

ECONOMIC REPORT

JOBS AND THE ELECTION

by Fred Lazar

THE NEED FOR JOB CREATION

Job creation should be the principal issue in the election campaign and the primary focus for whoever forms the next government. The recession in Canada officially ended about 30 months ago. But weak economic growth during this time has failed to make any dent in unemployment, so that the national unemployment rate continues to be entrenched above 11 percent. Although the seasonally adjusted August unemployment rate fell modestly to 11.3 percent from July's 11.6, the decline resulted from the withdrawal of discouraged job seekers from the labour market rather than from employment growth.

A look at some of the labour market data for July of this year reveals that only two provinces had a seasonally adjusted unemployment rate below 10 percent (Manitoba and Saskatchewan). In Newfoundland, one of every five persons in the labour force was unemployed and this ratio would have been worse had a number of the unemployed not dropped out of the labour force. In Nova Scotia, one in seven in the labour force are unemployed and about one in eight in Quebec.

Between July 1991 and July 1993, the number employed has increased by a meagre 15,000, while the number unemployed rose by 170,000 to over 1.6 million. Even the employment numbers mask a serious problem. Full-time employment actually fell 76,000 during these two

years. Part-time employment increased by 93,000. Unfortunately, part-time jobs are a poor substitute for full-time employment. Indeed, among the 1.2 million Canadians over the age of 25 who had part-time jobs in July, almost 500,000 (or more than 40 percent) wanted but could not find full-time jobs.

Hence, if one were to recalibrate the unemployment rate to include the underemployed and those who have abandoned looking for jobs and have dropped out of the labour force, the total number unemployed and underemployed would have been closer to 2.5 million in July or approximately 17 percent of the labour force. Canada is facing depression-era unemployment numbers.

Moreover, as the accompanying table indicates, employment in Canada in the second quarter of this year was still 399,000 below the pre-recession peak levels of employment in the third quarter of 1989. Ontario and Quebec experienced most of the job losses, and only in Alberta and British Columbia has

employment climbed back to the 1989 levels. It is unlikely that employment levels in Canada will get back to the 1989 peak until well into next year. In other words, over a five-year period, the Canadian economy will have generated no net increase in employment. Worse yet, full-time employment levels in 1994 will likely still be below the 1989 peak levels.

HIGH UNEMPLOYMENT RATES A LONG-TERM PHENOMENON IN CANADA

To put the unemployment crisis in Canada into a different perspective, we should note that the seasonally adjusted unemployment rate in August in the United States was below 7 percent. Yet, even with unemployment rates in the 6 to 7 percent range, U.S. policymakers continue to be very concerned with the sluggish performance of their economy and its inability to produce jobs quickly enough to reduce the unemployment rate to more acceptable levels.

Employment, Canada and the Provinces,
Third Quarter 1989 and Second Quarter 1993 (000s)

	1989: 3Q	1993: 2Q	Net Change
Canada	12,834	12,435	-399
Newfoundland	223	186	-37
Prince Edward Island	59	54	-5
Nova Scotia	390	356	-34
New Brunswick	304	298	-6
Quebec	3,122	2,980	-142
Ontario	5,045	4,818	-227
Manitoba	512	486	-26
Saskatchewan	463	448	-15
Alberta	1,243	1,253	10
British Columbia	1,471	1,556	85

Source: Statistics Canada, *The Labour Force*

By comparison, the last time the annual unemployment rate in Canada averaged less than 7 percent was in 1975. Canada is facing the 18th consecutive year with unemployment averaging above 7 percent and in most of this period the unemployment rate averaged well above this level.

If we look at the unemployment experiences of the provinces during the past 10 to 20 years, we find that eastern Canada has largely been a basket case with generation after

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generation facing dismal job prospects. For example, Newfoundland last recorded an annual unemployment rate below 10 percent in 1972; New Brunswick in 1975. Nova Scotia has had unemployment rates below 10 percent only twice since 1976 and Quebec only four times in the 17 years since 1976. (Should it be surprising that separatist support has increased dramatically during this time?)

Even Alberta and British Columbia, the two provinces that have surpassed the pre-recession employment levels, have not had sterling unemployment records. Alberta last averaged less than 7 percent unemployment in 1981, and British Columbia has had an unemployment rate below 7.5 percent only twice since 1974, the last time in 1981.

A forecast recently published by the Institute for Policy Analysis at the University of Toronto predicts that if the Canadian economy is able to grow consistently and buoyantly, the national unemployment rate will fall to 7.4 percent by 1998. This implies that Canada is unlikely to record an average, annual unemployment rate below 7 percent during the last 25 years of this century.

IS THERE A SOLUTION?

I will deal with this question in more detail in next month's commentary. But for the time being, let me state that Kim Campbell is right that it appears at this time that little can be done to quickly reduce the unemployment rate to an acceptable level, at least below 7 percent. Jean Chrétien and Audrey McLaughlin are also right in claiming that it is the responsibility of the federal government to tackle the unemployment crisis. The fixation on the deficit should not serve as an excuse for inaction by the federal government. Growth and jobs are the goals of the government, not a rigid and irrational commitment to reducing the deficit.

However, there is little the federal government can do on its own to stimulate the economy. All the provinces are cutting back in their misplaced efforts to rapidly reduce their deficits. These actions will only weaken the Canadian economy. More importantly, each of the G-7 nations has agreed to pursue policies to reduce its respective deficit. These actions will prolong economic weakness in Europe, Japan, and North America and exacerbate the unemployment crisis in Canada.

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LEGAL REPORT

CONSTITUTIONAL RIGHT OF ABORIGINAL SELF-GOVERNMENT

Existing already?

by Bruce Ryder

The clause that would have explicitly recognized an inherent right of aboriginal self-government in the constitution died along with the rest of the Charlottetown Accord last fall. Does that mean that the right currently lacks constitutional protection?

THE DOMINANT VIEW

According to the dominant view, the demise of the accord left us with a constitutional status quo that exhaustively distributes sovereignty between federal and provincial governments. Those governments are under no legal obligation to recognize aboriginal self-government, at least not until the right is entrenched by constitutional amendment. If this position is correct, aboriginal communities cannot compel governments to negotiate self-government, and if negotiations do take place, the legal deck is stacked against them. Moreover, unilateral assertions of jurisdiction by aboriginal governments are illegal.

RCAP CHALLENGES LEGAL ORTHODOXY

In an important paper in August entitled *Partners in Confederation*, the Royal Commission on Aboriginal Peoples (RCAP) has persuasively challenged the orthodox view. They conclude that a third order of aboriginal government already exists