

The War and Industrial Relations

I.

FROM THE EMPLOYER'S POINT OF VIEW

By H. R. MACDONNELL

IN discussing industrial relations in war-time the first thing to decide is what are the conditions affecting industrial relations that are peculiar to war-time. And by war-time we do not mean war-time in general but this particular war as it affects Canada. What then are the outstanding conditions of this war that are likely to affect industrial relations in Canada?

The first thing that strikes one is that, whereas all wars see a certain increase in production in the ordinary course of things, this war is probably going to make it necessary for Canada to make a very special and conscious effort to concentrate on increasing her production in order to finance the war. While it is impossible to dogmatise on the point, it looks as though Canada's most important contribution to the allied war effort might well prove to be in the financial and economic field. If that is true or to the intent that that is true, it is pertinent to consider how Canada is to finance a war expenditure which may well run to a tenth or more of her annual income. There are four possible methods: (1) taxation, (2) borrowing, (3) inflation and (4) increased production over current needs.

As regards taxation it is generally accepted that the war cannot be financed only by taxing the rich. There is obviously a point beyond which it cannot go without endangering the efficiency of a free enterprise system of production. Borrowing abroad is strictly limited by the U. S. A. neutrality legislation. To inflate our currency would be unjust,

dangerous and at best only a temporary expedient. Therefore we are left with the alternative that we must produce in excess of current needs. This end, it is clear, can be achieved in two ways viz. by achieving a maximum of production at a minimum of cost and by limiting consumption. In this connection the announcement of a British budget of 2½ billion pounds brings home the fact that Canada's welfare economic as well as military is bound up with that of the United Kingdom. In saying that one is thinking not merely of winning the war but of the situation after the war, it would be most serious for Canada if her best customer came out of the war with her purchasing power disastrously impaired.

What are the implications of this in terms of employer-employee relations? In the first place it is natural to assume that a marked increase in production will tend to bring about an increase in costs and prices. This, of course, is what happened in the last war. The following tables drawn from official sources tell the story:

	Index of Agricultural Prices—Field Crops (1909-13 = 100)	Index of Wholesale Prices	Cost of Living Index
1913.....	99	100	100
1914.....	143	100.4	102
1915.....	122.6	109.2	103
1916.....	159.7	134.3	112
1917.....	226.0	174.9	136
1918.....	227.6	205.4	156
1919.....	252.7	216.4	171

	Cost of Living Index
1915.....	103
1917.....	136
1918.....	156
1919.....	171

It will be seen that the index of agricultural prices rose from 99 in 1913 to 252.7, of wholesale prices from 100 to 216.4, of cost of living from 100 to 171.

EDITOR'S NOTE: H. R. Macdonnell is Manager of the Industrial Relations Department of the Canadian Manufacturers' Association. The article follows in broad outline an address which the author gave at the Third Maritime Conference on Industrial Relations, held in Halifax, April 24, 1940.

Furthermore with increased demand for labour and with a rising cost of living it is likely that there will be in many industries demands for higher wages. Thus in the last war the index of salaries and wages in industry rose as follows:—

Average Annual Salaries in Industry	(Index)	Average Annual Wages in Industry	(Index)
\$1,144	(103)	\$496	(103)
1,290	(116)	757	(157)
1,429	(129)	866	(180)
1,482	(134)	940	(195)

That being so, the question most worth discussing would appear to be how necessary wage adjustments should be made. It is submitted that in finding the answer to that question two considerations should be kept clearly in mind, first that wages being an all-important ingredient in prices, every increase in wages tends to cause in turn an increase in prices, and second, that the increased demand for goods in war-time being temporary the higher prices resulting therefrom are also bound to be temporary. The moral, it is submitted, is that while wage-earners must not be allowed to suffer by reason of increases in the cost of living it is not sound automatically to increase wages *pari passu* with increases in the cost of living since the result is to set in motion what Mr. Chamberlain recently described as "a vicious spiral of alternately rising prices and wages which benefits no one". As a matter of fact the cost of living at the moment is only a trifle higher than last year and about the same as in 1937. That being so, it is submitted that no general increase is in order at the present time. In cases, if any, where depression levels still obtain, on the other hand, obviously upward adjustments should be made. A further moral is that if the cost of living should mount and upward adjustments must be made, they should take the form not of increases in wage rates, but of supplementary living allowances. Furthermore, it is submitted that such allowances should be on an absolute rather than a proportional basis; in other words, the allowance should be the same for the \$30. a week employee as for the \$20. a week employee. The point is that the increase in prices and

cost of living is almost certain to be temporary and it is unsound to make a permanent increase in wage rates to take care of a temporary increase in prices and cost of living. It will be seen that in the last war this lesson was not learned. While wages lagged behind the cost of living for the first two years of the war, they increased much faster than the cost of living during the last two years, with results, particularly in two such key industries as transportation and building, that were anything but beneficial to the national economy as a whole or even to the employees concerned themselves.

A further aspect of the wage problem in war-time that might be mentioned in passing is the disturbing effect of any disparity between wages paid in the specifically war industries and those paid in other industries. No small part of the labour discontent that manifested itself in 1917 and 1918 was due to the jealousy of the abnormally high wages paid in the war industries. It is greatly to be desired from every point of view that everything possible should be done to prevent such a disparity from occurring during this war. It is disturbing enough when wage-earners see abnormally high wages paid in another industry but to see them paid, as sometimes happens, in special departments of their own industry is more than human nature should be asked to endure.

But in addition to working for a maximum of production at a minimum of cost there is the other side of the shield to be considered viz. the limiting of consumption. This has a double aspect. Not merely will it aid in increasing the excess of production over consumption both directly, by reducing the amount to be subtracted from production and indirectly, by eliminating the inflationary effect that indiscriminate spending has on prices and costs, but it will also serve the all-important purpose of helping to build up a reserve of savings that will provide the Government with much-needed funds for carrying on the war and provide a "cushion" for a possible post-war depression. While it should

not be accepted as inevitable that the end of the war will be followed by a depression, it is the part of wisdom, in view of past experience, to be prepared for a shrinkage in employment following the sudden cessation of large scale war-time production.

What is clearly needed is to provide some sort of "cushion". During the last war the post-war situation was not clearly foreseen and little was done to prepare for it. In 1918 some attempt was made to get people to cut down waste, eliminate luxuries and save money. But it was too late. The orgy of spending had done its evil work of helping to make prices soar and dissipating the potential reserves that would have stood thousands of wage-earners in such good stead during the post-war unemployment. Without attempting to say how it should be done, it is submitted that some method should be devised of ensuring that as large a part as possible of the increased volume of wages and salaries is saved. Various methods are proposed. There is the purely voluntary method, state action being confined to education and exhortation. The success that attended the very limited effort in this direction during the last war suggests that the possibilities of such a method are very great. There is reason to believe that by the sale of savings certificates and small denomination bonds bearing a small rate of interest substantial sums could be saved. There is the compulsory, "deferred pay" method such as Mr. Keynes advocates; and there is the joint savings type of plan in which both employers and employees would participate. Whatever may be said of the relative advantages and disadvantages of these various methods they all have the merit that they are comparatively simple and inexpensive and that they in no way undermine self-reliance and individual responsibility. The same cannot be said of another method of preparing for the post-war unemployment which is sometimes proposed viz. unemployment insurance. Instead of being simple and inexpensive, it would inevitably be both complicated

and costly. It was estimated that the 1935 Unemployment Insurance Act would have required for its administration a staff of 3,500 to 4,000 and that the cost of administration would have been from 15 to 17% of the contributions. If there were no other available method of building up reserves to cushion the post-war slump, then the high administrative cost and the complicated machinery inseparable from an unemployment insurance scheme would have to be regretfully accepted. But since there are other infinitely simpler and less expensive ways of doing the job, it is submitted that it would be most unwise to adopt under the abnormal conditions of war-time a method so untried and so unpredictable in its effects as unemployment insurance. When one contrasts the cost and complication of such a scheme with its very limited effect, one is inclined to recall the story of the Chinese burning down the house to cook the dinner.

There is another aspect of employer-employee relations which is bound to be more or less to the fore in war-time, namely, conciliation and arbitration of industrial disputes. In view of the increase that is likely to take place in the cost of living, and of the likelihood of scarcity of labour in some fields, it is to be expected that there will be an increase in the number of industrial disputes. It is a commonplace that strikes tend to increase in number and seriousness during periods of business activity, and to decrease during depressions. Not that there is any need to assume that a marked increase in industrial unrest must be accepted as inevitable. We have now been at war for eight months and the percentage of the 660,000 employees in Canadian industry who have shown dissatisfaction with their conditions of work is negligible. Further, if the war proves as critical as it well may, there is every reason to believe that employers and employees alike will feel it their duty to make a special effort to adjust any differences amicably. The experience of the last war is of some interest. For the first two years, strikes were fewer in number than in any year

since the Department of Labour began to keep records in 1901. From 1916 on, however, there was an upward swing, culminating in the first post-war year, 1919. This experience was more or less paralleled in Great Britain and the United States.

In view of the possibility of an increase in the number of industrial disputes, it has been suggested in certain quarters that some new conciliation and arbitration machinery should be devised to deal with what are described as the special industrial problems of war-time. For example, there are those who advocate that there should be re-established the Appeal Board which was set up by Order-in-Council in July, 1918, to hear appeals from boards of conciliation and arbitration established under the Industrial Disputes Investigation Act. It is submitted that there is no real need for any such new machinery. After all, the industrial disputes of war-time are no different in kind from those of peacetime, and it would seem the part of wisdom to employ the conciliation machinery we already have which has been developed by a process of trial and error over a period of more than thirty years, and has worked reasonably well, rather than to experiment with new machinery, of which neither employers nor employees have had any experience. The conciliation machinery which we already have, includes the two Dominion statutes known as the Conciliation and Labour Act, and the Industrial Disputes Investigation Act, and four provincial statutes, namely, the Industrial Conciliation and Arbitration Acts of British Columbia and Alberta, the Strikes and Lockouts Prevention Act of Manitoba, and the Labor and Industrial Relations Act of New Brunswick, all of which embody to a greater or less extent the same principle as that incorporated in the Industrial Disputes Investigation Act. In addition, there are many private industrial arbitration agreements, which have been entered into increasingly during the last twenty years by employers and employees. To the extent that this machinery has been successfully worked, mutual good-

will and confidence have been developed; and it is submitted that the wise course is to continue to utilize this machinery, instead of scrapping it and leaving employers and employees at arm's length.

Outstanding among the conciliation machinery available is, of course, the Industrial Disputes Investigation Act which, as is well-known, has been on the statute books since 1907. Originally designed to prevent any stoppage of work by a strike or lockout, pending an investigation and report by a Conciliation Board, it applied, as is well-known, to disputes in mines and in public utilities such as railways, steamship lines, telegraph and telephone lines, and gas, electric light, water and power works. The reason for singling out these particular industries was that a stoppage of work in them would be directly injurious to the public. It would appear that it is consistent with this principle for the Dominion Government to have extended the application of the Industrial Disputes Investigation Act during the war to all work in connection with war contracts. The record of achievement during the last thirty-three years under the Act, gives hope that it will prove an efficient instrument of conciliation during the present war. Thus, out of some 900 Boards of Conciliation, appointed under the Act, there have been only some 40 cases in which a threatened cessation of work was not averted, or an actual cessation of work was not brought to an end. It goes without saying that everything depends upon the way in which the Act is administered. Obviously, if it is invoked frivolously, when the dispute in question is not sufficiently important, or does not affect a sufficient proportion of the employees concerned, the granting of a board would tend to bring the Act into disrepute. Up to the present, it is fair to say that from this point of view, the administration has been sound and sensible.

In conclusion, it will be generally agreed that, important as it may be to have sound conciliation machinery, an even more important question is the spirit in which the machinery is worked. Machinery

which on paper is ever so logical and efficient, will not work if goodwill and mutual confidence are lacking. As has recently been said by a well-known Australian industrialist:

"The great internal problem facing all of us is to find out how all sections of a democracy can live together in reasonable comfort—ever disputing, ever striving for improvement, but with inherent mutual consideration and

respect. If we fail, the only alternative is dictatorship."

There is reason to believe that Canadian employers and employees alike realize that in this war against dictatorship the democratic way of doing things is being put to the test not only on the battlefield, but in this problem that confronts them of "how to live together in reasonable comfort".

II.

FROM LABOUR'S POINT OF VIEW

By TOM MOORE

A TOTAL war such as this in which Canada is now engaged permits of no half-way measures, either military or economic. Every resource at command must be applied to the end that victory is assured.

In applying ourselves to this task great care should be exercised to ensure that every step taken is essential and aimed to accomplish the desired end. While there is yet no evidence that the same drastic steps which England found necessary to take to control all industrial activity are essential in Canada, it cannot be disputed that it is imperative that there be a thorough overhauling of our methods of production.

All engaged in industry have a responsibility to see that waste is eliminated and frictions kept to the minimum.

Whatever modifications of existing conditions are thought essential should only be undertaken after consultation with those primarily affected, and every effort made to secure their acceptance by voluntary agreement.

Where any sacrifice of existing conditions is called for, then this should not be one-sided but be demanded first from those best able to bear it.

The first call upon industry is for war supplies so that no life will be needlessly sacrificed for the lack of ample supplies,

equipment and munitions for our fighting forces. To accomplish this our productive capacity of these things must be expanded to the full. Our ability to do this depends upon the efficiency displayed in the application of labor power to the transformation of available raw materials into finished products.

Canada cannot afford in times like these to continue the waste of unemployment and until the quarter of a million or more presently unemployed are given useful jobs to do, it is foolish to talk of extending the hours of those already at work, with the exception, of course, of such as may be required to meet the exigencies of special circumstances. Plants and machinery must be the first to be put on the twenty-four-hour-day and seven-day-week to meet the call for increased production from war industries.

Experience has proved that where hours of labor are unduly extended, production drops. It would seem therefore that the best policy to follow would be that of shift work rather than overtime. This would have the further benefit of providing jobs for those presently unemployed.

It must be recognized, however, that the high standards set for individual workers which have been achieved by the process of discarding everybody but the best during the long years of de-