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THE PARADOX OF UNEMPLOYMENT AND JOB VACANCIES: A REPLY

Michael K. SKOLNIK
and
Farid SIDDIQUI

We couldn't agree more with Professor Reid that there is a need for additional research on the paradox of simultaneous unemployment and job vacancies. Indeed we emphasized that 'the data presently available are not adequate' (p. 35) and accordingly that *any* conclusions must be quite tentative.

In emphasizing the inadequacies of the existing data base for drawing definitive conclusions, we were reacting somewhat to the widespread tendency to *assume* that unemployment insurance was the whole cause of the problem. In our view that is an overly simplistic and certainly unproven explanation for a very complex problem. However we did not deny that unemployment insurance was a contributing factor. We merely stressed that other factors were involved also, and that over-emphasis on unemployment insurance was apt to result in neglect of other (primarily structural) factors which need attention. In particular, we did not, as Professor Reid states, present an hypothesis that unemployment insurance was the sole cause of the paradox, and then reject that hypothesis. Professor Reid's restatement of the second of our four possible explanations of the paradox is not accurate. We called the second explanation 'ambiguous measurement of unemployment', not '1971 revisions of the Unemployment Insurance Act'.

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Insofar as the 1971 revisions of the Act encouraged short-term entrance into the labour force of persons with weak attachment to the labour force, it would certainly have added to the problem of ambiguity in the measurement of unemployment. Yet this problem existed before the 1971 revisions of the Act and is of a broader dimension than just the changes in U.I. provisions. With all the emphasis we placed upon inadequacies of unemployment data we could not completely reject the second of the possible explanations which we presented.

Professor Reid's criticism of our use of data on youth claimants as a proportion of all U.I. claimants is confusing. In the middle of his discussion of this point he switches from youth to secondary workers. We would expect that the 1971 U.I. revisions would have had quite different effects on secondary workers than on youths who are supporting themselves. Unfortunately we did not have the data needed to examine the labour market behaviour of secondary wage earners. Professor Reid appears to be saying that the U.I. revisions would cause an increase in youth unemployment that would not be reflected in U.I. claimant figures, because youths would enter the labour force in order to qualify for U.I. benefits. But such U.I. induced behaviour could as easily result in an increase in youth employment (and a decrease in the youth unemployment rate). One could equally argue that for youth the U.I. inducement is to take *employment*, not to report to a Labour Force Survey interviewer that one is looking for work (as that activity by itself doesn't qualify one for U.I. benefits). If finding a job was as easy in 1973-74 as proponents of the U.I. explanation of unemployment maintain, then persons who entered the labour force merely to qualify for U.I. should have been able to find jobs very quickly — especially since there would be no reason for them to be very choosy.

Related to this point we note that Professor Reid rejects our argument that the decrease in the Canada Manpower placement — referral ratio reflects greater choosiness by *employers*. He does not indicate what is wrong with our argument, nor does he provide justification for his interpretation of these data.

The remainder of Professor Reid's comments have to do with the movements of and along unemployment rate — vacancy rate, or *u-v*, curves. Our paper avoided the *u-v* curve terminology, and we believe that in Professor Reid's attempt to re-state our arguments in such terminology he has mis-stated them. In particular we find his remark that we confused 'a shift of the *u-v* relationship with a movement along the relation' itself confusing. Nowhere in our article did we suggest that a shift in the *u-v* curve did not occur. In fact one of our main conclusions implied that such a shift *did* occur.

Professor Reid gives two reasons for being sceptical of our broken pipeline theory. First he asks why was it only in the 1972 expansion that the manpower pipeline was broken? The answer is that we were examining *only* the period 1971-74. Undoubtedly, by our reasoning, similar shifts have occurred before, but we didn't have the historical data to examine them. It is of interest that Professor Reid's chart shows

several shifts. However, the precise nature and timing of these earlier shifts is still open to question because of the data problems involved in splicing together three series of unequal, uneven, and in some cases unknown, reliability. We restricted our analysis to post-1970 because we do not have much faith in the vacancy data which pre-dates Statistics Canada's Job Vacancy Survey. Second, we do not agree with Professor Reid that the broken pipeline theory implies that the paradox is only a temporary phenomenon. The failure of a substantial portion of a whole cohort to obtain satisfactory employment and the reluctance of employers to take on inexperienced employees in industry for several years is likely to have lasting effects. It is now apparent that individuals' first experiences in the labour market exert a major shaping influence upon their subsequent employment motivation, job search, and work behaviour. The effects of several years of discouraged unemployment, under-employment, and job-hopping will be felt long after the economy recovers.

DROIT DU TRAVAIL

LABOUR ARBITRATION AND THE REFUSAL TO PERFORM HAZARDOUS WORK

Ray SENTES

The modern basis of Canada's collective bargaining system is the Order In Council No. 1003 passed by the federal government in February, 1944. The Order provided for a high degree of state intervention. As H. D. Woods has noted in particular:

« Looked at from the point of view of the right to strike, it becomes apparent that this instrument, as well as the lockout, was severely curtailed. In the broad classification of dispute areas, strikes formerly took place over issues involving jurisdiction between unions, recognition of unions by employers, negotiating new agreements or renegotiating old ones, and the interpretation or application of agreements in force. Strikes had now been rendered unlawful over jurisdictional issues, recognition issues, and application or interpretation issues. »¹

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¹ H. D. WOODS, *Labour Policy in Canada*, second edition, P. 93.