Jobs, Jobs, Jobs

The Challenge of Job Creation
Specific Ideas

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JOBS, JOBS, JOBS

Why is the Unemployment Rate So High?

Slow Growth and Weak Incomes

The primary reason for high unemployment is that effective demand is weak. Real personal disposable income per household declined over the period from 1989 through 1995 by almost 8%, reflecting the recession of 1989-92 and a relatively weak recovery. Indeed the level is about the same as it was in 1980! This has resulted in weak consumption growth and a low level of consumer confidence.

Government spending on goods and services has also been weak, with every indication of further restraint over the next several years.

Although exports of goods and services have been growing rapidly, so have imports. Canada continues to have a large current account deficit.

In such an environment, business investment has been weak, with further restraint in nonresidential and residential construction linked to the continuing high real interest rates and slow growth prospects.

Policy Thrusts in the Wrong Direction

The continuation of a restrictive monetary policy directly hampers recovery in the interest-sensitive sectors, keeps the dollar artificially high hurting net trade, and, through its adverse effect on government deficits, keeps government spending under downward pressure and prevents tax relief.

Working Time Changes

Even with the high level of unemployment, those with jobs are often working longer hours. Some are paid overtime, others are simply working longer hours without pay, but with the hope of holding onto their jobs. Adjustments to a shorter workweek, longer vacations, and other reductions in working time that were evident through the 1960s are no longer helping to spread the work around and to maintain a high level of employment.

So What?

Changing the situation will require a change in macroeconomic policy, a number of well-designed microeconomic policies, and some changes to working time in order to reduce the unemployment rate significantly and improve real disposable income per household. Such changes must work through increasing the rate of economic growth and the level of economic performance.

This is not a new discovery. Indeed, the debate has been going on for more than twenty years, with the Bank of Canada and Department of Finance insisting that reducing inflation is the only relevant policy objective, with the added constraint of fiscal prudence or "sustainability" being added as debt ratios rose.

If real interest rates are going to be allowed to remain high, and higher than US rates, then governments will remain in a bind without relief. If high unemployment remains the "weapon" for fighting inflation, then it makes little sense to talk about lowering it, if any such effort will trigger offsetting policy moves to increase unemployment back to its "desired" level.

The problem is that the electorate is beginning to question the performance of the economy and the capacity of current governments to deal with it. They overwhelmingly chose the Liberals over the Conservatives partly because of the promise of Jobs, Jobs, Jobs. And now...

The Bottom Line

The current recovery is running out of steam. Only slow labour force growth has concealed the weakness in the labour market recently. This cannot be counted on in the coming months. As well, real economic growth is at least slowing and may be approaching a recession pace.

It is time for the federal government to turn its attention to employment creation, both through its macroeconomic policies and through specific targeted programs.

Job Creation as a National Imperative

The **Red Book** promised **Jobs, Jobs, Jobs** (or **JJJ**). At some point before the next election, the Liberal Party needs to be seen as delivering on this commitment. This paper addresses the challenge and some ideas for achieving increases in employment in Canada.

New entrants

From 1995 through 2000, there will be an additional 260,000 to 280,000 people 15 years or older. This increase in the source population is the **net** change resulting from people already living in Canada becoming 15 years old, new immigrants, less those who emigrate from Canada or die. The net number of young people is little changed over this period, reflecting the lower birth rates since 1980. Most of the increase occurs in the age group, 35-64, reflecting both the immigration changes and the baby-boomers of the 1950s, moving into middle age. There will be actual declines in the number of people between 25-34, averaging about 80,000 per year through 2000.

Participation rates

Not everyone over 14 participates in the labour market. At any point in time, about 65 per cent of the source population is in the labour market. Some may be outside of the civilian labour force because of school, child-rearing, military service, or other reason, but may show up in later years looking for a job.

Since 1989, participation rates for young people (under 25) have declined substantially, hopefully reflecting more of them staying in school and not seeking part-time jobs. But male participation rates for all age groups over 25 also continue to decline, more indicative of discouraged workers. Female participation rates, which had been rising rapidly in the 1970s and 1980s, appear to have slowed down since 1989, although they continue to rise in most groups.

The overall participation rate was 67.5 per cent in 1989 and 1990. It has declined to 65 per cent in 1995. This has reduced the growth of the labour force, and lowered the unemployment rate as a result. However, it is not expected that there will be further major declines in the next five years.

Labour force growth

The implication of the source population changes and participation rate is **an increase each year in the labour force of about 170,000 to 200,000.** This is a less rapid pace than in the 1970s (about 350,000 per year) and the 1980s, (over 200,000 per year) but it will represent a pick-up from the very slow pace in 1995 of about 100,000 net new entrants.

Employment

Over the entire period from 1989 through 1994, total employment in Canada increased by 205,000, or an average of less than 40,000 per year. Employment increased by 500,000 from October 1993 through October 1995, although there was an increase of only 78,000 since December 1994.

To keep the unemployment rate from rising requires net employment increases to match the labour force increases (170,000 - 200,000 per year). To reduce the unemployment rate will require even more rapid employment growth.

Public versus Private

Although public employment continued to expand through the last recession, in 1995 it is expected to decline by 18,000 from about 3,153 thousand in 1994 and to continue falling by an average of 30,000 per year through 1997. **This places a major burden on the private sector for job creation.**

In 1995, employment in the private sector finally surpassed its 1989 level. Employment gains of about 160,000 in each of 1996 and 1997 are expected, insufficient to match labour force growth and the declines in public employment. If a recession materializes, then private sector employment is more likely to decline, implying a sharp jump in unemployment.

Full-time vs. part-time

Part-time jobs have been growing more rapidly than full-time jobs for many years. Some of this shift has reflected the desires of employees, but some represents a compromise that employees must make to receive some income. Indeed, some people "stitch together" several part-time jobs to obtain adequate income. In any job-creation program it is important to keep in mind that some will want part-time work, so that one full-time job created might reduce unemployment by 1 or 2 or more, if there is part-time employment. At the same time, income determines the multiplier effects of an improvement in employment, and the same impact on GDP will occur, whether the jobs are full-time or part-time, even if the number of jobs is quite different.

Full-time versus part-time Employment
(% of total employment)

	Full-time	**Part-time**
1976	89.1%	10.9%
1985	84.6%	15.4%
1994	83.0%	17.0%

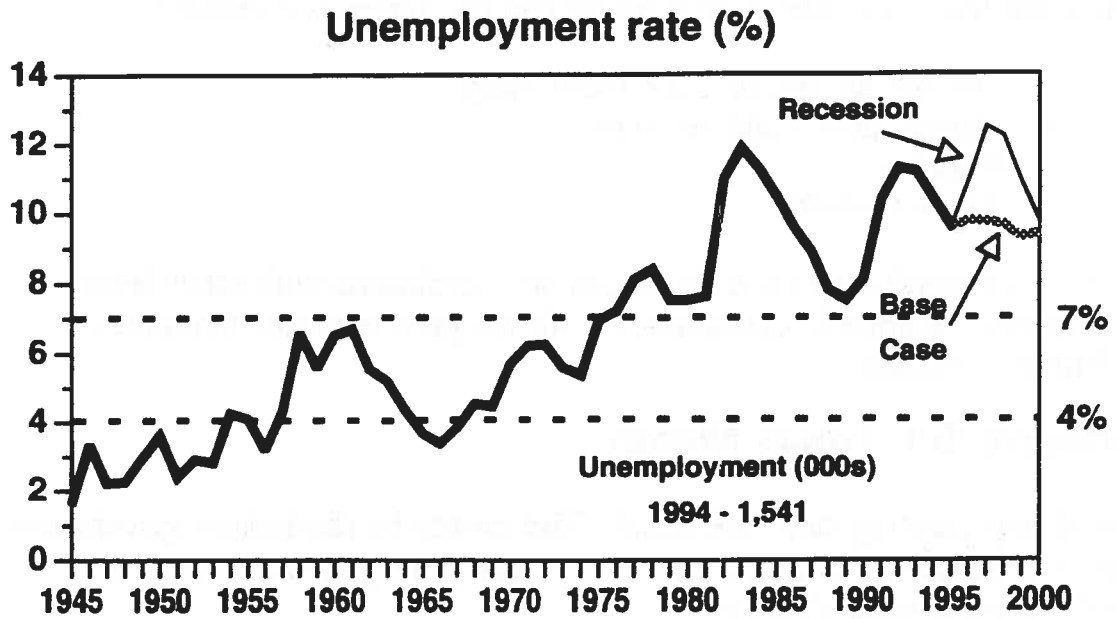
Regional patterns of unemployment

Regional Unemployment Rates, 1988-95

Province	Pre-recession Low Point	Date	Recession High Point	Date	Current Oct-95
Newfoundland	13.0%	12-88	21.8%	11-92	18.3%
PEI	11.5%	11-88	19.5%	10-93	13.0%
Nova Scotia	9.4%	7-88	15.1%	10-93	11.4%
New Brunswick	11.1%	12-88	13.7%	10-91	10.8%
Quebec	8.6%	2-89	14.3%	11-92	11.2%
Ontario	4.7%	6-89	11.3%	9-92	8.6%
Manitoba	6.5%	8-89	10.8%	1-94	7.3%
Saskatchewan	6.3%	3-90	9.1%	11-92	6.9%
Alberta	6.4%	3-90	10.6%	11-92	7.6%
British Columbia	7.7%	3-90	11.3%	6-92	9.0%
Canada	7.1%	3-90	11.9%	11-92	9.4%

New Brunswick is the only province that has a lower unemployment rate today than its pre-recession low point. All others have yet to recover to their previous low point. Canada is still over 2 percentage points above the pre-recession low, and this gap may be underestimated, given the slowdown in labour force growth in the last several years. If the weakness in participation rates reverses, then unemployment may remain quite sticky.

Past and Prospects: Unemployment Rate



SOURCE: Statistics Canada (1945-1994), Informetrica Limited (1995-2000)

This chart shows the steady upward progression of the unemployment rate in the post-war period, with each recession starting from a higher level of unemployment. Can we break this trend before the next recession?

Beyond 1995, there are two paths shown. The Base Case is a recent view consistent with growth continuing in the US and Canada at about 2.5 - 3%, the current consensus. Even at this pace, there is little progress made in reducing unemployment. The other path depicts Canada falling into a mild recession, followed by a return to the Base Case level of output in 2000. The unemployment rate exceeds 12% in 1997. Of course, there are many other possible future paths. The real challenge is to pick a better one through good policies.

Tools of Government

There are four tools that governments can use for policy purposes:

- Provide dollars (or take them away)
- Deliver goods and services
- Regulate
- Apply suasion

Also, in a federal state each move can be coordinated with other levels of government or done in cooperation with the private sector to create additional leverage.

Criteria for Good Moves

Not all job-creating steps are equal. The moves by the federal government must respect the operating context of overall policy as well as, when possible, meet other criteria.

Context

Attention needs to be paid to the "deficit fears" that have been created. Actions that seem to be giving up on deficit reduction will not be popular with the business community and will give the appearance of a flip-flop by government. "Fiscal prudence" remains a constraint, but there is a need for focused job-creation moves as well.

To set the proper frame, it is probably necessary to be seen to be raising revenue or cutting expenditure in some area as part of the overall strategy. This was done in the **Red Book,** although delivery on the plus side has not occurred or has been delayed. Perhaps this time around we should do the job-creating things, and delay the increased revenue steps!

Lower real interest rates will also help, reducing the need for as large a primary surplus, and acting as a stimulus as well.

Work on Multiple Fronts

It is unlikely that one program can solve the unemployment problem. There are several advantages in undertaking a number of programs. Competition among departments in delivering jobs would be healthy and would do wonders for public service morale. Mistakes or delays in one

program would not jeopardize the overall thrust. Multiple thrusts would suggest that there is a change in the general direction, an important underpinning to building business and consumer confidence.

Focus on Particular Groups

Actions which directly create jobs for those now unemployed or on welfare are to be preferred over more general measures which may also create jobs for the unemployed but by a "trickle-down" or "bump" process. With high unemployment rates for youth, specific measures here are also desirable.

Improve Incomes

Jobs that result in increased incomes overall are most desirable. There is a lack of effective demand in the economy and, therefore, additional income from employment can help increase employment in other sectors. Such jobs are preferable to "job-sharing" or steps which cut wage income to finance additional jobs elsewhere.

Build Business and Consumer Confidence

Government actions which help to improve the confidence of consumers and businesses can improve employment prospects beyond the direct impacts of the measures. Declines in the unemployment rate, lower interest rates, and improvements in real incomes will improve consumer and business confidence, triggering additional consumer spending, business investment, and new hiring. This should be thought of as an additional impact, associated with doing enough different measures for job creation that the cumulative effects become visible to consumers and business.

Involve Other Levels of Government and Businesses

If the federal government can involve other levels of government or business partners, who also contribute funds to the job-creation activity, then there is more "bang for the federal buck". If this approach takes substantially more time to negotiate, or requires "side payments" to make it work, then it may be less attractive. Involving others as partners also prevents them from sitting on the sidelines and complaining, or, even worse, moving in the opposite direction and offsetting the jobs you create with restraint elsewhere.

Minimize Cost Per Job

Although more income and jobs are the objective, it is still important to be seen to be "efficient" in creating jobs, with relatively low costs per job. For comparison, use the rules of thumb for the general measures below. If the cost per job is less then it is a clear winner. If it is more, then look for other benefits in addition to the jobs for justification.

Incrementality

When creating a job through a specific government program, one of the challenges is to ensure that all (or some) of the jobs are truly incremental, and not simply spending on jobs that would have occurred in any case. If the cost per job is very low, then there is a suspicion that the jobs would have occurred anyway.

Reallocation Over Time

At some point in time, the Canadian economy is likely to perform better, either by luck or good management. If spending that might otherwise take place at that point in time can be brought forward to the present when the jobs are needed, then there is an immediate benefit, without long-term adverse effects on federal debt. In some sense this rationale was behind the recent federal infrastructure program. Note in this case that the activity is not incremental, but does take place when you want it. Of course, if subsequently it is stretched out, then one might find little identifiable benefit.

Ability to Turn On and Off Again

If the purpose is to create jobs with the expectation that the business cycle will subsequently require "room" for private sector growth and freeing up of resources, then it may be important to be able to stop a program, originally started for JJJ. There remains the option to stop other programs as well. Of course, you may not want to turn off a particular program because of other benefits associated with it.

Take daycare as an example. Once started it is unlikely to be feasible to eliminate the program. But, since it can increase the labour supply by providing daycare for women with children, it can help provide the additional resources in a tightening labour market.

General Measures for Increasing Employment

The most obvious way to increase the number of jobs is for the federal government to increase direct spending, cut taxes, lower interest rates, lower the exchange rate, and increase transfer payments. The cost per job for direct fiscal actions varies from $20,000 to $100,000. Such measures are of use as a comparison to other proposed steps.

Interest rate reductions and exchange rate depreciation will also result in more jobs. It is less clear how to count the cost per job, since such steps also enhance federal revenues and reduce other expenditures. The real issue is the degree to which other objectives are sacrificed, such as a higher inflation rate. (More recently, the Bank of Canada has been saying that they have little control over interest rates, except for very short-term interest rates.)

Measure	**# of Jobs/ $1 bn**	**Cost per job ($)**
More Direct Hiring	50,000	$20,000
More Goods & Services	25,000	$40,000
Transfer Payments (e.g., UI, OAS)	14,000	$71,400
Lower GST	19,000	$66,666
Lower personal Income Tax	13,000	$76,900
Lower payroll taxes	10,000	$100,000
Lower Corporate tax	14,000	$71,400
1% point reduction in interest rates	40,700	CPI = -0.2%
1 US cent lower exchange rate	12,600	CPI = +0.6%
Lower interest rates and lower dollar	66,000	CPI = +1.0%

The number of jobs per billion dollars in Column 2 is an estimate of the direct, indirect, and induced jobs after five years, allowing for most of the multiplier effects to work through the economy. In the case of corporate tax reductions it is assumed that there is a significant positive effect on business investment.

The exchange rate and interest rate shocks assume only one of the components changes. A combination of lower interest rates and a lower dollar requires a judgment about the amount of exchange rate change associated with lower interest rates. The final row is based on a two-cent devaluation **and** a 100 basis point decline in interest rates. The total effect on the **level** of the CPI is 1% after five years; the rate of inflation is little affected.

Generic Areas

Public-Private Partnering (PPP)

There is a notion that partnering can create jobs. The onus of proof should be on those proposing such schemes. "Partnering" requires each partner to bring to the table certain contributions and together they can create something that each on its own would have been unable to do.

Governments bring to the table:

- Funding at lower costs than the private sector
- Continuity and capacity to re-assign an activity if there is failure
- A longer-term vision
- A legal framework that may create a monopoly or oligopoly
- A need to be met

Private sector partners **may** bring to the table:

- Capacity to move quickly
- Less regard for balance, fairness, and fewer operating constraints
- More innovation
- Motivation to succeed
- Proprietary products, systems, etc.
- Willingness to be compensated on performance basis

I am dubious about PPP being a major source of job creation by itself. It may be of some help in the following ways:

- Broaden the notion of partners - NGOs, other levels of government, as well as corporations. Striking an agreement with a province might be more easily done through a PPP agreement, compared to a formal federal-provincial agreement.
- Consider a PPP for delivery at the design stage of the program.
- If internal capacity to manage a program has been lost due to cutbacks, then contracting-out or another form of PPP may be necessary.

Training

Possible ways and means of expanding or spreading employment opportunities. through training, should be predicated on two caveats and one basic premise. The **caveats** are:

- this is an area where federal-provincial sensitivities, jurisdictional responsibilities and cooperation are important, and

- at the micro level, the federal government through the various HRD, UI programs and their predecessors going back as far as the late 1960s, and the provincial governments and their programs - some of which were welfare related - have tried just about everything and with only modest enduring success. Nothing, it seems, beats a buoyant economy.

The basic **premise** is that Canada's ultimate comparative advantage lies in high-skill, high-paying jobs, and job-creating initiatives that run counter to that goal - such as eliminating the minimum wage for adults so that we can keep jobs in low-productivity industries - have to be looked at very critically. There is a role for them if the only alternative is permanent welfare and work-skill erosion, but other alternatives bear examination.

Observations on upgrading skills and making persons more employable:

- Among all world economies Canada has more persons enrolled in post-secondary institutions than any other nation. Defined as the numbers enrolled divided by persons age 20-24, Canada has 99%, US 76% and Finland 51% tertiary enrolment. No other country in the world reports tertiary enrolment as high as 50%. France reports 43%, Germany 34%, the United Kingdom 28% and even Sweden 34%. Yet all of these countries have more or less similar income levels, and some have better growth and employment records. I come to the conclusion that either North America is over-educating its young people for the jobs to come, or that our primary and secondary education is sorely lacking, with the post-secondary institutions having to make up the slack that high schools and vocational institutes have filled in Europe and Japan. The truth is probably somewhere in between.

- There seems little doubt that the combination of computer and satellite technologies on the one hand, and advances in life sciences on the other hand, are leading us into the next century. If Canada is to remain in the forefront, its workforce must be trained accordingly.

- The potential role of community colleges for the future is strong. As an institution these virtually did not exist thirty years ago. Then, in the late 1960s the newly established federal Department of Manpower and Immigration introduced a cost-sharing program to finance their construction, and funding programs to provide them with trainees, including apprentices. Since then, of course, community colleges have sprung up throughout the country, providing a practical training vehicle for post-secondary students at much less cost than universities.

- Canada's vocational training/apprenticeship system has generally been found inadequate, particularly when stacked up against the German and Scandinavian systems. There are wide differences in standards, application and administration from one province to the next, and not a great deal of interprovincial coordination. There is room for much improvement, including upgrading and modernizing that component of apprenticeship learning and the equipment made available in the community colleges.

- If Canada is over-educating for the future through its universities, maybe the time for greater price-rationing, with a suitable scholarship and loan system, is nigh. This would see a likely switch of students from universities to community colleges (which seems to be starting), greater community college/undergraduate course substitutability, and a slimming of universities and more efficient use of their personnel and physical plant.

Given the jurisdictional sensitivities, these observations would seem to point to provincial initiatives to improve the quality and relevance of the training and job-readiness of Canada's young people. While this is largely true, in addition to the training and job-creation initiatives now funded from UI development funds and HRDC's Community Futures and other programs, there is a role for the federal government on a number of fronts.

- Training is one area that ultimately could be handed over to those provinces that want it, under flexible administrative arrangements. But in handing it over, or not as the case may be, the federal government should be able to write some minimal terms, and even offer funding to local labour market boards, or to colleges for upgrading equipment, etc., just as they have provided universities separate funding to maintain university R and D.

- Federal support for Skills Redevelopment Centres. I have in mind here centres, which may or may not be affiliated with community colleges, that can respond to the somewhat more personalized retraining needs of mature adults who may have redundant skills or have been out of the labour force for some time raising families.

- Federal support for a National Board for Professional and Technical Standards. This Board would be a creature primarily of the provinces, with the federal government only having one seat. But the Board would have a permanent secretariat, which could be funded federally. The Board's purposes could encompass that of achieving "mutual recognition" of skills and accreditation approved by other jurisdictions, and modernizing and strengthening the apprenticeship systems within the provinces.

- Federal support for initiatives by industry associations, e.g., the construction or hospitality industries, to introduce within the community college and apprenticeship systems the most advanced courses and standards of training.

- In selected cases there may be grounds for federal grants or wage subsidies to enterprises to enable them to train workers for skilled jobs in new start-up greenfield operations.

- In some provinces there may be scope for more federal financial or program initiatives, in conjunction with the local schools and social services, in various forms of "Youthreach", designed to bring young people back into mainstream training and job search.

Payroll Taxes

The internal debate about payroll taxes continues. It is true that higher payroll taxes probably cost jobs, but it is less clear if they cost more jobs than other forms of raising the equivalent revenue. Our work suggests that some part of a payroll tax is pushed back onto workers, resulting in a lower net wage, while other parts of the tax may be paid by corporations in lower profits, while some goes forward into higher prices. But, compared to a GST increase or the job consequences of cutting transfer payments (e.g., lower UI benefits), payroll taxes are relatively benign.

There has been some discussion of the "fixed costs" of employees, with reference to the fact that payroll taxes increase with a new hire, but may

not vary for an employee who has already hit the ceilings for UI or CPP. One obvious "fix" is to remove the caps on UI and CPP, using the additional revenue to raise the minimums before contributions are required, to lower the contribution rate, or for other good purposes (e.g., job creation?).

The other attack on payroll taxes has been the notion that such taxes affect our competitiveness. But Canada has the lowest payroll taxes in the OECD, and the exchange rate should adjust for such structural differences between countries in any case.

Perhaps the essential piece of advice is to be cautious about any claims for job creation as a result of changing the tax structure.

Working Time

The Task Force on Working Time and the Distribution of Work reported in December 1994 with 25 recommendations. Governments were encouraged to consider **significant reductions in working time** as a possible device for lowering the unemployment rate, providing access to earned income for more Canadians, while, at the same time, allowing more leisure time for those already working.

Such a policy would require the cooperation of federal and provincial authorities, the willingness for unions and large employers to undertake collective bargaining on working time issues, and the "inflation fighters" to not put the unemployment rate back up!

Several specific areas that the federal government could move on alone include:

- The Task Force on Working Time looked at some of the European programs to encourage early retirements and replace them with new hirings, and found that in terms of results these were very expensive. But it did recommend that both public and private pension programs in Canada be re-examined with a view to easing their financial disincentives to early or phased-in retirement.

- The Task Force also urged the federal government to change the tax system to support greater use of voluntary educational leaves. One approach (not in Report) would be to allow RRSP funds to be used for such purposes, with an additional RRSP contribution allowance equal to

one year's salary, which if used for training, could be restored for the next training cycle. Such funds would be taxable when taken down.

The Elderly

Although most of the current focus on the elderly is to determine how best to reduce government payments to them, or to induce them to leave their jobs, there are several moves that could help create employment in a helpful way.

- In the case of older persons, there may be additional scope for making available wage subsidies to employers to hire handicapped workers who could otherwise qualify for CPP disability pensions.

- More and more emphasis is being given to reducing hospital beds, and where possible substituting home care for chronic care facilities. The federal government has already loosened the terms of the new Canada Health and Social Transfer (CHST) for Saskatchewan to allow for payments of up to $1,000 a month to home-care givers to the elderly. This seems to be a useful initiative.

Procurement Policies

Federal government procurement usually emphasizes positive net benefits to justify the expenditure, with no extra benefits being given for employment, equity, small business, technology, or other attributes. This framework is designed to ensure that the central agencies control the level of unemployment without "interference" from other departments.

Any changes in this framework will require a willingness to consider other benefits that procurement can, in fact, carry with it. In some cases the benefit will be associated with the project, independent of who does it. For example, if overall job creation is the objective then it is likely that various bidders will create about the same number of jobs. But if the issue is jobs in a specific location, or the desire for a company to be able to develop a technology with export potential, then some hard choices may be necessary.

The major constraint will be to prevent the procurement system from losing its focus on least-cost purchasing, as every bidder tries to "dress up" their proposal with those characteristics deemed desirable. Perhaps the "points" for these additional factors should be made public, allowing some

competition among suppliers in providing both the goods and the other attributes.

Specific Ideas for Jobs

There are many specific ideas for job creation, although some are better than others. In the Ideas section of this paper a number of proposals are discussed, including the following:

- Daycare
- Retirement Villages
- Literacy Training
- Roads with Earmarked Taxes
- Small Business Financing
- Youth
- RRSP Withdrawals

Before turning to these specifics there are some other background observations that are important to note.

Other Sources for New Ideas

There is no better source for job-creation ideas than within the federal bureaucracy today. The problem is that there has been no demand for such ideas from Ministers and the senior mandarins, so the system does not produce a flow of these ideas upward. But in my discussions over a number of years I am convinced that there are numerous ideas, well thought through, that could serve to create a number of jobs at relatively low cost and quickly.

Thus the real challenge is to ask the right questions and to refocus the federal government from downsizing, offloading, and fiscal restraint to an emphasis on job creation, economic growth, and social improvement. This, of course, requires that the Cabinet wants to go in this direction.

If a change in direction is approved, I am confident that there will be no shortage of ideas. Indeed, the real problem will be in selecting from the wide variety.

Funding Mechanisms

Funding mechanisms for any job program are also important to consider. Some observations on several such schemes are provided below. Note that many of these measures may themselves cost jobs, so it is important that the job creation part of the package be implemented as well.

- **Earmarked Taxes** - Aside from general approaches such as an increase in corporate taxes or personal income taxes, there are specific sources of funding that may be linked or earmarked to certain job-creating efforts. A simple example would be to "earmark" that amount of GST revenue that is raised from taxing books and newspapers to fund a massive effort to improve literacy of all Canadians. Publishers will be a direct beneficiary of improved literacy and the lobby against taxing reading would be weakened.

  Public finance experts don't like to do linking, or earmarking, since it may mean that too much is allocated to a particular function. US experience with highway and airport trust funds are often used as an example, although the fact that these funds have positive balances suggests that it is possible to exert control over spending even with earmarked funds.

- **UI Fund** - The current plan is to build up a surplus of $5 billion or more, for use in the future for UI benefits without having to raise premiums. One possibility is to use these funds for other job-creation activities that might avoid unemployment, although this might require some change in the Act. Since the overall federal government balance is improved with the UI surplus, perhaps it is just as well to leave it alone, pursuing job creation expenditures out of general revenue. The only exception might be where a change to the UI eligibility or other rules might help to create jobs. (See self-employment idea.)

- **Unpaid Leave for Public Servants** - It has been proposed that federal public servants not work between Christmas and New Year's Day. With Boxing Day this means giving up three paid days or about (3/250= 1.2%) of pay. Obviously this could be extended to five, ten, or more days as designated by the government or voluntarily taken. This is similar to the Rae Days in Ontario and will evoke the PR of the Social Contract. The keys to success will be to try a voluntary element and to link the payroll savings directly to job creation. It could be used to

fund almost any job-creation activity, but I think a **federal intern program** would fit nicely.

- **Reductions in Working Time in the Federal Government** - Instead of laying off public servants and crowing about the body count of 45,000, it should be possible to reduce working time of many public servants by 10% or 20% with commensurate reductions in pay and an increase of 5% or 10% in employment at the reduced hours, all without any increase in labour costs and with an increase in productivity. (See the Report of the Advisory Group on Working Time and the Distribution of Work.)

- **Public-Private Partnerships** - When PPP are thought of as funding mechanisms, the purpose of the private partner is to bring dollars to the table, assume some of the risk, and receive a return from such activities. Usually, the cost of funds is higher than that of governments, the expected return greater, and the leakages into administrative expenses larger than if the government did the task directly.

  However, if governments do enter into PPPs for other reasons, then it may be possible to reduce funding requirements through user fees or efficiencies of the operation. Any funds so saved can be used for either a job-creation activity related to the privatized function or in another area. Proponents of partnership agreements might be encouraged to add some net job-creation dimensions to their proposals.

- **Tax Expenditure Removal** - The Finance Book on Tax Expenditures is a starting point for those looking for additional funds for other purposes, including deficit reduction. However, these measures are guarded closely by Finance, and most attempts to suggest their removal in the past for purposes of job creation have been rebuffed.

Communication Issues

Regional Contests

To include and stimulate the university sector, a **CONTEST** between teams of students and faculty members at provincial universities could be initiated. These would be analogous to the design contests among architectural students, engineering students, etc.

Using the three areas - economy, society, and environment - each university would assemble one or more multidisciplinary teams, with at least one student and one faculty member from each of the three areas. The task would be to provide a possible solution to a current problem, with points awarded for a number of criteria (originality, balance across the three areas, practicality, presentation, net cost to governments, etc.). Prizes could be awarded for several categories.

In year One, I suggest the challenge or problem would be to create in each province at least 1,000 meaningful jobs for young people with a high school education.

Judging could be by Deputy Ministers of Finance, Labour, Economic Development, from both the federal and provincial governments.

The presentation of the ideas could be part of the Regional Conferences as well. Some or all of the winning ideas should be implemented.

Regional Conferences

To announce the new direction, particularly with the regional-specific ideas, each regional Minister could sponsor a Conference or event at the same time, or, at least within the same month. The purpose will be to develop enthusiasm among the participants for the generation of jobs. This will be easier if the people are those interested in employment increases, perhaps drawn together to provide positive inputs to enhancing the value of the jobs package through overcoming any implementation problems, building consumer and business confidence, etc. The conference could take the form of a briefing on the programs, followed by sessions on specific facets, and then followed by a formal public announcement of the programs, with summary comments by some of the participants to reinforce the messages.

Internet

The Internet is growing in popularity. By starting with a News Group on Jobs Ideas in advance of the Conferences, etc. it may be possible to gain some support and feedback on the ideas early on. Announcement of regional conferences could be facilitated through the Internet. If desirable, the News Group could be set up as "unofficial".

Red Book, Volume II

The Red Book was successful as a focal point, both during the election and afterwards. It may be desirable to replace it, with an "update" or "extension" that will become the guiding light for the public and the party. **Red Book - Volume II**, suggests an evolution and does not require reference back to the Red Book, Volume I for comparison or consistency. An alternative positioning might be, "Red Book, 1996", allowing for others at future dates.

Importance of Commitment

If the federal government is not prepared to commit to **JJJ,** then don't waste people's time on talking about what might be done.

The federal government should allocate $2 billion ($5 billion?) per year for job creation over each of the next three years as a minimum, and be prepared to ramp this up if the ideas are there. Is the most imaginative use of public funds to be deficit reduction? **Surely Liberals can do better!**

Idea: Increase Consumer Expenditure

People with RRSPs would be allowed to withdraw up to $5,000 for any purpose, without a tax penalty. They would be encouraged to spend it on Canadian goods and services, including training, starting a small business, refurbishing a house, buying a home, etc. The offer would be available for one year only, without the opportunity to replace the funds at a later date. (Nothing prohibits government from allowing an additional contribution at some future date.)

Increase in Jobs

With the emphasis on spending the funds, it is likely that there would be about 25,000 jobs per $1 billion taken down. The key uncertainty is the number of people who would take advantage of the program.
As well, there is an issue of the amount of incrementality in the spending. As a rough guess, I would expect about 1 million Canadians would take advantage of the program with an average takedown of about $2,500. This would mean about $2.5 billion spent, or 62,500 jobs.

Direct Budget Impact

Federal

If someone took down $5,000 from an RRSP it would be subject to tax, at the marginal rate. This might mean that roughly $0.75 billion would be lost by the federal government from income tax. However, if the funds stay in the RRSP until eventually paid out at retirement, they earn additional income which is taxed, but the revenue is received much later. In present value terms, the tax loss is about equivalent, but the books are not kept that way. Therefore, there would be little visible revenue loss in the first several years. Any eventual loss would be affected by the contribution practices of those with RRSPs. Today, many do not contribute to the full limit allowed. If they increased their contribution then there need be no long-term change in the status of taxation on RRSP withdrawal, although there would be tax loss in the near term as contributions are higher.

PLH

About half of the federal loss of revenue, with identical timing.

Offsets

Federal and provincial governments will benefit from increased indirect taxation (GST, sales taxes) and lower social assistance payments.

Net Cost per Job
Quite low in current accounting terms. Longer term, the loss is spread over a number of years. Indeed, if the output gap is closed as a result of this and other moves it may well be the case that governments are better off.

Regional Dimensions
No direct differentiation, although many of the things bought are likely to be made in Central Canada. Larger RRSP balances in higher-income provinces as well will tilt the activity somewhat.

Time Profile of Jobs
Most of the employment would be concentrated in the first two years. To speed up the impact, it would be possible to allow people to essentially make an RRSP contribution and, at the same time, to net off up to $5,000 for spending purposes, while keeping the value of their deduction from income. Indeed, this approach if widely used could increase the take-up, although increase the revenue loss since the tax deduction might be higher.

Assessment B+

Good Value?
Reprofiles spending to now when it is needed from the indefinite future.

Benefit/Cost?
Low incremental cost, voluntary for consumers.

Other Considerations
Provision for the individual's retirement is affected. Effect of high real interest rates has been to increase the RRSP fund more than should have been expected. Some may now have more than needed but still contribute to obtain the tax advantage. This provides a way for a minor adjustment for those who wish.

The banks will not like a program that reduces the balances that they manage by $2.5 billion.

Some will worry about import leakages and a weakening dollar. Others will worry about over-heating and urge higher interest rates. If such responses are allowed, then this, and other forms, of stimulus will be greatly weakened.

Idea: Reduction of Illiteracy

16 per cent of the Canadian population is functionally illiterate. University students face a growing problem of financing their education. These two problems can be solved together. University students should, on a part-time basis or after graduation, teach those that are illiterate.

Payment is $7,000 per teacher for one-third person year teaching input. (This is at one half the compensation rate of an average teacher in the education system.) Also, it requires a cadre to develop materials, teach the teachers, schedule and recruit participants, etc.

It is not expected that students will spend more than one year in total in the program, some spending a summer, some a year. But the desire to expose a number of students to the experience, plus its use as a funding device for their education, precludes long-term employment here.

Assume 14,300 of these teaching students, per year, so total direct cost per year, with cadre costs, (about 20%) is approximately $120 million. Depending on whether this is a one-on-one teaching situation, or group teaching, they could be teaching 15,000 - 50,000 people per segment. Normally it takes 2-3 years to move to functional literacy, so the program will be in place for a long time, given the enormous pool of people with low levels of literacy (about 2.9 million over the age of 16).

Increase in Jobs

A little more than 5,000 full-time person-years direct, with induced effect through productivity and reduced unit cost of production as literacy rates improve in the work force.

Direct Budget Impact

Federal

To ensure incrementality, would prefer federal-only program, but jurisdictional "interference" of federal in provincial area of delivery suggests joint program. Do this on 50/50 split, so federal annual cost is $60 million. Federal government bears full cost of "cadre" activities.

PLH

$60 million annually; some of this may be "in kind" by providing facilities and other infrastructure support.

Offsets

Some of the "pay" to teachers could be as credits towards student loans, perhaps ensuring the more rapid repayment and encouraging people to take their college or university training.

Net Cost per Job
About $24,000 per job, direct, and about $17,000 per job including multiplier effects.

Regional Dimensions
Absolutely NONE. Ensure this is an across-Canada, universal program. It will tend to be concentrated in urban centres because of tie to university and other post-secondary education institutions.

Time Profile of Jobs
This is a one-time increase to a new higher level. Getting started may mean small effects in first year as program is set up. There is a literacy training infrastructure (e.g., Frontier College) in place, however, so this does not need to start from scratch, except in setting up national standards, management infrastructure, etc. On that score, something may already be in place, since this was proposed to the Youth Minister as an element of the Job Corps in the Red Book several years ago.

Assessment - A

Good Value?
"A" scores on contribution to productivity and sustainability over the long-term, prospect of true incrementality, high jobs-to-spending ratio with low import leakage, but does have direct deficit implication.

Benefit/Cost? A++

Other Considerations
High political value as oriented on producer side to youth, and on recipient side to less well-off members of citizenry.

Idea: Housing for Seniors

There are strong indications that the stock of housing relative to the number of households has declined notably in the last decade. The number of persons aged 65 and over is now growing about 80,000 per year. After 2005, that number will increase very rapidly. If the nature of housing and community services suitable for the retired and very elderly is distinct from current urban forms, then we need to begin some "experimentation" on seniors housing that gets us ready for that.

The idea is to use a federal payment in some form to the private sector involved in this experimentation. But, as this is "experimentation", there should be some "project-specific" notion to limit the number of such experiments and "cap" the chance that this could simply be a run-away program for developers. Thus, pick a number, say 10, of projects that allow some experiments with revised "communities" inside existing urban areas and some that are greenfield. Municipalities will need to be involved to bring infrastructure, zoning, and other "standards" controls into this. As this is an "experiment", need to sunset it, but also need to let it run long enough for innovation to occur (5 years?).

CMHC could run the design program, select the winners, and deliver the subsidy either as a payment of design costs, lower-cost financing, or other forms. A 20% effective subsidy is assumed.

Increase in Jobs

Assuming that $300,000 per unit is required of capital formation to provide the house, house-related and community-based infrastructure, and we target on an additional 8,000 units per year, then about $2.5 billion annually is required. Direct effect is more than 40,000 person-years annually; with multiplier, this should result in 60,000 person-years.

Difficult problem will be to ensure there is incremental effect of tax expenditures. Probably need to involve municipalities, and need a "contract" with them to ensure incrementality (they would boost permits from some guaranteed number to a higher amount.)

Direct Budget Impact

Federal

Leverage of tax expenditure to private sector debt financing is uncertain. Assume 5-1 ratio, in which case federal expense is $500 million annually.

PLH
Not included here, although this could be done in conjunction with provinces if desired. Some projects could target low-income housing for seniors, with provincial participation required to bring overall cost down.

Offsets
Indirect tax revenues from GST on housing.

Net Cost per Job
Less than $10,000 per job.

Regional Dimensions
Select projects in a number of different regions to spread benefits of senior housing around as well as jobs.

Time Profile of Jobs
Spread over the length of the program. Can be scaled down or lengthened if economic conditions warrant. If a design contest is used at the front-end there could be a delay of six months. For subsequent years, design work would likely be ready earlier.

Assessment - B+

Good Value?
Politically popular, with low leakage into imports. Housing is a good contra-cyclical area to use.

Benefit/Cost?
Not particularly high, since units in some form would be built eventually. Can avoid some shortages and possibly create some innovation in planning for seniors housing.

Other Considerations
Benefit effect is concentrated in "elderly" sensitive, who are almost one-fifth of electorate (a large, almost controlling, bloc of voters). Project nature can be used to build environmental values, "preventive" health care, and other "values" into design. Housing is sold on private costs, with "subsidy" embodied in the federal contribution.

If fully incremental in housing market, this frees up 8,000 units in stock (additively per year) for other uses.

Idea: Linking Child Care and Elderly Parents

We have spent a decade promising, and debating the merits of private versus public (presumed "low" versus "high" standards on child development). We use a federal child care tax deduction (cost of about $300 million) as a demand inducement. This produces 150,000 regulated child-care spaces for a population of almost 2 million, aged 0 to 4. Provincial and municipal social assistance programs would add to the "expenditure" amount.

Early retirement, plus notable downsizing with effect on elderly workers, and basic demographics suggests a bulging (now emerging) increase in the number of persons who are healthy, young-elderly, and experienced in raising children. A big "barrier" to the public approach is the presumption that the organized sector would be too demanding in terms of salaries, but this is not supported by any analysis. It may, however, be possible to control costs or to find daycare workers interested in part-time work among the young-elderly. Any barriers to their participation should be eliminated.

The **Red Book** conception was a government "owned and operated" (federal/provincial) idea adding "daycare spaces" (is this capital formation?), leading to 10,000 direct jobs in the first year rising to 30,000 in year three (jobs for delivery of daycare; one job per three children cared for). Construction jobs were not part of the job impact statement. The idea in the Red Book was to lower the consumer price with federal and provincial government providing 4/5ths of funding and parents the balance. This program was to emerge following a year of 3 per cent growth.

The notion here is to implement the spending of the **Red Book** Plan, regardless of the growth trigger, and with some attention to the supply side by encouraging public and private suppliers to come forward. The real concern is that the suppliers provide quality care, something that the province should be able to certify, regardless of whether the daycare supplier is government, non-profit, or for-profit.

Increase in Jobs

10,000, 20,000, 30,000 permanent on **Red Book** Plan and expenditure.

Direct Budget Impact

Federal

$120, $240, $360 million per Red Book. Somewhat lower cost may be achievable through allowing multiple sources of supply.

PLH
see above schedule

Offsets
With additional people working (both in daycare and enabled by the availability of daycare) there should be increased income tax revenue and lower social costs.

Net Cost per Job
Red Book essentially said that there would be $30,000 total (federal, provincial, parent) expenditure per job.

Regional Dimensions
In all regions, although provincial participation might vary by province.

Time Profile of Jobs
Will build in line with spending. But this program will be very difficult to turn off in the future.

Assessment - B
This is not a short-term job creation exercise, but rather a new entitlement program.

Good Value?
Messy, with federal-provincial issues.

Benefit/Cost? - B
Based on child-development "faith" it would rate high. More difficult to answer is the basic question of the degree of subsidization for having children that is appropriate for the state to provide.

Other Considerations
May want to restrict federal efforts to vouchers provided to target groups, such as those taking training or on UI, to provide time for job search or training.

Idea: Highway Construction with Fuel Tax Earmarking

There is substantial evidence that Canada's highway system has deteriorated and requires significant new investment. If left to the provinces there will be underinvestment, since they will not consider externalities beyond their borders. Nor is there likely to be coordination of the improvements across provinces as to standards, timing, etc. There is a role for the federal government, both in planning and in financing. Primary focus would likely be on intercity highways and those used in interprovincial and international trade.

One proposal is to establish a Highway Improvement Fund with revenues from highway fuel taxes and these proceeds applied to highway construction and major maintenance that meet federal standards and objectives. If the Fund is essentially used to cover the financing costs (interest and debt retirement) then a substantial amount of highway construction can be undertaken with debt financing initially, and later repayment.

For every $1 billion spent on highways, there will be about 25,000 jobs. If fuel taxes are raised, then there will be a loss of jobs as well, at the rate of about 19,000 per $1 billion. But it will not be necessary to raise fuel taxes by the same amount as the construction spending, since the roads will last for many years and the fuel tax will continue to come in the following years. As a rough approximation, the annual revenue from the fuel tax should support about 10 times that amount in additional construction.

Increase in Jobs

A net amount of about 23,000 per $1 billion. A highway program of about $6 billion would be supported by a 1 cent per litre fuel tax, a $600 million indirect tax increase. This would mean about 138,000 person-years of employment. If spent at the rate of $2 billion per year, this would translate into 46,000 per year for three years.

Such an increase in jobs depends on this program being "incremental". Otherwise, it simply becomes a transfer from the federal government to the provincial government with no new jobs.

Direct Budget Impact

Given that governments do not use proper capital accounting, this spending would be indistinguishable from funds spent on current requirements. Establishing a separate entity for capital projects, as Ontario did, seems to

be discouraged by auditors and business critics, although this would seem to be a sensible approach. Indeed, such a Crown corporation could be a joint federal-provincial entity.

Federal
Net deficit in first three years of ($2 billion - $600 million = $1.4 billion), with increased revenues afterwards of $600 million being used to cover increase in interest costs for debt buildup in previous three years. No longer-term direct effect on balance.

PLH
Similar story, depending on the deal struck with the provinces. One possibility would be to share the funding for those projects brought forward with a lower federal share than those that are "new" or asked for by the federal government.

Net Cost per Job
About $43,500 per job, but you get a road tossed in for free. When governments use resources to create something - a building, a road, an educated person - then inevitably the cost per job will be higher since resources are used to create something, in addition to "the job".

Regional Dimensions
Will depend on the need for highways and the willingness for provincial governments to participate.

Time Profile of Jobs
Over a three-year period, with a fairly quick ramp-up and then some flexibility afterwards. Note that if work is brought back in time, then there may be less construction in the future, costing jobs at that time. This can be a plus if the economy is otherwise tight.

Assessment - B+

Good Value? - Yes
Low leakages into imports and the known technology with a number of potential suppliers suggests that this can be a good avenue.

Benefit/Cost? - High
There is growing evidence that good highways are an important form of infrastructure that can improve productivity in other sectors and keep the parts of Canada well connected.

Other Considerations
Some examples of federal-provincial cooperation, particularly where there is a national externality (productivity and jobs), would be useful.

Idea: Small Business Financing

There is a perpetual problem of financing small business, and it will not go away. Banks will not be part of the solution, since they want to use fewer resources for evaluating loans and spend more of their efforts on obtaining the highest return, in Canada or abroad, through syndication or financial products. Any insurance scheme delivered through the banks will simply help their profitability, not the intended clients (see SBLA).

Investors, including the principal owners of a business, need to be encouraged to increase the equity in small business. As well, some small businesses need to be assisted in transforming themselves into larger, public companies.

The idea is simple - any capital gain from an investment in a small business should be non-taxable. This would include a return on an investment in a mom and pop store, up to and including the initial purchaser of stocks offered through an IPO (initial public offering). Once shares are sold on a market, however, they no longer retain their exemption from capital gains. Nor can a company that has already gone public, or been public, benefit from this provision.

If the concern is just the transformation from private to public, then this idea could be restricted solely to IPOs. This would reduce the potential revenue loss, and encourage the growth of the equity market.

With the recent elimination of the $100,000 capital gains exemption, this new program will be particularly interesting. It could be made more so by eliminating the preferred tax treatment of capital gains now available for existing stocks, land, etc.

Increase in Jobs

Some policies need to be thought of as "enabling", even if it is difficult to pin job numbers on them. If there is an expansion of activity, then this program could help small business finance their expansion, relying less on banks and not being limited to internal cash flow.

Direct Budget Impact

Federal

Not clear, since there are other provisions that could be made less costly, such as the $500,000 capital gains exemption for small business.

PLH

Usually provinces participate proportionately in personal income tax changes.

Other Considerations

In any budget, there is pressure from the small business community to be seen to do something, usually in the form of less taxation without any change in their effort. This measure would be an encouragement for growth of small business and their eventual "going public".

Idea: Self-Employment for the Unemployed

HRDC has been running a program that encourages some on UI to set up their own business instead of receiving UI benefits. This program had about 5,000 participants at any point in time, with a "success" ratio of more than 50%. The program was aimed at both job creation and "self-sufficiency". More is being learned about such programs from international experience. For example, the Netherlands links the program to a small-business loan system.

Although there are about 5% of the unemployed who might benefit from this program (75,000), it probably makes sense to start by doubling the number of participants currently in the system.

It is also possible to focus this program on particular groups - including those with characteristics of the long-term unemployed or youth or equity groups. If it was decided to increase the number by 10,000 or 15,000, then some of these groups could be the target for a differentiable program.

Increase in Jobs

5,000 additional jobs directly, with the added effect of others hired by the small businesses started, and the induced income effects, with an offset from jobs lost by other small businesses who represent the competition for these new businesses. Use the 5,000 as a starting point.

Direct Budget Impact

Federal

An estimate of $8,000 per job, including administrative costs. But this is a gross number, since the recipient would have received UI benefits for some period. The net cost is much lower. The incremental cost for an additional 5,000 might be about $15-20 million.

PLH

No direct costs.

Offsets

Even if the business fails, the international finding has been that participants obtain other work and benefit from the experience.

Net Cost per Job - $4,000

Regional Dimensions
Opportunities exist everywhere. The program could be slanted towards particular regions as well as to particular equity groups.

Time Profile of Jobs
Program could be scaled up or down fairly quickly, and criteria for selection altered for other objectives.

Assessment - A

Good Value? - A

Benefit/Cost? - A

Other Considerations
Some possible backlash from existing businesses and there is always a problem that business might have started up anyway (deadweight loss). If program is spread across the country, then little visibility.

Some may criticize the use of UI funds for this purpose. If not too large, the low cost per job should be appealing. It could be made independent of UI, and , indeed, it could be turned over to other agencies, including the FBDB, the provinces, or an NGO.

Idea: Wage Subsidy for Youth

In one form or another, proposals suggest some "incentive" to businesses to hire "young" people or some other group. Businesses will take a wage subsidy and hire, but at the same time, they will fire or not hire the unsubsidized group. Thus the real problem is to encourage businesses to increase their employment overall, or to rebalance the hours and number of employees so as to employ more people but working fewer hours per worker. (See Working Time discussion in the Overview.) Raising **total** employment is primarily a function of perceived demand. If the business can sell more, then it will hire more.

This does not mean that wage subsidies might not be useful for reducing the unemployment of particular target groups. But claims that the overall unemployment rate will be lowered should be taken with a grain of salt.

Increase in Jobs

Overall numbers are likely to be modest indeed. Note that the real wage in Canada has declined substantially for a number of years with little effect on total employment.

Direct Budget Impact

Federal

Large sums can be used up in wage subsidies, as employers insist that they are necessary for all of their employment.

PLH

Offsets

Some income tax will be retrieved on wage subsidies, if they are part of reported income.

Assessment - D

Good Value?

Only for particular groups.

Benefit/Cost?

Depends on the boundaries. May be cheap way to employ a target group, but can lead to unemployment among other groups.

Other Considerations

If revenue is raised through taxes, then likely to be net job loss.

Idea: Aboriginal Housing Improvement

There is little question of the need for additional housing for aboriginals, both on-reserve and off-reserve. Federal responsibility is clear for on-reserve and certainly federal involvement appropriate for non-reserve projects.

The shortfall in housing comes in several forms:
a need for new housing and higher quality for existing new construction,
a need for upgrading of existing dwellings,
a need for maintenance on an ongoing basis of the stock, and
a need for new and upgraded infrastructure (sewage treatment, water, roads, etc.).

On-reserve, of the existing stock of 74,000 units, 6,000 require replacement and 13,000 major repair. There is a backlog of 11,000 units required to house existing households, and new households are being added at the rate of 2,000 per year or more. The equivalent of an additional 2,000 units per year for ten years will be required to make major progress in providing adequate housing on reserve, along with major repairs to 1,500 units per year. Estimates of infrastructure needs range from $25 million to $150 million.

Off-reserve, there is also an unfulfilled housing requirement and rapid household formation. Additional housing of about 3,000 units per year and repair to 3,000 would be needed, even with the contributions from the households. Although there is some debate about the numbers, the basic fact is that little is being done about the backlogs, household growth is rapid, deterioration of the existing stock continues, and the problem worsens.

Undertake to increase the number of units by 5,000 per year, over the next five years, at an estimated cost per unit of $100,000, including some associated infrastructure. At the same time, undertake to upgrade 5,000 units per year of the existing stock at a cost of $30,000 per unit. This translates into direct spending of about $500 million per year on new housing and $150 million on upgrading, or $650 million per year.

The institutional approach to delivering these activities could be complex. Essentially, if a CMHC-style program was adopted, then the interest cost and mortgage payments would be all that is booked each year (about 1% per month of construction costs). This would mean that the direct effect on federal expenditure would be $78 million in year 1, rising to $390 million by year 5, and $780 million from year 10 on. This approach is equivalent

to what a capital budgeting framework would produce. But the economic impact on growth and jobs would be the equivalent of $650 million per year.

Increase in Jobs
Employment increases would be about 15,000 full-time equivalent jobs per year over the five years, about 2 jobs per housing start, and about one job for every $30,000 in repair.

Direct Budget Impact

Federal
Cost of about $78 million per year in mortgage servicing costs for each year of activity, sustained over about 20 years. If financed on a current basis, then of course the cost would be $650 million per year.

PLH
Possible participation in off-reserve programs.

Offsets
Adequate housing and infrastructure could improve health, help with the improvement of educational and labour market capacities. Involvement of aboriginal construction firms could help create jobs and reduce the need for federal transfers.

Net Cost per Job
$43,000 per job, or $5,200 per year for twenty years per job. Of course, with private sector and provincial participation some additional leverage is possible.

Regional Dimensions
Throughout country, spread among those in need. Particularly strong in Prairies and North.

Time Profile of Jobs
Could be ramped up fairly quickly, using CMHC experience. Some base level of activity required on a sustained basis.

Assessment -A

Good Value?
A clear federal responsibility, and a visible need.

Benefit/Cost?
Probably high, if social costs of not doing anything are considered.

Other Considerations
Part of response to Aboriginal Royal Commission.