



Volume 15, Issue 4

*Where Tomorrow's Public  
Policy Begins Today*

08 January 2009

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## Focus on Labour – Beacon Special

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### **Part One: Silver Lining: How the economic meltdown gives time to prepare for the labour shortage D-Day.**

There may yet be a silver lining to the current economic turmoil. It buys us time to deal with the increasingly critical labour shortage.

In *[The Developing Workforce Problem: Confronting Canadian Labour Shortages in the Coming Decades](#)*, Dalhousie University Professor Emeritus Dr. Jim McNiven says “the coming generalized shortage of available workers will present challenges to the Canadian economy quite unlike those that characterized the previous century.”

The current downturn does NOT solve the problem. McNiven says we would need a sustained recession over some 20 years to cope with the demographic crunch we have created for ourselves.

“In the 1970s and 1980s, the Canadian economy was restructured to meet the challenge of the entry of the huge baby boom generation into the employed labour force,” he explains. “With the demographic changes that have taken place since then — a declining fertility rate and declining numbers of future labour force entrants — this design is no longer working. Indeed, continuing to adhere to it threatens Canadians’ standard of living, and could lead to unrest, outmigration, and slow-to-nonexistent economic growth coupled with high inflation.”

To read the complete paper, [click here](#).

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## **Part Two: Something Old, Nothing New: AIMS research on demographic shift goes back a decade**

It's hard not to say, "We told you so." As more and more people see the demographic shift as a significant public policy issue in the coming decade, AIMS has been sounding the alarm for some time. A decade ago AIMS warned of an ageing population and the pending labour shortage. Follow these links to some of AIMS' papers and Commentaries on this pressing public policy issue:

**December 2008 – Back to Work: The Fall and Rise of Canada's Traditional Values in the Face of Demographic Change**

**December 2007 – Crunch Time: Population change will challenge Atlantic Canada's future**

**January 2007 – Technicolour Dreams: Waking up to the labour shortage and what to do about it**

**November 2006 – Factoring ourselves out: How Canada's late 20<sup>th</sup> century thinking equals a failing grade in the early 21<sup>st</sup> century global economic calculus**

**October 2006 – Help Wanted: Strategies for addressing the labour shortage in Atlantic Canada**

**June 2006 – If many hands make light work, get ready for some very heavy lifting...**

**May 2003 – The Top Public Policy Challenges Facing Canada Today**

**April 2003 – The future of work in Nova Scotia: Why it's so hard to find workers and what we can do about it**

**November 1998 – Population Change in Atlantic Canada: Looking at the Past, Thinking About the Future**

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## **Part Three: A New Reality Requires New Ideas**

The demographic tsunami now underway will mean that all aspects of public policy; health, education, taxation, infrastructure renewal, even democracy and electoral politics will need to be revisited by this generation. The old ideas, beliefs and perceptions that helped us cope with the demographic reality of the baby boom are of little value today.

As always, AIMS is leading the way in discussing what this new reality will look like and how we get there with the minimum harm and the maximum benefit for you, the person on the street. We start first with an in depth look at outdated policies affecting the labour market, policies that penalize work, limit productivity and discourage economic engagement at a time when those are the only things standing between us and a precipitous downward spiral in our quality of life and our standard of living.

In the light of the labour shortages we now face, AIMS asked a leading expert on labour markets, Dr. Morley Gunderson, the CIBC Chair on Youth Employment at the University of Toronto and a Fellow of the Royal Society of Canada, to revisit four key aspects of Canada's labour market, his findings highlight that old ideas applied in a new reality can have some unfortunate unintended consequences.

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### Part Three A: Minimum Wages: Operating with a blunt instrument

Minimum wage legislation perpetuates poverty and eliminates job opportunities. It's a sobering finding in the first of the four part AIMS Labour Market Commentary Series by Morley

In *Minimum Wages: Operating with a blunt instrument*, the respected labour economist dispels the myth that minimum wage legislation alleviates poverty among the working poor. Gunderson calls a minimum wage a crude instrument for curbing poverty which is poorly targeted toward the poor because it also affects the wages of young people and multiple earners in non-poor families.

To read the complete Commentary, [click here](#).

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### Part Three B: Payroll Taxes: Killers of jobs, killers of wages

Payroll taxes reduce wages by about 2.5 percent and employment by between two and 4.8 percent. That's just one of the findings reported in *Payroll Taxes: Killers of jobs, Killers of wages*, by Morley Gunderson, the CIBC Chair on Youth Employment at the University of Toronto and a Fellow of the Royal Society of Canada. Professor Gunderson examines the Canadian research and shows that it is actually lower wage earners who pay the cost of payroll taxes.

"Much of the burden of payroll taxes, evidence suggests approximately 80 percent, is ultimately shifted to labour in the form of lower wages even if it initially is 'paid for' by employers," he writes. "Thus, the appeal of taxing rich corporations through a payroll tax is based largely on a false image."

*Payroll Taxes*, the second in the Labour Market Commentary Series also shows how caps on payroll taxes reduce employment opportunities.

To read the complete Commentary, [click here](#).

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### Part Three C: Mandatory Retirement: Why governments should quit banning it

The rush by governments to ban mandatory retirement doesn't protect older workers, in fact, it eliminates options and threatens benefits.

Contrary to popular belief, government did not create mandatory retirement. There is no government legislated or appointed time to retire, and even the CPP does NOT require people to stop working at age 65.

In *Mandatory Retirement: Why governments should quit banning it*, Morley Gunderson, the CIBC Chair on Youth Employment at the University of Toronto and a Fellow of the Royal Society of Canada, examines the unintended consequences of banning mandatory retirement. The Commentary is the third in the Labour Market series published by the Atlantic Institute for Market Studies (AIMS).

Mandatory retirement was created through bargaining between employees and employers because it is mutually beneficial. It allows employees to achieve job security and income predictability, and to engage in tax deferral and career planning while giving the employer cost predictability, succession planning and access to committed employees.

Professor Gunderson concludes that mandatory retirement policies will adjust to the new demographic reality without government's assistance (55% of companies with current

mandatory retirement schemes already plan on eliminating them in the near future).

To read the complete Commentary, [click here](#).

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### Part Three D: Bans on Strike Replacement Workers: Pouring oil on the fire

Little can heat up a picket line faster than 'scabs', the derogatory term union members use to describe replacement workers.

In *[Bans on Strike Replacement Workers: Pouring oil on the fire](#)*, Morley Gunderson, the CIBC Chair on Youth Employment at the University of Toronto and a Fellow of the Royal Society of Canada, examines the effects of banning replacement workers during strikes. The Commentary is the final instalment of the Labour Market Commentary series published by AIMS.

Gunderson points out that banning replacement workers during strike action has a wide range of effects that must be considered in any discussion to impose such regulation.

"What is clear is that bans do not reduce strike activity; in fact, the opposite is the case," he says. "Such bans increase both the incidence and duration of strikes."

He says bans also reduce employment. And, while bans bring substantial benefits to union members by increasing their wages by a greater amount than the cost of any strike, for employers the losses, in the form of both higher wages and strike costs, are substantial. The effect of this on investment decisions and any associated job creation is an open question.

To read the complete Commentary, [click here](#).

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