

pension plans because, excluding these, the federal surplus was reduced by \$444,000,000 to one of \$124,000,000, and the combined provincial-municipal deficit was increased by \$236,000,000 to reach a total of \$558,000,000 for 1966.

Aside from the surge in receipts from the pension plans, all components of government revenues, with the exception of revenues from the corporate income tax, increased sharply in 1966, mainly as a result of generally buoyant economic conditions. In addition, higher general retail sales tax rates in Ontario and extended tax bases in Ontario and Quebec reinforced revenue gains from indirect taxes. Indirect taxes for all levels of government increased by some 10½ p.c. Revenue from direct taxes rose by \$548,000,000, almost all contributed by personal taxes. The share of the increase going to provincial governments was somewhat greater than that accruing to the Federal Government because of a further abatement to the provinces of three percentage points of basic income tax on Jan. 1, 1966. Expenditures on goods and services for all levels of government combined rose by a striking 16½ p.c. in 1966—19 p.c. at the federal level and 15 p.c. at the provincial-municipal level. At the federal level, 75 p.c. of the increase occurred in outlays on non-defence goods and services; defence expenditures rose by 10 p.c.

Components of Income.—Labour income in Canada was about 12½ p.c. higher in 1966 than in 1965, despite the occurrence of severe industrial disputes. About half of the increase was attributable to additional employment in the non-agricultural industries and the other half to increased average earnings, mostly from higher wages but in some cases from longer average weekly hours, particularly in construction, and more overtime. The increase in the number of employees came mainly from young persons leaving school and immigrants but also from a larger percentage of women participating in the labour force. Participation rates for men were virtually unchanged. Unemployment rates, on average, were slightly lower in 1966 than in 1965. The goods-producing industries accounted for more of the increase in payrolls than did the service industries—13 p.c. compared with 11 p.c.—although this trend was reversing toward the end of the year. The primary industries recorded a 7½-p.c. increase in labour income, somewhat less than the average; the largest increase involved mining where most of the rise was in average earnings, due to both higher wage rates and some shift toward the more highly paid sectors, such as iron and petroleum.

Manufacturing, up by 11½ p.c., continued the steady increase noted in 1965, absorbing almost its share of additional employment. The construction industry recorded increased salaries and wages of almost 25 p.c., resulting partly from a lessening of the seasonal decline associated with that industry and partly from greater emphasis on engineering projects where hourly earnings are significantly higher. The average weekly hours worked in the construction industry also increased. Over the year, this industry appears to have attracted more than the national average increase in numbers of employees. Average weekly earnings in construction increased by an even higher proportion. Service-producing industries, responsible for about 58 p.c. of wage and salary payments in Canada, had income increases almost as high as the goods-producing industries but with somewhat higher employment gains and less in average weekly earnings. The greatest gains were in the trade and service sections—11 p.c. and 14 p.c., respectively—which may have attracted more part-time employees. Proportionately lower payroll increases were evident in transportation and other public utilities—8 p.c.; these industries, being generally less cyclically sensitive, experienced about average increases in earnings. Finance, insurance and real estate increased 8½ p.c. Government payrolls increased by more than the average in 1966. Retroactive payments made in 1966 but pertaining to 1965 were partly responsible for the large increase of 15 p.c. in federal non-military payments but provincial governments also recorded a large increase of 13 p.c. In part, the rise in government payrolls was due to relatively low increases in earlier years. Supplementary labour income showed a substantial increase in 1966 of 23½ p.c., mainly a result of the Canada and Quebec pension plans.