

Programs for productivity improvement and adequate measures for dealing with the manpower problems arising from technological and other change should be pressed ahead with all possible speed. The programs should operate both at the general and at the industry and plant level. (In early 1967, the Council published a set of principles to guide labour and management in their efforts to cope with the manpower implication of technological and other changes in industry [see below].)

The annual autumn meetings between federal and provincial finance ministers and treasurers should be developed into a major vehicle for the improvement of longer-term planning and the better co-ordination of expenditure programs and other fiscal matters by the three levels of government. A number of basic economic documents should be published prior to such meetings to serve not only as background for them but also as a basis for stimulating broader public debate about economic developments, problems and potentialities in advance of the formulation of annual budget policies. A standing committee on economic affairs from the Senate and the House of Commons should be established, one of the functions of which would be to hold annual hearings on economic issues arising out of the above-mentioned documentation and discussion.

Sources of Economic Growth

The Economic Council has emphasized repeatedly that productivity gains are the essence of economic growth, in the sense that they are the real source of improvement in the average living standards of people—that is, in average incomes. By productivity is meant the increase in the output of goods and services in relation to the resources required to produce them. Increases in productivity are generally traced to two basic kinds of influences:—

- (1) Improvements in the productive quality of the factors of production. (This would include rising levels of knowledge, education and skill in the labour force—including the managerial group—and better machinery and equipment, or higher quality natural resources.)
- (2) Improvements in the efficiency with which the productive factors are combined. (By this is meant, for example, a more efficient organization of the production process, increased specialization and larger scale of production, and shifts of manpower and capital from less-productive to more-productive lines of employment.)

The measurement and analysis of productivity still bristles with technical and conceptual difficulties. Further complications arise from the fact that the factors are frequently interrelated—advancing technology and better management and skills go hand in hand; increased scale and specialization require not only expanding markets but also flexibility and adjustability of economic resources. There is still much to learn about how these various factors act and interact, and it is extremely difficult to isolate the role and importance of any one of them. Despite these difficulties, the Council has devoted a large part of its research effort to these matters in the hope of improving public understanding of the real sources of growth in incomes and living standards.

Education and Economic Growth.—The basic role of education as a factor contributing to economic growth and rising living standards was stressed in the Council's *First Annual Review*, especially in the discussion of Canada's vital need for creating and maintaining an adequate supply of professional, technical, managerial and other highly skilled manpower as a basis for future growth. The *Second Annual Review* attempted a closer examination of education as a factor in growth. The Council recognized that its work in this difficult area was in the nature of a pioneering venture, but considered it useful to make some initial findings and conclusions:—

Average years of education per person in the male labour force rose rapidly and fairly steadily from 1910 to 1960 in the United States, with gains of 9 to 10 p.c. in each decade over that half-century. The Canadian increases were somewhat more uneven and were also consistently below those in the United States. Consequently, it is estimated that, although average years of schooling increased by less than 40 p.c. in Canada, the comparable increase in the United States was about 60 p.c. There has thus been a widening educational gap between the two countries. This gap appears to have widened particularly at the secondary school level in the inter-war years, and particularly at the university level in the postwar period. For example, in 1960 about 45 p.c. of the United States male labour force had four years of high school or more education, compared with only 24 p.c. in Canada in 1961.