RESEARCH REPORTS/ NOTES DE RECHERCHE

'The Power of the Sack':

The Cost of Job Loss in Canada, 1953-1985

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1. *Introduction*

AT THE HEART of capitalist relations is the problem of extracting work from workers: labour is paid by the hour (or at least on the basis of labour time), and the product which the capitalist receives is determined by the amount of effort put forth by the worker. Consequently, capital must ensure that enough labour-power is extracted to produce net output greater than wages. Implicit in Marx's concept of the "reserve army of labour" is the argument that the threat of unemployment is one of the most fundamental means of subordinating labour.

Similarly, the Polish economist, Michal Kalecki, argued that capitalists may "induce" unemployment as a means of ensuring that workers' wage demands do not threaten the conditions for rapid capital accumulation. This struggle between capital and labour about the distribution of income, therefore, makes the "political business cycle" endemic in capitalist economies. During periods of economic expansion, both wages and profits tend to rise; however, "the maintenance of full employment would cause social and political changes which would give a new impetus to the opposition of the business leaders." Specifically, as labour market conditions "tighten," the bargaining power of labour increases to the extent that "'the sack' would cease to play its role as a disciplinary measure."[1] In response,

[1]Michal Kalecki, "Political Aspects of Full Employment [1943]," *Selected Essays on the Dynamics of the Capitalist Economy* (Cambridge 1971), 140.

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the "captains of industry" call for restrictive state policies to induce a decline in economic activity. Although profitability suffers in the short-term, these downturns are essential to long-term social stability.[2]

The aggregate unemployment rate is a widely-used measure of labour market "tightness," of "the power of the sack" and, in general, of capital's ability to subordinate labour. Given that high unemployment rates imply a large reserve army, it is assumed that they will be accompanied by downward pressure on wages and an intensification of work by those who remain employed. Similarly, low unemployment rates are linked to rising wages and a more militant work force. The aggregate unemployment rate thus has been utilized as an indicator of class bargaining strength or the "balance of class forces."

There are several reasons, however, for questioning the adequacy of this measure of relative class power. Not only does the unemployment rate exclude "discouraged workers" who have abandoned job searches for want of employment prospects, but it also fails to consider properly the economic hardship resulting from unemployment.[3] To remedy these defects, Schor and Bowles have suggested that the "cost of job loss" — defined as the percentage of annual income that a "representative worker" would lose upon being dismissed or laid off — is a more appropriate measure of the balance of power.[4] Rising real wages, internal labour markets, and social welfare programs weaken the link between unemployment rates and relative class power. Therefore, the monetary cost of job loss is more significant than the aggregate unemployment rate in the "decision calculus" of individual firms and workers, and in class "behaviour" as well.

In this paper, we construct a measure of the cost of job loss for Canada and show that in certain periods this measure does not track the unemployment rate. For example, although the unemployment rate rose between 1965 and 1974, the cost of job loss fell dramatically during the same period. Consequently, we are able to show that conclusions about relative bargaining power based upon the aggregate unemployment rate must be amended if a measure of the cost of job loss is to be adopted. We also consider the extent to which these changes contributed to the breakdown in the post-war "settlement" between capital and labour, and the more recent assault on the living standards of Canadian workers.

2. *The Cost of Job Loss in Canada, 1953-1985*

WHEN AN INDIVIDUAL QUITS or is dismissed from a job, the attendant economic hardship involves the difference between income while employed and while unemployed. As such, it will vary according to the level of wages which the worker

[2]*Ibid.*, 151.

[3]Morley Gunderson and W. Craig Riddell, *Labour Market Economics: Theory, Evidence and Policy in Canada*, 2nd ed. (Toronto 1988).

[4]Juliet Schor and S. Bowles, "Employment Rents and the Incidence of Strikes," *Review of Economics and Statistics*, 69 (1987), 584-92; S. Bowles, D. Gordon and T. Weisskopf, *Beyond the Wasteland: A Democratic Alternative to Economic Decline* (Garden City, N.J. 1983), 88-90.

gives up, the support provided by social assistance, and the duration of unemployment.

Measuring the cost of job loss thus involves four separate considerations: the level of previous employment earnings; the duration of unemployment; the availability of alternative forms of income while unemployed; and the "in-kind" income provided by government health and education expenditures. More precisely, the cost of job loss (C), can be defined as:

$C = [(w - t1 + b) * D] - e * [(u - t_2)(D - v)]$

where

w = average wage per week;

t_1 = income taxes paid per week;

b = value of fringe benefits per week;

e = the percentage of the paid labour force covered by the Unemployment Insurance program;

D = the average duration of unemployment in weeks;

u = unemployment insurance benefits per week;

$u-t_2$ = after-tax UI benefits;

D-v = the number of weeks of unemployment insurance benefit payments, which is assumed to be the duration of unemployment less the mandatory waiting period (v) of one (1953-June 1971) or two (July 1971-1985) weeks.

In order to examine the behaviour of this variable over time, it is useful to standardize the measure by considering the cost of job loss as a percentage of annual wage and in-kind income (J):

$J = C /[(w - t1 + b + h) * 52]$,

where

h = the value of "in-kind" health and education benefits per week.

The cost of job loss will vary from worker to worker, depending upon the level of wages and benefits received and the availability of social assistance during periods of unemployment. Our approach focuses on a "representative" worker who earns the average level of wages and benefits while employed and, upon becoming unemployed, is eligible for unemployment insurance. This individual is assumed also to have no non-labour sources of income, and pays the average effective income tax rate for his/her income group. As well, the representative worker enjoys the average per capita "in-kind" income derived from publicly-provided health and education services.

Table 1 presents the changes in weekly earnings in Canada during 1953-1985. Expressed in real terms, the weekly after-tax employment earnings — including wages and benefits — rose steadily during 1953-1977, and then declined.[5] The

[5]Published data on average weekly wages is available (Statistics Canada, 72-002), but information on benefits is not. We have constructed a time-series for benefits on the basis of a linear interpolation and extrapolation from two observations on the ratio of benefits to wages for 1957 and 1984. In 1957, a survey of the value of benefits received found that they were equal to 16.4 per cent of wages; in 1984,

TABLE 1
Nominal and Real After-Tax Weekly Wages and Benefits, 1953-1985

Year	(1) Weekly Wage	(2) Income Tax	(3) Value of Benefits	(4) After-Tax Earnings	(5) After-Tax Earnings
1953	57.53	3.62	8.04	61.95	218.90
1954	59.04	3.60	8.63	64.07	224.81
1955	61.05	3.69	9.29	66.65	233.86
1956	64.44	4.02	10.19	70.61	244.33
1957	67.90	4.30	11.14	74.74	250.81
1958	70.35	3.99	11.95	78.31	255.92
1959	73.40	4.63	12.91	81.68	263.48
1960	75.76	5.22	13.77	84.31	268.50
1961	78.24	5.54	14.69	87.39	275.68
1962	80.54	5.73	15.59	90.40	282.50
1963	83.27	6.30	16.62	93.59	287.09
1964	86.51	7.13	17.78	97.16	292.65
1965	91.01	7.31	19.24	102.94	302.76
1966	96.34	8.14	20.93	109.13	310.03
1967	102.79	9.42	21.51	114.88	314.73
1968	109.92	11.40	25.19	123.71	325.55
1969	117.83	15.29	27.70	130.24	328.06
1970	126.78	17.70	30.55	139.63	340.56
1971	137.64	20.42	34.00	151.22	358.34
1972	149.22	20.49	37.74	166.47	376.63
1973	160.46	21.00	41.53	180.99	380.23
1974	178.09	22.61	47.14	202.62	383.75
1975	203.34	24.71	55.07	233.70	399.49
1976	228.03	27.50	63.07	263.60	419.08
1977	249.95	29.51	72.09	292.53	430.82
1978	265.35	29.79	76.44	312.00	422.19
1979	288.32	35.26	84.88	337.94	418.76
1980	317.39	41.86	95.31	370.84	417.14
1981	355.28	47.63	108.79	416.44	416.44
1982	390.79	52.67	121.97	460.09	415.24
1983	419.62	56.11	133.48	496.99	424.05
1984	405.22	51.50	131.29	485.01	396.57
1985	419.27	56.47	138.23	501.03	393.89

Sources:

(1) Statistics Canada, *Employment, Earnings and Hours*, 72-002;

(2) (Average weekly wage * Effective tax rate); Revenue Canada, *Taxation Statistics*, Summary Table 2 and Table 1, 1955-1987;

(3) Statistics Canada, *Aggregate Productivity Measure*, 13-201 and Gunderson and Riddell (1988, 343) following the methodology outlined in endnote 7.

(4) Equals (1) − (2) + (3);

(5) 1981 constant dollars.

growth in weekly earnings had the effect of increasing the "opportunity cost" of a week's unemployment.

The amount of employment compensation foregone also depends upon the duration of unemployment. During 1953-1974, the average duration of unemployment moved in a cyclical fashion, but afterwards exhibited a steady upward trend. As a result, the total employment earnings lost due to a spell of unemployment tended to increase rapidly after 1974.

This income loss was cushioned, to a degree, by the support provided by unemployment insurance. Variations in Canada's Unemployment Insurance (UI) program have affected the extent of its coverage of the labour force, its eligibility requirements (based upon the number of weeks of previous employment), and the size of the weekly benefits it provides.[6] Our estimates are sensitive only to the changes in the level of coverage, the length of the waiting period served, and the maximum level of benefits provided. Prior to 1972, the UI Act covered roughly 60-70 per cent of the labour force; with the 1971 reforms, coverage became almost universal.[7] The maximum benefit level was set intermittently during 1941-1971, at a level generally below 40 per cent of average weekly earnings; after 1973, maximum benefits were determined annually in accordance with changes in average weekly earnings. The amount of benefits available to eligible workers as a proportion of their weekly earnings tended to rise until 1971, and then stabilized at roughly 60 per cent. These changes are summarized in Table 2.

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a separate survey suggested that benefits had risen to 32.4 per cent of wages (cited in Gunderson and Riddell, *Labour Market Economics*, 343). We have simply assumed that the ratio of benefits-to-wages grew by a constant amount (.593) each year. It was not possible to compare this estimated time-series to published indices of total labour compensation (Statistics Canada, *Aggregate Productivity Measures*, 14-201 and 15-204), because these latter series exist only for total compensation per person-hour and compensation per person, and not for compensation per person per week. Benefits are assumed to be non-taxable.

The income tax paid by the representative worker is estimated by multiplying the average weekly wage by 52 to approximate annual labour income. Assuming no non-labour income, the effective tax rate is determined for each year based upon Summary Table 2 and Table 3 of Revenue Canada, *Taxation Statistics*, 1955-1987. The effective rate of income tax generally increased from 6.3 to 14.8 per cent of total income during 1953-71, and afterwards fluctuated between 11 and 14 per cent.

[6]During 1946-75, the generosity of the UI program generally increased by way of greater coverage, shorter qualifying periods, and increased benefits. The only exception to this trend was the 1971 extension of the mandatory waiting period (from one to two weeks), imposed upon eligible claimants before receiving benefits. In 1976 and again in 1979, changes in the program tightened restrictions governing the number of qualifying weeks required, and the length and value of benefits provided. See Employment and Immigration Canada, *A Chronology of Response: The Evolution of Unemployment Insurance from 1940 to 1980* (Ottawa 1981).

[7]Estimates of the coverage of the UI program are derived by comparing the number of workers paying UI premiums (Statistics Canada, *Unemployment Insurance Statistics*, 71-201, 1954-88) to the size of the labour force (Statistics Canada, *Historical Labour Force Statistics*, 71-201, 1972, 1986). In 1971, the UI Act was amended, and coverage was extended to "all regular members of the labour force for whom there exists an employer-employee relationship" (Statistics Canada, "Appendix 1," *Unemployment Insurance Statistics*, 73-001, 1973). The only exclusions were those individuals earning less than 20 per cent of the maximum insurable earnings, and those more than 70 years old.

TABLE 2
Unemployment Insurance Benefits, 1953-1985

Year	Coverage* (%)	Maximum Weekly Benefits ($)	Average Duration of Unem. (wks.)	Average Weeks of Benefits	Total** Benefits Received $
1953	60	24.00	8.9	7.9	189.60
1954	59	24.00	11.1	10.1	242.40
1955	60	25.50	11.6	10.6	270.30
1956	63	30.00	9.9	8.9	267.00
1957	66	30.00	9.4	8.4	252.00
1958	69	30.00	12.3	11.3	339.00
1959	68	32.00	12.2	11.2	358.40
1960	64	36.00	11.9	10.9	392.40
1961	63	36.00	13.4	12.4	446.40
1962	61	36.00	12.5	11.5	414.00
1963	62	36.00	12.3	11.3	406.80
1964	63	36.00	11.5	10.5	378.00
1965	65	36.00	10.9	9.9	356.40
1966	61	36.00	10.1	9.1	327.60
1967	62	36.00	10.2	9.2	331.20
1968	64	44.50	11.2	10.2	464.10
1969	67	53.00	11.9	10.9	577.70
1970	67	53.00	12.4	11.4	604.20
1971	66	76.50	13.8	12.3	940.95
1972	100	100.00	13.2	11.2	996.24
1973	100	107.00	12.3	10.3	994.95
1974	100	113.00	12.0	10.0	1,055.90
1975	100	123.00	12.6	10.6	1,215.84
1976	100	133.00	13.9	11.9	1,481.25
1977	99	147.00	14.5	12.5	1,722.28
1978	97	160.00	15.5	13.5	2,054.98
1979	96	159.00	14.8	12.8	1,926.27
1980	95	174.00	14.7	12.7	2,069.34
1981	96	189.00	15.1	13.1	2,325.97
1982	94	210.00	17.3	15.3	3,010.89
1983	92	231.00	21.8	19.8	4,256.46
1984	93	255.00	21.6	19.6	4,621.50
1985	93	276.00	21.6	19.6	4,916.24

Notes:

*The percentage of the labour force paying UI premiums.

**The mandatory waiting period was increased from one to two weeks in June, 1971. Benefits also became taxable at this time. We have assumed that income taxes paid on benefits were at the effective rate of tax for an individual in this income group.

Source: Statistics Canada, 71-001, 73-001, 73-201 and 86-506.

Finally, the expansion of universal social programs in Canada during the post-war period resulted in a large increase in "in-kind" income to supplement an individual's employment earnings. We have considered the increase in two sources of in-kind income — money spent on health care and on education — by allocating total government health and education expenditures to individuals on a per-capita basis.[8] Table 3 illustrates the rapid increase in in-kind forms of income relative to average weekly earnings: health and education expenditures rose from less than 9 per cent to more than 31 per cent of weekly earnings during 1953-1985. This has both lessened the representative worker's dependence on earned income, and provided an additional cushion during periods of unemployment.

The existence of internal labour markets represents an important qualification pertaining to our estimate of the cost of job loss to the individual worker. We have assumed that the representative worker, upon losing a job, subsequently becomes re-employed at the previous wage rate. In contrast, one survey found that individuals who lost and then found new full-time jobs during 1981-1984, accepted an average reduction of seven per cent in real weekly wages.[9] Since the evolution of seniority-based wage structures became a major aspect of post-war industrial relations in Canada,[10] our estimates of cost of job loss tends to understate the hardship of becoming unemployed.

Based upon these calculations, our estimate of the cost of job loss, expressed as a percentage of annual income, is displayed in Table 4. During 1953-1961, the cost of job loss gradually increased, from roughly 13 to 18 per cent of annual income. During the ensuing ten years, it tended to decline, and then fell sharply following the UI program changes which increased the level of weekly benefits and extended coverage to the entire labour force. After 1974, however, the secular upward trend in the duration of unemployment, coupled with the UI program changes of 1976 and 1979 which reduced the level of weekly benefits as a percentage of insured earnings, resulted in a dramatic increase in the cost of job loss. During 1974-1983, the expected loss due to unemployment nearly doubled from 10.46 to 20.89 per cent of annual income.

Figure 1 displays the cost of losing a job during 1953-1985, and the aggregate unemployment rate for comparative purposes. It is interesting to note that the difference between the cost of job loss and the aggregate unemployment tended to correlate closely, and move with the business cycle, prior to 1961. During 1961-1974, however, the cost of job loss displays a clear downward trend, despite the fact that the rate of unemployment generally rose after 1967. Subsequently, both indices increased dramatically.

[8]While this is not the usual method for determining the incidence of benefits [see J. M. Dean, "Benefit Incidence Methodology for Mixed Goods," *Public Finance Quarterly*, 8 (1980), 69-96] it has merits given our focus on the representative individual.

[9]Garnett Picot and Ted Wannell, "Job Loss and Labour Market Adjustment in the Canadian Economy: Findings From a Special Survey," Statistics Canada, *The Labour Force*, 71-001, (March 1987).

[10]Craig Heron and Robert Storey, "On the Job in Canada," in Heron and Storey, eds., *On the Job: Confronting the Labour Process in Canada* (Kingston/Montreal 1986), 22.

TABLE 3

Weekly In-kind Health and Education Spending Relative to Earnings

(1961 constant $)

Year	Weekly Earnings	In-kind* Income	In-kind Income/ Wage Income (%)
1953	57.53	4.95	8.60
1954	59.04	5.14	8.74
1955	61.05	5.34	8.74
1956	64.44	5.52	8.57
1957	67.90	6.11	9.00
1958	70.35	6.95	9.88
1959	73.40	7.71	10.51
1960	75.76	6.95	9.18
1961	78.24	9.23	11.84
1962	80.54	10.19	12.65
1963	83.27	10.41	12.53
1964	86.51	11.56	13.36
1965	91.01	12.10	13.31
1966	96.34	13.62	14.15
1967	102.79	16.54	16.10
1968	109.92	18.14	16.54
1969	117.83	21.21	17.98
1970	126.78	29.16	23.02
1971	137.64	32.48	23.62
1972	149.22	34.20	22.93
1973	160.46	40.43	24.73
1974	178.09	43.99	24.73
1975	203.34	51.83	25.49
1976	228.03	57.53	25.33
1977	249.95	63.41	25.37
1978	265.35	68.33	25.74
1979	288.32	74.76	25.93
1980	317.39	82.11	25.87
1981	355.28	97.49	27.44
1982	390.79	107.04	27.39
1983	419.62	123.96	29.54
1984	405.22	127.04	31.35
1985	419.27	131.82	31.44

Note:

*In-kind income includes total government per capita expenditures on health and education.

Source: Health and Welfare Canada, *Social Security Statistics: Canada and Provinces*, 1951 to 1978 (Ottawa 1979); and 1958-59 to 1982-83 (Ottawa 1985).

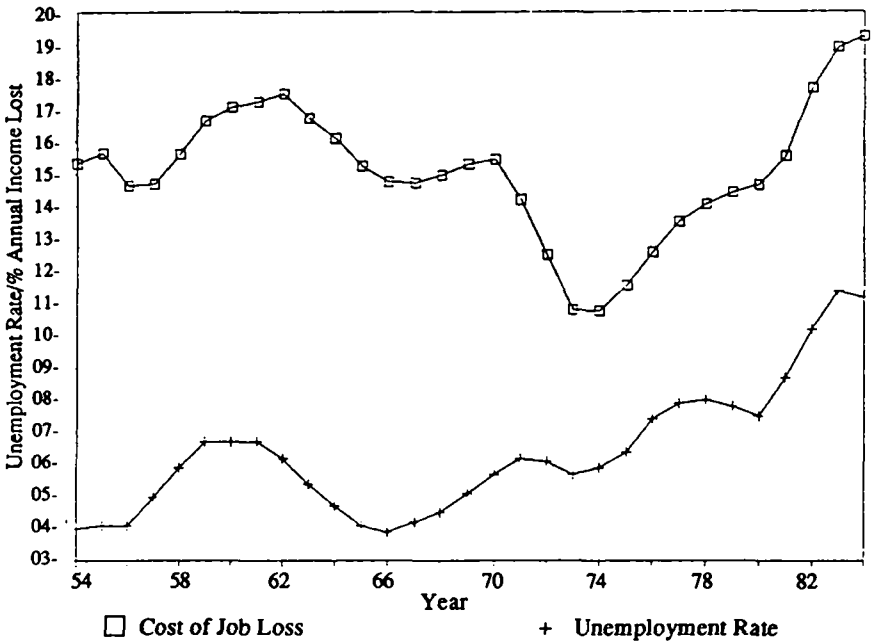
TABLE 4

Year	Real Cost of Job Loss (C)	Cost of Job Loss as % of Annual Income (J)
1953	1,598.26	13.00
1954	2,042.79	16.18
1955	2,199.85	16.75
1956	1,906.10	13.92
1957	1,866.42	13.23
1958	2,450.75	16.91
1959	2,496.43	16.65
1960	2,463.29	16.30
1961	2,884.87	18.20
1962	2,806.96	17.17
1963	2,828.27	17.05
1964	2,713.50	15.94
1965	2,684.92	15.26
1966	2,629.91	14.50
1967	2,712.68	14.49
1968	2,937.11	15.13
1969	3,012.92	15.19
1970	3,328.24	15.55
1971	3,524.82	15.57
1972	2,704.39	11.46
1973	2,530.76	10.46
1974	2,541.11	10.46
1975	2,879.33	11.36
1976	3,412.40	12.85
1977	3,682.60	13.51
1978	3,795.21	14.18
1979	3.857.15	14.50
1980	3,865.10	14.59
1981	3,984.74	14.91
1982	4,553.53	17.11
1983	5,755.45	20.89
1984	4,878.80	18.75
1985	4,664.83	18.03

Source: Tables 1, 2, and 3.

The increasing cost of unemployment suggested by our measure had a potentially dramatic effect upon capital-labour relations in Canada. Neoclassical theory assumes that individuals act independently of others; accordingly, if focuses upon the individual's work/leisure choices and job search behaviour. Yet, workers do not organize their response to capitalism only upon an individual basis, but also through collective action. For this reason, it is more appropriate to investigate how capital has been able to increase the cost of job loss after 1974 in an effort to reduce

Figure 1
(Three-Year Moving Averages)



the collective demands of workers for improved wages and working conditions.

3. *The Breakdown in the Post-War Settlement*

PANITCH AND SWARTZ have argued convincingly that the high rates of economic growth achieved in Canada after World War II were contingent upon obtaining the cooperation of labour.[11] While capital retained effective control over the labour process, workers were allowed to appropriate a share of productivity gains by bargaining collectively over wages.[12] The right to strike, under specific conditions, was a tangible victory for working people; however, it did not require capital to relinquish its long-term dominant position. Management rights clauses and restrictions upon union membership, picketing, secondary boycotts and strikes during the life of a collective agreement constrained industrial action.[13] In the early 1970s,

[11]Leo Panitch and Donald Swartz, "Toward Permanent Exceptionalism: Coercion and Consent in Canadian Industrial Relations," *Labour/Le Travail*, 13 (1984), 133-57.
[12]Ibid, 133-140; and Heron and Storey, *On the Job*, 3-46.
[13]H. C. Pentland has emphasized that labour legislation retained as its primary purpose "to compel workers on behalf of employers. . . It survives, for instance, in the legal view that those rights not explicitly allocated in a contract of employment ('residual rights') do not remain for subsequent allocation between parties, but are the exclusive property of the employer." See H.C. Pentland, "The Canadian Industrial Relations System: Some Formative Factors," *Labour/Le Travail*, 4 (1979), 10-11.

the post-war accord between capital and labour began to unravel. In its place, the state assumed an increasingly coercive role in attempting to subordinate labour.

The post-war settlement between capital and labour contained the seeds of its own destruction. The rapid rates of economic growth achieved between 1945 and the mid-1960s indirectly reduced capital's power over workers. In relatively tight labour markets, workers who were fired could expect to be rehired relatively quickly. In addition, the expansion of the welfare state — through programs such as unemployment insurance, medicare, hospital insurance and family allowances — further reduced income loss due to unemployment. In the absence of an effective threat of dismissal, collective bargaining not only allowed labour to capture some of its productivity gains, but also to challenge the distribution of income between profit and wages. The possibility of a profit squeeze was introduced.

That such a profit squeeze did occur, in fact, is apparent in the growth in labour's share of income during the late 1960s and early 1970s. Labour's share of national income (LS) can be defined as the size of the total wage bill (WN) divided by the value of total output (PY):

$$LS = \frac{WN}{PY}$$

where W is the average hourly wage rate; N is total hours of employment; P is the aggregate price level; and Y is real physical output.

Rearranging, LS can be expressed as a function of hourly real wages and labour productivity:

$$LS = \frac{[W/P]}{[Y/N]}$$

The annual rate of change in labour's share of income (LS') can then be approximated as the difference between the rate of growth in real wages and the rate of growth in labour productivity:

$$LS' = [W/P]' - [Y/N]'.$$

In other words, for labour to retain a constant share of income, real wages must keep pace with productivity growth. Labour's share of income will rise if real wages increase more rapidly that productivity, but declines if productivity gains outstrip real wage growth.

Table 5 displays the annual rate of change in labour's share of income in Canadian non-agricultural, business industries. Real wages and labour productivity tend to fluctuate with the business cycle. In order to control for the influence of cyclical changes and highlight longer-term trends, Figure 2 displays the three-year moving average of changes in labour's share of income. It is readily apparent that during 1965-1976, labour's share of income tended to increase as real wage growth exceeded the rate of growth in labour productivity. In other words, as the cost of

TABLE 5
Rate of Change in Labour's Share of Income in Canada, 1953-1985*
(Business, Non-Agricultural Industries)

Year	Wages	Consumer Prices	Real Wages	Labour Productivity	Labour's Share of Income
1953	7.1	-1.1	8.2	4.9	3.3
1954	3.7	1.1	2.6	3.6	-1.0
1955	3.6	0.0	3.6	7.0	-3.4
1956	6.2	1.8	4.4	3.3	1.1
1957	5.8	3.1	2.7	0.0	2.7
1958	4.3	2.7	1.6	3.9	-2.3
1959	3.5	0.0	3.5	3.6	-0.1
1960	5.1	2.3	2.8	2.6	0.2
1961	4.3	1.0	3.3	4.2	-0.9
1962	2.6	1.3	1.3	2.9	-1.6
1963	4.0	1.6	2.4	3.0	-0.6
1964	4.4	1.8	2.6	3.8	-1.3
1965	6.5	3.0	3.5	2.1	1.4
1966	8.7	3.2	5.5	2.9	2.6
1967	8.0	3.7	4.3	2.2	2.1
1968	7.4	3.8	3.6	6.2	-2.5
1969	8.3	5.0	3.3	3.0	0.3
1970	8.0	3.3	4.7	2.5	2.2
1971	8.0	2.9	5.1	4.2	0.9
1972	7.7	4.7	3.0	3.3	-0.3
1973	9.7	7.7	2.0	2.8	-0.9
1974	13.9	10.9	3.0	-0.4	3.5
1975	14.3	10.8	3.5	0.1	3.3
1976	13.7	7.5	6.2	5.3	0.9
1977	9.7	8.0	1.7	2.3	0.6
1978	5.0	8.8	-3.8	0.0	-3.8
1979	9.0	9.2	-0.2	1.1	-1.4
1980	11.0	10.2	0.8	-0.1	0.9
1981	12.5	12.5	0.0	1.9	2.0
1982	10.3	10.8	-0.5	-0.3	-0.2
1983	4.5	5.8	-1.3	4.3	-5.6
1984	4.4	4.4	0.0	3.5	-3.4
1985	4.3	4.1	0.2	1.3	-1.1

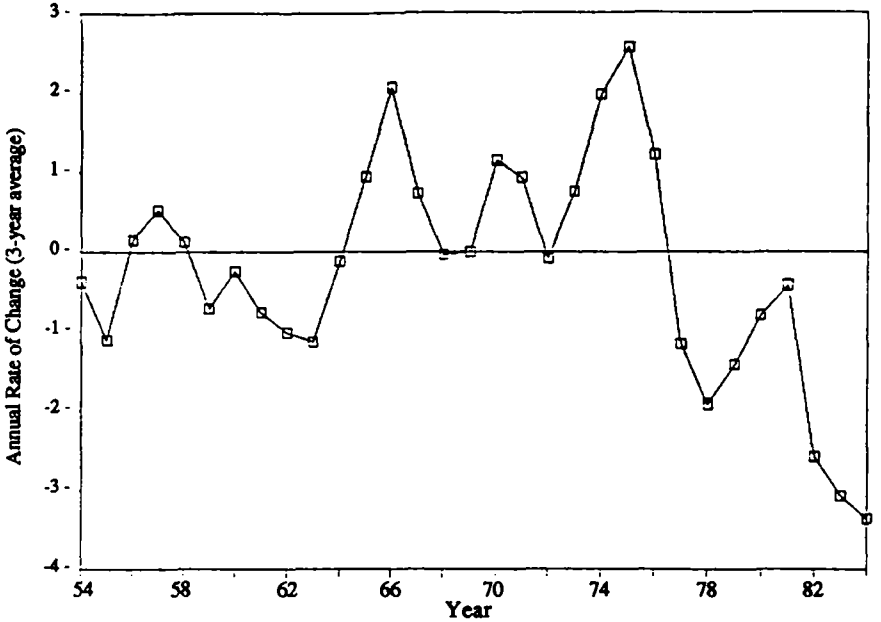
Note:
*All figures are expressed in terms of annual rates of change.

Source: Calculated from Statistics Canada, *Aggregate Productivity Measures*, 15-204, 1985/86.

job loss declined, labour's bargaining power increased, and workers were able to claim a larger share of income at the expense of capital.[14]

[14]Leo Panitch and Donald Swartz, *The Assault on Trade Union Freedoms: From Consent to Coercion Revisited* (Toronto 1988).

Figure 2
Labour's Share of Income



In the late 1970s, the state was pressured to address the structural crisis besetting capital's ability to discipline labour. Changes in the UI Act reduced the level of benefits accruing to unemployed workers; the Anti-Inflation Program of 1975-1978 effectively kept wage settlements below the rate of inflation; and the monetarist approach adopted by the Bank of Canada contracted the level of aggregate demand, and thereby indirectly reduced the demand for labour. These changes greatly increased the cost of job loss, and exerted a downward pressure on real wage growth. By 1978, capital and the state were successful in bringing down the growth of real wages. Given the severity of the Great Recession of 1981-1982, the cost of job loss reached unprecedented heights, and the threat of unemployment was responsible for the decline in Canadian workers' standard of living.

This economic assault has paralleled the changes in labour legislation and the labour process observed by Panitch and Swartz. The frequency with which federal and provincial governments alike have encroached upon the principle of free collective bargaining evident in back-to-work legislation, legislated wage constraints, and greater restrictions on the right to strike indeed have contributed to the breakdown of the post-war settlement. The replacement of "consent" with "coercion" in industrial relations has received further juridical and ideological reinforcement by the failure of the Charter of Rights and Freedoms to include the

right to strike as a fundamental freedom in Canadian society.[15] Does this imply that structural changes have taken place and that we have witnessed a successful restructuring of capital-labour relations in Canada?

5. *Conclusion*

THE RECENT SPURT of growth experienced in Canada since 1983 seems to indicate that the attack on labour has been successful. Firms are profitable again, productivity levels have been restored, and the economy appears to be thriving. In contrast, workers are not sharing in this renewed growth: well into the sixth year of an upturn in the business cycle, unemployment rates remain well above the average post-war level and real wages continue to decline as wage settlements lag behind the rate of inflation.

Bowles, Gordon, and Weisskopf have recently argued, with respect to the United States, that the increasing power of capital over labour has been won at a prohibitive cost.[16] Capital's leverage in relations with workers has been only increased by operating the economy at levels well below full capacity. The same appears to be true for Canada. Although high rates of unemployment have caused the cost of job loss to increase dramatically, this assault has not provided the basis for rapid rates of accumulation. The Canadian economy's excess capacity makes new investment irrational, such that the annual rate of net capital formation is well below post-war levels. Instead, the expansion since 1983 has been fueled by consumer and government spending, largely financed through historically high levels of personal of public debt.

In short, the attempts to restructure the institutional basis for rapid accumulation have paralleled the measures undertaken to recast industrial relations in Canada. Both have been largely *ad hoc*, and in the absence of a new consensus, they have relied upon greater coercion to discipline labour. It remains to be seen whether labour and popular movements in Canada can respond successfully to this challenge.

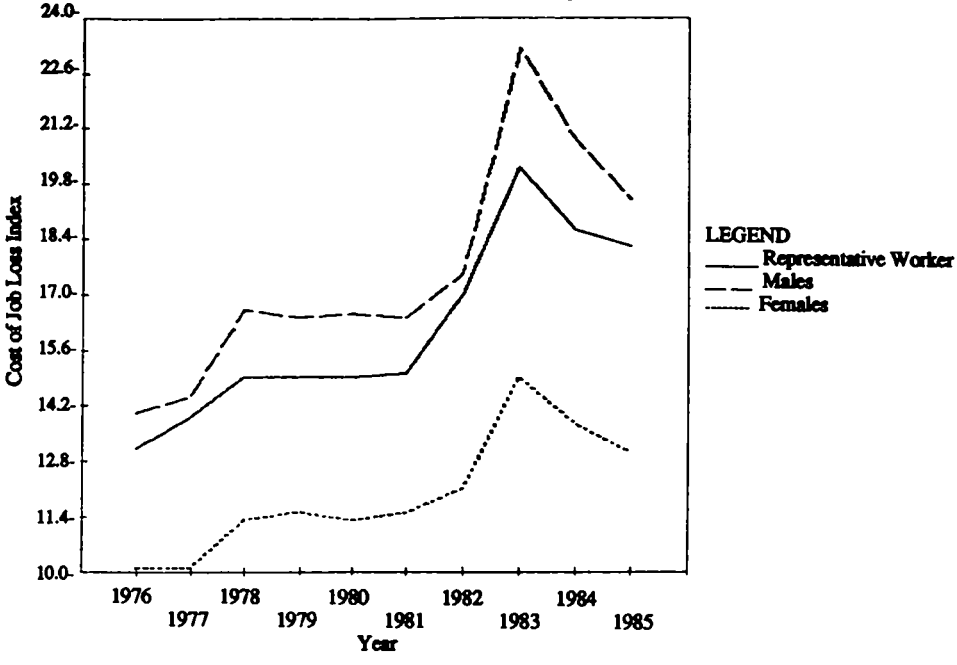
Appendix: Disaggregating the Cost of Job Loss Index

THE COST OF JOB LOSS INDEX employed here is based upon a "representative" individual and, as such, it reflects the combined experiences of all Canadian workers regardless of occupation, gender, region and family status. This broad level of aggregation seems appropriate given our objective: to measure the relative power of capital over Canadian workers. Disaggregating this measure, however,

[15]This finding is consistent with those of D. Gordon, T. Weisskopf and S. Bowles, "Long Swings and the Non-Reproductive Cycle," *American Economic Review*, 73 (1983), 152-8; and "Power and Profits: The Social Structure of Accumulation and the Profitability of the Post-war U.S. Economy," *Review of Radical Political Economics*, 18 (1986), 132-67.

[16]S. Bowles, D. Gordon and T. Weisskopf, "Business Ascendancy and Economic Impasse: A Structural Retrospective on Conservative Economics, 1979-1987," *Journal of Economic Perspectives*, 3 (1989), 107-34.

Figure 3
Cost of Job Loss Indices By Gender



can be informative and is, in principle, a relatively easy task. Subsets of the population possessing characteristics of interest can be isolated, a representative individual from the subset can be chosen, and the cost of job loss can be calculated. Unfortunately, consistent data which would allow such an exercise is available only for the period 1975-1985.

Figure 3 illustrates changes in the cost of job loss to women and men, and compares their behaviour with that of the representative individual. Given the labour market segmentation in Canada, it is not surprising that the cost of job loss to male workers is consistently higher than that sustained by female workers. This reflects, in part, the higher income of males, and the lower average duration of unemployment experienced by females who are over-represented in the secondary labour market. Nonetheless, the three indices tend to move together throughout the period.

Figures 4, 5, and 6 present regional cost of job loss indices, and yield several interesting results. Workers in all provinces shared the increasing cost of job loss experience suggested by the national measure. Low average duration of unemployment kept the cost of job loss in Ontario below the national average despite high incomes; Albertans and British Columbians experienced the most dramatic increases, which probably reflects the extreme volatility of their resource-based economies; and workers in the poorer provinces of the prairies and the Maritimes

Figure 4
Cost of Job Loss Index Atlantic Provinces

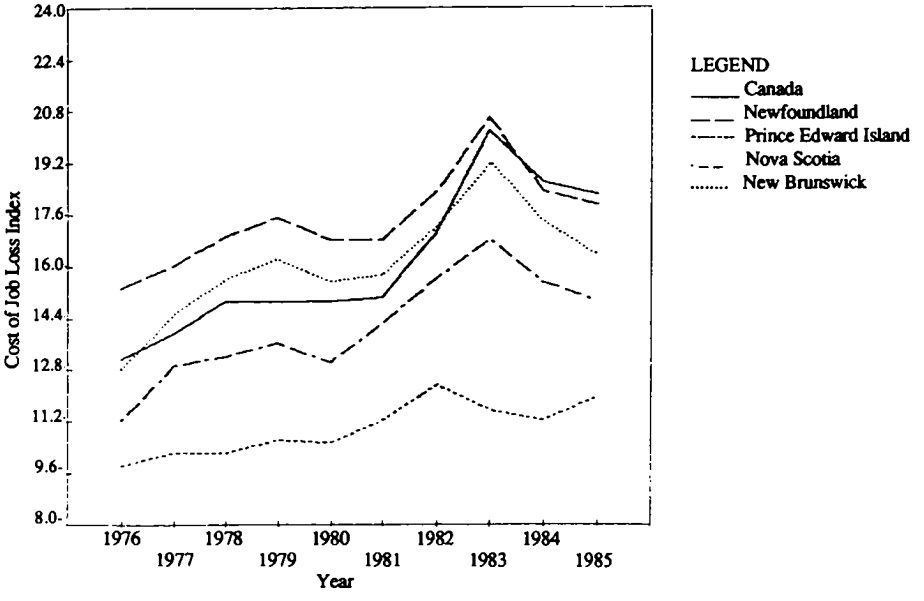


Figure 5
Cost of Job Loss Index
Ontario and Quebec

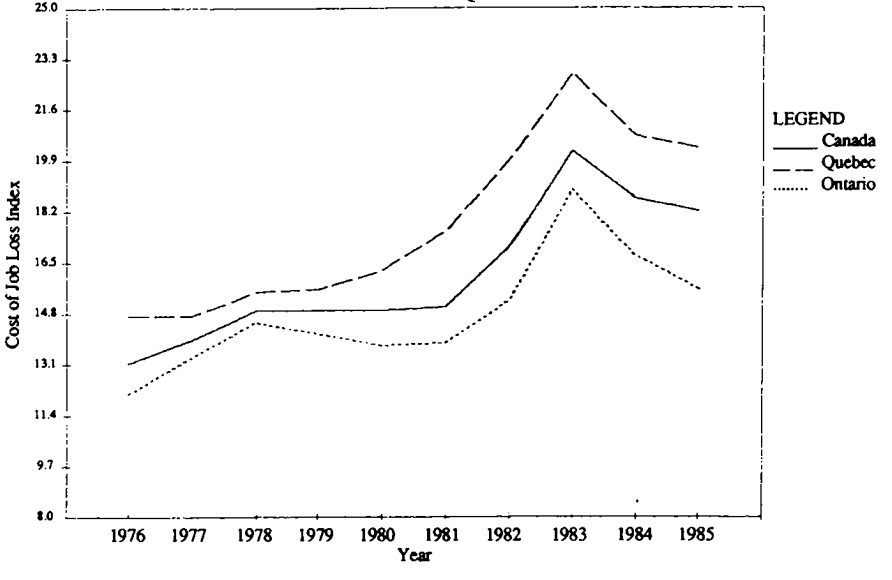


Figure 6
Cost of Job Loss Index
Western Provinces

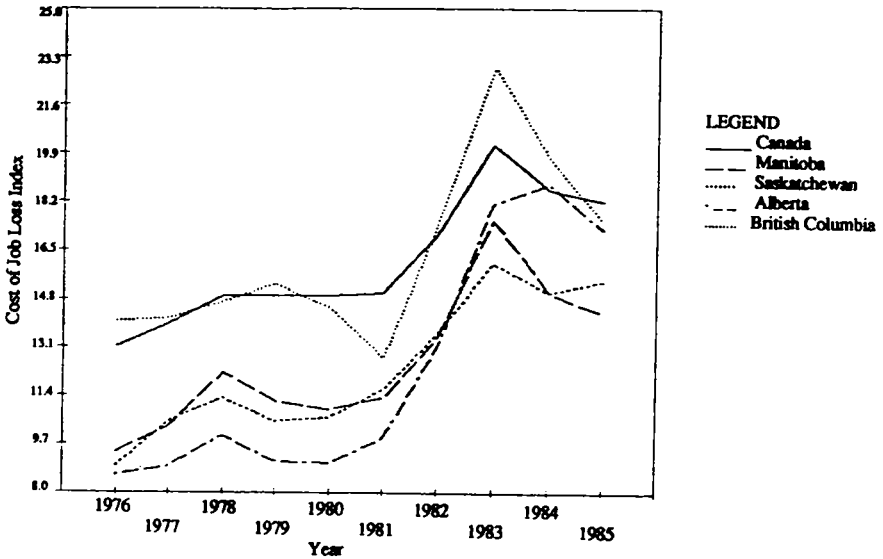
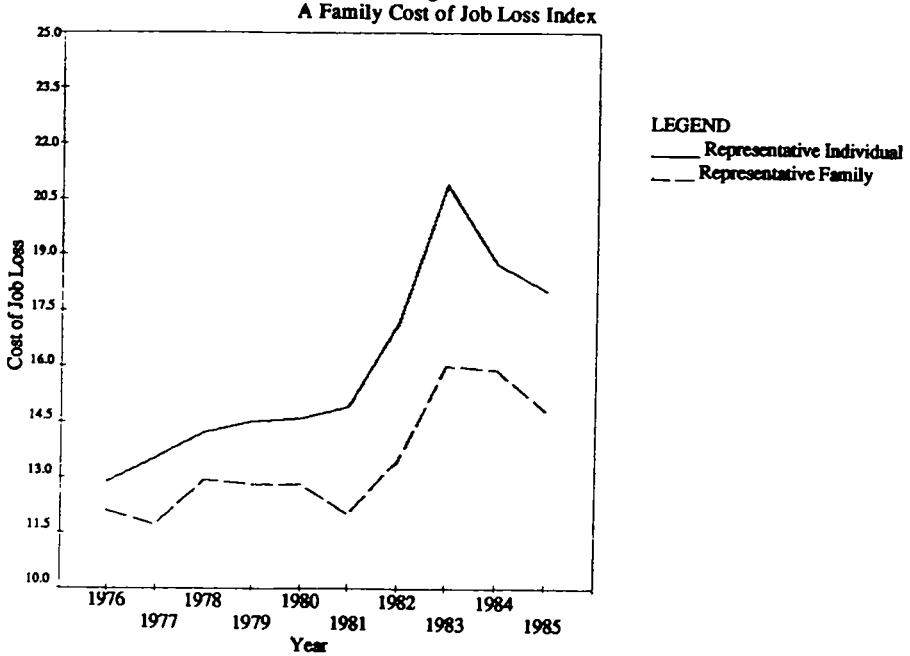


Figure 7
A Family Cost of Job Loss Index



experienced a lower cost of job loss than did other Canadians. Quebec and Newfoundland are important exceptions, due to a combination of relatively high wages and a long duration of unemployment. In every region, workers faced a higher cost of job loss at the end of the period than they did at its outset.

Finally, the focus on the individual rather than family or household units may be a serious shortcoming of our measure. Changes in family structure including the decline in family size, the decreasing rate of net family formation, and the rising participation rate of women are not considered in the cost of job loss index based upon the representative worker. These changes have tended to increase the number of two-income earner families, as well as the potential number of family-income earners who could enter the labour force in the event that the primary income earner becomes unemployed. These factors are potentially significant and an alternative, family-based cost of job loss index, displayed in Figure 7, provides a useful supplement to the general measure for the representative individual.[17]

[17]The derivation of this index is outlined in Frank Strain and Hugh M. Grant, "The Cost of Job Loss in Canada: A Family-Based Index" (unpublished manuscript, 1988), and is available upon request.

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