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# A Labor Policy For Victory

by **TIM BUCK**

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# A LABOR POLICY FOR VICTORY

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**SUBMISSION**

presented by

**TIM BUCK**

on behalf of

**The Dominion Communist-Labor  
Total War Committee**

to

**The National War Labor Board  
Inquiry Into Labor Relations**

May 28th, 1943

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Mr. Chairman and Members of the Board:

On behalf of the Communist-Labor Total War Committee movement of Canada I greet your decision to conduct this public inquiry into the problems of labor relations, wage policy and associated questions. It should help considerably towards the formulation of a realistic wages and general Dominion labor policy. Such a policy is badly needed to unite the nation and help maintain uninterrupted production for the winning of the war.

Today, it is the duty of every Canadian, of every class and party, to unite and strengthen our national war effort. The war situation is urgent. The historic victories of Tunisia and Stalingrad, the great air attacks upon Germany and Italy, and the Washington conference of Premier King, President Roosevelt and Winston Churchill warn us that we are at the eve of the invasion of fascist-held Europe.

Premier King correctly emphasized: "The key to victory is a partnership unbroken and unbreakable of the warrior and the worker. The warrior cannot fight without weapons, munitions, supplies and food produced by the worker. The worker of today cannot escape a return to serfdom save by the might of the armed forces."\*

One of the greatest assets of any country at war is a high morale on its home front. Especially now, with the high degree of mechanization of our armed services, it is essential to make the producers of the tools of war feel that they are a decisive factor in the country's war effort. To achieve this it is not enough to proclaim that "the battle lines run through the plants of the nation." It is necessary that the fighter on the industrial front should be made fully conscious of the issues involved in this global conflict and

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\* Speech at the Convention of the American Federation of Labor, Toronto, Ont., Oct. 9, 1942.



should be treated by the Government as a mature partner in a great undertaking.

The workers of Canada have written a proud chapter in the history of our country, and have played a decisive part in all the hard work and sacrifice which have resulted in the massive war effort on land and sea and in the air by our country. This inquiry can and should clear the road for still greater effort, sacrifice and achievement in the battle for production which is by no means over and which must continue until the complete defeat and surrender of fascist Germany, Italy and Japan. The National War Labor Board is to be congratulated for having taken this important initial step.

## **Labor Relations Are Approaching a Crisis**

Too much time has already been lost. Attempts to evade the problem, to slur over it, to frustrate the modest aims of the trade union movement by complication of procedure and insistence upon technicalities have only provided a screen behind which labor-employer relationships have steadily deteriorated.

The situation in the country today, in the field of labor relations, is one of incipient crisis. One needs but to consider the number of the disputes which have led to interrupting, or have threatened to interrupt, war production during recent months to realize that the need for a thorough-going revision of government labor policy is urgent.

Failure to avert the number of disputes above mentioned, and to expeditiously settle them and thereby maintain our war production has been due primarily to the wage policy of the Dominion Government and to lack of effective legislation, machinery and methods of procedure, by which

questions of wages, collective bargaining and other matters vital to all-out war production can be taken up and settled speedily and efficiently by negotiation.

The Communist movement has urged and continues to urge uninterrupted production. As we emphasized in our recent national conference "Communists in Canada as throughout the United Nations . . . condemn any policy which provokes stoppages of war production whether by strike, lock-out, or otherwise." But it must be emphasized that unless and until the wage and labor policies of the Dominion Government are brought into line with the needs of the situation, the Government itself will remain one of the worst offenders in this respect.

The problem of labor relations is a key problem in a nation at war. Problems of wages, working conditions and labor-management relations are of the highest national concern. The true interests of Labor in winning the war are inseparable from the true interests of the nation and the rapid growth of labor organizations makes it particularly important that the problem of labor relations be dealt with in the light of national welfare. It is to the advantage of the community as a whole, that methods be worked out to abolish the practice of dealing with wage questions and other problems of labor relationships by methods which end, far too often, in sharpened labor-management relations, frustration, lock-outs and strike action.

To this end the Communist-Labor Total War Committee movement urges a careful but unequivocal revision of the present labor policy of the Dominion Government, including its policy with respect to wages, with respect to collective bargaining, with respect to the participation of the Labor movement in prosecution of the war effort, and in the policy and procedure followed by the Dominion Department of Labor in respect to conciliation and towards industrial relations in general.



## The Wages Policy Of the Dominion Government Is Inequitable

The present policy of the Dominion Government respecting wages was laid down in P.C. 8253 and the various amendments thereto which were consolidated in the new Wartime Wages Control Order P.C. 5963 of July, 1942. By this order employers, save those in a narrow range specifically exempted, are forbidden to increase their basic scale of wage rates or change the terms of employment without the written authorization of a War Labor Board. The order specifically prescribes that "Wage increases may be authorized by a War Labor Board *only if existing wage rates are found to be too low* as compared with wages generally prevailing in the same or substantially similar occupations in a comparable area 'having regard to all the circumstances deemed by it, in its discretion, to be material.'"<sup>\*</sup>

The essential aim of the wage policy, laid down in P.C. 5963, was described recently by the Hon. Humphrey Mitchell, Minister of Labor, when he informed the members of the House of Commons that, after careful consideration it was decided that "steps must be taken to ensure that wages do not soar . . ." The Minister went on to explain that, in his opinion, such steps were necessary "because an unstable wage structure would render untenable a stabilized price level and would lead to inflation."<sup>\*\*</sup>

We shall have more to say about that reasoning later in this brief. The point we wish to emphasize here is that the effects of the government wage policy are not accidental. As the Minister of Labor pointed out the policy was formulated "to ensure that wages do not soar." The

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\* Labor Gazette, July, 1942—Official emphasis.

\*\* House of Commons Debates, Feb. 11, 1943, p. 347.



objective of the wage policy laid down in P.C. 5963 is to prevent the raising of the basic wage levels in Canada.

In accord with that aim, wages were frozen at the levels existing in October, 1941. It was denied that the government intended to freeze sub-normal wages at their low levels but such has been the case. Furthermore, the reason advanced by Regional War Labor Boards, the Department of Labor and the War Time Prices and Trade Board, for refusing to authorize wage increases in a number of cases, has been that such wage increases would endanger the entire scheme of wage-control. As the Executive Officers of the Canadian Congress of Labor pointed out in their annual submission to the Dominion Government in March with reference to the abortive efforts to secure an increased basic wage for the Steel Industry by negotiation:

“While some wage levels in isolated cases have been adjusted, the attitude adopted by the Government in connection with the request for a basic rate of 55c per hour in the steel industry indicated that the government was unwilling to establish this rate, in spite of its low level, on the ground that this would make price control impossible and lead to inflation.”\*

In the course of the speech from which we have already quoted, the Minister of Labor took sharp issue with the claim that wages are frozen. He averred that the cost-of-living bonus provides for automatic adjustment:

“It is being said on many sides,” declared Mr. Mitchell, “that wages are frozen. Let me say without equivocation that wages are not frozen, because there is that bonus provision where the cost of living increases.”\*\*

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\* Labor Gazette, March, 1943, page 380.

\*\* House of Commons Debates, Feb. 11, 1943, page 348.

It is true that the Dominion Government's wage policy as laid down in P.C. 5963 provides for the payment of cost-of-living bonus to workers. It must be emphasized, however, that the bonus does not operate uniformly for all workers as might be assumed on the basis of Mr. Mitchell's statement. On the contrary, in line with the freezing of sub-normal wages at levels below that necessary for a decent standard of life, the government's policy establishes inequitable differentials excluding those sections of the workers who need it most, from enjoyment of the full cost-of-living bonus.

P.C. 8253 prescribed that any increase in the cost-of-living subsequent to Nov. 15th was to be met by a wartime cost-of-living bonus. It provided that no employer could commence the payment of such a bonus or change the amount of bonus already being paid except pursuant to general orders, issued quarterly, by the National War Labor Board.

Thus P.C. 8253 froze existing bonus payments as well as wages and ruled that those workers who had not yet secured a cost-of-living bonus should start from scratch on Nov. 15th, 1941, receiving a bonus only to the extent that the cost of living advanced beyond the index value at that date.

The relatively limited section of the workers, who, by virtue of their organized strength or other advantages, had won the full cost-of-living bonus before October 24th, 1941, continued to receive it, but the majority of workers were excluded from the full benefit. With the exception of a few groups of workers who have succeeded in securing the full bonus by order of the War Labour Board, these workers receive a cost-of-living bonus only in proportion to the increase in the cost of living since November 15th, 1941.



As a result of that we find the anomaly that while the full bonus is \$4.25 the majority of workers receive only sixty cents per week.

Furthermore, the regulation provides that "male employees under twenty-one years of age and female workers employed at basic wage rates of less than twenty-five dollars per week" shall not be paid twenty-five cents per week for each point rise in the cost-of-living index but only one per cent of their basic weekly wage rates. Thus a woman worker employed at 35 cents per hour and working a basic week of 48 hours is entitled to less than 17c per point instead of 25c. If she works in a plant where no cost-of-living bonus was paid before the promulgation of P.C. 8253 she receives the munificent sum of 52c per week to help her meet the substantial increase in the prices of necessities since 1939. If her basic wage rate is twenty-five cents per hour, and there are thousands of workers in that category, her cost-of-living bonus amounts to 30 cents a week or less. There are thousands of workers in Canadian industry, particularly in the province of Quebec, for whom that represents the sole increase over the rates paid upon their jobs in 1939.

As a result of the policy indicated above, and the inflexibility of the Department of Labor in its enforcement, large numbers of Canadian workers are still condemned to earnings lower than the amount which is quite generally acknowledged to be necessary. Even among the workers covered by National Unemployment Insurance, from which several of the lowest paid groups of workers are excluded, we find that almost a third of all workers registered, were working when registered for wages of \$20.00 per week or less.

The plight of women and young people in industry is



aggravated intensely by the government wage policy. The mass unemployment during the decade preceding the war enabled employers to depress the wages of women workers and young people in unorganized industries and little or no change of those depressed standards had been effected when the wage-freezing order went into effect in November, 1941. Thus, tens of thousands of working people still labor for wages of twenty-five cents per hour or less. In the textile and knitted goods industries, particularly in the province of Quebec, even lower wages are paid. Thousands of female workers are employed at wages of less than twelve dollars per week. In some cases machinists' wages are frozen at fifty and sixty cents per hour. It should be noted that practically all the workers in those low wage areas are excluded from the benefit of the full cost-of-living bonus.

It is a striking commentary upon our wage system that, in certain areas of the the province of Quebec, tuberculosis and blindness, which in those areas are each traceable in great part to the chronically low standard of life, are more prevalent than in any other part of the North American Continent.

This is a national problem and one that lies well within the scope of government labor policies since it involves both the question of adequate wages and working conditions in industry. Low wages are a major cause of ill-health in Canada, and ill-health, today, robs the arsenals of the United Nations of great quantities of much needed ships, planes, tanks and guns.

In Appendix A. attached to this brief we show that 44 per cent of Canada's workers received only 18.25 per cent

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\* See Appendix A.

of the aggregate income of wage and salary earners last year and that in this group there were 485,526 heads of families whose incomes averaged only \$17.46 per week.\*

In Appendix B. attached to this brief detailed evidence is submitted which shows that sickness and accident are costing Canadian industry 3,500,000 man-working days every month—the equivalent of 2,700 heavy bombers or 4,500 cruiser tanks or hundreds of cargo and convoy ships—or of 100,000 men per year. It must be noted, of course, that inadequate wages are not the only cause of this. Lack of proper measures for the control of the health and safety of war workers is, all too frequently, an immediate cause of dispute between labor and management and government.\*

Is it to be wondered that workers become cynical concerning the government's anti-inflation and wage control policy when they read, or hear about so-called "Dollar a Year" men receiving a hundred and twenty-five dollars per week and then trying to avoid payment of income tax upon it on the ground that it is solely for "living expenses"?

There is a crying contradiction between the correct words uttered by Premier King at the A.F. of L. convention and the principles enunciated in P.C. 2865 and the policies and practises of the Federal Department of Labor under Hon. Humphrey Mitchell's direction.

It is not without cause that the Quebec Provincial Federation of Labor memorandum to the preliminary conference which preceeded this Inquiry, declared that "the workers are 'fed up.' They are not disloyal, and by far the greatest majority of them would gladly support the pledge given by the leaders of the International Trade Union

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\* See Appendix B.



movement to avoid using the strike in wartime. But their patience has been tried beyond endurance. When they avoid precipitate action, they find their forbearance mistaken for weakness."

## **The Dominion Government Wage Policy Should Be Based Upon the Interests Of the Nation as a Whole**

The question of regulating wages and of wage adjustments should be approached from the point of view of securing the highest degree of co-operation and the highest degree of efficiency, that is to say the most efficient working forces for national production.

A correct wage policy will contribute to the securing of uninterrupted, maximum war production because it will take into account the needs and interests of Labor—which is the prime mover in the productive processes. Such a policy would be to the advantage of the nation as a whole as well as of the working people. The effort to secure such a wage policy is part of our national effort to win the war. As a contribution towards the elaboration of such a policy we propose the following changes:

*a. Eliminate the Differential in the Cost-of-Living Bonus Payments.*

The effect of the Wartime Wages Control Order at present is anomalous and unfair. Under its provisions the majority of Canadian workers are excluded from the benefit of the full cost-of-living bonus. Those whose weekly incomes are lowest, whose basic wages have not increased appreciably since 1939 and who, therefore, need the cost-of-living bonus most acutely, receive only 60c per week or less. We propose that this anomaly be abolished. Section 34 of the Wartime Wage Control Order should be repealed



or amended to provide that every worker shall be eligible for the full cost-of-living bonus.

*b. Wages Should be Adequate for Taxes and Health*

Any consideration of wage policy today, compels recognition of the fact that taxation has become an important factor, conditioning the standard of living of those married Canadians with families whose incomes are only \$1200 per year or less. This fact is particularly important because about half of all the married men with families are in that category.

The effect of taxation upon the lives of people with small incomes is fundamentally different from its effect upon those with incomes of say, \$3000 per year and over. For the latter group taxation means reduced purchasing power: it does not, however, reduce their purchasing power to the point where the quality and amount of food upon the family table is effected.

In the case of people with small incomes, taxation does have that effect in many cases. Indeed, increased taxation without increased wages *must* tend to reduce the amount of essential foods consumed by the families of workers who receive \$20 per week or less.

Similarly with the deduction from the wages of a married man who earns \$35.00. If he has two children his earnings are no more than sufficient to provide them with a very modest standard of life. It is self-evident, therefore, that the sum of \$2.50, which is deducted from his wages each week to cover income tax and compulsory savings, must be reflected in decreased purchase of things which the family should have.

Another feature of tax policy which is of great importance in relation to wage policy is the fact that income tax levied upon relatively small incomes tends to penalize efforts to increase earnings.

Thus, for example, a single man without dependents, whose weekly wage without overtime is \$25, receives \$19.75 after deductions for income tax and compulsory savings. He may very well be deterred from working the overtime, which would increase his weekly earnings to \$35, by the fact that because of the increased deductions the increase in his pay envelope for the additional twenty hours, would be only \$5.75. Five dollars and seventy-five cents is not much to take home for twenty hours work, especially when the worker receives no receipt for the amount deducted as compulsory savings. The majority of workers are extremely skeptical about their prospect of ever collecting this money. To them the entire "deduction" is simply so much taken out of their pay envelope; it makes a substantial difference to the amount they receive as may be seen by the following:

**TOTAL DEDUCTIONS PER WEEK**  
(Figures in Brackets—Compulsory Savings)

Weekly Wage	Single Man	Married Man No Dependents	Married Man 2 Dependents
\$25.00	\$ 5.25 (\$1.90)	\$ 1.20 (\$ .60)	\$ .65 (\$ .32)
35.00	9.50 ( 2.65)	6.40 ( 3.20)	2.50 ( 1.25)
40.00	11.65 ( 3.05)	8.50 ( 3.80)	4.55 ( 2.30)
50.00	15.90 ( 3.80)	12.70 ( 4.75)	8.75 ( 4.40)

In addition to these amounts the tax paying wage-earner must make additional payments during this year equal to one-sixth of his total income tax for 1942. It is self-evident that thousands of wage and salary earners, whose incomes have not changed appreciably since 1939, are now taking home less money each pay day than they did before the war.

The unpopularity of this heavy taxation does not reflect unwillingness of wage-earners to accept sacrifices to win the war but, rather, the widespread opinion that it is inequitable.

Workers recognize that the Dominion Government must



get the money now. But they know that the government is pledged to refund 20 per cent of the money being collected from corporations as excess profits. This 20 per cent may easily amount to hundreds of millions of dollars if the war is protracted and will be payable to corporations which are now maintaining dividends and building up reserves while increasing their capital investment and the productive capacity of their plants out of profits. Workers argue, correctly, that if it is justifiable for the government to refund 20 per cent of all Excess Profits Tax payments in such circumstances, then the government should refund the additional money now being taken as income tax from people with small incomes.

This is not to suggest that government revenue should be reduced or that the government should collect less from such groups at the moment. What is suggested is that Dominion fiscal policy, as applied to low income groups, should be based frankly upon the principle that its main function is to secure governmental revenue and reduce immediately effective purchasing power—but to achieve that without penalizing wage-earners for working overtime.

The prime objective of the government's wartime fiscal policy, in its application to low income groups, could be achieved more efficiently than at present by making a considerably larger proportion of the monies deducted from wages and salaries refundable after the war. These monies are, in principle and nearly always, in fact, monies which would under normal conditions have been spent upon household or family needs. Deducted as savings, they have the specific character, imposed by the war, of "deferred purchasing power." All deductions from wages and salaries which are below the pre-war level of taxable income and a very much larger proportion than at present of all deduc-



tions from wages and salaries up to \$2500 should be refundable, after the war, as "deferred purchasing power." The wage or salary earner from whose earnings deductions are made should receive some form of official receipt for this money and there should be an officially stated time in relationship to the end of the war when it will be possible to turn in the receipts and receive the money in the same way that a person may cash war saving certificates when they are due.

By such a method the government could secure the same amount of revenue, and withdraw the same amount of money from circulation, as at present while helping people in the low income groups to build up a valuable cushion against the danger of unemployment in the post-war transition period.

### *c. Wages and the Cost-of-Living Index*

The labor movement cannot accept the principle that the weekly earnings of workers should go up and down with the Dominion Bureau of Statistics' cost-of-living index as a permanent rule except at the risk of nullifying its own important role in the life of the nation.

Such a rule, a basic feature of the Dominion Government's present wage policy, assumes that wages and living standards are now adequate—that the working people are getting all that they are entitled to. Such is not the case. Secondly, tying wages to the cost-of-living index not only robs the working people of the increased wages that they would otherwise be able to gain as a result of the tremendous increase in their productivity and their stronger bargaining power, it also provides for actual reduction of their present rate of earnings when the wartime regulation ceases to operate—even while it operates in the event that the government succeeds in lowering the cost-of-living index.

The position of the labor movement is that the working people of the nation are entitled to a larger proportion of the national income and that as modern machinery makes increased productivity possible, the income of the working people should increase also.

Today, in their desire to help win the war, Canadian workers are prepared to forego a great many of the immediate advantages that they might otherwise secure. They are willing to have their wages, and the methods of adjusting wages, regulated by law as a part of the general regulation of the nation's economy and they are willing to accept a cost-of-living bonus in lieu of frequent wage adjustments.

Working people will not remain satisfied with such arrangements, however, unless two conditions are met.

The first is that the cost-of-living index and the figures upon which it is based must coincide with their own experience and the expenditures that working-class housewives have to make. This is not the case at the present time. It costs the average Canadian housewife more to provide for her family than the index suggests. The index ignores the marked variations in different parts of the country, it ignores several of the foods, particularly fresh fruits, fresh vegetables, cod liver oil, which mothers properly want their children to have.

When basic wage rates are controlled and increases forbidden except in special cases, the payment of a cost-of-living bonus to protect the basic standard of living of the workers, is necessary and commendable. If the country is to be organized for an all-out war effort, it follows that a general improvement in the standards of living above what is necessary to maximum production cannot take place. Elimination of luxuries is a necessary sacrifice to the war



effort. While recognizing that fact, however, workers resent the fact that they and people living on small salaries are compelled, by restriction of purchasing power, to do without many things that are available for others. Their attitude is that if there is not to be restriction of consumption it should be by rationing—not by penalizing the working people. Furthermore, if it is decided that wartime control of the Nation's economy necessitates a cost-of-living bonus as a substitute for the increased basic wage rates that workers could otherwise expect, then the cost-of-living bonus must be based on an equitably constructed index. Appendix C. attached to this brief shows that in some ways the official cost-of-living index for Canada is not an adequate measure of the increased costs in the basic standard of living.

The Index is based upon an average income higher than the income of the great majority of Canadian wage-earners. As a result the Index does not reflect the increased cost of food to the same extent that this increase affects wage-earners. Further, as is shown in the Appendix, there has been a tendency to stabilize the Index in part by retaining in it the fixed prices of things which are not available or available in every limited quantities and by ignoring increases in the prices of things that almost everybody buys, for example cigarettes.

The cost-of-living Index should be based upon the prices of *all* the needs of Canadian wage-earners and it should be constructed on the basis of the average income of the workers whose purchasing power is to be directly affected by any changes in the Index.

#### *d. Establish a Floor for Canadian Wages*

There is a real need in Canada for establishment of a definite minimum as the weekly wage necessary to maintain a decent Canadian standard of life.

The trade union movement has urged for years that a national minimum wage of \$25 per week should be established in Canada. It is not without significance that the 1439 families selected by the Dominion Bureau of Statistics as the typical families upon whose expenditures the official cost-of-living index is based, spent an average of \$27.38 per week in 1938 upon the items included in the Index although those items do not include everything considered necessary by other authorities. It is noteworthy also that when the Hon. Humphrey Mitchell, Minister of Labor, explained to the members of the House of Commons the effect of the cost-of-living bonus upon wages he used, "by way of illustration," the example of a worker receiving 50 cents per hour plus full cost-of-living bonus of nine cents per hour. 50 cents per hour, plus cost-of-living bonus is a very modest wage, but if the standard selected by the Minister of Labor to illustrate his point is accepted as a reasonable minimum, the minimum wage level for adult workers in Canada today should be \$28.00 per week of 48 hours. How far we are from such a modest standard at present may be illustrated by the fact that the average rate of salary and wage income of all the workers employed in the eight leading industries of the country in 1942, *including the earnings of the paid members of management and supervisory staffs, the most highly skilled workers and overtime*, averaged only about \$28.50 per week.

Whether or not it is practicable for the Board to recommend that subnormal wages should be adjusted up to the level of 50 cents per hour, it is necessary, in the interest of the health and well-being of millions of Canadians, that the hourly rate of 55 cents and weekly earnings of not less than \$25 be established as the "base line" in Canada's wage structure below which the wage control regulations



should not operate. We suggest that the Wartime Wage Control Order be amended to that effect.

*e. Wage Policy Should Provide an Incentive to Increase Production*

To help develop Canadian production to its full capacity the Government's wage policy must provide incentive to increased effort as well as the amount of money necessary to support a decent standard of life.

There is need in Canada today for recognition of the principle of increased wages with increased production.

Had this principle been recognized earlier practically all Canadian workers, certainly all those employed in the war industries, would now be receiving considerably higher wages than they are now receiving. It is noteworthy also that when the Hon. Humphrey Mitchell, Minister of Labor, explained to the members of the House of Commons the principle that wages and war production would be even greater than it is now. In several industries, including some of the decisive war industries, production per labor hour has increased tremendously.

One of the clearest illustrations of this fact is to be seen on the railways which, in 1942, moved 75 per cent more freight than in 1939 without increasing the number of workers employed. Similar increases are to be seen in the shipyards, and practically all munition plants. The Hon. C. D. Howe stated at Sherbrooke, Quebec, on Monday, May 10th, that munitions are being produced in Canada at lower cost than in Britain or the United States. On the 12th of May he stated in the House of Commons that ship-building costs, also, are lower in Canada than in Britain and the United States.

Such increased productivity, achieved by collective efforts

to cut down the time required for each operation, to eliminate idle time, in brief, to systematize and speed up the productive processes, also involves considerably greater exertion, more intensive application, and consequently increased strain upon the workers.

With increased production the income of most corporations is considerably higher. While part of this increased income is taken by the Dominion Government through the excess profits tax, the dividend rate continues to rise. The index of dividend payments compiled by Nesbitt Thomson and Company Ltd. shows the following trend:

	1943	1942	1941	Average for 1926
January .....	122.5	121.3	119.5	100
February .....	122.3	121.3	120.0	100
March .....	122.1	121.1	121.0	100
April .....	122.0	121.0	121.2	100
May .....		120.9	120.4	100
June .....		121.8	119.6	100
July .....		122.6	118.8	100
August .....		123.5	118.9	100
September .....		123.5	118.7	100
October .....		123.3	118.5	100
November .....		123.1	119.3	100
December .....		122.7	120.3	100

In addition to maintaining their dividends a large number of big corporations are also setting aside millions of dollars to reserves, to the amounts set aside for depreciation and to undistributed profits. Hundreds of millions of dollars are being plowed back into industry, increasing the value of the investment for the stock holders. In addition, it must be borne in mind, 20 per cent of the amount paid to the government as excess profits tax will be returned by the government after the war.

The following are only a few of the many examples that could be quoted to illustrate this:



PROFITS OF FIVE CANADIAN COMPANIES

	Figures in Millions of Dollars		
	1937	1939	1942
<b>Bell Telephone</b>			
Net profit after taxes .....	6.1	6.5	7.3
Set aside for depreciation .....	7.6	7.7	8.7
Refundable portion of Excess			
Profits Tax payment .....	—	—	0.7
<b>Aluminum Co. of Canada</b>			
Net profits after taxes .....	7.9	14.8	13.9
Set aside for depreciation .....	1.3	2.6	46.3
Refundable portion of Excess			
Profits Tax payment .....	—	—	.2
<b>International Nickel</b>			
Net profit after taxes .....	50.3	36.8	35.9*
Set aside for depreciation .....	7.0	7.3	14.4*
War contingencies provision .....	—	—	3.3*
Refundable portion of Excess			
Profits tax payments .....	—	—	0.7*
<b>Steel Co. of Canada</b>			
Net profits after taxes .....	4.2	4.7	4.8
Set aside for depreciation .....	1.6	1.6	4.6
Refundable portion of Excess			
Profits Tax payment .....	—	—	.6
<b>Ford Co. of Canada</b>			
Net profit after taxes .....	3.8	3.0	3.2
Set aside for depreciation .....	0.6	1.0	4.5
Refundable portion of Excess			
Profits Tax payment .....	—	—	0.5

\* Converted from U.S. dollars at 10 per cent premium.

Workers consider, with justification, that they should receive increased compensation commensurate with their increased productivity. The record of profits, dividend payments and the tremendous reserves being built up testify to the fact that Canadian industry could pay increased wages easily.

It is clear that, if the workers are to have sustained confidence in the government's wage policy, wages must maintain the rate of reward for effort exerted. As production goes up earnings should increase correspondingly. The best wage policy is one that provides an incentive to increase production.

President Roosevelt himself has urged, at least by implication, that workers should benefit from increased productivity. President Roosevelt argues, correctly, that increases granted under such conditions would not be an inflationary factor. In editorial comment upon this question the New York Journal of Commerce expressed the following opinion on April 5th of this year.

“A question does arise, however, whether incentive compensation adds to the inflation danger . . .

“Careful consideration of all the facts indicates that such fears are without basis . . .

“When they are well planned and administered, incentive wage plans expand total production. The expansion of armament output is an end that transcends all other considerations in time of war, and no other factor should be allowed to stand in the way of this paramount objective. Increased production of civilian goods because of these wage plans cannot add to inflation, for the supply of goods is increased along with the total of purchasing power . . .”

It must be emphasized, however, that the Labor movement will not accept an incentive wage system on the basis utilized by the “efficiency” experts” as a means of individual speed-up and the break-down of trade union conditions.

What is required is that the general level of earnings in a plant, or for the building of a ship's hull, should reflect the increase achieved in production. Experience in both Britain and the United States has demonstrated the readiness of the trade unions to co-operate in the development of a system of incentive payments once they are satisfied that such payments are not to be used to undermine existing conditions and basic wage standards.

Labor is the most important single factor in the nation's productive effort. Adequate wage rates, with the established possibility of securing justified improvements in



wages and working conditions are essential to national welfare.

This is not merely a matter of providing sufficient purchasing power for the working people, although that is of vital importance. Workers should be able, also, to earn enough to enable them to accumulate some modest savings against the danger of unemployment—a danger which is being brought home to them vividly, today, by the threatened mass lay-offs in several war industries.

Of equal importance is the need to ensure that Labor shall have confidence that government legislation, machinery and methods provide the possibility for Labor to secure the improvements in wages and conditions of work to which its efforts in production entitle it. Indeed, that is the decisive need. The alternative to that would be reversion to the situation in which Labor depends solely upon its organized power and disputes are settled by a test of strength. It is unthinkable that the Dominion Government would permit such a development.

## **Wartime Economic Policy And the Fight Against Inflation**

The Labor movement is aware of the evils of inflation. Its responsible leaders and spokesmen will give support to the policies and measures necessary to counteract the inflationary tendencies now present in our wartime economy.

Working people are acutely conscious of the fact that the first and chief sufferers from inflation are the families of wage earners and those who have to eke out a living upon small salaries, pensions or other fixed income. The leaders of the trade union movement know by the experience of workers in other countries that, in the vicious cycle of inflationary development, wages always trail

behind rising prices. Should there be a runaway inflationary development in Canada; working people, members of the urban middle classes and farmers, would suffer disastrous consequences. It is natural, therefore, that the Labor movement supports the anti-inflation aims of the Dominion Government.

But it must be stated that the actual, immediate, danger of inflation in Canada is being grossly exaggerated and the Labor movement cannot accept some of the fantastic explanations being advanced by government spokesmen as to where the danger of an inflationary crisis lies.

The Labor movement rejects the statements being made by certain spokesmen of the government and widely popularized in the Press to the effect that the main danger of inflation in Canada today, lies in the demands for wage increases. On the basis of this false theory P.C. 5963 forbids the raising of wage levels which in certain areas and industries, especially in the Province of Quebec, are too low to provide a decent standard of life.

The arguments of governmental spokesmen against wage increases, rest on the premise that high wages are the *cause* of inflation. Sometimes it is conceded that there may be other causes in addition to high wages, but the main attention is directed to the carefully fostered sophism that wage increases, even of sub-normal wages, would endanger the whole financial structure.

The first argument, usually used by the Wartime Prices and Trade Board, is essentially that *any increase in wages automatically increases production costs and therefore prices*. Two quotations from speeches of Mr. Donald Gordon, Chairman of the Wartime Prices and Trade Board, will suffice to illustrate the use of this argument.

“Control of price obviously requires also control of costs of production. One of the chief items in costs is wages and, as you know, one of the main elements of



the Government's anti-inflation policy is the stabilization of wages."\*

"Consequently it seems to me that despite your instinctive feeling that certain adjustments should be granted, you must consider each case in the light of the fact that every time a wage increase is granted a cost goes up, and if a cost goes up the pressure against the price ceiling is intensified."\*\*

The fallacy of this argument will be exposed in more detail later. Here it is enough to point out that it ignores the following facts:

(1) that the wages received by workers do not determine the prices of the commodities that they produce. Prices are determined in Canada at the present time by the Wartime Prices and Trade Board. Insofar as wages affect the cost of production it should be noted that increased wage rates often *lower unit labor costs* through increased productivity, as was demonstrated by The Ford Motor Company for years before the war. This point of view is supported by no less an authority than Mr. Isador Lubin, Chief of the United States Bureau of Labor Statistics, in the following unequivocal words:

"... higher wages do not necessarily mean a proportionate increase in the cost of the product. In other words a 10 per cent increase in wages does not mean a ten per cent increase in cost. That ought to be self-evident, because labor costs are only one factor in total costs, which include taxes, rent, insurance, interest, raw materials, equipment, transportation, and so on. The actual cost of labor in terms of total cost is likely to run anywhere from 8 per cent to 60 per cent depending upon the type of product made."

"Even where people figure the share of wages in

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\* Speech before the Canadian Club of Montreal, March 20, 1943.

\*\* Remarks to the plenary meeting of the National War Labor Board.

total costs correctly, they tend to forget that labor costs are not necessarily proportioned to wage rates, that an increase in wage rate may even mean a lower labor cost per unit. The Bureau of Labor Statistics has evidence of that in the detailed study it made of wage increases in several large manufacturing plants. These studies clearly showed that the actual labor costs per unit did not parallel increases in wage rates, and in some instances even went down. . . .”\*

(2) that with increased output many plants have recently greatly reduced their unit overhead cost thereby offsetting any higher unit labour cost that might result from moderate wage increases.

(3) that the primary purpose of wartime organization of the nation's economy is to obtain the greatest possible production of essential goods. Success in maintaining low wage levels would not help win the war if it slowed up the needed expansion of production.

(4) that, at present, the “other side of the medal” of the remarkably low production costs in Canadian industry is the low wage level and under-nourishment suffered by large sections of Canadian workers.

The second argument, usually not so clearly stated at first, is implied in the latter part of the second statement of Mr. Gordon's quoted above and has been used frequently in publications of the Department of Labour. Fundamentally it is the argument that, in the existing situation, any increase in wages expands the volume of purchasing power and endangers the price ceilings. The errors in that argument are: (a) it ignores the main source of the danger of inflation; (b) it misrepresents the relationship between wages and prices; (c) it omits entirely to mention the fact that there are several other factors increasing the volume of purchasing power in the country which are far more important in their effects than wage increases; (d) it ignores the successful operation of price control during

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\* From article in *The Survey Graphic*, January, 1942.



the past year and a half in the very conditions which government spokesmen say would be fatal.

Yet Mr. Humphrey Mitchell gave the blessing of official cabinet sponsorship to the false argument that wage increases are the main danger of inflation only a few weeks ago, when he told the members of the House of Commons that: "A series of increases in money wages would stimulate a series of further increases in prices and eventually lead to all the evil consequences of a runaway inflation." \* Somewhat further along in the same speech the Minister tried to justify his opposition to wage increases by the argument that: "an unstable wage structure would render untenable a stabilized price level and would lead to inflation."

We must take issue with both those assertions. They are not correct. A great number of workers understand the principles of economic theory and know that those statements are erroneous. The Minister of Labor was badly advised in using them. The entire structure of misleading propaganda which they typify is false. It denies the role of wartime rationing, and price and trade control measures—indeed, it denies the need of them. The demoralizing propaganda that democracy cannot afford adequate wages to the working people is in conflict with modern economic theory and it is being contradicted every day by our own experience. Support of such propaganda by spokesmen of the government tends to weaken the confidence of serious-minded workers in the government's anti-inflation policy in general. It encourages a suspicion that the hard-faced resistance to justified wage increases is not really part of an integrated anti-inflation policy, but in fact, part of *an effort to avoid enforcement of a genuine anti-inflation policy on all sectors*

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\* House of Commons debates Feb. 11, 1943, page 347.

*of the Nation's economy.* The systematic assertions that wage increases will make it impossible to maintain the price ceilings can only have the effect of providing arguments to justify higher prices all around in the event that wage increases are gained by the workers.

## **The Phenomenon Of Inflation**

Even a cursory study of the phenomenon of inflation shows the weakness of the arguments of government spokesmen quoted above. What is inflation? There are numerous definitions, but for practical purposes we can say that the basic cause of inflation is a growing disparity between the total money and credit (purchasing power) in circulation in the country and the quantity of goods available to be purchased. Let us briefly review the record of inflation during and after the last war.

All warring countries and most neutrals experienced it in greater or lesser degree. The degree was determined almost entirely by the scale of government expenditures and the relative shortage of goods.

At that time there was no general appreciation of governmental responsibility to counter-balance the expansive force of huge government expenditures by restrictive fiscal measures. Only in Great Britain was a conscious and determined effort made. There 20 per cent of the cost of the war was met from taxation. In other countries the virtual economic illiteracy of both governments and peoples, and the lack of either political readiness or machinery for direct taxation prevented any fiscal attack on the problem. As money continued to be created and put into circulation, while goods got scarcer, prices began to go up. As a consequence governments took anti-hoarding measures—pegged rents, fixed prices for essential



foods and other goods, appointed High Cost of Living Commissioners—all inefficient measures because they dealt with symptoms alone instead of causes. As shortages grew and large groups of the population lacked the means to bid for what should have been their share of necessities at inflated prices, rationing schemes were introduced.

In Germany the price rise during the war was not extraordinary; only from 1 to 2½ by 1918. Only 6 per cent of the cost of the war was met from taxation. Although additional taxation had been deliberately avoided as long as possible, and the quasi-federal structure of the German Empire hampered national action, the loan flotations were largely taken up from real savings. In the first two years of the war the loans were actually over-subscribed by the public. Only after that did the banks have to take up an increasing proportion.

But immediately after the war the cumulative effects of the credit expansion began to be felt. The blockade, the reparations deliveries, the partition of Silesia, the occupation of the Ruhr and the virtual collapse of production, increased the shortage of goods. Public confidence was gone, no more public savings were forthcoming to lend to the government, and the inflated budget had to be financed more and more by the creation of credit. The government turned to the printing presses for money. By March, 1920, the price level was seventeen times the pre-war figures. By the end of 1921 it had doubled again. By the end of 1922 it was 1400 times the 1914 level. In June, 1923, 19,000 times, in July, 74,000 times, and in August, a million times. In September it was 24 million times; in October seven thousand million times, by December 1¼ million millions. Then the rentenmark was introduced at the rate of one rentenmark to one thousand billion old marks. The fall in Germany's international purchasing power was even

greater. At the end of 1919 the total issue of 41 billion marks had an exchange value of 11 billion dollars in gold. At the end of 1923 the issue of seventy-five million trillions of marks had an aggregate value of only 722 million gold marks or about a fifty-sixth as much.

Did wage rates have anything to do with this fantastic upheaval? The answer is an unequivocal "no". In spite of the improved bargaining position of labor due to the manpower shortage, a trebling of union membership, and a relatively free hand, even during the war, for collective action, average real wages declined by 1923 to 65 per cent of the 1913 level. Furthermore, wage increases consistently lagged behind cost of living increases. The lag during the period of the most hectic inflation reduced large groups to starvation. Men grabbed their wages and literally ran to the nearest shop to convert them into goods. While wages were adjusted by a multiplier sometimes twice a week, shop prices were marked up two or three times a day. Interest rates rose to 20 per cent per day, but no one has ever suggested that creditors started the inflation.

There need be no doubt where labor stood on the question of inflation. When the Dawes Committee sat in Berlin, labor representatives were asked "What can this Committee do for German labor?" the answer of the trade union leaders was "Give us a stable currency."

Labor has good reason to object to the common practice of waving the German inflation experience before the nation and implying that wage increases would cause a similar type of development here. There is no historical evidence of such a relationship. The major inflationary cycles in world history, such as that following the Spanish looting of the Americas, can all be directly traced to alterations in the balance between money and goods. There is no evidence that wages caused the inflations during the



American Revolution, the French Revolution, the American Civil War, the first World War, or the inflation in China today. Inflation has occurred in countries with well organized labor movements and in countries with completely agrarian non-industrial economies. In every case study of its causes show that the real source of inflation is the lack of balance between the quantity of money, plus the velocity of circulation, and the supply of goods—and the situation getting out of hand through governmental failure to establish adequate controls and to take up surplus purchasing power.

The surplus purchasing power is not necessarily derived from government expenditures. In the United States and Canada after the last war, and even to some extent in Germany, easy credit and large profits led to business expansion and expenditure, which was similarly inflationary in character.

In Canada the last war saw the same pattern of inflation on a much more modest scale. The gold standard was suspended on the outbreak of war, and as a substitute for a central mechanism, the Finance Act of 1914 was enacted. Under this Act banks were enabled to rediscount Canadian government securities (at 5 per cent) and British securities (at  $3\frac{1}{2}$  per cent)—in other words, to obtain Dominion notes for them. It seems clear that they were encouraged to do so by the Government, and the basis for a substantial credit expansion was thus laid. By a combination of direct loans to the Canadian and British governments and, more importantly, by purchase of government securities and loans to industry, bank credit expanded by 125 per cent between 1916 and 1925. No check on the limits of bank expansion was provided by the Government and the customary check of the limit of desirable loans is, of course, inoperative during an inflation. Inflation based on the

greatly augmented and uncontrolled volume of credit available in Canada at that time rapidly got under way. Increases in taxation were too little and too late. While the public response to the loan issues were impressive, it failed to absorb the purchasing power being pumped out through the banks. *In short, after loans and taxes, more money remained to be spent on less goods.*

As prices went up the public was unanimous in condemning the high cost of living and the profiteer. The bankers, to whom the processes of banking and monetary policy seem to be obscure, explained that the higher price level had made necessary an expansion of credit. The fact is that exactly the opposite was the case. No one apparently had any idea how the price rise came about and so, instead of attacking the root of the problem, there was the usual futile flutter of threats and price controls directed at the symptoms.

As pointed out in the Sirois Report this policy, or rather lack of policy, meant that the war was paid for by inequitable reductions in the real incomes of some sections of the community—in this case wage earners and individuals receiving fixed payments—largely to the advantage of those sharing in business profits. The large surpluses which the inflation created in the hands of a few assured the superficial success of the Victory Loan issues but we could not have devised a more expensive method of paying for the war.

Such is the character of the phenomenon of inflation. It is caused by development of disproportion in the relationship between the volume of money and credit in circulation and the quantity of commodities available for purchase. Rising prices, which are not the cause but a symptom of inflation, result from failure of the government to adopt effective measures to control prices and regulate distribution while absorbing surplus purchasing power.



## The Fight Against Inflation in Canada

The danger of inflation in Canada, today, is an outgrowth of wartime economic policy.

It is now generally recognized that the war must be fought, in physical terms, with the men and munitions now in existence and being currently produced. The real cost is the current cost: It can be met only by increasing production—reducing civilian consumption meanwhile to permit the diversion of men and materials to war.

There is a financial counterpart to this. Just as the physical cost of war must be paid as we go, so the financial costs must be met from taxes and real savings, or the government is driven to create credit to meet its expenditures. Whether it creates the credit by turning on the printing presses or by borrowing from the banks the results are the same. More money finds its way into the hands of the public while less goods are available for purchase. If the public tries to spend this increasing volume of money for the limited supply of goods, competitive bidding puts up prices. In the ensuing scramble for the limited supply of goods it is the people with the most purchasing power, obviously, who can afford to bid up the prices and the others are left short. This is what everyone, with the exception of a few favorably placed and selfish groups, wants to avoid. But workers equally desire to make sure that the general agreement on this objective is not used as justification for quite irrelevant measures.

The objective of wartime economic policy is to bring about the greatest possible total volume of production while directing as much as possible of the productive forces of the country away from non-essential civilian production to war production. For example, munitions production, not including military clothing, food and other consumers'

goods, amounted to \$3,243 millions from the outbreak of the war to the end of 1942.\*

Restriction of civilian consumption is necessary primarily and basically to release labor, materials, equipment and power, for the production of war materials. That would be necessary even if the government were not concerned to combat inflation.

It is self-evident that, in such a situation, the national economy will be vulnerable to inflationary forces. The available supply of civilian goods tends to decrease as a result of the transfer of productive forces to war production and restrictive measures introduced by the government to limit production of non-essential goods while the volume of purchasing power in circulation is increased rapidly as a result of huge government spending.

Two prime necessities in that situation are for the government to prevent the bidding up of prices by price control and to help ensure equitable distribution of the limited supply of consumers goods by strictly enforced rationing. Wartime experience has proved that both of these objectives can be achieved. Rationing and price control have proved effective in the United Kingdom. Despite acute shortages there, food prices have not increased as much as they have in Canada. Price control has also proved effective in Canada. Although the cost-of-living Index rose more than fifteen points between August, 1939, and the establishment of price ceilings in November, 1941, the Index has risen only two points since then and that has been due to increases in the prices of goods for which no ceiling was established.

What is needed now is the rationing of all necessities, with variable rations to allow for the needs created by

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\* Canada at War, April, 1943.



certain occupations, strict enforcement of price control with the use of subsidies where necessary.

The basic problem of war finances, while securing the necessary revenue to cover governmental expenditures, is to organize fiscal policy so as to achieve a balance between the effective demand for consumers goods and the limited supply.

The expansive forces in the national economy today are very powerful. The primary and by far, the most important one, is the huge governmental expenditure. Its effects are intensified by plant extensions and other methods of plowing back profits into industry by big corporations and by the various forms of private speculative spending. These, not working men's wages, are the main source of the danger of inflation in Canada today.

A measure of the great increase in money and credit (purchasing power) which has accompanied the expansion indicated above is to be seen in the comparison of the total money in February, 1943, with that at the beginning of the war:

	Aug., 1939	Feb., 1943	Increase	Per Cent
	(Millions of Dollars)			
Average daily active note circulation .....	207	624	417	208
Average of Canadian bank deposits .....	2532	3441	909	36
<b>Total money supply .....</b>	<b>2739</b>	<b>4065</b>	<b>1326</b>	<b>48</b>

(Source: Bank of Canada Statistical Summaries)

In passing it should be noted that, had there been no price control and rationing, the active demand and growing scarcities of goods characteristic of the last three years, would probably have led to price increases roughly comparable with the increase in the supply of money—even if there were no increase in the velocity of circulation. The fact that no such price increase has taken place is due

almost entirely to the measures taken by the government to control prices and ration the essential commodities which are in short supply. It is a tribute to the effectiveness of those measures.

Let us look at some of the factors which cause the tremendous expansion of credit and thereby expand the volume of the purchasing power. Salaries and wages are one of the factors but, as the following facts show, they are not by any means the most important.

The biggest factor is Government borrowings from the chartered banks. This has taken place to the extent of \$200 millions in October, 1939, \$291 millions during the fiscal year 1940-41, and \$790 millions in the fiscal year 1942-43. During the last three fiscal years, government borrowings (net) from the Bank of Canada were \$349 millions, \$40 millions and \$283 millions respectively. Taken all together, these several pieces of deliberate credit expansion by the government amounted to more than two billion dollars.\* \*\*

The Hon. Mr. Ilsley drew sharp attention to the inflationary effect of these borrowings from the banks in his recent budget speech. Referring to the fact that the government had borrowed nearly a billion dollars from the banks during the last fiscal year, he said frankly:

“Most of it is borrowing which I would rather not have done. If the government borrows from individuals, the government spends the money and the individual does not. If the government borrows from

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\* Above figures from the budget speeches of the Minister of Finance and Bank of Canada Statistical Summaries.

\*\* In addition the Government has advanced \$400 millions to the Foreign Exchange Control Board which is also an inflationary factor.



the banks, the government spends the money, but the spending of others is not reduced."

Obviously the most inflationary factor in Canada today is the heavy credit expansion of which the major cause is government borrowing from the banks. Even if one believes that such borrowing is unavoidable, under the circumstances, that does not justify the attempt to blame wage increases for the results.

With relatively full employment and consumption goods in short supply, working class purchasing power is, of course, a factor; but to ignore the above facts and attribute the main cause of inflation to workers wages is ridiculous.

There is no good index of wage rates published currently so it is impossible to show the exact change that has taken place in real wages. For the majority of Canadians who work for wages or salaries, real wages, i.e., the things they can buy with their earnings, have declined sharply. Proof of that is to be seen in the fact that the things upon which workers have to spend almost all their wages have gone up most sharply in price while the incomes after taxes of the majority of employees have not increased at all. Indeed, in spite of the fact that a million workers have been drawn into industry and hundreds of thousands of workers are working long hours of overtime, the percentage of the national income that went to wages and salaries in 1942 was actually slightly less than in 1938, when hundreds of thousands of workers were unemployed.

It is sometimes argued in defence of the Government's wage policy that wage and salary payments equal about 62 per cent of the total money income of the country. That argument misrepresents the real situation. The 62 per cent does not in any way represent the income received by wage-workers as is shown in Appendix A. attached to this brief.

Appendix A. shows that the wage and salary group

which received approximately 62 per cent of the total money income last year numbered 3,071,838 people. Of these a small group numbering only 160,000 received over 22 per cent of the total income of all wage and salary earners. Included in this group there were:

11,037 individuals who received an average of \$30,000 during the year; 1,072 individuals who received an average of \$99,053 during the year; 28 individuals who received an average of \$1,200,000 during the year; 3 individuals who received an average of \$6,000,000 during the year.

If we deduct the salaries received by this small group from the total of wage and salary payments it reduces the figures for average income of the remaining 94 per cent of the wage and salary earners from \$26.15 per week to \$22.93 per week. That is a striking illustration of the low wage level of the great majority of Canadian workers; but even that does not tell the entire story.

The incomes of more than 40 per cent of Canadian wage and salary earners fall into an even lower average than \$22 per week. 1,359,000 workers, approximately 44 per cent of all wage and salary earners in the country, received average incomes last year of only the following amounts:

	Average Income	
	For the Year	Per Week
485,526 Heads of Families .....	\$908	\$17.46
536,013 Unmarried Males .....	450	8.65
337,811 Unmarried Females .....	374	7.19

It is clear, therefore, that the situation with respect to the effect of wage increases upon purchasing power could be indicated by the statement that 44 per cent of the wage and salary earners in Canada receive less than 10 per cent of the National Income. Certainly that statement would give a more correct picture than the bald statement that wages and salaries constitute 62 per cent of the money



income of the nation. The incomes of this large underpaid group of Canadians should be doubled.\*

## **Justified Wage Increases Do Not Cause Inflation**

It is important to emphasize, however, that, as a result of the drawing of more than a million men and women into industrial production, and the expansion of salaried personnel, Canadians who receive wages or salaries earned \$1,600,000,000 more in 1942 than they did in 1939, while the volume of consumers' goods available for them to purchase has not been increased. If the theory that wage increases would break the price ceiling were correct, prices would have increased by about 50 per cent.

Certainly prices have risen but the most significant thing about the price level is the fact that the increase has been kept under control.

If the theory expounded by the Minister of Labor and Mr. Gordon were correct we should be, even now, in the throes of an inflationary spiral of price increases. But we are not in the midst of such an inflationary spiral, in spite of the fact that the Government has borrowed two billion dollars from the banks—which is by far the most dangerous inflationary factor.

Inflationary tendencies have been curbed by the Government's restrictive measures.

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\* They could be doubled without endangering the price ceilings. This group, which constitutes 44 per cent of all the wage and salary earners in Canada received only \$814,130,000 last year. That equals less than 10 per cent of the value of national production during the same period, and only about 11 per cent of the money income of the nation.

The most important of the restrictive measures is taxation. Since 1939 taxes have absorbed a rapidly increasing percentage of the potential purchasing power of the country at the following rate:

Taxes Collected	
1939-40 .....	\$ 468 millions
1940-41 .....	778 "
1941-42 .....	1561 "
1942-43 .....	2136 "

The second most effective restrictive action adopted by the Government has been large-scale borrowing from the public. These borrowings have absorbed potential purchasing power at the following rate:

	Gross	Refund	Net
1940-41	\$ 383 millions	\$200 millions	\$ 183 millions
1941-42	1924 "	481 "	1443 "
1942-43	1070 "	339 "	731 "

The third type of restrictive action adopted by the government has been:

Rationing—Utilized to only a limited extent as yet; and

Price Control—Price Control plus rationing properly enforced, controls the volume of purchasing power expended upon consumer goods. It also acts as a valuable psychological factor, holding down the velocity of circulation by counter-acting the temptation to hoard.\*

Through the use of those measures, the tendency towards price increase has been curbed. The fact that wage and salary payments are not the decisive factor is illustrated by the following table:

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\* A certain amount of hoarding of money, partly as a result of the above measures, is also a restrictive factor.



Aggregate Payrolls		Cost-of-Living Index
June, 1941—100		Adjusted to Base of 100 for Aug., 1939
November, 1941	117.3	115.4
March, 1942	119.3	115.0
November, 1942	140.8	117.7
March, 1943	143.2	116.3

Thus, we see, the cost-of-living Index for March, 1943, was not quite one point higher than it was when the price ceilings were established in November, 1941. Prices were rising rapidly before the ceilings were established although the increase in aggregate payrolls had not at that time become so pronounced. Since the Price Ceilings and Rationing, even on a limited scale, have been established, the rise has been almost stopped. How has this been accomplished? Has it been possible because the aggregate income of the wage and salary earners have remained at the same level as in November, 1941? The answer to that question is obviously "no" because aggregate payroll of the country increased by no less than 22 per cent.

The fact that the increase resulted from expansion of working forces and overtime does not reduce its purchasing power in the hands of wage and salary earners; on the contrary. If it should be argued that the additional purchasing power is counter-balanced by the additional production made possible by expansion and overtime, the argument simply supports the claim of the wage-earners that wage increase commensurate with increased production are not an inflationary factor.

An indication of what can be achieved by rationing and price-control measures, properly enforced, is to be seen in the fact that food prices have increased only 20 per cent in Britain during the time that they have risen 27 per cent here and in Britain wages have not been frozen as in Canada.

The following facts are clear:

(a) The proportion of the national income which goes to wages is now smaller than it was in 1939.

(b) The wages received by workers do not determine the prices of the goods that they produce even in a fully competitive market, while in our present war economy prices are established by the Wartime Prices and Trade Board.

(c) Full scale rationing of all necessities and price control, effectively enforced with stringent measures to prevent the development of black markets, combined with measures to take up surplus purchasing power in the form of savings (which, in the case of deductions from wages should be acknowledged by a government receipt at each deduction) will prevent any serious advance in the prices of consumers' goods even if Canadian workers are granted wage increases in proportion to the tremendous increase achieved in their productivity since 1939. It is not the purchasing power of the wage earners, or a reasonable increase in that purchasing power, which constitutes the real danger of inflation, but a growing disproportion between the total quantity of purchasing power in circulation and the *quantity of goods available for sale*. All withdrawal of potential purchasing power from competition for those goods (even if loaned to the government only for the duration) helps to counter-act that danger.

(d) There is no close connection between the level of money incomes—especially the level of workers wages—and the total quantity of money and credit in circulation.

(e) The objective of all the measures in our present, wartime economy is, or it should be, the winning of the war. This involves the achievement of the highest possible production. The present wage freezing policy withholds incentives for workers to increase output, tends to undermine industrial relations and, in too many cases, leads to interruption of production. Wage adjustments are necessary and every worker should receive the full cost-of-living bonus.



## The Need For A Comprehensive Dominion Labor Code

There is an urgent need for careful, but thorough-going, revision of existing Dominion labor legislation and administrative practise if these are to become constructive factors in the promotion of harmonious labor relations and uninterrupted production. The question before us is not so much whether there should be a change, but as to the direction and form of change that will strengthen our national war effort today and provide a basis for orderly relations between labor and employers in the post-war period.

An indication of the need for revision and consolidation of existing labor legislation is to be seen in the fact that, in addition to the numerous provincial laws and regulations, there are currently operative thirty or more Dominion enactments pertaining to the regulation of wages and labor relations. There is disparity between some of the terms of these enactments and, further, it appears that certain Orders-in-Council pertaining to labor relations are of an advisory character only, e.g., P.C. 2685, while others are mandatory. The net result is an element of confusion.

An indication of the need for revision of administrative practise, in one sphere, at least, is to be seen in the fact that organized labor has come to view the present methods of the Dominion Department of Labor as little more than an elaborate system of measures to ensure delay.

What is needed is revision of the wage control policy on the lines suggested earlier in this brief. 55 cents per hour and \$25 per week should be established as a floor beneath which wage-control regulations do not operate. Every worker should be entitled to the full cost-of-living bonus. The standard of prevailing rates in the locality should be

abolished from national wage regulations. Institution of incentive payments which do not increase the unit cost of production should require only agreement between employer and employees. Appeals for adjustments of basic wage rates should be dealt with by the Regional and National War Labor Boards on the basis of the justice of the workers' claim—not on the inequitable basis now prescribed by P.C. 5963. The authority and judicial character of the National War Labor Board should not be weakened by the existence of a veto power in the hands of other appointed bodies. The power of the Wartime Price and Trade Control Board to veto wage adjustments should be abolished.

It is not suggested that those changes would eliminate all grounds for complaint. They would be steps in the direction of a realistic wartime wage control policy more in keeping with the interests of the nation and the war effort than is the present policy as laid down in P.C. 5963. We urge that such changes be recommended.

## **Revise the Administrative Practise of the Department of Labor**

Disputes over questions other than those concerning wages are dealt with directly by the Dominion Department of Labor. The experience of the labor movement with the Department of Labor has been unhappy—to say the very least. The frustration suffered by the workers at Kirkland Lake, in the dispute with Canada Packers, at the Canadian Marconi Co., the Montreal Locomotive Co., and the Hamilton Bridge Co., typify the reasons for Labor's distrust of the present method of dealing with such disputes.

To establish labor confidence it is necessary to completely revamp the legislative basis of the Department's practise. First of all, it must be recognized that the Industrial Disputes Investigation Act, and the process provided



for in that Act, are not the ones best suited to deal with disputes arising out of refusals of employers to deal with the unions of their employees' choice, out of discrimination, or out of differences concerning conditions of work.

The fact that the Industrial Disputes Investigation Act and the process therein provided did not meet the needs of the situation has been acknowledged by the enactment of P.C. 4020, June 6th, 1941, and P.C. 4844 on July 2nd, 1941. These orders were calculated to overcome the more glaring shortcomings of the Act but their effect has been questionable.

Commissions of Inquiry appointed by the Minister have become the sponsors of proposals for employer-employee agreements in opposition to the collective bargaining proposals which were, presumably, the reason for their appointment. The Minister of Labor, exercising the "final and binding" authority putatively granted to him by P.C. 4844, orders a firm in Montreal to reinstate a worker who, the union claims, has been discharged because of his union activities: the company ignores the "order and Minister does nothing." The explanation of these contradictions is to be found in the fact that P.C. 2685, which is entitled "War-Time Labor Policy," has never been enforced. Enforcement of that Order would conflict with enforcement of the government's Wage Control Order, P.C. 5963. It should be obvious that such glaring contradictions need to be eliminated if Dominion labor legislation is to be made a constructive factor in the war effort.

The principles indicated in P.C. 2685 should be given the same force as is now given to the wage control order. Conciliation methods and machinery should be changed. Government intervention in a dispute should be based upon and directed towards the aim of bringing about a collective agreement. Instead of delay, the aim should be to shorten the period between receipt of an application and the

appointment of a Board. With rare exceptions, workers go out on strike only as a last resort and, in the great majority of cases, only when they have become convinced that strike action is the only means by which they can protect or advance their collective interests successfully. Because of this, the provocative provision that the Minister of Labor may require a strike vote before a board of conciliation is granted should be abolished. That provision is contrary to what should be the purpose of government conciliation. The seriousness of workers' grievances is not always to be measured by the number who will vote in favor of a strike. Furthermore, if conciliation machinery is to prevent the growth of strikes it should not require a campaign and a majority vote in favor of a strike to get that machinery operating.

## **Collective Bargaining Should Be Compulsory**

If production is to be maintained at top peak without interruption, steps must be taken to ensure that if and when the employees of any enterprise desire to deal with management collectively they can do so without fear of discrimination by complying with certain specified requirements.

There is a body of opinion which holds that, instead of making collective bargaining compulsory by law, the government should simply define the legal status and rights of trade unions and then "let them stand on their merits"—in other words, let matters take their course. The attitude towards the problem of labor relations suggested in that proposal may be summed up in the words "this is our business and we intend to run it as we please. People we employ will like it or get out." It is only a few years since such an attitude was freely expressed by employers



and management in Canadian industry. It is still the attitude of a large number of them. That point of view is completely wrong. Adoption of the policy implicit in the proposal to let the trade unions "stand on their merits" would mean a rapid reversion to the system of settling every dispute by a trial of strength. It is self-evident that the Dominion government could adopt that point of view only at risk of discrediting its policy of regulating wages and restricting the right to strike by law.

In opposition to that point of view the labor movement urges elaboration of a comprehensive democratic labor code which not only affirms the rights of workers to bargain collectively with their employers through the unions of their own choice but, also, establishes machinery and methods of procedure that enable the workers to exercise those rights without having to resort to strike action and without fear of discrimination.

Legislation to make collective bargaining compulsory where a majority of employees express a desire for it should contain at least the following provisions:

1. Workers must have the right to join the union of their free choice.
2. It shall be mandatory for employers to bargain collectively with the union representing the majority of their employees.
3. Provision for the taking of ballot of employees to determine the collective bargaining agency, in cases where employer disputes claim of union representing majority, or where employer denies that the union represents the majority.
4. Provision for recognition of bona-fide unions representing majority of employees upon craft, unit or industrial basis.
5. Prohibition of employers, or their agents, organizing, subsidizing, or in any way assisting in the organizing of "company unions," "plant councils" or "employee associations."

6. Prohibition of "yellow-dog" contracts and discriminatory practises designed to coerce workers or to cause them to refrain from joining bona-fide union by threats or discharge.

7. Establishment of Provincial Boards, as subordinate bodies of the National Board, said Provincial Boards to include representatives nominated by the labor movement, to be empowered to administer and interpret the Labor Bill, and to set up machinery adequate to expeditiously and efficiently take up and settle all proposals, claims and grievances of labor and employers.

8. That strict penalties, including cancellation of government contracts, graduated fines and imprisonment be included in the Bill for breaches by the employers of the provisions of the Bill.

9. No incorporation of unions and no compulsory statement of their financial positions.

Let there be no misunderstanding as to why the labor movement urges such legislation. It is not because of weakness, nor of doubt as to its ability to gain improvements by exercise of its bargaining power. Trade union membership in Canada is now approaching 600,000; a condition of relatively full employment has obtained, for some time; continuously increasing productivity involves ever more intensive exertion in industry while the rising cost of living and taxation impel the workers to press for higher wages. There is a sharpening demand among large sections of the workers for action to correct long-standing grievances. The immediate reason why the main body of organized labor urges the enactment of legislation such as is indicated above is because its responsible leaders are anxious that necessary adjustments in wages and working conditions should be brought about by negotiation, within the framework of national unity, without interruption of production or any weakening of Canada's contribution to the military, air, and naval strength of the United Nations.



Theirs is unquestionably the correct attitude and one that should be supported. As the national conference of the Canadian Communist movement emphasized last January: "At this time of world crisis all classes, all creeds, all parties have the most pressing duty of mitigating and subordinating all their differences to achieve one great military task: the defeat in battle of the forces of world domination represented by Hitlerite imperialism and its satellites."

## **A Dominion Labor Code Is Needed Now**

A comprehensive Dominion Labor Code should be enacted as soon as possible, under the powers granted the government by the War Measures Act.

It must be emphasized, however, that the need for a democratic labor code is not, specifically, a product of the war and will not disappear when the war ends. The need for such a code is created by, and grows with, the growth of modern industry and its most significant corollary, the modern industrial working class. In the interest of the continuation of ordered relations between labor and employers after the war, we suggest that either by constitutional amendment or by securing co-operation from the provincial governments, such a Dominion labor code should be made permanently mandatory.

Until collective bargaining is fully established the men and women whose labor makes Canada the fourth producing power of the United Nations, will suffer restriction of their civil rights. Along with their civil rights, however, there is involved also the question of the basis upon which our national development is to proceed. For the nation as a whole, collective bargaining carried on under rules established and supervised by the government and modified

from time to time in accord with changing conditions and needs, is the sole alternative to sharp and extending conflict in all branches of industry. For labor, establishment of the full principle of collective bargaining implies more than the advantages to be secured through a more efficient bargaining medium. Development of collective bargaining carries with it both the responsibility and the opportunity for labor to participate in the shaping of public legislative and administrative policy with an effectiveness more in keeping with its indispensable function in the life of the nation. More immediately it means the possibility for labor to help step up production to win the war by labor-management co-operation through joint production councils or committees.

Vacations with pay: It would contribute greatly to enhanced morale, better health and increased production if the Government decided upon a policy of granting holidays with pay to all war workers, and if encouragement were given by the Government to all employers to follow a similar policy.

## **Make Labor a Full Partner In The War Effort**

Labor-management production councils are now an integral part of wartime economic organization in the British Isles and the remarkable advance in production facilitated by these councils is not by any means the only evidence of their value. These councils have also been important instruments for the development of labor-management-government co-operation.

As a result of these councils organized labor has been enabled to participate officially in all efforts to solve the problems of war production and, with the opportunity to participate in dealing with the problems, labor has willingly



accepted an increasing share of responsibility for the solution.

Labor-management production councils are an essential feature of labor partnership in the war effort. We suggest that the establishment of such councils should be made mandatory in all enterprises engaged upon production for the war.

The inquiry your Board is conducting is of tremendous importance in the life of our country. For the first time in recent history the entire gamut of problems involved in labor relations are under public consideration. The exigencies of the war and the importance of labor in the war as well as the post-war make it most essential that this inquiry should result in governmental action to bring Canada into line with other countries of advanced labor legislation. The government will be provided by this inquiry with an opportunity to draw labor into full partnership in the present titanic struggle. We all hope that the government will avail itself of the opportunity.

# Supplementary Brief On the Province of Quebec

Presented by Mr. Evariste Dube

Gentlemen:

The problem of industrial relations possesses a special urgency in the province of Quebec. In the first place, we have to do here with the second industrial province in the Dominion, the role of whose industrial production is of the greatest importance to our country's military effort against Hitlerite tyranny. In the second place, Quebec is in large measure French Canada, and an increasing part is being played by industrial issues in French Canadian life, in the establishment of English and French-Canadian unity, and in the political mobilization of our people for the coming invasion of Europe.

For these reasons the equitable settlement of industrial friction in Quebec, and the establishment of conditions of equality as between French and English-speaking workers in the country are matters of greatest urgency.

The present war of national survival is effecting a profound transformation of the conditions of life of the French-Canadian people. The democratic tradition, which for over a hundred years has been at the heart of our outlook, is affirming itself today with new vigor. The most striking expression of this is to be found in the fact that tens of thousands of industrial workers are entering the trade union movement, both to protect their economic interests and to contribute in an organized way to the strengthening of our war production front.

This movement of organization is opening up new possibilities for harmonious partnership of labor and manage-



ment in the fulfilment of the common task of producing arms with which to crush the Axis. In a number of industries the trade unions in Quebec have set an example to the rest of the country in the setting-up of joint labor-management committees to increase production.

But despite this praiseworthy initiative, the labor movement has encountered obstacles and hostile resistance, due to the absence of a consistent and equitable labor policy on the part of the governments at Ottawa and Quebec. As a result certain anti-union employers have been able to victimize workers who sought to organize, and are perpetuating social and economic injustices the existence of which compromises both national unity and our military effort.

Since the beginning of the war capital investment in Quebec industry has increased by some \$500,000,000 (Financial Post, February 13th, 1943). Together with this increase in capital there has taken place the vast expansion of industrial output the greatest part of which is devoted to the requirements of the anti-Nazi war. But while the big corporations which dominate the Quebec economy have been reaping substantial and increasing profits, as will be shown presently; and while the cost of living has increased, particularly in Montreal, several points above that in the rest of the country—our extremely low wage levels have remained fixed, with slight exceptions, at sub-standard scales, maintaining our workers in a position of economic inequality as compared with those obtaining in other provinces. This injustice, which weighs upon the working people of Quebec, is an obstacle to national unity, and undermines the foundations of the democratic morale of the French-Canadian people.

Consider the differential in the annual average wage in Quebec and the industrially comparable province of Ontario:

	Male	Female
Quebec .....	\$ 984	\$596
Ontario .....	1,127	640

(1942 Canada Year Book)

No less than 59.2 per cent of the male wage earners in Quebec earn less than \$1,000 a year; of women workers, 83 per cent earn less than \$750 a year. What this means for living standards in the province as a whole can be gathered from the fact that there are now over three-quarters of a million wage earners in Quebec—three times as many persons as there are engaged in agriculture in our province. (1941 census figures).

The 1942 Report of the Department of Labor on wages and hours of labor in Canada provides a multitude of examples showing the inferiority of the wages paid in Quebec in comparison with those paid in the neighboring provinces. (See Appendix A.) Two instances may be cited here, one from the building trades industry in Quebec City, Hamilton, Montreal and Toronto, the other from Arvida and Sarnia. Bricklayers and masons in 1941 received 85 cents in Quebec, \$1.05 in Hamilton, 92 cents in Montreal, \$1.21½ in Toronto. Carpenters in 1942 on construction work at Arvida received 75 cents plus 5 cents cost-of-living bonus; in Sarnia \$1.00 plus 3 cents cost-of-living bonus.

More striking still is the picture presented by the textile industry, the second industry in Quebec in volume of employment, having close to 50,000 workers on its payroll. A very large part of its production is devoted to war material at the present time.

The average wage in textile in February, 1941, was \$22.74 a week in Toronto and \$19.36 in Montreal. According to the 1941 Quebec Year Book, the average annual wage in cotton textiles in the province was \$786.79. At the present time, in the mills of the Montreal Cottons Limited, wages of 20, 23 and 25 cents an hour are being paid. In one mill



the individual weaver is in charge of 68 looms as compared with 25 looms only a few years ago, and the company estimates the operating cost per loom at 5 cents per day. Children of 13, 14 and 15 years of age are employed in these mills—numbers of these until very recently, in one case at least, on the night shift. Between 1941 and 1942 the operating profits of Montreal Cottons Limited increased from \$1,688,080 to \$2,063,919. The net earnings of the parent company, the Dominion Textile, increased between 1939 and 1942 from \$2,481,327 to \$11,790,000.

These increases in profits, made possible by the maintenance of disgracefully low wages, while production and productivity are tremendously increased, are to be found in the reports of most of the major corporations operating in Quebec, although in company reports these increases are camouflaged by the allocation of large portions of the operating profit to reserves, depreciation and "expected taxes."

The exceptionally low wage levels in Quebec, which in effect have been frozen by order-in-council 5963, find their reflection in conditions of public health, which are a national disgrace. The "demographic data" for 1941 published by the provincial government show the following: While the death rate from tuberculosis is 26.9 in Ontario, in Quebec it is 80.6; in Quebec City 108.1; in Chicoutimi (the Arvida area) 143.4; and at Thetford Mines 259.5—nearly ten times the rate in Ontario!

These figures speak for themselves with a grim eloquence. They bear witness to a state of affairs that is harmful to the effectiveness of our war effort and to the welfare of the whole Canadian people. The raising of sub-standard wages in industry is the indispensable precondition for the betterment of the general standard of living in the depressed area that is French Canada.

Apart from all of these considerations the conditions of economic inequality from which my French-Canadian compatriots suffer are a source of constant friction and discontent which provide a fertile soil for the seditious demagoguery of anti-participationist pro-fascist elements. The correction of the extreme economic abuses in Quebec is imperative in the interest of the productive effort in which our people, together with all other Canadians, are playing such a tremendous part. It is necessary if we are to rout the isolationists and defeatists who are working to undermine national morale by fomenting disorder and playing upon injustices with the purpose of assisting the Axis enemies of Canada.

The alarming crisis in industrial relations, and the issues which are at the root of it are mirrored in the figures showing the number of employees involved in applications to the national and regional labor boards in Quebec as compared with Ontario:

Quebec .....	619,632 or 39.5% of the total
Ontario .....	519,265 or 33.1% of the total

Number of employees asking for:

	Cost-of-living Bonus	Wage Increases
Quebec .....	183,904 (56.6%)	181,013 (37.6%)
Ontario .....	77,128 (23.7%)	99,800 (20.7%)

Thus, there have been nearly twice as many workers asking for wage increases and more than twice as many asking for cost-of-living bonuses in Quebec as in Ontario. This fact very clearly reflects the special character of the industrial problem in our province where conditions of flagrant economic inequality cry out for a prompt and equitable solution.

As urged in the main part of our brief, as submitted by Mr. Buck, the mandatory recognition of the right of trade



union organization, and the revision of the present wage policy of the government are essential for the solution of the labor relations crisis in Quebec. Democratic reform of labor policy is the key to solving the problems of political mobilization and national unity of French and English-speaking Canada. The labor movement, in organizing tens of thousands of workers in the fight for sustained and increased production, and for raising sub-standard, starvation wages in Quebec, is making an enormous contribution to our national war effort. In striving to bring about national equality of the Quebec workers with those of the rest of the country it is contributing more than any factor to cement the national unity of all Canadians.

On the Federal and Provincial Government rests the grave responsibility for doing their full part on behalf of national unity for victory, by adopting policies and legislative measures which shall guarantee to our workers the full exercise of their democratic rights—and by establishing with the organizations of the labor movement the relations of full partnership which a maximum effort requires in this hour of supreme crisis of our national existence.

## APPENDIX A

# Wages, Net Income and Cost of Living of Workers in Canada

During the year ending February, 1943, it is estimated that there were 3,071,838 wage and salary earners in Canada. Many of them were working only part time or part of the year but, based on Bulletins 2 and 3 of the 1941 Census Occupational and Earning Reports, and adjusted in general in accordance with the employment and payroll indexes of the Dominion Bureau of Statistics for the changes between the year ending June 1st, 1941 (the census year), and the year ending February, 1943, these workers received average wages during the year of \$26.15 per week, or a total of \$4,177,907,316. This is about \$3 or \$4 less than the average weekly earnings as shown by the D.B.S. Employment situation. This is because the latter publication does not include about 150,000 agricultural wage earners (the lowest paid workers) and includes only about 40,000 or 50,000 service workers, whereas in total there were, in the year ending February, 1943, not less than 500,000 wage earners engaged in service, forming the group receiving the lowest wages of any except agricultural workers.

About 160,000 of the people in receipt of wages or salaries, those receiving wages or salaries of \$3,000 and over, received investment income also. It is estimated that, out of a total investment income of \$300,000,000, those in receipt of wages or salaries of more than \$3,000 received \$282,000,000 thereof. This group totalling about 160,000 representing 5.19 per cent of all wage and salary earners,



received 22.13 per cent of the total income of wage and salary earners, made up of \$705,000,000 in wages or salaries and \$282,000,000 in investment income, a total of \$987,000,000. This represents an average of \$119 per week for each of this group. Those receiving incomes of more than \$10,000 per annum number 11,037, or a little more than 1/3 of 1 per cent of all wage and salary earners. The members of this group received aggregate salaries and investment income of \$330,914,035 or 7.42 per cent of total income, an average of almost \$30,000 a year or about \$575 per week. One thousand and seventy-two, or 3/100 of 1 per cent of all wage and salary earners receiving more than \$50,000 received 2.38 per cent of the total income or \$106,184,900, an average of \$99,053 each for the year or \$1,905 per week. There were 28 individuals who made an average in salary and investment income of \$1,200,000, and of these there were 3 individuals who made an average, including investment income, of \$6,000,000 each.

All these figures are before deduction of income tax and are given in this manner because all statistics regarding earnings and averages thereof are averages of wage and other income before deduction of tax.

At the opposite end of the scale are those workers who are receiving less than a subsistence income, that is to say, the minimum income necessary to keep a worker in good health for maximum effectiveness. Heads of families, unmarried males, and females, are the three classifications in which minimum requirements for subsistence have been estimated. In 1939 (August) the minimum requirements were as follows:

Head of family (with 2 children under 16)	per week	\$26.05
Unmarried male .....	" "	13.08
Unmarried female .....	" "	12.39

Applying the D.B.S. Cost of Living Index to these figures the average requirements for the year ending February, 1943, were as follows:

Head of family (with 2 children under 16) per week	\$30.24
Unmarried male .....	15.18
Unmarried female .....	14.38

On this basis, 485,526 heads of families, 536,013 unmarried males and 337,811 unmarried females, or a total of 1,359,350 wage earners received less than subsistence during the year ending February, 1943. These represent 37.58 per cent of all heads of families, 49.01 per cent of all unmarried males and 49.41 per cent of all unmarried females, or 44.25 per cent of all wage earners. Those 44.25 per cent of the workers received only 18.25 per cent of the total income of all wage earners. They received average wages as follows:

	per year	per week
Heads of families .....	\$908	\$17.46
Unmarried males .....	450	8.65
Unmarried females ..	374	7.19

The average deficiency in earnings was as follows:

	per year	per week
Heads of families.....	\$664	\$12.78
Unmarried males .....	339	6.53
Unmarried females ..	374	7.19

Amongst this group there were 391,457 workers or 12.74 per cent of all workers who received less than \$450 each, a total income of \$106,196,308, an average of \$271 for the year or \$5.21 per week which represents 2.38 per cent of the total income. There were 892,885 workers or 29.06 per cent of all wage earners who received less than \$10 per week and their total income was \$353,690,395 or 7.93 per cent of total income. This amount represented average earnings for this whole group of only \$7.61 per week.

Breaking the total wage earners down into three groups: those receiving less than subsistence, those earning subsistence and up to wages of \$3,000, and those in receipt of a wage or salary of more than \$3,000, we have the following schedule:



Class	Number in 000s	%	Wages Rec'd in \$000s	Invest't Income in \$000s	Total Income in \$000s	%	Total Tax in \$000s	Net Income	Av.Net Income per wk.	Def. per wk.	Excess per wk.
<b>Below Subsistence—</b>											
Heads	485	37.58	442,326	.....	443,326	16.28	1,397	440,929	17.46	12.78	.....
Males	536	49.01	245,600	.....	245,600	20.39	4,290	241,310	8.65	6.53	.....
Females	338	49.41	126,206	.....	126,206	23.39	.....	126,206	7.19	7.19	.....
Total	1359	44.25	814,132	.....	814,132	18.25	5,687	808,445	11.44	8.92	.....
<b>Above Subsistence and Up to Wages of \$3,000—</b>											
Heads	655	50.66	1,388,695	.....	1,388,695	51.33	175,776	1,212,919	35.63	.....	5.39
Males	552	50.47	863,029	.....	863,029	71.66	227,747	635,282	22.12	.....	6.95
Females	347	50.51	407,320	.....	407,320	75.47	86,043	321,277	17.85	.....	3.47
Total	1554	50.56	2,659,044	.....	2,659,044	59.62	489,566	2,169,478	26.85	.....	5.50
<b>Wages of \$3,000 and Upward—</b>											
Heads	152	11.76	652,529	232,550	885,079	32.59	372,528	512,551	64.90	.....	34.66
Males	6	.52	46,311	49,348	95,659	7.94	60,121	35,538	120.44	.....	105.36
Females	2	.08	5,891	252	6,143	1.14	2,366	3,777	40.96	.....	26.58
Total	160	5.19	704,731	282,150	986,881	22.13	435,015	551,866	66.61	.....	37.09
<b>Totals—</b>											
Heads	1292	100.00	2,483,550	232,550	2,716,100	100.00	549,701	2,166,399	32.25	.....	2.01
Males	1094	100.00	1,154,940	49,348	1,204,288	100.00	292,158	912,130	16.04	.....	.86
Females	686	100.00	539,417	252	539,669	100.00	88,409	451,260	12.65	1.73	.....
Total	3072	100.00	4,177,907	282,150	4,460,057	100.00	930,268	3,529,789	22.13	.....	.80

The method used in estimating the average numbers of wage earners and their average earnings for the year ending February, 1943, was as follows:

Table No. 4 of Occupations and Earnings Bulletin No. 2 of the 1941 Census shows wage earners broken into groups according to industry, sex, rural and urban. Table No. 3 Occupations and Earnings Bulletin No. 3 of the 1941 Census shows wage earners classified according to sex, brackets of earnings, rural and urban. These two tables were inter-related by using percentages: for example, 49.97 per cent of rural workers received less than \$450 during the census year; therefore, 49.97 per cent of agricultural workers shown in the rural areas were calculated to receive less than \$450. These percentages were worked out and applied to the workers in each industry. In the earnings table No. 3, mentioned above, the number of workers receiving more than \$4,950 is shown, but the average received by these workers is not shown. In order to determine the average earnings of those receiving wages of more than \$4,950, the indexes of employment in each D.B.S. Employment Situation were averaged for the months of July, 1940, to June, 1941, and the average index applied to the base number of workers, thereby obtaining the average number of workers in the year ending June, 1941, the year of the Census; the indexes of payrolls in each industry (as shown by the D.B.S. Employment Situation) were averaged for the months of July, 1941, to June, 1942; this average index, so obtained, was reduced by dividing it by the index of June, 1942 (June, 1941, equalled 100 in this case), on the assumption that payrolls on the average had increased for the year 1941-1942 over those for the year 1940-1941 by the increase of the index from June, 1941, to June, 1942 (no payroll indexes are available prior to June, 1941); the base payroll was then multiplied by the average index thereby obtaining the average weekly



payroll for 1940-1941; the average wage per worker for the period was then obtained by dividing the average number of workers in 1940-1941 in each industry as shown by the D.B.S. Employment Situation into the average payroll for 1941 so determined and the resultant average weekly wage was applied to the number of workers as shown by the Census, broken down by industries, as indicated above.

The same procedure was followed in determining the average number of workers in the year ended February, 1943, that is to say, the indexes of the number of workers in each industry as shown by the D.B.E. Employment Situation for the year ending February, 1943, were averaged and the average index applied to the number of wage earners appearing in the Census in the same industry for the year ending June, 1941. This method was not applied, however, to agriculture or service, because, in the case of agriculture, there are no indexes of employment available and, in the case of service, the indexes apply to only approximately 10 per cent of the wage earners employed in the service. The numbers of wage earners engaged in all other industries except mining increased, and it is known that the numbers of wage earners engaged in agriculture and service decreased, because wages in other industries beckoned. The total net increase in the number of wage earners in all industries other than agriculture and service was 489,662. There were 154,600 workers seeking employment in June, 1941, according to the Census, all of whom are assumed to have become wage earners in the year ending February, 1943; there were about 800,000 workers on own account in the Census year, 200,000 of whom are assumed to have become wage earners in the later period. Of the increase in other industries, 489,662, these two sources of workers give all but 135,062. The numbers of agricultural wage earners and service wage

earners as shown by the Census were reduced by 135,062, this number being divided between the two industries in the same proportion as the number each bore to the other in the Census year.

Indexes of payrolls in the D.B.S. Employment Situation were averaged for each industry for the year ending February, 1943, compared as a percentage to the average of the Census year as determined above. The percentage thus obtained was applied to the total payroll of the Census year in each industry. Thus there was obtained in each industry the total average number of workers and the total average payroll in the year ending February, 1943. These totals were spread in similar proportions across the income brackets shown in the Census year, the purpose being to keep the highest bracket down to figures that appear realistic and to place the majority of the increase in the brackets between \$1,500 and \$3,000. With respect to agriculture, the latest figures of average wages appear in the Canada Year Book, 1942, showing average agricultural wages (including board) for the year 1941. It was assumed that the agricultural wages so determined increased in the year ending February, 1943, by the same percentage as gross farm income for the year ending February, 1943, was greater than that for the year ending June, 1941.

The minimum standard of subsistence used in this survey is that prepared by the Toronto Welfare Council in August, 1939, adjusted upward by the average Cost of Living Index for the year ending February, 1943. Whether the minimum standard of subsistence for the year ending February, 1943, has been placed high enough is a question of moment. There are many indications that the Cost of Living Index, based as it is, on a budget for a family of 4.6 of about \$1,400 or \$1,500 does not contain a sufficiently high weight for food (31 per cent) because such a large



percentage of the wage earners' families receive less than this Cost of Living Budget and consequently have to spend much more than 31 per cent for food than do those in higher brackets. The weight for vegetables, for example, is 7 per cent and contains no fresh vegetables except beans and onions. These vegetables are stable in price compared to cabbage, lettuce, tomatoes and other fresh vegetables. The same may be said concerning fresh fruits. As may be seen by the above schedule the average income of those families receiving less than \$3,000 is just over \$1,400 and in 1939 was perhaps between \$1,200 and \$1,300. If the Cost of Living Index were adjusted so that the budget were weighted in accordance with the average expenditures of all families earning less than \$3,000 and with the classifications of foods actually purchased, it is believed that the weight for food would be materially increased and the index would necessarily be higher than that now published.

Another reason why the Cost of Living Index probably is not high enough in relation to actual conditions is that subsidies are paid on non-essential commodities, such as tea and coffee. Non-essential commodities have a very small weight in the budget of the majority, whereas many essential products are not subject to price control and are not subsidized and are not included in the Cost of Living Index Budget. Subsidies on non-essential commodities have the effect of keeping the mathematical Cost of Living Index down without having the same effect on the actual Cost of Living. The same effect results from weight being kept in the index budget for commodities which, due to war time conditions, are no longer on the market.

For these and other reasons, therefore, it is believed that it is a very conservative estimate, when it is said that 44.25 per cent of the wage earners received less than sufficient to keep them in good health for maximum efficiency and production.

# Supplementary Note

## On Wages in Ontario and Quebec Industrial Centres

Examples of average wage rates from the 1942 Report of the Department of Labor on Wages and Hours of Labor:

**BUILDING TRADES**  
Average hourly wages 1941

	Quebec City	Hamilton	Montreal	Toronto
Bricklayers and Masons	.85	1.05	.92	1.12½
Carpenters .....	.65	.90	.81	1.00
Electricians .....	.65	.90	.87	1.10
Painters .....	.60	.75	.74	.85
Plasterers ..	.85	1.00	.90	1.10
Plumbers .....	.65	.95	.90	1.10
Sheet metal workers .....	.65	.90	.82	1.07½
Stone Cutters .....	.70	.95	.92	.95
Laborers ..	.45	35-.45	40-.46	40-.50

In addition to the above, the following wage rates of December, 1942, were being paid on construction projects at Arvida, Que., and Sarnia, Ont.:

(C.L.B.: Cost-of-Living Bonus)

	Arvida		Sarnia	
Bricklayers ..	\$1.05	& .05 clb.	\$1.12½	& .03 clb.
Laborers .....	.45	& .05 clb.	.55	& .07 clb.
Painters (spray) ..	.75	& .05 clb.	.95	
Plumbers and pipe-fitters	.90	& .05 clb.	1.10	& .03 clb.
Carpenters .....	.75	& .05 clb.	1.00	& .03 clb.
Cement finishers ..	.75	& .05 clb.	.80	& .02 clb.



## APPENDIX B

# National Wartime Industrial Health Program

Canada's fighting armies enjoy the best health services science can devise. Our generals have recognized that the health and well-being of their men are of primary importance in building and maintaining at the peak of physical and mental fitness, a powerful attacking army. From the moment a man or woman joins any branch of the armed services, his health automatically becomes the responsibility of the Medical Corps. He is thoroughly examined, vaccinated, blood-tested, X-Rayed; he is given eye and dental care and treatment. If he falls ill or meets with an accident or is wounded in action, a highly organized and efficient system swings into action, to restore him. This, of course, is as it should be and our nation can take pride in the modern health services that guard our armed forces.

But our generals in charge of production have not yet been so enlightened. *The casualties suffered by Canada's industrial army are actually staggering*, as this brief will show beyond all doubt. For instance, only 20 per cent of our war factories have a health service even remotely resembling the army program; only 20 per cent are even equipped with lunch rooms. The yearly casualties measure the equivalent of 100,000—men who fall needlessly before the withering cross-fire of dirt, disease and strain.

The health protection of Canada's war workers is as important, or nearly so, in the whole strategy of our war effort, as the protection of our armed forces; and it must be regarded as a war measure requiring the same degree of

forceful, intelligent planning and resolute action. Our limited manpower resources must be guarded jealously; our workers must be considered an integral part of a war strategy streamlined and fully mobilized for the coming offensive and victory.

## Lay Post-War Foundation Now

Post-war planning for the health and social security of the Canadian people is a welcome sign of better things to come. It is necessary to be foresighted, to bring together for discussion the most qualified authorities in the country. But it is of vital importance to our future that we lay the groundwork *now* for post-war expansion.

Never can we forget that the war must first be won—and never can we ignore the necessity of mobilizing every resource we possess behind the armies in the field and in the industries. Post-war planning must spring from the present.

The health of Canada's war workers is a national problem demanding the immediate attention of the Federal government. And it is a problem that *lies well within the scope of government labor policy* since it involves working conditions in industry which not only create grievances between labor and management, but which rob the arsenals of the United Nations of great quantities of urgently needed ships, planes, tanks and guns.

The trade unions and labor organizations of this country need only the encouragement and backing of a sound government policy and they will swing in behind. Organized labor stands ready to assume its share of the responsibility for the health of its members and given the necessary support by the government could assist in no small measure in alleviating the situation—even to the extent, perhaps,



of setting up its own health services such as have already been organized by the United Automobile Workers. Organized labor seeks an equal partnership in Canada's war effort and until this right has been acknowledged, our war effort can never achieve the totality desired by the Canadian people.

## **Losses Are Heavy**

Sickness and accident are costing Canadian industry 3,500,000 man working days per month. The equivalent of this lost time in tools of war would mean the saving of perhaps thousands of lives of Canadian soldiers, sailors and airmen; it could mean the difference between defeat and victory on a battlefield; it could appreciably contribute to the shortening of the war; and most certainly hasten the day of victory.

Putting it more concretely, we are losing just as effectively as though through enemy action, 2700 heavy bombers a year; or 4500 cruiser tanks; or hundreds of cargo and convoy ships now so urgently needed to combat the U-Boat menace.

It is a fact that Canada's war workers have one of the finest production records of any nation in the world; it is a fact that they have magnificently stuck to their job of producing an abundance of weapons in spite of the malicious fiction to the contrary. But it is likewise a fact that labor's splendid record has been achieved in spite of a fundamental weakness in government labor policy, and in the face of conditions of work which, in far too many instances, would normally be considered intolerable. Just as it is foolhardy to maintain a condition of confusion and distrust in labor-management relations, so it is folly to ignore the physical conditions in which the workers are

asked to produce the highly technical equipment required by modern armies. In a nation so limited in manpower resources we are wasting the production of more than 50,000 men and women every day. Surely this is a national emergency which demands the serious attention of the Federal Departments of Labor, Health and Munitions and Supply in co-operation with the trade unions and management.

That the *problem is not receiving the attention* it urgently requires, actually needs no further proof than the action of the Minister of Munitions and Supply and Director of Aircraft production in ordering the closing of the Canadian Pacific Airlines overhaul plant in British Columbia because the workers asked a ten-minute rest period during their eight hour shift. Such an order, which actually locked out 9000 aircraft workers in B.C. is unbelievably stupid. It is not only an extreme case of provocation in this particular plant, but it challenges the right of every worker in industry in Canada to demand reasonably healthful working conditions. This action has added hundreds of thousands of hours to lost production time and has created a grievance of distrust and dissatisfaction which will be hard to dissipate. The planning of short rest periods cannot be counted as lost time, for science has proved them essential to increased production.

There is not a single qualified medical authority in the world today who disputes the value both to worker and to production, of at least a ten-minute rest period even for the lightest kind of work. This order by the Minister of Munitions and Supply is such a flagrant violation of the spirit, if not the letter, of P.C. 1550, enacted on his own recommendation, that it renders the order almost useless. This order is entitled "Order-in-Council establishing regulations re conservation of health of employees in war industries."



Another recent case should also be cited. At the Ford plant in Windsor, because the workers protested that a speed-up without compensating precautions was causing physical injury to some employees, the entire plant was shut down and 15,000 workers were prevented from making equipment which, by government admission, is urgently needed by China. A Federal government arbitration officer recommended the improvements originally suggested by the Union.

An intelligent health control program could have prevented both disturbances.

## **Canada's Health Record Is Poor**

Canada, unfortunately, has never enjoyed an enviable position among the nations of the world in standards of health. It is shameful to see year in and year out our nation placed far down in the lists. But regardless of the past, the urgency of the present can no longer tolerate complacency. *A National Wartime Industrial Health Program*, initiated by the Federal government as a war measure, should be recognized as *an integral part of the government's whole attitude towards labor and production.*

It is true that the government has already taken a number of steps in the direction of recognizing the need for improving the health standards of industrial workers. The passing in 1942 of Order-in-Council P.C. 1550 under jurisdiction of the Department of Pensions and Health; the establishment of a Federal Division of Industrial Hygiene; the agreements between the Dominion and provincial governments with respect to child care services; the labor Department's Recreational Conference; are all welcome forward steps. The work of some provincial and municipal

health departments in the field of T.B. precautions and safety inspection has also proved valuable. But much longer strides are required. In the fiscal year 1942-43, the department of health spent only \$25,000 for the inspection of factories by the Division of Industrial Hygiene. *P.C. 1550 gives the government practically all the power needed for an effective Industrial Health Wartime Program*, but as yet there has been no forceful application of this legislation. Considered as part of the government's general policy with respect to labor, manpower and production, the problem of the health of Canada's war workers should achieve the attention the situation demands.

## **Health Conditions In Canadian Industry**

It is not necessary to delve deeply into a mass of statistical data to obtain the facts about the standards of health in Canadian industry. Much information has been published in the Labor Gazette and other government publications. The Industrial Division of the Health League of Canada has investigated the problem and issued an elaborate folder to employers. Medical journals, trade unions, social agencies and many individual public health officers have repeatedly pointed out the facts and warned of the dangers.

An article in the Labor Gazette of January, 1943, entitled, "Absenteeism in Canadian War Industry," quotes material obtained by a survey conducted by the Department of Munitions and Supply. In this survey it was shown that out of 86,224 employees in 35 plants, an average of 7,010 were absent every day. The Minister of Health, the Hon. Ian Mackenzie, used the figure of 50,000 workers absent *every day*. The Health League of Canada goes as high as



3,000,000 man-working days lost *per month* through illness. A Gallup Poll for February, 1942, found 3,250,000 days lost in that month.

In the article in the Labour Gazette, it is worth noting the conclusion which is headed, "Control of Absenteeism:" "In conclusion, the application of the following general principles are considered important factors in the control of absenteeism:

1. Improvement of labor relations between employer and employee in particular plants.

2. Establishment of joint labor-management production committees.

3. Inauguration of a system of recording absences and their causes.

4. Establishment of safety and health program.

5. Plant campaigns, intelligently conducted, to publicize the importance of individual responsibility in unnecessary absences in terms of lost production vital to the fighting front."

Canadian labor has been fighting for points one and two in this program since the beginning of the war. They are basic factors which have been and will continue to be, until labor is accepted as a full partner, the major bone of contention between labor, management and government. The primary concern in this brief, however, is the health of the production workers.

Scores of surveys have been made into the causes of absenteeism both in Canada and the United States. In every case, sickness and accidents account for more than 50 per cent of the total. Of the 50,000 or more Canadian workers who are absent through illness from their benches every day, half are suffering from colds and other respiratory diseases; another 20 per cent have indigestion, frequently caused by poor lunch room or restaurant facilities. Of the remainder, 10 per cent suffer diseases of the circula-

tory system; ten per cent are nerve cases and ten per cent are rheumatic. This breakdown is furnished by Dr. J. C. Cunningham, director of the Division of Industrial Hygiene for the province of Ontario. Another cause quoted by the U.S. Labor Secretary, Frances Perkins, is headaches due to eye strain. Industrial fatigue is a cause in itself and may easily lead to more serious diseases as classified above. Dr. C. F. Blacker, acting chief of the Division of Industrial Hygiene for the Federal government, lists, as related to industrial fatigue, the *problems of hours of labor, monotonous tasks, rest periods, lighting, heating, ventilation, excessive noise, overcrowding, inadequate nutrition, etc.* Fatigue is undoubtedly a chief cause of accidents and future illnesses.

## The Causes of Grievances

The conditions which give rise to what the Hon. Ian Mackenzie calls a "tremendous loss of manpower," also are contributing factors in causing grievances between workers and management. Two outstanding examples have already been outlined above. In a recent disturbance at a Quebec munitions factory, one of the underlying causes was the train service which transported the workers to and from the plant. Into old-fashioned colonist cars, with totally inadequate washroom facilities, without any service available to supply workers with coffee or light snacks for those who had been unable to get breakfast, and into poorly ventilated and over-crowded cars, were crowded hundreds of men and women for an hour's journey. Many of those workers had to work all morning before getting a chance to eat. (As a supplement to this report, other similar instances are cited.)

Although much has been done in the field of accident



prevention in Canadian industry, nevertheless more than 1,200 workers lose their lives every year in the performance of their duty. The number injured is a terrible indictment. In Ontario alone, during the month of September, 1942, there were 12,000 accidents reported. In one munitions plant, according to R. G. Cameron, Medical Aid Officer of Ontario Workmen's Compensation Board, out of 2,000 employees, 240 man-days were lost in one month by preventable accidents. The annual total for Canada is over 350,000. In the last three months of 1942, 355 workers were killed by industrial accidents in Canada. These are serious losses, and while it is, of course, impossible to prevent all accidents, much more drastic measures could, and should, be taken. According to Howard Coonley, chairman of the executive committee of the National Association of Manufacturers, the United States loses *four times as many hours of work through accident as through strikes*. In Canada in the same month in which the Gallup Poll showed a loss through illness of a 3¼ million man-working days, only 23,997 were lost through strikes. *Compare the amount of attention paid to strikes with the amount of public attention industrial accidents and health conditions receive!*

## Illness Ten Times Worse

But serious as are accidents, sickness is infinitely worse. Says Dr. J. G. Cunningham: "The working population loses at least ten times more working days from sickness than from industrial accidents . . . War conditions increase lost-time sickness sometimes as much as fifty per cent. This increase is associated with altered conditions of working and living and is, *therefore, subject to control.*"

The general picture of health conditions in Canada is too well known to need elaboration here. But it needs to

be borne in mind in any discussion of absenteeism. Canada's infant and maternal mortality rates, our rising T.B. death rate, our half million cases of venereal disease, our steadily increasing rate of mental illnesses, are a national disgrace. Canada stands well down in the lists of nations and even some of the so-called backward states of Europe stood much higher than Canada before the plague of Hitlerism swept across them. Such conditions obviously are reflected in the absentee records of Canadian industry.

The argument that workers are paid much higher than those in the armed forces and, therefore, should pay for their own health protection and treatment is specious but totally invalid. It is a fact attested by several Royal Commissions, that the average wage-earner does not make enough money—and even today, it is estimated that more than 50 per cent of our industrial workers are paid less than the standard subsistence level. "The key fact," says L. C. Marsh in his report to the Reconstruction Committee, "is that most family incomes, excepting only those at the highest levels, are insufficient to meet the cost of continuous or serious illness." Here is where the freezing of sub-standard wages has contributed to the lowering of our already low industrial health standards.

Nutrition is a science about which there is much publicity today. The government and private groups are urging workers to eat more nutritive meals. Aside from the situation mentioned above with respect to wages and cost of living—and this is admitted by government sources—there is also the fact that only 27 per cent of our factories have cafeterias and only 20 per cent have lunch or mess rooms. In only four per cent are there dieticians. These are official figures published by the Federal Minister of Health after a survey of 363 Canadian war industries. It has also been stated that not more than 40 per cent of our population is properly nourished.



## **Eight Out of Ten Factories Have No Health Services**

But here are even more incredible figures: In only 20 per cent of all Canadian industries are there to be found organized health services available to the workers. Even among the very large plants which employ thousands, not more than 50 per cent have health protection service, 64 per cent cafeterias and 18 per cent nutrition experts.

True, there has doubtless been some improvement since these figures were collected in 1942. But these conditions could not have been permitted even for three months, had there been any forceful application of P.C. 1550 after its adoption in March, 1942.

Finally, a note about the economic loss should be added. Canadian workers lose \$50,000,000 per year in wages through largely preventable illness. The loss in production is valued at between \$75 and \$100 million.

There is a tremendous amount of information available—so much, in fact, and so revealing of absolutely disgraceful conditions, that the wonder is there has been no national outcry. There can be no doubt whatever that only the determination of the working population, not to be diverted from their main objective—production for victory—has prevented serious disturbances. The fact remains, however, that all the elements to create dissension are here and obvious to anyone—as witness the above-mentioned cases in British Columbia aircraft industries and Windsor Ford factory—and should be eliminated before they become intolerable even in the midst of war.

The loss of over 3,000,000 man-working days per month in our war plants—and there are few factories in Canada today not engaged in some form of war work—is a situation which should engage the most serious attention of the government and more especially those departments

charged with the administration of labor, production and health. There is involved here not only the humanitarian consideration of the health of scores of thousands of workers and their families; there is also the factor of relations between labor and management; there is the factor of increasing much-needed weapons of war; and there is the objective of laying the groundwork now for the post-war period about which so much has been promised. We can only guess at the physical and mental damage to a great many men and women in our factories, being caused by poor lighting, bad ventilation, strain and dirt, etc. The manifestations of damage being done today may not be apparent for some considerable time. This is where post-warism plays its role in the reality of the present.

## **The Case For A National Industrial Health Program**

According to competent medical and public health authorities in Canada, England and the U.S. sickness and accidents in industry are reduceable by from 60 to 75 per cent.

The Labour Gazette reports that in one factory, lost time was reduced by almost seventy per cent as the result of the institution of a health service program. The Health League of Canada reports another factory which reduced absenteeism from ten to three per cent. The Rowell-Sirois report makes the statement that "every commission appointed to investigate health insurance in Canada (ranging from 1929 to 1934) has found the average wage earner unable to provide adequate medical care for himself and his family," if left to his own resources, and has recommended various plans. Dr. C. F. Blackler gives the example of two companies, both engaged in the same kind of work and employing approximately the same number of men,



one with a health service program, the other without. During a typical month in 1942, the company without a health service program had five times as many compensatable accidents as the company which used preventive measures.

Dr. A. E. Grauer in a report prepared for the Rowell-Sirois commission wrote as follows: "In Canada, only Ontario and Quebec have adequate divisions for industrial hygiene and the service is not highly developed . . . With its recent establishment of a Division of Industrial Hygiene the Dominion is now in a good position to provide assistance and leadership . . ."

*An Industrial Hygiene program has some relation to the wider problems of labor in their relation to the state, not only in decreasing industrial unrest, but in lengthening the working life of the worker and lessening his chances of becoming a public charge through being unemployable. It is especially valuable at a time when high speed production and complicated chemical and mechanical processes are characteristic of industry. The setting up of standards for lighting, noise, fatigue, ventilation, posture, speed, special industrial hazards, etc., are most important.*

Dr. Grant Cunningham stated in the Canadian Public Health Journal as early as 1941: "If public health officials and the medical profession generally believe, and they do, that adult sickness can be controlled to an appreciable extent by early diagnosis, appropriate advice for treatment and other measures at their disposal, that belief should be acted upon now, so that war industry may benefit from a procedure which can be so much more readily applied to groups than to individuals outside a group."

It must be said on behalf of the departments of Health and Labor that they are aware of the seriousness of the problem. Order-in-Council P.C. 1550 "recognizes that a high standard of health among the workers who are

engaged in war industry will directly increase the war effort of the Allied Powers." This legislation gives the Federal departments of Health and Munitions and Supply the authority to "keep war contract premises at all times in a clean and sanitary condition and provide lighting, heating, ventilation, water and toilet facilities satisfactory to the Minister." The owner is also obliged, under the Order, to provide medical, surgical, nursing and preventive services to the satisfaction of the Minister. It has also to do with health promotion campaigns, nutritional standards, physical examination of workers, alteration of premises to provide more suitable conditions, and the maintenance of proper sickness and accident records. But this is only on paper and remains without teeth and is *still without adequate enforcement*.

In many factories, the management has instituted health service programs which are paying big dividends not only in added production, but in actual dollars and cents profit. New figures for Canada are actually available, but a comparable instance from the United States shows that one factory employing 500 workers saves about \$5600 per year over and above the cost of its health service. In accident prevention, Mr. John Harold, of the Ontario Workmen's Compensation Board, points out that "for every \$1.00 spent for accident prevention work, there is at least a saving of \$5.00 in compensation costs alone."

The Health League of Canada has recently issued, with the endorsement of the Minister of Health, an elaborate program for health education and medical supervision. It is directed to the attention of plant executives. Its program, if undertaken in every factory in Canada would doubtless materially reduce the sickness and accident rate. But acceptance is purely voluntary. There are a number of voluntary and contributory schemes insuring workers against loss of income during sickness, and hospitalization



plans insuring against hospital costs. Neither plan is protective; not even a medical examination is required.

## On The "Hit and Miss" Plan

There are many other instances of attention to the problem. The recent Industrial Recreation conferences held in Toronto and Ottawa brought forward sound proposals; the Dominion-provincial agreements on day nurseries for children of war workers; the work of the Victorian Order of Nurses, local welfare councils, etc., have contributed a great deal. The Ontario department of health and some Ontario municipal departments, notably Hamilton, have provided valuable treatment and examination facilities for T.B. cases in war industries.

But all of this is on the "hit and miss" plan. There is no national direction to this work; there is no compulsion and no overall program or campaign. So long as the initiative remains with the owners of factories and with voluntary organizations, the problem can never be tackled as its gravity deserves. The trade unions, lacking the facilities as well as the collaboration of government and management, cannot be expected to tackle the job alone.

Only a National Industrial Health Wartime Program, initiated by the Federal government and bringing together with authority and budget all the departments and organizations concerned and *more especially labor and management*, can seriously cope with the situation. Every factory and every worker in Canada's war industry needs medical supervision. Conditions which contribute to the loss of production time should be corrected and working conditions should be standardized in every factory in every province. A Dominion-provincial-municipal-labor-management plan, provided with no more money than Canada now spends in

one day of war, and possessing the teeth of enforcement, would not only add years to many workers' lives, would not only increase our war production by considerable percentages and return to the government a handsome profit on its original investment—it would also speed the day of victory.

It is worth repeating for emphasis, that the health of Canada's war workers is of almost equal strategic importance to the health of our armed forces. It must be accepted as a national war problem vital to our defence as well as our coming offensive. As such, *the problem demands special war measures*. Canada and the United Nations cannot afford such staggering industrial casualties.

## What Can Be Done

There can no longer be any intelligent or logical argument against the need for a National Wartime Industrial Health Program; the facts cannot be denied or ignored. But it must be made clear that no program can be successful without the partnership and collaboration of the Canadian labor movement. This must be the foundation of all government-labor-management relations. As the British Ministry of Labour declares: "It is of primary importance that in their effort to deal with absenteeism . . . managements should maintain close consultation with the representatives of the workers."

There is no need for new legislation by the government; the laws under P.C. 1550 are already adequate. The need is, however, for a much more forceful application of those laws. The need is for closer co-operation between labor, management and government, both nationally and in every individual plant. The need is for a higher set of Industrial Health Standards and for a greatly enlarged administration



and apparatus to ensure they are carried out. The need is for an expenditure of money. And finally, the need is for a nationally planned Industrial Health Program that can be implemented in every province and in every factory, large and small.

## **A Suggested 15-Point Program**

It is not the intention of this brief to set forth a hard and fast plan or program. But certain general suggestions based upon the needs of the moment and upon the advice of those closest to the problem, are made as follows: (It should be borne in mind that reference here to sub-standard wages has been omitted since it is a major problem in itself).

1. The expansion of the Federal Division of Industrial Hygiene to properly administer the provisions of P.C. 1550.

2. The establishment of an official advisory committee composed of the following representatives: Dept. Pensions and Health; Dept. of Labour; Dept. Munitions and Supply; Canadian Congress of Labour, Trades and Labour Congress; Confederation of Catholic Syndicates; Canadian Manufacturers Association; Canadian Medical Association.

3. The appropriation of at least \$5,000,000 for the administration of P.C. 1550 and the conduct of a National Industrial Wartime Health Program.

4. The appointment of a regional director in every industrial area in Canada whose first duty will be to call a conference of labor and management representatives in the area for discussion of health problems and organization of permanent functioning committees to work with National Advisory Committee, municipal and provincial

public health bodies and the Federal Industrial Hygiene Department.

5. Consultation with and encouragement of the Trade Union Congresses to utilize their many organizational resources in support of the program such as setting up of union health services, plant councils, etc.

6. Each regional committee or board would hire qualified professional authorities to inspect each factory in the area and make specific recommendations to the regional body.

7. Each regional committee would work in close collaboration with already organized recreational bodies in the region; and with social welfare and health agencies where necessary.

8. The establishment, publication and enforcement by the Federal Department of Health, of minimum standards covering the following points:

- Adequate rest periods in accordance with type of work.
- Healthful standards of heat, humidity control, ventilation, clearance of air, etc.
- Standards of lighting in accordance with type of work for day, swing and night shifts.
- Adequate washroom and toilet facilities and provision for regular cleaning and inspection.
- Establishment of lunch room in every factory with adequate disposal facilities.
- Availability of one hot meal per day for workers, either in plant cafeteria or nearby cafeteria; at low cost and prepared under guidance of nutrition experts.
- More thorough system of safety inspection and precautions.
- Governing of hours or work by scientific methods having regard to monotony, fatigue and special types



of work with paints, chemicals, molten metals, heavy burdens, etc.

—Special clauses having regard to standards for women.

—Regular examination of employees with particular emphasis on prevention of spread of communicable diseases.

9. The institution of a National Health Campaign conducted by the Federal Department in collaboration with provinces and regional committees and other voluntary health organizations; with publicity through press and radio and distribution of posters with booklets.

10. A nationally planned recreational and physical fitness campaign.

11. Much heavier penalties for violation of clauses of P.C. 1550.

12. The organization through the regional committees, in co-operation with public health bodies, hospital, medical and nursing organizations of Industrial Health clinics on a co-operative basis, making wisest use of the available personnel and existing facilities. A pooling of all such resources in the community. Further encouragement for plant councils of labor and management.

13. Establishment through regional committee of many more child care centres.

14. Investigation and planning by regional committees of problems of housing and transportation, with recommendations to proper authorities.

15. Provision made now for the utilization and expansion of facilities for training of doctors, dentists, nurses with view to present a post-war health insurance plan.

A suggested method of operation would have to have regional committees make specific recommendations to the National Industrial Health Advisory Board which in turn

would make recommendations to Minister of Health for adoption.

## Conclusion

The plan suggested above does not attempt to cover all the problems. Due regard must be taken to shortage of personnel and materials. But with a minimum of effort, careful pooling of existing resources, a small expenditure and an intelligent national plan, such a program can have no other result than to greatly reduce a major cause of grievances between management and labor; considerably increase our production of war materials; cut costs of production; and lay the foundation for post-war health insurance expansion as planned by the Minister of Health.

Armed with a program, forceful direction and reasonable budget, the work could be undertaken at once without the necessity of awaiting new legislation or the calling of unwieldy conferences.

The health of our war workers is a national problem growing more serious every day. It calls for the immediate institution of a National Industrial Health Wartime Program : . . . Canada can take its place in the forefront of the United Nations in the field of progressive health measures, just as she has assumed a prominent position as fourth-ranking producer of war materials—a record achieved largely by the determination and aggressiveness of the workers themselves. Let the government back up its own acknowledgment that this is "The People's War."



## APPENDIX C

# The Cost of Living Index

A. The index is based on a budget for a family with an income well above the average. That income (\$1414 per annum for a family of 4.6 persons) is certainly not above the basic minimum considered necessary for such a family; it was certainly higher than the average Canadian family obtained at the time the studies for the index were made (year ending September 30, 1938). It would be fairer to base the index on a budget calculated on the average income actually received by Canadian wage-earner families. This would probably result in a higher proportion of the income being allotted to rent, food and clothing than in the present index, but it would ensure that the index reflected more correctly the increase in the cost of these necessities.

B. Various important foods are omitted from the index. The most obvious of the exclusions are fresh fruit and vegetables (with one or two exceptions, such as oranges, lemons, onions). The prices of fruit and vegetables—which certainly must be looked upon as necessities in the family budget—have been subject to considerable increases in the last two years; a great deal more than the average for foods as shown in the index. Fresh vegetables are literally a “must” for the average family. There has been a steady upward trend in the price of fresh fruit and vegetables. The index of food prices on April 1, 1943, stood 128.7 compared with 99.4 on September 1st, 1939 and there is little question but that the increase would have been greater if there had been larger representation for fresh fruit and vegetables.

C. There has been a tendency to continue carrying in the index certain items which are no longer obtainable in

the stores. Coke, automobile tires and tubes, steel frying pans and bananas were all represented until February of this year, in spite of the fact that they had not been available to the general public in quantity for some time. On the other hand, the recent increase in the price of cigarettes is ignored. Thus the index is stabilized in part by retaining in it the fixed prices of things which are not available or available in very limited quantities and ignoring an increase in the price of things that almost everybody buys.

D. The question of rent costs constitutes a special problem in view of the housing shortage in so many communities. Although it is probable that the quotations for rent are reasonably accurate in the sense that houses are rented at these prices, many families are forced to pay a higher rent in order to find a place to live., For example, the quotation for a six-roomed house with modern conveniences for Ottawa in February, 1943, is \$20 to \$30. Obviously the supply of such houses in Ottawa is not adequate for the demand. Families who would normally be in this rent class are having to pay higher rent. In Toronto for example, the rentals control committee is authorizing a rental of \$24 per month for two, and even one room, unfurnished. This effect of the housing shortage is, of course, not reflected in any way in the index.

E. One of the greatest weaknesses of the index is that it is calculated for purposes of bonus payments on a national basis, while prices vary from region to region and from store to store. Whether the best solution of this problem is to be found in regional cost-of-living bonus system or in measures to equalize prices is a matter of government policy but it must be noted that the discrepancies are substantial. The extent of regional variation in costs is shown in the following table from the Labor Gazette for March, 1943:



INDEX NUMBERS OF THE COST OF LIVING FOR EIGHT  
CITIES IN CANADA AT THE BEGINNING  
OF FEBRUARY, 1943.

Base: August, 1939, equals 100.

	Total	Food	Rent	Fuel	Clothing	Home Furnishings and Services	Misc.
Halifax	114.7	130.8	104.8	104.4	116.9	114.7	106.0
St. John	115.9	124.6	107.3	109.5	121.5	116.0	109.9
Montreal	118.8	132.0	108.3	116.3	123.2	117.6	105.7
Toronto	115.3	126.1	108.5	117.7	117.4	113.9	107.4
Winnipeg	114.1	126.8	104.4	107.1	117.1	115.8	105.7
Saskatoon	116.7	127.8	113.1	107.0	119.4	119.7	105.7
Edmonton	113.5	126.2	100.0	99.4	123.3	117.1	106.7
Vancouver	114.7	129.4	99.4	111.5	117.9	113.0	107.2

The "new" cost of living index, published for the first time in 1940, reflects changes in the cost of a fixed budget covering retail prices of commodities, services and shelter costs based upon the expenditure experience of 1,439 urban wage-earner families in the year ending September 30, 1938. The type of family was selected as representative of Canada's wage earner population. However, it would seem that in selecting this representative sample, the Dominion Bureau of Statistics neglected what is perhaps the most important aspect for this purpose, i.e., income level. Family income in the 1,439 families represented ranged from \$450 to \$2,500 during the year ending September 30, 1938.

That this level of income is not representative of Canada's wage-earner group as a whole can be seen from the following comparison. The greater part of the families selected by the Dominion Bureau of Statistics as representative of Canadian families had incomes between \$1,200 and \$1,600. Figures based on a 10 per cent sample from the 1941 Census\* indicate that 27.7 per cent of all wage-earner families in Canada had family earnings of less than

\*—Report No. 3, Occupations and Earnings.

\$950 per year and another 48.2 per cent had family earnings between \$950 and \$1,949. While the income divisions shown in this bulletin are too broad to admit of accurate classifications it would appear evident that well over half of all wage-earner families had incomes of less than \$1,450 for the year ending June 1st, 1941. At that time incomes were considerably higher than they were during 1937 and 1938, when the "representative" families were studied for the new cost-of-living index.

The significance of the discrepancy in income level between those families in the Dominion Bureau of Statistics sample and wage-earner families as a whole is in the distribution of expenditures in their budgets. If the Dominion Bureau of Statistics calculations are based on a budget for a higher income than the average Canadian wage-earner family actually receives, then the index gives insufficient weight to expenditures on "necessities"—i.e., food, shelter, fuel and clothing—more particularly insufficient weight to food. Since food prices and clothing prices have increased faster than prices of the other groups, the increase shown by the cost-of-living index does not reflect the actual increase in costs experienced by the average wage-earner family.

The distribution of the budget on which the "new" cost-of-living index is based is as follows:

Food .....	31.3
Shelter .....	19.1
Fuel and Light.....	6.4
Clothing .....	11.7
Home Furnishings .....	8.9
Miscellaneous .....	22.6
Health .....	4.3
Personal care .....	1.7
Transportation .....	5.6
Recreation .....	5.8
Life Insurance .....	5.2
	<hr/>
	100.0



The index is constructed on the assumption that only 68.5 per cent of the expenditures of the average Canadian wage-earner family is spent upon the elementary necessities such as food, shelter, fuel, light and clothing. It assumes that no less than 31.5 per cent of their expenditures are upon home furnishings, health, personal care, transportation, recreation and life insurance. It is difficult to conceive of a family of four or five, with an income of \$25 per week, or less, being able to spare \$7.87 per week for such things. It is far more likely that expenditures upon them have to be restricted in favor of rent, food, fuel and clothing. As a result the cost of their living, inadequate as it is, has risen more than the index suggests.

It would appear that the cost-of-living index budget should be based on the actual expenditure experience of Canadian wage earners in a representative income level. The budget basis of the present index is probably quite fair to those wage-earner families who had incomes of \$1,500 or more in 1938 (equivalent to \$1,800 or more now) but it penalizes those in the lower income levels.