launch a set of inquiries on the subject. I will follow the procedure that Senator Nolin adopted for the reform of the Senate.

I hope these inquiries will interest other senators.

[Translation]

I hope that these inquiries will interest many senators, because I am convinced that a national conversation on full employment and concrete measures to achieve it would improve Canada's economic growth and better position Canada in the global economy.

That said, I am not the only one to maintain that full employment, just like price stability, is an objective we must strive to attain.

I am not the only one to claim that the pursuit of full employment must be a concrete objective and should not be considered as the result of an economic growth strategy. Sustainable economic growth flows from a strategy that focuses on the creation of quality jobs for all those who want to work.

The International Labour Organization's agenda for productive employment and decent work espouses from the outset this approach whereby the pursuit of full employment through appropriate economic policies supports the creation of decent jobs.

In its 2013 World Development Report entitled *Jobs*, the World Bank sets out a series of recommendations on this subject and urges economists responsible for public policy in this area to change the paradigm. It states:

Jobs are the cornerstone of economic and social development. Indeed, development happens through jobs. People work their way out of poverty and hardship through better livelihoods. Economies grow as people get better at what they do, as they move from farms to firms, and as more productive jobs are created and less productive ones disappear. Societies flourish as jobs bring together people from different ethnic and social backgrounds and nurture a sense of opportunity. Jobs are thus transformational—they can transform what we earn, what we do, and even who we are.

[English]

In summary, a full employment strategy is still relevant in the 21st century. It should strive for high employment rates for all groups and for all regions of the country. The unemployment rate by itself is no longer a sufficient indicator.

Finally, promoting full employment may require a change in perspective for policy-makers and a change in culture among some interest groups in society. So let us start a national conversation on the subject.
