

CHANGES IN WAGE STRUCTURES IN CANADA  
(1939-46)

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scope and contents of this thesis:

This work comprises a short study of Canadian wages and wage changes during the period of the second world war, with a general discussion of wage determination under individual and collective bargaining.

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CHAPTER I

Introduction

At least one half of the economic problem of any society is the problem of distribution; and, in the modern economy, the solution is found in the payment of wages to those who contribute to production. Thus, if the most pressing need of any member of society who is dependent for his livelihood on his own efforts is to have a place in the productive process, the next most important is the return he gets from his part in it; in short, his wages.

The significance of wages goes beyond the individual, however. As Clark Kerr remarks in the foreword to a wage study by Mrs. Belloc:

wage changes have an impact on the cost structure of firms, industries, and the economy at large. ...are of particular interest to employers, unions, government officials, and the general public in periods when they are of substantial magnitude, as they have been in the last eight years. <sup>1</sup>

In Canada, as in California and the rest of the western world, the total wage bill was of substantial magnitude for the first time in almost a decade, during the

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<sup>1</sup> Nedra Bartlett Belloc, wages in California, foreword by Clark Kerr, Director, Institute of Industrial Relations, Berkeley. University of California, Berkeley and Los Angeles Press, 1948.

period from 1939 to 1946, and has continued to rise rapidly since the end of that period. Not only have wage-rates increased, but the labour force of Canada has arrived at and maintained a situation very close to full employment.

It will be interesting, therefore, to examine some of the developments by means of which this present state of high wages was reached, and to determine in what ways the Canadian wage structure has changed, if at all, during the process.

By "wage structure" we mean not merely the totality of wages paid to various members, or classes of members, of an economic society, but the arrangement, or pattern, of these wages. Fundamentally, wage structures arise out of the differentials in wages, according to occupation, geographic area, sex or nationality of workers.

The structure will change as the economy evolves from the pioneer state to one of modern capitalistic production, and in this case the change will be slow. There will also be changes, but more rapid ones, with the familiar cycle of prosperity and depression. It is with this last type of change that the present study is most concerned.

A full explanation of the existence of a structure or pattern in wage-rates would have to include social factors other than the purely economic ones. Thus, there is a tendency for certain industries to be associated with

certain economic zones, and to become very closely integrated with the economic activity of their respective zones. Some of the reasons for this are economic, some merely traditional.<sup>2</sup> In the long run, it will be found that in each zone the supply of the various kinds of labor adapts itself more or less to the need for labor in the production which is carried on there.

Thus, if population, industrial activity, and the structure of industry are fairly constant, or change gradually and monotonically, the marginal productivity of each class of labour will remain at about the same level relative to that of each other class. If workers are paid according to their marginal productivity, the wage-rates of each group will bear a definite relation to those of each other group, and, under the conditions we have imposed, the relation will persist.

However, if because of a rapid change in population or population distribution, industrial activity, or the structure of industry, the marginal productivity of any class of labor changes, the patterns of wages will change also. It is reasonable to expect that such changes would occur during the eight-year period under discussion, for during that period employment and wage-rates rose very

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<sup>2</sup> An important economic reason is location relative to transportation facilities. In the case of "tradition" the economic factor may enter, too, with respect to a labor supply which over a period of years becomes particularly suited to local production needs.

rapidly from a very low level to a very high one.

In 1939, recovery from the Great Depression was still incomplete, although conditions had been improving slowly. The spring of 1939 was late, so that the seasonal operations of farming and construction were retarded. The fear of war was reflected in uncertainty and caution among business men. Economic activity was generally at a very low level, and unemployment of all the productive resources was widespread.

The summer exhibited some improvement, including a general increase in employment. The wheat crop was the largest in eleven years. But the important thing to note is that in September 1939 the Canadian economy was ripe for expansion.

In order to give a background to a discussion of the specific problem of wage changes, I have endeavoured to trace as briefly as possible the general economic developments in Canadian history during the war years. This historical interlude is the subject matter of Chapter II. No attempt is made to give the subject a comprehensive treatment, since it is for our purpose only a tool for the analysis of the data of the succeeding chapters.

Chapter III is a discussion of wage changes for several main industries in all Canada, and for several construction trades by geographic districts. Chapter IV is devoted entirely to manufacturing. This topic is of

particular interest, since it was during the war period that Canada really came of age as a manufacturing nation.

It will be noted that some of the manufacturing industries were expanded greatly, in particular those more essential to the war effort, and to some extent at the expense of others less essential. One of the greatest expansions was in the production of munitions. In the first four years of war, employment in the direct production of arms rose from almost zero to over one million.

Canadian troops got only about 30% of this production, the remainder was shipped to our allies, and Canada rose to the fourth position among the world's exporting nations. There were large increases in the export of other commodities, the manufacture of these was stimulated and higher wage-rates paid in their production on that account alone.

Chapters V & VI deal with the theoretic determination of wages, with special emphasis on the influence of collective bargaining and unionism in general. Chapter VII is a short discussion of the development of unions in Canada, and describes some of the activities of one particular union - the steelworkers - during the war years. It must be remembered that collective bargaining was not yet compulsory on employers until 1944, and that much "normal" union activity during the war was limited by government regulation.



Chapter VIII is a summary of conclusions reached in the course of this study.

## CHAPTER II

### Economic Developments in Canada (1939-1945)

When war broke out in 1939, Canada's productive machine was to a great extent idle, and, until that time, there had been no stimulant to set it in motion. Perhaps the greatest reserve lay in the idle labor force, for, aside from those actively but unsuccessfully seeking work, there were thousands of young men and women of working age simply putting in time on farms or in schools. Many of these, knowing that jobs were scarce, were staying on the farm, or taking extra courses at commercial and technical schools, and were not actually in the labor market at all.

The two staple industries - agriculture and pulp-and-paper were fairly active, but prices were low because of the depressed state of foreign markets. Iron and steel production was operating at only about 50% of capacity, although the non-ferrous metals - copper, nickel, lead, and zinc - were finding a fair sale because of the re-  
armament of Europe. In the field of munitions production there was no activity whatsoever.

In this latter case, renewing or even modifying existing equipment was not enough. While there was much idle machinery, it was in many cases obsolete, and often not sufficiently specialized for efficient production of

war materials. The old plant could be used for production of civilian goods, of food and clothing for civilians and the services. For the new war industries, a new plant was needed, and it was produced very rapidly.

At the beginning of this rapid expansion of production and national income, there was no considerable increase in either wages or prices.<sup>3</sup> By using existing productive services more intensively, and by increased employment, industry was able to continue to supply goods for civilian consumption; the increased demand for such goods was matched by increased supply.

There was, therefore, no serious attempt at, or need for, government intervention in the economic processes during the first two years of war. But, knowing that the need would eventually arise, the government set up on September 3, 1939, the wartime prices and Trade Board. Its duties at first consisted mainly of organizing supply, checking on profiteering, and so on, but it later became one of the most active of government departments.

At the beginning of the war, several measures were adopted by the government to raise economic activity quickly to a high level.<sup>4</sup> Then, as the economy began to approach

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<sup>3</sup> The slow rise in wages is dealt with later.

<sup>4</sup> Some of these were central bank open-market purchases, lowering the interest rate on government bonds, and running a large deficit on the government account.

a state of full employment the problem of avoiding inflation became important. The "pay-as-you-go" taxation system was imposed, income tax rates were increased, and, generally, every precaution taken to ensure that no one would have too much money to spend. Also, a series of Victory Loans and a system of war savings were planned to encourage private saving. Because both the Victory Bonds and war savings certificates were available in so great a range of denominations, and could be bought on instalments, both plans were highly successful.

By the end of 1941 nearly all employable Canadians had been absorbed into industry or the Armed Forces. Many who would not normally have been working - pensioners, women, young boys - were doing so. The greatest increase in employment was in manufacturing - 36% over 1939. Such a growth in the ranks of wage-earners was a potential source of labor unrest, at a time when it was very necessary to avoid any interruption in production.

Consequently, in June 1940, the following principles were set down for the proper regulation of wartime labor conditions:

- (1) "fair and reasonable" standards of wages and working conditions.<sup>5</sup>
- (2) Adoption of the shift system, where possible.

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<sup>5</sup> Unfortunately, the interpretation of "fair and reasonable" later became a sore point.

(3) Labor-management differences were to be settled by negotiations and with the assistance of government conciliation services.

(4) Workers were to be completely free to organize, and employers were to recognize all legitimate unions.<sup>6</sup>

At about the same time, the Industrial Disputes Investigations Act was extended to war industries, and some of its provisions revised and expanded. Thus, a strike or lockout was declared unlawful unless the dispute had first been investigated by a committee appointed by the Minister. To this end, three Industrial Disputes Inquiry Commissions were set up on a permanent basis to take immediate action in disputes, to make a preliminary investigation, and if possible to settle the difficulty without recourse to the Industrial Disputes Board.

In December 1940, the government announced its wage policy, by which, with amendments in June 1941, positive steps were taken to stabilize wages, to prevent undue rises in prices of consumer goods, and thus to protect workers from great increases in living costs.

In the matter of stabilizing wages, Boards under the I. D. I. Act were instructed to consider the highest wage paid between 1926 and December 1940 as "fair and reasonable"; adjustments were to be made where wages were

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<sup>6</sup> Note that this does not imply compulsory collective bargaining.

obviously too low. Further, a cost-of-living bonus was to be paid to all workers to adjust their money incomes to the rising cost-of-living.<sup>7</sup> The bonus was to be paid by employers, so that workers were to receive it with their regular wages.

Also at this time a change was made in the minimum wage rate to be paid to workers on government contracts, from 30 cents and 20 cents per hour for males and females respectively to 35 cents and 25 cents.<sup>8</sup> It is interesting to note that as late as January 1942, factory workers in munitions were started at 35 cents per hour in some plants. Presumably, if the minimum had been less, so too would their wages.

To enforce the fair wages policy so advocated:

- (1) power was given to the deputy minister of labor to require contractors on government contracts to deliver to him any deficiencies between the wages paid by them and the wages laid down in their contracts.
- (2) A joint Dominion-provincial inspection system was set up to check on plants producing war supplies.

The problem of labor supply did not, as we have seen, really become a problem until late in 1941. That it never reached serious proportions, at least for essential producers, is due in some measure to the setting up, in

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<sup>7</sup> Several of the more aggressive unions, notably a steelworker's union in Nova Scotia, objected strongly at this "chaining of labor to its present inadequate share of national income."

<sup>8</sup> The old minimum had been set in 1934.

June 1940, of the National Labor Supply Council. This impartial body was to advise only, and to concentrate its advice on the problem of distributing available labor to the most important employments.

One of the Council's achievements was the war emergency training scheme. During the depression, much of the machinist skill of the country was lost, because skilled workers had to accept whatever jobs they could find. The apprentice system of replacing these men had long been inadequate. Finally, most of the remaining qualified machinists were employed in railway shops and other heavy industry where their services were daily becoming more valuable.

To meet this difficulty, an arrangement was made, and financed by the Dominion government, to train men and women as machine operators. After their period of training - usually 4 or 5 months - these men and women were distributed to the various munitions plants in the vicinity. This supply of semi-skilled labor, around a nucleus of old-line machinists, was a very important part of Canada's wartime working force.

In November 1940, in order to retard the labor turnover which was resulting from steadily rising wages, employers were ordered to refrain from advertising for workers in any way so as to entice them from any other employment in war industry. In June 1941, the order was

extended to include all industry. There was no direct restriction of this kind placed on labor, although many employers voluntarily refused to accept applications from workers already engaged in war work. Thus, in effect competitive bidding by employers for labor was dampened, if not completely eliminated, and one of the main factors which raise wages in time of increasing employment was reduced to relative unimportance.

Through 1942 there was little change in government industrial relations policy. One order-in-council dated september 16, 1941, had prohibited a strike even after the conciliation board appointed under the I. D. I. Act had submitted its findings. The dissatisfied labor group must continue working until a vote was taken by the Department of Labor as to their justification for striking. The object of the restriction was simply to keep the workers on the job, with the hope that by the time the wheels of government had ground out their permission to strike the dispute would be amicably settled or forgotten.

With the introduction of a comprehensive price control system in december 1941, the wage stabilization policy set out in december 1940 was generalized to cover all employers. Wages were stabilized as of November 15, 1941, but provision was made to raise rates that were unduly low. The cost-of-living bonus was put on a flat-rate basis, thus making it a direct subsidy to low-paid



workers. By the wartime salaries Act of November 1941, salaries too were "frozen".

The successor in importance to the National Labor Supply Council was the National selective service Commission - organized in March 1942 - the first attempt at a really comprehensive man-power distribution program. The Commission was responsible only to the Minister of Labor, and its tasks included suggesting and enforcing regulation for the control of labor distribution. Such regulations included the following:

- (1) Medically fit men of military age were not to enter any non-essential employment.
- (2) persons engaged in agriculture as of March 23, 1942 might not leave that work except to enter the forces or take up winter work in lumbering.
- (3) farmers and their employess and helpers could have their period of compulsory military service deferred.

By the middle of 1942, the Canadian economy too was beginning to feel a pressure, as of a five-ton truck carrying six tons. But, on the whole, Canadians were better off economically than ever before.

Manufacturing production was at 38% over 1939, and the increase was made up of civilian commodities as well as munitions. The national income had reached a new high, and because of nearly full employment, was being widely distributed. Canadian agriculture had found new markets, crops were good, so that Canadians at home, Canadian troops abroad, and some of our allies were assured of a good supply

food. Plans were formulated for increasing production in certain lines, particularly beef, pork, eggs and cheese, which were in short supply elsewhere and took up little shipping space along the way.

Among the inducements given to farmers to increase farm production was a substantial subsidy on several staple foods, including butter and milk. The prices of these were rigidly controlled, and were soon exceeded by their costs of production.

Despite the labor shortage, mineral production increased steadily, particularly in the metals. Gold production had increased until 1941, but was at that time deliberately restricted to release labor and other productive resources for more essential products. Canadian nickel mines became the most strategically important in the world.

Increased activity had spread to the field of transportation, too. In the first 23 weeks of 1942 car-loadings were up 11% over the same period in 1941. Rail passenger traffic was multiplied several times. The trucking business boomed, carrying a greatly increased volume of freight despite general restrictions on the use of gasoline.

There was a slight recession in employment and earnings during the winter of 1942 after the high level in

late 1941, but the years average was still 21% over 1941. Employment in manufacturing had grown steadily since 1939, particularly in war production - "heavy" industry, chemicals, clothing, food processing. Added to the fact of rising employment was the extensive overtime work and some incentive pay, so that average weekly per capita earnings rose from \$25.25 in June 1941 to \$28.41 in April 1942.

As a result of this great rise in national income and its wide distribution, the demand for civilian goods could be met only by the steady drawing-down of inventories. By the winter of 1942 the dollar volume of retail trade had increased 56% over its 1935 - 39% average. Perhaps most significant of the end of the phony war - production of civilian automobiles and other durables in Canada was discontinued in 1942.

Wartime industrial relations were almost uniformly good throughout the war period. This was due to three reasons:

- (1) Both sides were anxious to avoid any trouble that would detract from the war effort.
- (2) Both sides were in a happier economic position than they had ever enjoyed before.
- (3) Government administrators sought to anticipate labor trouble and to solve it before it occurred.

A very important example of the latter was the institution on February 17, 1944 of the wartime Labor Relations Regulations. Under this order-in-council,

employers were required to negotiate in good faith with any trade union, and to abstain from such unfair practices as interference in union affairs. The I. D. I. Act was suspended, and the orders-in-council extending it to war industry were withdrawn.

By the wartime wages control order of December 1943, cost-of-living bonuses were incorporated into wages. At the same time, employers were forbidden to change without written authorization, the wage-rates established by incorporation of the bonuses. No special authority was required to change incentive pay, and provision was made to adjust gross inequalities.

The policy of arbitrary allocation of man-power became embodied in:

- (1) National selective service (Civilian) Regulations, by which an attempt was made further to control turnover, certain groups were put into more essential work, labor was combed out of less essential industry, and
- (2) National selective service Mobilization Regulations, by which all men between 18½ and 30, and all single men up to 41 years of age were to undertake military service.

By early 1943, 750,000 Canadians were in military service. The resulting shortage of labor was felt in all industry; but essential production was well-protected, and there were few drops in production from this cause. Manufacturing had converted to almost total war production with such success that consideration was given to reducing war orders and returning some resources to the production of

civilian goods. The latter decision may have been reflected to some extent in the 1944 upturn in construction contracts, which had fallen off so noticeably in 1943.

Construction had experienced as great a boom as manufacturing during the first three years of war. The building of new factories, airfields, hangars, and other structures required by the services had exhausted the supply of dry lumber, and had caused extensive shortages of brick, cement, nails, and other materials. Current output of these was insufficient to supply the needs of the thousands of housing projects undertaken in and around the war-swollen industrial centres. Contractors, then, with no hope of filling orders, had been refusing them steadily. Increased supplies of materials encouraged a 43% increase in contract value in 1944 over 1943.

during the first six months of 1945, economic activity maintained a stable high level, but not so high as the 1944 maximum. Anticipation of victory and a declining need for war production had actually reduced employment and payrolls, and threatened the economy with a full-scale recession. For several reasons, the recession did not occur.

Canada had a tremendous investment in factory building and equipment, much of which could be converted to civilian production. Canadian consumers had for six

years been looking forward to buying certain goods, which had been off the market during the war. More important, incomes and savings by civilians were supplemented by the gratuities and re-establishment credits of discharged service-men to make effective the great "backlog of demand" mentioned above. There was every reason to believe that the wartime peak in employment and national income could be carried into the peace, as indeed it was.

The first post-war year - 1946 - saw an increase in demand for all types of goods, and a corresponding stimulus to their production. Civilian clothing, and durable consumer goods such as automobiles, electrical appliances, home furnishings, were much in demand, particularly since these latter goods could be bought with re-establishment credits.

Concurrently with and arising from this rapid expansion in consumer demand came the government's problem of when, if ever, to remove price controls.<sup>9</sup> The buying public were happy enough to see the controls remain. Industry claimed that it couldn't supply the increased consumer wants as long as costs of production were thus limited. The problem was aggravated by the relaxation of American

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<sup>9</sup> wage controls were finally removed at the end of 1946.

price controls in the summer of 1946, and the immediate sharp rise in American prices. And by the initiation on the part of labor of a series of agitations for higher wages.<sup>10</sup> Nevertheless, by the end of the year the outlook was so much more reassuring that private enterprise planned for 1947 a capital expansion of \$1,700,000,000.

The labor market situation for 1946 may be divided into four phases.<sup>11</sup> From January to the end of March was the period of most rapid demobilization of troops. Such a swift growth in labor supply, coinciding with the seasonal lull in economic activity inevitably caused some unemployment.

The second phase, from April through June, was characterized by large-scale reconversion of production to the requirements of peace, and by expansion of consumer goods industries to meet the growing demand in that field. To some extent, expansion in those industries where conversion was not necessary offset the layoffs occasioned in those industries where conversion was a major problem. The seasonal upswing in agriculture and construction absorbed a large part of the surplus labor, and generally contributed toward a higher average level of activity.

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<sup>10</sup> For details, see Chapter VI

<sup>11</sup> Canada, Department of Labor, Labor Gazette, May, 1947.

The period through July to the end of October was marked by intense labor unrest, and the climax of a series of major strikes<sup>12</sup> in steel, textiles, lumber, lake shipping, autos, rubber, electric appliances, with a resulting shortage in basic materials and stoppages of production. Again construction and agriculture were the important factors in averting widespread unemployment. Not only many of the unemployed, but also some of the strikers were absorbed in construction or in the harvest. It is significant that releases from the armed forces had fallen to a low figure by this time.

The general prosperity of the fall period was increased by pre-Christmas buying, so that the last months of the year were the most prosperous of all. To sum up, the Canadian economy had been reconverted from war to peace. In the process, industry engaged in direct war production released about one million workers; the Armed Forces were reduced by about 600,000 men and women.

This was not accomplished without some difficulty and dislocation of labor or other resources. Aside from the factors mentioned above, there were two others of great importance in keeping unemployment at a low level:

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<sup>12</sup> see chapter VII.



(1) The existing labor force was reduced by the retirement of older wartime workers, return of women to the home, and of young people to their schools.

(2) A large part of the flow from the Armed Forces was diverted into vocational and university training.

All in all, unemployment in the sense of unplaced applicants for jobs never exceeded 5% of the working force throughout the whole year.

### CHAPTER III

#### Wage Structures in Ten Main Industrial Groups (1939-46)<sup>1</sup>

Table 1

#### Wage Rate Indexes for Ten Main Industrial Groups 1939-46 Inclusive, (1939 = 100)

	1939	1940	1941	1942	1943	1944	1945	1946
Logging	100.0	104.9	114.0	125.9	143.1	146.1	153.3	167.4
Coal Mining	100.0	102.1	109.4	113.1	124.8	146.0	146.2	146.7
Metal Mining	100.0	102.8	112.2	118.17	123.1	125.2	128.2	135.7
Manufacturing	100.0	104.3	115.2	125.5	136.8	141.4	146.5	161.5
Construction	100.0	104.5	111.6	118.6	127.7	129.6	131.1	143.9
Water Transport	100.0	105.2	113.3	125.8	138.8	142.2	144.6	162.3
Steam Railways	100.0	100.0	109.4	114.8	125.5	125.5	125.5	142.3
Electric Railways	100.0	103.9	109.1	115.8	121.2	125.7	126.6	139.5
Laundries	100.0	105.4	110.5	116.5	127.3	128.9	135.4	147.5
Telephones	100.0	101.3	106.4	112.0	121.9	122.4	125.6	125.2
General Average	100.0	103.9	113.1	122.5	133.7	137.9	141.8	155.2

The 1946 general average index of wage rates<sup>2</sup> on the

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<sup>1</sup> All hourly wage-rates and wage-rates indexes given in this chapter and the next are from Canada, Dept. of Labor, Wage Rates and Hours of Labor in Canada, Ottawa, King's Printer, 1939 to 1946 Inclusive. All rates are straight time.

<sup>2</sup> of. Table 1, General Average.

base of average rates in 1939 as 100 was 155.2. A glance at Table 1 will show that all of the ten main industrial groups enjoyed substantial percentage increases in wage-rates, but that some of the indexes for 1946 are considerably higher than the average while others are considerably lower. Logging wage-rates, for example, increased by 67.4% over the seven-year period, while water transport and manufacturing rates were close behind with respective increases of 62.3% and 61.%. Wage-rates in the telephone group, on the other hand, rose only 25.2%, and metal-mining only 35.7%.

In this chapter we shall attempt to explain the above phenomena, and to answer several other questions that present themselves at this time. First, how does the 1946 ranking of industries by wages compare with the 1939 ranking? Were the same industries paying the highest (or the lowest) wages in 1946 as were doing so in 1939? Have industrial differentials broadened, narrowed, or remained about the same? Which industries showed the highest absolute and which the highest percentage gain? Is there a discernible trade union influence and, if so, what has been its effect?

As a beginning to answering these questions, consider the following table:

Table 2

Average weekly earnings in ten  
Main Industrial Groups  
(1939 and 1946) <sup>3</sup>

Industry	1939	1946 wage- rate index 1939 = 100	1946
steam railways.....	32.50	142.3	46.35
metal mining.....	31.50	135.7	42.80
coal mining.....	27.20	146.7	39.71
telephones.....	26.30	125.2	32.94
Electric Railways.....	25.80	139.5	36.04
Construction.....	22.75	143.9	32.67
water transport.....	22.10	162.3	35.41
Manufacturing.....	20.75	161.5	33.45
Logging.....	18.12	167.4	30.48
Laundries.....	16.10	147.5	23.76

It is immediately obvious that steam railways workers, whose average weekly earnings were highest in 1939, were still receiving the highest in 1946; workers in Laundries and in Logging, who had the lowest average weekly income in 1939, held the same relative positions in 1946. By 1946 four of the groups had changed their 1939 weekly earnings ranking - telephones, construction, water transport, and manufacturing. Of these, water transport and manufacturing had moved up, the other two - down. manufacturing is discussed at length in Chapter IV. we need

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<sup>3</sup> source of data for 1946 average weekly earnings is Canada, Dominion Bureau of Statistics, "The Employment situation at the beginning of November 1947 Together with payrolls for the last week in October." Ottawa, 1948. Since no data are available for average weekly earnings in 1939, the figures given above are based on calculations using the 1946 figures and the 1946 wage-rate index (1939 = 100). It is felt that the resulting inaccuracy will not completely destroy the usefulness of our data for so broad a survey.

only note here that we might expect it to show a considerable gain both in wage-rates and in average weekly earnings, since almost the whole industry enjoyed so great an expansion during the war.<sup>4</sup>

In water transport, too, there was a considerable expansion,<sup>5</sup> due to the swollen wartime traffic, and the increased burden on rail facilities. Part of the increase, too, can be attributed to the high wages paid in the Atlantic Merchant Marine, although data given here include only inland and coastal transportation. Doubtless many inland and coastal sailors would have to be paid at higher rates to keep them from the highly-paid (though hazardous) sea traffic. It will be noted that water transport showed the second highest percentage increase of the ten groups - 162.3.<sup>6</sup>

The relatively small wage increases in telephones, only 25.2 percent in 7 years, is not readily explainable. It may be due to the fact that there was little labor organization in the industry during the war, or to the large proportion of female employees, or simply that the non monetary returns are high.<sup>7</sup> The construction industry is treated more fully at the end of this chapter.

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<sup>4</sup> Both employment and total pay-rolls dropped quite sharply in 1945 and 1946, but had begun to rise again by 1947.

<sup>5</sup> From 1941 to 1946 employment increased 23.6%.

<sup>6</sup> of. Table I

<sup>7</sup> The Bell Telephone Co. of Canada is known as an excellent company to work for.

The greatest percentage changes in wage-rates during the war were in water transport, manufacturing, logging, and laundries. Of these, laundries stands out as the lowest-paid industry in both 1939 and 1946. The second-lowest - logging - showed the highest percentage gain of all ten groups - 67.4. Manufacturing and water transportation, with respective percentage increases of 61.5 and 62.3, were third and fourth from the bottom of the earnings rank in 1939.

The highest absolute increase in wage-rates, \$22.51 was enjoyed by the coal mining industry, which was being paid the third highest average weekly earnings in 1939. This industry also showed a moderately high percentage increase in wage-rates - 46.7. It is interesting to note that employment in coal mining increased only about 2.0 percent from 1939 to 1946; the increased wage-rates must have been based very largely on increased productivity,<sup>8</sup> and to some extent on the strengthening of labor organization in coal mining. An important reason for the great expansion of coal output was the increased demand in the steel industry.

The least absolute increases in average weekly earnings over the period were exhibited by telephones - \$6.64, and laundries - \$7.66. The farmer, as we have noted earlier, also showed the smallest percentage gain. It is difficult to know

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<sup>8</sup> From 1939 to 1946 total production in coal increased from 1,308 to 1,483 thousand tons. Dominion Bureau of Statistics, Canada, Monthly Report, Coal and Coke Statistics.

exactly why Laundries should be the lowest-paid of all industries, and why it should show so little gain even in times of fairly high employment. One reason would be the high proportion of unskilled female workers, and the resulting lack of effective organization. It is probable, too, that the industry employs a considerable amount of immigrant and native-born Chinese labour, and this would exert a downward pressure on wages. Even though such workers leave their jobs after a short time, there will always be more to take their places.

It is fairly safe to make the general statement, on the basis of the foregoing, that industrial differentials have narrowed considerably. This follows immediately from the observation that the highest percentage increases were exhibited by the four industries whose weekly earnings at the beginning of the period were lowest.

Union influence was certainly present in manufacturing, which rose from eighth to fifth in the average weekly earnings ranking. The number of all union members in Canada increased from 358,967 in 1939 to 831,967 in 1946.<sup>9</sup>

Before leaving the study of Canadian wartime wage changes under the above classification, it may be interesting

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<sup>9</sup> For a general discussion of the effects of unionism on wage-rates see Chapter VI. The specific policies of several Canadian unions in wartime is outlined in Chapter VII.

to compare increases in wage-rates with increases in employment. In this connection, it must be remembered that the Canadian economy entered the war period in a condition of fairly widespread unemployment of labor. We should not expect, therefore, that wage-rates would necessarily increase correlatively with employment until the slack in employment had been taken up,<sup>10</sup> in early 1942.

Table 3

E  
Employment Indexes for Ten Main Industrial  
Groups in Canada 1939-46 (1939 = 100).<sup>11</sup>

Industry	1939	1940	1941	1942	1943	1944	1945	1946
Logging.....	100	156.0	150.5	131.2	126.2	156.7	177.5	209.0
Coal Mining.....	100	101.1	104.0	98.2	102.0	103.7	98.0	101.8
Metal Mining....	100	99.6	104.0	93.0	81.1	73.0	67.4	74.6
Manufacturing...	100	120.0	154.4	182.7	193.2	186.6	157.4	157.5
Construction....	100	92.2	118.1	113.8	104.1	87.0	94.6	115.9
Water Transport.	100	103.0	103.6	122.8	120.5	129.4	117.9	125.3
Steam Railways..	100	96.4	105.2	115.5	127.9	128.0	132.2	132.8
Electric Railways	100	104.1	114.3	119.2	130.3	141.0	147.5	163.8
Laundries.....	100	107.8	129.6	134.6	136.8	139.1	147.4	158.2
Telephones.....	100	103.1	115.0	119.1	118.6	127.2	142.5	179.2

It is difficult to ascertain from Tables 3 and 1 alone what the relation has been between increases in employment and increases in wage-rates. In Table 4, therefore yearly relatives have been computed for both wage-rates (W) and employment (E). These relatives are plotted scatter diagrams on page 32.

<sup>10</sup> This point is considered more carefully in chapter V. Charts of employment and payrolls for all of the above-chosen industrial groups, and for many of the sub-divisions of manufacturing, appear in, Canada, Dominion Bureau of Statistics, "The Chart Book of Employment and payrolls in Canadian industries, 1939-July 1, 1947, Ottawa, 1947.

<sup>11</sup> Canada, Dominion Bureau of Statistics "Employment and payrolls", 1946 annual issue, Ottawa, 1947. Index numbers for 1926 = 100 (converted to 1939 = 100).

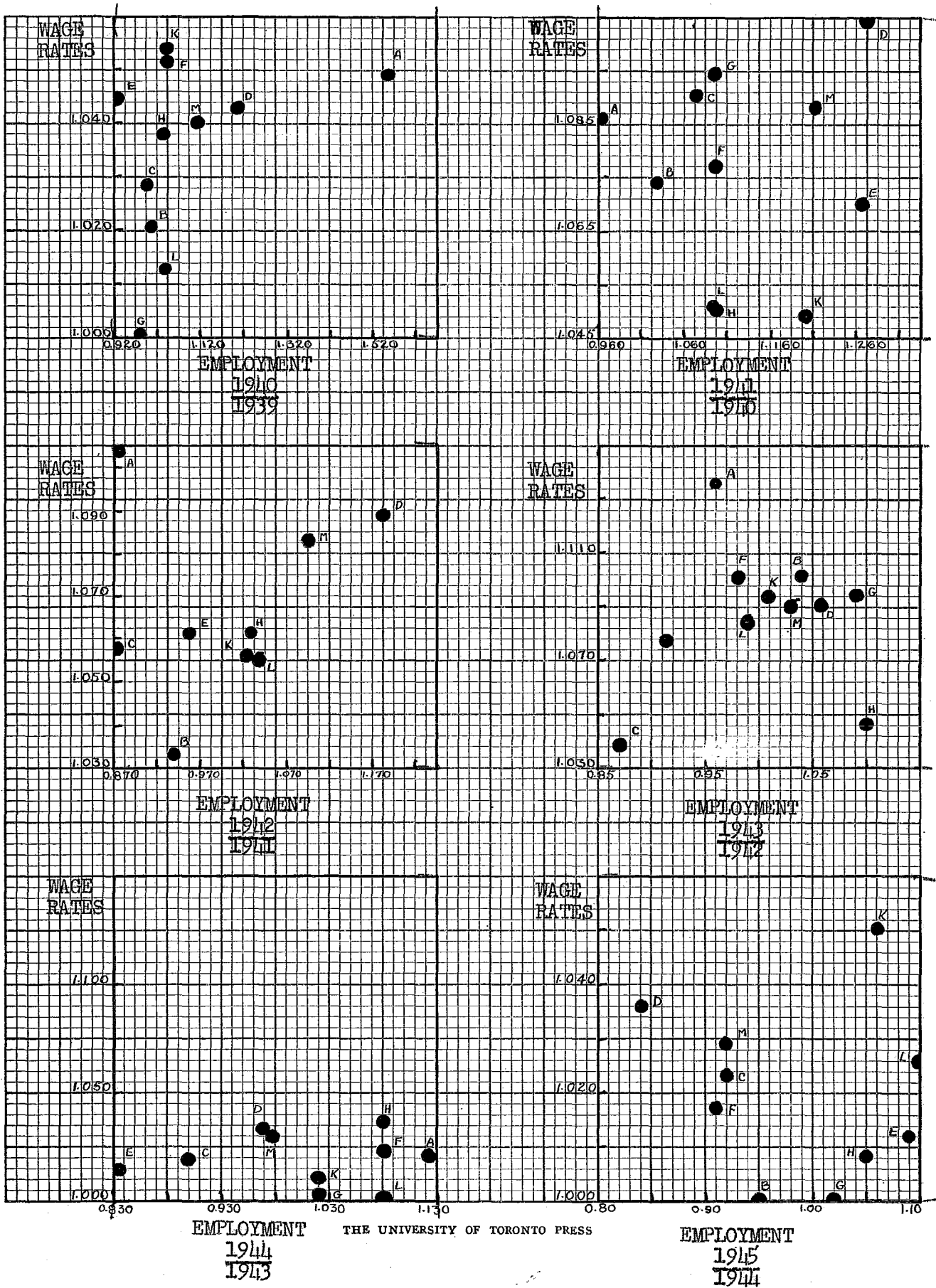


It will be noticed that only in the cases of 1942/1941 and 1943/1942 is there any evidence of positive correlation between employment and wage-rates. In 1940/1939 there was apparently a greater proportional increase in wages than in employment. In 1944/1943 this situation is reversed, and employment increases more than wage-rates.

TABLE 4  
YEAR-TO-YEAR RELATIVES OF EMPLOYMENT AND  
HOURLY WAGE-RATES FOR TEN INDUSTRIAL GROUPS

INDUSTRY	1940 1939		1941 1940		1942 1941		1943 1942		1944 1943		1945 1944		1946 1945		
	W	E	W	E	W	E	W	E	W	E	W	E	W	E	
A Logging	1.049		1.087	1.104	1.136	1.021	1.049	1.092	1.559	0.965	0.872	0.96	1.24	1.13	1.178
B Coal Mining	1.021	1.010	1.071	1.034	1.103	1.171	1.001	1.003	1.0010	1.030	0.944	1.04	1.02	0.95	1.036
C Metal Mining	1.028	0.995	1.091	1.058	1.037	1.018	1.023	1.059	0.995	1.075	0.871	0.87	0.902	0.92	1.109
D Manu- facturing	1.043	1.201	1.104	1.089	1.091	1.034	1.036	1.103	1.201	1.286	1.181	1.06	0.97	0.84	1.000
E Constr- uction	1.045	0.921	1.068	1.062	1.077	1.015	1.012	1.097	0.921	1.283	0.963	0.915	0.834	1.09	1.220
F Water Transport	1.052	1.030	1.077	1.111	1.103	1.024	1.017	1.123	1.052	1.101	1.083	0.98	1.08	6.91	1.061
G Steam Railways	1.000	0.964	1.094	1.049	1.094	1.000	1.000	1.134	0.964	1.103	1.085	1.09	1.02	1.02	1.000
H Electric Railways	1.038	1.039	1.051	1.062	1.046	1.037	1.008	1.101	1.038	1.099	1.041	1.10	1.08	1.05	1.109
K Laundries	1.054	1.075	1.049	1.054	1.093	1.012	1.050	1.089	1.075	1.204	1.039	1.01	1.02	1.06	1.074
L Telephone	1.013	1.031	1.051	1.053	1.088	1.004	1.026	0.997	1.013	1.104	1.047	0.99	1.08	1.12	1.297
M General Average	1.040	1.119	1.088	1.083	1.091	1.031	1.029	1.094	1.040	1.217	1.093	1.03	0.98	0.92	1.056

PERCENTAGE CHANGES IN EMPLOYMENT AND WAGE-RATES  
FOR TEN INDUSTRIES IN CANADA  
by years, 1939 to 1946.



The remainder of this chapter is devoted to a study of the construction industry. Table IV was constructed to show how the size-of-city wage pattern came through the war. From the data in Table IV, I have computed Rank correlation coefficients for the three trades for each of the two years. In all six cases, the correlation was found to be positive between size of city and wage rates in the three trades. In two trades the coefficient increased perceptibly from 1939 to 1946. For plumbers, it rose from 0.6703 to 0.718; for plasterers, from 0.5703 to 0.620. The carpenters' coefficient fell from 0.7764 to 0.699.

Thus, the wage-rates of all three trades are fairly closely related to the size of the city in which they work, and in two cases out of three the relation became even closer over the period under study. Part of this phenomenon is explained by the fact that much construction work was carried on in and around large cities where the manufacturing industry expanded so greatly. The needs of wartime housing, as well as building of new plants, would increase the demand for the services of carpenters, plumbers and plasterers. The demand might actually have decreased in smaller centers, where a lesser amount of such activity was going on.

Further, with a general and considerable increase in wage-rates, there is a reduced amount of dispersion, or

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Table IV

Wage Rates in 22 Canadian cities for 3  
Occupations 1939 and 1946.<sup>12</sup>

City	Carpenters		plasterers		plumbers	
	1939	1946	1939	1946	1939	1946
Montreal	.70	1.06	.80	1.17	.75	1.11
Toronto	.90	1.20	.90	1.30	1.00	1.30
Vancouver	.85	1.25	1.00	1.22	1.00	1.35
Winnipeg	.85	1.15	1.10	1.35	.95	1.25
Hamilton	.75	1.15	.90	1.07	.85	1.20
Ottawa	.85	1.05	.85	1.16	.95	1.25
Quebec	.60	.90	.75	1.10	.60	.90
Calgary	.80	1.10	.90	1.16	.95	1.16
London	.70	1.10	1.00	1.20	.80	1.10
Halifax	.70	1.05	.80	1.15	.85	1.13
Regina	.75	1.05	1.00	1.16	.90	1.20
Victoria	.80	1.25	.90	1.10	.90	1.19
Saskatoon	.70	.96	.90	1.06	1.00	1.06
Kitchener	.65	.95	.80	1.15	.70	1.05
Brantford	.70	.95	.90	1.06	.75	1.00
St. Catharines	.70	1.10	.90	1.11	.75	1.01
Peterborough	.65	.91	.80	1.15	.70	1.00
Port Arthur	.65	1.00	.90	1.15	.90	1.10
Moncton	.50	.90	.70	1.05	.65	.90
Brandon	.70	1.00	.90	1.20	.80	1.15
Bellefille	.60	.95	.80	1.05	.70	.90
Charlottetown	.50	.70	.75	.90	.60	.75

variation, in the wage-rates of plasterers and plumbers, a slight increase in variation in carpenters' rates.<sup>13</sup>

Finally, consider the following table of wage-rates indexes in the construction industry as a whole. It will be noted that the year-to-year percentage increase rose quickly to 6.8 in 1941, fell slightly in 1942, then reached

<sup>12</sup> Rates are given in cents per hour, as a yearly average. Cities arranged in descending order of population size.

<sup>13</sup> The actual standard deviations were;

	Carpenters	plasterers	plumbers
1939	0.0975	0.0949	0.1945
1946	0.1265	0.0852	0.1035

This matter is considered again in Chapter V

	1939	1940	Table V		1943	1944	1945	1946	1947
			1941	1942					
Wage-rate Index 1939=100	100.0	104.5	111.6	118.6	127.7	129.6	131.1	143.9	155.0
Yearly per cent Increase	4	4.5	6.8	6.2	7.8	1.5	1.4	9.6	7.8

a high point of 7.8 in 1943 which was not exceeded until 1946. Wage-rates continued to rise steadily throughout the war period, but the yearly rate of increase was greatest in the first four years.

Two possible explanations are suggested for the above. The first is that the greatest increase in demand for all labor occurred during the first four years. In particular, the construction industry had its biggest job during that time, building new factories, aerodromes, and war-time houses. Secondly, it was from 1939 to 1943 that the armed forces made the largest inroads into the supply of labor of all kinds.

By 1944 the main part of recruiting for the services had been completed, the war production machine was running at full speed, and the demand for construction was largely a replacement demand. New construction for civilian use was still restricted because of the shortage of so many important materials, including lumber, nails, and cement.

In summary of this chapter, we have observed several

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things of interest, partly anticipated in Chapters I and II, partly explained here and in Chapters V, VI, and VII. We saw an over-all absolute increase in wage-rates, greater in some industries than in others. We noted that, in general, those industries which were most poorly paid in 1939 had enjoyed the largest percentage increases by 1946. The relative positions of industries as regards wage-rates was about the same in 1946 as in 1939, but inter-industry differentials are now narrower. We saw that in the case of three specific skilled trades size-of-city variation has been slightly reduced. Finally, we saw that, with the possible exception of the years 1942 and 1943, increases in wage-rates were not apparently correlated with increases in employment.

CHAPTER IVWage structures in manufacturing  
1939-46

In this part of our study we are interested in finding out the same things about the manufacturing industry in particular as about the ten industrial groups in the preceding chapter. we shall therefore begin by examining wage-rate indexes for the manufacturing group.

table 1

Industry	<u>wage-rate indexes in manufacturing</u>							
	<u>1939-1946</u>		<u>(1939=100) 1</u>					
	1939	1946	1941	1942	1943	1944	1945	1946
MANUFACTURING	100	104.3	115.2	125.5	136.8	141.4	146.5	161.5
primary textiles	100	107.5	119.0	127.8	140.4	146.0	151.5	165.6
clothing	100	105.3	118.0	129.0	139.3	144.3	156.3	176.2
Rubber products	100	102.1	117.1	127.1	134.4	139.8	143.4	167.7
pulp and its products	100	104.6	109.5	115.1	120.3	125.7	127.3	148.6
paper boxes printing and publishing	100	102.9	115.5	123.9	128.9	133.1	138.5	151.6
Lumber and its products	100	101.7	105.8	110.0	113.7	116.3	118.5	127.3
Edible plant products	100	104.4	117.7	131.0	142.9	148.2	156.1	178.3
Fur products	100	102.9	115.0	122.5	130.0	134.2	139.4	153.0
Leather and its products	100	105.3	113.7	121.7	127.3	130.5	140.5	150.7
Edible Animal products	100	105.9	122.5	134.8	142.9	145.4	153.5	167.5
Iron and its products	100	103.2	112.7	119.0	135.1	137.3	141.0	165.4
Tobacco products	100	102.7	112.9	125.6	138.8	142.6	148.2	159.6
Beverages	100	102.8	113.0	120.4	131.5	140.3	140.5	156.9
Electrical products	100	103.9	113.3	117.1	121.9	123.5	127.9	148.4
	100	105.6	123.2	133.7	149.2	154.1	156.8	169.1

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<sup>1</sup> source: cf. Table I chapter III



Examining Table I we immediately note the following: In manufacturing as a whole, wage-rates increased 61.5%. In one of the sub-groups - printing and publishing - the increase was only 27.3%, while wage-rates in Lumber and Lumber products rose 78.3%. Close behind Lumber are clothing, 76.2%, Rubber products 67.7%, and Leather products 67.5%.

Before commenting further on the above wage-rate increases, we shall examine Table II, in which are arrayed average hourly earnings for manufacturing and for the 14 sub-industries listed in Table I. Table II lists the 14 sub-industries in ascending order of their average hourly earnings in 1939.

We found in Chapter III that, to a considerable extent, those industries whose average weekly earnings were lowest in 1939 enjoyed the highest percentage increase in wage-rates by 1946. The phenomenon is not so noticeable here; certainly it is not so clear-cut. A tendency in this direction is suggested, however, by the fact that four of the five manufacturing industries which had the lowest average hourly earnings in 1939 showed percentage increases well above the average for all manufacturing. Also, the four sub-industries which had the highest average hourly earnings in 1939 showed percentage increases well below that for manu-

Table 2Average Hourly Earnings in Manufacturing  
1939 and 1946 2 Cents per Hour

Industry	Average Hourly Earnings 1939	% Increase in wage- Rates 1946/1939	Average Hourly Earnings 1946
MANUFACTURING	43.1	61.5	70.0
Clothing	32.7	76.2	57.7
Primary Textiles	33.0	65.6	54.6
Leather products	33.3	67.5	55.8
Tobacco	34.4	56.9	53.9
Lumber products	36.0	78.3	64.2
Edible plant products	37.5	53.0	57.3
Paper products	38.9	51.6	59.0
Edible Animal products	40.5	65.4	67.0
Electrical products	42.2	69.1	71.5
Rubber products	43.1	67.7	72.3
Beverages	46.8	48.4	69.4
Iron and its products	50.8	59.6	81.0
Pulp and paper	53.1	48.6	78.9
Printing and publishing	61.8	27.3	78.6

facturing as a whole.<sup>3</sup>

The relative ranks of the sub-industries by average hourly earnings was little changed. The Rank Correlation Coefficient for the two years was found to be 0.8945. With few exceptions, those industries which were the highest (lowest) paid in 1939 were still the highest (lowest) paid

<sup>2</sup> Unfortunately, average hourly earnings are not available for 1939, so they are computed from the 1946 figures by means of the wage-rate index. The 1946 figures are given in The Annual Review of Employment and Payrolls in Canada, 1946, Dominion Bureau of Statistics, Ottawa, 1947, Table 12.

<sup>3</sup> The Rank Correlation Coefficient between percentage increase in wage-rates (1946/1939) and average hourly earnings in 1939 (in ascending order of magnitude), is 0.5869.

in 1946. Finally, because of the larger percentage increase in the lower-paid industries, the range of hourly earnings has shortened from 61.8 - 32.7=29.1 cents per hour in 1939 to 81.0 - 53.9=27.1 cents per hour in 1946. This may be taken to mean that inter-industry differentials have narrowed.

The next part of this chapter is concerned with a study of unskilled male factory labor. We shall examine geographic differentials as they appeared in 1946.

In Table 3 we have shown the provincial distribution of wage-rates for common male factory labor. These show the rather remarkable fact that, of eight provinces, in only two - Ontario and British Columbia - are the hourly wage-rates above the average for all Canada.

Table 3

Provincial Averages of Hourly Wage-rates  
of Male Factory Labour. Canada 1946. 4

Province	Hourly Wage Rate	Province	Hourly Wage rate
Nova Scotia	‡ .62	Saskatchewan	‡ .63
New Brunswick	.55	Alberta	.63
Quebec	.59	British Columbia	.79
Ontario	.66	All Canada	.64
Manitoba	.58		

New Brunswick shows the lowest average rate, which is quite in keeping with the undeveloped state of the manufacturing industry in that province. It is not immediately obvious

4 Canada, Department of Labor, Labor Gazette Supplement, Wage Rates and Hours of Labor in Canada, 1946. Ottawa, King's Printer, 1948. Table VI.

Table 4

Annual, Weekly, and Hourly Earnings of male  
Wage earners in Manufacturing, by Provinces,  
1945 7

Province	Average Earnings			Hours worked per week
	Annual	Weekly	Hourly	
Prince Edward Island	\$1080.	\$30.00	59.3¢	50.6
Nova Scotia	1640.	34.67	72.8	47.6
New Brunswick	1515.	31.67	63.1	50.2
Quebec	1684.	34.13	68.7	49.7
Ontario	1790.	36.02	77.1	46.7
Manitoba	1667.	32.88	71.3	46.1
Saskatchewan	1526.	32.36	69.4	46.6
Alberta	1599.	32.54	70.7	46.0
British Columbia	1879.	36.21	83.4	43.4

This seems remarkable until one remembers that the vast majority of the workers are French-Canadian, Roman Catholic, and hence dominated individually or through a Catholic Union, by the church. In this connection, Professor Logan makes two very good points.

Firstly, he points out that one cannot:

"read far in the literature of Catholic unionism without being impressed with the flavour of otherworldliness that finds place in tract, press, and constitutional preamble. The ultimate concern of its founders was not especially the economic condition of the worker, but rather the moral and spiritual condition, economic betterment being sponsored as contributing to the latter. ... While the assertive and acquisitive notes are sounded at all times in terms of "rights", they are compensated throughout... by the emphasis that is placed upon reciprocal "duties". 8

<sup>7</sup> Canada, Department of Trade and Commerce, Dominion Bureau of Statistics, The Manufacturing Industries of Canada 1945, King's Printer, Ottawa, 1948. p. 57.

<sup>8</sup> Logan, op. cit. pp. 579, 580

such a point of view is highly reminiscent of the middle Ages and St. Thomas Aquinas.<sup>9</sup> But this impression begins to fade as we read on in Logan:

Above all, he who would have a true appreciation of Catholic unionism...must keep in mind that...it has not been in Canada in the past a workers' movement... it was in its beginnings a movement engineered by a religious intelligentsia, scholars interested in the problem of industrial relations for itself...<sup>10</sup>

Other factors which would help explain low wages in Quebec are the large rural population and the high birth-rate, which press downward on wages from the supply side.

Ontario occupies its usual place in the wage ranking - second. Average earnings in the prairie provinces in manufacturing are all within a range of a few cents. Nova Scotia stands well above the other two maritime provinces, and slightly above Quebec. This is due in a great measure to the fact that both coal and steel production are very important in Nova Scotia, and that both of these industries are strongly unionized.

British Columbia again shows the highest average earnings of all nine provinces. There are two reasons to suggest strong union organization as an important cause for this. First, the highest average hourly rate coincides with the shortest work-week. Second, there is a "predominance

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<sup>9</sup> See Alexander Gray, The Development of Economic Doctrine, (Longmans, London, 1948), pp. 41-44, for a searching discussion of this matter.

<sup>10</sup> Logan, op. cit., p. 580.

of the lumber, iron and steel, and non-ferreous metal industries...<sup>11</sup> All these industries are strongly organized. Also, they are primary industries, hence subject to "magnified demand" or the "principle of acceleration"<sup>12</sup>, and would be disproportionately expanded in 1945.

In the last part of this chapter, we shall examine wages in manufacturing, distinguishing between the manufacturers of durable and non-durable goods. It will be remembered that Canada's durable-goods industries - mainly Iron and steel, and Lumber were devoted almost exclusively to war production after 1939, and would thus be working mainly under government contracts.<sup>13</sup> We must recall, also, that the Canadian war production as a whole reached its peak between 1943 and 1944, and thereafter began to contract fairly steadily.

This shows up well in Table 5. We note that in 1939 average weekly earnings were higher in the manufacture of durable goods, than in manufacturing as a whole. They

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<sup>11</sup>Canada, Dominion Bureau of Statistics, Annual Review of Employment and payrolls, 1946, Ottawa, 1947, p.83.

<sup>12</sup>The principle of acceleration is discussed in J. Arthur Estey, Business cycles, (Prentice-Hall, New York, 1947), pp. 169, 178.

<sup>13</sup>Production of non-durables was divided between war and civilian consumption, war needs being supplied first.

Table 5

Average Weekly Earnings (A.W.E.) in  
Manufacturing in Canada, 1939-1946, with Yearly Relatives  
and Index Numbers to Base 1939=100.

Year	All Manufacturing			Durable Goods			Non-durable goods		
	A.W.E. \$	Yearly Rela- tives	Index 1939= 100	A.W.E. \$	Yearly Rela- tives	Index 1939= 100	A.W.E. \$	Yearly Rela- tives	Index 1939= 100
1939	\$22.42	---	100.0	23.75	----	100.0	21.65	----	100.0
1940	24.16	1.078	107.8	26.26	1.106	110.7	22.75	1.051	104.9
1941	26.32	1.089	117.0	29.01	1.105	122.2	24.13	1.061	111.2
1942	29.14	1.107	129.7	32.23	1.111	135.9	25.52	1.058	117.6
1943	31.43	1.079	140.0	34.40	1.067	145.0	27.28	1.069	126.0
1944	32.59	1.037	145.2	35.82	1.041	151.0	28.55	1.047	131.7
1945	32.56	0.999	145.0	35.68	0.996	150.5	29.24	1.024	135.0
1946	32.38	0.994	144.0	34.76	0.974	146.6	30.27	1.035	139.6

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14 Canada, Dominion Bureau of Statistics, op. cit. Table XVI  
and the 1944 issue of the same Bulletin, Table XI.

rose steadily, and fairly rapidly, until 1944, then declined, but very slightly, as the government demand for war production fell off and overtime work was reduced.

Average weekly earnings in non-durables also rose steadily, and continued to rise until 1946. As the decline in government demand for non-durable goods freed more of these for civilian consumption, civilians were quick to take up the slack.

We must realize, however, that the decline in earnings in the durable goods industries was not due only to decline in demand for direct war production. These industries, particularly ship-building, aircraft, and motor vehicles, could not immediately turn to production for civilian use. As long as even reduced war production was necessary, reconversion was impracticable, and in fact was not complete until late 1946.

The distribution of employment as between durable and non-durable manufacturing is shown in Table 6. Employment in all manufacturing and the proportion of employment in durable-goods production, increased rapidly until 1943, while the proportion in non-durables fell until the same year. During 1944, 1945, and 1946, employment in all manufacturing, and the proportion in durable-goods fell steadily,



Table 6

Distribution of Recorded Employment in  
Manufacturing in Canada, 1939-1946.<sup>15</sup>

Year	All Reporting Establishments		Establishments producing	
	1939=100	%	Durable Goods	Non-durable goods
1939	100.0	100.0	40.4%	59.6%
1940	116.6	100.0	43.3	56.7
1941	149.8	100.0	48.9	51.1
1942	184.0	100.0	53.0	47.0
1943	201.2	100.0	57.1	42.9
1944	200.0	100.0	55.7	44.3
1945	180.6	100.0	51.5	48.5
1946	165.8	100.0	46.8	53.2

while the proportion in non-durable goods production rose.

In summary of this chapter, we have found that wages in manufacturing as a whole have increased over the war period. The increase has been greater in some manufacturing industries than in others, notably greater where average hourly earnings were lowest at the beginning of the period. We examined geographic differentials for unskilled factory labour in 1946 and for manufacturing labour as a whole in 1945, and found that some were readily explainable while others seemed to be what Ross calls "inequities".<sup>16</sup>

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<sup>15</sup> Canada, Dominion Bureau of Statistics, Annual Review of Employment and Payrolls, 1946, Ottawa, 1947, Table IV and Table 3. Indexes of employment to base 1926=100 converted to 1939=100.

<sup>16</sup> see chapter VI, footnote 9.

Finally, we found that average weekly earnings in durable goods production rose fairly rapidly while the government's demand for war material was increasing and overtime work was required in considerable amounts. As soon as the need for further expansion in war production disappeared, the rise in average weekly earnings in durables ceased, and soon turned into a decline. Wages in non-durable goods production rose slowly but steadily throughout the whole period.

## CHAPTER V

### Wage Determination

The first part of this chapter will be devoted to wage determination under conditions of perfect competition, that is of perfect knowledge and mobility on the part of workers, perfect knowledge on the part of employers, many employers and workers and individual bargaining on both sides. Such a system necessarily implies full employment. These stringent assumptions will then be relaxed, first to admit of worker immobility (occupational and geographic) and less than full employment; in Chapter VI we shall treat the case of trade union action. It will be readily observed that the last two cases approach reality; the case of perfect competition is highly unrealistic, but it is a useful point of departure.

Under conditions of perfect competition, the wages of labor are determined by the demand for and supply of labor. The supply is a function of two variables:

- (1) population, which includes variable age and sex distributions, and
- (2) the skills and training possessed by individuals.

The demand for labor is derived from the demand for labor's product, which depends on the national money income, which is in part a function of the amount of employment. Then, total wages and employment will usually move up (or down) together, the rise or fall of one coinciding with a

a rise or fall in the other.

Now, if we admit changes in supply as brought about by the two factors mentioned above and in the long run by changes in demand, the wage for any occupation will be determined by the point where the schedule of demand intersects the schedule of supply. Other things being equal, this point is one of stable equilibrium.

The above can be stated more elegantly in terms of marginal productivity. As more labor is applied to given amounts of the other resources, the extra product contributed by successive units of labor - the marginal product of labor - declines. Employers will hire workers for a certain job until the marginal product of labor just equals the wage necessary to secure its services, and will pay that wage to all workers on the job.

The marginal concept is usually regarded as the best way of explaining wage determination under the conditions we have assumed. But it is clear that not only are workers not mobile occupationally or geographically, but there are frequent periods when employment is so low that no theory seems to fit even partially. As Reynolds remarks:

Anyone who tries to understand the wage movements of recent years and to analyze their consequence runs immediately into the lack of...a generalized statement, bearing some resemblance to reality, of how money wage rates are related to changes in price, output, and employment.<sup>1</sup>

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<sup>1</sup>Lloyd G. Reynolds, "Toward a short-run theory of wages", A.E.R., June, 1948, p. 289.

marginal productivity can partly explain the existence of differences between one wage and another. The exact amount of the differences depends on many other factors, most of them economically indeterminate.

since the period in which we are primarily interested began with rather widespread unemployment, we shall begin by assuming this condition. Further, we shall assume a fairly localized labor market - say a large city and the surrounding rural area within a 50-mile radius. Within this area mobility of workers and knowledge of employment opportunities may be regarded as adequate. Between such areas mobility will be negligible under the above-assumed conditions, although job information may be broadcast through the medium of some employment service. Finally, we may neglect union wage-fixing action, since in a time of considerable unemployment unions will be on the defensive rather than the offensive.

In such circumstances, the employer alone decides what wages are to be paid to men already employed, and what offers to make to others. If economic conditions are static or deteriorating, the employer can lower wages somewhat without losing many of his workers. Also, he can attract as many more workers as he needs at the same rates, simply by indicating his wish to hire more.<sup>2</sup>

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<sup>2</sup> This does not mean that employers will exploit their bargaining superiority to the full at such times. There are many reasons why an employer may pay more than he actually has to to retain his working force.

Because of so large a subjective element in wage determination, the range and variation of wage-rates will be high. A further factor of variability is introduced in that some workers will be working only part-time, and their hourly rates will often be somewhat higher than those of the steadily-employed.

As economic conditions begin to improve, employers will for a time be able to recruit all necessary new labor without raising the wage-rate offer. However, the supply curve of labor will begin to rise before full employment is reached.

Of several reasons for this, a fundamental one is worker expectation. During bad times, the unemployed worker will accept almost any offer of a job so long as the pay is at least as high as his relief benefits. Even where a worker has seniority with a certain company, he will go to work for another that offers him employment, provided he feels there is no immediate chance of regaining his old job.

When the business cycle is in the expansion phase, and workers become aware of it, then wages must be increased each time more workers are required. The unemployed won't take the first jobs offered them, confident that there will be better offers made soon. Gradually, however, each worker's "hold-out point" is passed, and a situation of full

employment is approached.

It will be noticed during this period that wage differentials become narrower, or at least more consistent and amenable to theoretical explanation. For, during a period of rising employment, even in the absence of union action, the subjective element in wage determination is supplanted to a considerable extent by market forces. Consequently, the balance of bargaining power, while still on the side of management (which still has the initiative), will be reduced. Finally, geographic mobility of workers increases with job opportunities.

Until now we have spoken of labor as an all-inclusive class, and have considered the effects of various economic forces on labor as a whole. Such a procedure assumes a homogeneity in the labor force which obviously does not exist. Labor is not a totality of efficiency units, but of groups of human beings, each group different in training and skill from each other group. These are the "non-competing groups", between which the barriers of training and skill requirements prevent any important amount of occupational mobility. Within the various groups, too, there are differences in efficiency, varying degrees of fitness for the job.

With regard to efficiency differences, Reynolds concludes:

workers of different efficiency probably tend in time (only over a period of several decades) to get distributed among employers so that a ranking of firms by average efficiency would correspond somewhat with a ranking by average wage-rates.<sup>3</sup>

This seems a reasonable view, although, as its author admits, there is no empirical proof of it. The time period will be at least as long as he stipulates, because, as we observed earlier, large-scale voluntary movement of labor occurs only at times of high employment.

More fundamental than differences in skill are differences in occupation. Since most business enterprises include a fairly wide variety of occupations, the employer's demand for labor, will be for a balanced combination of several occupational groups. In this connection, Reynolds remarks:

Any general wage increase must be sufficient to attract the required number of the scarcest type of worker, even though the increase also attracts many more workers of other types than are needed.<sup>4</sup>

This may be true, but it seems more realistic to suppose that the employer will begin by offering a higher proportion of his increase in wage costs to the scarce type of labor he wishes to hire. Then, if workers regard their wages as fair when they bear a certain relation to those of

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<sup>3</sup> Lloyd G. Reynolds, "Some Aspects of Labor Market Structure", Insights into Labor Issues, eds. R.A. Leater and Joseph Shister, (New York, Macmillan, 1948), p. 288.

<sup>4</sup> ibid, p. 290



some other worker's wages, even those workers who are not in scarce supply will demand an increased wage to maintain the desired relation. The employer will have to increase the wage offer not only to attract more workers of the scarce type, but to retain his present labor force. Thus, as Reynolds goes on to say: "An increase in wage-rates for the scarce occupation may necessitate a general wage increase throughout the plant."<sup>5</sup>

Here we have one reason why intra-firm occupational differentials, once established tend to persist even in the absence of trade union action. A somewhat similar line of reasoning - based on worker expectations - will explain inter-firm differences within an occupation. Different firms have an "historical position" to maintain, as high-paying or low-paying firms. Those which have always paid low wages can get away with it. Those which have always paid well can enhance their reputations for generosity only by raising wages proportionately more than do other firms, or lowering them proportionately less. Inter-firm differentials will persist, then, or become even greater.

This brings us to wage differentials which cannot be explained on an occupational basis. These include urban-rural differences, size-of-city differences, male-female differences, and those based on colour or race.

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<sup>5</sup> ibid, p. 290.

In chapter III we compared actual wage rates for carpenters, plasterers, and plumbers in 22 Canadian cities. It was found that in each of these trades there was a positive correlation between size of city and wage-rate. Urban-rural comparisons are difficult to make because many occupations common in the city are very poorly represented or not represented at all in rural areas. But, generally, it seems reasonable that wage-rates should be higher in the city than in the country, or higher in a large city than in a small one.

Several possible explanations for this phenomenon are readily available. It will usually be found that the cost-of-living is higher in large centers than in small ones. In the large city, workers have a better opportunity to organize into unions; their unions will be stronger,<sup>6</sup> too, because they have so many members. A further reason may be found in the fact that rural areas have a steadily increasing supply of labor in the excess of farm population, and a consequent downward pressure on wages.

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<sup>6</sup> The effects of unionism are more fully considered in Chapter VI

Table I

Male - female wage differentials in Eight Canadian Industries. (1943 and 1946)  
in dollars.<sup>7</sup>

Industry	Occupation	1943		1946	
		M	F	M	F
Bread and cake	Helpers	x22.39	17.31	.53	.41
	Packers & Wrappers	x21.69	17.42	.58	.42
Fruits and vegetables, canned	Machine operators			.58	.45
	Packers			.51	.43
Fur products	Machine operators			1.07	.72
Boots & shoes	Stitchers	x26.20	18.87	.76	.45
Electrical products*	Assemblers	.62	.48	.86	.59
	Coil winders	.73	.54	.88	.63
Radio sets	Assemblers	.56	.51	.61	.54
	Inspectors	.70	.54	.76	.57
Clothing	Machine operators	x 41.26	22.17	1.06	.61
Rubber goods	packers	.55	.37	.71	.56
	Shoe-makers	.54	.44	.72	.60

x weekly rate

Table I shows very vividly the wage differentials as between male and female workers in precisely the same occupations. The figures given are Canadian averages. The table could be extended over many pages, and would still only confirm what these few examples suggest. There are many

<sup>7</sup> Canada, Department of Labour, Labor Gazette supplement; Wage Rates and Hours of Labor in Canada. Reports number 26 and 29, 1943 and 1946, Ottawa, King's Printer.

reasons for male-female differentials in wages, most of them not "economic" in any formal sense of the word.

Most workers contribute less to production when they start on a new job, than they receive in pay. The inequality will continue a longer or shorter time depending on the skill and experience necessary to do the job efficiently. The employer discounts the workers probable future productivity, and pays him a higher starting wage than he earns, on the assumption that later on the difference will be more than made up.

Now, this would obviously be unsatisfactory in the case of female workers, especially if a long period of training at the employer's expense is required. The employer must act on the assumption that most of his female employees are only filling in time until marriage. This would account for the differential in the fairly skilled occupations.

Married women who are temporarily working to supplement their husband's incomes are included in the above, for they may quit work at any time for a variety of reasons. Further, employers, and even the women themselves, may feel that they don't need even a subsistence wage, since they are not wholly dependent on their own earnings.

We have still to explain the case in which a woman already married contemplates continuous employment, and has

children dependent on her. Also, regardless of the woman's status, there are many jobs which any worker can do almost perfectly at the first attempt, and in which a woman may be more proficient than a man.

Even in such cases differentials are marked. The explanation is in terms of the non-wage costs of labor. Certain health and safety rules are more stringent for female than for male workers. Often extra rest-room facilities are necessary, extra safety measures taken. Also, women, being more susceptible to industrial diseases, may have higher rates of absenteeism. Most of the above are the explanations presented by employers. There are two others which seem fairly obvious. The first is that women are not, and are not likely to be, strongly unionized. The second is a sort of old-fashioned prejudice against women in industry - the idea that they shouldn't be working in the first place, but, since they are they will have to be satisfied with less pay.

Another type of wage differential which is sometimes observed, is the race (or colour) differential. In the southern parts of the United States, for example, it was fairly common in the past for white and negro workers in the same job to be paid different wages. The condition was more noticeable in that area because of the high proportion of negroes in the population, and the consequent necessity for their participation in many branches of economic activity.

The present situation seems to be somewhat different, in the southern states as well as other parts of the United States and Canada. In occupations where there are only a few coloured or otherwise foreign workers, the wage paid to them will be the same as that paid to native whites. Furthermore, the presence of so few of them will exert no downward pressure on the wage of all.

Where a particular occupation group is made up chiefly of negroes, or orientals, or unskilled immigrant labor, the wages of the group will be lower than if it consisted mainly of native whites. In the particular case of negro labor, (and it is true of other colour or racial groups) Professor Yoder remarks:

Negro labor is for the most part unskilled and unorganized. It is cheap labor, and its cheapness is reflected in low wages all through the markets dominated by it. Its effects in competitive labor markets are similar to those arising when any increased supply, available at low prices, is introduced. The cheaper workers tend to replace higher wage labor and to reduce wages generally in the market.<sup>8</sup>

The process of "replacing higher wage labor", it should be noted, is no longer of practical significance in labor markets dominated by such cheap labor. It was completed in the past, and resulted in several occupations being almost totally comprised of negroes, or of chinese, or other "foreign" elements.

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<sup>8</sup> Dale Yoder, Labor Economics and Labor Problems (McGraw-Hill, New York, 1939) p. 412.

## CHAPTER VI

### Wage Determination under Collective Bargaining

This chapter is devoted to the influence of trade unions on wage determination. Although it may have been at one time quite proper to formulate wage theories while ignoring unionism, or including it in the category of frictions, such is no longer the case.

Marshall regarded unions as little more than "eddies ....on the deep - silent - strong stream of the tendencies of normal distribution and exchange..."<sup>1</sup> His view fits very poorly into the present-day economic picture. Ross says "it is commonplace that wage rates are now determined by conscious human decisions rather than by impersonal market forces".<sup>2</sup> While this may be overstating the case slightly, it is certainly closer to reality than Marshall's statement.

Both on the side of management (the employers), and on the side of unions (not necessarily the workers) there are real decision-making powers to-day. Both parties are organized for the purpose of maximizing something.

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<sup>1</sup> Alfred Marshall, Principles of Economics (8th ed., London, 1930), p. 628.

<sup>2</sup> Arthur M. Ross, Trade Union Wage Policy (University of California Press, Berkeley and Los Angeles, 1948.) p. 4.

In the case of business, the desire is for the greatest possible profits; no one can deny that such is the prime objective of all business. As for the unions, the situation is complicated by the fact that, in many cases, the attainment of power by the union, and not the immediate good of its members, is the goal toward which much effort is directed. Thus, while the worker-members may be anxious to maximize wage-rates or leisure, union policy sometimes seems to be pointing entirely away from such a target.

American (and Canadian) unions are business unions, and their chief business is collective bargaining ... union wage policy can best be understood by examining the operating decisions which are reached in the course of the bargaining process.<sup>3</sup>

The operating decisions have to do with, rejecting or accepting the company's offer, if it makes one, and proposing offers and counter-offers on behalf of the union. They may be regarded as those decisions whereby wages are set within certain limits. The final wage, which will be given in the wage contract, will be closer to either the upper or lower limit depending on which bargaining unit is in the stronger position.

Ross, whose argument we shall follow rather closely, goes on to assert that "the typical wage bargain is necessarily made without consideration of its employment effect."<sup>4</sup>

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<sup>3</sup> ibid. p. 11.

<sup>4</sup> ibid. p. 14 For example, will a cut in wages allow increased employment?



This may seem to be an affirmation of the neo-classical theory which regards union activity as rather futile, and liable to do more harm than good to the worker. Actually it is not. Even if the union leader is unaware of the more modern idea of the wage-rate employment function<sup>5</sup> he will be under greater pressure by employed members to oppose wage cuts, or to force wage increases, than by the unemployed who might favor lower wages, and have nothing to gain from high ones.

The fact that unions do permit wage reductions can be attributed to the union leader's desire to maintain good bargaining relations with the employer. This is suggested by Wyckoff,<sup>6</sup> in connection with a wage cut accepted in 1921-22, when she says: "The question arises as to whether the wage reductions were not more the result of a policy of buying union security...".

This policy would certainly be appropriate in time of depression, for at such a time, the employer, finds his revenue declining, and must cut costs if he is to stay in business. If labor costs make up an important proportion of his total costs, then wages must be reduced. The employer takes the initiative, and the union will usually comply.

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<sup>5</sup> That is, that they will normally increase together or decrease together.

<sup>6</sup> V.J. Wyckoff, The wage policies of industrial organizations in a period of industrial depression, (Baltimore, 1924), p. 99.

When employment is at a high level, and particularly during a sharp rise in the level of economic activity, the situation mentioned above will be reversed. Then, the employer's costs are temporarily stable or rising slowly, but his revenue is increasing rapidly. He may, therefore, voluntarily offer increased wages, if only to assure himself of an adequate, efficient labor force for the approaching high-profit period. Where the employer is not so foresighted, the union will not delay in proposing wage increases, and when necessary, will strike to get them.

We asserted earlier that the union as an organization is interested in maximizing something. Dunlop suggests the total wage bill as the object of the desired maximization.<sup>7</sup> To this idea Arthur Ross objects, and maintains that where the demand for labor is elastic unions would seek the maximum by demanding wage decreases.<sup>8</sup> This might be true if a maximum wage bill were the only desire of the unions, if the high elasticity were recognized, and if a majority of the union members (who would have to vote on a strike) were as anxious for a maximum total wage bill as for a maximum personal income.

There can be little doubt that the ultimate goal of

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<sup>7</sup>John T. Dunlop, Wage Determination under Trade Unions (New York, 1944), p. 119.

<sup>8</sup>Ross, op. cit., p. 14.

all unionism is a higher proportion of national income for organized labor, a sort of co-purpose is the attainment of greater political power for the union itself, and in particular for the union leaders. In fact, it is difficult to tell which of these two is regarded by the union leaders as most important.

In the beginning, we might say, there was no wage-labor. There was also no unionism for the two were born together. Undoubtedly, in the early days of capitalistic production, wages of common labor were based on the subsistence of the worker. Exploitation, intentional or innocent, of the worker was commonplace, and was unchecked by the small, restricted unions of that day.

As organized labor and capitalism matured, the match between the two became more nearly equal, although the ratio of their strengths fluctuated somewhat with the business cycle. Labor made more and more gains in money, in security, in better working conditions, and the union leader became a figure of greater and greater political stature.

In its search for greater power, which must be carried on as long as the economies of the world are expanding, the union must have regard for two considerations. The first is the well-being of the worker-members who make up its voting strength. They must be assured at least a constant proportion of the national income, and a growing pro-

portion if possible, as long as they are employed; and some arrangement must be made so that they won't starve when unemployed. Hence, wages will be forced up in times of prosperity, and wage cuts opposed in time of recession.

secondly, if the union is to survive it must maintain diplomatic relations with the employer(s), to which class still belong the greater political and economic powers. The union will, therefore, compromise somewhat on its wage demands in times of rising wages, and permit some wage cuts in time of depression. It is between these two limits - the employer's maximum on the one hand, and the worker's minimum on the other - that the worker's wage will lie. Amid the fluctuations of money wages, an average would probably be found at approximately a constant proportion of an increasing national income.

We have still to investigate the effects of union action on the specific matter of wage structures. The task is a difficult one, since the decisions of both employers and unions regarding wages are often seemingly inexplicable. Arthur Ross sets the situation out in a rather poor light:

viewed in the large...our "national wage structure" is a maze of distinctions and differences. Some are more or less in accordance with commonly accepted notions of equity, such as distinctions between skilled and unskilled workers... . These we call differentials. Others exist without apparent reason. These we call inequities.<sup>9</sup>

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<sup>9</sup> ibid. p. 73.

where there are so many unions - of both the industrial and trade type - operating more or less independently of each other, each with rather different classes of members, and each with different political objectives, it would be theoretically inaccurate and practically impossible to relate the whole of the wage structure at any one time to the action of all organized labor. The best that can be done is to note some of the policies of individual unions, and try to connect them with their effects on the wage structure.

In this connection, Ross remarks: "many unions do not have a standard rate, but prefer to charge what the market will bear by classifying employers according to their ability to pay."<sup>10</sup> The musician's union is an example of this type, and rightly so, for all employers of musicians are not equally able (or equally unable) to pay high wages. The result in such cases will be what Ross describes above as "inequities" - wage differences which exist for no apparent economic reason.

In the case of basic steel, the desire seems to be for standard rates in all plants, despite the fact that those in Ontario are much more able than those in Nova Scotia to pay high wages. Ross feels that:

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<sup>10</sup> ibid. p.3.

almost all unions are more interested in the process of achieving uniformity than in uniformity itself. In any case, the doctrine of the standard rate does not explain the particular level which is chosen as standard. <sup>11</sup>

presumably, the rate chosen would be the highest going in the industry;<sup>12</sup> almost certainly it would not be the lowest. The effects of the desire for uniformity will be observed in smaller or disappearing geographic differentials, and smaller size-of-city differentials than purely economic reasoning would lead us to expect. "...comparisons play a large...role as a standard of equity in the determination of wages under collective bargaining.... comparisons are important to the worker."<sup>13</sup> This is a very strong reason for the perpetuation of differentials, even where the economic reasons for them have disappeared. Workers in one trade do think of their wage-rate in relation to that of workers in another trade. Many geographic differentials within a trade or occupation are regarded as quite in order.

It must be remembered, too, that nonmonetary considerations are very important in the wage bargain. Whether, like Reynolds, we define wages as "all the conditions affecting the attractiveness of the job"<sup>14</sup>, or use the more conventional

<sup>11</sup> ibid.

<sup>12</sup> Although in some cases, maximization of the total wage bill is sacrificed for uniformity.

<sup>13</sup> ibid p. 51.

<sup>14</sup> Reynolds, op. cit. p. 271 "...including the basic time-rate or average piece-rate earnings, overtime earnings, shift premiums, bonuses, pension benefits, free medical care,...."

approach of separating monetary from nonmonetary considerations, we must realize that it is the sum of these that makes any job more or less attractive to the worker. Because of this, apparent discrepancies in an otherwise uniform wage-rate structure become more readily explicable.

In conclusion, a further word from Ross seems appropriate:

There are forces in society and in the economy making for uniformity in the wage structure, but they are not merely the forces of supply and demand. Ideas of equity and justice have long permeated industrial society, but the growth of organization has endowed them with compelling force. They provided the substance of equitable comparisons, and they govern the administration of consolidated bargaining structures. They are the strongest equalizing tendencies in wage determination.

Equitable comparisons are highly important to workers, employers, unions and arbitrators. ... They run in limited circuits, however, and not in a single chain throughout the whole economy. It is when the several locals of a single international union centralize their wage policies and consolidate their strategies, when separate industrial establishments are brought under common ownership, when the state plays an increasingly active role in setting rates of pay, when rival unions compete with one another for jurisdiction, when related unions negotiate together for mutual protection, and when employers organize into associations to preserve a common front that comparisons become coercive in the determination of wages. Under these circumstances, small differences become large, and equal treatment becomes the sine qua non of industrial peace. <sup>15</sup>

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15 Ross. Op. cit. p. 74.

## CHAPTER VII

### Canadian unions in wartime<sup>1</sup>

Professor Logan, who is a leading authority on this subject, points out that three main techniques have characterized Canadian unions. The first of these was used by the craft groups which:

operated through wage rules and apprentice arrangements binding upon the members, and (by) inducing employers to go along with their rigid standards thus defined.<sup>2</sup>

As these groups became stronger, and had begun to find their constitutional freedom limited, they turned to legislation. permanent contact with the government was not established until 1885 with the formation of the Trades and Labour Congress. In about 1880, unions in the building trade had begun to bargain collectively, and this method was to become the most important mode of expression for Canadian unions.

Growth in Canadian labour organization has not followed closely the growth in numbers of wage-earners, or the expansion in manufacturing. There was considerable growth during world war I, but this was more than offset by shrinkage between 1921 and 1933. The great upsurge in

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<sup>1</sup> The principal source of material for this chapter is, H.A. Logan, Trade Unions in Canada (Macmillan, Canada, 1948)

<sup>2</sup> ibid. p. 1



coverage and membership occurred during the period 1943-46, and is still going on. During the latter period, too, Canadian labor made its greatest gains in power. A first taste of power was the representation of labor on conciliation boards under the Industrial Disputes Investigation Act. Because of extreme limitations of their powers in this direction, and because of employers early and general refusal to cooperate, the labor representatives pressed for, and received, seats on the newly formed National Labor Supply Council.

In this body too, however, labor's voice was weak and often uncalled for. Labor still demanded equal representation in policy-making. Their requests were met early in 1944, the long-awaited promise of compulsory collective bargaining was made in Order-in-Council P.C. 1003.<sup>3</sup> At the same time, the first Industrial Production Cooperation Board was set up in Ottawa, on which board labor was given equal representation with management.

Regarding Labor's war-time wage policies, professor Logan remarks: "It can scarcely be said that organized labor entered the war with any definite ideas on wage policy other than those applicable to normal peace-time conditions."<sup>4</sup>

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<sup>3</sup> see appendix

<sup>4</sup> *ibid.*, p. 529.

As we suggested in the previous chapter might be the case in late 1939 and early 1940, many employers gave round-figure advances in anticipation of rising living costs and (more important) rising profits.<sup>5</sup>

As a first indication of labor's recognition that somewhat "abnormal" policies might be in order, Dr. W.A. Mackintosh<sup>6</sup> described the need for, and possibility of conscious control over wage-rates. He suggested the wage-rates of 1929 as suitable criteria, with adjustments to be made where necessary. Further, wage contracts might provide for bonuses to offset changes in the cost of living.

This suggestion was, in the main, carried into effect by order-in-council 7440,<sup>7</sup> which appeared in December, 1940, but which applied only to those industries in war production and others covered by the I.O.I.A. Order 7440 became the topic of much debate between labor and government, and even within labor organization. The C.C.L. at first supported it, but later found it was being interpreted too narrowly, particularly in the matter of the necessary adjustments. The more conservative T.L.C. was inclined not only to accept the order, but to permit a widening of its application through

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<sup>5</sup> Ibid. p. 528.

<sup>6</sup> In an address entitled "Wage policy in war-time" at the fourth Industrial Relations Conference, Queen's University, 1940.

<sup>7</sup> see Appendix.

extension of the I.D.I. Act to all war production.

In October, 1941, order 7440 was replaced by Order 8253,<sup>8</sup> which extended the provisions of the previous order to all profit-seeking industry. Objections continued, mainly centered around the upward inflexibility of wage rates which were still unduly low. It was suggested on several occasions that where a worker was receiving less than 50 cents per hour or \$25. per week, he should be unhindered in seeking pay increases. Also desired were equal pay for men and women doing the same work.

While we must beware of placing too much importance on slogans (always part of organized labor's fighting equipment), there seems to be strong evidence that during the war labor was concerned more with "living standards" for wages than with any sort of base year comparisons. The war period was one of a "seller's market" for labor, and it must be recognized that organized labor was out to make what gains it could while the advantage lasted. Where wage-rates were fairly high anyway, a system of bonuses, or actual pay increases, to offset the rising cost of living would be acceptable, though not necessarily satisfactory. Where, however, wage-rates were traditionally low, greater absolute increases were necessary to raise the worker's living standards to a more satisfactory level.

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<sup>8</sup> see Appendix.

We observe two main tendencies - first, a trend toward less dispersion of wage-rates between occupations, and secondly, larger percentage increases in wage-rates where the pre-war rates were exceptionally low. The trend toward equality should appear also in a geographic comparison.

### The steel unions

The first organization of steel-workers in Canada was the Knights of Labor - a craft union. Next came the Amalgamated Association of Iron, Steel, and Tin Workers, which started in Sault Ste. Marie in 1914. This latter organization was most concerned with the more highly paid skilled workers, such as rollers, heaters, pridders, and roughers. But some of these crafts were displaced by changing methods, and more semi-skilled and unskilled workers began to be used. Also, it was never strong enough to fight the combinations of capital which are characteristic of such heavy industry. The Canadian attitude seemed to favor industrial unionism, and even though several lodges of the Amalgamated turned in this direction, the whole institution disappeared finally about 1931.

The chief factors affecting the development of organization in steel during the second world war were the greatly increased demand for labor, the government's desire for continuous and ever-expanding production, increased

financial support of the newly-formed international union, and the appointment of C.H. Willard as Director of the S.W.O.C.

Professor Logan suggests, "the Willard generalship must be studied by those who would understand developments in a large sector of industrial unionism during the war years",<sup>9</sup> and goes on to list the "focal points of the new Director's strategy."<sup>10</sup> These include: an emphasis on basic rates as a first essential in wage demands; attention thereafter to differentials through adjustments; uniformity of rates for similar work throughout the industry and beyond;<sup>11</sup> getting one firm up and then playing on the rest of the field to bring them into line; a free use of government boards to raise and equalize wage rates; a large use of political power expressed usually through a party chosen by labor's majority to work side by side with forceful bargaining.

Three phases, or incidents, in the steelworkers wartime activity were outstanding, according to our authority. These were (1) The peck rolling mill case; (2) the basic wage case against Posco and Algoma, and (3) the struggle with the National Steel Car, Co.

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<sup>9</sup> ibid., p. 256.

<sup>10</sup> ibid., p. 257.

<sup>11</sup> Thus, equal wages are demanded for steel-workers in Sydney, Hamilton, Sault Ste. Marie.

In 1940, the wages paid in the Peck Rolling Mills<sup>12</sup> were well below those in most other primary steel plants. When Order-in-Council 7440 appeared, the Peck Mills union argued that the object and purpose of the order was national equalization of wage rates, and demanded that rates at the Peck Mills be adjusted accordingly.

The first board decision went against the union, however, and the steel workers were provided with more arguments against the order. It is fairly obvious that in the matter of defining low wages the order failed to face such social realities as the adequacy for decent living and the ability of companies to pay. The union took up this line of attack, with their objective uniform basic rates in basic steel along with a general advance.

With regard to the case against Dosco and Algoma, it should be noted that these two were fairly well organized. The Hamilton plant (Stelco) was inadequately organized, but was at the same time the leader in wage rates.<sup>13</sup> At a conference of representatives of the four basic steel plants in 1941 a committee was set up to present to the

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<sup>12</sup> A branch of Dosco, situated in Montreal.

<sup>13</sup> The management of Stelco knew that by keeping their rates slightly above the other plants they not only kept the men more satisfied, but made it more difficult for union representatives to interest the workers in organization.

national war Labor Board the steel workers' case. Their objectives were a minimum basic rate of 55 cents for all steelworkers; and wage standards for the various classifications of workers, based on the highest rate in the industry.

After failure with the Nova Scotia and Ontario Regional Boards, the case was referred to a Royal Commission for study. Once again, however, an order-in-council was interpreted too narrowly, and the commission decided against the steelworkers. Not until January, 1943, with a strike already called, did they get a satisfactory reply, this time from the prime minister, incorporated in order-in-council 689. The final result was a basic rate in the two plants of 50 cents, plus 9 cents cost-of-living bonus, and the assurance that minimum earnings in the two plants should not fall below 55 cents for the duration of the war.

Early in 1941 complaints came from members of a steelworkers' union in the National Steel Car Corporation in Hamilton. The company was accused of discrimination, failure to recognize the union, and of unsatisfactory wages-hours conditions. The report of the I.D.I. Board which was appointed was ignored, and the workers struck. Among the recommendations of the board was a referendum to determine whether or not the workers wished to be represented by the S.W.O.C.; if so, it would be the company's duty

to negotiate with the union, to come to some arrangement satisfactory to both.

When the company refused to cooperate in taking the vote, and solution of the problem under such circumstances seemed remote, a government controller was placed in charge of the plant. On the assurance that the controller could and would reverse the company's decision of refusal to negotiate, the men returned to work. The referendum was taken, and was found to favor representation by the S.W.O.C.

No sooner had a committee been set up, however, than the controller refused to deal with it, claimed incapacity as a government appointee to recognize the union, and handed down his own decisions. Actually, the resulting wage-hour arrangements were fairly acceptable; but refusal to recognize the union meant that the same difficulties might easily occur again, and would again have to be repaired by the same slow methods. In fact, the workers struck again only three months later, on July 28, but returned to work on August 3 as a result of mediation by the departments of Labor and Munitions and Supply. The first controller was replaced, and negotiation carried on more successfully.

In July 1946, amid a flurry of important but smaller disturbances, the steelworkers walked out of the three



basic companies. The issues were fairly clear - reduction of the work-week to 40 hours, with a minimum base rate of 84 cents per hour. The wartime tension, which should have ceased two years before, was still in evidence. Wage adjustments to the cost-of-living were slow and unsatisfactory. Finally, the government had allowed a price increase of \$5 per ton on steel. Workers felt that they should receive more of the increased productivity which war-time expansion had shown was possible.

Forewarned of the strike, the government appointed a controller for the industry, but the strike call was unhindered. At Algoma and Dosco, the plants were stopped completely. But, at Stelco in Hamilton, a crew of strike-breakers, numbering about half of the normal work force were housed and fed on the company premises for the duration of the strike. It is interesting to note that the pay for strike-breaking, aside from free bed, board, clothing and even entertainment, was at the going hourly wage-rate, based on a 24-hour day.

How long the strike would have lasted without government interference is difficult to say. The strikers would certainly have found their position difficult had they tried to carry the strike on into the fall. On the other hand, it is open to question how long the company could have borne the more-than-tripled wage costs. As it happened,

the government did interfere, reviving the parliamentary standing committee on Industrial and International Relations, and ordering it to investigate the strike through public hearings.

Before this committee, both Willard for the union and Hilton for the company gave lengthy evidence. Probably the deciding factor in ending the strike so soon was public opinion, which was well-informed of the proceedings through both press and radio. When the strike did end, the original demand of a 19½ cent hourly increase had been compromised to 13½ cents, and the 40-hour week request was dropped. The most important gain for the union was achieving a uniform wage rate in the three plants.

## CHAPTER VIII

### Conclusions

We have attempted to give, at the ends of some of the preceding chapters, a concise summary of the findings contained therein. At the risk of some repetition we shall try to bring under one heading a short review of what has been discovered in the course of this study about the Canadian wartime economy in general and Canadian wartime wages in particular.

We found that in 1939 the Canadian economy was just beginning to recover from the great depression, and that unemployment of labour was still a great national problem. With the beginning of war and Canada's immediate participation in the supplying of both troops and war material, the labour reserve was rapidly diminished. By 1944, the country had reached virtually full employment.

This expansion of the economy would necessarily have involved rising prices and rising wages as full employment of resources was approached. To prevent undue rises in either prices or wages rigid controls were imposed and rationing of necessary consumers' goods was instituted. That such measures were highly successful is witnessed by the remarkable stability of the economy, and the general improvement in the economic condition of the Canadian people. Even the reconversion of industry from war- to peacetime production was accomplished without any

considerable difficulty.

We found that all wage-rates increased during the war, the most rapid increase occurring in the first four years, particularly in the third and fourth. We studied wage-rate increases in the ten main industrial groups in Canada - Logging, Coal Mining, Metal Mining, Water Transport, Manufacturing, Steam Railways, Electric Railways, Laundries, telephones, and construction, and found that percentage increases in wage-rates over the war period varied from one group to another. In general, those industries which were paying the lowest rates in 1939 showed the greatest percentage increase. In other words, inter-industry differentials were smaller in 1946 than in 1939.

The relation of increases in wage-rates to increases in employment was not clearly defined, with the possible exception of two periods - 1941-1942 and 1942-1943. In these last two cases there was a suggestion of positive correlation between the yearly relatives of employment increases and wage-rate increases.

In our size-of-city study of the three construction trades we found a positive correlation between size of city and hourly wage-rates for both of the two years studied. The variation, or dispersion, of wage-rates over all the cities was found to be smaller in 1946 than in the earlier year, and we took this to mean that size-of-city differentials

were becoming smaller.

The study of the manufacturing industry was not as comprehensive as we first intended. Comparison of differentials at the beginning and end of the war period was found to be impossible because of the lack of suitable data for the first three years. We were nevertheless able to conclude that much the same things were true about the fourteen or fifteen sub-industries of manufacturing as we found to be true about the ten industrial groups which included manufacturing.

The ranking of industries by size-of wage-rate had not been altered substantially during the war. There was some tendency for the highest percentage increases in wage-rates to be associated with those industries which paid the lowest wage-rates in 1939. Again we interpreted this as indicating a narrowing of inter-industry differentials.

Our geographic survey of manufacturing as a whole was limited to the year 1945. We found that despite an expected tendency toward country-wide equality, wages were still considerably lower in the maritimes and quebec than in ontario, and somewhat lower in ontario than in british columbia.

The study of manufacturing divided into durable and non-durable goods yielded results which were quite in accord with both the historical and theoretical background.

Average earnings in durable goods production increased for the first four years, while the war machine was expanding, and then declined slightly. We attributed a large part of the decline to the reduction in overtime pay. Wages in non-durables rose less rapidly than those in durables, but suffered no decline, and continued to rise steadily until the war's end.

With regard to the theoretical determination of wages, we began by outlining briefly the marginalist doctrine. We found it necessary to modify the theory to explain wage determination under conditions of economic expansion from a period of slack employment to one of near-full employment. Allowance had to be made also for the restrictions on competitive bidding by employers, and for government-imposed wage controls.

Examining the situation as it really was, we found that while unemployment still existed (in 1939, 1940, and 1941) wage-rates would not necessarily rise proportionally with increased employment. In fact, we might expect rather erratic movements of wage-rates, and no tendency toward a general uniformity. Wage-rates would nevertheless begin to rise fairly rapidly before full employment was reached. The expected rapid rise in wages when war production was expanded in conditions of full employment did not occur, because of wage controls, and because, soon after the country achieved

full employment, the production of war material was curtailed.

In the matter of the effect of unionism we decided that unions are primarily interested in maximizing union strength. They are not concerned too much with the total wage bill, but with the largest possible wage-rates compatible with union security, that is, the largest possible share of the national income for members who are employed.

Finally we examined specific cases of union policy during the war. We found that certain aggressive elements in organized labour were unwilling to accept the government's dictum which "chained labour to its present inadequate share of the national income", and were anxious to take advantage of the seller's market for labour. Responsible unionism did not take this stand, and in general went along with the Canadian government and people in the prosecution of the war effort.

In the case of the steelworkers, the main purpose of their final (actually postwar) strike was not the large increase in wage-rates which they demanded or even a forty-hour week, but the equalization of wage-rates in all the basic steel plants. This they achieved.

APPENDIX 1

## summary of Dominion Orders-in-Council of especial interest to labour issued during world war II

P.C. 3495, Nov. 7, 1939, amended by P.C. 1708, March 1941 - extended the Industrial Disputes Investigation Act, which normally applied only to mines, transport and communication facilities and certain public utilities, to cover defence projects and all industries producing munitions and war supplies.

P.C. 2685, June 19, 1940, contained a declaration of principles for industrial relations during the war. Through it the government sought the avoidance of industrial strife and the utmost acceleration possible in the production of goods essential to war. It recommended that fair and reasonable standards of wages and working conditions should be observed, that there should be no undue extension of hours, that proper precautions should be taken where a shift system was introduced to ensure safe and healthful conditions of work, that the right of workmen to organize in trade unions and to bargain collectively should be recognized, that disputes should be settled by negotiation or with the assistance of government conciliation services, and that collective agreements should provide machinery for adjusting grievances.

P.C. 2686, June 19, 1940, provided for a National Labour Supply Council to advise on any matters touching labour supply for industry which might be referred to it by the Minister of Labour. It originally consisted of 5 representatives each of employers and labour and an impartial chairman, but by P.C. 552, June 24, 1941, the representation on each side was increased to 6 by the addition of railway representatives. On Feb. 24, 1943, the council was abolished by P.C. 1426, but 3 months later a Consultative Committee on Labour matters was set up by P.C. 26/4430 consisting of employers' and workers' panels of 7 members each whom the minister might consult either separately or jointly.

P.C. 5922, Oct. 25, 1940, created an interdepartmental committee on labour co-ordination with the functions of anticipating and devising means of meeting labour requirements, co-ordinating the activities of federal agencies and securing the co-operation of the provinces. It was expected

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<sup>1</sup> H.A. Logan, Trade Unions in Canada, (Macmillan, Canada, 1948.) p. 15.



to consult the National Labour Supply Council, "in order to secure the considered judgment of employers and employees on measures and practices proposed, with a view to obtaining their co-operation." When the N.L.S.C. was abolished the executive committee of the National War Labour Board were named members of the Interdepartmental Committee.

P.C. 7440, Dec. 16, 1940, gave first expression to the government's wages policy involving a definite ceiling on wages in war industry. It applied to industries coming under the I.D.I. Act as extended and served as a guide to boards created under that Act. A full statement of its terms appears later (pp. 530 ff.). In June, 1941, it was amended by P.C. 4643 with the intention of clarification. On Oct. 24, 1941, it was repealed and replaced by P.C. 8253. The latter, which was flanked by the government's comprehensive price control policy, extended wage control to all employers and practically speaking generalized the principles of P.C. 7440. Wage rates were stabilized at the level of Nov. 15, 1941, though provision was made for the raising of rates which were unduly low. The cost of living bonus already introduced under 7440 was also generalized and made more flexible. Provision was made for permanent enforcement machinery in the form of a National War Labour Board which with the assistance of 9 Regional War Labour Boards administered the order and the Government's fair wages policy. The boards in each case consisted of an independent chairman and an equal number of employers' and employees' representatives. By P.C. 5963, July 10, 1942, the order was amended but brought no fundamental change. It defined the basic wage rates in terms of a range of wage rates as well as of a single rate by means of which an employer might, without special permission, increase or decrease the rate paid to a worker if the increase or decrease were within the limits of a range. He could change it also if the worker had been promoted or demoted, or if a work element forming part of the operation he performed had been added or removed. By P.C. 9384, December, 1943, the bonus system was dropped, the amount standing as of Jan. 1, 1944, being incorporated in the general wage. Wage increases henceforth were to be granted only where gross irregularities and injustices existed and where it could be shown that the increase would not require a rise in the price of the product. By P.C. 1727, March, 13, 1944, these restraining clauses were swept away. For detail of 9384 and its amendment see p. 540.

P.C. 4020 June 6, 1941, provided a new instrument in the Industrial Disputes Inquiry Commission calculated to supplement and in many cases make unnecessary the appoint-

ment of formal boards under the I.D.I. Act. By P.C. 4844, issued a month later, flexibility was further enhanced by stating that a commission could consist of one or more of its members and imposed on a commission the duty, under direction of the minister, of examining allegations regarding discrimination against workers for trade union activity or coercion of workers into joining or refraining from joining trade unions. The use of regular conciliation officers of the department to perform this role tended to standardize investigation and bring treatment of disputes more definitely under government control. By P.C. 7307, sept. 16, 1941, amended two months later by P.C. 8821, strikes were prohibited until after the taking of a ballot of the workers concerned. The Minister of Labour was to be informed of a proposed strike after which he might at his discretion direct that a vote be conducted among those who in his opinion were affected by the dispute. A strike may take place thereafter only if a majority of those entitled to vote are in favour. P.C. 10802, Dec. 1942, declared the right of employees of Crown companies to join unions and bargain collectively. By P.C. 1003, Feb. 17, 1944, the government declared its labour policy with respect to collective bargaining, set up machinery for its assistance and furtherance and named and prohibited malpractices in industrial relations by both employers and unions. In bargaining, Labour was accorded the right to representatives of its own choosing; negotiation was to be carried on in good faith; employers were forbidden to discriminate against workers for belonging to unions; union organizers were not to coerce workers to join or to canvass on the premises on company time; finally, a War-time Labour Relations Board (with supplementary provincial regional boards) with equal representation of labour and employers and third party chairman was provided to administer and enforce. Its responsibilities were to define the bargaining unit, certify the representatives of labour (holding elections if necessary to determine them) and to see that negotiations were carried on in good faith. If at the close of 30 days an agreement had not been reached the Board, at the request of either party, could ask the minister to appoint a conciliation officer to assist further negotiation. If within 14 days (or such longer period as the minister might allow) the matter was still unsettled this officer was to report to the minister who was required thereupon, if recommended by the officer, to appoint a conciliation board of three members which in turn was to consult with the parties and attempt to effect an agreement, reporting also its findings to the minister. If the board, in turn, failed, the minister was to send a copy of its report to the parties and to the Labour Relations Board and he might publish it in such manner as he saw fit.

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