

CHAPTER FIVE

Jobs and Growth: The Missing Link

Lars Osberg

INTRODUCTION

In a document of the length and breadth of the discussion paper *Improving Social Security in Canada*, it is almost inevitable that a reader will find some things to agree with strongly and some that are silly, or perhaps even nasty. Hence, one way to approach the document is to ask "should a reasonable person support this endeavour, considered as a *package*?" Since the document itself is organized around the three themes of working, learning and security, it is useful to follow this structure in order to illustrate the three key problems that a reasonable person might well have in thinking about whether to support it.

First and foremost, in the chapter on "Working," one finds the outstanding defect of the document – its neglect of the demand side of labour markets. In analyzing the labour market impacts, or probability of success of a social policy reform package, it is essential to look at *both* sides of the labour market – the demand for labour and the supply of labour. The macroeconomic context for social policy reform is *crucial*, because strong growth in the demand for labour is essential to the feasibility and success of social policy reform. The core problem, however, which now faces the designers of social policy is that there is good reason to believe that the Bank of Canada and the Department of Finance are aiming at relatively slow growth. Slow growth in aggregate output worsens the financial problems of government which drive the fiscal constraints on social policy reform, and slow growth implies the continuation of relatively high unemployment rates, which will undermine the probability of success of retraining and counselling initiatives.

The second problem to be faced in responding to the discussion paper is that it provides very few details about the operations of suggested reform initiatives. However, a general theme of social policy reform is that "the devil is in the details."

Canada has a very diverse population, with highly varied needs, and people can be very imaginative in their responses to social policy initiatives; hence the success of social policies depends crucially on specific issues of policy design and administration. The chapter on "Learning" provides a prime example, in its proposals for reform of postsecondary education financing and for an income-contingent repayment loan plan.

Finally, in considering a reform package, it is reasonable to ask whether it is really a package, or whether some items within it could be or should be sold separately. To the extent that the discussion paper does represent a coherent package, one can ask whether it really fits the enduring needs of Canadians, in a era of rapid social and economic change. Although the issue can best be illustrated with reference to the chapter on "Security," the underlying problem is that the values and needs of Canadians do not align neatly with the division of ministerial responsibilities within the Government of Canada. Clearly, *part* of the social policy design problem is recognizing the trade-offs between the various types of expenditures that fall within the budget envelope of Human Resources Development Canada (HRDC). However, the debate on social security reform should also recognize that it is possible to do more than simply reallocate expenditures within a department's budget envelope. We do not often engage in a fundamental debate on social security in Canada. If this debate is to produce a sustainable change in the Canadian social contract, such a change should reflect both the long-run capacity of a mixed capitalist economy to produce resources and the enduring values and needs of Canadian citizens – which implies a need to broaden the social policy debate to include taxation and macroeconomic policy.

JOBS AND GROWTH

Although the cover of the discussion paper declares that its agenda is "jobs and growth," the content of the document is really about the issues that HRDC can directly affect: training and income transfers. A major theme of the document is that HRDC policies can improve the employability of Canadians – but as a great many people know all too well, there is a world of difference between being employable and being employed. The key unanswered question in the discussion paper is where jobs and growth will come from.

One of the key, but most misleading, assertions in the document is the statement that economic growth has become "decoupled" from job growth (Canada 1994, p.16). The confusion here arises from the fact that productive capacity in the economy is continually growing due to technical change and labour force growth. If growth in aggregate demand is *too slow* to keep up with the growth in potential supply, the unemployment rate will remain high. However, it is clear that growth of aggregate demand *has* produced employment growth in 1994. Two successive quarters of relatively strong growth (a 2.24 percent increase in GDP – i.e., an annual growth rate

of 4.54 percent) expanded employment by 243,000 full-time jobs, producing a decline of 1.2 percent in the national unemployment rate in the first half of 1994. All the same, despite these positive changes, the absolute level of the unemployment rate remains extremely high (at 10.1 percent in September 1994) and a generalized surplus of labour in Canada still means that it is extremely difficult to locate a job, for most occupations, in almost all regions of the country. The key question is where Canada goes from here.

In thinking about the labour market in Canada, it is essential to distinguish clearly between what is possible and desirable, and what is likely to happen. The possible and desirable course of action has been laid out very cogently in a recent article by Pierre Fortin (1994). His analysis is based on the consensus estimate of academic and private sector economists in Canada that the Canadian economy is now operating at approximately 8 to 10 percent below its current non-inflationary output capacity. Continued labour force growth and increased labour productivity due to technological change are also increasing the productive capacity of the Canadian economy at approximately 3.1 percent per annum – hence this estimate of the “output gap” implies that there is significant “room for growth” in the Canadian economy. In Fortin’s view, and in my view, the priority issue for the Canadian economy is to eliminate the massive waste of resources – between \$60 and 70 billion a year – which this output gap now represents.

In his paper, Fortin outlines what he calls a “five by five” strategy – 5 percent growth per year for five years. Since this strategy implies a gradual reduction in the level of surplus capacity in the Canadian economy, there is little likelihood of re-igniting inflation. However, such a strategy would have major positive implications for the federal deficit. Federal and provincial deficits in Canada are highly sensitive to economic growth, both because faster growth produces a rapid increase in tax revenue and because of the decline in unemployment insurance and social assistance expenditures which accompanies a decline in unemployment rates.

Nevertheless, 5 percent growth will not by itself solve Canada’s deficit problems and a solution to these problems is essential for the long-run financial stability of Canadian governments, and hence for the sustainability of social programs. Fortin does *not* argue for an increase in federal expenditures to stimulate economic growth. He argues, and I agree, that although a “five by five” policy program would make drastic cuts in current programs unnecessary, such a program would only be feasible if combined with a *freeze* on current government expenditure levels.

As Tom Courchene has also suggested in this volume, it is possible for the Bank of Canada to use its control over short-term interest rates to ease monetary policy. A decline in short-term interest rates would have the immediate financial benefit to government of lowering the deficit by lowering the interest cost of the federal debt, but the more important channel of influence from monetary policy to social policy lies through the exchange rate. Lower short-term interest rates in Canada would produce a depreciation in the foreign exchange rate of the Canadian dollar.

With a lag of 12 to 18 months, increased competitiveness of Canadian exporters and higher prices of foreign imports would increase the demand for Canadian goods and services, and produce greater employment for Canadian workers. Canadians saw the negative potential of high interest rates during the 1988-90 period, when the Canadian dollar surged to 89 cents American, pricing many Canadian exporters out of foreign markets and producing a massive negative swing in tourism and travel expenditures. Recovery requires that Canadians should also use the positive potential of monetary policy, by allowing a decline in short-term interest rates and the foreign exchange value of the Canadian dollar.

One should not be under any illusion that such a policy is painless. Indeed, since imports comprise a significant percentage of Canadian consumer expenditure, higher prices for foreign goods and services amount to an economy-wide cut in real incomes. However, there is no way around the fact that in recent years Canada has built up a substantial stock of foreign indebtedness, and the only way eventually to reduce that debt is to run a surplus on the current account of the balance of international payments. To do that, some decline in the effective real exchange rate is required.

One can put this another way, as saying that in accumulating a stock of foreign debt, Canada has been "living beyond its means." To repay debt, one must accept lower living standards, at some time in the future, than one would otherwise have had. High short-term interest rates can delay this day of reckoning, by keeping the exchange rate artificially high, thereby subsidizing the purchase of imports and penalizing exporters. However, it is clear from the long-term futures market in foreign exchange that many financial market participants believe that the Canadian dollar is above its sustainable level and will eventually decline in value. It is this risk of *future* devaluation that keeps long-term interest rates high, since a foreign investor will subtract the risk of any expected future depreciation in the exchange rate from the interest rates received in Canada. Better, therefore, to get the depreciation over with, so that the Canadian dollar is at a level that financial markets think is sustainable.

There are two ways that monetary policy can achieve the same eventual increase in Canadian international competitiveness. One alternative is to hold the nominal exchange rate at a high level, and allow mass unemployment to depress money wages, but the process is slow, costly and uneven, since individual workers and unions will resist erosion of their money wages, sector by sector. It seems far preferable to achieve the same eventual cut in real wages in a quicker and fairer fashion, by allowing depreciation in the exchange rate. The current level of excess capacity in the Canadian economy means that there is no danger of re-igniting inflation and the benefit of this second policy alternative is that export-led growth would produce a more rapid decline in unemployment, and much greater chance for success for the structural labour market initiatives of the social security reform package.

The major problem with this scenario is that the Bank of Canada is not buying. As Fortin (1994) points out, their view is that Canada is rather close to its current productive potential – their estimate of the output gap is 4 percent. Although this estimate is substantially below the consensus of private sector and academic economists, and is subject to serious technical questioning, the view of the Bank of Canada is the one that actually influences monetary policy, and it implies that policymakers perceive relatively little room for economic growth in the Canadian economy. The corollary is that the Bank of Canada will maintain high short-term interest rates and prevent a decline in the exchange rate in order to slow down economic growth, in the name of preventing the emergence of inflationary pressures.

Inappropriate monetary policy has very strong implications for social policy. The immediate impact of higher short-term interest rates is to worsen the financial deficit of the federal government, and increase the pressure for drastic cuts to program expenditures. Greater pessimism about the productive potential of the Canadian economy also implies that the Department of Finance expects less tax revenue in future years, creating the perception that the solution to the deficit problem must come from cuts to program spending. As well, a slower long-term rate of economic growth means a slower decline in aggregate unemployment, stabilizing at a higher long-run rate of unemployment, increasing the financial burden on transfer programs, and decreasing the probability of success of active labour market programs.

There are many statements with which I wholeheartedly agree in the social security review discussion paper. As the document states “the best form of social security comes from having a job” (p. 29) which, of course, implies that some jobs must be on offer. “Employment development services [do] in fact help people get jobs when assistance is carefully tailored to an individual’s needs, *and linked to real job opportunities*” (Canada 1994, p. 30, emphasis added). It is also true that “the best way to fight child poverty is for parents of poor families to have a job” (p. 70). All these statements are valid, but they will only be a mockery of the needs and aspirations of Canadians if jobs cannot be found because there simply are not enough to go around.

Effective social and labour market policies cannot really be designed in abstract isolation from actual labour market conditions, since the actual implications of any given policy will differ fundamentally in a labour shortage or a labour surplus economy. Policies that may be eminently reasonable in a high-growth economy become unreasonable, and sometimes dysfunctional, in a slow-growth environment. Although a labour market with over 13 million labour force participants will almost always have a few isolated pockets of shortage for specific occupations, in particular locations, the key issue is the general state of labour markets.

If the vast majority of labour markets already have a surplus of trained labour, there is little social return to adding to that surplus. The pay-off to a general strategy of greater social investment in training depends crucially on the existence of vacancies for the graduates of training programs.¹ As the discussion paper emphasizes,

there is significant room for improvement in the design of training and counselling programs in Canada. In an economy of rapid technological and market change, the needs of employers are continually changing, and effective vocational training programs must continually be redesigned and refocused. When vacancies exist, the needs of firms are visible, and are often articulated vigorously by employers. However, it is hard to know what firms really need, when unemployment is high among the graduates of all types of training programs. The actual impacts of job counselling also depend crucially on the macroeconomic environment, since the job of employment counsellor combines the roles of policeman, nag and guide – but little guiding can be done if the counsellor knows of nowhere jobs can be found.

All these issues will interact with the way in which a two-tier unemployment insurance system would actually operate in a high-growth or a low-growth economic environment. If economic growth is strong, low aggregate unemployment means that those who are repeatedly unemployed and who are transferred to the second tier of UI will in fact be those who would benefit from counselling and training, and counsellors will be able to guide clients to available job vacancies, or to training programs with a real pay-off in the labour market. However, a slow-growth economy implies a continuation of relatively high unemployment rates. In this case, the category of repeat UI claimants will also include well-trained, well-educated youth who are only able to find a series of short-term jobs, in a labour market where firms are increasingly offering insecure, short-term employment. When there are many unemployed, counselling and training resources must, of necessity, be thinly spread; and when there are relatively few vacancies, counsellors have little to offer and training programs have little reward. In short, a structure of unemployment insurance and a design of training and counselling interventions which could have some chance of success in a high-growth economy will be punitive and ineffective if unemployment remains high.

THE DEVIL IS IN THE DETAILS

At a number of points in the document, a reasonable person might think that there are not nearly enough details provided to know whether a proposed reform is desirable or not. For example, although one might agree that the growth of “non-standard” employment means that many workers are now denied unemployment insurance coverage, it is not very satisfactory to be told that “practical solutions might be found by exploring and testing different options” (Canada 1994, p. 49). And although somewhat more detail is provided on the design of a two-tier unemployment insurance system, there is no explanation of why experience rating of firms would not be a more effective and equitable way of getting at the problem of repeat lay-offs by a minority of firms. The two-tier UI proposal puts the burden of experience rating on workers, but the proposal of exemptions for the construction, tourism and

fisheries sectors robs the policy of much of its economic rationale and is likely to create serious problems of equity and administrative complexity.²

Details are particularly important to the feasibility and desirability of the proposed reforms to postsecondary education. The suggestion that federal transfers to the provinces for the financing of postsecondary education might be replaced by an income-contingent repayment loan plan, at substantially higher tuition fees, has certainly succeeded in creating massive anxiety among students and university administrators. However, the document has not succeeded in persuasively answering the question "what is broke that needs fixing?"

It is worth remembering that there are some positive aspects of the Canadian system. During a period of rapid expansion in the demand for highly educated labour, the Canadian postsecondary educational system has succeeded in producing a massive increase in supply – between 1986 and 1991 the number of university graduates in Canada increased by 26.6 percent. University education continues to yield a substantial pay-off in higher annual earnings and a lower probability of unemployment (Osberg 1994b). The economic return to university education is one of the most studied issues of empirical labour economics and, since postsecondary education has far more certain returns and per student costs that are often substantially lower than other types of training initiatives, it should be a benchmark for the evaluation of other types of training initiatives.

The major argument that the discussion paper advances for fundamental reform to postsecondary education is the fact that under current legislation, the rising value of the tax points transferred to provinces for the funding of postsecondary education will, when combined with a frozen total level of funding, squeeze out the cash component of federal transfers to the provinces under Established Programs Financing (EPF) within the next decade. However, if the details of federal-provincial transfer arrangements really are the problem, one wonders why changing those arrangements is not the solution. The present Liberal government could, after all, simply amend the EPF legislation of the previous Conservative government. Although there may be problems in the details of intergovernmental transfers, it is not clear from the document why income-contingent repayment (ICR) loan plans are the solution.

Furthermore, the details of these plans are important. Under an ICR loan scheme, the size of the loans would have to be reasonably large, in order to cover the expected increase in tuition fees. Although the document speaks of the need to encourage life-long learning and the retraining of older workers, this also creates significant difficulties for an ICR plan, as can be illustrated, for example, in the hypothetical case of a training program for tour guides.

Since one must have substantial experience in international travel to be a good tour guide, a training course for this occupation would involve significant travel (one might imagine Europe the first year, Asia the second year, Latin America the third year and Africa the fourth year). Given the costs of such travel, tuition ex-

penses would be considerable, but since the ICR loan package has to be quite large if it is to cover the cost of other expensive training programs, such as dentistry or medicine, it should be big enough to pay for a course in tour guiding. What would be wrong with such a course, funded by an ICR loan? The answer is nothing, were it not for adverse selection – the fact that many people might find it much more attractive to take such a course, beginning at about the age of 63, if they could promise to repay the loan *with a percentage of subsequent earnings*.

Considered abstractly, ICR loans look like an attractive and equitable way of financing postsecondary education.³ However, most analyses of such plans have implicitly assumed that the students who would take out loans are relatively young, with a long subsequent working life in which such loans can be repaid. Education has always contained an element of personal consumption of the joy of learning, as well as having an economic or human capital investment motivation. The growing number of older students creates significant new design problems for an ICR loan scheme. Presumably, some system of an administrative pre-approval of courses and students might eliminate the “problem” of 63-year old archaeology majors (or tour guides), but one does wonder whether age discrimination would not be ruled a violation of the Charter of Rights.

The details of program design are crucial to students and they are also crucial to university administrations. Institutions that are purely undergraduate may find it relatively easy to switch to a tuition-driven system, but this is not the case for universities with expensive professional schools, graduate education and research programs that now depend on grant funding. Some of the expensive types of education (e.g., medicine) produce graduates whose incomes are sufficiently high that an ICR scheme could recover the costs of training, but other expensive programs (e.g., a PhD in Physics) produce graduates whose life-long earnings (e.g., as research scientists) are not high. Would the second type of student remain trapped forever under a debt load that is increasing, with compound interest, faster than salary increases? Could one expect continued enrolment in postgraduate science programs if such were the case?

In general, the modern research university is characterized by a great deal of cross-subsidization and the intertwining of educational functions. Teaching and research cross-subsidize and complement each other, as do undergraduate and graduate education. As the discussion paper notes, Canada depends on its universities to provide a significant proportion of its total research effort, and Canada will need to maintain its programs of postgraduate education if it is to maintain a significant research effort to replace a rapidly retiring professoriate in the future. It is not just a matter of detail to note that if there is a major change in the structure of university funding, all these functions of the modern university will be significantly affected.

SOCIAL SECURITY REVIEW AS A PACKAGE

The social security review process is intended to be a fundamental reform. Indeed the minister has, several times, invited Canadians to participate in "rewriting the social contract." Canadians do not do this very often. If the exercise is to be successful, therefore, the results must be consistent with underlying values and basic needs of Canadians. One must, therefore, be able to distinguish between those parts that are, and those parts that are not, necessarily part of the same package.

In thinking about the parameters of the social policy debate, a natural Ottawa reaction is to try to organize the discussion by ministry. Since Human Resource Development Canada has a broad mandate for policy formation in social and labour market areas, and is required by the Department of Finance to reduce its total program spending, the boundary of the bureaucratic debate has been set by the budget envelope of Human Resources Development. Given those boundaries, the chief issue is the optimal reallocation of funds, *given* a lower total level of spending. However, although it is easy to understand why this scheme of organization of the issues might be administratively convenient, there is no reason to think that it would necessarily align with the long-term values and needs of Canadians.

Values

The social security review discussion paper is, for example, eloquent on the social value of enabling disabled people to participate fully in the life of the Canadian community. As the document notes, disabled Canadians typically want to contribute to the wider community through work, but now face significant impediments and financial disincentives. Removing these barriers and financial disincentives would seem to be consistent with basic Canadian values, and is an issue that has no logical connection with the wider problems of the administration of unemployment insurance.

So just why is it that we read on page 41 that "however desirable these various possibilities for building employment development services that really work (for persons with disabilities), change will depend on finding funds for reallocation primarily from reforms to the unemployment insurance program." Why is it the unemployed who have to pay for the better services that the disabled need? Why do the employed not pay their share? Why do Canadian not think of full participation in the Canadian community as a citizenship right of all Canadians – abled as well as disabled – the costs of which should be paid for by all citizens (for example, through an increase in the income tax)?

Similarly, why is it not possible to think of better programs for poor children financed partly through the tax system, rather than necessarily through reallocation of expenditure from middle income and unemployed families? The idea of a "social contract" is rather broad and if Canadians are to rewrite the social contract, it should

be possible to consider more than simply the reallocation of funds within the budget envelope of Human Resource Development Canada.

Needs

Although some of the proposals of the discussion paper could be, and perhaps should be, treated separately, there is also a sense in which the document offers a coherent analysis and a fundamental redefinition of the role of the welfare state.

The underlying analysis of the document is that much of Canada's high unemployment is "structural" in nature. The assertion is that a lack of skills, or of appropriate skills, and the presence of "disincentives" means that Canadians are unable or unwilling to accept available jobs, thereby limiting the potential capacity of the economy and reducing the room available for non-inflationary growth. In my view, this is a fundamental misreading of Canadian labour market reality⁴ and a massive underestimation of the skills, adaptability and willingness to work of the Canadian labour force. The first section of this paper has already argued that there is considerable underutilized potential in the Canadian economy and that appropriate monetary policy is crucial to the likelihood of success of social policy reform.

The redefinition of the role of the welfare state is found on page 69, where social security is defined as "society's commitment to take care of its most vulnerable citizens." Although redistribution to the least well-off has always been one of the objectives of the welfare state, the historical fact is that social security legislation has also aimed at decreasing the economic insecurity of the rest of the population.

Mixed capitalist economies have always been characterized by market ups and downs and by technological change, but in the 1960s and 1970s firms tended to hire workers on a full-time, full-year basis and to absorb some of the risk of instability in production. However, the labour market of the 1980s and the 1990s has been dominated by a massive downloading of risk, from employer to employee, as employers have increasingly moved to replace long-term, full-time, full-year jobs with non-standard employment of casual, part-time, and temporary or self-employed workers. Firms which shift to a "just-in-time" labour strategy, hiring workers only as and when needed to meet surges in market demand, externalize part of the costs of their workforce on the rest of society through unemployment insurance or social assistance. However, the key fact is that it is an economy of high unemployment that enables such firms to be confident that whenever they need short-term workers, such workers will be available, waiting for the phone to ring.⁵

In international policy circles such as the International Monetary Fund or the Organization for Economic Cooperation and Development, the call is for more of this "labour-market flexibility." However, in a high unemployment economy, more flexibility for firms means more insecurity for workers – but the social security review proposes that government reduce its role in maintaining the financial security

of Canadian workers. In either of the options for unemployment insurance reform presented, benefits to the unemployed are cut quite drastically.⁶

In the world view of the discussion paper, such cash transfers to mitigate income insecurity are seen as passé and the traditional idea of job security is declared obsolete (p. 58). Individuals are instead urged to "create their own career security, based on a willingness to routinely expand and improve their employment skills." Government is seen as providing counselling and training courses occasionally, but the general emphasis is on the responsibility of individuals to move, like tarzans of the job jungle, from job to job throughout a working life.

One can reasonably question whether such a vision of continual job changing is desirable, considering either the long-term needs of Canadian employers for a committed, skilled workforce or the basic need of Canadians for stability in their personal lives. Whether or not such a vision is desirable, it could at least be feasible in a labour shortage economy, where vacancies are relatively plentiful. If people really do have a choice of other available jobs, the labour market can be a source of personal security for individual workers. However, the major point of the first section of this paper is that it is not likely that Canadians will actually live in such a labour market in the foreseeable future.

I think that some degree of personal stability and economic security is something that most people need. Indeed, people will do what they can to bring some stability into their lives, and if they are faced with increased insecurity in one aspect of their lives, they will try to compensate otherwise for that increased risk. The implication, therefore, of the combination of high unemployment, corporate downloading of employment risk and state withdrawal from income security is that individuals will have to try to find greater security through other strategies. One can, for example, increase one's personal security by not giving up the protection of seniority in order to take a new job at better pay elsewhere, or by not moving away from the potential support of family and friends. Some will also minimize their financial exposure by avoiding debt-financing of major consumer durables or housing. Others will try to use what union power they have to build job security into collective agreements. And from the point of view of the macroeconomy, the major problem is that all these ways of avoiding individual risk tend to produce a labour market with less mobility and lower long-run productivity growth.

THE BOTTOM LINE

It is not entirely fair to say that the whole social policy review process is being driven by deficit reduction. Part is also being driven by the perception that much of Canada's current unemployment is structural, created by a combination of poorly designed labour market initiatives and perverse incentives. This belief in the structural nature of much of Canada's current unemployment underlies the perception that Canada has relatively little room to grow, and the corollary is that deficit reduc-

tion can only be solved by massive expenditure cuts. The bottom line which drives the social policy review process is, therefore, the fact that its authors have a very pessimistic view of the current potential of the Canadian economy.

My own view is that Canada has always had an extremely adaptable labour force and there has never been a better educated cohort of young workers. A careful reading of the international and Canadian literature on the incentive effects of social welfare policies will also demonstrate that recent research has revised downwards substantially earlier estimates of the adverse incentives effects of social policy (Atkinson and Micklewright 1991). There is a great deal of evidence that a very large number of well-educated, highly-motivated potential workers cannot get employment in the labour market of 1994. Hence a reasonable person would be much more optimistic about the current potential of the Canadian economy than the authors of the social security review discussion paper.

However, a reasonable person also has substantial grounds for pessimism about the future trend in unemployment. Limiting the target for output growth to 4 percent or so for the next three years implies that unemployment will decline more slowly, and stabilize at a higher eventual level than is either necessary or desirable. As a result, jobs will be less available to the graduates of training programs, and improvements in job counselling, training and work incentives are unlikely to yield a significant social benefit. Since the key to higher growth lies in the Bank of Canada and the Department of Finance, this amounts to saying that a necessary condition for the success of social policy reform is that these agencies change from being part of the problem, to being part of the solution.

Furthermore, if social policy reform is to be successful, the process will have to attract broadly-based political support. Without more details about the programs that are being proposed, it is hard for reasonable people to know whether they should support or oppose specific structural reforms, such as the ICR loan program.

Comprehensive social policy reform is a daunting task. Designers of such a reform must not only get the crucial details of each program right, they must also provide a broad vision of the future which will fit the needs and values of a broad spectrum of Canadians. Although the social security review is in many ways an eloquent statement, at its end the ordinary citizen can still reasonably ask: "Where is the security for people like me, which people like me need - now more than ever?"

NOTES

1. Since the problems of the poorer regions of the country have often been mentioned, it is worth noting that there has been a dramatic improvement in the educational attainment levels of the use of Atlantic Canada in the last decade. Atlantic Canada is, in general, awash in trained labour. See Osberg 1993a and 1994.
2. Since individuals often move between industries, and the definition of sectors such as "tourism" can be far from clear, one wonders what criterion will be used to distinguish between those UI claimants subject to transfer to the adjustment insurance program for

frequent claimants (at lower benefits), and those UI claimants who receive exemption based on industry of employment.

3. Equitable, that is, between those members of the same generation who do, and do not, take up postsecondary education. However, equity between generations is less clear, since youth lose out when postsecondary education funding is switched from general tax revenue, which is largely paid by older workers (who got their own education fairly cheaply) to being a direct charge on the future earnings of the young.
4. For a discussion of the role of quantity constraints in labour markets, see Osberg and Phipps 1993. For an analysis of mobility behaviour, see Osberg, Gordon and Lin 1994. On the inflation-unemployment relationship see Setterfield, Osberg and Gordon 1992. And for an examination of the costs and benefits of Canada Employment Centres see Osberg 1993b.
5. The Government of Canada itself is an example of this kind of employment strategy, as it has shifted over the last decade to the use of temporary workers, contractors, consultants and short-term labour contracts, in place of the permanent employment which used to be the norm.
6. UI premiums, however, will not be cut proportionately, so that the "UI account can build up a substantial surplus during periods of economic growth" (page 51). Since more of the training and counselling activities which historically were funded from general tax revenue are also being transferred to the UI account, and since the surplus in the account is to increase, UI premiums are effectively to become a "cash cow" for government.

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