



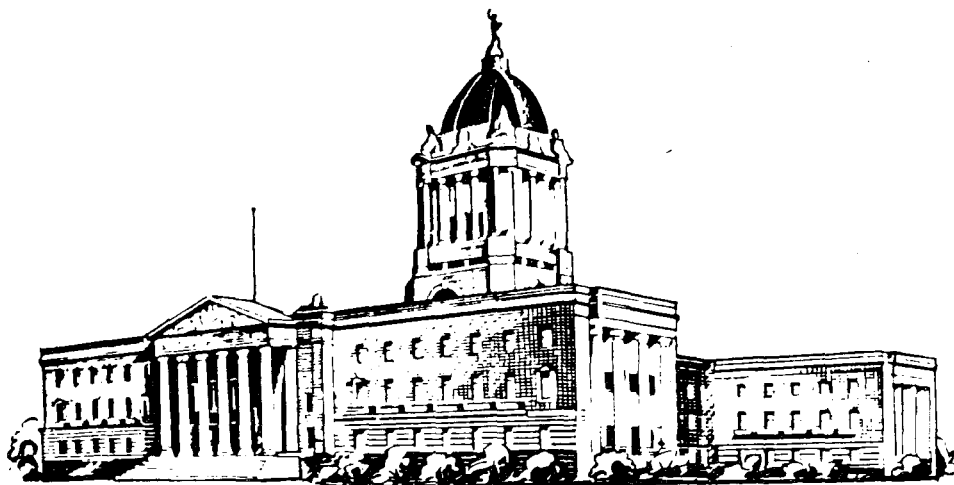
Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman
Harry Shafransky, M.L.A.
Constituency of Radisson



8:00 p.m., Wednesday, June 11, 1975.

ECONOMIC DEVELOPMENT COMMITTEE

8:00 o'clock, Wednesday, June 11, 1975

CHAIRMAN: Mr. H. Shafransky.

MR. CHAIRMAN: . . . the Annual Report from the Economic Advisory Board. I would call upon the Minister, Mr. Evans, to introduce the Chairman.

MR. LEONARD EVANS: Thank you, Mr. Chairman. Actually the present Chairman of the Economic Development Advisory Board needs very little introduction, I believe, to this committee. Mr. Leonard Remis was my Deputy Minister for many years, and of course even before that time was a businessman in the City of Winnipeg for many years, well-known to many of you. So I believe that it would be in order, Mr. Chairman, without further ado, for myself to ask him to come forth and to present the Annual Report of the Economic Development Advisory Board in accordance with the terms of reference which established this particular board.

MR. CHAIRMAN: Fine, thank you, Mr. Evans. Mr. Remis.

MR. LEONARD REMIS: Well, gentlemen, I have some good news and some bad news. The bad news that you are receiving is quite a bit of paper in front of you, and the good news is we're not going to cover all of this, we're just going to do a part of it.

The report summarizes everything that we did last year, and we spent a good deal of time trying to reduce it to a minimum. I don't think I can paraphrase this report, I'm afraid I'm going to have to read it to you as is, because it in itself is quite succinct.

Before I go on with the report, I would like to introduce Dr. Paul Phillips, who was the Research Director and Executive Assistant to the Board for the whole year; Mr. Butterworth in the back, who is one of our directors - the other directors were unable to come. Mr. Butterworth, would you like to come forward here and join the happy throng?

Gentlemen, I am pleased to have this opportunity to present this, the fifth report of the Economic Development Advisory Board and the second report since I assumed the chairmanship in 1974.

The Board is composed of representatives of business, industry, the university and labour serving on a part-time, meeting by meeting basis, backed by a small full-time research and administrative staff.

The composition of the Board has been stable since the last report. The members are:

Myself as Chairman; Mr. A. S. Leach; Mr. Les Butterworth; Mr. Keith R. Ebborn; Dr. Paul Phillips; Dr. Om P. Tangri; and Mr. Lewis D. Whitehead. At the present time there also exists one vacancy on the Board.

The terms of reference of the Board as contained in its governing Order-in-Council include recommending to this Standing Committee on Economic Development of the Legislative Assembly on development program priorities and on co-ordinating and stimulating communication between the private sector and government and, within the public sector between departments, agencies and industries. In conformance with these instructions the Board submits the following report.

The economy of the western world since our last report has obviously not performed in what could be considered a desirable or satisfactory manner. Inflation has continued at unacceptably high levels, and since last fall rising unemployment in many peoples' eyes has become a problem of even greater dimensions. In the United States, for instance, unemployment has reached levels, approximately 9 percent, not experienced since the depression of the 1930s. There is no lack of explanations for these problems nor lack of proposed solutions. What is lacking is agreement among economists as to what the causes are and what the solutions should be. There is no lack of agreement, however, that the next year will be very difficult in Canada. The economic forecasts differ only on the details. A summary of economic forecasts for Canada by business and economic advisory boards is appended to this report.

It would appear impossible for Manitoba to escape entirely the effects of this major turn-down in the western world economy (no matter how brilliantly conceived its economic policy might be) particularly since one of the province's major export markets is the United States where the economic slowdown has reached depression proportions. Nor can Manitoba escape the high rates of inflation that infect virtually the entire western world. There are reasons to be somewhat more optimistic about provincial performance than national performance, particularly with regard to unemployment which has been noticeably severe in the consumer durable industries, industries not a particularly large segment of the Manitoba economy. The buoyancy

(MR. REMIS cont'd)

of the provincial economy remains heavily dependent on agricultural prosperity. And as this Board pointed out in last year's report this presents a mixed benefit to the province. The major contributor to consumer inflation has been the rise in food prices but this rise in food prices has been the main influence in the improved farm economy. In 1974 the net income of Manitoba farmers rose to 501 millions, an increase of 40 percent over the previous year. This is primarily the result of increased prices of field crops, prices which have now levelled out. The situation with regard to livestock is far less sanguine at this time with farm prices well below their top levels of last year. As always, the outlook for the farm sector in the coming year depends heavily on three variables: the world output of agricultural goods, a value subject to the vagaries of both man and nature, the strength of the economies which buy Manitoba's export production, and the level of farm input costs. All these factors are uncertain at this time. Unfortunately, however, for the most part, all three variables are beyond the control of the provincial government.

As the Economic Development Advisory Board has argued in past submissions, one of the strengths of the provincial economy is its diversification which contributes to stability. The growth of the manufacturing sector in 1974, at 23 percent, in excess of the 18 percent increase in the provincial output, would appear to be contributing to the diversification which the Board argues should remain a priority in provincial development policy.

In summary, while there are centres of strength in the provincial economy, the outlook for the coming year is cloudy. As indicated, national forecasts are hardly encouraging and, while provincial unemployment rates this year are considerably lower than the Canadian average, they do show a significant increase over a year earlier. Just noting releases yesterday, the national average, I have been informed, is 7.1 percent, the Manitoba average is 4.4 percent. Much more however will be said about the level and meaning of provincial unemployment and participation in our manpower review later in this report. As well, the Board has made some recommendations regarding protection against inflation which will also be discussed later.

Because of the reorganization of the Board early in 1974, the last report to this legislative committee was largely confined to two issues: a review of the attributes and measurement of economic development which, in our view, should be the standard against which economic policy should be judged; and a review of the 1973 economic performance with reference to this standard.

Economic development, however, is not a short term process. We feel that our major effort should be directed at longer term and more basic elements of the economy. In consequence we outlined at that time a tentative program of research and review that would give effect to this view. Major emphasis was given to a proposed "general evaluation of manpower programs, problems and policies." Two other specific studies were suggested, one on the size and composition of Manitoba's export trade and one on northern prices and transportation. In addition, the report promised to "continue to look at inflation and its impact on Manitoba, and consider proposals that might be beneficial to counteract existing and anticipated costs of rising prices."

As well as this type of review and research activity, the Board has a responsibility to further communication between the private sector and agencies and departments of the government. The Board considered that this was best achieved through the existing practice of holding an open conference on select topics in economic development, and periodic seminars on topics relating to current research. Within the limits of our resources we have attempted to accomplish these tasks. The remainder of this report will be devoted to a summary of our review and research activities.

Indexing and Inflation:

In the 1974 report we noted: We have not yet had the time or opportunity to study indexing as a method of lessening the impact of rising prices on the welfare of those on small fixed incomes but it is one of the policy tools that could be looked at . . . It would be pointless for Manitoba to attempt a frontal attack on the inflation problem. The major priority, therefore, must be to minimize the disruptive impact and to lessen the distributive inequalities that have resulted.

One of the first activities of the Board after the presentation of this report was to consider the nature of the present inflation and possible policy options. A substantial collection of published material on the pro's and con's of indexing was considered by the Board at a

(MR. REMIS cont'd) special Board meeting November 5, 1974 which was also attended by representatives of business, government and the university. Indeed, the nature of the whole inflation problem was discussed at length.

Subsequently the analysis of the problem and the recommendations of the Board were formalized in a report which was submitted to the government and which is appended to this report under the title "Inflation and Indexing." However, a short summary of the Board's findings and recommendations should be included at this point.

The Board concluded that the present inflation was beyond the powers of the provincial government to control. However, several specific measures to minimize the impact on particular groups least able to protect themselves or to ease the price pressures in specific markets were considered. The ultimate recommendations included the following:

i. While there should be no recourse to the general indexing of the Manitoba Economy, indexing should be applied to the incomes of the needy and low income.

ii. Subsidies and two price systems in the food market tend to lead ultimately to inefficiencies or dislocations in the market and in any case are inefficient methods of redistributing real incomes. We recommend instead the above alternative of indexing certain sources of income for the poorer groups in the province.

iii. Some attempt should be made to investigate ways and means of increasing the supply of serviced building land to the Winnipeg market in order to hold down land costs.

iv. In order to reduce any excess demand effects emanating from increased government spending, reviews of existing government programs should be undertaken to eliminate unnecessary and low productivity government expenditure but with consideration for the special sub-regional problems in parts of the province.

The Board's thinking behind these recommendations is laid out in detail in the full report and I commend it for your consideration and comments.

Regarding the conference on incentives, location and regional development: In convening this conference in late January of this year, the Economic Development Advisory Board committed itself to four objectives. It seemed important to examine the theoretical basis for regional development and in the process look at the latest currents of thought and research in the field of economics. The contribution at the conference was believed to be substantial, especially with reference to federal incentives. Proposals for new criteria to be followed by the federal department will no doubt be carefully examined. And as an aside, gentlemen, we have been advised the Department of Regional Economic Expansion asked for transcripts of all our papers and have distributed them to all their offices for study and comment.

Our second objective was practical, namely, to provide both government and industry with information necessary to influencing program and administrative decisions pertaining to regional development. Certainly the broad attendance at the conference with over 300 participants from business, government and university, and the publishing of these proceedings will contribute to this goal.

Thirdly, the Board was anxious to receive as much feedback as possible from the audience and we regret that there was insufficient time available for a more extensive discussion of the various points of view expressed by the speakers.

Finally, the conference was intended as a way of educating the Board and in this respect there is no doubt that the Board is the main beneficiary.

The three underlying themes of the conference advanced by the speakers were (a) the acceptance of the philosophy of a commitment to regional development on the grounds of equity while cognizant of the distribution costs as well as the benefits of growth; (b) the inadequacy of our policies and structures to accomplish the task not only because of a lack of overall national policy but also because of weaknesses of individual development tools or programs; and (c) the continual need for political pressure by the hinterland on the heartland in order to develop the desire for the formulation of effective policy instruments.

The proceedings of the conference which will develop these three themes, is presently in the final stages of editing. It is intended they will be distributed to members of this committee and all other MLAs as soon as the final editing and printing can be done. Once again, the Board would appreciate any response that committee members might have either to the ideas contained therein or to future extensions of work in this general area.

As mentioned previously, the main research and review program carried out over the past year by the Board has been in the manpower area. Manpower policy and planning at the

(MR. REMIS cont'd) provincial level is still a developing process, although there is reason to believe that Manitoba is more advanced in this field than are most other provinces. Nevertheless, the review did not attempt to evaluate the job corps or special training-on-the-job programs such as the Northern Manpower Corps because of restricted staff resources although a brief look at the scope and role of three smaller programs for the disadvantaged was incorporated in one of the nine studies that provide the background for the review.

The main focus of the review was to seek an understanding of the problems and processes of the Manitoba labour market with specific reference to the development goals of raising the overall economic standard while reducing the disparities in the human condition by eliminating the barriers to fuller participation and more productive and remunerative activity of the lower and disadvantaged segments of society.

A summary of the technical research papers that formed the background to the review is appended to this report along with conclusions and recommendations. However, at this point in our report I would like to include a brief summary for your information with the recommendation that the members of the Committee consider the full report. The Board would appreciate any response and comments that you might have.

The focus of the study may be said to concern four major issues:

1. the variance in wages between workers, as influenced by occupation, industry, sex, size of plant, concentration of markets, union status, region and skill level;
2. the impact of occupation and sex on unemployment rates and job vacancies;
3. the role of education, training and manpower forecasting in dealing with bottlenecks in the labour market that retard the efficiency and growth of the provincial economy;
4. the plight of the disadvantaged in attaining meaningful participation in the economy.

The reason for focusing on these issues was the apparent contradiction experienced in 1974 of continued unemployment in the face of a very tight labour market and the seeming inability of some segments in society to move out of poverty and underemployment into truly productive employment. The review also coincides with the release of the task force on post-secondary education which raised the question of the relation between institutional education and training and the manpower needs of the economy. The review makes no pretense at being the definitive study of the Manitoba labour market. Yet it does lead to a number of conclusions and recommendations as to policy initiatives which might serve to reduce specific problems that now exist.

The conclusion and recommendations may be summarized as follows:

The wage variances between similar skill level occupations and the wide variations in unemployment rates and job vacancies between different occupations are obvious indications of barriers to occupational mobility due to the lack of appropriate education, training or skills. The resulting structural maladjustment in the labour market undoubtedly inhibits economic growth and efficiency.

One recommendation that follows from this is that despite all the difficulties and uncertainties of manpower forecasting and planning it is a necessary exercise to facilitate economic development and reduce unemployment without encouraging inflation. The process, however, should be seen as having two components - short term and long term. Short term economic forecasting and planning should be designed to meet short term problems and should not be oriented to planning long term educational investment. This is the role of long term planning which should reflect the development path of the provincial economy. A planning period for post-secondary institutions and programs of less than five to ten years is unrealistic.

While institutional education and training is important to the long term development of the provincial economy, they are in many ways less important as a total source of labour skills than training and experience on the job. Also for the disadvantaged, institutional training alone has not proved an effective method of upgrading. The biggest weakness in the source of skilled manpower is industry based training but at the moment there is no comprehensive program toward on-the-job training in the private sector despite its importance.

Therefore, a major effort is necessary to encourage an increase in the quality and quantity training; and this in turn means that the private sector and government must accept a commitment to contribute and participate. Occupational programs should be developed with flexibility the paramount consideration in such matters as transferability of skills and the particular combination of institutional and on-the-job instruction.

(MR. REMIS cont'd)

One general conclusion of the review was that during the study period (June 1973 to June 1974) the provincial economy was operating at full employment. Yet there were pockets of unemployment that were not being absorbed by available job vacancies either because there exist barriers to mobility (other than skill) or, in some cases, because the wages and conditions offered for the vacant jobs were too unattractive.

The conclusion that follows from this is that to open up additional opportunities to the lower income groups and more particularly to women, a move that will also reduce the limiting effects of labour shortages on economic expansion in the province, it is necessary to minimize the barriers to occupational mobility that appear to exist. We have no reason not to believe that social attitudes are the most important and formidable barrier to increased female participation in some of the higher paying, stable employment occupations where labour shortages may have limited industrial expansion within the last year. Nevertheless, we would make the following recommendations in order to reduce other barriers to the occupational mobility of women.

It should be noted that these recommendations also relate to another conclusion of the studies, that while undoubtedly racial and ethnic minorities, in particular the native population, are over-represented in the poorly paid, insecure, menial employment market, the most numerous participants are women, a result of their training, social attitudes, their child rearing role, and inadvertently, from legislation designed to protect females. In short, the problems are basically different manifestations of one single problem.

It is recommended therefore that the Women's Bureau of the Department of Labour and/or the Human Rights Commission be commissioned to undertake a review of all existing legislation relating to employment conditions and the administrative practices in the implementation of legislation with the intention of recommending changes that would eliminate provisions or situations which would have the effect of discriminating against or discouraging the employment of women in certain industries and occupations or restricting the mobility of women into these industries and occupations.

Furthermore, child care facilities should be available for mothers who wish or need to work. For low income families day care should be financed by the province. At the same time, employers should be encouraged to establish their own day care facilities where feasible.

While the above recommendations relate primarily to women, the following recommendations have a wider application to racial and ethnic minorities although it is probable that their implementation would have a greater impact on females.

Employers, particularly those facing labour shortages should be encouraged to examine their employment practices, working conditions, and job organizations:

To discover if more flexibility in hours is not possible which would increase the range of potential employees; and

To discover ways to reduce labour turnover which is extremely costly both to the employer in lost productivity as well as direct costs to the employee in unemployment and lower wages.

Furthermore, unions should be encouraged to examine their rules and administrative procedures to ensure that they contain no artificial barriers to the hiring of any potential employees and that they do not restrict flexibility in working conditions that would encourage upward mobility of less advantaged workers of any sex, race or ethnic group.

A review of the evidence of the welfare rates and of various empirical studies does not support the contention that there are significant numbers of employables relying on welfare but this does not mean that, if workers are trapped to any extent in the high turnover, lowest stratum of the job market, they will not from time to time be forced back onto dependence on welfare. Indeed, this seems to be the case. The problem in dealing with this question is to a) upgrade the skills and the behavioural patterns of the worker, and b) modify the job structure of the employer so as to provide more adequate wages, continuous employment opportunities and access to a career path.

To approach the first part of the problem: while there has been a number of pilot projects and specialized programs to upgrade the disadvantaged with varying degrees of success, an overall human resource development program that would encompass all the disadvantaged and would provide both for upgrading the employee and providing a comprehensive counselling and social service support system has yet to be developed. The following recommendation is suggested to deal with this.

(MR. REMIS cont'd)

The problem of the disadvantaged needs to be attacked by a comprehensive human resource development program rather than isolated ad hoc measures or merely the provision of institutional training. But it must be recognized that while the disadvantaged are the target group, little can be done to improve their lot without the active co-operation and support of employers, private and public.

As pointed out in recommendation 7, the co-operation of employers is essential. It is unrealistic to suggest that such co-operation is costless, if only because of the investment in time necessary to develop programs or revamp production processes and promotion ladders to provide for upgrading of the jobs as well the people in those jobs. The obvious way to encourage co-operation is to make it economically advantageous for the employer to do so.

Therefore, methods and incentives should be investigated that would encourage employers to improve worker productivity among lower income employees so that wages, working conditions and employment security can be improved and access to a career ladder can be established for those presently disadvantaged.

There are, no doubt, other conclusions and recommendations that might flow from this research and review report. Indeed, as has been indicated, the research itself is not definitive and much more could and should be done with sufficient time and resources. And I might add that a good deal of this work that has been done is original, not having been done either in Manitoba or anywhere else in Canada and in that respect we hope it will be seminal. Nevertheless, we feel that this review has identified certain priority areas which must be tackled if our goal of equitable economic development is to be achieved.

As promised in last year's report to this committee, investigations were pursued in two other areas of concern; the possibility of developing inter-provincial trade data; and secondly the effect of transportation systems of food prices in Northern Manitoba. Discussions on the former were undertaken with the Manitoba Bureau of Statistics and ultimately with Statistics Canada. Unfortunately, at this time the necessary data base does not exist. However, we would recommend that the Provincial Government make representations to the federal authorities towards establishing such a data base. Without knowledge of where Manitoba's exports go and its imports come from, and the magnitude of this trade, it is extremely difficult to construct any rational economic development strategy.

The proposed review of transportation and prices in the north was not proceeded with because it was discovered that a similar study was already under way within the government. We anticipate reviewing the results when this study is completed.

Other activities of the Board involved a meeting, at the Board's invitation, with representatives of the Economic Council of Canada including Drs. Andre Raynauld, Council Chairman; John Dawson, Council Director; and Neil Swan, Director, Regional Studies Group. The meeting involved three sessions, a technical session on the projected regional studies program, an address by Dr. Raynauld on the 1974 Annual Review, attended also by a number of senior provincial officials, and a meeting with the whole Board on issues raised in the 1974 review, on indexing, on the role of advisory bodies such as this Board and the Economic Council, and on current economic problems. It should be noted in this context that concern was expressed by representatives of both bodies about recent productivity performance in Canada. Although the discussion on this issue ranged widely, no specific recommendations were discussed.

This completes the report of the Board's activities including its recommendations since the last presentation.

I don't think I can close reading this report without paying due homage to the staff that were highly instrumental in putting it together and the assistance that we obtained from the Department of Industry and Commerce in putting on the Conference that we did last January, without whose help we couldn't have done it.

MR. CHAIRMAN: Thank you, Mr. Remis. Are there any questions? Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I have several things that I'd like to ask Mr. Remis at this time. I would first of all like to say that I note several comments in the report that was just read with specific references being made to on-the-job training and I think that the report reflects very much what my feelings and I think the representations that I have had made to me by different people in industry, both the service industry and manufacturing industries. And the problem with the technical trade schools that we are faced with right now whether they be on the local regional school levels are turning out people very often that do not

(MR. BANMAN cont'd) have the qualifications that possibly the people that are hiring them expected they would have. I just would like to say at this time that I agree wholeheartedly with the principle of adopting some kind of a program for on-the-job training because I think this is where they get the supervision and possibly experience that can benefit them in future life.

I would just like to ask at this time, Mr. Chairman, what the feeling is of the Economic Development people . . .

MR. CHAIRMAN: Economic Advisory Board.

MR. BANMAN: . . . Advisory Board with regards to the problems of productivity in Manitoba at present. I think there are many of us that are concerned about the increased cost of producing manufactured goods in Manitoba, I think it's probably a problem that we face in North America as a whole because we are seeing goods coming in from Japan and Hong Kong specifically and I guess we could attach it to the garment industry and others who are very very directly affected with the products coming in from those areas, and I wonder if you could just give us a couple of viewpoints on that particular problem.

MR. REMIS: Well we mentioned the Report of the Economic Council in 1974 highlighted that Canada as a whole is not keeping pace with the growth of productivity, their productivity growth rate is not the same as those going on in other western industrialized nations. I think the Americans are not - you included them in North America but I don't think they're suffering to the same extent that we are. Canada has a particular problem there. We asked Dr. Raynauld about that and I think they're doing more work in this area. We would like to have done some work in this area too but we just didn't have the resources to tackle that as well as all the other things that we did. But certainly somebody should take a hard look at what can be done to at least in Manitoba raise the productivity level, because it's quite obvious that unless it's done we will be phased out of a lot of markets in the world and we will not be able to compete with goods coming into the country.

MR. BANMAN: Has your committee had any studies done among themselves or I wonder if you could give us any feelings with regard to the effect that the Department of Regional Economic Expansion is having upon developing industry in Manitoba as such.

MR. REMIS: Well our experience on this topic was derived mostly at the conference.

MR. BANMAN: Which was mixed. I attended it and you had your people, your proponents and you seemed to have both . . .

MR. REMIS: Well I think that almost everybody was highly critical of the way the Department of Regional Economic Expansion was operating and the kind of results it was achieving and I'd say the thrust of most of our papers demonstrated this. The only defence that was presented were the people from the Department of Regional Economic Expansion. I think they took quite a beating at that affair. What is happening in Manitoba here is a moot point. I'm not too convinced that they're being very helpful to us here either.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Remis. On Page 6 of your report, the Board concluded that the present inflation was beyond the powers of the Provincial Government to control. However we understand that you have recommended certain specific measures to minimize the impact on particular groups. And under Item Roman numeral I and Roman numeral II you have indicated that indexing should be applied to the incomes of the needy and low income and particularly to certain sources of income for the poorer groups in the province. Could you elaborate on that, Mr. Remis?

MR. REMIS: I think I'd like Dr. Phillips who worked on that phase of the report to speak to this.

DR. PHILLIPS: This is one of the questions we discussed also with the Economic Council of Canada because they dealt with the same issue in their last report, and in the overall report there will be a discussion on all the different things you can index and what are the pro's and con's. It's about a 20-page discussion of the pro's and con's of indexing various different types of things. The whole question also arises what index do you use, there are all sorts of different ones. I must admit when we had this discussion it became so technical that we felt outside of the economists there, there were several at that particular meeting and members of the business community from the financial community, they felt that this was really a - well shall we say a political decision and too technical to get into at this kind of Advisory Board meeting, and would require a very major I think research to look at what is important in terms of income

(DR. PHILLIPS cont'd) to the various groups. We did discuss things such as welfare payments, minimum wages (Can you remember some of the other things we looked at) mother's allowance . . .

MR. REMIS: Pension plans.

DR. PHILLIPS: Pension plans, provincial pension plans, private pension plans, government wage contracts. Oh there were a few others. Bonds. Canadian Savings type of . . . but it became far too complex an issue to decide within the context of the discussions of the board. But I think there is quite a bit of discussion in the general report on various things that could be touched upon and the very strength and weaknesses in the various different transfer payments.

MR. MINAKER: Mr. Chairman, through you to Dr. Phillips. Was the other subject discussed, Mincome, that the board felt that everybody should have a Mincome program that are in the lower or poorer group?

DR. PHILLIPS: Not directly. Mincome was discussed within the general context as a possible solution. This again was discussed with the Economic Council as well at the other meeting. I think the general consensus, if I can remember correctly, was that we would - the experiment is on and that we really couldn't say what the effects were. We did co-operate as a staff with Mincome in setting up several questions on the questionnaire to look into what is the effect of certain disadvantaged groups on income, on their chances to get employment in certain types of jobs. But this information is just now coming in from the Mincome survey. Although my tenure ends now when I go back to the university, with the board, I hope as a board member that we can continue to follow this up as more information becomes available.

MR. REMIS: Perhaps, Mr. Minaker, I direct you to Page 3 of the Indexing and Inflation Study where we have itemized things that we thought the government could influence. People on fixed pensions, workers compensation, private pensions, private savings funds in lieu of specific pension plans, people on fixed allowance including mothers' allowance, welfare, etc. Going down to consideration of the minimum wage and other . . . So I think we did range fairly widely on this topic, although not exhaustively.

MR. MINAKER: Mr. Chairman, also under Roman numeral IV it's indicated in order to reduce any excess demands, effects, emanating from increased government spending that the existing government should review their program, etc., and particularly low productivity government expenditures. I'm wondering is there any particular areas that this would apply to in Manitoba? Were these discussed in detail to that effect, or was this just a general broad statement that was made by the board?

MR. REMIS: I think this is a broad statement. I think economists recognize that government spending does have an inflationary bearing, has a bearing on inflation in that it behooves us to caution our own government that they should do whatever they can to effect savings wherever possible and avoid spending on programs that are likely to be low productivity.

MR. MINAKER: This being governments, both provincial and federal.

MR. REMIS: I think so. I think we would make the same statement to the Federal Government.

MR. MINAKER: And also the provincial.

MR. REMIS: Yes. And municipal, all governments.

MR. MINAKER: Mr. Chairman, through you to Mr. Remis. Under Manpower Review on Page 9 of your report it details problems relating to manpower, etc. On the long-term basis has there been any discussion with regard to possible manpower shortage due to the low birth rate at the present time and a seeming trend to abortion, etc., that in say 10, 15 years from now that a good percentage of our population will be in that age group that's approaching retirement? I'm wondering if any discussion had taken place or has been reviewed with the possible problems that may exist in 15 years time with the shortage in people to carry on the services that will be required by the older age group.

MR. REMIS: I'm afraid that escaped our net. We didn't really consider the demographic considerations. I think we were more concerned with the short and medium term concerns. But I don't deny that demography and the birth rate and death rate and what the population is likely to be 15 or 20 years from now, it had to be taken into consideration in any kind of planning, economic planning. We didn't consider this as a factor because it's really quite a bit down the road for us at this time.

MR. CHAIRMAN: Yes, Dr. Phillips. You would like to comment?

DR. PHILLIPS: I was just going to say there is one study in there on demographic patterns, on participation rate patterns over about a 10-year period, 8-year period. We've looked at more of the medium term, although this may affect the long term in terms of the 10 or 15 or 20 years in the birth rate. The immediate effect now of course is there's been a massive increase in female participation in the labour market. This we have studied quite extensively. The more immediate impact of female, the effect of female participation in the labour market but not the second generation.

MR. CHAIRMAN: Mr. Johnston.

MR. J. FRANK JOHNSTON: Thank you, Mr. Chairman. I'd like to ask Mr. Remis: Manitoba would seem to be in a very good position to be a supplier of large industry, and to sort of explain that I have seen many cases in eastern Canada, and I have seen many cases in industry, where if you want to build something you have to have a specific part and large industry will contract work out to many different areas and small plants that can produce these small parts because they can buy them more economically than they can produce them themselves. Have you taken a look at the possibilities of Manitoba being in a position to having plants that may supply the labour force with maybe 15 people, 25, or even up to 50, which is a lot in Manitoba, to be a supplier of a specific part to large industry which is easy to ship, with low freight rates - in other words they can afford to buy them because we can make a large quantity and ship a large truckload to a market where it's required by large industry. Has the Committee looked at that particular area to help the labour force in Manitoba and the economic development?

MR. REMIS: I can't say that we have, Mr. Johnston. It's an area of study that we haven't considered; it's part of our program development. I can tell you that other people are doing this - that I have knowledge of - not only doing it in terms of trying to encourage national companies to sub-contract here in Manitoba but trying to get Winnipeg companies to sub-contract some of their operations into the rural areas. As you say small parts being farmed out wherever possible to small units of 15, 20 people, or even five or ten people, wherever possible. Also into the Native communities, where possible, setting up little workshops. Now that's a program that I happen to know about and I can say that that is being considered. I don't know how practical that is on the national scale. On the national scale I think we would be better off if they set up a whole branch or set up a component here to manufacture a product, a differentiated product as some of the companies that have come here over the past few years have done. What you're suggesting perhaps should be put forward to the Department of Industry and Commerce no doubt, and I can assure you that at least on the local scene we have considered that, and I don't know that it would work that well in the national.

MR. F. JOHNSTON: Yes, well the reason I bring it up is because the trend very much today is for companies who distribute a product nationally or internationally very often when you look at them could be classed as more or less of an assembly plant which purchases most of the parts for the product from all different areas. I think that the large business today - in fact I know it - are always looking for a way to be able to purchase a part as we've been talking about at a lower cost than they would have to make it themselves. So this is the reason I bring up the point. I think that Manitoba, especially in the rural parts of Manitoba, could benefit very greatly from this type of operation. As you say, maybe I should bring it up to the department that we should be examining the larger manufacturers of most anything and deciding that if we have a - or looking for products that we can make, and knowing and realizing that we have freight weight problems that we can make it economically and put enough in a truckload that we can supply to the markets where they require these parts. This is the reason I bring it up. I think that there is an area of - and I say 50 people is a lot of people in a manufacturing process in Manitoba because we don't have that many that are over - where we could go 15, 20, 50 people working, especially in the rural area supplying a part economically for a large manufacturer. I brought it up for that reason. I think there's a market there.

MR. REMIS: Well you know you're not wrong. It's going on right now in the agricultural implement business. Other than the two major factories that make the full tractor any number of other people are - Kilberry, Agra, you name them - providing assembly parts or complete accessories for farm equipment, and that's a big part. Now I don't know - I know of other small manufacturers that make wheels and axles and things that get shipped out to other people. That is indigenous to Manitoba, I think. Wherever the freight rate favours that kind of activity it goes on.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: I would just like to add to Mr. Remis' comments. Another example of - it's very pertinent - is a little industry that I guess is going to have an official opening - tomorrow? No, the 17th - in Virden, Walden Industries, and they're doing a sub-contract for International Harvester. It's exactly along the lines that you're suggesting, Mr. Johnston, and that is doing some work for a large company that can usefully put out a contract on some component or other that will go towards some product that they may put out. Within the province we've been trying to encourage that, even among our own manufacturers that are located in Winnipeg. CCIL, for example, I know is doing some sub-contracting now with a small company in Dauphin, providing 25 jobs, which is quite significant for Dauphin. It makes sense for them to search out where there is a relatively good work force, productive work force, etc. It's a good idea, and I'll keep it in mind, keep your suggestion in mind. I believe we're encouraging this but I'm going to check to make sure that it is being followed up as vigorously as it might be.

MR. REMIS: I should point out, Mr. Johnston, that if we had the trade figures, if we knew what was coming into the province and what was going out, which we don't have, it would be much easier to develop an economic strategy, or growth strategy, of that kind. You would know where the strong points and where the weak points are, and where we can attack it, and for that reason we would encourage the government to make representation to Ottawa to try to obtain these figures for whoever, to make use of them.

MR. F. JOHNSTON: Just one point, Mr. Chairman. I say this with - even with all the talk of conflict of interest and everything that goes on - but you know I would make a suggestion that in Manitoba there's a lot of manufacturer's agents who sell products which are made outside of this province and I would suggest that if you could get a group of those men together to discuss the products that they are selling in this province that are made outside of this province, or are assembled elsewhere, you could find a tremendous amount of products that could be put together here in Manitoba, and it is happening every day. I have that experience myself.

MR. CHAIRMAN: Mr. Banman.

MR. BABMAN: Thank you, Mr. Chairman. When looking through the report you deal fairly extensively with the labour market, and labour as a whole, and I'm just wondering if the Government of Manitoba has asked you people at all for any input into an immigration policy, or for you to make any representation to the Federal Government with regard to the green paper policy that the government is touring the country with right now.

MR. REMIS: No, we've not been asked to comment on that.

MR. BANMAN: Because just perusing it very fast here it looks like you've gone through it quite extensively, and I see you've even mentioned such things as the unemployed employables on welfare, and this, and you go into it quite extensively. I look forward to reading it. It's unfortunate we didn't have the report a little sooner and we could have - maybe there would have been a lot of questions coming out of the report. But I can see that you could possibly add some input into any discussions that the Provincial Government will have with the Federal Government as far as a policy on immigration. I wonder if you could just tell us what your budget was this year.

MR. REMIS: Our budget for - our current budget, 1975-76?

MR. BANMAN: Yes.

MR. REMIS: \$72,000.00.

MR. BABMAN: And how many people would be on staff?

MR. REMIS: We will employ, including myself, four people. Four people.

MR. CHAIRMAN: Are there any more questions? Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I apologize to Mr. Remis for not having been here for his presentation. I've made a very quick scan of the report and drawn up, with some fascination, to the section on manpower which has been of some interest to me in the past two or three months. If I might pursue some of the questions that come to mind as I read this quickly and perhaps ask for some elaboration.

The first question that I have, Mr. Chairman, is on the analysis made in this report about the relative inadequacy of institutional training as a way of dealing specifically with the employment problems of the disadvantaged and the structurally unemployed, and other groups that are handicapped, either for social reasons or for physical reasons. Could I ask you, Mr. Remis, whether you would carry the logic of that conclusion forward to recommendations

(MR. AXWORTHY cont'd) relating to the transfer of funds, or the discounting of programs presently carried on in places like Red River and other occupational training programs, and apply the funds or the resources into on-the-job training or other forms of training programs.

MR. REMIS: I don't think we're in a position to say how the money should be allocated, we're just pointing out that there's an imbalance, and that more should be done in the area of on-the-job training. I don't think that that's our purpose to get into the thing and say that money should go here and money should go there. We do our research and point out this is what's going on and something ought to be done about it. I might ask Dr. Phillips who supervised and carried out a good deal of the studies to comment even a little further on that.

MR. CHAIRMAN: Dr. Phillips.

DR. PHILLIPS: Well we have in the background studies, and it's sort of hot off the press today - but it isn't edited or typed up in final copy yet - on the supply and demand for human capital in Manitoba. We tried - it's very very difficult because as you probably know they changed the census designation between 1961 and 1971, so we don't even know what the change in the number of carpenters is over this period, so we don't know how adequate the various formal training programs are. But we made some very very rough estimates, and I admit that they're very rough. What is happening - I think probably my conclusion would be - is not so much that Red River, shall we say, over-financed or anything like that, because in my study of Red River we found that the very very high rates of employment and improvement in wages and employment conditions of those that attended and that indeed in areas like the construction industry they are doing a job of turning out probably more trained construction workers than is the Apprenticeship Program. So it's not so much the over-adequacy of this type of formal training but that there's no follow through and very little tie in with industry into the job. We did have some discussions both with the Manitoba Government and the Manitoba Power Secretariat and the training people on this whole question of manpower and indeed they are putting forward some programs now and we did have some input of where we thought the need should be. We did meet with other provinces; I did go to Saskatchewan to look at one of their programs for on-the-job training. And it really is that they're not substitutes one for the other, as I think that the conclusion that we came to, it's rather that there's not enough of the on-the-job experience and on-the-job training in a formal sense, and it's partly due to the size of the nature of the Manitoba firm. It's something like 80 - I can't remember exactly - 82 percent of Manitoba firms have less than 50 employees. Which makes it very very difficult for Manitoba firms to carry on on-the-job training programs. So we looked at, in a very general way, things like vestibule training where the industry would get together under government incentives or government programs to set up an industry wide training on the job program, this type of thing. And it should be tied in with the formal training program, as indeed the three programs we looked at were, particularly the two teacher training programs, one at Brandon, IMPACTE program, and the City Centre Project. They appear to be quite successful by combining the two, but they are small in relation to the size of the program. So basically, our conclusion from this is not that . . . it's just that for certain groups of people institutional training doesn't work or for specific types of jobs and that the size of the Manpower Training Program needs to be so much greater than what can be provided through formal institutional programs.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, just following on the point raised in the previous remarks. In terms of the analysis that was done about the different kinds of programs, institutional training, on job training, occupational apprenticeship and so on, did the study include any analysis of the organizational framework that deliver these programs, again on the basis that the case that we've been trying to make is the fragmentation in sources of programs both between Federal and Provincial Governments and the lack of connection between placement services, for example, counselling and the provision of training services and the fragmentation within the Provincial Government itself in terms of the split between four, five, six different departments of different aspects of manpower training. I was wondering if your analysis looked at that particular organizational problem at all, whether you would consider that to be one of the sources of the difficulties in getting a comprehensive human resource or manpower program? And thirdly, if there are recommendations coming out of such analysis concerning what form a proper manpower program should take in the way of delivering the service?

MR. CHAIRMAN: Dr. Phillips.

DR. PHILLIPS: Yes and no. With a staff of two in research we didn't really have the opportunity to go into detail on specific programs, particularly since the Task Force on Secondary Education had already looked to some extent at this particular question. What we did recommend is that there should be a comprehensive human resource development program. Which I presume would be a liaison program liaisoning the support services, educational services, with the manpower training and with the job development service. In this regard we did spend some time looking at the Saskatchewan Human Development Resource Program, particularly with the public sector, which was the most developed, and in the formal report there is a discussion on what makes a good program. This was with specific reference, by the way, to the disadvantaged although the general programs also follow that you have to have guaranteed employment at the end, you have to have some job security, some career ladder and these type of things, if the drop out rates are not to be low. These are the kind of things we looked at without looking at the specific programs. Let's face it by the time we get the Federal Government and the Provincial Government and the private sector programs, business schools, which we also looked at, there is an incredible overlapping . . . well it's not so much overlapping because they do actually fulfill different needs, but there is a lack of co-ordination and we've made some recommendations or indicated some ways how this should be co-ordinated. But it's not in a specific program sense.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: . . . to elaborate, attempt to give some information to Mr. Axworthy. You're correct, there are a number of provincial programs in various provincial departments and we recognize the need for further co-ordination, therefore the Manpower and Employment Sub-committee of Cabinet was established with the Minister of Labour as Chairman, I'm Vice-Chairman, the Minister of Northern Affairs is a member, for example, the Premier's Legislative Assistant, an example, one or two others are on the committee. Not only are the Ministers on the committee, but there is a secretariat which is co-ordinating the manpower industrial training activities of the various departments. And also with regard to the Federal Government, I'm not sure whether this is the proper title but there is a joint Manpower Needs Committee, joint Provincial-Federal committee for Manitoba, federal representatives in Manitoba with our provincial representatives and they do meet regularly to attempt some type of co-ordination.

Just one last point, Mr. Chairman - and again this is simply information because I know Mr. Axworthy is interested in it. We have some money in our budget this year, of Industry and Commerce - not a very great amount but at least it is a step in the right direction - whereby we hope to go into greater programming with the Federal Government in on-the-job training programs, industry on-the-job training programs. There is some of that, it is essentially federal. We have a little bit of provincial money which we think might stimulate further federal spending in this area.

MR. AXWORTHY: Mr. Chairman, I will relinquish to someone else and I'd like to come back to these points later on.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I'm sorry I wasn't here for all of the discussion nor to hear Mr. Remis present this report. I may be therefore going into areas that have already been discussed, and if I do that I apologize in advance. But, Mr. Remis, I'm interested in the report of the conference you had in January of this year and of the four objectives and as you might expect, the second objective is the one that really attracts me most, that is it's a very practical objective as you describe it, to provide both the government and industry with information necessary to influencing program and administrative decisions pertaining to regional development. I see that the proceedings of the conference are to be published but no doubt you've had an opportunity since January to review the discussion and probably to formulate some practical directives or at least some advisory points on which this regional development might be encouraged. Could you give us some preview of some specifics in this area, Mr. Remis?

MR. REMIS: Well, I explained this earlier, that the Department of Regional Economic Expansion asked us for the draft of all the proceedings ahead of the official publication mainly so that they could circulate it to their various regions for study and comment. I must admit though, confess that we've been so busy putting together the proceedings and editing them and

(MR. REMIS cont'd) getting them in the shape for dissemination, that we really haven't sat down and extracted from it the kernels that we suggest are there for us to get at. They're in the final stages of preparation and hopefully by September at the latest, they will be in the hands of everybody, and particularly I think the department, or the government, which should be looking at some of the comments and some of the ideas.

One particular thing that struck a familiar chord, or not even familiar but rather a responsive chord is the fact that American corporations tend to establish as close to the border as possible and that it's good tactics or good strategy for Manitoba to be looking to say Minneapolis-St. Paul, maybe not any further than St. Louis, Kansas City, for any investment of Americans in this area. It was just a tactic that one could use and I think the departmental people that were there at the time I'm sure picked it up. There were other little things that came to mind, particularly in some of the criticism of the DREE program showing how they will be taken to heart. But I say that at the moment I can't give you a list of, you know, ten things that I think the government should do. I can't do that now. But I think the point is well taken that when we send it officially to the Minister we could draw his attention to certain key points in the proceedings which I feel would be helpful to him in passing on to the department. I really can't be very helpful there.

MR. MCGILL: Mr. Chairman to Mr. Remis. That would seem to me to be really the function of the Advisory Board to accept the reports and to sort of put them through the mill and to come up as a result of these conversations with some specifics . . .

MR. REMIS: Yes, some hard recommendations.

MR. MCGILL: Right. Now you made one point. You said that American corporations tend to establish as close to the border as possible. Could you explain that?

MR. REMIS: There was one paper, Michael Ray's paper - Dr. Ray pointed out and he demonstrated it statistically, that Toronto gets most of its investment from those American cities that are close to Toronto - Detroit, Buffalo, Cleveland, whereas the West Coast gets most of its investment - if it gets any - from West Coast companies that have head offices there, Manitoba does get some of that from the American side too. So that if one was really pursuing an active promotional campaign to get American investment I think we'd be more likely to be successful in the middle west than we would if we approached companies in eastern United States or southeastern United States, or on the West Coast for that matter. And I think probably right.

MR. MCGILL: Mr. Remis when would you think that this report will be published and will the conference proceedings be followed by some specifics from the Advisory Board to the Provincial Government?

MR. REMIS: I think in part the proceedings speak for themselves. But your suggestion that we do add some comment through either a letter or a presentation to the government when we present them with the final proceedings I think is well taken and perhaps that's what we will do.

MR. MCGILL: I think I've made this point before in previous year's reports, but it seems to me three or four years ago the Advisory Board report did do that and it gave us, you know, some real points on which to evaluate what had been done during the year subsequent to the filing of the report.

MR. REMIS: Well, this report has quite a number of recommendations Mr. McGill, when you've a chance to look at it. They range rather widely. A good deal of them are in the manpower area, I think mainly in the manpower area because this is where we spent most of our efforts. Again, they will appear and we will synthesize them out of the proceedings, but that is about all we had the resources to look at. I'm sure there are lots of other things that need looking into.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, if I could I'd just like to switch a little bit to the paper on indexing, which again I've had at least three or four minutes to read. But it does prompt again some questions that perhaps Mr. Remis or Dr. Phillips might be prepared to answer.

I'm interested in two things. One is that you indicate that there is, in terms of a provincial role in fighting inflation, the major role should be in trying to offset the problems on the distribution side and to try to see if indexing is a way of doing that. I'm wondering if you looked at any specific programs that would work in terms of assisting people on fixed income, people relying upon old age pensions, in terms of dealing directly with housing costs, etc.

(MR. AXWORTHY cont'd) Have you looked at things like rent supplement or rent subsidy systems as being a way of distribution of this particular problem?

MR. REMIS: Paul, did you want to speak to that?

DR. PHILLIPS: I think there is a general recommendation of not using subsidies specifically, but rather - and if I may use the parallel which the board didn't use, but the sort of Swedish system on housing of giving people the income to rent rather than trying to subsidize individual units. That I think was the general opinion of the board, to give them the income and let them spend it as they best wished to rather than subsidizing on any sort of broad spectrum where a lot of the leakage effect would take place into people who may . . . it is a policing problem and administration problem. I think this was the overall, and I'm maybe putting some words into mouths of other board members, but as a board member myself, that was sort of the argument that I took and I think other people generally agreed.

MR. AXWORTHY: I just want to clarify, Mr. Chairman, if I may. The remarks in terms of when you talk about the Swedish system, you are talking about the rent supplement income system that they apply. Is that right? Or are you talking about a general form of guaranteed income system? My understanding of their particular housing supplement program is that they subsidize the person not the unit and that the person then chooses the unit but then they make up the difference between the economic rent and the rent that can be afforded according to their income.

DR. PHILLIPS: As I say those were my words rather than the board's words.

MR. AXWORTHY: But that is something that was . . .

DR. PHILLIPS: It was basically subsidizing the individual, or at least indexing minimum incomes rather than subsidizing housing units. There are other recommendations as regarding housing units and an increase in the availability of land.

MR. AXWORTHY: I wonder if I could come to that because I was quite interested in the fact that this was a recommendation. It's been a subject of some dispute in the city as to the degree to which there is a shortage of serviced lots and who is responsible and whether the responsibility rests on the market side with the oligopoly of land developers who hold land or whether the responsibility is a governmental one where the - particularly the City of Winnipeg system of producing serviced land lots is holding those up, and I'm wondering if the board undertook any specific investigation into that problem and was able to determine where the blockage occurred.

MR. REMIS: Well, we were privy to some information at the time that we were discussing that which took the position that there was an oligopoly at work and that there was problems in getting land serviced into the marketplace, and that having examined the evidence we were convinced that it was true and that's why we put it in our recommendation. At the time this was confidential to us and we haven't been able to footnote our source. But we're convinced that the information we have is authentic and reliable.

MR. AXWORTHY: So, Mr. Remis, you're saying that one of the major causes then is not the City of Winnipeg zoning or building procedures that are contained in the Act but in fact there is a deliberate policy on the part of large land owners or developers in the city to withhold land from the market?

MR. REMIS: No, we said that there was both.

MR. AXWORTHY: It was both.

MR. REMIS: That there existed market forces which operated to raise the price of land and that the supply was not coming on the market fast enough to offset this. I think we knew enough about it that we could make that statement but we weren't prepared to pursue it in great detail.

MR. AXWORTHY: Well, Mr. Chairman, I in part would raise a question because I think the conclusions or the impressions that you have put forward in the report are ones that are not unique to the Economic Development Advisory Board. The difficulty we have always had is getting hard evidence as to what is the real problem and where in fact should the corrective action take place and I'm wondering again in terms of the use of a report like this in terms of instructing government action what conclusions you draw in terms of a direction for action. You say we should put more serviced lots on the marketplace as a way of offsetting rising land costs. Do you have any recommendation as to how to do it?

MR. CHAIRMAN: Mr. Axworthy, I believe that question you're asking is something that

(MR. CHAIRMAN cont'd) you could be bringing up and debating in the House. I don't know if you should advise the Advisory Board as to what type of recommendations they should be making. I think they have brought in a report; you can ask questions of clarification, that the things you're advocating are something that you can speak in the House and bring about those ideas to the government.

MR. AXWORTHY: Well, Mr. Chairman, then let me seek further clarification of the recommendation that they made in this report. When they talk about the proposal - and let me see if I can get the exact wording --(Interjection)--the specific recommendation on land, yes.

MR. PHILLIPS: Can I draw your attention then. I should also point out that this is covered a little bit more fully on Page 10 of the Indexing Report. Starting Paragraph 2, "The demand for urban land has also been increasing indeed much faster than the growth in population, as technology reduces the labour to land ratio in the rural" and so on and so on and so on. We're down to - I think could go on for about three or four paragraphs. What you have read in the recommendations just you know capsuled out of that.

MR. AXWORTHY: Mr. Chairman, this is for clarification. As I read the recommendation more carefully, you're really stopping at the point where you say this problem should be investigated and you don't have anything more specific in the way of corrective recommendations than that?

MR. REMIS: That's right.

MR. AXWORTHY: Okay, Mr. Chairman, if I could ask one further set of questions relating to the other recommendation on looking at ways - I think it says reviews of existing programs should be undertaken to eliminate unnecessary and low productivity government expenditures. Could you elaborate upon that more directly in terms of have you looked at specific government programs in which the productivity rate is low and have there been any suggestive recommendations in that area?

MR. REMIS: I think we made this as a general statement. Inasmuch as the economists in our group recognized that government spending has a bearing on inflation, it would behoove governments both federal, provincial and municipal to make the best use of resources at their disposal. Sounds gratuitous I know but I think it has to be said when one is talking about inflation.

MR. AXWORTHY: Mr. Chairman, perhaps I could just ask one question. Perhaps Dr. Phillips could answer it. When you were looking at that specific area of productivity in government service was there any examination given to the problem created in public service labour relations or collective bargaining and whether in fact the government itself in terms of such negotiations or bargaining raises as part of its exchange or barter the question of increased productivity on the part of public service employees in return for 20 or 30 percent wage raises, has that ever been part of the collective bargaining procedure in the public service in your assessment?

MR. CHAIRMAN: Dr. Phillips

DR. PHILLIPS: We didn't look at that and indeed one of the real problems is that one can't really measure what productivity is in a service where there's no X number of units of output, and we didn't really get into that at all. The issue came up because basically I suppose, to be honest the economists and the businessmen of pure Keynesian principle argued that in periods of inflation government expenditures should be trimmed, and indeed I suspect in certain cases that were mentioned the fact that some of the capital projects have been trimmed or delayed really. But it was only in that context; we just didn't have anywhere near the kind of resources. We had a couple of years ago looked at government purchasing policy and savings in that area, but that was the only area in which I think this board has looked specifically at any particular program in ways to trim costs.

MR. AXWORTHY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. McGill. Mr. Evans.

MR. EVANS: Mr. Chairman, although I had seen the report on Indexing and Inflation I don't think I --(Interjection)--this is my first time to look at this report also. I'm going to ask some questions because I would like some clarification.

MR. CHAIRMAN: Pardon me. Before you proceed, I thought you were going to give some answers. I had Mr. McGill.

MR. MCGILL: I just wanted to ask one question. I was interested in Mr. Remis' reply to Mr. Axworthy. He mentioned that government spending in times of inflation was something that needed to be controlled. There seems to be a little difference of opinion on that subject

(MR. MCGILL cont'd) and I wondered, is this the view of your board, that in times of inflationary pressures that government should trim their spending in order to control the spiral? Is this the general view held by the Advisory Board?

MR. REMIS: I'd say that this is the general view of the Board. I could refer you to Page 6 on the Inflation and Indexing paper. I read: "Finally the Board considered the question of provincial government taxing and spending. It has been argued that indexing the income tax tends to reduce government spending automatically because it lessens the rise in government revenues that would otherwise accrue because of the inflation induced rise in money incomes. It is perhaps more realistic to accept that governments will spend what they want to spend and adjust revenues and borrowings accordingly. It has even been suggested that the indexing of income taxes may be inflationary by decreasing the 'tightness' of fiscal policy. The question of government spending also leads into some controversy, in part because of the philosophic question of the distribution between private and public wants, but also because of regional implication of government expenditures and the contribution of government expenditure to the augmenting of supply and the improvement in productivity. Yet this is exactly the time to review existing programs to determine their efficiency and effectiveness and to curtail, consolidate or abandon those found wanting in terms of net social benefit." So we did give very serious thought to what we put down.

MR. MCGILL: Fine, thank you.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Well on this question of productivity, while it's meritorious to suggest that the government undertake to eliminate low productivity programs, I'd like to know how can we do this if we're told that it's difficult, almost impossible to measure productivity, you know, in the government service.

MR. CHAIRMAN: Well I think you're making a statement.

MR. EVANS: No, I'm asking a question. I mean I would really like to know.

MR. CHAIRMAN: Dr. Phillips.

MR. REMIS: I think you and I should get together on this document.

MR. CHAIRMAN: That's what I was going to suggest.

DR. PHILLIPS: My comment on that though, somewhat gratuitously, was specifically in reference to the productivity of workers under the labour contract, not in terms of productivity of programs but a secretary, what is her productivity . . . or a social worker. Yes, how do you measure the productivity of a social worker. As you obviously know, in the Dominion Bureau of Statistics they measure productivity in the Civil Service by adding up the wages that are paid. That's the standard way in all industrial countries of measuring productivity in Civil Service be they federal, provincial or municipal. You can always increase productivity in the Civil Service by increasing their wages by the way it is defined and this makes the problem impossible to measure. My comment was strictly in context of the wage levels within the Civil Service contracts.

MR. EVANS: The question of unnecessary programs of course is a matter of political judgment - what one particular group may think is unnecessary another group may deem to be necessary, so it's really a value and a political and philosophical judgment I suppose. On Page 6 of your report you make reference to the fact that the present inflation is beyond the powers of the present provincial government to control. I wonder if I could ask a very simple question, you know, why is this? In the opinion of the board why - I mean what is the basis of that observation. Because in our Legislature there has been much talk about inflation and you know the proposal that the Government of Manitoba should do something about it, and while I appreciate what indexing can do, it's sort of like giving the patient who has a headache an aspirin to get rid of the headache, nevertheless it doesn't get to the cause of the headache. I appreciate the value of indexing but on the question of inflation why is it . . .

MR. CHAIRMAN: Mr. Evans, I would bring you the same caution. You're trying to engage in a debate with Mr. Axworthy and that is an argument that can be made in the House and I don't believe that we should be going into a discussion of the arguments and so on in the Committee. All we're here for is to hear the reports, ask questions of clarification on the report and not enter into a discussion of the merits, pro's or con's.

MR. EVANS: Mr. Chairman, on that point. I wasn't really debating the merits, pro's and con's, I was simply asking for an elaboration of that statement in the report. But let's just pass on because it is a difficult question.

MR. CHAIRMAN: That's what I feel, that that is a discussion that can take place not in Committee.

MR. EVANS: But I want to - because this I feel is very important.

A MEMBER: You're protecting him . . .

MR. CHAIRMAN: I'm not protecting him, I just don't want the committee to get into a discussion of philosophy and ideas when we are here to have the report presented.

MR. EVANS: I hope there is some ideas in the report. At any rate, Mr. Chairman, I just want to get back to Point No. 4 because I think there's a lot of confusion and a lot of misunderstanding on the role of government spending as it affects inflation. The Board says in order to reduce any excess demand effects emanating from increased government spending reviews of existing programs should be undertaken, etc., etc. I know it's sort of a conventional wisdom and it's pure Keynesianism that you cut back on aggregate demand by cutting back on government spending and therefore this somehow is anti-inflationary, but how can you suggest that this is anti-inflationary if you have a fair percentage of unemployment, in other words, indicating that there is less than full utilization of the resources?

MR. CHAIRMAN: Dr. Phillips.

DR. PHILLIPS: Now you must remember that this was written - came out of the discussions last year at this time, and when this researcher went into this in the summer of 1974 there were not pockets of unemployment at that time. We have argued in our manpower report that in fact full employment existed at that time and indeed one of the background studies picked out unemployment by occupation, and the interesting thing is the highest rate of unemployment last summer was in the construction trade at a time we all know that you couldn't find a plumber or a carpenter around anywhere. But this was the nature of the industry where the turnover is high. So basically this comes out that at that time there wasn't unemployment and we were dealing with quite a different economy I think when this report was first put together, and in that sense I think it makes more sense.

MR. EVANS: Mr. Chairman, taking your admonitions to heart, I don't mean to get into any debate and I don't want to prolong the members here, but you know I think this is a very fundamental point because there is a great misunderstanding on this matter. People at this time in Canada, where we have what? 8 percent unemployment, are saying well you should have a major cutback in government spending to fight inflation and the point is that a great deal of the inflation was caused by material shortages, international price changes and by cost-push factors. And you could cut back on say federal or provincial government spending and you wouldn't do anything to inflation but you would create a large amount of unemployment. And that's the classic case when there is less than full employment of the resources. I'm just making that as a professional view and I think there's a real misconception of the role of government spending in inflation. This is why I take this opportunity to mention that.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I just want to clarify something about the report. I gather that the contents of the report - that it's not just the indexing which is considered to be an anti-inflationary device. As I read it, the development of a more effective manpower policy is itself anti-inflationary by eliminating many of the blockages in the supply of labour, and therefore adding to productivity of the general economy and eliminating areas where there is shortages of supply caused by shortages of labour, as well as taking off certain people who use up resources without putting any product back in, and I would just like that clarified by the members of the board who gave this report, that in fact they see a more effective manpower policy, which is very much a provincial responsibility, is in itself being a major adding inflationary program.

MR. REMIS: I agree. I think it's implied throughout the report, although we don't specifically put it into that particular section. I think you summed it up very well for us that it is in effect, this is what we're really saying: Economic development is not just putting up smoke stacks but it has other implications, broader implications, for all of us. We have focused in on the manpower because we think it's a major area. Now if we've done nothing else but . . . got somebody with more resources than we have to take it and run with the ball a little further, then we've accomplished something. If this gathers dust and doesn't do anything, then we really have . . . we'll feel very badly. Now I . . .

MR. AXWORTHY: Well, Mr. Remis, I have several resolutions on this subject also gathering dust so we can join . . .

MR. REMIS: I won't be surprised. However the studies themselves which are quite technical will, we hope, be looked at by other people who are working in the same field, the same objectives, who will be able to do more with it than we have as we go on to greener fields.

MR. AXWORTHY: Yes, you can fortunately.

MR. CHAIRMAN: Mr. McKellar.

MR. McKELLAR: Mr. Chairman, Mr. Remis, being a farmer I'm just wondering have you studied the effects of the farm economy on the whole economy, as it affects the whole economy in the Province of Manitoba, as it relates to the whole economy? Do you get into the agricultural field at all?

MR. REMIS: Well we didn't . . . we made some comment about that, Mr. McKellar, to the effect that rising food prices is a sort of two-edged sword. On the one hand it's favourable for the farmers, giving them higher prices and the costs are going up, and I understand that too. But in the long run 1974 was a year in which the income level was 40 percent higher than it was in the year of 1973, so that had to be in your favour. But at the same time it's making the people who have to buy the food a little poorer for it. So, we said to ourselves, well what should be done about this? And our best answer for that was that we should do something for those people who are least able to contend with the rising food prices and the rising housing costs, and not go into such things as two price systems for agricultural products, or subsidies either for food products or for housing. And that was the limit of what we did in examining the farm economy.

MR. McKELLAR: Well, Mr. Chairman, one of the problems, and I don't want to make a speech here, but the complete reverse is true of what you're saying. The last five months now, grain prices have dropped to lower than they were two years ago, and we've gone through this up-cycle. Flax being down to \$7.00, less than \$7.00, six and half; rape is down below five; wheat is down lower than three, and barley is below two, and oats are down a little over one . . . to just a little over a dollar. Now you related there in your statement about the high cost of food. Well the farmer isn't . . . maybe he got it for a 12 month period, and I know I got a bit of the action but the government in turn got all my profits. They in turn got it. I ended up with less dollars after I paid my income tax than I did the previous year. But the farmers aren't getting it, and this is why I want to bring this up. Everybody talks about the high cost of food. The price of food on the shelf is not going to go down in the next 12 months. We all know that. But yet the farmer's income will be down 40 or 50 percent. And I got a farmer alongside me, and he'll tell you that. At least 40 or 50 percent than the year previous, partly because of the drop in prices, partly because of low quotas, and partly because of strikes, and the effects of the strikes on the nation as a whole - I can see real disaster. The machinery in turn that we purchase, the fertilizers, the sprays, and all the other chemicals, have gone up 40 to 50 percent and the farmers are going to be in a real disaster. I'm one of those that's in the last seven or eight years before retirement, and I'm all right. But these young fellows that are starting up, it's going to be a real disaster.

Now how are we going to keep our economy moving ahead unless the farm economy remains fairly, well steady, or active, increases like? Cattle went down to a new low, pigs were down to a new low - they're coming back a little - but all these things have had enormous effect, and the bankers will tell you. Now all we're doing is living on the final payments of the year previous, on the grain prices, that's what we're living on right now. When that honeymoon is over then we're in real deep trouble, and I can forecast by September or October that the farm economy is going to be in real trouble. And if we could eliminate the whole strikes in Canada here, I think the farmers could survive, but they can't survive with strikes and it's killing them. I just wonder, do you relate to national problems because national problems affect the provincial problems don't they? Do you study the national problems?

MR. REMIS: We certainly have to be aware of what's going on and we're not oblivious, but we do have to specialize. You know, we can't range into every area of concern, and I'm not saying that Manitoba's agricultural problems aren't real ones, and I believe you that they are. But we just haven't looked at it in 1974 and 1975. Whether we look at it in 1975-76 will depend upon what the board regards as a major area of concern.

MR. McKELLAR: Well, the purchasing power . . .

MR. REMIS: I wouldn't want to say right now whether we're prepared to go ahead and study this problem and make some recommendations on it next year at this time or not.

MR. McKELLAR: Well is not the purchasing power of the people of the City of Winnipeg affected by the amount of dollars that the farmers produce in a given area? Winnipeg is just a farm town the same as Brandon is I would say - it's not a bit different. Is it not? I mean the total amount of dollars produced in the province . . .

MR. REMIS: I don't think you want me to answer that question Mr. McKellar, do you really?

MR. McKELLAR: Well, I would yes. It's just a farm town.

MR. CHAIRMAN: Thank you, Mr. Remis. I will entertain a motion that the report be received. Mr. Adam.

MR. ADAM: . . . a couple of comments on what Mr. Remis said, statements he's made, and also some of the . . . I went in a little deeper than what we . . . Mr. Remis you made a statement in reply to the question that the cost of food - whether you made that statement or whether I read it here now I just don't - that the cost of food was taking away dollars, making people poorer, in other words. Now I stand to be corrected, but my understanding is that a few years ago the consumer was spending approximately 35 percent of his dollar on food, and that now that it's perhaps around 18 percent. Am I correct on that, or am I away off base? Does anybody have that information?

DR. PHILLIPS: No, Canada only spends about 18 percent, has ever since the Second World War. It has always been one of the lowest countries in the world in the percentage of income spent on food. I wouldn't want to hazard to say exactly what it was but France I think is the highest in the world and it's about 35 percent, the highest in the western world.

The point I think that we want to make was in summary there where you look at the consumer price index, what percentage of that is due to food, and in the period we looked at almost 40 percent of the increase in the cost of living was due to the price of food. And that is the highest rate of any single component. Now the effect of this - and I think our concern was that it hit the lowest income and we included in the figure study, a study done by a Toronto economist, that the lowest income people pay the highest percentage of their income on food, and food is the highest increase in the cost. It's the lowest income that suffer the most from inflation, particularly in food items. And I think that's the basis upon which this thing, this sentence was put, that it hits one sector, high prices help the farming community, and we also point out that in the report I think that the thing is uncertain and grain prices have levelled off, and that beef prices have come up a bit. But it's so uncertain at the moment that we don't know what's going to happen over the next year, and I'd hate to hazard a guess. But I think the answer to your question is we were concerned about the effect of this, particularly on those least able and those with the worst diet already, and who spend the most money - probably amongst the poor, you're probably right, 35 and 40 percent of their income does go on food. I think this was the Senate Poverty Report conclusion - I can't remember figures exactly though.

MR. ADAM: I appreciate the fact that the committee, or the board, did not look into agriculture deeply, but I notice that you did mention a figure of an increase of 40 percent in income to gross income, to \$501 million. There seems to be a tendency on the part of economists, and others, to always mention the gross income and apparently never to take into consideration the net income, or the cost of producing this \$501 million if you will. This puts farmers in a bad light as being a bunch of aristocrats, and it also alienates the consumer who's saying, here's those so and so's out in the country gobbling up all the money and look at the high cost of food, you know.

MR. REMIS: But we talked about the net income, Mr. Adam, on Page 3.

MR. ADAM: Yes, on the first item.

MR. REMIS: It says the net income of Manitoba farmers rose to \$501 million, not the gross income.

MR. ADAM: Pardon?

MR. REMIS: It was the net income.

MR. ADAM: The net income.

MR. REMIS: We did talk about the net income. We did not talk about gross income.

MR. CHAIRMAN: In 1974 the net income of Manitoba farmers rose to \$501 million.

It's the net, not the gross.

MR. ADAM: The board in general - it's underlined here, it's on second figures. In general therefore the board is not willing to recommend direct intervention by way of market control or subsidy in the food market. Are you referring to the primary level or to the retail or to the consumer? Or a two price system, or what are you referring to?

MR. CHAIRMAN: Dr. Phillips.

DR. PHILLIPS: It's in the paragraph above that on Page 5 where various alternatives such as two price systems and subsidies were discussed, but were generally considered as inefficient or counter productive. The latter, that's the two-price system, was thought - I'm sorry counter productive - the latter was thought probable of a two-price system since it would lower returns to agriculture and hence tend to discourage the augmenting of supplies. What we are basically . . . is that we agree with you, that if you sort of have a two-price system with say an international price high and a low domestic price, the net effect of this is to hurt the farmer and cause him to go out of the things that are in short supply, which is what is driving the price up. Remember that this came just after Nixon's attempt to hold down beef prices in the Canadian Government by setting up controls - or hold up prices, depending on what the case may be - by preventing trade in beef, and then the farmers all sold off their herds because they couldn't get higher prices with price controls, and then the next thing you know the beef prices went skyrocketing because there was a shortage. And what we're arguing is that if you use the market to increase supplies, and the agriculture at the producer level is a competitive industry, and prices tell the farmer what should be produced, if you start interfering with that price then you've got no mechanism, and it tends to lead to farmers' boycotts of markets and all of those types of things, which end up lowering the supply of food. That was the thinking behind it all.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, just one technical question. How many meetings of the Advisory Board were held during the year, Mr. Remis?

MR. REMIS: There were eight meetings of the board.

MR. MCGILL: Those were more or less regular meetings, and I suppose there were other committee meetings.

MR. REMIS: There were many other meetings, but those were the regular boards in which we kept minutes, and which we have on record.

MR. MCGILL: Yes, fine.

MR. CHAIRMAN: Mr. McKellar.

MR. MCKELLAR: Yes, I was just wondering if you've made any study on the value of our dollar in comparison to the dollar in the world market, and also the balance of payments too, which our country is really in trouble on now because of the lack of the grain sales and the strikes that are affecting the grain sales, because it will have an overall effect. Maybe it won't happen in the next 12 months but it's going to have an effect on our economy. But the value of our dollar on export sales is very important, and I was wondering if you have any studies in the past that relate to this as it affects our economy in the Province of Manitoba because we do export a lot of . . . garment industries, and one thing or another, different industries.

DR. PHILLIPS: Well, our dollar's gone down dramatically which increases our exports tremendously, and increases the dollar value of the sales, which should in fact do a lot for our balance of payments.

MR. MCKELLAR: Yes.

DR. PHILLIPS: But that's happened within - what, the last three months?

A MEMBER: Two months, three months.

DR. PHILLIPS: And it's largely in response to European currencies rather than . . . while there has been some change in the American. I'm speaking purely as . . . and the interest in it in following it, and indeed we follow these things within the office. But it's a federal matter, Bank of Canada policy, federal trade policy, over which I'm afraid that if we have little control over inflation, we have even less control over the Bank of Canada policies. So, outside of an academic interest the board has not made any representation.

MR. MCKELLAR: Well, I'll ask one last question. Would there be any advantage for Canada and the province of which we live here, Manitoba, if our dollar was devalued at the present time?

MR. REMIS: Permanently? You mean fixed rate?

MR. MCKELLAR: No, lowered beyond its present . . . discount it another 10 percent or something or other.

MR. REMIS: No. I am no . . .

MR. MCKELLAR: Well it's very important . . .

MR. REMIS: It's a field that one would fear to tread at this moment.

DR. PHILLIPS: I don't think any of the economists would . . .

MR. McKELLAR: Well, I see a real disaster unless something happens . . .

MR. REMIS: I tell you one thing, Mr. McKellar, when you get mixed up with a bunch of economists you get on the one hand and you get on the other hand, and somehow or other you've got to chart a course between them. It isn't often very easy.

MR. CHAIRMAN: Well, thank you, Mr. Remis, Dr. Phillips. I would entertain a motion that the report be received.

MR. EVANS: Mr. Chairman, I move that the Annual Report of the Economic Development Advisory Board be received by the committee.

MOTION presented and carried.

MR. CHAIRMAN: Committee rise.