

UNEMPLOYMENT INSURANCE

FOR CANADA

by

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C H A P T E R 1

UNEMPLOYMENT

ITS SOCIAL AND ECONOMIC COSTS.

INTRODUCTION

The unemployment of large numbers of people in Canada has become an important public problem, gravely affecting the health, morals and general welfare of the people of this Dominion. Because of changing industrial conditions, most of this unemployment is involuntary, and caused by conditions beyond the power of prevention by the unemployed person. The worker is exposed to the risk of unemployment from a variety of reasons, such as, rapid shifts in demand; the development of substitute products; introduction of machinery; technological improvements; business reorganization, and mergers. The type of unemployment, however, that falls with the most crushing weight upon the worker is that which results from industrial depressions. In such prolonged periods of unemployment, the worker's resources are diminished or even exhausted, and he is often forced to turn to public or private charity.

During periods of unemployment and depression, the lack of a systematic provision for the eventuality of unemployment brings about an unfair and unjust distribution of its inevitable costs. Employers, not having set up previous reserves against unemployment, are unable, because of declining business income, to maintain their labour force. The expense is thus thrown upon the individual worker, private charity and public relief. Landlords and tradesmen

continue to give credit to the unemployed, often at a heavy loss to themselves. Many families are thrown upon relatives for support. The relief of the unemployed diverts community funds from their proper functions, such as, care for the socially maladjusted, and permanently defective and dependant individuals. Funds are appropriated by municipal, provincial and dominion governments for necessary relief, thereby making taxes unduly burdensome when people can least afford to pay them.

THE PROBLEM CONSIDERED

The problem of unemployment lies in a very special sense at the root of most other social problems. Reasonable security of employment for the bread-winner is the basis of all private duties and all sound social action. At one time, this reasonable security was assumed as axiomatic, but of late years, it is the insecurity of labour which has become axiomatic. Thus, there has been a steady growth of the sense of public responsibility for the case of the unemployed. This has resulted in a growth of knowledge and understanding. The last census, for example, made a definite point of finding out just how many people were unemployed, and why.

The evil to be analyzed is that of the maladjustment between the supply of, and the demand for, labour. Therefore, the problem which we will consider will deal, not with a palliative alone, but with a method by which this maladjustment may be diminished. With this in view, the problem of Unemployment Insurance must be approached as a constant influence upon the whole system of industry and labour, and not from the standpoint of a temporary relief measure.

There are, no doubt, economic forces which tend in the long run to adjust supply and demand in regard to labour as in regard to

all other commodities. The adjustment of the supply of labour to demand is only of the most general character, and the demand is ultimately governed by the supply. The process of adjustment, moreover, is not, and can not be, checked in the long run by deficiency in the demand for the products of labour, because the total demand for these products might be regarded as infinite. Sir Wm. Beveridge comes to the conclusion that Unemployment does not represent "general failure of adjustment between growth of the supply of labour and growth of the demand" but that it "does represent specific imperfections of adjustment", which are due chiefly to changes in the industrial structure; fluctuations in industrial activity; and the excessive labour reserve caused by lack of centralized organization and improper coordination of labour and industry.

ECONOMIC LOSSES OF UNEMPLOYMENT

- (1) Loss in Wages to the Workers. This loss causes a great contraction of purchasing power, and fear of unemployment causes a further contraction.
- (2) Loss of markets to merchants and manufacturers. The extent of this loss is shown in the gross value of production for Canada. The figures are:-

1929	-	\$6,846,000,000
1930	-	5,602,000,000
1931	-	4,158,000,000
- (3) Loss from unused fixed capital. This loss is obvious, since so many industries are operating at a small percentage of their capacity.
- (4) Loss from restriction of output on the part of workers, induced

by fear of unemployment. This loss results from the tendency of workers to make work "last" by reducing their efficiency and productivity. This loss is offset somewhat by those workers who have to work harder in order to hold their jobs.

SOCIAL EFFECTS OF UNEMPLOYMENT

In spite of all provisions for dealing with distress from unemployment, many families have been broken up and children taken from their parents to be placed in institutions and foster homes, because of lack of employment of the bread-winner. It has become a matter of public concern that numbers of homeless boys are wandering over the country, exposed to all the temptations of vagrancy and crime. The insecurity, strain, undernourishment and even hunger of children, many of whom have not proper clothing, has had devastating effects upon them, and may permanently affect the character and health of these future citizens of our Dominion. The reluctance of self-respecting, self-supporting citizens to apply for charity has often caused bitter suffering screened from the public eye.

In addition to having a pronounced effect on physical health*, a prolonged period of unemployment has often had a detrimental effect on the mental health of the victims. Cynicism, and loss of confidence in society and respect for government, have been growing. Rioting and demonstrations by the unemployed have appeared in certain centres. The hopelessness resulting from months of unemployment is undermining the initiative, responsibility, self-reliance and self-respect of the individual unemployed and their families.

*United States Children's Bureau, Bulletin #125.

THE PURPOSE OF THIS THESIS

These conditions cannot be prevented as long as things remain as they are. There seems to be only one solution to the problem, and that obviously is steady employment. Lacking this solution, many people believe that unemployment insurance would be a great help in stabilizing the purchasing power and morale of the people. On the surface, this idea appears reasonable. In a system as presently organized, business cycles are inevitable. Unemployment caused by the recurrence of these cycles is so inseparable from the system as to make it a risk incident of business and industry. Why not have government and industry build up reserves in good years to meet this occurrence? This, it is claimed, would shift the burden unto the shoulders of those who should rightly bear it. It will be our task to review the question of Unemployment Insurance and its suitability for Canada.

CHAPTER 2.

PAST ATTEMPTS AT THE SOLUTION OF THE PROBLEM.

HISTORY OF UNEMPLOYMENT

Unemployment is no new thing. Ever since men began to congregate in large groups, certain among them have had little or no work. In Attica in 410 B.C., the State, becoming concerned over the large numbers of unemployed, began a relief system which paid two obols a day (about six cents) to each needy person. This principle was bad, however, and because of the increasingly heavy outlay required, the State had to cancel the idea. Thus, the first recorded system of unemployment relief was a failure. Rome, too, had its unemployment problems and the Emperors tried to placate the mobs by bread and shows. The unemployment in these times was due to the lack of a labour market in cities, there being no large-scale production. The farmer, forced off the land, could find no job. The Greeks and Romans knew the problem but could not find the solution. All through the Dark Ages unemployment was expressed in brigandage, but with the rise of the modern industrial system, unemployment became a more pressing problem. However, with the New World as a safety valve, the problem did not become overwhelming. In recent years, however, the problem has become of major proportions and much thought is being given to its solution.

LABOUR LEGISLATION IN ENGLAND

In order to trace the evolution of public responsibility as regards to the labour force, it might be well to give briefly an

outline of English Labour Legislation.

The first step taken by the government in England to control the conditions of labour took place after the economic dislocation caused by the Black Death in 1348. The Ordinance of Labourers was formulated to guarantee a steady and adequate supply of labour at wages prevailing before the Plague. In 1536, in the reign of Henry The Eighth, an Act was passed making it an obligation of the Parishes to look after their destitute. In 1562, The Statute of Artificers reaffirmed the Ordinance of Labourers, and its additions were formed to curb social and economic instability by preventing indigence through compulsory employment and apprenticeship, and by restricting the migration of workers. Its provisions were closely related to the Elizabethan Poor Law, which provided sustenance in return for a certain amount of relief work. This provision was inserted to decrease the beggary and vagrancy which had become so prevalent. The Act of Settlement of 1662, was formulated to keep people inside their own Parish, and so giving each Parish only its own poor to look after. With the consequent immobility of labour, industry was strangled, until in 1795 the Act was changed so that only destitute people could be sent back to their Parishes. Just previous to this time, Gilbert's Act had improved poor-law administration and introduced less narrow and more humane regulations.

In 1795, in the Village of Speenhamland, it was decided to supply the destitute with monetary assistance, which was to vary with the price level. This became known as the Speenhamland Law and it was widely adopted throughout the Kingdom. The principle brought out, was that every man had a right to a minimum of sub-

sistence, and if he was unable to earn it, society owed him that which he lacked. In the early part of the 19th century, the relief became a crippling burden and in 1832 a Royal Commission made a survey of the system. A new system was the outcome of the deliberation.

The New Poor Law system of 1834 laid down the cardinal principle that relief should only be given to the able-bodied poor and their dependants in a well-regulated workhouse, under conditions inferior to those of the humblest labourer outside. Naturally there was much discontent, but the cost was reduced tremendously. The development of democracy and the growth of a humanitarian feeling lessened the harshness of the system, but the system has come through the years with no major changes, although it has often been found inadequate and unjust.

The Old Age Pension Act, marked a step in humanitarian legislation when, in 1908, it took many aged people off the Poor-Law Relief. The next great change in Labour Legislation took place in 1912, when an Unemployment Insurance Act was passed as an experiment. The War put aside any thought of Labour Legislation but in the dislocation after the war, the Poor Law System, coupled with the Unemployment Insurance Act, could not prevent widespread suffering, and so outdoor relief was given freely. Neville Chamberlain tried to bring out a reform in 1925, but nothing was changed and the Poor Law remains a severe burden on the country. The cost of the Poor Law system in 1928-1929 was about \$200,000,000 for England and Wales, and when \$270,000,000 is added for Unemployment Insurance, the burden is indeed great.

HISTORY OF UNEMPLOYMENT INSURANCE

The National Unemployment Insurance scheme of Great Britain was instituted in 1912, its objective being to provide assistance during unemployment to contributors insured under the scheme. Prior to this there was no national system of compulsory insurance. However, from the middle of the 19th Century, the need of insurance had been recognized and several trade unions and friendly societies had collected funds to assist unemployed members. The use of public funds for this purpose was first applied in Switzerland in 1893, when several towns and cantons established voluntary funds - St. Gall first applied a compulsory system but it lasted only two years. A more general and successful system was developed in Ghent in 1900, in which the local government supplemented the benefits paid by trade unions or voluntary unemployment funds, to their members. This scheme received most support in Belgium, Holland and France.

The British scheme of compulsory insurance was first applied to a few trades by way of experiment. Since there was a comparatively small amount of unemployment from 1912 to 1920, the fund had a balance in 1920 of \$111,000,000. An Act in 1920 extended the scheme to all manual workers earning less than \$1,200 a year, with the exception of farmers, domestic servants, pensionable teachers and permanent employees of local authorities and public utility companies. Just at the time when this Act was coming into force, the great depression began, and the number of unemployed increased rapidly. As a result, there has been a continuously heavy drain on the fund, a fact which has necessitated almost a score of Acts, changing the system to such an extent as to make it almost entirely new. Practically anyone over sixteen who shows that he is able and willing

to work, can receive benefits indefinitely. This departure from the actuarial basis has resulted in an enormous debt to the government but the latest press reports still pronounce the scheme a success, taking all things into consideration.

At the present time, there are slightly less than fifty millions of labourers in the world who are covered by Unemployment Insurance of a governmental nature. Of this number, 90% are covered by compulsory legislation and the remainder by voluntary systems. Except for approximately 150,000 workers in Queensland, and a small number in New Zealand, this body of insured persons is confined to the British Isles and Europe. In the United States and Canada, the only unemployment insurance is that sponsored by trade unions and employers benefit plans, or schemes set up by employers and workers jointly. There is, however, a movement in the United States and Canada for Unemployment Insurance, and various schemes have been proposed.

WHAT CANADA HAS DONE ABOUT UNEMPLOYMENT

Canada's unemployment problem was not of a serious nature prior to 1921. Canada had been expanding at such a rate that the demand for labour had always been nearly equal to the supply. The demand began to fall in 1914 but the Great War temporarily raised it again. After the War, the labour market became glutted due to 350,000 returned soldiers becoming eligible for productive labour. Large scale relief was found necessary and a total of \$7,000,000 was spent in the winter of 1919-1920. The government also spent over \$80,000,000 in placing returned soldiers on farms.

From 1920 to 1930 the Dominion Government was not bothered

with unemployment relief, this being left to municipal and provincial authorities and charity, but in 1930 the Dominion Government had to pass the Unemployment Relief Act specifying that the sum of \$20,000,000 be expended in assisting a program of public works and relief. In 1931, Parliament enacted the Unemployment and Farm Relief Act, which was to assist in alleviating distress in Canada - the bill was re-enacted in 1932. In addition, the Relief Act, passed in 1932, provided for direct relief measures in preference to a public works program, because of the heavy expense of the latter. The Act also provided for a back-to-the-land movement in which persons on direct relief could be transferred to a farm, the government bearing the cost. The Relief Act of 1933 provided a Dominion subsidy of \$20,000,000 for relief undertakings, and for assistance in defraying the costs of sale and distribution of natural products.

Thus we see that the work of Unemployment Relief has been under three main headings - (1) Direct; (2) Public Works and (3) Back-to-the-Land movement. Direct relief is only a temporary measure which has no redeeming features, except its simplicity and its ability to keep people from dying of starvation. Public Works programs are sound theoretically but weak in practice; those carried out in Canada thus far have had a range of inefficiency of from five to three hundred percent. in comparison with straight business transactions.* The Back-to-the-Land scheme has not been a success due to various factors such as lack of farming experience of those sent out, and the lack of agricultural equipment on account of the expense entailed. It is a much sounder policy to endeavour to keep the present farmers on the land.

*Canadian Political Science Association, 1932.
H. M. Cassidy.

In the Canadian system of unemployment relief, there are obvious deficiencies and for this reason there have been many suggestions for improvement, among them that of Unemployment Insurance.

In Canada, a few trade unions have unemployment benefits, and in 1930, over \$360,000 was paid out for unemployment and travelling benefits. The President and Secretary of the Trades and Labour Congress of Canada both advocate unemployment insurance of a Dominion-wide character. In Quebec, a Social Insurance Commission, after returning from Europe in 1931, advocated the adoption of Unemployment Insurance, but of a different nature to that of England. Premier Bennett seems to be inclined in the same direction as he states that "the Government will introduce an Unemployment Insurance Scheme, to which the workers, employers, the Provinces and the Dominion will all contribute, before the term of the present Parliament expires in 1935."* At least, serious thought is being given to this branch of social legislation.

*Wolfenden - The Real Meaning of Social Insurance,
Page 33.

NOTE: Since writing the above, the Toronto Daily Star of February 17, 1934 states that Premier Bennett advises he will not introduce an Unemployment Insurance scheme during his term of Government, because of the heavy cost entailed and because such a program could not be started during a depression.

CHAPTER 3

UNEMPLOYMENT IN CANADA.

SOURCES OF INFORMATION CONCERNING UNEMPLOYMENT

1. The census figures are the most reliable data we have for finding the extent of unemployment in Canada, but they have two great limitations, (a) the figures are only collected decennially; (b) they deal with only half of the labour force - the wage earners. The figures, however, are quite accurate as far as they go.
2. The Dominion Bureau of Statistics receives reports each month from most of the larger employers of labour throughout Canada, in all industries except agriculture, fishing, hunting and highly specialized businesses. These reports are arranged into an employment index which gives a general idea of employment, but which has several limitations, such as: (a) it represents only the number of people at work; (b) it is not weighted for the secular trend; (c) it does not consider the number of days the people are employed; (d) it covers only about one-fifth of the labour force; (e) the index number is difficult to adapt to other data.
3. The Department of Labour receives reports from local trade unions throughout Canada, showing the numbers of members who were unemployed during the period under review. These figures are arranged in a percentage of unemployment and this is readily adaptable to other data. The main limitations of these reports are, (a) they cover only organized labour - a small part of the total labour force; (b) they do not consider the days of unemployment suffered by the workers.

4. The Department of Labour receives reports from the sixty-four offices of the Employment Service of Canada, showing the number of applications for work, the existing vacancies, and the number of people placed in positions. These figures are of little value when estimating unemployment.

In estimating unemployment for 1931, the census figures make our task comparatively easy, but for 1933 the most adaptable figures are those supplied by the Trade Unions. On June 1st, 1931, the percentage of unemployment, according to the census figures for wage-earners, was 18.6. The Trade Union figure for the same date was 16.3%. There is an evident lack of correlation here, but this is due perhaps to the fact that the wage earning class includes a greater proportion of casual labourers, women and adolescents, among whom the unemployment ratio is higher. However, the degree of correlation between the census and trade union figures is sufficient to allow us to assume that the Trade Union figures offer a fairly adequate indication of the trend of unemployment.

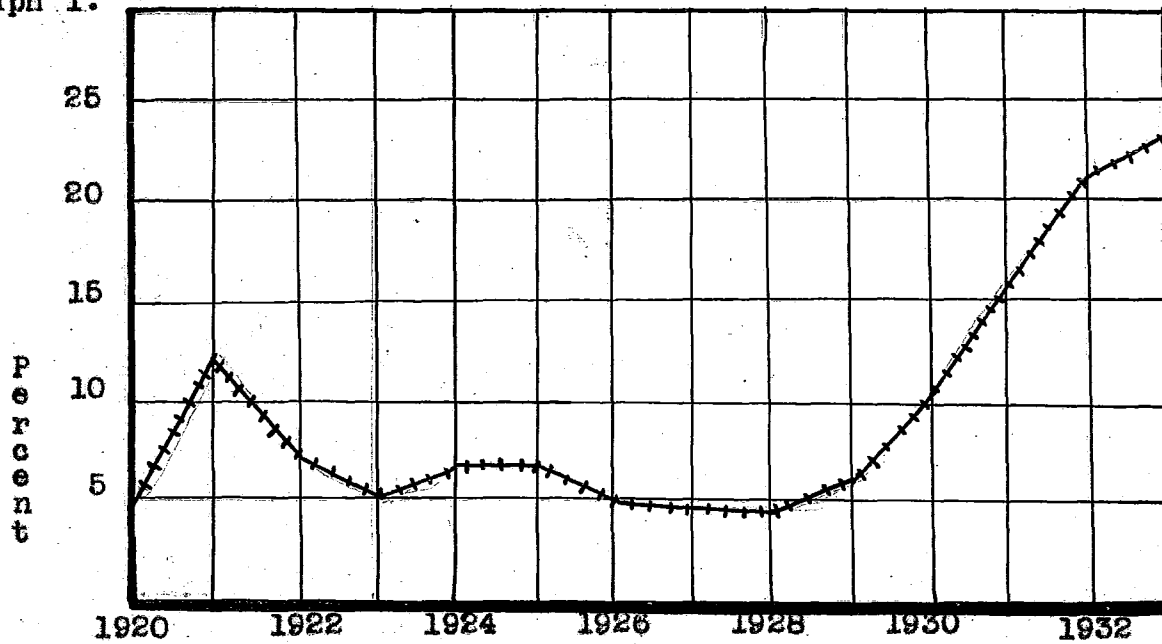
EXTENT OF UNEMPLOYMENT

From the 1931 Census we find that the unemployment figures are given for wage earners only. The group of wage earners is one of three into which the gainfully occupied population is divided in the census returns. The other two are described as employers and workers "on own account". The difficulty of defining "employment" prevents unemployment figures from being collected for the latter two classes. The wage earning group is the largest of the three, containing 2,093,211 of the 3,924,533 persons who were gainfully

PERCENTAGE OF UNEMPLOYMENT IN TRADE UNIONS

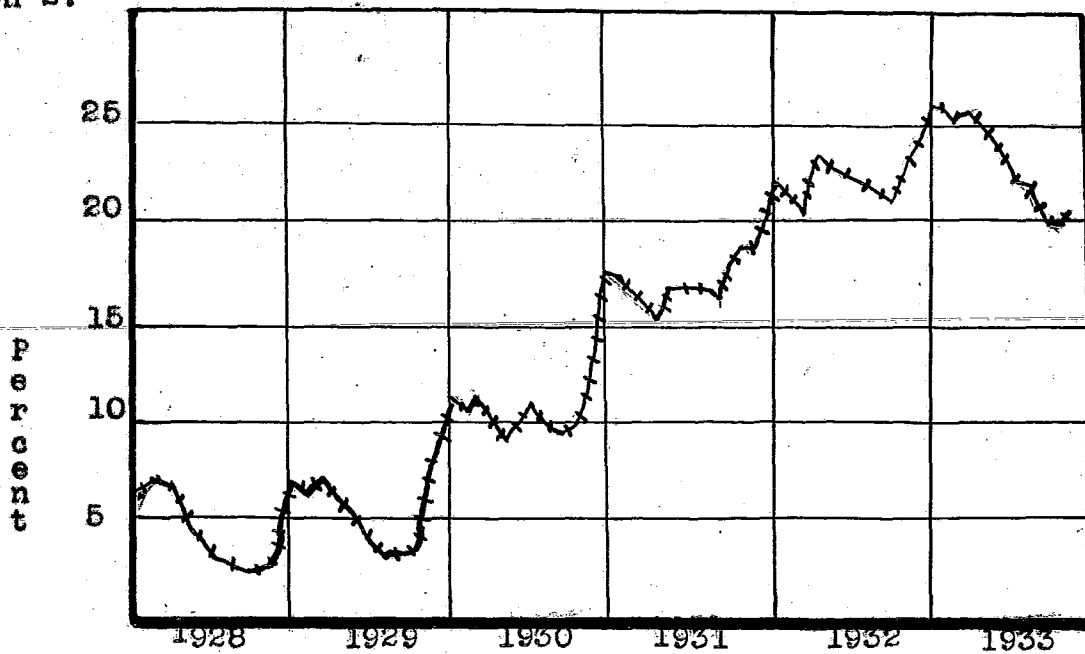
By Years

Graph 1.



By Months

Graph 2.



employed on that date, and therefore the census figures give us a fair idea as to the extent of unemployment.

TABLE 1.

WAGE EARNERS, JUNE 1st, 1931

Total Wage Earners	2,564,879
Wage Earners at work	2,093,211
Wage Earners not at work	471,668
With no job	392,809
Temporary lay off	42,443
Illness	25,718
Accident	4,459
Strike or Lock-out	379
Other reasons	2,277
Reasons not stated	3,583

Percentage not at work is 18.6

Percentage with no job 15.3

Percentage of time lost by average wage-earner
through lack of employment- 16.9

If we assume that the ratio of unemployment on the date of the census to be the same for all those gainfully employed, we will find that there were about 909,000 unemployed in Canada. This is, however, far in excess of the actual figure since employers and workers "on own account" would doubtless have a lower ratio of unemployment, due to the fact that a large percentage of these classes "feel" the depression in reduced profits rather than actual unemployment. For this reason, the task of quoting a complete unemployment figure for Canada with any degree of accuracy is impossible.

This thesis, however, is concerned with the wage earner alone, since it is only to this class that unemployment insurance is practicable, and therefore the deficiency in data does not prevent a careful investigation of the problem.

To find the extent of unemployment in 1933, we must fall back on a combination of census and trade union figures.

TABLE 2.ESTIMATE OF UNEMPLOYMENT AMONG WAGE EARNERS 1931-1933.

Year	Population	Percentage Increase over 1931.	Wage Earners assuming same increase	Trade Union Percentage Unemployed	Corrected Percentage	Wage Earners Unemployed
1931	10,376,786		2,564,879	16.8	(4) 18.6	471,668
1932	10,506,000 ⁽¹⁾	1.3	2,598,222	22.0	23.8	618,377
1933	10,632,000 ⁽²⁾	2.47	2,628,231	23.3 ⁽³⁾	25.1	659,686

NOTES

- (1) Estimate by the Dominion Bureau of Statistics.
- (2) Estimated as follows: From the estimates by the Dominion Bureau of Statistics, the percentage increase of population of 1930 over 1929 was 1.7; of 1931 over 1930, 1.6; of 1932 over 1931, 1.3; and assuming the rate of increase to be slightly lower, 1.2 for 1933 over 1932, the above figure is obtained.
- (3) For the first eight months of 1933. This percentage is probably slightly less than the yearly average. The average of the first eight months of 1932 is .4% lower, and the first eight months of 1931 is 1% lower than the yearly average.
- (4) The Trade Union percentage of unemployment is 1.8% lower than the census percentage of unemployment for wage earners. Assuming the same difference for 1932 and 1933, we find the corrected percentage.

From Table 2 an alarming increase of unemployment among wage earners is noticeable. In 1933 one man in four in this class is unemployed, according to the estimate. That this figure is not in excess of the actual amount is borne out by the estimate of three Toronto Economists, who placed the unemployment figure for 1932 at 776,000* in comparison with the above estimate of 618,000 for that year.

From Graphs 1 and 2, it is noticeable that there is a constant unemployment among trade unionists that even the hectic "boom" could

*Business Week, June 22, 1932, Page 25.

not suppress. The monthly minimum was 4.5 per cent. The most noticeable feature on the graphs is the increase of unemployment beginning in 1929 and continuing well into 1933. These graphs give a general idea of Canada's problem of unemployment.

THE CHARACTER OF UNEMPLOYMENT IN CANADA

Canada's constant problem of unemployment centres around her seasonality. It has been calculated that there is a seasonal variation of employment of approximately 14%, averaging all industries. Obviously this seasonality is more pronounced in some industries than in others. The Fibre and Textile Industry has, for example, a fluctuation in 1932 of from 9.1% unemployment in February to 48.4% in December, whereas the Printing and Publishing Industry varies from 11% in January to 15.4% in December*. The extent to which an industry fluctuates in employment depends on (1) climatic influences and (2) demand.

Climatic changes in Canada are very pronounced, causing a large number of seasonal industries, that is, industries which have a peak production in one season and little or no production in another. This is caused either by the fluctuation in supply, as in the canning industry, or by climatic limitation, as in wheat growing.

Fluctuations in demand are likewise a very considerable factor in seasonal employment. Custom has taken a very strong hold on the consuming world, and as a result, the tendency to buy clothes in April and Christmas presents in December has had considerable influence on industry.

While seasonality undoubtedly has a great influence upon

* Labour Gazette Figures.

unemployment in Canada, it is the cyclical fluctuations which do the real havoc. Canadians realize that their country is subject to severe seasonal fluctuations and thus, to a certain extent, prepare for them. However, depression steals upon the country unawares and many people, who find it all they can do to prepare for the seasonal troughs, are soon bereft of all resources in the advent of a depression. When technological unemployment is added to seasonal and cyclical unemployment, a problem of major proportions arises, and the country feels that something constructive must be done. To this end, Unemployment Insurance has been proposed, not as a panacea, but as one step in a constructive plan.

C H A P T E R 4

UNEMPLOYMENT INSURANCE FOR CANADA?

TYPES OF UNEMPLOYMENT INSURANCE

(A) Voluntary It was in British trade unions that unemployment insurance was first practiced. The unions realized the need for such a plan, and after many years of experimenting finally got it on a working basis. They found that a purely voluntary scheme was impossible, because it was only the bad risks who would become insured. Therefore, all members of the union were compelled to contribute, and the plan had a fair degree of success.

The advantages of this type of insurance are as follows -

(1) It is easily administered; (2) The funds usually cover similar risks in certain trades, so that each fund can be made to bear the burdens arising from the high or low rate of unemployment of that trade; (3) Malingering is reduced to a minimum by reason of the close contacts with fellow-workmen similarly insured in the same union.

The disadvantages are as follows - (1) Only the highly organized trades are covered, and thus the portion of workmen covered is small; (2) The facilities for the placement of the unemployed are limited; (3) The financial condition of such funds is often unsatisfactory; (4) The funds are sometimes used for other contingencies, such as strikes. Canadian unions have done little in past years to adopt measures such as these.

(B) Insurance by Voluntary Systems aided by State Subsidy. Nine European countries have such schemes in operation. Many of the schemes have been developed from the original Ghent system and thus

cover only members of the trade unions. In Belgium, The Netherlands, Czechoslovakia and Denmark the schemes are fairly comprehensive.

The advantages and disadvantages of this type are similar to type (A) except that the fund is put in a much stronger position by the State subsidies and supervision. It is notable that in those countries which have developed this system, there is no demand for compulsory state unemployment insurance, and that the question has not attained the magnitude of a political issue.

(C) Insurance by Industry. In Great Britain there were fourteen such plans in operation in 1930. Their benefits are supplementary to those of the National plan and are performing a valuable service to the employees in the industries so covered.

It is this type which has been the most popular in United States. The various plans which have been adopted there are as follows:

1. Trade Union Plans. The first of such plans was that of a New York Printers' Local, which began accumulating a reserve for unemployment benefits in 1831. At present there are about 40,000 workers covered by this plan, chiefly in the printing trade.

2. Non-contributory Employer Plans. These plans are of two types - (a) those which guarantee a minimum amount of employment and (b) those which pay benefits for loss of work. These plans, in adding the costs involved to that of production, have not been handicapped in their markets, in competition with companies without such plans. In the Proctor & Gamble Plan, the employee is guaranteed forty-eight weeks work, on his purchase of stock of that Company to the extent of one year's wages. The plan of the Fond du

Lac companies is the first attempt to provide for the movement of employees from one company to another, 65% of wages being payable for unemployment, lasting not more than one hundred days if no vacancy is available. The Rochester plan of 1930 covered about 26,000 employees in fourteen large industries - since then five other large companies have joined and several more are expected to do so - benefits are 60% of pay with a maximum of \$22.50 for a period of not more than thirteen weeks. The Fond du Lac and Rochester plans exemplify an interesting experiment in community cooperation.

3. Contributory Employer Plans. The General Electric Plan of 1930 is the largest company plan in existence, covering about 35,000 workmen. Participation is voluntary and the employees contribute 1% of their earnings as long as wages do not fall more than 50% below normal. The Company contributes an amount equal to the employees' contributions. Benefits are payable after a two week waiting period to the extent of 50% of average earnings, but not exceeding \$20.00 weekly, for not more than ten weeks annually.

4. Joint Trade Union Employer Plans. Plans of this type covered about 65,000 workers in 1932, the most important being that of the Men's Clothing Industry in Chicago, first established in 1923. The rates of contributions and benefits vary with each plan, but taking the Chicago Plan, for example, we find the employees contributing 1½% of their payroll and the employers double that amount - the benefits are 30% of average earnings up to \$15.00 weekly for not more than 3½ weeks each session.

The main arguments for Insurance by Industry are as follows:

1. The wide variations in the rates of unemployment in different industries often make it advantageous for the individual employer to determine and control the risk in his own plant.

2. This type exerts a stabilizing effect on employment, as each employer tries to plan his production in such a way as to minimize the unemployment benefits - this comes very near to the roots of our whole problem.

3. This type is free from political manoeuvring.

4. In Canada, Insurance by Industry would be more easily established than any other scheme on account of the size of the country, the climate, the localization of industry, the large agricultural population, and the small proportion of unionized wage-earners.

Arguments against this type of Insurance are as follows:

1. Probably only those industries with low rates of unemployment would enter, and the worst part of the canker would be untouched.

2. It violates one of the cardinal principles of insurance, the spreading of the risk.

3. Mobility of labour is harmed and transfers of workers from one industry to another are difficult to handle.

4. It places the burden on the individual industry, but for most industries this burden is almost negligible, since the small percentage of the payroll involved, when spread over all the units of production, makes no noticeable increase of cost.

5. There is no help given by the Government.

(D) Insurance by Company. This type is similar to that of Industry but on a smaller scale.

(E) The Wisconsin Plan. This plan was formulated by Professor Commons of Wisconsin University and has been called the "Huber Bill" and also the "Commons" and "American" plan. This type, as Professor

Commons states, "abandons the idea that the State can operate the system successfully or that the trade unions can operate it - the modern business man is the only person who is in the strategic position and has the managerial ability capable of preventing unemployment. The system avoids what might be called the socialistic and paternalistic schemes of Europe. It induces the business man to make a profit or avoid a loss by efficient labour management".* The scheme thus offers an incentive to stabilized employment.

The Wisconsin Unemployment Reserves and Compensation Act was passed in January 1932, and is a pioneer in its field. In accordance with its aims, it requires contributions from employers alone, the amount required being equal to 2% of the payroll. Each business unit must create a reserve fund for unemployment. The steadier the employment provided, the less the company will have to pay, because the contributions cease when a reserve of \$55.00 per worker is reached. So that an undue strain will not be placed upon industries in these times, the contributions are not to start until July 1st, 1934 or such a time as an improvement in business conditions is obvious.

The main advantages of this plan are:

1. The incidence of unemployment falls upon those who theoretically should bear it, the cost being considered as part of the costs of production.
2. It stresses the prevention rather than the relief of unemployment.
3. It is compulsory to all employers in the legislative unit.
4. It treats unemployment as a business cost.

The principal disadvantages are as follows:

1. It tends to restrict the number of workers employed, in that

* Wolfenden, Page 133.

the employer tries to get a super-efficiency from each member of his staff, thus overworking them.

2. It must be linked up with some legislation concerning fair working hours and wages to be effective.

3. It places a heavy burden on seasonal industries and would thus have to be modified for Canadian use.

4. Unemployment is, broadly speaking, not caused by the employer but by the country, the world and our very economic institutions. It is unfair then to place the whole burden of unemployment on the shoulders of the employer.

(F) Insurance by Savings. Several suggestions have been made recently regarding the withholding of a certain percentage of wages from the employee and accumulating it for his subsequent benefit. The employer who has charge of the accumulation also makes a contribution. The plan is thus not one of insurance at all but simply an employer-aided savings account. It is of use for seasonal fluctuations in employment alone.

(G) The Swope Plan. This plan was formulated by Mr. Gerald Swope, the President of the General Electric Company. It plans - (1) to stabilize industry in the United States by forming trade associations which will be under Federal supervision, and (2) to protect workers against disability, old age, and unemployment by the adoption of Workmen's Compensation Acts. His plan of unemployment insurance is a joint contributory scheme in which the employer and employee participate. His plan is of interest in that it admits the futility of an Unemployment Insurance scheme working alone to stabilize employment and alleviate distress.

(H) The National Compulsory System. In England we have the classic example of this type of Unemployment Insurance. This plan has been a pioneer in the field and naturally has been the cause of much discussion. It is difficult to criticize a scheme such as this because of the lack of knowledge of what might have happened if it had not been in force. There are, however, several points of criticism:

1. The Plan has aimed at relief rather than prevention. It is claimed that the English have taken the somewhat fatalistic attitude that unemployment is a part of the economic system, which is regrettable but unpreventable. Their plan of Insurance, however, has a highly-developed system of Labour Exchanges, which see to it that any available jobs are filled promptly. The plan is also said to maintain the purchasing power of the people, but in reality it does little more than diversify such purchasing power - a laudable act, at any rate. The plan puts no stress on regularization of employment, that is, an employer does not receive any reward for keeping men employed. In fact, the less men he has on his payroll, the smaller his share of contributions, and if he can hire a man for a short time and then fire him, he has no further responsibility toward him. In other words, the country supports the labour reserve, instead of industry.

2. The English Plan is said to have demoralized the labourers, in that they expect the country to either get them a job, or, if it cannot, to support them. This is undoubtedly true to a certain extent, but with the prolonged period of unemployment suffered by England, this can only be expected. The plan has not demoralized the workers to such an extent that they do not want to work, according

to Lord Blanesburgh and Sir Wm. Beveridge. The Labour Exchanges report that men are only too glad to obtain a position of any kind as long as it is suitable to their aptitudes, and what is more, they hold it with grim British tenacity, even against odds.

3. The plan has undoubtedly tended to stop the mobility of labour. If a man can obtain a subsistence in his home town, it is more acceptable than a somewhat better living among strangers. Nevertheless, there has been no difficulty in finding adequate labour for an undertaking in any part of England, and until there is a scarcity of labour in one section and an over supply in another, there is little cause for worry along this line.

4. It is commonly supposed that the English Unemployment Insurance plan is a "dole" - in fact, it is even called by that name. Virtually, the plan is not a dole. It first received the mis-nommer in 1918, when the Out-of-Work Donations were given out to the extent of \$300,000,000. This money did not come from the Insurance Fund, but directly from the Exchequer but was paid through the Fund. Continual confusion between poor relief and Insurance Benefits have resulted in the name "dole" being applied to the Insurance plan.

5. The plan has not been a financial succes but it must be noted that, if post-war unemployment had gone down to the pre-war level, the scheme would undoubtedly have kept "out of the red". As it was, the scheme probably would have survived but for the political tampering which, in introducing such clauses as those dealing with extended benefits and transitional payments, removed some of the cardinal principles of the plan. The Irish Free State took over its plan from the British administration in 1922, and by the strict observance of

the original principles, have greatly reduced the debt with which it was burdened at that time, and in 1931 - 1932 the income from contributions was \$4,690,000 as against expenditures of \$2,565,000 for benefits. The Italian plan covering 4,250,000 workers has likewise been a success, having a surplus accumulation of \$48,000,000 at the end of 1930, (each year since 1921 there has been a surplus).

6. In any National scheme, the government must always be responsible for the success of the scheme. This is liable to involve a large debt to the government, as in England.

7. The cost of the Social Legislation is said to handicap producers in foreign competition, but according to the Report of the Balfour Committee on Industry and Trade of 1929, the total cost of the Social Services in England amounted to less than 1% of the value of the gross output of English Industry.

8. The Administrative machinery that must be built up for a State Plan is extensive and sometimes absorbs as much as 30% of the income, as in the Irish Free State scheme in 1929 - 1930. The average cost of administration is, however, from 5 to 10% of income.

9. There is considerable justice in the claim that the burden of Unemployment Insurance is distributed unfairly. That the steady workers pay to keep their less fortunate neighbours in idleness is undoubtedly true, but if they did not contribute to an insurance fund they would pay a similar amount in taxation. As in all Insurance Plans, the contributions from employers bear no relation to profits, income and ability to pay, and therefore hit hardest those businesses which employ most manual labour in their production. There would be, however, great difficulty in the administration of any scheme where

profits and ability to pay were considered.

In synopsis, the British Plan of Unemployment Insurance has made a valiant struggle against such overwhelming odds as abnormal unemployment, increasing pressure from the Labour Party and constant deviations from the actuarial basis. The presence of these conditions surely do not prove the advisability of a National scheme. At present it seems as if the English will profit by their mistakes and make the scheme a reasonable success, because a revision of the Plan is in progress, in which the Insurance and the Relief aspects will be entirely separated.

(I) The State or Provincial Compulsory System of Unemployment Insurance.

The Queensland plan of Unemployment Insurance is a comprehensive scheme adopted by the State of Queensland in Australia in 1922. The plan was drafted from the British plan, but it has adhered to the original insurance principles and has thus kept in a fair position financially. When a workman, covered by the Insurance, exhausts his right to benefits, he falls back on the relief work and does not burden the Insurance Fund. The plan was drafted carefully from the most accurate labour statistics available, but the contribution rate was doubled in the period from 1922 to 1928 to keep financially sound. However, the plan is declared to be a success in the report for 1932, since the debt to the government has been reduced from \$315,000 in 1929 to \$6,000 in 1932, and a favourable balance is expected for 1933, as in the past four years.

The reason for this improvement of conditions is more understandable when the system is carefully examined. The rates of benefits

have been reduced as well as their duration. A worker must work at least 26 weeks in the year to be eligible for the maximum 13 weeks benefits. If the employee has worked less than 26 weeks, his maximum benefits are 1 week for every 2 in which he worked. There is also a waiting period of two weeks after unemployment commences. The Act has also been amended to provide that a worker who has earned over \$1,100 during the preceding twelve months will not be eligible for benefits.

The Insurance plan has automatically eliminated the marginal labourer from the plan, leaving only the better class and more fortunate workman in its coverage. The less fortunates are shunted into the relief work project. This is shown to be true in all straight Insurance Plans. The 1932 Report states, "Something other than Insurance is needed to alleviate suffering in periods of abnormal unemployment. Insurance, however, sustains a man while he looks for a suitable job, it tides over a seasonal worker, helps to keep the skilled from falling into the ranks of the unskilled and assists in keeping people off relief".

Several points stand out in the experience of the Queensland Plan:

1. Increasing unemployment, mostly due to business and world conditions.
2. Increasing contribution rate - this was caused by the increase of Unemployment.
3. Decreasing expenditures, due to decreased rates and periods and decreasing eligibility.
4. The only possibility of making such a plan successful is by

making it flexible and adaptable to changing conditions.

5. Covers workers only when work is steady.

6. The Insurance system must be backed by an efficient Relief system - the Relief plan had four times the expenditure of the Insurance plan in 1932.

7. The scheme is largely a subsidy to the seasonal worker.

Fundamentals of an Unemployment Insurance Plan for Canada

In considering the advisability of introducing any Unemployment Insurance Plan into Canadian Legislature there are certain questions that should be asked of it, such as:

(1) Could it be actuarially sound? There is no Unemployment Insurance scheme that is actuarially sound for the simple reason that unemployment cannot be predicted. All that can be done to give a plan a sound basis is to take the average of the past years - how many, it is difficult to say - and add a surplus for safety, because in all schemes developed so far the benefits have been greater than expected. A plan must be flexible and sensitive to changing conditions to overcome this handicap.

(2) Could it be free from shirkers? There is no scheme of Unemployment Insurance that can be absolutely free from shirkers. The only effective means of freeing any relief system from shirkers is the work test. Lacking this, an Unemployment Insurance scheme can only see to it that any applicant refusing a position not detrimental to his skill or career, be struck off the benefit list. By having an annual limit to benefits receivable or by basing benefits upon contributions, the problem is minimized.

(3) Would it stop the mobility of labour? An Unemployment Insurance scheme does tend to stop mobility of labour if benefits are large

enough for comfortable sustenance. That is, a man in a seasonal trade will not travel far to obtain an off-season job if his benefits allow him a comfortable living. To stop this, the benefits must be just enough for bare subsistence for a few weeks - just enough to help a seasonal worker to "tide over" between jobs.

(4) Could it give adequate maintenance? As stated above, the Unemployment Insurance must give only a bare subsistence for a limited period. An Unemployment Insurance scheme is not sufficient in itself to alleviate distress from unemployment, but must be coupled with an efficient Public Relief system to take up the job where the Insurance leaves off. This relief system should, however, be kept entirely separate from the Insurance scheme, so as not to give it a "black eye", as in England.

(5) Could it give adequate coverage? No one Insurance scheme could cover all Canadian workmen, spread as they are over such a vast country - a country in which climatic influences have such a great effect on Industry. No scheme has yet been developed to cover effectively all agricultural labourers. Germany and Italy have attempted to cover a part of the agricultural labour force, but the difficult administrative work renders the scheme open to much abuse. The seasonality of certain Canadian Industries also prohibits a comprehensive Insurance plan.

(6) Would it tend to regularize employment? It tends to regularize employment in that it (supposedly) collects a surplus in good years and distributes it in bad years - likewise in the seasons. This brings about a steadier purchasing power. In plans, such as that in Wisconsin, the employer is induced to provide regular employment by a reduction in contributions when a certain reserve has been reached. This will

undoubtedly have a favourable effect, since employers have more power for regularization than any other agency.

(7) Would it be fair to Labour, Industry and to the State? There is no one plan of Unemployment Insurance which is fair to all three. No matter who pays for the Insurance, injustice is always claimed. From the viewpoint of Labour, Industry and the State should pay, because it is they who control employment. From the viewpoint of Industry, Labour should pay, because it receives the benefit, and the State should pay because Unemployment Insurance keeps the people off relief to a certain extent. The State, worrying over a balanced budget, wants to leave it to Industry and Labour. The logical way it seems, is to have all three contribute. The fund will be built up in a shorter time with less strain on each party, and each will benefit, - Labour in benefits, Industry in a satisfied personnel and sustained purchasing power, and the State in decreased relief payments.

(8) Would it be better than the present system? A carefully planned Unemployment Insurance scheme would theoretically give a greater degree of justice to Labour. Any system of Insurance or reserves, on which a workman can justly draw when he becomes unemployed, is less harmful to the morale than the doling out of charity in the form of relief tickets. In addition, it does not penalize the thrifty people to as great an extent as the relief system now does - a person, who has laboriously saved for a period of years, finds everything swept away, except his pride, after a short period of unemployment, whereas a person who spent his earnings as he got them, goes on relief when he becomes unemployed and is really farther ahead than the first type. Since the thrifty type of people are those most desirable to Canada, they should receive some

consideration. The best way of encouraging thrift is by some system of reserves which would help to tide the family over difficult periods, keeping the savings intact.

(9) Would its cost be reasonable? The average monthly rate of Unemployment among wage earners in Canada from 1921 to 1933 is approximately 11%. The average number of wage earners covered by such a scheme during this period would probably be about 2,000,000. This means that an average of 220,000 wage earners would have been eligible for unemployment relief during that period. The percentage that would have been eligible for an Unemployment Insurance benefit is not ascertainable, but would probably have been about 200,000 on the average. If the benefit was \$10.00 weekly after a two week waiting period, the cost would have been \$100,000,000 a year or \$1,200,000,000 for twelve years.* Even with this cost divided in thirds between the Government, Industry and Labour, the burden would be severe, especially when direct relief costs are added to that. Whether or not the country is already bearing that cost indirectly, as has been claimed, is difficult to answer. On the surface, however, it would seem that the cost of such a scheme is too great for the good obtained.

A Proposal of an Unemployment Reserve Plan.

Type - Individual Establishment.

Coverage - All employers employing five or more persons for four or more months in the preceding calendar year.

Excepting farm labourers, domestic servants, public employees, anyone unable or unwilling to work full time, and those earning over \$2,000 annually.

This Plan covers about 80% of the wage-earning class.

* In reality, the cost would be reduced because of the numerous temporary lay-offs, each of which would subtract a waiting period.

Contributions - Labour - 2% of Wages of those covered
 Employer - 2% of Payroll of those covered
 State - 1% of Payroll of those covered

The Employers' rates are halved when a reserve of \$75.00 per Employee is reached.

Benefits per week - Males - Single - \$6.00
 Married - \$9.00 and \$1.00 per Child
 Maximum Benefit \$12.00

Females - \$6.00

Eligibility for Benefits

Three Months' Service - Two Weeks
 Six Months' Service - Four Weeks
 One Year's Service - Eight Weeks
 Two Years' Service - Ten Weeks
 Five Years' Service - Fifteen Weeks

Administration - Each Establishment administers its own fund with Government supervision. Costs to be borne by the Establishment and Government respectively.

Loss of Eligibility for benefits may occur if the employee, through misconduct or insubordination, is laid off. Benefits will not be paid for time lost through illness or accident.

Transfer of the right to benefits is provided for when a person changes employers.

A Survey of the Proposed Plan

The Plan, outlined above, has been formulated by combining some of the best features of the various Unemployment Insurance and Unemployment Reserve schemes throughout the World, in order to find a system with the maximum suitability for Canada.

The income in this plan would come from Labour, Industry and the State. Labour would contribute 2% of its wages - this would not be a burden to the workmen - and would consider the ability to pay; that is, a workman earning \$15.00 a week would not pay the same con-

tribution as one earning twice the amount, as in the English scheme. Industry would pay 2% of the payroll of those covered by the plan. This would not be a burden to Industry and would be included in the costs of production. The increase in cost of production would not put the Industry at a noticable disadvantage with foreign competitors, because a 2% tax amounts only to one-half of 1% increase in the cost of the product, on the average, according to Walter A. Morton who has made a study of the problem. The share the State is called upon to bear is 1% of the wages of those covered. This would not be an overwhelming burden, although the State could ill-afford to increase its expenditures in these days of stress. The sum required would be little felt, however, in better times. The cost to the Government for 1931 would probably have been about \$16,000,000, (1% of the wages of 80% of the wage earners).

When the reserve per worker reaches \$75.00 the contribution rate would be halved for Industry, thus giving a profit incentive to the regularization of employment.

The benefits to the unemployed would be arranged so that a bare subsistence wage would be paid. It has been claimed that a benefit scheme, which does not consider the rate of contributions, borders on relief. This is true, but to get a fair degree of justice for Labour, the needs of the wage earner must receive some consideration. The amount of the benefits must be kept as low as possible to preserve the liquidity of the fund, and to check malingering. The Ohio Plan of Unemployment Insurance offers benefits of 50% of average earnings with a maximum of \$15.00, but this payment is insufficient to those on the lower wage scales.

The waiting period for the benefits is one week. This length

of time makes allowance for short lay-offs, yet does not place too great a strain on the labourer as does a longer waiting period. A wage earner who earns only enough for a bare existence, is unable to save enough to "tide over" a period of unemployment longer than two weeks, that is, one week of waiting period and then one week, or at least a few days, until the weekly benefit is received.

The maximum number of benefits receivable by the employee, it will be noticed, depends on the length of service with the Industry. This is necessary from an actuarial viewpoint. The idea of a maximum benefit each year is also inserted, so that the fund will not be burdened unduly with men whom the industry cannot reabsorb. If a man knows that the period of benefits is strictly limited, he will endeavour to find another job with greater zeal. The whole idea of this plan is not that it shall be sufficient in itself to cope with the relief of unemployment, but that it shall merely act as a reserve to do the following: (1) To enable the wage earner to "tide over" during seasonal unemployment (the average number of weeks lost by wage earners for the census year of 1931 was under nine); (2) To enable the wage earner to search for another position; (3) To preserve the hard-won savings account; (4) To act as a dismissal wage which will be paid in installments.

The administration would be a simple task. Each Industry would deduct the contributions from the payroll, add an equal amount of its own and request the State to add its share to the account. The account could be deposited in a Chartered Bank. The Government would have to form a small department to supervise the plan, but the cost entailed would be insignificant.

The coverage of the plan is not complete. Of the 2,565,000 wage earners in Canada in 1931, 199,000 farm labourers would have been

excluded as well as 68,000 persons engaged in personal service, 116,000 in public service and an indefinite number in small establishments employing less than five persons (24,000 out of 650,000 in the manufacturing group), and an indefinite number of employees earning over \$2,000 annually. Thus 408,000 wage earners would definitely be left without coverage, and also an indefinite number. It would probably be safe to say that only 80% of the wage earning group would be covered. However, the difficulty of administration prevents farm labourers, domestic servants and employees of establishments of less than five persons, from entering the plan, and the steady employment and relatively high wages of public employees makes such a plan unnecessary to them. Those earning over \$2,000 annually should be able to save enough themselves to render the plan unnecessary to them. Although the plan is by no means complete in its coverage, it nevertheless would form a useful reserve for the large percentage of wage earners, and those outside of the plan should be urged to form voluntary savings accounts for the advent of unemployment.

The Plan outlined above, is plainly not an Unemployment Insurance scheme but simply a method of accumulating reserves to help alleviate distress due to unemployment. Any Insurance plan presupposes: (1) A sound actuarial basis. This is impossible for an Unemployment Insurance plan; (2) Financial backing- this frequently involves a large debt to the Government, as in the English Plan; (3) The possibility of efficient administration. In an expansive country such as Canada, the administrative difficulties and expense would be very great for an unqualified Insurance plan as that in

England; (4) A reasonable rate of contribution. Due to the extreme seasonality of many trades in Canada, the rates of contributions necessary to put the plan on a sound basis would be exorbitant. Seasonality alone would make high rates of contributions and when the depression rates are added, a comprehensive scheme becomes impossible.

A reserve plan, it is argued can do little good in a seasonal industry. This is undoubtedly true to a certain extent. The reserve that can be built up in the scheme outlined amounts only to two weeks pay for nine months work, but this at least provides some much-needed help to the worker - the reserve amounts to a bonus or dismissal wage - an improvement over the present system. It has been urged that an Insurance plan with differential premiums might be adapted to seasonal industries, but the premiums would be exorbitant if it was to be put on a sound basis in Canada, and would greatly harm the present mobility of labour.

In a plan such as the one proposed, it is objected that there is little spreading of the risk. This is true but in a country such as Canada, the spreading of the risk in a nation-wide plan would be unsound because the high rate of seasonality would burden all trades to benefit the most seasonal.

Another objection to the plan is that those paying most contributions are most likely to receive no benefits. That is, a man receiving steady work for a long period will find that his contributions are going to workers whose work is not steady. In this respect, the reserve is really a tax on the steady worker to help his less fortunate fellow workman.

In a plan such as this, the employer might raise the standard of efficiency and thus make the employees, in reality, pay the whole

contribution. However, most employers have their plants at maximum efficiency at the present time, and an increase would be virtually impossible. The Government supervisors would have to be particularly watchful for this type of abuse. Similarly it has been argued that the employer will introduce machinery to save paying his "Unemployment Tax", but he introduces machinery now as fast as his plant can absorb it. It must be admitted, however, that the more manual labour an Industry uses, the greater will be its Unemployment Contribution.

The plan would not be burdened with shirkers because if a man was deliberately inefficient at his position, he would soon lose it and the benefits depend on the length of service with that Company. In this respect, the plan does not cover the marginal or casual labourer, or the labourer who is always changing positions.

The plan must have a transfer of contributions clause if it is to keep up the mobility of labour, because a man will tend to keep his position in a place even though he is not suited to it, because if he moves, he loses his rights to benefit. Thus, it is necessary that if, after a reasonable length of service, the employee desires to change his position, he should have the right of transferring the amount of his own, plus the State's, contributions, less the amount of benefits he has received, to his new position (providing that the financial condition of the fund is fairly strong). Thus he would be eligible for benefits equal to the amount of the transferred contributions.

The objection that the capital tied up in the reserves is "frozen" does not apply here, for the money would be deposited in

the bank, to be distributed among the bank's investments.

In conclusion, the Unemployment Reserve plan is clearly no panacea. It has real objections which cannot be overcome, but, all in all, there are fewer objections to this plan than there would be in any comprehensive plan formed by any other country and adapted to this country. Canada needs a plan all her own; one that can be adapted to her peculiar conditions; one that would educate Canadians to the idea gradually, and that plan seems, at present, to consist largely of Unemployment Reserves.

CHAPTER 5

WHAT CANADA COULD DO TO AID UNEMPLOYMENT

Canada, in the past, has made relief doles and relief works her chief contributions toward alleviating the evils of unemployment. Much remains to be done, therefore, by the country as a whole and by the individual Industries in the country.

The various plans by which Industry can mitigate the evils of unemployment are well known but little practiced in Canada. The Dennison Company, Proctor & Gamble, General Electric and Consolidated Industries have all established employment stabilization or Unemployment Reserve plans, which have been quite successful. To provide such a plan, either a line of non-seasonal products, or a number of seasonal products whose production can be dovetailed, or a staple line whose production curve can be spread over the year, is required. Much remains to be done in this line. However, it is only the best employers who voluntarily provide such measures, so the only substantial improvement that will be made must come from Government Legislation.

The Government should take a definite policy to minimize unemployment and alleviate distress caused by business cycles. Their plan should include the following:

(a) A Stabilized Currency. There will never be steady employment in Canada as long as changes in the price level occur with such persistence. Great havoc is played with purchasing power, the backbone of employment, due to these fluctuations. The best proposal of stabilization comes from Professor Irving Fisher, who recommends

that the Government vary the price of gold according to its worth relative to other commodities, rather than keeping it artificially constant as at present. By this method, in conjunction with a strongly unified banking system, it is contended that variations of more than one or two percent. could be prevented. An alternative plan, proposed by Professor Lehfeldt, consists in essence, of an international control of gold production so that the supply of gold may be adjusted to maintain a fixed price level - like almost all proposals for international co-operation, the plan is impracticable. One method of controlling the value of the currency has already been used by various banking systems. That is by the formation of a gold reserve to stabilize the value of the currency at the desired level by the process of buying and selling currency. This method has proved quite ineffective for any but minor fluctuations.

(b) Credit Control. It is a widely recognized fact that there should be some control of credit with a view to minimizing its fluctuations, which so accentuate the evils of the business cycle. J. M. Keynes advises the use of a Central Bank as the best method of obtaining credit control. He states "A Central Bank which is free to govern the volume of cash and reserve money in its monetary system by the joint use of bank rate policy and open market operations, is master of the situation and is in a position to control not only the volume of credit, but the rate of investment, the level of prices and, in the long run, the level of incomes, provided that the objectives it sets before itself are compatible with its legal obligations.* Theoretically the plan should work, but in practice,

* Encyclopedia of Social Science.

however, international co-operation is necessary to obtain adequate credit control. This again is a stumbling block to the success of the plan. Even though the attempts made thus far have had a questionable success, the Canadian Government, in co-operation with the Banking System, could effect a somewhat better control of credit than it now does, simply by using the Bank rate to check or encourage investment, and if international co-operation was obtainable much good could be done.

(c) A Wise Tariff Policy. Canada, in competition with the other Countries, has been indulging in a tariff race. Tariff barriers have been raised in a wholesale fashion, in an effort to "create employment for Canadians". They have succeeded in creating employment in Industries which operate at a disadvantage in Canada, to be true, but this employment has been at the expense of unemployment in those Industries in which Canada has a natural advantage. In other words, each Country, in strangling trade, has begun producing things for itself which other countries can produce much better. Employment is, perhaps, prolonged but the returns to labour are diminished. A gradual policy of tariff lowering would do much toward putting Industry in Canada on a sound basis. Fair competition would keep prices fair. A decrease of this Nationalistic spirit would cause a flow of trade which would increase employment, because in the long run, imports can only be paid for by exports. Considering the basic fundamental of trade, advantage to both parties, Canada would find that real wages would rise as well as the index of employment. However, it must be noted that the removal of the tariff barriers should be gradual so as to cause as few temporary maladjustments as possible.

(d) Legislation Concerning Working Conditions. Each province in Canada has passed laws regulating wages and working conditions but these laws are fast becoming antiquated, due to the tremendous changes in industrial structure of the past few years. Technological unemployment is said to be only a temporary phase, but in spite of the reabsorption of labour into new industries, and the cramming of men into the services, a very real problem still exists. As mass production proceeds, working hours must be shortened without any appreciable lag, if distress of unemployment is to be alleviated. A special committee on unemployment should be formed in each province (as has been formed already in Quebec) to consider this problem, and make some much-needed changes. While a plan similar to the N. R. A. could hardly be recommended until the results of the American experiment are visible, there are vast possibilities along this line for Canada.

(e) Legislation Concerning Finance. The recent abuses of the stock market and of the investment houses lead one to believe that legislation to regulate them has been very much lacking. A similar deficiency is noticeable in company finance where so much over-capitalization has taken place. With the working-man's reserves against unemployment going up in smoke, and the profits of Industry going to too large a number of shareholders instead of to the workmen, is it any wonder that distress is so widespread? Legislation must remedy these defects in the financial system and do it quickly.

(f) Vocational Schools. There is an appalling lack of vocational guidance in Canada. The young people are left to train themselves for their life work in a hit-and-miss fashion, with no research of their latent possibilities. As a result, there are many "square pegs

in round holes". This causes a restless spirit in labour, and job-hopping is a natural consequence. Perhaps all too late, a man finds that the job he is best suited for is closed to him through his lack of proper training. For this man, and for the labourer permanently laid off from his work due to technological changes, a vocational school is a requisite. Canada is just beginning to realize this need and we find numerous classes being formed for the working-man - employed and unemployed. For this latter class especially, the need is great, for by keeping his mind occupied, his discontent with the capitalistic system is lessened and his moral and mental qualifications are sustained.

(g) Planned Public Works. Public Works as relief measures in the past have been very inadequate and inefficient, and much remains to be done in foresighted planning. The main objection to this plan is that most public works must be built when necessary. This is undoubtedly true, but there are numerous types of construction, such as post-offices, libraries, bridges and roads that can be built prior to demand. Another objection is that the Government has difficulty in balancing its budget in times of stress, and the relatively low ratio of wages to expenditure makes this form of relief questionable. That is precisely where the mistake lies. Public works should not be used as relief measures because of their expense and inefficiency, but should be thought of as strictly business propositions. In times of depression, construction works carried through in a business-like way are much less expensive than in boom periods, and in addition, employment is supplied to the construction

trades. All that is necessary on the part of the Government, is some careful planning, and the setting aside of reserves for this aid to employment.

(h) Co-operation. The inability of Labour to buy back what it produces is said to be one of the causes of depressions and unemployment. The Co-operative Movement has tried to combat this by the formation of organizations to produce and distribute commodities in such a way as to remove the possibility of accumulating excess profits. That is, a factory, instead of paying its labourers as low a wage as possible, pays as high a wage as possible. The Managers receive a moderate salary and a fair amount is laid aside for capital expenditure. Any profits are turned back to the labourers in the form of a bonus. The idea is good, and if it were widely adopted, it would undoubtedly have an equalizing effect on employment.

(i) Unemployment Reserves. There is an unquestionable need for some reserve to be built up in good periods and drawn upon in periods of stress. The question of Unemployment Insurance has been dealt with in this thesis, and while it would probably be adaptable to the least seasonal Industries, the difficulties which arise for the seasonal Industries are all but insurmountable. Whether any system of Unemployment Insurance can ever be formulated to provide adequate coverage for Canadian Workmen is extremely doubtful. At present, the "way-out" seems to lie in Unemployment Reserves, backed up by an efficient Relief System, and a comprehensive chain of Employment Offices, as well as the aids to employment mentioned

above. Any of these plans working alone can provide little improvement to conditions, but a strong Government Policy incorporating all, or most of them, would greatly alleviate distress due to unemployment.

FINIS.

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And various other articles.