

DOCUMENT RESUME

ED 067 501

VT 016 721

AUTHOR Eleen, John W.; Bernardine, Ashley G.
TITLE Shutdown: The Impact of Plant Shutdown, Extensive
Employment Terminations and Layoffs on the Workers
and the Community.
INSTITUTION Ontario Federation of Labour, Toronto.
PUB DATE Aug 71
NOTE 139p.
EDRS PRICE MF-\$0.65 HC-\$6.58
DESCRIPTORS *Community Problems; *Labor Economics; Labor
Legislation; *Labor Problems; Management; *Manpower
Utilization; Manufacturing Industry; Strikes;
*Unemployed; Unemployment
IDENTIFIERS Canada; *Plant Shutdown

ABSTRACT

This report discusses the social, economic, and human implications of plant shutdowns. As part of the data gathering process, personal interviews were held with civic leaders, company representatives, union leaders, and workers in order to gain insight into the causes and effect of the closing of plants. Sections of the report cover topics such as: (1) Four Major Industries: An Overview, (2) Reactions From Four Industrial Communities, (3) The Psychological Effect of Plant Shutdown and Unemployment On The Workers, (4) Impact of Industry On the Community and On Employment, (5) The Contribution of Collective Bargaining To Adjustment To Technological Change and Plant Shutdown, (6) The Guaranteed Annual Income, and (7) Legislation On Plant Shutdown, Termination of Employment and Layoff In Ontario, Quebec, and The Federal Jurisdiction. Also included are 18 specific proposals for dealing with the problems associated with plant shutdowns. (JS)

ED 067501

I. R. D.

Ontario Federation of Labour, CLC
David B. Archer, President
Terry Meagher, Secretary-Treasurer

Research Department
August, 1971

SHUTDOWN: *The Impact of
Plant Shutdown, Extensive Employment
Terminations and Layoffs on the
Workers and the Community*

Prepared by

John W. Eleen

and

Ashley G. Bernardine

VT016721



ED 067501

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRO-
DUCED EXACTLY AS RECEIVED FROM
THE PERSON OR ORGANIZATION ORIG-
INATING IT. POINTS OF VIEW OR OPIN-
IONS STATED DO NOT NECESSARILY
REPRESENT OFFICIAL OFFICE OF EDU-
CATION POSITION OR POLICY.

Ontario Federation of Labour, CLC
David B. Archer, President
Terry Meagher, Secretary-Treasurer

Research Department
August, 1971

**SHUTDOWN: *The Impact of
Plant Shutdown, Extensive Employment
Terminations and Layoffs on the
Workers and the Community***

Prepared by
John W. Eleen
and
Ashley G. Bernardine

Acknowledgement

The Research Department wishes to thank the persons who answered our questionnaires and those who gave of their time to be interviewed. We are grateful to Ashley Bernardine of York University who did the field work on this project.

Thanks also go to Mr. D. C. McNeill of the Manpower Services Division and other officials of the Ontario Department of Labour who assisted us in various ways.

Grateful appreciation is expressed to the labour research personnel of the different unions for their assistance, cooperation and advice. Especially helpful were the members of the sub-committee convened for the project: Giles Endicott, Carrol Coburn, Ed Seymour, Hank Skinner, George Specht, and Emile Vallee.

Our thanks are also extended for their advice and many helpful suggestions to the members of the OFL Executive, and especially the two table officers Dave Archer and Terry Meagher who conceived the project and guided it to its successful conclusion.

Finally, we are indebted to the department secretary, Shelley Acheson, who in addition to her other duties, collated the returns from the questionnaires, performed a trojan task of deciphering hand-written notes, checked footnotes and bibliography and fussed over syntax.

J. W. E.

Photo on the cover is of the Eaton
Automotive plant, now closed
— reproduced by the kind permission
of the *London Free Press*.

Foreword

For the past year, sometimes several times a week, the papers have reported yet another plant that had either closed, drastically reduced staff, or had experienced extensive layoffs.

To determine the extent of this disruption to the economy, its effect on the workers and the community involved, and to be able to make realistic proposals to effect a solution to the problem, the OFL executive, through its officers, have instructed the Research Department to conduct a study on plant shutdowns in Ontario.

The terms-of-reference for the project were "that the OFL undertake to do a study of plant shutdown, plant reduction, termination of employment and extensive layoff situations in Ontario, their sources and causes, their contribution to the overall unemployment, what effect they have on the economy, ascertain what legislative protection exists, and draft proposals for solutions to the problem through legislation, contractual safeguards and other means."

A meeting of labour researchers was convened to discuss the project, to determine what documentation was available and to make proposals to guide the work. Ashley Bernardine, a law student who has had some economics background, was hired to do the field work. A questionnaire was prepared and sent out to all the unions and to companies that had terminations or layoffs. Personal interviews were held with civic leaders, company representatives, union leaders and workers in a number of areas. The recently enacted notice of termination legislation in Ontario and that of other jurisdictions and other countries was analyzed.

Several labour researchers contributed material for the project, and the Manpower Services Division of the Department of Labour supplied some of the data on plant shutdowns. Discussions were held on our proposals.

Halfway through the project Mr. Bernardine was offered an opportunity to attend a law seminar at the Hague. We released him from his commitment and our Research Director, John Eleen, completed the plant shutdown study and wrote the report.

The Federation is deeply concerned with the hardship and suffering plant shutdowns cause the workers and the communities. We are also conscious of the dangers these displacements can be to the economy of the province and the well-being of its people.

We believe the conclusions and proposals contained in this study are realistic and if acted upon, would do much to safeguard and advance the welfare of the workers, the community and the province. We will work towards their implementation.

David B. Archer, President

Terry Meagher, Secretary-Treasurer

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENT	iii
FOREWORD	iv
Chapter I INTRODUCTION	1
Chapter II THE SURVEY	3
Chapter III THE ECONOMIC SITUATION	5
Chapter IV FOUR MAJOR INDUSTRIES: AN OVERVIEW	15
The Textile Industry	15
The Electrical Industry	19
The Automobile Industry	22
The Steel and Mining Industry	25
Chapter V REACTIONS FROM FOUR INDUSTRIAL COMMUNITIES: Brantford, Kingston, Cornwall and London	29
Chapter VI THE ROLE OF THE BRANCH PLANT IN THE ONTARIO ECONOMY	31
Chapter VII THE PSYCHOLOGICAL EFFECT OF PLANT SHUTDOWN AND UNEMPLOYMENT ON THE WORKERS	41
Chapter VIII IMPACT OF INDUSTRY ON THE COMMUNITY AND ON EMPLOYMENT	47
Chapter IX THE CONTRIBUTION OF COLLECTIVE BARGAINING TO ADJUSTMENT TO TECHNOLOGICAL CHANGE AND PLANT SHUTDOWN	51
Chapter X THE GUARANTEED ANNUAL INCOME	77
Chapter XI LEGISLATION ON PLANT SHUTDOWN, TERMINATION OF EMPLOYMENT AND LAYOFF IN ONTARIO, QUEBEC AND THE FEDERAL JURISDICTION:	81
Ontario	81
Quebec	83
Federal	85
Chapter XII OBSERVATION, CONCLUSIONS AND RECOMMENDATIONS	89

Appendix 1 SURVEY QUESTIONNAIRE	97
Appendix 2 INTERVIEWS: FOUR INDUSTRIAL COMMUNITIES:	98
Brantford — Sterling Action & Keys	99
Westinghouse	105
Kingston — Frontenac Floor & Wall Tile	109
Cornwall — Chemcell	113
Edo Corpn.	114
Courtaulds (Canada) Ltd.	114
London — Eaton Automotive	118
Kelvinator	119
Appendix 3 ADVANCE NOTICE AND SEVERANCE PAY LEGISLATION IN EUROPE	121
Appendix 4 TECHNOLOGICAL CHANGE AND JOB GUARANTEE PROVISIONS	133
BIBLIOGRAPHY	134

Chapter I

Introduction

In the one year period under review (June 1970 - June 1971) Ontario has had more plant shutdowns and greater reduction of employment than in any one decade since the financial crash of 1929.

Our survey, based on a widely distributed questionnaire (Appendix I) and conducted by personal interviews by a field worker, showed that the situation was more severe than press columns disclosed, and much more serious than the initial reports reaching our office from all parts of the province indicated.

The closing of Kelvinator in London in 1969, the dramatic closing of the Dunlop plant in East Toronto in the spring of 1970, and the phasing out of the G.E. tube plant in West Toronto that same year, while receiving headlines publicity, were only the harbingers of a cutback in operations that have not abated to this day.

The only difference between the dramatic excitement and the protest-laden activity of the closing of the three plants mentioned, and the reaction to the many subsequent dislocations, was that these latter, though no less severe, after plant closing was no longer news, were relegated "appropriately", as some wag unkindly remarked, to the obituary pages in the daily newspaper.

What an outcry, what anguish, what indignation would be generated amongst the public were these workers — who were arbitrarily and callously dismissed — to be exiled to some barren wasteland with no means of support.

In view of the economic climate in this country in the past year, and the high rate of unemployment in general (8.0% in

January), many of these workers have, in fact, been banished to the industrial scrap heap.

Our survey of plants, only those that have had 25 or more workers terminated or laid off during a one year period, showed that 138 companies were affected. In total 16,224 workers either lost their jobs or were laid off. Our observation was that many of those officially "laid off" were in fact terminated after a 13 week period. Over sixteen thousand workers lost their means of support and that figure does not include thousands of workers who lost their jobs in plants that had less than 25 terminations or layoffs each.

Apart from the tremendous hardship imposed on the workers directly involved, there is no doubt that the plant shutdowns have wide ranging implications to the province as a whole.

Just how extensive were the plant shutdowns? How many plants and how many workers were involved? What happened to the workers? How many found alternative employment? What was the effect on the community? What are the economic and social implications? What were past experiences with the problem? What legislation exists to protect the workers? What are the contractual provisions? And what remedies do we propose?

This study, because of the limited resources and staff available, and because of the short time allotted to the project, does not pretend to be an exhaustive study. However, the report gives a good picture of what is happening in Ontario, it presents a number of problems, and although it does not answer them all, it should provide a basis for preventive and remedial action by all those concerned.

Chapter II

The Survey

In the past year 138 plants in Ontario have closed, had extensive employment terminations or large layoffs. Seventy-six (76) of these were either foreign-owned or foreign-controlled. Sixty-two (62) were domestic.

There were 16,224 workers directly affected, 7,394 had their employment terminated, 8,830 were indefinitely laid off. Of the 16,224 employees terminated and laid off, 10,297 were from foreign-controlled plants and 5,927 from domestic plants. On the whole, the foreign-controlled plants were larger and had more extensive displacements of employees.

Forty-three (43) plants had layoffs of less than 50 employees. Approximately 20 of these had less than 50 employees to begin with.

TABLE I

	No. of Plants	No. of Employees Terminated	No. of Employees Laid off	No. of Employees Terminated and Laid off
Foreign-Controlled	76	4,473	5,824	10,297
Domestic (Canadian)	62	2,921	3,006	5,927
Total	138	7,394	8,830	16,224

In 93 of the 138 plants, the employees were represented by a union. The breakdown was:

Steelworkers (USWA)	23
Auto Workers (UAW)	21
Oil, Chemical Automatic Workers (OCAW)	5
Textile Workers (TWUA)	4
Int'l Brotherhood Electrical Workers (IBEW)	3
United Electrical Workers (UE)	4
Brotherhood of Carpenters & Joiners (UBCJ)	3
Int'l Union Electrical Workers (IUE)	2
United Rubber Workers (URW)	3
Int'l Association of Machinists (IAM)	3
Other Unions	22
TOTAL	93

The time and resources allotted to this survey made it difficult to get accurate information on what happened to the workers after they had their employment terminated or were laid off. With the high level of unemployment in the country most of these workers are still on "layoff" and may very well be so for some time. Many of them, for all intents and purposes, could be classified as terminated. Therefore, most of the employees making up the figure of 8,830, in the "laid off" column in Table I, could be shifted into the "employees terminated" column without seriously upsetting the true results of the survey. As it is, we placed them in the layoff column because we could not accurately determine their status at this time.

Many of those answering our questionnaire seem to have used the word "terminated" and "laid off" interchangeably, through no fault of their own. Indefinite layoff may mean termination in most cases, but quite often was interpreted as "layoff" at the time of the displacement from the work force of a given plant.

In collating the figures on foreign-controlled and domestic plants, it was found that some of the plants placed in the domestic column may, in fact, be foreign-controlled, if it were possible to unravel the financial connections in each case. Here again, the number of plants in the foreign-controlled column could very well be increased. As it is, the number of workers displaced from foreign-controlled plants was about twice that of the domestic plants.

Chapter III

The Economic Situation

In our survey it was found that not all plant shutdowns were the result of the depressed economic situation in the country. Some shutdowns were caused by poor management and inefficiency, others were closed because of an inferior end product, still others were closed because of competition — in some cases domestic, and in others foreign, and lack of restrictions on foreign goods. A good many plants were closed because the decision to close was made elsewhere than in our country — this was the case with branch plants or those that were foreign-controlled.

But a large number were closed because of the uncertain economic situation in Canada and also in the U.S.A.

In a free market economy such as ours it has always been a common practice to redeploy, diversify and rationalize industry and manpower. During normal times if a plant closed down through failure, most workers were absorbed by other industries. If the plant moved, the host community gained employment. Such disruptions were often isolated cases and could be coped with. If a plant moved to a low wage area, the union protested but then transferred its energies to organizing the company in the new location.

The past year, the economy could hardly be characterized as being normal, with unemployment ranging from 6.5 per cent to 8 per cent in the whole country.

A plant closure taking place during a serious economic crisis such as we are now experiencing would have serious consequences for the workers and the community involved.

The tight monetary policies, the federal government's ill-advised and disastrous efforts to curb inflation and the resulting unprecedented high rate of unemployment, directly or indirectly, forced many of the plants to close or to cut the work force.

What is most aggravating is that with the country facing such a serious rate of unemployment, efforts to solve the havoc created by plant shutdown and to ameliorate the hardships and suffering of the displaced workers are seriously hampered. Plant shutdown during a period of slack in the economy presents serious difficulties in placing workers on new jobs. Some of the methods and procedures proposed by various interested experts could not get a fair trial in such a situation.

Retraining, relocating and finding new jobs for displaced workers would be simpler during a period of high employment. However, plant shutdowns and high rates of unemployment usually run concurrently. Any solution to plant shutdown cannot be divorced from efforts to provide for a buoyant economy and full employment.

Unemployment Escalates

For the past two years our country has been faced with a serious unemployment problem. For some time Ontario was in a better position in this respect than other provinces, having the lowest unemployment rate in the country. However, in the beginning of 1971 unemployment in Ontario started climbing faster than in many provinces, and threatened to close the gap with the national average which was over 8 per cent. In absolute terms, Ontario experienced a 50 per cent increase in unemployment since 1961.

The suffering and hardship caused by unemployment is immeasurable. Those of us who have experienced layoffs and unemployment in so-called normal times know what havoc it wreaks. In a period such as this, when there seems to be no end to the crisis in sight, it is possible for a worker to lose all hope.

To the youths endeavouring to enter the labour force and being rejected through no fault of their own, it can be a traumatic experience having a lasting effect on their attitude to our institutions and to society as a whole.

TABLE 2

EMPLOYMENT & UNEMPLOYMENT IN ONTARIO & CANADA
(Seasonally Unadjusted)

Year	ONTARIO				CANADA			
	Labour Force	Employed	Unemployed		Labour Force	Employed	Unemployed	
			No.	% of L.F.			No.	% of L.F.
	'000	'000	'000	%	'000	'000	'000	%
1961	2,401	2,269	132	5.5	6,521	6,055	466	7.1
1962	2,422	2,317	105	4.3	6,615	6,225	390	5.9
1963	2,476	2,382	94	3.8	6,748	6,375	373	5.5
1964	2,556	2,473	83	3.2	6,933	6,609	324	4.7
1965	2,614	2,548	66	2.5	7,138	6,861	277	3.9
1966	2,720	2,650	70	2.6	7,422	7,152	270	3.6
1967	2,835	2,745	90	3.2	7,697	7,378	319	4.1
1968	2,939	2,852	87	2.9	7,940	7,567	373	4.6
1969	2,947	2,836	111	3.7	7,891	7,424	467	5.9
1970	3,130	2,996	134	4.3	8,374	7,879	495	5.9
1971								
Jan.	3,146	2,945	201	6.4	8,336	7,668	668	8.0
Feb.	3,164	2,957	207	6.5	8,352	7,667	675	8.1
Mar.	3,145	2,953	192	6.1	8,336	7,686	650	7.8
Apr.	3,175	2,970	205	6.5	8,396	7,737	659	7.8
May	3,237	3,062	175	5.4	8,626	8,084	543	6.3
June	3,345	3,151	194	5.8	8,859	8,308	551	6.2

Source: Dominion Bureau of Statistics, *Canadian Statistical Review*.

No Justification for Cooling the Economy

The tragedy is that this need not have been. The crisis we are witnessing is a result of the stated intent of the federal government to create a mass of unemployed as tools to fight inflation. Despite the knowledge that inflation is partially due to external forces; despite warnings from a number of eminent economists that the trade-off method of fighting inflation by deliberately creating a pool of unemployed does not curb inflation, the government in Ottawa persisted with its plans of slowing down the economy and letting the working people shoulder most of the hardship created by its inept and ill-advised economic policies.

There was no justification for the tight monetary and fiscal policies. There was no runaway inflation. Compared to other industrial countries our situation in this respect was better than most.

Our dollar was holding its own in international markets and our export picture was good.¹

The fiscal policies of the government in Ottawa have been too restrictive to make it possible to catch up with the job needs of our growing labour force and to close the gap between our actual and potential output.

Experts Advise Against Restraint

There is a psychotic preoccupation with inflation. The mad campaign to check wage increases headed by the Prices and Incomes Commission has only succeeded in slowing down the economy and creating more unemployment. The Woods Task Force report tabled by the Prime Minister in the House of Commons on March 26, 1969, was ignored on this subject when it pointed out:

Our conclusions about the causes of inflation, and particularly about the role of collective bargaining in the inflationary process, will disappoint those who seek a single culprit, and especially those who see the labour movement as the prime candidate for this honour. The problem is too complex for such a simplified solution.²

The Economic Council of Canada in its *Third Annual Review* spelled out in considerable detail why an incomes policy was unworkable in a country like Canada except under extraordinary conditions, which do not exist today.³

¹ Excepting Belgium and the Netherlands, our export trade forms a greater part of our GNP than it does in any other industrialized country — it amounts to 20%. Ontario produced 46% of the value of all goods shipped from Canada. Canada exports 40% of our mineral production and they compose 14.5% of our total exports. Manufactured goods exports make up 48% of our total export. From 1959-1969 Canada's share of total world exports increased from 4.7% to 5.1%. Exports to the U.S.A. last March were 16.5% higher than a year earlier. Canada had a trade balance in its favour of \$659.6 million for the first quarter in 1971. This is a margin of exports over imports, despite the fact that imports also increased by 11.3% during the same period.

An export surplus tends to strengthen the exporting country's dollar.

Yet one of the reasons given by the government for its campaign against wage increases was that we were pricing ourselves out of world markets.

² *Canadian Industrial Relations*, The Report of the Task Force on Labour Relations, H. D. Woods, Chairman (Ottawa: The Queen's Printer, December, 1968), p. 82.

³ Economic Council of Canada, *Third Annual Review, Prices, Productivity & Employment*, November, 1966, pp. 159-163.

Dr. D. C. Smith, Professor of Economics at Queen's University, in a detailed study of incomes policy in other countries, effectively outlines point by point the dangers of an incomes policy.⁴ He stated:

First, to gain support for an incomes policy the government would have to mount a massive publicity campaign which may tend to divert attention from and weaken support for other and more important economic policies. . .

Second, a period of restraint that has some effect in the short run has frequently been followed by a wage and price explosion as happened in the Netherlands after 1963, in Sweden in the early 1950's, and in the United Kingdom following the 1948-50 period of restraint. . .

Third, there may be discriminatory effects since some forms of income and prices are easier to restrain directly than others. . .

Fourth, because in incomes policy, if it is to be applied, must have some guides for the wage and price structure, and because economic knowledge of the criteria for an appropriate structure is deficient, there is a danger of introducing new rigidities that will impair economic growth.

Fifth, in seeking to make a wage-price policy work, governments and private groups will tend to enter into various forms of agreements, and political pressures will tend to become a more important factor in wage and price decisions. . .

More recently Arthur J. Smith, the chairman of the ECC, suggested that the government would be better advised to pump more money into the fixed income groups, such as pensioners, and tie pensions to a cost of living escalator rather than creating more unemployed by monetary restraint. Most of the reputable economists promoted the same idea. Dr. Raymond Saulnier of Columbia University said there could be hidden dangers in an incomes policy.

It could have seriously harmful effects if it encouraged a false sense of security and success in the fight against inflation, and became a screen behind which to continue monetary and fiscal policies that would push costs and prices still higher.

The most common mistake of all, and it is made again and again, is to think that direct wage and price controls, or some species of incomes policy, are a substitute.⁵

Incomes policies are inequitable because non-wage forms of income are usually not considered when applying restraint. The political

⁴ *Incomes Policies, Some Foreign Experience and Their Relevance for Canada*, prepared for the Economic Council of Canada, Oct. 1966, pp. 201-203.

⁵ Dr. Raymond Saulnier, Chairman, Dept. of Economics, Columbia University (formerly Chairman of President's Council of Economic Advisors) in a report to Canadian Senate Finance Committee, *Toronto Telegram*, June 2, 1971.

and administrative problems of imposing restraints make an incomes policy impractical.

Unemployment is Not Working

In the past year, despite Ottawa's efforts to halt unemployment with the traditional method of trading-off inflation by producing more unemployment, both inflation and unemployment continued to rise. Since Ottawa embarked on its anti-inflation policy, interest rates have risen. By discouraging growth, the government forced interest rates to unprecedented heights. Mortgages have risen well over 9 per cent for the past year.

Evidently the traditional methods of fighting inflation are not effective today. Unemployment is not working. Tight money is a blunt instrument: it cuts hardest those people who can least resist its effects. It affects badly those regions that have the least economic strength. It creates unemployment and massive human misery and distress. Tight money as a cure for inflation creates a situation which is worse than the disease.

In its *6th Annual Review*, the Economic Council of Canada warned the government that "the principal result of [its] stringent demand policy restraints in Canada this year might well be seriously mistimed to push the economy into a poor economic performance."⁶

The monetary and fiscal restraints mentioned by the Economic Council increased the slackness that had already begun in 1967.

Because of the time-lag that is inherent in a change in economic policies reflecting themselves into results, it is necessary to initiate long range policies now if we are to achieve anything close to full employment in the near future. Governments have to initiate measures, rather than merely reacting to crisis. The government is in the best position to stimulate the economy through expenditures in the public sector. Besides steps to encourage investment by the private sector, the government has to embark on a large scale public spending program.

⁶ Economic Council of Canada, *Sixth Annual Review, Perspectives 1975*, September, 1969, p. 163.

Although the federal government must share the main burden of the responsibility for the economic mess we are in, the Ontario government did very little to meet the crisis. They had a responsibility and they have not faced up to it.

The Ontario government has been too complacent in view of the crisis proportions that unemployment is reaching in Ontario. In its last annual submission to the government the OFL said that more emphasis will have to be placed on attracting, promoting and developing job-intensive industries. Because our province is rich in natural resources, there has been a tendency to develop the extractive industries. Although these industries are important to our economy, they are the least job intensive and do not provide the opportunity to make full utilization of our most important resource — the human resource. We must concentrate on expanding the job intensive industries, that is, those in secondary manufacturing, and service fields.

Uncle Sam Sneezes and We Catch a Cold

While plants are closing, quite often as if someone at head office below the border indiscriminately removed pins off the commercial map, unemployment due to other reasons has been rising.

The U.S. economy has been sluggish and has not recovered from the 1970 recession. Unemployment has been high, costs have been rising and the American product has been in a weak competitive position in the domestic and world market. The U.S. has been slowly moving towards protectionism.

At the same time, Canadian manufacturers found all kinds of obstacles in exporting their products over the border, yet we have been buying one-quarter of all U.S. exports.

While an attempt to pass a restrictive trade bill failed temporarily, the protectionist sentiment in the U.S.A. was finding its expression in an increased harassment of Canadian exporters by custom officials, that was discouraging many small manufacturers from seeking markets in the U.S.A.

Now that President Nixon imposed a 10 per cent surtax on imports, we will have a more difficult time selling Canadian manu-

factured products to that country. Since seventy per cent of our trade has been with the U.S. this may cause serious cutbacks in our production and create massive unemployment.

The OFL in its annual submission to the Ontario government this spring gave warning of this:

We believe you are aware that the U.S.A. is planning to reverse its present liberal international trade policies in favour of more protectionism. This would have a serious effect on the economy of Canada and in particular on Ontario, a highly industrialized province dependent on export to the U.S.A. You must use your good offices with the federal government to demand that they fight this trend. This is not to say that we favour dumping. In addition, to prepare for the eventuality of the Americans imposing restrictions on import from our country, this province should strive to gear more of its manufacturing to a domestic consumer market.⁷

If Britain achieves entry into the European Common Market, this too would have some effect on our world trade relationships.

Our goal in economic policy must be based on a full employment economy. If we are successful in achieving this, we will be in a better position to solve the manpower problems of plant shutdowns when and if they occur.

The Nature of Unemployment Today

The serious rise in unemployment today cannot be attributed solely to a gap or a mismatching between the availability of labour and the jobs required. Structural unemployment is only a small part of it. Part of the problem stems from technological change, a good part of the problem is caused by changed trading patterns promoted by the home offices of the branch plants in Canada, but most of the problem stems from inadequate demand. This is the basic cause of the high unemployment today. The demand for labour has not kept pace with the supply.

The source of the high unemployment is not in labour market imbalance but in the market for goods and services. We have been unable to use all the goods and services that we have a capacity to produce, because not enough people had the purchasing power to buy them.

⁷ Ontario Federation of Labour, *Legislative Proposals 1971* (Toronto: May 1971), p. 5.

This means that we have to have tax cuts, an expanded social security system, higher wages and salaries and government policies of investing in large scale social capital works. This would encourage higher levels of production and employment in the private sector. The government would have to increase its spending drastically. This would not continue to be a deficit since the increased employment (and taxpayers) would increase the tax revenue without having to increase the rate of taxation.

Retrained But Still Unemployed

In our study we found that laid off workers and those dismissed are encouraged to enroll in the technical schools. They get some subsistence money and free tuition mainly to keep them off the unemployment rolls. Many workers we talked to questioned the wisdom of such a policy and some showed a lack of enthusiasm for training programs. It seems that some departments of the government are promoting economic policies that create large masses of unemployed, while another branch of the government is charged with the task of training and placing workers in jobs that don't exist.

The unemployment we have today has been deliberately created. The plant shutdowns, some of which are caused by this same policy, cannot be properly resolved in such a climate. It seems an exercise in futility to train and retrain workers for jobs that don't exist; to relocate workers to other areas that are having the same problem; to give workers notice of layoff so that they can look around for other jobs that aren't there.

Such programs are useful only conjoined with a program that provides for a bouyant economy, full employment and adequate purchasing power in the hands of the workers.

The two have to go hand in hand.

The cases of plant closure cited, where efforts to protect the welfare of the workers and the community were not so successful, stemmed from lack of experience, the absence of legislation related to the problems of plant closure, and a lack of awareness on the part of the workers and society as a whole of the fact that the corporations and the government have a responsibility for the workers involved.

There is a growing realization that industry can no longer, with impunity, make unilateral decisions that throw hundreds of workers on the industrial scrap heap, and destroy whole communities. There is also a growing awareness that governments must provide realistic and adequate legislation to protect the rights of the workers and the communities which are dependent on industry.

Wage Increases Do Not Cause Unemployment

There has been a stepped up campaign to convince the public that wage increases are the cause of unemployment.

The facts do not bear this out. Wage increases are *not* the cause of unemployment. If they were, some of our competitors would be in the same position as we are.

For example, in 1969-70, wages in Japan went up by 17.9 per cent. Unemployment went down 2.8 per cent. Wages in Germany went up by 12.1 per cent. Unemployment went down 0.7 per cent. Wages in Italy went up 22.0 per cent — unemployment went down 2.2 per cent. Belgium: wages up 11.2 per cent — unemployment down 9.1 per cent. Denmark: wages up 9.8 per cent — unemployment down 22.6 per cent. Netherlands: wages up 12.3 per cent — unemployment down 9.8 per cent.

There is no need for prices to go up if wages go up. The wage component in the goods and services we produce is usually only a small part of the whole. If productivity rises it is possible for wages and salaries to increase without affecting the cost per unit of output.

For instance, in building an average home labour costs are about 13 per cent. The direct packinghouse wage cost of a pound of steak selling for a \$1.40 is about 5¢. The assemblers who put together a \$5000 car are paid \$60 in wages — a very small part of the total cost of the car.

Along with the bogey that wage increases cause high prices is the one that wage increases price us out of world markets. The facts show that our exports to our toughest competitors are high.

The three major single purchasers of our exports have been Britain, Japan and the United States. Combined, they bought close to 80 per cent of our exports in 1970. The U.S. share of this was 65 per cent.

Chapter IV

Four Major Industries: An Overview

Four industries that have borne the brunt of worker dislocations and that may be again affected in the near future have been chosen for an economic overview. These are: textiles, electrical, automobile, and the steel and mining industries. The order in which they are presented does not necessarily have any bearing on their relative importance. Comments made about the electrical industry may well apply to the steel industry, since many steel manufactured products use electrical components, and electrical products use steel. Another reason these four were chosen for this overview was that they are the industries in which the respective unions played some role in trying to solve the problems of plant shutdown and cutbacks in employment.

THE TEXTILE INDUSTRY⁸

There are approximately 32,000 people employed in textiles in Ontario. With about 50,000 in the same industry in Quebec, this makes textiles about fourth in rank in Canadian manufacturing industries. There are 19,000 employees in clothing manufacturing in Ontario.

This industry has been fighting for its life. The problem is how to keep growing and providing jobs in face of the changing pattern of world trade. Measures taken by our government to protect the industry have been temporary and inadequate and lack any clear-cut national policy.

⁸ See also "Courtaulds" in Appendix 2, pp. 114-117.

World textile trade increased by 68% in the ten year period between 1948 and 1958. It again increased by 57% between 1958 and 1964, averaging an annual increase of 10% per year.

There has been a shift in the volume of trade of exporting countries. Britain exported 23.5% of world export in 1948; by 1964 it dropped to 8%. The U.S.A. had 18.2% of world export in 1948; by 1964, it dropped to 6.5%. With Japan the converse was true. In 1948 it had 5% of total world textile exports. By 1964 it was 15%. It was the Far East that gained the greatest advance in exports. In 1948, they had 16.2% of total world exports; by 1964, it was 30%. Their increase matched all others put together. On the other hand, Canada's share of world export market was .2% in 1948 and only rose to .6% by 1964. In synthetic fibres, Canada exported only about 5%, while the bulk of the trade in this industry was held by Japan, U.S.A., and the United Kingdom.

The bulk of world textile trade was rapidly shifting to low-cost countries.

There has been a rapid expansion of imports by Canada from all sources, but mostly from low-cost areas;

- from Japan, an increase of 72 times
- from the rest of Asia, 26 times
- from other lower developed countries, 16 times
- from Eastern Europe, 10 times

Whereas these areas supplied less than 3% of Canadian imports in 1949, they supplied 38½% in 1966.

This rapid penetration of the Canadian textile market has had a disastrous effect on our textile industry. These imports in no way concentrated on goods for further manufacture but were largely composed of finished clothing and made-up goods.

As a result, certain lines of production in Canada have been abandoned, mills and plants have been closed, and large numbers of employees have been dismissed. Others are on short time. The industry is depressed, wages have not improved and working conditions have deteriorated. Canada as a developed country must take its share of textiles from the underdeveloped countries if not for

reciprocal reasons, then on moral grounds. However, Canada now absorbs 21.8% of the total UDC (Under-Developed Countries) supply, while the U.S.A. takes only 5.8%.

There has to be some order brought about in this industry. One of the first changes is to bring some equity into the degree to which imports from low-cost sources are accepted into the markets of the developed countries and Canada in particular.

If no such agreement could be reached, then some sort of quota restrictions on imports will have to be applied.

The import of textiles has resulted in the loss of many thousands of jobs and tremendous hardship on employees who have worked in the textile industry for many years.

The Textile Workers Union, the United Textile Workers and the textile industry itself have for many years presented briefs to the federal government asking for protection for the industry. In 1968 the three groups presented a joint brief to the federal cabinet.⁹

This policy seemingly is counter to the stand taken by the Canadian Labour Congress calling for free trade. The industry and the unions in the textile field claim that they do not and have not asked for a complete block on imports, but have asked for a responsible policy regarding textiles in the country. In the words of Charles Clark, Organizing Director of the Textile Workers Union of America, "What good is it if you can buy a shirt for \$2 less if jobs are lost". Obviously it serves no purpose at all to have jobs lost through a negative textile policy in Canada.

The T.W.U.A. is annoyed that thousands of textile jobs are lost through imports and are equally disturbed when they see the same dilemma facing other industries and unions — many of which, over many years, regarded themselves as being removed from such problems. They are not, however, as witness the electrical industry which has been plagued by imports from low-cost countries. The other industries are also facing the same type of

⁹ *A Trade Policy for Textiles*, summary of submission to the Prime Minister presented on behalf of Canadian Textiles Institute, UTWA, TWUA and CNTV, *Canadian Textile Journal*, LXXXV, No. 22 (October 25, 1968), 19-24.

problem, and it appears that what once was a problem for textile workers alone is now a problem for many industries.

It is possible that rational solutions can be found to save the textile and clothing industries by government action. If not, it can be expected that factory and mill closing will become the order of the day, and the industry will be faced with increasing unemployment. This can only serve to impose further suffering and hardship on the workers and the communities.

TABLE 3

TEXTILE AND GARMENT IMPORTS FROM ASIA
AND OTHER LDC'S (AND JAPAN)

ASIA	1949	1954	1959	1964	1965	1966	Increase 1966/1949
(Excluding Japan)							
China	254	69	1201	3113	4667	8277	32 X
Hong Kong	53	273	4485	9060	9038	12480	235 X
India	323	3503	6377	8969	10330	7999	25 X
Korea	—	—	—	311	2061	1961	
Malaysia	—	—	—	—	254	278	
Pakistan	—	—	31	4134	3566	907	
Port. Asia	—	—	—	557	1610	29	
Taiwan	—	—	4	2771	2770	3389	
Other	—	—	—	3	8	7	
Total Asia (Excluding Japan)	630	3845	12098	28918	34304	35327	56 X
Other LDC							
Brazil	—	—	11	10	181	466	
Colombia	—	—	—	473	2723	2842	
Israel	—	3	132	2059	2284	2522	
Jamaica	—	—	—	20	77	91	
Malta	—	—	—	18	249	286	
Portugal	4	3	129	3350	2854	3233	
Spain	—	329	221	605	902	1044	
U.A.R.	—	—	—	128	247	716	
Other	730	4	8	1257	684	566	(22%)
Total Low Wage	734	339	501	7920	10201	11766	16 X
Total LDC's	1364	4184	12599	36838	44505	47093	34 X
Japan	509	1972	31954	27624	33060	36761	72 X

Source: Dominion Bureau of Statistics, *Trade of Canada*.

THE ELECTRICAL INDUSTRY¹⁰

While much of the unemployment in the electrical industry is a result of the general economic situation, much of it is also due to deliberate corporate policy made elsewhere than in Canada. Plant shutdown is affecting this industry as much or more than any other.

There are 152 corporations in the electrical industry in this country.¹¹ Most of these are quite small so that control of the industry is in the hands of 12 of the larger corporations. Nine of these are United States controlled.

Automatic Electric	U.S.A.
Canadian General Electric	U.S.A.
Canadian Westinghouse	U.S.A.
General Instruments	U.S.A.
International Telegraph and Telephone	U.S.A.
Litton Industries	U.S.A.
Raytheon	U.S.A.
R.C.A.	U.S.A.
Northern Electric	U.S.A.-Canada
C.A.E. Industries	Canada
Leigh Instruments	Canada
Canadian Marconi	Britain

The power apparatus section is the heart of the electrical industry and constitutes one-fifth of the employment and production of the whole industry. Although for years Canada was in the forefront of manufacturing water turbines, generators and transformers, with the world wide rationalization going on amongst the multi-national corporations in the industry, Canada is being pushed away from its leading role.

There has been some dumping of power apparatus from Japan and Britain. The interesting part about this is that of those foreign companies dumping on the Canadian market, over half have shares and ownership affiliates with the parent of the Canadian manufacturers.

A large portion of trade is multi-national bookkeeping. Components and finished products are shipped into and out of the country to facilitate the juggling of cost and production figures

¹⁰ See also "Westinghouse" in Appendix 2, pp. 105-109.

¹¹ Dominion Bureau of Statistics, *Communications Equipment Manufacturers* (Cat. No. 42-206).

and to take advantage of tax loopholes. As much as 50 per cent of what is called America's foreign trade involves U.S. multi-national corporations based on private boardroom decisions made for the maximum gain of the companies. These are not trade relations — they are company transactions.

This was borne out quite clearly in developments during the last negotiations between the electrical workers unions and the industry. G.E. spokesmen were "poor-mouthing" the unions, claiming tough foreign competition made reasonable wage raises impossible. What was not said was that G.E. and Westinghouse owned and operated most of the foreign competition.

The closing of the TV tube division in Toronto was the result of G.E. deciding to buy its TV tubes from its "competitors" in Japan, also owned by G.E., and from its own plants in the U.S.A. Such a decision could only have been made at the head office in the U.S.A. As a result, over 1,000 workers in Ontario lost their jobs.

Productivity in the Canadian electrical industry is high. According to statements made by K. H. Rapsey, president of Allen-Bradley Canada Limited, addressing the House Committee of Finance, Trade and Commerce, ". . . there are quite a few sections of the industry where we believe we have information that we are competitive on a straight basis of productivity and efficiency." And on cost, J. H. Smith, president of Canadian General Electric, speaking to the same committee has this to say: ". . . the cost in the plant in your riding, sir, (Guelph) on power transformers is lower than the cost of any of the competitors in Europe."

The electrical industry in Canada is slowly losing ground through manipulations by the parent offices in the U.S.A. and by the actions of our own provincial utilities not giving preference in prices and awarding of contracts to Canadian plants. Some apparatus should be manufactured directly by Canadian utilities and damage action and sanctions should be applied to companies dumping on the Canadian market. Parent company restrictions should be removed by our laws on foreign subsidiaries in exporting to overseas markets.

It is not uncommon for Ontario Hydro to award contracts to foreign companies at the expense of the loss of jobs of Ontario

workers as was the case in the decision to award the contract for the generating equipment for its new Lennox Station to Canadian General Electric which in turn gave it to General Electric in Schenectady, New York, although the General Electric plant in Scarborough, with a little adjustment, would have been capable of producing such equipment. Likewise the Ontario Hydro awarded a contract to a Japanese firm for equipment that Dunlop in Ontario was capable of producing. This plant was closed largely as a result of losing this contract.

The appliance sector of the electrical industry is again as big as the power equipment sector and almost as job intensive. If the overseas market was increased by some export assistance, the cost to the domestic consumer could be reduced because of the volume. The appliance industry is particularly in difficulty because of imports. This can only be remedied by an import quota. A couple of recent examples of corporate decisions to rationalize the appliance industry that have caused plant closures are the Kelvinator in London¹² and the Frigidare division of General Motors of Canada in Scarborough.

Most of the radio and TV receivers are produced by U.S. controlled companies. Of 10 major companies in the field, only one is Canadian controlled.

Canadian G.E., Philips and Canadian Westinghouse no longer make TV tubes in Canada. Yet there were over 2,000 workers employed in the industry in 1962 — now only about 10% of this number remain. This can partly be attributed to a change in technology, but is largely due to substitution of foreign imports.

What is ironic is that the imports are from foreign manufacturers which have corporate connections with the parent companies of Canada's plants that are affected.

Canadian General Electric ceased to manufacture TV tubes in Toronto. They are now supplied by Westinghouse and R.C.A. at no greater cost than those supplied in their own plant. Similarly, now

¹² B. Portis and Michel G. Suys, *The Effect of Advance Notice in a Plant Shut-down: A Study of the Closing of the Kelvinator Plant in London, Ontario*, School of Business Administration, University of Western Ontario, London, Ontario 1970.

that the Westinghouse production plant in Brantford is closed, they will confine their activities to selling R.C.A. radio and TV sets under their own label. Corporations can make all kinds of arrangements: they can close plants, allocate markets and set prices without any regard to what happens to the workers displaced.

Almost the entire communications satellite industry is lost to Canada as a result of the federal government trying to save a few dollars. The contract was given to Hughes Aircraft in California instead of to R.C.A. in Montreal which was promised the contract previously.

According to the computer census of the Information Processing Society of Canada, there are nearly 3,000 computers in operation in this country. Yet we have no computer industry.

There is a great potential for growth in this industry. According to Dr. A. D. Booth, University of Saskatchewan, engineering students there "have built computers for a tenth of the cost charged by commercial American firms." Dr. Arthur Porter, University of Toronto, referring to the \$22 million contract for a new automated flight reservation system awarded to U.S. firms said: "It could be done in Canada by 1971 and it would not be inferior technologically. It might even be superior, and the cost would certainly be no more."¹³

Yet the biggest buyer of computer work is the public sector — the government and publicly financed institutes of learning, research, etc. It would seem logical that this is an industry our government would encourage to develop in this country. Yet it is ignored.

THE AUTOMOBILE INDUSTRY¹⁴

Since 1965, we have had a "managed free trade" in automotive products between Canada and the U.S.A. It came about by the government's desire to rationalize motor vehicle manufacture in Canada to something more in keeping with our needs and our potentialities, rather than the former inefficient duplication of

¹³ *Globe and Mail*, December 4, 1964.

¹⁴ See also "Eaton Automotive" and "Kelvinator" in Appendix 2, pp. 118-120.

American production patterns at 1/25 of their scale. The auto trade pact was signed June 16, 1965, immediately received parliamentary approval and got congressional approval sometime later that year. In simple terms, the pact gives auto manufacturers in Canada and the U.S.A. the duty-free right to ship parts or autos across borders. Since then, many of the more inefficient firms had to phase out, but on the whole, employment increased in most plants as a result of the pact.

The parts industry in particular grew, so that now it employs 50,000 workers which is more than the combined labour force of the auto manufacturers. Ninety-eight per cent of the parts industry is in Ontario.

If Eaton Automotive is an example, there may be a move to build more parts plants in the U.S.A. and cause more plant shut-downs in Ontario.

The Canada-U.S. Automotive Trade Agreement, like a great many other things, is a two-edged sword. The UAW contends that it cuts both ways. The Eaton Automotive plant shutdown in London is only the latest in a series. However, on the debit side, there is the Eaton Precision plant in Wallaceburg and the Eaton Springs plant in Chatham, both new to Canada since the auto pact, and all three plants are subsidiaries of Eaton Yale and Towne of Cleveland, the parent of Eaton Automotive.

Everyone connected with the auto pact knew that there would be some job dislocations because of it, and in some cases just plain job losses. But the pact could only be properly assessed by looking at the broader picture.

Plant closures did not originate with the auto pact. Motor Products, a large Windsor subsidiary of the Detroit company for over 25 years, closed several years before the auto pact came into existence. The Eaton Automotive plant closed in Windsor before moving to London more than 20 years ago.

All other influences on the auto industry in Canada aside, there can be no gainsaying the fact that Canadian auto workers have benefited greatly from adoption of the Canada-U.S. Automotive Trade Agreement.

While dollars do not translate exactly into jobs, neither are they noticeably unrelated. The fact that the net balance in automotive trade between Canada and the U.S. turned around from a balance of \$704.1 million in favour of the U.S. in 1965 to a balance of \$237.3 million in favour of Canada in 1970, has to tell a somewhat comparable story about jobs.

The record shows that UAW membership in Canada in 1964 was 65,000. In 1971, it is close to 120,000. With all due respect to the UAW organizing staff, most of that increase came in auto and auto feeder plant expansion. Just a few quick examples might suffice: GM's assembly plant in Ste. Therese and its Trim Plant in Windsor are brand new; so is Ford's Talbotville plant. Chrysler Local 444, Windsor, had about 5200 members in 1965; today it has about 9600. The Budd plant in Kitchener employs 1500; it did not exist in 1965.

Measured in millions of U.S. dollars, so as to eliminate the effects of any difference in the exchange rate, Canadian exports to the U.S. of complete vehicles and chassis increased from \$87.8 million in 1965 to \$2,125 million in 1970. Canadian exports of automotive parts and accessories to the U.S. rose from \$139.2 million in 1965 to \$1,079.6 million in 1970. Adding these figures, we find that Canada's total automotive exports to the U.S. rose from \$227.0 million in 1965 to \$3,204.7 million in 1970, for a total increase of \$2,977.7 million.

While U.S. exports of parts and accessories to Canada are about double the exports of parts and accessories from Canada to the U.S., most of the parts and accessories brought in from the U.S. are put into vehicles which are then shipped back to the U.S.

Some changes in Canada's exports of specific parts may be of interest. For example, spring and leaves for springs increased from \$11.3 million in 1965 to \$36.8 million in 1970. Piston-type engines increased from \$15.8 million to \$30.6 million. In 1965, Canada's exports of bumpers, radiators and miscellaneous parts and accessories were so small that no figures are given for them in the government reports. However, in 1970 Canada exported to the U.S. \$22.1 million worth of bumpers, \$26.5 million worth of radiators and \$304.3 million worth of miscellaneous parts and accessories.

Perhaps it might be well to recall that what drove the Canadian UAW to ask for a Royal Commission to investigate the feasibility of integrating the U.S. and Canadian auto industries in the first place was the heavy inroad which small car imports were making into the domestic market — much heavier in Canada than in the U.S.¹⁵

A fine question might be, since the offshore imports have made the great inroads they have — in *both* the U.S. and Canada — what would the condition of the North American auto industry (and the jobs there) be today if there had been no Canada-U.S. Automotive Trade Agreement?

George Specht, Regional Director of UAW, had this to say:

Plant closures, apparently, will be with us always, auto pact or no. How to live with them is the problem. Obviously, they are a happenstance of the 'free enterprise' way of life. Organized labour can deal only unevenly and in an all too limited way with their solution. It lies with government to apply the in-depth correction. Only legislation which gets to the root of the social evil which plant closures are, can approach a permanent cure. The OFL is making a real contribution to the situation if its research puts the problem into focus and arouses the kind of public opinion which results in effective government action. The real task is the civilizing of industry.

THE STEEL AND MINING INDUSTRY

Our survey shows that there have been 23 plants in the steel industry that have closed or had extensive layoffs in Ontario during the period under review.

Again, the reasons for the dislocations range from inefficiency to foreign control — decisions on plant closure being made elsewhere than in Canada.

The steel industry plays a key role in the economy of the country, and because it reaches into every area of manufacturing, the manufacturing plants are very susceptible to economic changes in this country and south of the border.

¹⁵ The United Automobile Workers (UAW-CLC), *Brief to the Royal Commission on Canada's Automotive Industry 1960* (Ottawa: October 24, 1960), p. 18.

In many respects the steel products manufacturing industry faces the same problems as the electrical industry. These are the competition with foreign imports, lack of research and development in the branch plants, the head office pushes its home product rather than that of the Canadian branch plant, and the poor economic climate makes the marketing of the products of the industry more difficult. The recent American imposition of the surtax on imports will have a particularly bad effect on the industry in this country.

The steel producing mills are largely Canada-owned, but are still influenced economically by what happens in the U.S.A. However, plant shutdowns are confined to the manufacturing plants.

Perhaps the Steelworkers Union has had more experience with plant shutdowns and how to cope with them than any other union. The plant shutdowns at English Electric in St. Catherines and General Steel Wares in Toronto are two that received some publicity. Studies were done on both and they speak for themselves.¹⁶

It is the gold mines mainly centered in Northeastern Ontario and Northwestern Quebec where the major shutdown problems exist.

The gold mines are producing a relatively fixed-price product and the near equalization of the U.S.-Canada dollar exchange rate, following the recent unpegging of the Canadian dollar, has more than wiped out any marginal price advances stemming from the free market for gold.

The mining companies have been the beneficiaries both of increasing federal government subsidies since 1948, and of improved technology, but employment and production continue to decline and a number of shutdowns have taken place since the unpegging of the dollar.

These circumstances enhance the bargaining strength of the companies and they have successfully resisted the implementation of pension plans for their bargaining unit employees. Wages are

¹⁶ English Electric — Stewart Crysedale, "Social Effects of a Factory Relocation," *Canada: A Sociological Profile*, compiled by W. E. Mann (Toronto: The Copp Clark Publishing Co., 1968).

General Steel Wares — R. G. Boase, "From Factory to Parking Lot: A Study of the Closing of 'A Surplus Plant'" USWA (Toronto, 1967).

the lowest in the mining industry, and the gold mines work force consists increasingly of the older men — those who are less capable of finding work in new high wage areas because of their attachment to the gold community and their inability to meet the physical health requirements demanded in other sectors of the mining industry. Gold mine shutdowns leave their dependent communities destitute, while the retained earnings of the companies have long since been invested in profitable ventures elsewhere.

This is a problem which only resolute government action can solve. The USWA has submitted numerous demands for action to both senior levels of government, accompanied by specific proposals, but without success.

The Ontario and Quebec governments have ignored the problem while the federal government simply renews the subsidy, (The Emergency Gold Mining Assistance Act) with vague hopes that some of the money will trickle down to the people of the gold communities.

Chapter V

Reactions from Four Industrial Communities

BRANTFORD, KINGSTON, CORNWALL AND LONDON¹⁷

Terminated and laid off workers and other members of the community who were interviewed, had a common feeling that the closing of a plant is one way in which management rationalizes its operational mistakes. There is also the feeling that foreign-controlled branch plants usually take into consideration only technical operations of the plant and ignore the social economic and cultural life of the community; seek to influence government policy substantially in their favour — this is based on the theory that they are the natural leaders, and that they know what is good for the community; and these enterprises reduce workers to a form of industrial scrap when they are through with them.

Those interviewed feel that there can be an improvement in labour-management relations, if unilateral changes by management that affect working conditions and employment were abridged so that the worker had a say in such matters. They were of the opinion that industry and government should adopt a greater responsibility to communities whose existence or stability is threatened by the phasing out of industries.

The great majority of affected workers feel that legislation will have to be introduced if voluntary methods do not solve the problem. The workers were quite vehement in their feeling that they should have the right to negotiate the terms of shutdown.

¹⁷ The full text of the interviews is contained in Appendix 2, pp. 98-120.

They thought it unfair that while workers usually have to negotiate their wages, companies could increase prices at will.

They expressed a need to prevent the terrible fear and uncertainty that workers live with, because of management's power to terminate plant operation at short notice. Good industrial planning, they feel, should not only involve the painstaking care that companies take in planning to set up operations, but this same planning and care should be involved in the phasing out period as well. The company, they feel, did put time and effort screening and looking over employees, and therefore, it is not fair to get rid of them abruptly or with little or no notice given.

Workers are striving to eliminate, as much as possible, the day-to-day uncertainties and emotional stress of job insecurity. This type of situation, they believe, would foster the development of a more contented work force, where strikes will be rare and absenteeism almost unknown.

It was felt that in such a situation where the companies give high priority to the welfare of the workers, unions will not resist new technology. If a man's skill becomes obsolete and his company agrees to retrain him for something else, with no loss of income, it will help create greater industrial flexibility, and will allow employers to shift workers from one job to another to meet the demand of new industrial techniques.

Where plants are threatened by unfair foreign competition, the provincial government should try to develop an overall policy, to control the operation of foreign-controlled firms and to deal with trade problems as they arise.

One of the pressing problems now is the need to cut down on dumping on the Ontario market by foreign companies.

The Ontario government has the legislative authority to develop a comprehensive policy on foreign trade and it should use it.

Chapter VI

The Role of the Branch Plant in the Ontario Economy

The fact that so many of the plants in Ontario, and much of the economy are foreign-controlled, makes it difficult to make companies behave as good corporate citizens when they are involved in plant consolidation, diversification or shutdown. Our survey showed that 76 of the plants closed were branch plants.

Ontario, because of its location in relation to North American markets, has a very important position. If it were not for Sir John A. MacDonald's foresight, our economic orientation may have been in a lateral direction extending south from the St. Lawrence region of which Ontario is the centre. As it was, the transcontinental railway extends our economy horizontally — to tie the west to the east, with Ontario playing a strategic role.

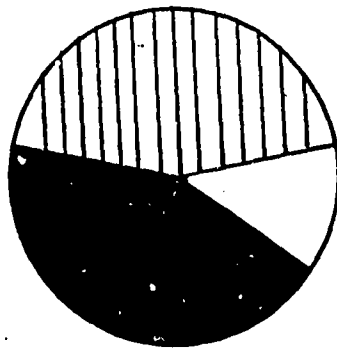
Our industry, since Confederation, developed along the St. Lawrence region, and because of tariff restrictions on American goods, U.S. corporations found it expedient to set up branch plants in Canada, particularly in Ontario.

Although this contributed to Ontario's growth, it nevertheless paved the way for our country being integrated into, and dependent on, the U.S. economy.

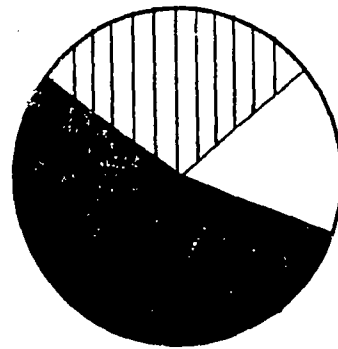
Both mining and manufacturing in Canada is dominated by non-residents. Foreign subsidiaries are concentrated in mining and smelting, oil and natural gas, with an amount equal to each of the two resource industries being in manufacturing.

TABLE 4

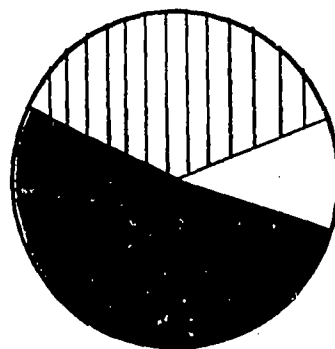
**CONTROL OF CANADIAN INDUSTRY
IN PERCENT**






Manufacturing



Oil and Gas



Mining & Smelting

-  Canadian
-  U.S.
-  Other Foreign

Source:
Dominion Bureau of Statistics

Ontario, of all the provinces, has the highest incidence of foreign owned manufacturing and mining. This comes about of course, because Ontario has the largest proportion of mining and manufacturing, the two industries that are so heavily controlled. Note the following table:

TABLE 5

Percentage of Corporation Taxable Income Earned in Each Industrial Sector and Region Attributable to Non-resident owned Companies, 1965-1968 Average.¹⁸

INDUSTRIAL SECTORS	Maritimes	Quebec	Ontario	Prairies	B.C.	Canada
	PERCENT					
Agriculture, forestry, fishing and trapping	42.9	—	14.3	6.2	25.2	20.7
Mining	88.8	40.6	59.3	76.5	26.7	55.0
Manufacturing	59.6	60.3	70.0	60.5	44.1	63.8
Construction	9.7	12.1	19.0	23.0	42.6	20.6
Transportation, storage communications and public utilities	16.2	44.0	20.9	19.3	12.0	22.1
Wholesale trade	17.6	32.2	39.7	38.5	30.8	35.7
Retail trade	30.4	27.2	36.3	52.2	40.5	37.4
Finance	21.8	22.3	25.6	28.3	26.7	30.6
Services	24.4	41.9	39.1	40.6	27.8	38.7

The above table indicates percentage of corporation taxable income earned in each industrial sector by non-resident owned companies. If one were to isolate separate components of the manufacturing sector, the percentages are much higher. Of the companies that comprised over three-quarters of foreign-owned assets, much of this was attributed to the five largest manufacturing industries.

The Watkins Report shows that foreign ownership had doubled since 1926 to 60 per cent in 1963. Foreigners control 74 per cent of petroleum and natural gas, 97 per cent of the automobile industry, 97 per cent of rubber, 78 per cent of chemicals, and 59 per cent of mining and smelting.¹⁰

¹⁸ *Annual Report of the Minister of Industry, Trade and Commerce under the Corporations and Labour Unions Returns Act (Part I. Corporations)*, Jean-Luc Pepin, Minister (Ottawa: 1970), p. 38.

¹⁰ *Report of the Task Force on the Structure of Canadian Industry: Foreign Ownership and the Structure of Canadian Industry*, Melville Watkins, Chairman. Prepared for the Privy Council, Jan., 1968, p. 11.

Today the petroleum and coal industry is controlled by 14 corporations, all foreign-owned. Together they account for 99 per cent of the industry's assets. In transportation equipment, it is 87 per cent foreign-owned, in chemicals it is 81 per cent, and in primary metals, it is 55 per cent.²⁰

In Ontario's leading industries the percentage of foreign-control is high in motor vehicles, motor vehicle parts and accessories, miscellaneous machinery and equipment, industrial chemicals, electrical industrial equipment, communications equipment and office and store equipment.

These industries in the main serve the domestic market. Eighty-two per cent of the output of foreign-controlled companies in Canada were sold in this country. In 1965, of \$15.1 billion sales by subsidiaries and branch plants, \$12.7 billion were domestic sales and only \$2.7 billion were exports.

Foreign subsidiaries and branch plants, by the manner in which they operate, have an advantage over domestic plants in this country. In fact, a branch plant can be a worthwhile operation for a parent corporation even though it may not be a viable operation on the straight profit and loss sheet.

Eric Kierans, when he was Minister of Health, province of Quebec, (formerly President of the Montreal Stock Exchange) in an address to the Toronto Society of Financial Analysts, Feb. 1, 1966, made this point very well:

The purpose of investment in subsidiaries is not simply to earn a profit. In the parent-affiliate relationship, a profit on inter-company transactions may be taken at either end, but is normally taken by the parent. Thus, a subsidiary could lose money and still make a net contribution to the parent company's income by the profit on purchases of raw materials and component parts from the parent, by patents, royalties and fees for management, advertising and research services. In fact, the primary purpose of investment in overseas markets is to earn a profit for the parent by the control of markets for the export of parts, components and raw material concentrates. It is not essential that the affiliate show a profit.

Professor Levitt substantiates this argument:

The fact that 70 per cent of the imports of subsidiaries were obtained from parent and affiliated companies substantiates our earlier argu-

²⁰ *Annual Report Corporations*, p. 39.

ment that branch-plant manufacturing in the hinterland is the result of new forms of market competition which transfer tastes, techniques and assembly facilities to the hinterland. This creates a built-in demand for materials, components, capital goods and fully-processed goods for resale. Branch-plant imports are, to some extent, captive sales. Here the mercantilist nexus does not result in over-valuation of imported inputs although this may occur — but rather in a backward linkage of product differentiation. Typically, branch-plant technology requires a number of specific inputs which are supplied only by the parent company.²¹

as does Professor Safarian:

The only systematic difference between (resident and non-resident firms) in terms of economic performance, for the variables of exports, imports, and research, is with respect to imports. The non-resident owned firm makes relatively more of its purchases abroad.²²

and Watkins made the same point.²³

If a branch-plant can operate to the advantage of its parent corporation even though it may be a relatively unprofitable operation, then our argument that a company contemplating plant closure should be compelled to justify its decision before a public authority, has some merit. More important, such a regulation can be enacted by the government with complete justification.

Whereas in the manufacturing sector the problem we are concerned with involves the ease with which the parent company can make changes including shutdown that may affect large numbers of workers, in the resource industry sector we face an additional problem. Parent companies in most cases have already developed sophisticated manufacturing complexes and tend to favour only a minimum of processing in Canada before taking the materials to their parent establishments. That minimum of processing of the resource industry materials is very low job intensive. Were these resource industries Canadian controlled, we would be in a better position to process the materials into manufactured goods and provide more jobs.

²¹ Kari Levitt, *Silent Surrender* (Toronto: Macmillan Co. of Canada Ltd., 1970), p. 121.

²² A. E. Safarian, *Foreign Ownership of Canadian Industry*, (Toronto: McGraw-Hill Company, 1966), p. 304.

²³ Watkins, *Foreign Ownership*, p. 311.

Even despite the fact of foreign control, the government can still make rules by which these resources are removed. One of these rules could be that further processing be done on Canadian soil by Canadian workers.

In manufacturing, two markets are involved — other businesses and consumers. We have stated that most of the products from manufacturing are sold to the Canadian consumer. The parent company is not interested in promoting exports from the branch plant, for this may be competing with the other plants of the same corporation. In some cases, parent corporations with headquarters in the U.S.A., have restricted and even forbidden the exporting of certain products to certain countries with which the American government is not friendly.

On the question of sales to other businesses, another problem arises for the branch plant. Sales to businesses depend on specialties, on uniqueness in the product, and on quality. With research and development concentrated in the parent company's establishment, it is not very likely that the branch plant in Canada is going to develop specialized skills and products. This would not be so if the Canadian operation were owned and controlled by Canadians.

The most serious cost for Canada resulting from foreign ownership is the intrusion of American law and policy into Canada. For Canada, the essential feature of the problem is not the economic cost, but the loss of control over an important segment of Canadian economic life. While there are no easy solutions to extraterritoriality, Canadian national policy should be directed toward strengthening Canadian law and administrative machinery to countervail extraterritorial operations of American law and administrative machinery.

Foreign direct investment tends to shift the locus of decision-making outside of Canada and risks reducing the capacity of the Canadian government to implement its decisions in the public interest. Increasing the Canadian private presence in the decision-making of foreign-controlled subsidiaries would facilitate the expression of Canadian points of view and provide a vehicle for the Canadian government for the exercise of its policy. More generally, the Canadian public interest would be directly served by new national policies which recognize the need for a stronger government presence to countervail the power of multi-national firms and, on occasion, foreign government power exercised over these firms.²⁴

There is no doubt that Ontario is the centre of foreign control and economic domination. The tentacles of foreign control of our

²⁴ *Ibid*, p. 345.

industry have reached deeper into Ontario than into other provinces in Canada. Perhaps the problems created by branch plants and the need to solve these problems may be yet another vehicle to recapture Canadian economic and political sovereignty. Because of the concentration of branch plants in this province, Ontario will have to lead in this fight.

The Unforgivable "Forgivable Loans"

One of the purposes of the Ontario Development Corporation is to encourage, through cash grants, industry to expand and establish itself in slow growth areas. The encouragement grants, called forgivable loans or performance loans, are given to a company on condition that an agreed number of jobs are provided or the money has to be returned.

Of the \$40 million given to corporations in the last few years, about half was given to foreign-owned firms which, in the opinion of some critics, was, in effect, helping to promote the foreign take-over of our economy. Some of the other charges levelled at the government were that: the big corporations didn't need the loans; the ODC has no say in the company which gets the loan; there are no rules on how the money is granted; companies get grants to build a plant and then close a plant elsewhere with no increase, and often a decrease, in jobs.

One of the least credible of the charges is that most of the money went to conservative-held ridings. Since most of the ridings in Ontario are held by conservatives, and since many of these are in depressed areas, this one may or may not stand up. However, organized labour is concerned that the ODC do a proper job and is disturbed that the flamboyant Stanley Randall, when he was Minister of Trade and Development, appeared to be selling out Ontario to the U.S.A. He publicly admitted that he welcomed American industry and didn't seem to follow any logical policy as to where industries receiving loans were located.²⁵

Writing in *The Canadian Forum*, John Calvert, a graduate student at the University of Western Ontario, indicated that the

²⁵ Hon. Stanley Randall, *Standing Committee on Supply - Dept. of Trade and Development*, May 21, 1970, p. 169.

big loans made to large companies had little, if any, effect on the location of industry and companies located in certain areas because of long term profitability of the area and not because of the forgivable loan.²⁶

Some doubt has been expressed by the Economic Council of Canada on the usefulness of grants in influencing plant expansion and location: "... there is good reason to believe that the decision to invest would have been taken (perhaps at a date further in the future) and the particular location chosen even in the absence of the subsidy."²⁷

It was also observed in Britain that firms receiving development grants have a tendency to move the *minimum* of distance from the place where they would have normally located.²⁸

However, a recent study²⁹ on locating manufacturing industries for regional economic development showed that grants and loans were important to new industries because they came at the beginning of the new plant's life. Small and growing firms generally found it difficult to get capital funds for expansion and if they were able to, were inhibited from borrowing because of the high interest cost. The study makes a case for giving grants (or loans) to industry that would not have located in a particular area. This would improve the distribution of industry to counteract the imperfections of the capital market, which tends to channel money readily into clumsy industrial giants while refusing finance to growing and efficient new firms.

It is difficult to understand why so much was given to large corporations who already had adequate profits. They could hardly be influenced by the relatively small sum each received to locate in a particular community needing development. It is even more difficult to understand why so many of the loans went to American

²⁶ John Calvert, "The Ontario Development Corporation," *The Canadian Forum*, June, 1971, p. 25.

²⁷ Economic Council of Canada, *Fifth Annual Review*, September, 1968, p. 169.

²⁸ B. J. Loasby, "Making Location Policy Work," *Lloyds Bank Review*, January, 1967, pp. 34-37.

²⁹ Roy E. George, *A Leader and A Laggard: Manufacturing Industry in Nova Scotia, Quebec and Ontario* (Toronto: University of Toronto Press, 1970), pp. 148-152.

firms. Firms such as Honeywell Controls - \$220,000, American Optical - \$224,524, Allied Chemicals - \$1,000,000, Kimberley-Clark - \$269,433, Black and Decker - \$464,083, Boise-Cascade - \$100,000, Parke-Davis - \$266,833, Winchester-Western - \$250,000, Simmons - \$500,000, Precision Springs - \$250,000, Hooker Chemicals - \$250,000, H. D. Lee - \$500,000, etc.⁸⁰ Some of the loans were given to corporations that have at the same time or since closed other plants or divisions within the same company. This was the case in the transaction with Courtaulds in Cornwall which provided less than 50 jobs, but closed a plant releasing 600 employees. The same thing happened with Northern Electric which closed in Brampton — prior to that it was given a loan to build a new plant in Kingston Township. Also, the Wallace Murray Corporation of New York which was given a grant for its plant in Brockville, but later closed one of their acquired plants in Hamilton.

It would be reasonable to suggest that if public funds are given to companies, all reasonable efforts should be made to promote Canadian companies. Any company getting a loan should have to pay back the loan if they shut down *any* of their operations in this country. Some assurance should be sought that borrowing companies are good corporate citizens — not involved in price fixing or profiteering, etc. Apparently a loan of \$272,833 went to Pfizer Co. Inc., an American company, that according to a U.S. Senate Committee Hearing, had an extremely bad record in profiteering.

Another prerequisite of the loan agreement should be that most of the loans go to expanding job-intensive industries. Until recently, service industries were excluded from loans yet they provide more jobs than comparable-sized operations in manufacturing.

Organized labour is also greatly concerned that the ODC as it is presently operating does not stipulate that a loan recipient cannot pay substandard wages, that it has to promote good industrial relations and it must bargain in good faith with its workers and their representatives. According to testimony before an Ontario government committee, the ODC has involved itself in labour disputes by giving some companies loans to locate in other parts of the province and thereby evade their responsibility to their pre-

⁸⁰ Calvert, "The O.D.C.", p. 25.

sent employees.³¹ This was the case with Honeywell, Westinghouse, and Canada Wire and Cable.

The new minister responsible for ODC, Allan Grossman, has retreated a bit from Randall's slavish catering to the needs of foreign corporations by giving some preferential treatment to Canadian firms seeking loans. He will have to do much more to demonstrate that his department is following a different line to what it did during Randall's reign.

The foregoing is not necessarily a criticism of the ODC but of the government running it. The ODC has a role to play in repatriating our industry so that it is Canadian controlled. This can be accelerated substantially by changing the course of the ODC.

³¹ Stephen Lewis, *Standing Committee on Supply - Dept. of Trade and Development*, May 20, 1970, Afternoon Session, pp. S-202, S-193-194.

Chapter VII

The Psychological Effect of Plant Shutdown and Unemployment on the Workers

Although a plant shutdown treats all employees in the industrial unit alike in that they all lose their jobs, it is the less-skilled, those with the lowest seniority, and those at the bottom of the income scale who suffer the most.

It is only a matter of degree how prolonged unemployment affects the executive and the blue collar worker. For the executive who loses his job, it means that he can't find work at his level — in the end, when he has swallowed his pride, he can usually get a job at a lower level. It may take two years before he is prepared to take a wage cut, which will lower his status, but in most cases work will be available. But for the blue collar worker, it is not a question of lowering his status — he can't get a job.³²

The supervisory, technical and white collar workers are kept on until last. The paper work continues until the plant closes. Some of it continues even after the production part of the operation is finished. The employees with managerial skills, engineers, draftsmen, technicians, office workers and some of the skilled tradesmen such as tool and die makers, machinists and electricians, will have less difficulty in finding new employment.

The punch press operators, assemblers, packers, shippers and others who form the bulk of the work force in a manufacturing plant have more difficulty finding jobs when the plant closes. When a plant closes in a period of high unemployment, their problem is almost insurmountable.

³² "Old and Out of Work," Guidelines Department, *Monetary Times*, CXXXVIII, No. 9 (September, 1970), p. 10.

What happens to such a worker when he loses his job? The low wage earner who finds himself out of work for even a week has some serious adjustments to make, if he is going to provide for himself and his family. When this situation drags on for months, he is forced to find some other source of income. He applies for unemployment insurance payments. These, at their best were, at the time of this study, much too low, were paid for too short a period, and did little more than keep him from starving. When the unemployment insurance payments run out — what happens then? How does the unemployed worker meet his family expenses during long term unemployment?

First, he uses up his savings, if he is fortunate enough to have any. Then he borrows, if he has friends with money. He moves to cheaper housing. He sells whatever assets he may have. Generally, he accepts help from friends and relatives. As a last resort, he might apply for public welfare assistance.

When a worker with a family to provide for, loses his job, he experiences a sinking feeling. He has to face his wife and children and his friends. If he is able to find temporary work, it is usually in a lower paid, semi-skilled occupation.

There is a deprivation of the necessities of life, but there is also another deprivation — a psychological deprivation.

If a worker is laid off from an organized factory, he sometimes succeeds in obtaining a job in a non-union shop, possibly in the service trades. His pay is lowered and his working conditions become worse.

On the old job, he had higher pay and took some pride in his work, but the new job makes him feel humiliated; he feels rejected, his pride crumbles.

The unemployed have other needs, as important as the basic ones of food, clothing, and shelter. Loss of work results in the loss of self-respect, skill, and a desire to work. When the bread-winner is at home all day, harassed by financial worries and the frustration of not being able to do anything about his situation, he can become irritable and quite hard to live with. Family life suffers.

But the grimmest and most unnerving aspect of being idle is the effect this has on the mind and psychological well-being of the worker. There is the feeling of self-pity and guilt.

His plight is compounded by the fact that he is surrounded by affluence.

When a worker is unemployed for six months or more, then his standard of living deteriorates and he enters the ranks of the impoverished.

Seasonal changes, automation, technological change, plant shut-down, and a host of other factors contribute to the unemployment problem. However, the individual who is affected doesn't care what has been the cause: all he knows is that he isn't able to find a job and has no income. Nor is he too concerned about how new jobs are created. All he is concerned with is how to find gainful employment at rates of pay that will meet his needs. If he has limited education and no skills, and if he is over 45, his hope of finding gainful employment is very slim and daily grows slimmer.

Changing Attitudes as a Result of Plant Shutdown

A worker's job is more than just an economic activity. Around the job he forms most of his relationships and his attitudes. His home, his status and place in the community, his friends, his financial, cultural and political associations are all determined by his job.

Wilensky in his study concluded that "much of the worker's life revolved around his work and that environment. It was his central source of identity and social solidarity."³³

Crysdale in the study of the shutdown of English Electric in St. Catharines also develops this theme but adds a new facet — that the loss of his job and the resulting loss of status led to the worker's withdrawal from secondary associations, and his political behavior became either apathetic or extreme. The study showed "that withdrawal from secondary associations by downgraded

³³ Harold L. Wilensky, "Orderly Careers and Social Participation", *American Sociological Review* (August, 1961), pp. 521-539.

workers following relocation of the factory, was accompanied by increase in radicalism and in greater willingness to prescribe a larger role for the state."³⁴

Our survey of the Brantford area, just prior to the federal by-election which happened to take place after a number of plant shutdowns in the area, seems to bear this out. Some of the dismissed workers were interviewed in the NDP election headquarters. They were active in the campaign "to defeat the bastards in Ottawa who caused all this unemployment," was how one of them put it. As it turned out, the candidate of the party in power was roundly defeated. This is not to say that there weren't other reasons for the election of the NDP candidate. However, the plant shutdowns and general unemployment in the community were given as a major reason.

Attitudes to Relocation

Workers, like other members of the community, when faced with the prospect of losing their jobs or having in fact lost them, are reluctant to relocate. In personal interviews with these workers, it is interesting to note that the reasons given initially are not always the complete reasons for this reluctance to move. By further questioning the members of the family, it is found that the reasoning behind this reluctance can be quite complex. In this the wife plays a decisive role. The wife has more at stake in relocating. She is the one who is tied to the home. Her entire household would have to be rearranged. Her circle of friends are in the neighbourhood, she would have to make new friends.

Even though his job has disappeared, even though his way of life has changed and his world as he knew it appears to be disintegrating, there is a tendency to cling to the familiar. There is always the hope that things will return to normal.

He cannot move to another area because, in most cases, he hopes to get back to his job. He is usually from the less skilled and the lower paid section of workers and, consequently, could not acquire the necessary savings for such a move. Perhaps he made a down payment on his home. If his plant has a pension plan he hopes to take advantage of it by sticking with that particular plant.

³⁴ Stewart Crysdale, "Social Effects of A Factory Relocation," *Canada: A Sociological Profile* (Toronto: The Copp Clark Publishing Co., 1968), p. 265.

Then there are other reasons why an unemployed worker hesitates to move. He has the greatest reason to be insecure. The world has fallen in on him. He needs to be with his friends. He might not wish to take the children out of the school they are attending. There are many reasons why a displaced worker sticks to his community, but perhaps the most important is the belief that it might not make any difference if he did move.³⁵

If both parents are workers, there are more compelling reasons not to relocate. If one partner has a job the household now depends on it more than formerly. If this partner quit, he or she would have to find a new job in the new location.

It would seem that a single worker would be more likely to relocate. He or she usually has less complicated family ties. They do not have the same financial commitments as married workers. However, they do have strong community ties. Some have financial and other commitments to their parents. In some respects a young worker is just as reluctant to leave his home and surroundings as a young bird is in leaving its nest.

Workers will stay put in the belief that it won't happen — that the plant won't close or they in particular will be spared.

This is borne out in the case of the General Steel Wares closing. Even after the company made a formal announcement that their operation will be moved to new locations

a considerable portion of the employees still doubted that any significant changes would be made. Belief is a matter of choice and the employees wanted to believe that the company would continue producing in Toronto, thereby enabling them to continue in its employ.³⁶

In some cases there is a reluctance on the part of some employees to seek new employment or to accept jobs that may be available and thereby lose their equity, such as seniority, pension, etc., on the old job. In the case of the Kelvinator shutdown in London, Ontario, the majority of the production workers stayed with the plant until the last, despite a relatively lengthy notice, because their severance pay depended on their staying. But it would appear

³⁵ Ontario Federation of Labour, "Poverty in Ontario 1964," p. 28.

³⁶ R. G. Boase, "From Factory to Parking Lot: A Study of the closing of 'A Surplus Plant'" (Toronto: USWA, 33 Cecil St.), p. 11. (Mimeographed.)

that psychological and social factors are more important than the economic in making a decision to relocate.

In a situation where economic forces are sufficiently in balance so that men can see advantages in moving and in staying, social and psychological factors tip the balance in this case mainly in favour of staying put. In other words, economic factors may motivate a change but, in a relatively affluent society such as that of Canada today, these economic factors are subject to differing personal evaluations and the primary factors affecting an employee's decision as to whether or not he will follow his job to a new community are social and psychological.³⁷

³⁷ *Ibid.*, p. 52.

Chapter VIII

Impact of Industry on the Community And on Employment

In order to fully understand the effect of a plant shutdown or the reduction of the work force on the community, one must look at the economic and social structure of the community.

Generally an industrial community has a distinctive characteristic — it is a grouping together of economic organizations. This economic base, besides shaping the physical structure of the community, has a tremendous impact on its familial, religious and recreational life as well as having a marked effect on its social patterns, and quite often determines its political destiny.³⁸

Once the industrial base of the community is eliminated or substantially disturbed, economic ripples of this action are soon felt in every facet of life in the community.

This base is composed of the main enterprise, either manufacturing or extractive, which produces for export out of the community. Superimposed on this economic base are the support and service industries that accommodate internal consumption needs and which are dependent on the basic industry. One supports the other. However, new jobs created in the support and service industries can only result from the expansion of the basic industry. But the support and service industry does not determine or influence the growth of the basic industries. The number of such jobs created are sometimes more than the community can support. However, the market has a way of weeding out the excess in in-

³⁸ Delbert C. Miller and William H. Form, *Industrial Sociology* (New York: Harper and Row, 1964), p. 74.

dustries, by forcing the less viable to deploy their resources into other enterprises.

The economy of the community cannot function without the basic enterprise. Without the basic industry to provide the economic base, the community members would have to "take in each others washing". Such an economy would soon collapse.

TABLE 6

Every 100 Jobs in Industry Create These Additional Jobs			
Jobs	Percentage	Jobs	Percentage
Bus drivers .....	.42	Architects .....	.06
Department store clerks	2.5	Electricians .....	.22
Lawyers and judges .....	.44	Miners	2.2
Waitress	1.6	Real estate agents .....	.16
Plumbers .....	.13	Nurses	1.0
Doctors .....	.57	Shoe repairmen .....	.16
Painters	1.0	Teachers .....	.50
Firemen .....	.30	Pharmacists .....	.25
Dressmakers .....	.44	Editors and reporters .....	.25
Bank clerks .....	.66	Florists .....	.13
Stenos, typists	2.2	Plasterers .....	.13
Cleaners, laundrymen	1.6	Mechanics, machinists	2.2
Carpenters	2.6	Postmen .....	.50
Musicians .....	.44	Bookkeepers	2.0
Truck and tractor drivers	4.0	Dentists .....	.20
Gas station attendants .....	.40	Telephone operators	1.0
Printers .....	.22	Technical engineers .....	.14
Beauticians, barbers	1.0	Shoe clerks .....	.20
Policemen .....	.57	Photographers .....	.14
Highway workers .....	.10	Entertainers .....	.13
Librarians .....	.14	Bakers .....	.33
Food clerks	1.3	Farmers	8.5
Cooks .....	.66	Tailors, furriers .....	.40
Newsboys .....	.09	Hardware clerks .....	.44

This table is based on a ratio of civilian jobs in manufacturing to the number not in manufacturing. In the table that ratio is assumed to be 1 to 2.6. This is higher than the multiplication factors which are described because of the classification of all jobs not in manufacturing as supportive. Many non-manufacturing jobs which produce goods and services for export are basic activities. (The multiplier for farmers has been reduced from 28.5 to 8.5 because the productivity of farming has tripled since the original table was made up. J.E.)

Source: Miller and Form, *Industrial Sociology*, p. 81.

The increase or decrease in the employment of the basic industries has a direct effect on the growth or decrease of the support and service industries. A plant shutdown has a more deleterious and pervasive effect on the community, in proportion, than is the benefit that accrues from an increase in the work force of the basic industries.

The type of economic base upon which a community rests also determines the power structure within that community. A small mining town like Madsen in the Red Lake district is completely dependent on the dictates of the managers of the mine. To a lesser degree, the city of Sudbury, while dependent on Inco and dominated by that company, nevertheless, because the support and service industries are quite extensive, the domination is not so obvious and in some aspects is somewhat restrained. On the other hand, a community such as Ottawa has a different power structure because its main "industry" is government. Here the economic base and the support and service industries intermingle and overlap.

In smaller communities where the upper strata of industry management personnel meet in business matters and socially with the establishment of the community, their influence in shaping the social and political climate is quite extensive. Corporate policy permeates every facet of community life.

However, when the head office decides to relocate the plant, this group has very little power to dissuade the company from moving. Even though their sympathies may be with the community, their first loyalty is to the company.

Chapter IX

The Contribution of Collective Bargaining to Adjustment to Technological Change and Plant Shutdown

Collective bargaining has brought about measures to reduce the burden of change to be borne by the worker. They are far from perfect and comprehensive, partly because of the very limitations of collective bargaining itself and partly because of management's unwillingness to meet those problems head on, and the lack of imagination, aggressiveness or simply bargaining strength on the part of the unions. Whatever the case may be, those measures have proved very useful in many cases and it is important to describe them here.

The approach used corresponds to the normal intellectual approach of trade unions as spokesmen for the workers. The union must first of all acquaint itself with and be in a position to define and determine the problems raised. That step having been taken, the union must as far as possible prevent layoffs. Finally, when necessary, it must, within the framework of the collective agreement, try to reduce the burden of its members who are laid off. It should be noted here that the three steps are not met by order of importance but rather by order of priority. Thus, when a layoff becomes inevitable, a clause such as that of separation pay becomes just as important as that providing for due notice or retraining. Other approaches are just as valid, but this one is more readily applicable to the task at hand.

These clauses do not relate exclusively to automation and other technological changes. Most of them are meant to cover any change

that may affect jobs and employment. Some may be used in cases of partial or total shutdown, as well as in cases of centralization or decentralization of operations, and also in cases of merger or the introduction of new machinery. As technological changes are but one type of change that may affect the bargaining unit, unions must necessarily obtain collective agreements appropriate for as many situations as possible. In other words, a clause relating exclusively to technological change may be quite useful, but often would be of no avail in cases of relocation or merger.

The clauses enabling the workers to acquire greater specialization in their trade or simply to further their training may have become essential for fear of automation, but the mere fact that it is legitimate for the individual to improve his lot should be sufficient to justify such clauses. A clause providing for retirement at a certain age and included in the agreement to guarantee the worker a well-earned rest after a life of toil, will in certain cases be the clause through which layoffs will be averted. So the use of certain already existing clauses will sometimes prove very useful.

The insertion of an apparently very valid clause in an agreement may be counterbalanced by another seemingly quite innocuous clause. A clause providing for consultation between management and the union in cases of technological changes may be cancelled out by another one stipulating that production organization is the sole responsibility of management. The final decision, either through the grievance procedure or through arbitration, may be so long in coming that the union is prevented from taking efficient action. In other words, the agreement must not contain contradictory clauses. Furthermore, the part that may be played by collective bargaining in the process of adjustment to technological change is not limited to the insertion of one clause, however complete it may be, but based on a set of clauses and especially on the spirit (by opposition to the letter) which characterizes those clauses.

Many of the clauses contained in collective agreements may serve the purpose of technological or other change and it is important that they should open favourable opportunities to the union in that respect. Even a clause such as that requiring that all employees be members of the union may enable a union to secure a job in another plant for laid off members.

A clause providing for the transfer of an employee to another plant of the same company will be of no avail to the workers whose employer has only one plant. Similarly, a clause advancing retirement age from 65 to 60 in cases of technological changes within the company may prove inadequate if a very small proportion of the employees are beyond 50 or 55 years of age. Each firm and each bargaining unit has its own peculiarities and there are no cure-alls fully applicable to all. It will be up to the union bargaining team to assess the needs of their members and to obtain the clauses that will best serve these needs, depending, of course, on their bargaining *strength* and the other factors which are usually present at bargaining time.

On the collective bargaining level, till fairly recently, most of the experience with mass layoffs and termination has been with the reduction of the work force resulting from technological change.

When the automation revolution began, there was much fear that jobs would be eliminated. Although many jobs were lost as technology replaced manpower, other jobs were created. Organized labour took measures to protect the jobs of the workers.

One of the forms this took was the incorporation of technological change clauses within the collective agreement. Very few of the clauses referred to plant shutdown due to other causes than technological change. In those cases of layoff or termination due to plant closure or as a result of unviability of the enterprise or the bankruptcy of the company, the provisions of the technological change clause in the contract were applied.

The body of literature and precedent that has been evolved is therefore largely confined to technological change displacement rather than an all-embracing expression like a "redundancy clause", designed to protect workers dismissed for whatever reason, that is common to European industrial relations literature.

Perhaps, unlike other worker protective measures which came about in contracts before they became incorporated into legislation, in this province and also federally, legislation had to come first.

The collective agreement is limited in its power to enforce certain aspects of such protection provisions. For example, would

the workers have enough bargaining power to halt a plant shutdown through negotiations, or win a strike over a plant shutdown even though the "no strike" provision were repealed for cases of this sort? The workers would be in a very weak bargaining position when the employer has decided that their services are no longer required.

The larger and fundamental issues can only be resolved by provisions in the Employment Standards Act. The Act should also guarantee a role for the union to play in the situation.

Generally, unions did not welcome automation and technological change because the workers believed they would not share in the benefits brought about by such change. Yet, in the early fifties, when the miners in the U.S.A. were confronted with new mechanization, the United Mine Workers of America then under John L. Lewis' leadership, cooperated in the mechanization of the mines, which would cut the work force in half, on condition that the remaining workers get high wages and good fringe benefits in return.

As a result, the miners are for the first time making a decent living and working under safer conditions and their productivity is seven times that of their European counterparts. Coal is now cheaper. However, the number of workers in the industry dropped from 419,000 in 1947 to 150,000 at the present time.

The Longshoremen's Union on the U.S. west coast is a similar example of the union recognizing that mechanization was inevitable and negotiating a guarantee of no layoffs and a share in the increased income from mechanization.

In both cases, the coal miners and the longshoremen, negotiated royalties based on tonnage produced or goods moved to be used for retiring funds.

We cite these two examples because they both point up the fact that although collective bargaining can accomplish much, it has limitations in looking after the displaced workers.

Technological unemployment frequently poses problems which cannot be resolved solely in terms of the give and take of the bargaining table. Particularly in single industry regions, it calls for retraining, relocation and the establishment of new industries. These are all

issues falling largely within the sphere of government policy rather than that of collective bargaining. In this respect, it is important to note that no programme to eliminate technological unemployment can hope to succeed unless it is part and parcel of a national policy to maintain full employment.³⁹

Perhaps the most sophisticated and successful activity to solve the problems of technological change and plant diversification is that of the Armour and Company, a meat processing and packing industry.⁴⁰

In the late fifties, the industry decided to cut operations in the large cities and build modern and smaller plants in the beef and other meat producing areas.

The United Packinghouse Workers and the Amalgamated Meat Cutters and Butcher Workmen's Union conducted joint negotiations to safeguard jobs and protect the working conditions of their members in the face of the threat of loss of jobs.

Among the job security provisions demanded by the union were: a shorter work week with no loss in take home pay; improved pensions with vesting rights; severance pay and transfer right.

In 1959 the company decided to add another six plants to the list of nine already closed in their program of relocation and modernization.

In desperation the unions threatened to close the rest of the companies' operations. To avoid an almost certain strike situation the company was persuaded to co-operate financially and organizationally in the setting up of an "Automation Fund", the purpose of which was to study, with the aid of neutrals from the academic field, methods of softening the bad effects of plant closure. The Fund was a provision in that and subsequent collective agreements.

This tripartate committee broke new ground in industrial relations. The parties co-operated in their efforts, which were in some cases of necessity, trial and error methods. The Armour automation fund provided much useful information, served an

³⁹ F. John L. Young, *Adjusting to Technological Change*, Industrial Relations Centre, Queens University Kingston, 1963, p. 7.

⁴⁰ George P. Shultz and Arnold R. Weber, *Strategies for the Displaced Worker*, Harper & Row, New York 1966.

educational role, provided a guide for other such situations and highlighted the need for public policy reflected in legislation to provide an orderly and less painful procedure to meet technological change or worker displacement for whatever reason.

Perhaps the most significant contribution of the fund experience was that the problems such as these have to be solved by long-term planning and continuing negotiations with the aid of neutrals. By giving the problem proper treatment and placing it before public scrutiny, this put some pressure on the company to behave as a good corporate citizen.

Attrition

Natural attrition means allowing voluntary separations, normal retirement and deaths to reduce the work force before a change takes place. This is, singly, the most helpful way of minimizing or regulating displacements.

Natural attrition is accompanied by non-replacement through the hiring of new employees for such vacancies. The employees to be laid off fill these vacancies.

When it is necessary to reduce the number of employees in any classification because of mechanization or automation the reduction shall take place by attrition and/or reassignment of employees in the affected classification. For the purposes of this section 'attrition' shall mean the reduction of the work force by retirement, death, voluntary termination and disability.

It is to be understood that attrition or re-assignment can take place one year in advance of the implementation of automation or re-organization. Where this is put into effect, existing jobs will be filled by temporary employees who shall have no seniority rights under this Clause.⁴¹

Natural attrition may be helped by allowing employees who for health or other reasons, desire to leave their employment before the normal retirement age. This form of attrition, however, must be accompanied by a second compensation to the employee, in that the benefits accumulated by him during his service must not only be credited to him but also increased to make up for the loss of other benefits which he would have received had he kept his em-

⁴¹ Economic Council of Canada, *A Declaration on Manpower Adjustment to Technological and Other Change* (Ottawa: Queen's Printer, 1966), p. 9.

employment. In other words, retirement before the normal age provided for in the agreement must be advantageous to the employee. As a compensation, the employee may be given a certain lump payment through severance pay or otherwise, but above all the protection to which he was entitled as an employee should be continued.

Through employment sharing it is possible to avoid the layoff of certain employees when technological changes are introduced as well as when production is reduced. The employment sharing is done by reducing the number of hours of work to be done by the employees in order to enable a greater number of employees to hold regular employment.

This is done by reducing the number of daily working hours, by extending the vacation period or by increasing the number of statutory holidays. The progressive reduction of work hours applied in industry, even if it is not caused only by technological changes, nevertheless results in a decrease of the layoffs caused by them. The clauses concerning working hours as well as paid vacations and statutory holidays, being directly related to the question of wages, are difficult to reopen during the life of the collective agreement for a job re-adjustment. Those clauses come under negotiation much more than consultation. Only true negotiations between management and employees concerning the introduction of technological changes or plant shutdown or reduction make the general use of such provisions possible. This may explain at least in part why there are so few clauses providing for employment sharing.

The decrease in the number of years of service required for vacations with pay, extension of the vacation period as well as in the introduction of extended vacations, added to the reduction in work hours and the increase in the number of statutory holidays are all factors helping not only to increase the off-work period for workers but also to supply employment to some of them.⁴²

⁴² Thus, a clause providing for a 13 week vacation period every five years for employees with five years service, makes it theoretically possible to create one job for each group of 20 employees with five years of service. Also, assuming that, because of technological improvements, the production requiring the work of 40 men during 40 hours may be done by 38 men in 40 hours (or a total of 1520 man-hours), in theory, this means also the work of 40 men in 38 hours (for 1520 hours).

In some industrial sectors, the production employees have won the 35-hour week and in some enterprises the four-day week has been obtained. As for holidays, most collective agreements provide for a four-week holiday period for some employees, while a few provide for even five. On the other hand, increased holidays or extended holidays are seen more often.

Some extended holiday plans provide that an employee, after five years of service, will have 13 weeks of paid holidays every five years. Others provide that, when they reach age sixty-one and until their retirement at sixty-five, employees will be entitled to one additional week of holidays every year.

Seniority, Transfer and Displacement Allowance

The clauses relating to seniority provide for greater benefits (vacations, retirement plans and others) and carry various degrees of employment security for the workers with a greater number of years of service in an enterprise. Many collective agreements particularly provide that in the case of a manpower reduction, workers with more seniority will keep their employment provided that they can satisfactorily do the job assigned to them. In some major companies, privileges acquired through seniority have usually been restricted to one unit, which corresponds to certain job classifications, to a department within a plant. When a staff reduction results from a decrease in production, workers with more seniority may exercise their rights within the seniority unit and keep their employment. However, because of major changes, technical or others, in the production process, it sometimes happens that certain occupations or certain departments are substantially affected. Trade unions have realized the importance of amending the seniority clauses in order to more adequately protect senior workers. The extension of seniority units, however, raises a major problem for the unions concerned, that is if an employee with more seniority in a department or a plant has fewer, as many, or more rights to employment than another employee with less seniority within another department or another plant.

The formulas used to solve that problem differ. Some unions have written in clauses providing that a seniority unit will be extended for displaced workers only for new or vacant positions:

a pool of displaced workers is established and the plant or company seniority takes precedence when there are positions to be filled. Other unions have clauses which specify that in the case of transfers from one unit to another, the plant or company seniority is counted only from a certain point in time, that is, for the purposes of transfers, six months (more or less) of seniority are credited for each year of service. Other unions have signed contracts stipulating company seniority and that the employees with more seniority will be able to bump employees with less seniority. Essentially, the purpose of these formulas is to protect either the employees to be transferred or the employees where the transfer is made, or both groups at various degrees; it is up to the unions concerned to make that decision.

The extension of the seniority unit also raises the problem of the transfer of the employee's seniority rights when he takes a job in a new unit; it seems that for vacations, retirement plans and other benefits, the employee remaining with the same company should keep his rights acquired in his previous unit.

Relocation

Under the relocation provisions of an agreement, workers have the opportunity of obtaining a transfer to another plant of a company or to another department. Such relocation is caused by major changes in a plant, manpower reductions because of slower production, the closing-down of a plant, the opening of a new plant or the existence of several such factors simultaneously. Relocation implies two major considerations as far as the worker is concerned: job security and the displacement involved. Collective bargaining may assist the worker in both cases.

Seniority clauses, especially those relating to the extension of seniority units in cases of major changes, provide a certain guarantee of employment through greater transfer opportunities. Another type of clause provides for preferential employment or even the guarantee of employment when a company decides to transfer part or all of its operations elsewhere.

In the event the company moves the location of its plant in Canada, including equipment and machinery, etc, which results in a layoff of its employees, the employees shall have the right to move to the new

location and retain the seniority they have acquired at the time of such move, or transfer to a new plant location. In the event the company moves to a new location, this agreement shall remain in full force and effect.

Concerning transfers from one plant to another, certain collective agreements provide that the employer shall contribute to the moving costs:

The amount of the re-employment allowance shall be determined pro-rated as to distance and size of family and ranges from \$50 to \$600.

The principle of moving allowances has received greater recognition since the Department of Manpower and Immigration has set up a program to promote manpower mobility. This program provides employees whose employment is guaranteed in another community with:

1. Payment of removal and travel expenses of the worker and his family;
2. An allowance to help the worker to settle in his new locality. The allowance amounts to \$200 per worker, \$200 for a first dependent and \$100 for each additional dependent up to a maximum of \$1,000.
3. The possibility for a home-owner worker to obtain a \$500 compensation when he has to sell his house to settle elsewhere.

However, in order to become eligible for such a program, employees must demonstrate that they cannot find comparable work in their community. Consequently, unions should not be misled in believing that relocation allowances in collective agreements are no longer essential since the government program has been brought into existence.

Therefore, on the matter of relocation, unions should continue to seek the consolidation of clauses guaranteeing employment in other company plants and to insure that the moving cost be borne by the employer.

Training and Re-training

Many seniority clauses currently in effect in Canadian collective agreements stipulate that the employee who exercises his seniority

rights in case of layoff will be entitled to a training period on his new job. For example,

In reduction of staff, seniority shall be the primary consideration, subject to the ability of the senior employee to carry out the duties of the position from which he is displacing a junior employee. A probationary period of sixty (60) days shall be afforded the senior employee, if necessary, to establish proof of such ability.

For the employee, it is often a matter of getting familiar with a job he can fill with little training, a job which corresponds to his qualifications, or a job he will fill temporarily, until production is back to the usual level. However, with the advent of automation and the introduction of more and more techniques of production, the adjustment of the worker to a new job is more than a matter of familiarization, and the re-training of workers in a period of rapid and frequent technological changes is closer to apprenticeship.

The contract clauses relating to re-training are becoming more and more frequent and better and better adapted. However, some are short and express an intention rather than a program.

In recent years, retraining has commanded the increased attention of unions and management as a potentially useful and adjunct to placement efforts. Because many of the workers who are most vulnerable to displacement by new technology have minimal or non-transferable skills, retraining can promote occupational mobility and thus re-employment in the labour market.⁴³

In order to provide the workers with a greater opportunity to adjust to technological changes and to acquire greater skills, the Department of Manpower and Immigration has set up a program for the training and retraining of workers. Under that program, full-time (35 hours per week) or part-time courses are available for adults. Allowances are provided for those who attend a course on a full-time basis. Concerning that program, Mr. Tom Kent, then Deputy-minister of Manpower and Immigration said:

... Retraining need not necessarily wait until the worker actually becomes unemployed. We will buy training whenever there is clear evidence that it will have a good benefit in improving the worker's productivity in an occupation that is in demand. . . We will be able to give special training assistance when a plant is under-going a

⁴³ Schultz and Weber, *Strategies*, p. 44.

major technological change, displacing workers from their existing jobs; we will bear the cost of retraining the old personnel for new jobs.⁴⁴

In addition, the Manpower Consultative Service of the same department is ready to intervene quickly with a view to taking the necessary measures in advance. The Manpower Centres can also provide useful help.

As described by Bok and Kassoris:

In summary, the basic requirements for an effective retraining program include:

1. Availability of jobs.
2. Sufficient time to complete the training program.
3. A central clearance centre in a given labour market with a reasonably complete inventory of current job vacancies and an ability to anticipate employers' skill requirements in the foreseeable future.
4. Adequate placement and training facilities — in either the plant or the community.
5. Sufficient education, aptitude and incentive on the part of the displaced workers to permit effective training.⁴⁵

Education

It has been said that a worker may have to change his trade or occupation at least four times in the course of his life, therefore his general education will help him to adjust to the unavoidable changes in his occupation.

This attitude which involves giving greater emphasis to acquiring a broader education is being more widely accepted and applied by the various educational authorities in Canada. Because that attitude has been prevailing for a limited number of years, only some of the youngest workers have received that type of education, many workers having received a more specialized education, either

⁴⁴ Tom Kent, notes for remarks at the annual convention of the International Association of Personnel in Employment Security, Richmond, Virginia, June 27, 1967.

⁴⁵ Derek Bob and Max D. Kassoris, "Methods of Adjusting to Automation and Technological Change, A Review of Selected Methods Prepared for the President's Committee on Labour-Management Policy", U.S. Department of Labour.

at school or at work. In addition, the present trend toward greater education is very recent, and, therefore, many workers did not have the opportunity to acquire the academic qualifications required by a technologically advanced society. In short, many workers do not have the basic academic qualifications required by new jobs or for retraining when deemed necessary.

It was with the purpose of helping the workers to obtain basic knowledge that an adult education program has been set up by the Department of Manpower and Immigration and that other such programs have been started by the provincial departments of education with or without the co-operation of the federal government. For technical or financial reasons though, those programs do not succeed in attracting enough workers.

On the other hand, before the existence of such programs, and also to complement the programs by making it less difficult for the workers to pursue further education, some unions have won in their collective agreements clauses providing for the financing by the employer of some sources available to the employees. Some of those provisions, however, express only intentions and should be strengthened.

How to Ease the Burden of Unemployment

The measures described above contribute to avoid layoffs either by creating jobs, or by a more favourable redistribution of available jobs in the firm to the workers. It so happens that a co-ordinated use of those measures effectively protects the jobs of the workers concerned. It also happens, unfortunately, that some workers have to be laid off. For this reason collective agreements must include clauses providing for layoffs with a view to easing the burden of a layoff.

Some measures, such as severance pay and supplementary unemployment benefits are fairly common in Canadian collective agreements. Those measures, in the context of technological and other changes, tend to insure the laid off worker a continuation of income or of benefits acquired through the years of service. Such measures not only fill part of the gap left by the absence of governmental programs aimed at the protection of unemployed workers,

but they also obtain for the workers a compensation from the employer for the inconvenience caused by the layoff, a compensation to which the workers are entitled by virtue of their years of service with the employer. Therefore, the purpose pursued by the unions when trying to write such clauses in their collective agreements is double: to alleviate the financial burden of unemployment for the worker and to increase the cost of a layoff to the employer.

Supplemental Unemployment Benefits

As suggested by its name, the supplemental unemployment benefits, or commonly referred to as SUB, are allowances received by an employee on layoff in addition to the usual unemployment insurance benefits. SUB plans supplement unemployment insurance benefits to provide the unemployed worker with a higher proportion of his regular weekly pay cheque. They ease the financial burden of temporary unemployment, but they do not fully prevent financial loss to the worker confronted with a temporary layoff.

While the SUB plans existing in Canada vary considerably, their common characteristic is that they provide benefits to laid off workers out of a trust fund financed by company contributions. Even though theoretically, the SUB benefits are added to unemployment insurance benefits they can be higher than the latter and replace them in order to insure a decent income to the unemployed worker. It seems that the supplemental unemployment benefits, as the amount of the benefits increase, represent a step in the direction of a guaranteed income. At a time when changes take place at a more rapid rate and cause more numerous layoffs, workers move towards wage and income guarantees covering a greater part of their earnings and longer periods of time.

In cases of technological and other changes, SUB plans are useful where (1) no other program is set up for laid off workers and (2) where production and employment are temporarily reduced while the changes are being made.

Severance Pay

The frequency of clauses dealing with severance or separation pay in Canadian collective agreements has increased markedly in

the last decade.⁴⁶ The principle of compensation for employees who are laid off is more and more widely recognized and accepted by employers. In fact, in some cases severance pay will be given not only to the laid off employees, but also to the employee who quits his job voluntarily.

Separation pay is different from supplemental unemployment benefits in that it covers workers whose employment is terminated and also in that it comes directly from the employer and not from a fund built for that purpose. Like SUB plans, severance pay clauses are not uniform and the terms vary greatly in the agreements. In some agreements, severance pay does not exist as such. Workers, when laid off, receive an amount of money which, according to the employers, is in lieu of severance pay. Those payments are usually for sick leave to which the employee was entitled and that he did not use, or for the portion of the pension fund contributed by the employee and that he may elect to drain when his employment is terminated. Such payments are not and should not be considered as substitutes for the indemnity related only to the termination of employment.

Severance pay clauses usually provide that the amount of the indemnity will vary according to the number of years of service, i.e. that the employee with a greater number of years of service with the employer is entitled to a greater compensation.

Upon dismissal to reduce staff, an employee shall receive severance pay in a lump sum equal to one week's pay for every five months of continuous service or major fraction thereof with the company, but not in excess of 38 weeks pay.

Severance pay need not be paid on voluntary resignation, nor on discharge for neglect of duty, misconduct, nor for other just and sufficient cause.

Severance pay clauses can be more complex than this example. Some thought has to be given to the following points: Should the money be given in a lump sum, or in two or more payments? If the employee is recalled to work, what consequences will it have on the

⁴⁶ In a study made of collective agreements covering 500 workers or more in the manufacturing industry in 1962, severance pay existed in 5% of the 36 agreements analysed. In another study (also made by the Canada Department of Labour) of 94 agreements covering 1,000 or more employees in the manufacturing industry in 1966, the frequency of such clauses had reached 28%.

severance pay he has received and on his seniority? What about the recall procedure for those having received separation pay?

In most separation pay provisions, the payment is provided in a lump sum. In some agreements however, the compensation is made in two or more payments. In recent years clauses have appeared which combine the supplemental unemployment benefits clauses and the separation pay clauses; such clauses apply for both permanent and temporary layoffs and payments are made on the basis of the regular weekly pay. The main advantage of such clauses is their simplicity for negotiation and administration purposes.

Retirement

It may very well be that the only option open to an older worker, especially one that has no marketable skills, is to withdraw from the labour force and resort to early retirement.

Once our society accepts the idea of phasing out the direct tie of income to work, the problem would be simpler. The federal government has set a precedent in this in its scheme to rationalize the textile and clothing industry. The scheme simply is that workers whose jobs are destroyed are eligible for early retirement benefits of up to \$75 per week.

Usually the benefits on private pension plans are too modest to be much of a contribution to adjustment to plant shutdown. Unions will have to negotiate much better early retirement provisions in their collective agreements. The recent efforts of the U.A.W. with the slogan "30 and Out" is worth looking into.

However, the possibility of improving the early retirement provisions of the collective agreements, because of the cost involved, will be more successful in the plants under contract with the larger and more powerful unions. The only remedy is the need to establish a kind of bridge benefit during early retirement as a result of plant shutdown that would be paid for out of the public purse. A scheme could be worked out that a small portion of the employer's tax be set into a fund to help defray the cost of such a government-run scheme.

Industrial Pensions

We have moved from the days when the distribution of pensions was the sole prerogative of the employer and we have brought the issue of pensions within the realm of collective bargaining. There have also been some legislative improvements implemented to protect the pension rights of workers. Despite the beneficial effects of the minimum vesting and solvency standards established by the Ontario Pension Benefits Act and similar statutes in Alberta, Saskatchewan, Quebec, Nova Scotia, and areas under federal jurisdiction, and despite the improvements in pension vesting negotiated by trade unions, which are generally superior to the legislated standards, it is nonetheless true that many employees every year lose out on accumulated pension credits, both in the normal process of employee turnover and as a result of plant closure.

Ten year service vesting without any age qualification is common in union-negotiated industrial pension plans. While this represents a great improvement over the legislated minimum standard of 10 years continuous service and age 45, and while both are dramatic changes from the formerly common "terminal vesting" feature, they both are still too high to protect a substantial amount of employee pension credits in times of business recession or of rapid turnover due to plant shutdown.

For example, take an employee who is laid off or otherwise has his employment terminated after nine years of service and has membership in an employer pension plan which features a basic retirement benefit of \$5 per month times years of service payable on normal retirement at age 65. Even if this plan contains a 10 year (no age limit) vesting provision, the employee will lose a potential retirement benefit of \$45 per month by failing to last an additional year. If we assume a normal working life consists of the 45 years prior to age 65, then this employee has lost pension credits for 20 per cent of his working life and this performance could easily be repeated in subsequent employment.

Although further lowering of vesting qualifications can be expected in the major negotiated pension plans, there is an obvious need for improvements in the legislated minimum standards. If a quick remedy is to be provided, perhaps the legislated vesting

standards should be amended to eliminate any age qualification (presently age 45) and to reduce the service qualifications to the lowest level commensurate with both justice and administrative convenience. Compulsory vesting after five years would, of course, be a great improvement, although with the additional provisions of some sort of government-run reinsurance or clearing house mechanism for the registration and transfer of such defined pension credits, a one year limit would be feasible. In other words, the individual employer would not have to keep track of a legion of former employees until they reach retirement age.

Our immediate concern is Ontario, but Canada-wide application of such an arrangement would depend upon either federal government initiative or (more likely) inter-provincial agreements.

This would be one significant step in alleviating the hardship of workers like those affected in Brantford, Kingston, Cornwall, London and all the other industrial localities in Ontario.

Advance Notice

The advance notice clause was first used in collective agreements to prevent the employer from having to pay a compensation to a laid off employee. As such, those clauses related to marginal fluctuations in the labour force rather than to drastic adjustments brought about by technological changes and/or the closing down of the plant.⁴⁷ A survey made a few years ago revealed that in 361 large manufacturing firms 179 had included in their collective agreements a clause providing for a layoff notice. The vast majority specified a notice of 1 to 7 days.⁴⁸ With technological changes, the notice clause has been broadened to cover situations apt to bring about drastic personnel reductions and the purposes of such a clause were also changed. The most common objectives are as follows:

1. to provide time for devising and bringing into action appropriate manpower adjustment measures;
2. to maintain and improve the atmosphere in the plant, conducive

⁴⁷ Shultz and Weber, *Strategies*, p. 17.

⁴⁸ "Collective Agreement Provisions in Major Manufacturing Establishments", Minister of Labour, Ottawa, *Labour Management Research Series*, Report No. 5, 1964, p. 54.

to the acceptance of change especially by removing the fear of change;

3. to allow ample time to the community in which the enterprise is located to take steps to minimize such economic dislocations as might result from the proposed change.⁴⁰

Although the advance notice clause as such may not provide for any adjustment mechanism, it does include one extremely important element — time.

As any banker will assert, time is money and an important element in the operation of the firm. Similarly, time can be vital in dealing with the dislocation arising from change. New methods of operation and production are seldom introduced overnight. Instead a considerable period of time often is required from inception to implementation. . . . During this period, certain normal administrative and economic processes can reduce the impact of change on the work force."⁵⁰

Advance notice does not solve the problems of automation and change, but it is a prerequisite in the solution-finding process.

The unions are well aware of the importance of the advance notice clause. Several have succeeded in having it written into their collective agreements. The printing and publishing industry seems to be the one where the advance notice clause is most frequently found.

The employer shall notify the union six months, if possible, but not less than three months in advance of the date of the proposed introduction of any new equipment for the performance of any work within the jurisdiction of the union, not in use at the date this contract is effective.

or again;

It is further agreed that the employer will give six month's notice to the local union of the planned installation of new processes in the composing room.

In certain cases, the notice period is not specified.

The Company shall if it intends to introduce technological changes that may reduce the work force notify the union as soon as possible.

The validity of clauses with no indication of the length of time is in great part dependent on the confidence between the union and

⁴⁰ Economic Council of Canada, "Selected Measures to Facilitate Manpower Adjustments to Technological and Other Change", National Conference on Labour Relations, November 21st and 22nd, 1966, pp. 2-3.

⁵⁰ Schultz and Weber, *Strategies*, p. 17.

the employer and especially on the general attitude of the employer toward his employees. For such a clause is indefinite enough that it can be used to the advantage of the employer. Similarly, a clause merely indicating that the employer must advise the union of any proposed changes in production methods is rather risky and possibly quite dangerous to the union, unless it is convinced of the employer's goodwill.

However, as far as advance notices are concerned suggestions have been made to the effect that a minimum period of three months is essential and completely practicable in most cases. Efforts should be made to write clauses that are an improvement on the minimum legislation in the Employment Standards Act.

The Economic Council of Canada suggested as far back as 1966 that:

Although it is impossible to stipulate for all industrial situations what the period of advance notice should be, since so many varying factors are involved, there should be as much advance notice as possible, with a minimum of not less than three months where changes of material significance are involved. The longer the period of advance notification, the easier it will be to arrange any adjustment measures that may be necessary. *Equally important is the provision of new information as it becomes available.*

While it may be difficult to apply such minimum advance notice to change arising from a sudden curtailment in the production of an enterprise due to market conditions, it should definitely apply to all changes, with manpower implications, resulting from technological innovations or changes in production or administration methods.⁵¹

Furthermore, the federal government had made a modest but definite effort in that direction in 1967. The government announced the establishment of a program of assistance to businesses affected by the new tariff agreements under the Kennedy Round of negotiations. Concerning the employees of those businesses, reporter Michael Gillan wrote: "To smooth the adjustment of workers to the tariff changes, the Government will oblige any company receiving a loan guarantee or direct loans to give a minimum of three months' notice of any lay-offs if the total lay-off during re-organization is for two months or more."⁵²

⁵¹ Economic Council of Canada, "Selected Measures", p. 8.

⁵² Michael Gillan, "Ottawa to offer aid for adjustment to tariff changes", *Toronto Globe and Mail*, December 28, 1967.

This gesture on the government's part certainly represented a step in the right direction, but was still a long way from a bill compelling all employers to give a minimum three month's notice to a union in cases of major changes within the firm which may affect employment. The recent amendments to the Employment Standards Act are an improvement over existing contractual provisions but must be regarded as only a beginning.⁵³

Briefly, the notice clause is an essential prerequisite to any process of adjustment to technological or other change. There is no doubt, however, that it must be followed by programs to facilitate adjustment within the work force. Once the notice has been served to the union, the union must be absolutely free to suggest and apply any necessary measures. Otherwise, the union can only rely on the grievance procedure and appeals to public opinion, methods which are far too limited to cope with this type of problem.

Joint Committees

The joint participation of the employer and of the union to the solution of problems created by technical or other changes constitutes a second essential phase, be it to supervise the application of the provisions of a collective agreement or to ensure a continuing and permanent exchange of views on these questions. When a major change occurs in a business, neither the union nor the employer can really claim to be assuming their responsibilities if they cannot agree at least to seriously discuss the problems facing them and try to solve them. In other words, the union and the employer must work together in order to minimize the effects of a major change on the employees. A lack of co-operation on the part of the union as well as on the part of management can only jeopardize the affected employees. The problems created by technological or other changes are too serious for labour and too complex in themselves to let a lack of goodwill by either party sabotage the efforts of the other. Until now, there has been a much greater tendency on the part of unions to discuss these problems than on the part of management, and the latter will have to change their attitude. Our survey found this lack of cooperation on the part of management left much to be desired.

⁵³ The notice of termination provisions in the Employment Standards Act are reviewed and criticized in Chapter XI.

During the bargaining period, the atmosphere is much too tense to facilitate the development of employee re-classification, re-training, transfer or other programs. Serious attention, preparation and administration is required for these programs and the existence of a deadline at which the right to strike or lock-out may be exercised makes the finding of solutions very difficult. All the more so that agreement in principle on technological changes is sufficiently difficult to reach during negotiations without having to discuss details. The task is also sufficiently arduous even when the employer has notified the union, three months in advance, of his intention to introduce new equipment or to shut down the plant. This applies particularly when the union and the employer have not previously taken part in joint plans.

It seems that at the plant or firm levels the most comprehensive way of approaching the problems raised by technological or other changes is the establishment of standing committees in which the union and management are equally represented. Those committees, when both parties take a positive stand, have the advantage of establishing a continuing dialogue between the parties and of preparing them to jointly approach more difficult problems such as those of automation.

It should be noted here that labour-management consultation is not meant at all as a substitute to free collective bargaining but rather as a complement. Consultation does not exclude collective bargaining concerning technological changes or work force reduction. On the contrary, consultation may prove to be a useful tool mainly to prepare the ground by eliminating considerations and questions which could jeopardize profitable negotiations. According to Mr. Felix Quinet,

... it may be said that if labour-management consultation may result from difficult negotiations, there is no doubt that consultation may also in turn, while giving management and unions an opportunity to meet frequently, have a positive influence on collective bargaining itself. It seems to me that unions and management representatives who have had frequent contact during the discussion of technical problems could very well negotiate a new agreement in a more rational way, or at least with a better understanding of the situation.⁵⁴

⁵⁴ Felix Quinet, "The Collective Agreement in Canada, The Study of its Contents and its Role in a Changing Industrial Environment," Canada Department of Labour, 1967, p. 40.

There are several forms of labour-management consultation in Canada. In the study by the Economic Council of Canada, mention is made of

regular scheduled joint committees, problem solving or special information meetings, joint study teams and research, multi-union company committees, departmental joint committees, interplant committees, foreman's employee meetings, annual business review, individual employee interview, tripartite committees.⁵⁵

These forms of consultation vary of course according to the characteristics of the bargaining unit concerned. There is a principle, however, which should guide the development of a consultation mechanism. Consultation enables parties to freely communicate outside their formal structures of communication such as collective bargaining and the grievance procedure, and the consultation mechanism should not make parties captive within too formal structure which might prevent the types of communications sought. For instance, the following clause in the collective agreement of the publications printing industry says:

"The Party of the first part agrees to consult with the Party of the second part on all matters and policies which effect the members of the union, under the procedure outlined in Section 14.

Section 14 - Labour-Management Committee

A committee of four, equally representative of the employer and the union and known as the Labour-Management Committee shall be established under this agreement. This Committee shall choose its own officers and meet at stated intervals to be determined by the Committee, for the purpose of developing teamwork in the industry and discussing such other matters which the Committee considers essential to the general welfare of the industry. This Committee shall not handle grievances or engage in the settlement of disputes arising under the terms of this agreement."

This type of committee which is very simple leaves much initiative to the parties. Here is another example of consultation chosen in the pulp and paper industry; it illustrates some of the limitations to which consultation committees are subject and also the variety of options available to them as far as adjustment is concerned.

⁵⁵ Economic Council of Canada, "Selected Measures," pp. 3-7.

The Company is concerned about the impact on employees and conditions of employment resulting from technological improvements and automation. It is essential that these improvements be utilized to the best advantage of both the Company and the employees. Accordingly the Company proposes:

- (a) The establishment of a Joint Committee on Automation at a mill which shall consist of three persons representing the unions. It shall be the function of the committee to study the effect of technological changes and automation on the employees and their effect on working conditions in the mill and to make such recommendations as are agreed upon, to the Mill Manager, to ensure that the interests of the Company and the employees are fairly and effectively protected.
- (b) The Company undertakes to advise the committee as soon as possible and in any case not less than 60 days before the introduction thereof, of technological changes and/or automation which the Company has decided to introduce and will result in lay-offs or other significant changes in the employment status of employees.
- (c) Furthermore the Company undertakes:
 - (i) In the case of an employee who is permanently set back to a lower paid job because of technological change or automation for a period of three months, to maintain the rate of his permanent job at the time of the set back and, for a further period of three months, to pay an adjusted rate which will be midway between the rate of his permanent job at the time of the set back and the rate of his new permanent job. At the end of this six month period, the rate of his new permanent job will apply.
 - (ii) In the case of a regular employee with one year's continuous service or more, who is laid off from the mill because of automation or mechanization, he shall be given three (3) months' notice of separation.
 - (iii) Subject to mill operating requirements to grant leaves of absence for a period of one month or such other period as is reasonable for employees, who, directly due to technological change or automation are transferred to the labour pool to enable them to seek employment elsewhere.

Automation-Mechanization

Normally, a committee would go into action when advised by management that it has been decided to introduce some technological change or aspect of automation. There is nothing, however, to prevent a committee, if it so wishes, from discussing automation as it has affected others in the expectation that the experience of others will be helpful in dealing with local plant problems when

they arise. Technological changes and automation can affect employees in many different ways depending upon, among other factors, the numbers involved, length of service, skills, education, age, and family status. Each instance will require to be studied on its own merits, and each may require a different combination of measures to ensure that the welfare of the employees and of the Company is adequately protected. Early retirement, re-training, transfers to other jobs or to other employment, and the availability of assistance from the government are some of the items that could be considered before a recommendation is made to the plant manager.

The Canada Department of Labour is promoting the establishment of labour-management committees where matters interesting both parties, including technological and other changes, can be discussed. Such committees, if they are to be used effectively in cases of plant shutdown, dislocation or mass layoffs should be more than fulfilling some social function, such as dances, banking, etc. Joint committees can work efficiently only if both parties really want to discuss serious matters. In other words, if management is not prepared to try and find solutions to problems, the union should not engage in the establishment of joint committees. Finally, the joint committees do not represent provision for the adjustment of workers to changes, but rather, like advance notice on plant shutdown a general procedure used to reach adjustment provisions.

How to Avoid Layoffs

When technological change, plant shutdown or mass layoffs are imminent, the main job of the union is to protect the employment of the greatest possible number of its members. Several clauses may be used to protect employment. A clause providing for statutory holidays may create a few jobs at the most while combined with longer vacations and shorter working hours it could prove more useful.

Some unions have been able to negotiate a clause which really protects the employment of those who are covered by this type of clause.

The Corporation shall continue to determine the methods through which Municipal services are provided. The Corporation agrees that if it should alter a method or methods now in effect, no permanent employee with at least two (2) years' seniority with the Employer will have the employment terminated by reason thereof.

In certain instances, however, they are very few — all employees at the time the contract is signed are covered.

... the Employer agrees that there shall be no enforced lay-offs prior to retirement of any regularly employed journeyman on staff at the date of signing because of the introduction and use of new types of equipment and new processes.

The existence of a job security clause offers more guarantees to the employee and enables the union to face changes with less apprehension, while forcing the employer to use retirement, training and other clauses.

Chapter X

The Guaranteed Annual Income

Ours is a job oriented society. The society we live in is also dominated by the drive to constantly increase the G.N.P. The needs of the individual are subordinated by the drive to achieve this goal. Our governments place more emphasis on balancing the budget than on balancing the economy.

It might be argued that we cannot satisfy all the needs that the liberal and progressive forces are promoting via the welfare state, without increasing the G.N.P. However, this placing of the individual as subordinate to the drive of the economy, is depriving the individual of a basic right to live decently, and is withholding human dignity, freedom, and social justice from many of our citizens.

The wealth of a nation, as Adam Smith wrote one hundred years before Canada became one, depends upon "first, the skill, dexterity and judgment with which labour is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labour and that of those who are not so employed."

Our society has never been able to use all its productive capacity, and perhaps it never will. What Adam Smith could not foresee or could not philosophically accept is that we could feed, clothe, and house all of the people with only a portion of them "gainfully" employed.

Our society demands that there be a relationship between job and income. This is no longer relevant in an age of affluence. Every person should get what is needed to live in decency as his due. We cannot any longer use the criteria of what a person is worth on

the job market to determine his income, for lately that criteria has been shot all to hell. Perhaps we will never have enough jobs to go around as technology develops.

... created demand will lead to purchases of highly efficient and productive machine systems that need few men to control them: i.e., to the installation of cybernation. Thus, in the relatively near future, a policy of forcing rapid growth in demand in order to increase employment opportunities will actually lead to the opposite result: it will raise unemployment rather than lower it.⁵⁷

Perhaps this is the most compelling argument for the guaranteed annual income.

The problem now is that of a proper income distribution.

Our experience with plant closure may very well prove that many of the workers who have been dismissed will never work again — the unskilled, those with redundant skills, those too young, those over 45, those too ill, and those unwilling or unable to relocate.

It took Harry Cassidy⁵⁸ a lifetime to educate our legislators to give even grudging recognition to the principle that a person should have "relief" or welfare in order not to starve, just because he is a human being. Despite this, large sections of our society nod assent when the work for welfare concept is periodically trotted out.

Dwight MacDonald writing in the *New Yorker* pleads the case very well saying it should be government policy to see that every individual be provided for, regardless of his contribution. He points out that from the 1930's on, government intervened to help the poor but this has been grudging and miserly,

... and we have never accepted the principle that every citizen should be provided, at state expense, with a reasonable minimum standard of living regardless of any other considerations.

⁵⁷ Robert Theobald, "The Background to the Guaranteed-Income Concept," *The Guaranteed Income* (New York, 1965), p. 90.

⁵⁸ Harry M. Cassidy, 1900-1951, social worker and educationist, taught at several universities in Canada and the U.S.A. Served as Director of Social Welfare in B.C., Director of the School of Social Work at U. of Toronto. Considered by many as the father of social welfare in Canada. Wrote *Unemployment and Relief in Ontario, Social Security and Reconstruction in Canada*, co-authored *Labour Conditions in the Men's Clothing Industry*.

It should not depend on earnings, as does Social Security, which continues the inequalities and so tends to keep the poor forever poor. Nor should it exclude millions of our poorest citizens because they lack the political pressure to force their way into the Welfare State.

The governmental obligation to provide, out of taxes, such a minimum living standard for all who need it should be taken as much for granted as free public schools have always been in our history.

Perhaps the dislocation caused by technological advance and the increase in plant shutdowns and a decrease in the number gainfully employed may hasten the day of the guaranteed annual income. Yet too much of the current thinking on social welfare measures is predicated on the concept of insurance. Did we put enough in to make it actuarially viable in providing benefits? Our unemployment insurance, S.U.B., severance pay, pensions both private and governmental, are based on this concept. Did we contribute enough? However, public opinion is slowly accepting the principle that each person is entitled to an income as a right.

The guaranteed annual income may come about through a form of a negative income tax as expounded by Friedman. His proposal is that

... if an individual's income is less than the sums of his exemptions and his deduction he would receive from the government as an income subsidy a percentage of the difference. The levels at which subsidies would be set would be determined by how much taxpayers are willing to tax themselves.⁵⁹

John Kenneth Galbraith, the Canadian Council on Social Development, and spokesmen for the different political parties, have at various times proposed this method of fighting poverty. It simply means putting money into the hands of the poor. This can be achieved by a negative income tax.

The time has come for guaranteeing minimum levels of income for those who for whatever reasons do not earn enough for a

⁵⁹ Milton Friedman, *Capitalism and Freedom* (Chicago, 1962), pp. 190-192.

decent standard of living. Plant shutdown is one of many reasons large numbers of people will not be able to make an income through employment.

J. J. Palen in his study of the Studebaker shutdown goes so far as to say that it is the economic deprivation that is of primary concern to the worker who loses his job. All the more reason for the guaranteed annual income.^{50a}

^{50a} J. J. Palen, "The Displaced Worker: The Social and Economic Effects of the Studebaker Shutdown" (Ann Arbor, Michigan: University Microfilms, Inc., 1966), p. 178.

Chapter XI

Legislation on Plant Shutdown, Termination of Employment and Layoff

ONTARIO, QUEBEC AND FEDERAL⁶⁰

Within the last two years Quebec has begun strengthening its employment standards legislation to do with mass job terminations and layoffs. Quebec was the first province to draft such laws. Since then Ontario and then the federal government, have passed legislation to give some protection to workers faced with dismissal and layoff.

Ontario

The Employment Standards Act, Section 1A Termination of Employment, came into effect Jan. 1, 1971 and applies to both mass terminations of employment and to the dismissal of individual workers without cause.

It is too early yet to gauge the effect of the new legislation, but an indirect aim of the statutory notice requirement was to influence

⁶⁰ The information on legislation used throughout this chapter was drawn from:

Ontario — *Canadian Labour Law Reporter*, CCH, vol. 3, The Employment Standards Act, 1968, amended, and Termination of Employment Regulations, para. 61,101 to 61,181.

— *Task*, Volume 6, No. 1, Ontario Dept. of Labour, March 1971.

Quebec — *Canadian Labour Law Reporter*, CCH, vol. 3, Manpower Training and Qualification Act and General Regulations (Collective Dismissal Advance Notice), para. 80,601 to 80,757.

Federal — *Canadian Labour Law Reporter*, CCH, vol. 1, Canada Labour Code, para. 4601 to 4773, and Labour (Standards) Code, para. 7801 to 7821. See also, *Stewards Legislative Handbook 1971* for interpretation of the Ontario legislation on termination of employment, pp. 21-24.

more employers to consult with government in advance for advice and assistance to ward off a close-down or minimize the community and industrial relations problems associated with mass layoffs.

In the case of mass layoffs or plant shutdowns, the regulations stipulate that an employer shall not terminate the employment of 50 or more workers in any four-week period without providing written notice to the employees and the Minister. Eight weeks' notice is required where 50 to 199 employees are to be dismissed; 12 weeks' notice for 200 to 499 employees; and 16 weeks' notice for 500 or more employees.

Where in mass layoffs the amount of notice is based on the number of workers losing their jobs, in individual terminations without cause the amount of notice is based on the length of the employee's service. Thus one week's notice is required for workers with three months to less than two years' service; two weeks for those with two years but less than five years' service; four weeks for those with five but less than ten years' service; and eight weeks for those with more than ten years' service. Complaints arising from individual terminations are investigated by Employment Standards Branch officers.

The purpose of the legislation in the case of mass layoffs is to minimize the impact of economic developments which result in the shutdown or part-closure of a plant and to help workers to adjust to the change. The advance notice required by the regulations will give discharged employees more time to find other employment and to take advantage of various programs provided by the Federal and Provincial governments to assist the unemployed, including training and retraining projects, mobility grants, unemployment insurance and job placement services.

TABLE 7

NUMBER OF WORKERS TO BE DISMISSED AND AMOUNT OF NOTICE REQUIRED					
Ontario		Quebec		Federal	
50 to 199	8 wks.	10 to 100	2 mos.	50 to 100	8 wks.
200 to 499	12 wks.	100 to 300	3 mos.	101 to 200	12 wks.
over 500	16 wks.	over 300	4 mos.	over 300	16 wks.

The legislation applies to all industry, except construction, and includes the Crown, its agencies, municipalities and school boards. But the notice requirements do not apply to seasonal or intermittent employment, short-term layoffs, legal strikes or lockouts or in other cases where lengthy notice would not be possible.

Where a company lays off large numbers of workers for a period of less than 13 weeks, it does not have to give advance notice to the employees nor is it required to inform the Department of Labour. An extension to 17 weeks may be granted upon application but if the layoff period continues after that the regulations come into effect and the company must pay the workers in lieu of notice. The amount of payment is based on the number of workers discharged, so that where 500 or more workers are involved each employee will receive a total of 16 weeks' pay in lieu of notice.

To ensure that the role of government agencies in providing information and assistance to workers who find themselves unemployed because of mass layoffs is as comprehensive as possible, an inter-departmental committee has been established under the new legislation.

Represented on it are the Provincial Departments of Education, Social and Family Services, Trade and Development, and Treasury and Economics, as well as the Canada Department of Manpower and Immigration. An official of the Ontario Department of Labour, is the chairman of the committee.

The main purpose of the committee is in ensuring compliance with the notice provisions of the Act, in notifying other agencies which may be able to help displaced workers and in coordinating their activities. But it also aims to assist employers on an informal basis, by giving guidance and advice and enlisting other agencies to offer assistance which could either forestall a shutdown or ease its ultimate impact.

Quebec

The Quebec Manpower Vocational Training and Qualification Act provides for notice of termination in any dismissal involving at least ten employees within a period of two consecutive months duration. This regulation applies to any employer who dismisses

all or part of his employees from one or more of his establishments in a given region.

If an employer chooses to dismiss his employees as described under Section 3 of the regulations, then Section 45 of the Act is applicable.

With the exception of undertakings of a seasonal or intermittent nature, any employer who, for technological or economic reasons, foresees having to make a collective dismissal, shall give notice to the Minister. The Quebec regulation defines "technological reason" as any new arrangement of means of production, and "economic reason" as any motive issuing from lack of raw materials, change in market conditions, cessation of orders or decrease in orders, change of products, reduction of overhead expenses, administrative reorganization, discontinuance of certain services or any similar motive. The problem with the economic reasons is that they are too general and could lead to conflicting interpretation.

If the number of dismissal contemplated is at least equal to ten and less than 100, two months notice shall be given. When the number of dismissals contemplated is at least equal to 100 and less than 300 — then the period should be three months. When the number exceeds 300, the period of advance notice should be extended to four months.

Under the Quebec regulations, the Manpower Branch assumes responsibility for the establishment and proper functioning of the reclassification committee provided for in the Act. The Quebec legislation makes it obligatory for the employer to deal with the reclassification of employees. An employer (other than an employer governed by the Construction Industry Labour Relations Act) who proposes to dismiss 10 or more employees must notify the Minister in advance, but not if the employees are to be dismissed for an indefinite period of less than six months. The legislation does not apply to establishments involved in a strike or lockout.

It is of interest to note that in Quebec, notice to collective dismissal is not given directly to the employees; all the legislation requires is that notice be given to the Manpower Branch of the

department which then gets in touch with the workers or their representatives. At that stage, the employer is required to participate immediately in a reclassification committee. Such a committee is composed of equal numbers of representatives of the employer and the certified trade union or, if there is no trade union, of the employees, and an impartial chairman. The committee's task is to study and recommend practical measures for the re-establishment of the dismissed workers. Measures recommended may include training of various kinds, transfer to another employer or to another locality, retirement or severance pay. The measures must be flexible enough to be adapted to the needs of each worker. By agreement, the expenses of the committee may be paid by the Department and the employer, with the workers making a nominal contribution. Before dissolution, the committee makes a report to the department on its activities.

Although the establishment of such committees has been required by law only since 1969, they have been set up by agreement of the government, employer, and workers for almost five years.

Federal

The new provisions on notice of-group terminations would require an employer who is terminating the employment of 50 or more employees to give advance notice to the Minister of Labour, the Department of Manpower and Immigration and any trade union representing the affected employees.

The required minimum period of notice would vary, according to the number of employees being terminated, as follows: 50 to 100 employees - 8 weeks; 101 to 300 employees - 12 weeks; over 300 employees - 16 weeks. Violation of these provisions could result in a fine of up to \$100,000.

The provisions on individual terminations would establish, for an individual with at least three months of service whose employment is being terminated (except by way of dismissal for just cause) an entitlement to at least two weeks of notice or pay in lieu of notice.

For employees with at least five years of service an entitlement to minimum amounts of severance pay is provided.

An eligible employee whose employment was being terminated (except by way of dismissal for just cause or retirement on an immediate pension) would be entitled to two days' pay for each year of service, up to a maximum of 40 days' pay. Assuming a five-day week, this would mean a minimum severance pay of two weeks' pay for an employee with five years of service, four weeks' pay for an employee with ten years of service, six weeks' pay for an employee with fifteen years of service, and eight weeks' pay for one with twenty or more years of service.

The industries to which the legislation applies include: inter-provincial or international rail, road and pipeline transportation, shipping and related services; air transportation; interprovincial or international communication by telephone, telegraph or cable; radio and television broadcasting; banking; and federal public services.

Criticism and Suggestions for Improvements of the Ontario Legislation on Plant Shutdown

It is said that minimum standards are a tool at the disposal of government to prevent economic exploitation of the workers and to improve and protect their health and well-being, particularly that large portion of the labour force which is not afforded the benefits of collective bargaining. Minimum standards as reflected in wages, fringe benefits and improved working conditions, are an important rationale in the objective of reducing poverty.

The society in which we live has advanced considerably in its attitude to social responsibility. We are not immodest in claiming some responsibility for this change in attitude. Today, more people besides those in labour question management's right to unilaterally curtail or suspend operations when doing so affects the jobs of a substantial number of workers and the economic well-being of the community.

No doubt the amendments to the Employment Standards Act which have to do with plant closure, inadequate as they are, are a reflection of the government's concern with the problem.

The royal commission appointed in 1965 (Freedman Enquiry) to enquire into the railway "run-throughs", in its recommendations

raised serious doubts about the so-called management's rights theory. The report stated:

The old concept of labour as a commodity simply will not suffice; it is at once wrong and dangerous. Hence there is a responsibility upon the entrepreneur who introduces technological change to see that it is not effected at the expense of his working force. That is the human aspect of the technological challenge, and it must not be ignored.^{40a}

It is quite evident that most employers have not been willing to accept these responsibilities and have ignored the human aspects of technological change.

We have some basic criticisms of the notice of termination legislation. On the one hand, it does nothing for the small and usually unorganized plant by its exclusion from its provisions the plants with layoffs of 50 or less, (there were 43 such plants in our survey) and on the other hand it fails to recognize that most large companies have a collective agreement and the legislation should provide for effective negotiations on plant closure or reduction of staff.

If the purpose of minimum legislation is to protect workers in unorganized plants, then the qualifying number of employees involved in layoff or shutdown should be reduced to at least 10. For example, with the present qualifying regulations, workers in the retail industry get no protection even when a store dismisses three-quarters of its staff. In addition, the period of notice should be at least six months to a year where possible, with a provision allowing time off without loss in pay to seek other employment. Surely a company would know of its plans to cut back or shut down well in advance of six months. The purpose of such notice is two-fold: to have time to evaluate if the change is necessary; and to take steps to protect the workers and the community.

In addition to these provisions workers in organized plants should be given the right to negotiate the terms of shutdown or work force reduction by a change in the Labour Relations Act permitting the opening of negotiations during the term of a

^{40a} Mr. Justice Samuel Freedman, Commissioner, *Report of the Industrial Inquiry Commission on Canadian National Railways "Run-Throughs"*. (Ottawa: Queens Printer, 1965), p. 134.

collective agreement. This should include the right to strike as a final determination of the issue.

A corporation contemplating plant reduction, shutdown or relocation, should be compelled by legislation to defend its action before a government authority. If the company fails to show cause for its contemplated action and persists with its plans, the government could impose economic and various other sanctions against it. This, in our opinion, should be one of the main purposes of such notice.

All in all the Ontario legislation has too many loopholes through which employers can evade their responsibility to the workers. But the most glaring weakness of the legislation as it now stands is the section permitting an employer to close a plant or to discharge workers without giving any notice, such as that outlined here, during a strike or lockout.

Another deficiency that will have to be remedied soon is the lack of legislation providing severance pay for employees who are dismissed or who voluntarily terminate their employment.

Chapter XII

Observations, Conclusions and Recommendations

Our study of 138 plants that shut down or had substantial terminations of employment or extensive layoffs of fairly long duration, of necessity had to deal to a large extent with general conclusions based on talking with a broad section of those affected and those concerned. We found ourselves immersed in the available literature on the subject. We found four studies⁶¹ of Ontario plants that had shut down, as well as one in Quebec and some excellent American material. And of course there is a lot of other literature dealing with different facets of the problem, if not with the subject as such. All this was helpful in formulating our proposals.

The programs for training, transfer and placement of workers where employment had been terminated due to plant shutdown, cannot be accurately assessed if the shutdown takes place during a period of economic slack and when a poor labour market exists.

Although we have always had plant shutdowns, terminations and layoffs, they were never so extensive nor did they affect so many people in one given period since the depression of the 1930's. In addition, until very recently, no concerted effort had been made to solve the problem. Consequently, our experience with this kind of situation was very limited.

⁶¹ English Electric in St. Catharines (Crysdale); General Steel Wares Ltd. in Toronto (Boase); Kelvinator in London (Portis and Suys); Ford's Windsor foundry and engine plants (Birch and Gertz); Railway abandonment as reported in the Freedman Report and in "Right-of-Way" (Chodos); and Swift in Montreal (MRC Report). See bibliography for full references to these studies.

Even now that we have been grappling with this for some time, we find that the employers generally are not cooperating in any efforts that are made to resolve the problems, the manpower departments are fumbling and still groping for answers, and the legislators, if they act at all, usually respond in panic, as was the case in the Dunlop situation.

The legislation on notice of termination in Ontario, was conceived in that manner by a reluctant government and it will be aborted by an uncooperative management if steps are not taken soon to have the legislation strengthened.

The unions were unprepared — the few collective agreements that did have technological change clauses were inadequate to meet the situation since most of these clauses were quite weak, some providing little more than just specifying that the unions shall be notified prior to the plant shutdown. Some of the clauses refer to "consultation" which is so vague as to be almost meaningless.

The public up to now has not yet become conscious that the problem is solvable and more importantly, has not yet realized that someone has to shoulder the responsibility for the problem and take measures to resolve it.

In the current crisis, much of which can be laid at the feet of the various levels of the government, instead of adopting fiscal measures such as reducing the tax rate and thereby stimulating the economy and improving the job market, the governments have devoted their main energies in public relations to minimize the public awareness of the crisis. One of the forms this took was to put pressure on DBS to come up with data and analyses that tried to make the unemployment picture look better than it really was. The recent splurge of large ads in the daily press go one step further — they blame the public for the slack in the economy when in fact it was the government that put the brakes on.

The recent move of the American government in imposing a surtax on imports, even though it was announced as a temporary measure, will create serious problems for our manufacturing industry.

This highlights the need for more attention by our government to the manner in which foreign-controlled corporations operate in

Ontario, and should point to the importance of enacting legislation to protect our economic interests and safeguard the jobs and welfare of our people.

If we are to enact meaningful legislation and evolve an industrial relations system to cushion the detrimental effects of plant shutdowns, relocation or consolidation, we will have to have some ground rules and laws under which foreign-controlled plants operate in this country. In addition, we should work towards restoring economic control of industry operating in this country. This requires legislation and incentives for Canadian capital to buy stock in wholly-owned U.S. subsidiaries. The activities of the Canadian Development Corporation have to be intensified, and the Ontario Development Corporation will have to be given a new orientation. We do not rule out nationalization of certain industries. However, what is immediately needed is curbing the functions of the present owners which reside in their "property rights".

Although we don't believe Canadian corporation bosses are any more humane than American, we do believe Canadians should make the decisions vital to our economy and our social goals. At least they would be compelled to comply with Canadian legislation.

The large number of plant shutdowns that are taking place and the constant increase in unemployment should make unions aware that collective agreement provisions on job security have to be redrafted and strengthened to meet the new conditions.

Company pension plans will take on added significance as a vehicle for cushioning the effects of employment terminations. Efforts will have to be made to make pensions a negotiable item in more contract talks. The legislation on pensions is long overdue for review and change.

The adoption of the minimum legislation on termination of employment in several jurisdictions in Canada is a beginning of the acceptance of the principle that management can no longer make unilateral decisions that affect large groups of workers and the community.

The legislation on terminations in the Ontario Employment Standards Act and Regulations is woefully inadequate and will

need many amendments to make it effective. Much has yet to be done in this area.

It may seem that in a high unemployment period advance notice of termination may not be of much value. In actual fact, it does have some very important advantages.

If enough advance notice is given to the workers, the union, government agencies such as Manpower, and to the community, it gives all the parties concerned time to plan so as to mitigate the economic consequences of the displacement, not only on the workers but on the community as a whole. Adequate notice gives the workers time to overcome the shock of the loss of jobs, gives them time to adjust their expenditures to meet the crisis, and permits them to look around, to train if necessary and to make a choice of the possible options open to them.

Various studies have dispelled the basis for fear most employers have that if the company were to give a long period of notice of plant shutdown, the workers would desert it, the remaining contract would not be completed, and the operation would not have enough workers to wind up. Shultz and Weber point out that productivity in such a situation does not drop. Moreover, they make a case for at least 6 months notice and preferably a year.⁶² This is particularly so in cases where the work force is relatively unskilled and would require some training to qualify for other jobs.

All existing social welfare programs should be replaced by a guaranteed annual income. The right to an income to provide for a minimum decent standard of living should be enshrined in legislation. As machines take over much of the work done by human hands and brains, and as our production capacity to produce the necessary goods and services improves, we will supply all our needs but there will not be enough jobs to go around. The real problem will be to redistribute income. The guaranteed annual income is the only sensible way to do this.

Specifically our proposals are:

1. Responsibility of the Community

Plant shutdown should be considered a social emergency, and

⁶² Shultz and Weber, *Strategies*, p. 191.

community resources should be mobilized to provide help to the workers involved while they are employed, not after they have been unemployed for some months.

2. Management must Prove Cause for Shutdown

A company contemplating plant shutdown should be compelled by law to show cause for its decision and should submit to a feasibility study if its reason for shutdown is inviability of the operation. If the enterprise is economically viable and the company persists with its decision to shut down, the ODC should take over and operate the plant for the benefit of the public treasury and to preserve the jobs of the workers involved.

3. Industry Must Bear Initial Cost of Change

The human cost of technological or other change, plant shutdown, and worker displacement must be initially borne by industry. Society through the government should absorb the rest of the cost of long range cushioning measures on behalf of the worker and the community.

4. Runaway Plants

In an effort to make foreign-controlled branch plants behave as good corporate citizens, the government should impose economic sanctions on them if they become runaway plants. This can take the form of an embargo on imports of the parent firm's products, taxation, monetary fines, etc.

5. Labour-Management-Manpower Committees

New amendments to the Employment Standards Act and Regulations should make it mandatory for management to meet and cooperate with Canadian Manpower Consultative Service and the Ontario Manpower Department in programs of phasing out plant shutdowns.

6. Right to Strike on Change

Legislation should provide for a regulatory role for government agencies and informed neutrals but should also recognize the need for new mechanisms in collective bargaining, adapt the Ontario Labour Relations Act and the Federal Labour Code to resolve the

complex problems that do not fit into the traditional collective bargaining "as usual" pattern and for which the present legislation is inadequate, and permit the union to effectively negotiate with the right to strike as a final determinant during the term of a collective agreement on all issues that could not have been foreseen at the time of the signing of the agreement.

7. Notice of Termination

The Employment Standards Act, Section 1A, should be amended to make eligible for 6 months notice or payment in lieu of, any group of 10 or more workers whose employment is terminated or who are laid off for more than 8 weeks regardless for what reason, including if the termination or layoff takes place during a strike or lockout or during vacations.

8. Workers Must Share in Productivity

Whether increased efficiency through advanced technology, new innovations, or reorganization of production is or is not the result of greater efforts or improved skills of the workers, since production is a joint endeavor, all employees should share in the increased productivity of technological advance.

9. Right to Work

Everyone should have the right to gainful employment. Everyone should be entitled to the preparation, education and skill training necessary to obtain employment and make a contribution to the economy. This may mean acquiring more than one skill and participating in more than one occupation in one's lifetime. This may also require relocation. Mobility programs should be strengthened with moving and other extraordinary expenses geared to distance and size of family provided.

10. Collective Bargaining

Collective bargaining, consultation, negotiations, and participation of the workers, has a role to play in arriving at solutions to the problems of technological change, plant shutdown and worker displacement. However, collective bargaining has limitations in

solving such problems. Federal, provincial and municipal authorities will have to play a full role in these emergencies since they not only affect the workers involved, but often the whole community.

11. Spreading out the Work

Our abundance of natural and human resources, our innovative capabilities, and the increased education and skill of our work force, has raised our productive capacity to unprecedented heights. With proper sharing-out of work and a redistribution of income, we could have worker sabbaticals, shorten the work year and have a 4-day work week. The age of retirement can be lowered considerably. All these measures would spread out the work and ameliorate the hardships of dislocation due to change and plant shutdown.

12. Coordination and Analysis of Manpower

The manpower department should be revitalized. There should be continuous coordination and analysis of labour supply and demand. In order to evolve a properly planned manpower program, sensitive to the needs of the work force, all placing and hiring should be done by one central government manpower agency that would know exactly what is going on in the job market. Commercial and private hiring agencies should be abolished by law.

13. Technological Change Clause

Collective agreements should have technological change and plant shutdown clauses. An example from the "OFL Facts and Figures 1971" is contained in Appendix Four called "Technological Change and Job Guarantee Provisions", p. 135. This can be adapted to the needs of each particular union.

14. A Conference on Ground Rules for Plant Shutdown

A conference of all levels of government, industry and labour should be convened to work out procedures and ground rules to be followed in plant shutdowns, mass layoffs and terminations of employment.

15. The Ontario Development Corporation

The main function of the Ontario Development Corporation is economic development, but the ODC must be given a proper orientation — it must become one of the vehicles by which we will regain control of the economic life of this province. Funds from the private sector and the financial institutions should be channelled by the ODC into enterprises and areas that meet the public sector's priorities of economic planning.

Loans or grants made to industry should be only on condition that the ODC gets a fair return on its investment or else snares in the ownership and management of the corporation.

The ODC and the Regional Development Branch of the Department of Treasury and Economics should plan and decide jointly where new industry is located or which industry is assisted, in conformity with province wide planning which integrates the regional development work done by the Treasury with that of the economic development work done by the ODC.

16. A Full-Employment Economy

A planned and expanding economy with equitable tax laws, a coordinated social welfare system and a redistribution of income, are all essential to creating the kind of economic climate in which the bad effects of plant shutdown and unemployment can be minimized.

17. Guaranteed Annual Income

Existing benefit and social welfare programs should be integrated into a guaranteed annual income to guarantee all Canadians a decent minimal standard of living.

18. Severance Pay

Severance pay of one weeks pay for each year of work should be mandatory in all enterprises.

Appendix 1⁶³

Sheet No.

**SURVEY
PLANT CLOSURE, REDUCTION & TERMINATION OF EMPLOYMENT IN
ONTARIO 1970-71**

Name of Company
Domestic Multi-Plant Foreign
Product
Bargaining Agent
Number of Hourly-Rated Employees
No. Terminated No. Laid-off Total
Date of Termination or Lay-off
Reason (s)

Disposition of Case

Return to:
Research Department
Ontario Federation of Labour
15 Gervais Drive
Don Mills, Ontario

Form filled out by:
Name:
Address:
Phone:

⁶³ This is a copy of the questionnaire used in the survey.

Appendix 2

INTERVIEWS: FOUR INDUSTRIAL COMMUNITIES

To really obtain an incisive appreciation of the effects of plant shutdown, extensive termination of employment and layoffs, the OFL decided it would be best to have a look at several of the small and medium size communities in Ontario.

This section deals with interviews in Brantford, Kingston, Cornwall and London. Its purpose is to present a personal view of the effects which layoffs and closing down of industrial operations have had on these communities.

Not only were numerous workers interviewed but also management, the local government officials and members of the general public. The purpose of this approach was to obtain an over-all picture of the situation so that we could be as objective as possible in our analysis.⁶⁴

BRANTFORD

Brantford is in the industrial heartland of Southwestern Ontario, a community in which that innovative genius Alexander Graham Bell is reputed to have developed and refined the telephone.

For many years Brantford has been the home of the Massey-Harris (now called Massey-Ferguson) farm implement industry. It held promise as a growing industrial community, at least until the last year or so when the city began to feel the traumatic effects of industrial layoff and shutdown of plants.

Mayor Howard Winters of Brantford was asked what he thought of the recent laying off of workers and the closing down of several plants in his community. He sums it up in one word "drastic". He went on to say that such a situation creates a bad psychological impact on the community. He said Massey-Ferguson is working at less than half its full capacity; from a maximum of

⁶⁴Except for some minor editing, the following personal interview notes and observations on the first three of the four communities in this chapter are almost intact as Ashley Bernardine wrote them.

over 2,000 employees in 1969 in its Harvester Manufacturing plant, the number is now down to less than 700. White Motor is down from 780 to 200. Cockshutt, another farm machinery producer, is down substantially in its production. Westinghouse, which has been in operation for over 17 years, was scheduled to close this fall. The Cordage plant is phasing out, while the Sterling Action and Keys Company, the only producer of actions and keys for Canadian-made pianos, was phased out last May.

Sterling Action and Keys

This plant presents one of the classic examples of the problem of foreign ownership, boardroom manipulations, and the effects of being a branch-plant operation in Canada.

The Sterling Action and Keys Limited, is located at 39 Alice Street, Brantford. The company was originally founded in West Toronto in 1890 as J. M. Loose and Son Limited. In 1932 the firm moved to Brantford. In 1949 control of the company was purchased by Winter and Company of New York — which later became the Aeolion Corporation. This corporation, which is the largest producer of pianos in North America, also owns and is closing down the long established piano manufacturing firm of Mason and Risch Limited of Toronto. We might add, that two years ago the head office would have closed Sterling Action and Keys had it not been for the burning down of its major plant in Memphis, Tennessee. When that plant was at last rebuilt, about the beginning of 1971, the final blow was levelled at Sterling Action and Keys in Ontario.

On or about January 28, 1971, the Aeolion Corporation informed the local management that it had decided to phase out completely the operation and production of the Sterling Action and Keys, Limited over the next two and one-half months. Notice was accordingly given by letter to all employees.

The text of the letter to the employees read as follows :

It is with regret that we have to advise you of the decision which has been made to close the plant. This has been made only after long and careful consideration of the past operations of the company and of the prospects for the future.

Operations for the past few years have been marginal and the company has been able to carry on during the last two years only as a result of considerable business emanating from the United States.

The company has now lost this source of business and the market in Canada, by reason of imports and the declining sales of domestically manufactured pianos is not sufficient to permit a continuation of operations, except at substantial loss. It is with reluctance that we hereby notify you that your employment with the company will be and is hereby terminated on March 27, 1971.

At the time of close down, and for a considerable period before that, the company, having survived wars, recessions and competition, was the sole manufacturer of piano actions and keyboards remaining in Canada. Regrettably, replacement parts for Canadian made pianos will now no longer be available.

At the time of the announced closing, the total number of persons employed numbered sixty-nine; forty-seven men and twenty-two women. Of the total of sixty-nine, fifty-nine were employed in the factory on an hourly and piece-work rate; and seven on salary.

These seven were classified as foreman, assistant foremen and one as machinist maintenance. In the office, on salary, were the general manager, the office manager and the payroll clerk.

TABLE 8

OCCUPATIONAL DISTRIBUTION, AGE RANGE AND SEX
OF WORKERS AT STERLING ACTION AND KEYS

OCCUPATION	NUMBER	SEX	AGE RANGE
Engineer	4	M	62-69
Shipper	1	M	34
Mill	3	M 2F	41-63
Lathe	4	M	20-52
Key	12	M	26-61
Action	35	17M 18F	22-27
Foreman, Lathe & Mill	1	M	49
Foreman, Action	1	M	56
Foreman, Key	1	M	47
Asst. Foreman, Lathe	1	M	46
Asst. Foreman, Action	1	M	34
Asst. Foreman, Key	1	M	45
Machinist Maintenance	1	M	54
Personnel and Payroll	1	F	
Total	67		

Source: Manpower Planning & Adjustment Committee.

TABLE 9

AGE RANGE AND DISTRIBUTION OF EMPLOYEES
AT STERLING ACTION AND KEYS

AGE	ALL EMPLOYEES	MEN	WOMEN
Range:	20-76 yrs.	22-74 yrs.	20-76 yrs.
20	X		X
22	X	X	
24	XX		XX
26	X	X	
29	X	X	
30	X		X
32	XX	XX	
34	XXX	XXX	
36	XXXX	XX	XX
37	X	X	
39	XX	X	X
40	XX		XX
41	XXXX	XXXX	
42	XXX	X	XX
43	X	X	
44	XXX	XXX	
45	X	X	
46	XX	X	X
47	XXXXX	X	XXXX
48	X	X	
49	XX	X	X
50	XX	XX	
51	X		X
52	XXX	XX	X
54	XXX	XXX	
55	XXX	X	XX
56	X	X	
58	X	X	
59	X	X	
60	X	X	
61	X	X	
62	X	X	
63	XX	X	X
64	X	X	
69	XX	XX	
74	X	X	
76	X		X
Total	68	46	23
Average	46 yrs.	47 yrs.	44 yrs.
Median	46 yrs.	46 yrs.	44 yrs.

Source: Manpower Planning & Adjustment Committee.



TABLE 10

MANPOWER STATISTICS AS AT MAY 16th, 1971
STERLING ACTION AND KEYS

	MALE	FEMALE	TOTAL
Found job — self	13	1	14
Found job — committee	6	2	8
On training course	1		1
Found job C.M. local office		1	1
Retired on disability pension	1		1
Over age 65	3	1	4
Off sick, recovery uncertain	1	2	3
No assistance required	1	3	4
Retraining prospects	1	2	3
Rejected job offers	2	1	3
Difficult to place (age, attitude, etc.)		1	1
Need help (incl. 4 between ages 60 and 64; and 2M, 2F after health recovery)	16	8	24 (35.8%)
Total	45	22	67
Office manager with company at present.			
Will require aid later.	1		1
Total	46	22	68 (100%)

Source: Manpower Planning & Adjustment Committee.

Some of the workers felt very bitter and disenchanted with the general state of affairs at the Sterling Action and Keys plant.

Harold Hasting, an employee of the company up until the time of its closing down, typifies some of the disturbing effects such an action has on people. Harold is 40 years of age, has three children he would like to see go on to University. He was a woodworker at Sterling Action for the past 23 years. Now he is out looking for a job since his notice period was up on March 25, of this year. Harold got one week's pay plus the vacation pay he was entitled to; the other employees were entitled to similar benefits if they qualified. Harold, however, has developed a history of medical problems since about the middle of January of this year. He is suffering from fever, high-blood pressure, hypertension, and most pressing of all, kidney problems. Once a week he drives into Hamilton to be treated by renal diolysis. So far he is covered by his contract which helps


take care of his gigantic medical bills. The anxious moment begins, when his coverage runs out after 26 weeks. After that period, he must foot the bill for the rest of the treatments. Harold Hastings' major complaint, however, is the way he and his fellow workers have been treated. He said that when notice of closure was given, the government set up a Joint-Manpower Planning Committee to look after the workers. He reported that the company did virtually nothing about solving the problems during the first six weeks of the termination notice, so that at the end, the situation became very hectic and confused.

Hastings, speaking as the president of the local union, feels that for similar cases in the future arrangements should be made so that calls from prospective employers be made to an impartial chairman, and not as in the case of Sterling Action and Keys to the manager who chose whom he wanted to send out for the job. This, Mr. Hastings felt, has caused a great deal of ill feeling. To compound the problems of the workers of that plant, they had what is tantamount to a frozen pension plan. The problem of pension plans has been a frequent ingredient in all these difficulties.

In 1969 an agreement was reached between the union and the company to adopt a pension plan. The London Life Insurance Company was approached, and their representatives, R. Gagne and C. Messacer, met with the workers committee and the company. At that meeting there was a tentative agreement on a plan whereby employees and the company could participate through the appropriate deduction from each group. They decided that the normal retirement date would be age 65, but employees would be allowed to pay in and work beyond this age until they eventually retired. All pensions were to be on a pro-rated basis, depending on the time of retirement and the amount the individual contributed.

At the various meetings, different aspects of the pension and other related matters were discussed, and among the questions raised was one which the workers considered quite important: "What would happen in the event of the company closing down or ceasing to operate?" The insurance representative told the workers that, if such was the case, the employees would have one of two alternatives;

1. A paid up life annuity starting at age 65 or
2. A cash withdrawal of the employees contributions plus interest.



The pension plan took effect from May 1, 1969. During the first year there was to be no company participation, but the employees would have 5 per cent of their gross earnings deducted from their pay with 1.8 per cent of that amount going to the Canada Pension Plan, and the remainder 3.2 per cent going to the London Life.

In the second year of the plan, the company was to pay \$5,000 into the plan. The method for this was to be 2 per cent of gross earnings of each employee until the \$5,500 had been used up. The union claims they agreed to all this. What caused the controversy is that the master plan agreement which had been signed by the employer and the insurance company was never seen by the union, or any of its representatives.

At the beginning of this year (1971), the company stopped making deductions from the employees pay. On or about February 4, the company gave notice to the plant personnel that the plan will cease operations on March 25, 1971.

At this point, the union contacted the insurance company to find out about their pension plan. The London Life representative claimed that everything would be fine, because of the two options which the employees had. However, no cash refunds were forthcoming. With all the drastic change of events, the problems with the pension fund was complicating the issue. The workers were hoping that the windfall from the pension plan would help them retrain, relocate, or give them an extended lease from the degradation of being on the welfare role.

At the time of this report, the matter was placed in the hands of a lawyer who contacted the company. The London Life reply was that the company had terminated the agreement, therefore, the employees were not entitled to their first two options, a paid up life annuity starting at age 65 or a cash withdrawal of the employees contributions plus interest. So far the situation has not been finally resolved. This is one example of the type of problem which is caused by plant closure and extended layoff.

The problem crops up time and again where there are reported cases of plant shutdown.

Westinghouse

In the Westinghouse case, the problem with pensions takes on a slightly different manifestation, but it is there, nonetheless.

Westinghouse plans to close down operations around August 18, 1971. The company claims that the unpegging of the Canadian dollar virtually wiped out its export market almost over night. The union people anticipated the parent company's decision to phase out this operation. The unpegging of the dollar gave the company a peg to hang its hat on, and thus explain away its position. A brief rundown of the plant over the last three to four years will shed some light on how the present situation came about.

Sometime in late 1967 the Meutchen, New Jersey plant changed operations with the result that J. C. Penny Company and Montgomery Ward's order went to the Brantford plant which almost doubled its employment to handle these orders. Extensive reorganization in the plant was implemented to take care of the new order demand. The resultant effect was that employment jumped from about 250 to a little over 500 between the summer of 1968 and 1969.

In December 1969 the plant had a strike. At the time of the strike, the employment was down to a little over 400 employees due to cutbacks and seasonal changes. The 1969 strike went on until March 18, 1970. The union bargainers claim that at the time of negotiations, the company always used plant closure as a threat. Glenn Pattisson, a representative of the International Union of Electrical Workers which has bargaining rights at the plant, believes that it was during this big strike Westinghouse decided to phase out operations.

At this juncture, the company sub-contracted out the production of stereo chassis to Claire Tone in Nova Scotia. This resulted in the loss of 25 jobs — the head waters of the flood of events were beginning to build up.

At the conclusion of negotiations after the big strike, the company claimed it was a hollow victory for the workers. The vice-president of the company stated that the plant would not have closed during a strike situation because this would create a bad image for the company.

With the scars of battle still visible, the government announced the unpegging of the dollar last October, at that time over 475 workers were employed at the plant. It is claimed unpegging of the dollar resulted in an upward reevaluation of the Canadian dollar causing the increased price of a TV set by 7¢ on the dollar. This affected the company's export market which resulted in the loss of the J. C. Penny Company order to Admiral in Japan. That order constituted almost the entire export market of Westinghouse which was about 65 per cent of the plant's total production. The result was a devastating blow to the workers with the occurrence of an immediate layoff of 200 to 300 workers. In December to January, there was a seasonal shutdown. On February 1, 1971, 180 hourly rated employees returned to work.

It was then that the company announced its intention to phase out operations, with plant closure occurring between August and September. These 180 employees will be retained until the final date of shutdown. After that, their orders will go to the R.C.A. plant in Prescott, the company with whom Westinghouse contracted to build its sets. This entire situation has left a sour taste in the mouth of the community. The workers felt that Westinghouse always toyed with the idea of not being in Brantford for long. The union believes this is why they never built their own plant, but leased from a firm named Nortons. The lease expires in 1974. Many of the workers felt that the company was not too desirous of relocating the workers despite the fact that there are a number of Westinghouse plants in the region.

In a plant which has accounted for over 500 workers, according to James Hodgson, less than five people will qualify for pension benefits. Part of the problem lies in the psychology of workers who as a general rule think of pensions as something far-fetched and prefer to deal in immediate cash. At the time the pension plan was instituted which was some sixteen years ago, the average age of the workers was 21 years. No one thought very much of pensions at that time. Apparently, the qualifying criteria which was arrived at was 40 years of age and 10 years service for a worker to be eligible for a pension. What has come about since the intention to close the plant is that many of the workers are excluded. James Hodgson, for example, is 37 years old. Although he has been with the plants for 17 years, he does not qualify for a pension. Similar

circumstances could be documented for other workers not only in this plant, but various other plants in the province.

The workers feel that Westinghouse did not plan to remain in Brantford for more than 15 years. The gaining of the order from the New Jersey plant a couple of years ago extended this life expectancy to the present time. Now it is all over.

Workers are unhappy with the way in which their lives are tied to events in the United States. Floyd Jacques, a U.A.W. representative in Brantford, believes that anytime a Republican government is in power in the U.S., there is always the problem of recessions. His union connection is with the farm implements industry which is feeling the effect of over production, the unsettled inflationary situation in the U.S. and the resultant falling off in exports.

In the last two years many of his union men have been laid off. This creates problems in regards to coverage under hospital and medical plans, and also their qualification for pensions.

Mr. Jacques feels that in cases of companies which have private insurance plans, the federal government should step in and institute "pension reinsurance" legislation. Under such a scheme when a plant shutdown occurs, once the current retirees are looked after, then the rest of the fund could be used to look after the next group who are ready to retire. Then we come to the age group between 40-60 who are possibly unemployable for one reason or another. Lloyd Jacques feels that under some new form of federal "reinsurance" legislation, they should be allowed to qualify for pensions. Those who have worked for some time, and have either changed jobs or gained new employment because of the closure of the plant in which they were previously employed should be allowed to carry over their pension rights.

W. D. Rutherford, a retired president of the Brantford Board of Trade says that it is a darned shame things are going the way they are. He feels that government and business have adopted a callous outlook to the plight of the working man.

Charles MacKay, president of the Brantford and District Labour Council, feels that there should be no sudden layoffs, and that there should be realistic and effective legislation to protect

the employee who might be faced with layoff due to closure. He went on to state that notice of termination on layoff should depend on the type of industry. MacKay feels that management's primary concern is with profits maximization, and that the welfare of the workers is incidental to the company.

When a plant is to be closed and management claims it is because of falling off in profits, the government should investigate the company to find out to what extent profits are being adversely affected, and try to determine if the operation is economically feasible. "Furthermore", he said, "how could a worker be happy and contented or give his best when there is the constant fear of the possibility of losing his job hanging over him for the greater part of his working life."

For workers who lost their jobs because of layoff or termination, the possibility of gaining alternative employment was very difficult because;

1. The number of officially registered persons at the local Canadian Manpower office were, as of May 15, 1971, 3,260 or approximately 17.5% unemployment.
2. Job openings at that period were just about 192.
3. Both the Canadian Manpower office and prospective employers gave preference in employment to students of collegiate, vocational schools and universities.
4. Most of the laid off personnel had a higher than usual average age, 45; at Sterling Action and Keys the average age was 46, with a median also of 46 years — indicating that approximately one-half of the employees were over 46 years of age. The great majority of these people endured job discrimination on account of their age.
5. Many of these workers at Westinghouse, Massey-Ferguson and Cordage were skilled employees. At Sterling Action and Keys, the workers were skilled employees of the only piano actions and keyboard manufacturer in Canada. Their respective unique and specialized skills were not duplicated elsewhere in Ontario.

In many of these plants, some of the terminated employees had higher-than-average service and tenure. At the Sterling Action and Keys plant many of the employees had built up a combination of skill, speed and production, which, combined with piecework rate remuneration, yielded a weekly remuneration above the average starting rate in the nearest comparable employment. This resulted in a minority of cases of workers refusing, at first, to look for new

jobs. Many other firms which were approached by the C.M.P. committee who were trying to seek alternative employment for the displaced workers, found that other firms had a waiting list of their own employees on layoff . . . subject to recall. Naturally these workers had priority and preference was given to them over the released employees of plants which had phased out operations.

W. D. Rutherford, Chairman of the C.M.P. in Brantford, aptly summed up the rawness of the situation. He said

"It is respectfully suggested that, in the light of current employment conditions in Brantford, the timing of the current wave of closures, especially by foreign management, is unfortunate."

He went on to say that

"In cases of permanent close-down," referring to the situation at the Sterling Action and Keys plant, "unless priority is given to the employees affected, public placement facilities may be of questionable utility. Similarly, unless priority be given with respect to retraining of affected personnel and a sufficient number of courses offered that will provide a reasonable variety of choice, then the merit of the retraining program is open to question."

KINGSTON

The city of Kingston, like Brantford, has been feeling the stress of a similar type of industrial dislocation. About four to five years ago Heild Brothers Textile Manufacturers folded up operations. Some time later Fairbanks Morse, a Canadian locomotive company closed up shop. Alcan has been cutting back on its operation in the area. In addition to these plants, there have been a number of other reported cases of extended layoff and plant closures.

Perhaps the most dramatic closing in the area within the last six months was the closing of Frontenac Floor and Wall Tile (a division of United Ceramics Ltd.). It closed on June 30, 1971.

Frontenac Floor and Wall Tile

This plant has been in operation for the past fifty years. The present plant manager, Mr. Thomas Grifferty, said that over the years inventory was fairly even, the labour force dependable and steady. Since he became manager, some nine years ago, there have

not been any strikes or major management-employee friction in the plant.

Wages have been steady, the union negotiated a pension plan fairly satisfactory to all.

The company claims the further distinction of being the only Canadian producer of floor tile. As recently as two years ago Frontenac Floor and Wall Tile sold its finished product directly through its own sales outlets.

This was discontinued sometime in 1969, when a working agreement was reached with St. Lawrence Ceramics, whereby they would handle the sales, and Frontenac handle the manufacturing process. Both companies are foreign-controlled having the same German parentage.

In the first year of this type of operation things went fine, both companies realized a profit. Last year (1970) a loss was incurred and St. Lawrence decided to terminate the arrangement. Regardless of the agreement reached between Frontenac and St. Lawrence, St. Lawrence did not confine itself to the selling of Frontenac products alone, it was also an outlet for other manufacturers of tile — Japanese, German and British.

The company claimed that the reasons for their planned shut-down on June 30th was due to unstable market conditions, the ups and downs in the construction industry, and the onslaught of imports, particularly Japanese products, which sell for about 20¢ per square foot less than Frontenac products. They claim that if the 11 per cent sales tax at the manufacturers level could be terminated, the company would stand in a better competitive position, because it could compete with the foreign imports on the basis of service, easier credit facilities, better outlets, and having a better product. This is debatable as is shown later. The company feels that they should get increased tariff protection from Ottawa. As things stand at the moment, the entire industry is suffering from over capacity, with the effect of the piling up of excess inventories, and price warfare being the order of the day. Recently, the company has reduced its prices by about 50%.

Both workers and lower management are speculating on the fact that the continued operation of the Kingston plant is not of

any great significance to the head office. The feeling is that the owners are operating the plant at a loss, for possible tax deductions, and if and when possible, will sell the operation so as to reap a sizeable capital gain on it. At present two competitors are vying to gain control of the operations. Ironically St. Lawrence Ceramics, the company which became Frontenac's selling partner, is one of them. It is interesting to note that the head offices of both companies are in Germany, and there is some form of interlocking directorate situation between these two companies.

Management claims that the government's economic policies were a determining factor in their decision to phase out operations. They claim that the unpegging of the dollar adversely affected their market position, and the lack of tariff protection made it easier for cheaper Japanese products to get a foothold in the Canadian market.

Speaking to the workers of the plant, one gets somewhat of a different picture of the situation. The workers quite convincingly feel that the economic difficulties which the Frontenac Tile Company is experiencing are due just as much to inefficient management.

They mention the fact that since the inception of the arrangement with St. Lawrence Ceramics, operation at the plant has undergone a marked change for the worse, beginning with the installation of new machinery viz., automatic-press, settler-loaders and clay mixers, the majority of which came from Germany.

The workers claimed that the machinery has not lived up to expectations — breaking down quite frequently, and thus causing havoc in the plant. Because they operate on an incentive system, the employee's productivity is negatively affected by mechanical failure. They further feel, that the situation is compounded by the fact that since the last maintenance engineer died about three and a half years ago, the company has not found a satisfactory replacement. In addition, the new equipment costs twice to three times as much to maintain and so far has not proven itself to be more efficient than the workers it displaced.

The other source of the problem is the use of cheaper materials in the manufacturing process. Previous to the new management takeover, the plant's china clay came from England and talc came

from a Canadian supplier in the neighbourhood. Now the company is importing U.S. clay from across the river, the workers claim that the clay is of a poor quality, in that it has much more moisture.

The change of ingredients has resulted in the production of a poorer quality tile. As the workers put it too much "scrap" is coming out of the operations. That is, it takes twice the amount of ingredients to make 100 square feet of tile, than it did three years ago. Even worse than this, the workers claim that they have to handle Japanese and German tile which the management imports through the company.

Many of the workers have reached the point of frustration. Emerson Miller, age 61, an employee who has been with the plant for over 38 years, said that it is a "bloody shame" to have to be producing tiles like that. He also complained about the wastage in materials. He has no future prospects of a job, and feels his age is against him. So does Eliza Bolland, also age 61, who had been with the plant 23 years, and still has to meet payments on her house. She said she filled in an application for a civil service job, but they turned her down on the pretext that in three years time they will have to put her on pension. After this rejection, she tried the hospitals, attempting to get a cleaning job, or anything else available. The first question she was always greeted with was — how old are you? When they found out, she was unceremoniously turned down. After 23 years in a factory, she claims the prospects for a job are bad, the future uninviting. She says that what they expect of you is to lay down and die.

The greater majority of the workers faced a similar predicament on June 30, and are now out in the cold. Robert Simpson, 58, a machine shop helper, says helplessly what else could he do. So does James Esford, age 50, with 25 years service to the company. To them the problem seems so obvious, and that is, a marked depreciation in the quality of the tile presently being produced. They all claim, that they as consumers would not purchase the type of tile they are producing. To them the most annoying fact is that despite repeated complaints to management as to what they regard as the chief causes of the problems, their suggestions have fallen on deaf ears. According to Dorothy McAvoy, age 48, the shop steward, "the management seems bent on running the plant into the ground."

Here we see diametrically opposed viewpoints as to the cause of the economic problems which this operation has experienced. The most immediate and perhaps the worst affected as a result of the inefficiency of the plant, are the poor displaced workers.

CORNWALL

The problems of industrial dislocation and high unemployment which were found in Brantford and Kingston were also present in Cornwall, a city which once owed its existence to being on the path of the St. Lawrence Seaway. Over the years there have been steps taken towards economic diversity. The emerging major industries were industrial chemicals, paper, shoe manufacturing, textiles and electronics. Many of the industries have come upon troubled times. Shoe manufacturing is virtually out, so is Canadian cottons, an industry which once employed over 2,000 people. Many of these people had little more than a grade five education. According to Mayor Kanef, they were good dependable people but almost re-unemployable. Because of their advanced age and the low level of formal education, it would be difficult to retrain them for other tasks. Many other plants were in the laying off or phasing out process. This resulted in massive unemployment.

The situation is well illustrated by the figures below: Cornwall's population in 1971 was 47,000; the total labour force was 18,200 (city); 31,000 (area); males, 70%; females, 30%; the present unemployment rate is 18% (city); 11% (area).⁶⁵

Chemcell

One could easily appreciate an inefficient plant being in trouble, the irony arises when a seemingly healthy plant is suffering. This is the situation at Chemcell, a petro-chemical operation in the city. Chemcell is a relatively new plant, which has been in operation for about six years. It is highly automated and efficient for its size, employing about 30 people. Chemcell was built with a view to serving the Eastern region of Canada, and parts of the U.S.A.

Chemcell's problem stems from the fact that the more efficient U.S. operations are being allowed to penetrate the Canadian

⁶⁵ *Financial Times of Canada*, June 14, 1971, p. 24.

market. Chemcell competitors from the U.S. could ship into Canada without having to face a tariff, while Canadian shipments face stiff U.S. tariffs, so said Mr. Halverson the plant manager. He feels that the government is not striving to protect its own industries. He also said that U.S. plants employing a similar number of people are more highly automated and thus have the added advantage of efficiency of scale. Mr. Halverson goes on to point out that to compound the matter Canadian energy is sold cheaper in the U.S. than in Canada. He used the example of Canadian Natural Gas being cheaper in the Chicago area than eastern Canada, which is also contributing to U.S. competitive advantage over Canada. Also, most of the company's raw materials and imported crude oil comes through the port of Montreal from Venezuela. The Canadian tariff on crude oil is about three times that of the United States. Even among local competitors, the company claims a disadvantage in that Imperial Oil and other refining enterprises, which are not directly involved in the business, do not have to pay a special tax on refined oil, which Chemcell must pay.

The management feels that with the current trend, their operation will be phased out within the year.

Edo Corporation

This corporation, a producer of Sonar Electronics equipment, is also in the phasing-out process. The company produced highly technical equipment both for Canadian and foreign navies and armies. Recently there was a change in management at the U.S. level, which almost coincided with the unpegging of the Canadian dollar. The great majority of its output was for foreign outfits, and they claim that the change in the dollar differential upwards has eliminated their price advantage.

Courtaulds (Canada) Limited

Perhaps the plant which has been on everyone's mind in Cornwall, and in the most controversial situation, has been Courtaulds (Canada) Limited, manufacturer of viscose yarn and staple fibre. Courtaulds is part of a multi-national enterprise with its head office in the U.K. The plant has been in operation as a textile manufacturer since 1925.

The process of manufacture is called the viscose process. Basically, they are involved in the manufacture of viscose rayon which is regenerated cellulose, made by the dissolving of cellulose material and regenerating it in other physical form without chemical additions to the cellulose molecules.

The company reached its peak around 1950 when it employed over 2,400 people. Just prior to and during the war there was considerable expansion to meet the wartime demand for tire-yarn, textile and cellophane. Towards the end of the 50's and early 60's a new wave of competition began with the growth and expansion of cheaper Asiatic produce and also new innovations affecting people's taste, i.e. nylon, polyester from which polyglas tires were derived. The problem with Courtaulds is that this wave of new innovations and the patent rights which go along with them greatly eroded Courtaulds market. Because of this change in market preference, the Company was forced to discontinue its textil operation in 1969; thus eliminating almost a thousand workers.

One problem the company did not face up to was the question of efficiency. Courtaulds did not keep pace with the increase in technology which occurred in the industry in the late 50's and early 60's. Mr. W. Cowling, plant manager, says that viscose process which is a wet spinning process of manufacturing does not readily lend itself to automated processes, which both nylon and polyester were suited for. In 1963, however, they started into the nylon field, a bit late and on a small scale. The plant also branched out into Polymer, but this proved unsuccessful and failed almost immediately afterwards.

In an interview with Mr. J. Mills, Personnel Services Manager, he candidly admitted that Canada's economic base was too small to maintain the industry which was mainly designed for domestic consumption. He pointed out, for example, that in the U.S. 30 pounds per capita of cotton staple was consumed, in Canada it was only 20 pounds per capita.

The plant has a capacity to produce 45 million pounds of viscose round staple fibre annually, about 30 million pounds of which is consumed in Canada, the remainder is exported.

Within recent years, however, there was a progressive decline in sales, in 1969 domestic sales fell by over 15 per cent, the export market was down substantially also, with the unpegging of the dollar last year, the company's foreign market was virtually wiped out. To cope with the crisis, the management undertook extensive layoffs. From a total of 2,400 employees in the early 60's the plant was down to 630 as of May 1971.

The blame for this catastrophe was placed on government economic policy and union demands. Management further felt that the composition of their work force was also a contributory factor to their problem. The average age of their employees was 53.6 years, this the management felt was too old for that particular type of operation and played a significant part, they claim, in the occurrence of high absenteeism, high wages and higher medical indemnity. The cost of life insurance was more, because payment was made on the average age of the group. All these factors were added cost items which helped price the industry out of the market.

Mayor Kaneb, a very aware and articulate man, feels that there was a great deal of complex inter-related factors which were responsible for the depressed conditions in his city.

He seems to be very conscious of many of the problems affecting Cornwall. High on his list was the Courtauld's plant. This industry he felt helped build Cornwall, but within recent years it needed the assistance of the parent plant to improve and modernize its operations, this was never forthcoming from the head office in London. Also the federal government action to remove sooner than necessary the tariff protection given the industry under the government agreement (under the G.A.T.T. agreement the tariff protection in the industry was to be phased out in five years, the federal government phased it out in three years), exposed the industry at a most delicate time to the onslaught of cheaper foreign textile imports.

In 1971 the federal government gave Courtauld's a grant of \$100,000 to salvage operations and help meet the challenge of foreign competition. This assistance the Mayor felt should have come much sooner.

The Mayor feels that the federal government should give industry forgivable loans. He went on to say that the incentives

given by the government of Quebec per job created are double that of Ontario. His greatest stress was on the overall effect of the government economic policy. He pointed out that in the fall of 1969, the government eliminated protective tariffs on textiles, chemicals and shoe manufacture industries which were big in Cornwall. He further intimated that present federal policy is affecting major industry coming into Cornwall. He spoke about one in particular without mentioning the name because they were all sworn to secrecy. This industry is American, but because of the dollar situation and the cry of Canadian economic nationalism, the industry is having second thoughts about locating in Cornwall. The Mayor claimed that it was a major industry with a 20 million investment, over three years it would expand to employ 900 people and 50 industrial engineers. He calls it a mother industry, but the unpegging of the dollar dampened their desire to set up operations in Cornwall. He also feels that the federal government should deepen the harbour since new industries are just waiting for increased harbour facilities so that they could set up shop. He feels the city needs all the help it can get because of its high unemployment rate (18%) and the wave of mass termination and extended layoff of workers.

Our study of the Cornwall area leads us to believe that there was a complete absence of coordination between the federal and provincial governments in making use of the grants for the Equalization of Industrial Opportunity program, an activity of the ODC, an incentive scheme to encourage private enterprise through performance loans. But more important, was the conclusion that forgiveable loans given to companies during a period of economic slack, do not always bring about the desired results. In Cornwall, the companies given loans were hesitant in making use of these for some time because of the uncertainty of the economic climate. Unemployment in Cornwall reached a high of 20 per cent of the labour force last winter despite the loans.

LONDON

London, in the heart of Southwestern Ontario, is a community with a well-established industrial core. It is the home for much of the insurance business in this province and as a midway point between Sarnia, Windsor and other western cities, it has been a

stopover for salesmen and other travellers. It has perhaps the most motels in any community in Ontario and vies with Niagara Falls and Toronto as a convention city. London has been a going concern, yet it too has had its share of plant shutdowns.

Eaton Automotive Canada Limited

This company in London, Ontario, a branch of Eaton Yale and Towne with headquarters in Cleveland, Ohio, and which at times employed as high as 450 workers, phased out its operation in June of this year. The plant made truck axles, fasteners, electric shifts and component parts. A year and a half ago, 110 workers were dismissed, according to the company's head office press release then, due to the loss of business as a result of the U.S.-Canada Auto Trade Pact. Last fall another 50 lost their jobs after a strike. This summer the remaining 170 lost their jobs.

Eaton Yale and Towne has 118 plants spread across the globe. Eleven of these are in Ontario.

The Eaton Automotive plant was closed because of "economic considerations". These were not elaborated on by the company despite repeated requests from the mayor of London, the U.A.W., and other interested groups. Later, the company claimed in a statement to the union that they had been unable to acquire or design new products for the London division.

Al Campbell, an employee of Eaton Automotive and president of Local 27 U.A.W., who led the fight to keep the plant operating, disagreed with the company's statement. He said designs were created at the local plant for bucket seats and safety devices for automobiles, but they were then turned over to American plants for manufacture.

William Harrington, president of the London Labour Council, also an employee of the company, was greatly concerned with the inability of the dismissed workers to be relocated. The average age in the plant was placed at 45-50 years by the union leader.

Roger Digou, 48 years old, father of four children, with 21 years of service, has the second highest seniority in the plant. He moved when the plant was a runaway from Windsor in the early 60's. He said he is through with factory work, but because of his

age, thinks it will be difficult to gain other types of employment. "The way the company is treating us, using us like rags and then throwing us away. The pension plan is a dirty shame. It supposedly means we will get something when we are 65, but half of us will be dead."

The company executives in Ohio don't have to worry about their retirement. The annual retirement benefits of the company's officers under the company's pension plan, as listed in the proxy statement, if they retire at their present salaries, are: E. M. deWindt, Chairman of the Board — \$84,000 annual retirement benefits; W. A. Mattee, President — \$59,000; F. I. Goodrich, Executive Vice-President — \$56,000.

Mrs. Freda Ernst with three children, divorced from her husband, was an inspector in the car heater assembly at \$2.90 per hour. She pays \$140 a month for her apartment, \$60 a month on her installment payments for her stove, refrigerator, washing machine, etc. "When the fourth week comes around after paying for food and necessities, you get down and out and desperate."

She wants work, not welfare. Since the shutdown, she has worked part time at McCormick's — sometimes a day a week only. "I think the shutdown is unfair," she said, "We spent the best years of our life there. The company should be forced to stay open by legislation."

Eaton Automotive refused to sell the firm to a group represented by its industrial engineer.

Mr. Robert G. Wyllie, the plant industrial engineer, is quoted in the *London Free Press* as saying, "Someone has to answer for it, not the workers. Executive mismanagement has dragged this company down the drain."

Kelvinator of Canada Limited

This 43 year old plant employing 500 workers closed in the fall of 1969. The reasons given by the company, in a press release, was that the company wanted to "direct the whole of its efforts and resources to sales, distribution and service. And Kelvinator will, in the future, purchase its products from selected sources who will build to Kelvinator specifications."

The company gave five months notice to the employees. This

was one of the first plants that was closing when the Manpower Consultative Service tried to establish some pattern of procedure in involving the company, union and the government agency to phase out the plant and try to help the displaced workers.

Unfortunately the company was unco-operative in accepting the participation of the CMCS, and decided to confine what little effort at involvement they were prepared to make, to the local Manpower Centre. Since there was little co-ordination between the Manpower Centre and the CMCS, this was not very successful.

The research begun by Portis and Suys seven months after the Kelvinator shutdown took place, showed some interesting results.⁶⁶ Advance notice is not costly to the company and furthermore the company does not have to fear that if they give sufficient advance notice, the workers will leave. Kelvinator maintained quite efficient production until the first shutdown, productivity was high and 74% of the production workers remained until the final shutdown. The report in its conclusion states,

the Kelvinator shutdown indicates that the workers can make good use of advance notice to find reemployment. Special programs of placement, training or relocation are still desirable to reduce the high unemployment rate several months after shutdown. Such programs require close co-operation between the company dismissing the employees and public agencies.⁶⁷

The fact that 40 per cent of the workers found jobs after the Kelvinator closing despite the absence of a special program of assistance, is attributed to advance notice.

One cannot help but draw the conclusion that the operation would have been much more successful if there was legislation to make it mandatory for management and the union to get together with the government to solve the problem of the plant phase out, using workable ground rules on plant shutdown.

⁶⁶The closing of the Kelvinator appliance plant in London in the fall of 1969 does not fit into the time reference period of our study. However, we decided to touch on it briefly since it was referred to on numerous occasions in our interviews with workers of Eaton Automotive. Also we would like to draw the reader's attention to the excellent study on the closing of the Kelvinator plant done by Professor B. Portis and Michel G. Suys. This study was prepared before the legislation on advance notice was enacted by the Ontario and Canadian governments. In that respect alone it was an important piece of work and perhaps played some role in the beginning of legislation we have in this province today.

⁶⁷Portis & Suys, *Kelvinator*, p. 28.

Appendix 3

ADVANCE NOTICE AND SEVERANCE PAY LEGISLATION IN EUROPE

Recent European legislation on the subject shows a well-defined trend to move away from the early common law principles governing the termination of employment. This is evident in two main areas, firstly, most European countries have instituted legislation to give recognition to the principle that a worker should be entitled to keep his job unless sufficient reason, such as personal misconduct or a shortage of work, justifies his dismissal. The second main departure involves the creation of certain employer obligations in the event of layoff. These extended obligations involve primarily advance notice and severance pay.

1. Periods of Notice and Other Obligations in Individual Terminations

One of the most significant developments in many of the industrialized European countries has been the lengthening of the notice period in the event of layoff or termination of a single employee.

Along with this development, there have been statutory provisions to provide a variety of related employer obligations in these European countries.

In *Germany*, the notice requirements for individual dismissals vary by type of worker. A new law effective September 1, 1969 established a minimum notice period of two weeks for all wage earners eighteen years of age and over. The Act provides for the extension of the required notice up to a maximum of three months, depending on age and seniority. The following rules apply:

- After five years of seniority and completion of the fortieth year of age, the notice period is one month, to be given only at the end of the month.
- After ten years of seniority and completion of the forty-fifth year of age, the notice period is two months, given only at the end of a month.

- After twenty years of seniority and completion of the fifty-fifth year of age, the notice period is three months, given only at the end of a calendar quarter.

Salaried workers can be dismissed only at the end of each quarter after having been given six weeks' notice.

This is extended to three months' notice after five years of service, four months after eight years of service, and six months' notice after twelve years of service.

Employers also must grant all employees a "reasonable" amount of paid time off to look for another job during the notice period. In addition, consultation on individual termination is required under the terms of The Works Constitution Act of 1952. This Act gives the works council, a body of elected representatives, the right of "co-decision" in staff matters including dismissals, in any firm employing more than twenty workers.

The employer must inform the works council of every intended dismissal and the reasons for it, asking for its opinion within a reasonable period.

Failure to consult does not render the dismissal null and void, but if the employee afterwards takes the matter to a labour court, the employer cannot argue that the dismissal was "socially justified". Although the employer is not bound by the work council's opinion, in many cases agreements are reached at this stage.

In *France*, under an Act passed in 1958, employers are obliged to give one month's notice of termination for workers with at least six months' service. The notification must be by registered letter. It is customary, but not obligatory, to allow workers time off to search for a new job.

The employer is also obliged, by a 1945 ordinance, to give notice of all dismissals, even of individual workers, to the manpower service of the Department of Labour, which must authorize all dismissals. If no reply is received within seven days, the dismissal is considered to be authorized.

In the *United Kingdom*, The Contracts of Employment Act of 1963 requires minimum period of notice on termination. An em-

ployer is required to give at least one week's notice if the length of service has been 26 weeks. After two years of continuous employment, an employee must be given two week's notice and after five years' continuous employment, four weeks.

In *Belgium*, for salaried or staff personnel, the requirement is three months' notice for every five years of service or fraction thereof.

During the notice period, the employee is entitled to two half-days per week of paid leave to seek new employment. The choice of the two half-days must be agreeable to the employer. For hourly paid workers, 14 days' notice is required if the length of service is less than 10 years, 28 days if the length of service is 10 to 20 years, and 56 days if the length of service exceeds 20 years. Individual and collective agreement can stipulate that notice be reduced to seven days. The notice must be in writing and starts on the Monday following the day notice is given.

Employers are also required to give the employee a certificate which contains the reasons for termination. This certificate yields an opportunity for consultation, as the placement authorities may advise an employer to annul a dismissal for which insufficient reason is given.

In the *Netherlands*, present law requires that an employer provide employees with one week's notice for each year of service completed after the age of 21 years up to a maximum of 13 weeks. In addition, employers must obtain authorization for dismissals from the regional director of the employment office. This procedure affords an opportunity for consultation as the director conducts an investigation and seeks the advice of representatives of both the employer and the employees' organizations. The director, in fact, often mediates between the parties in an effort to find a solution other than termination.

In *Norway*, legislative notice requirements only operate in the absence of contrary stipulations in writing as in a collective agreement or employment rules. The legislated period of notice for workers paid by the hour, day or week, or at piece rates, is generally fourteen days. However, where a worker has four years' service after attaining the age of 21 years, the notice requirement is

one month, to expire on the last day of the calendar month. This notice requirement also applies to workers paid by the month or year. In the event of unforeseeable occurrences, the notice requirement is reduced to one week.

In *Sweden*, no legislative requirement exists, but the centrally negotiated collective agreement between the S.A.F. (The Swedish Employers' Confederation) and the L.O. (Swedish Confederation of Trade Unions) generally provides for a personal notice period of two weeks. The provision applies to workers with at least nine months' services, and also requires consultation with the trade union.

Due to the fact that personal notice is given usually only after consultation with the works council, workers normally have at least four weeks' advance knowledge of their impending job loss.

Advance notice of individual terminations is also a feature of Italian law. Unfortunately, it was impossible to find a clear statement of the structure of employer obligations.

This review of the European legislation has indicated a number of important characteristics which are summarized below.

1. Longer notice than required under the common law of Canada prevails throughout most of Europe.

After what may be interpreted as probationary periods, the minimum standard for manual workers is generally two weeks.

This is the case in Germany, Austria, Belgium, Sweden and Norway. This standard is attained in the United Kingdom and the Netherlands after two years' service. In France, the minimum notice period is one month after six months' service.

2. It is quite common for the required notice period to increase with years of service. The exceptions are France, Norway and Austria. The maximum notice requirements vary considerably from four weeks after five years' service in the United Kingdom to three months after twenty years in Germany.

3. In three countries, non-manual workers are provided with

more favourable notice requirements than manual workers. They are Germany, Austria and Belgium.

4. These three countries are also the only ones which require the employer to give paid time off during the notice period to facilitate job search.
5. Consultation with worker representatives or notification of public authorities are part of the termination of employment procedure in a number of countries. These include Germany, France, Belgium, the Netherlands, Austria and Sweden.

There are a number of common features of this type of legislation which have not been mentioned up to now.

(i) Provision for payment in lieu of notice is universal. The payment typically amounts to what would have been earned if proper notice had been given. In those countries where the required advance notice becomes exceptionally long as the length of service increases, it would appear that payment in lieu of notice is, in effect, a severance pay scheme.

(ii) There often exists a reciprocal obligation on the part of the employee to give notice. The employee notice obligation is typically shorter than the corresponding employer obligation. For example, under The United Kingdom Contracts of Employment Act, employees with 26 weeks of service must give notice of not less than one week.

(iii) Certain exceptions to the notice requirement are common. First, as under the common law, serious misconduct justifies dismissal without notice. Second, the notice requirement is normally waived where the contract of employment is for a specified term or limited to a specific project. Sometimes, certain industries in which such contracts are common (for example, construction, longshoring, shipping) are exempt from the requirement to give notice. The intent would appear to be to limit the application of the legislation to contracts of employment of indefinite duration. Third, the notice requirements frequently are waived during probationary period either explicitly or implicitly defined. Fourth, employers are not obligated to give notice in the event of unforeseeable occurrences such as Acts of God which make the continuation of

employment impossible. The "unforeseeable occurrences" do not appear to be outlined in detail in the legislation.

(iv) It would appear that the notice requirements do not apply in the case of temporary or short term layoffs. However, the point was not covered at any length in the literature examined. Only in the case of Sweden was it made explicit that layoffs lasting less than two weeks are exempt from the notice requirements. The only other definition of a temporary layoff found was in the United Kingdom severance pay scheme. It will be described later on.

2. Advance Notice and Other Obligations in Collective Dismissals

In *Germany*, special obligations arise if an employer intends to dismiss, within a period of four weeks, more than five employees in an undertaking with between 20 and 50 employees, more than 10 per cent or more than 25 of the employees in an undertaking with between 50 and 499 employees, or 50 or more employees in an undertaking with 500 or more employees.

In these cases, the employer must notify the works council and consult on the nature and the number of the terminations necessary and on means of avoiding hardship among those to be dismissed. An employer who intentionally fails to comply with this obligation is liable to a fine or to imprisonment of up to six months. The employer must notify the employment office enclosing the opinion of the works council. The proposed terminations cannot take effect until one month after notice is received by the employment office, unless special permission is granted.

The regional employment office may also extend the notice period to a maximum of two months. After the deadline is fixed, the terminations must take place within a month, after which fresh notice is required. The decisions of the regional employment office are taken by a committee consisting of the president of the office and two representatives each of the employers, workers, and the public. One of the powers of the committee is to authorize short-time work if the employer is unable to give full-time employment to his employees up to the appropriate date.

In *France*, employers are required by law to consult their works committee (these must be set up in all establishments of over 50

employees) before collective dismissals. In addition, the employer is obliged to notify the manpower service of the Ministry of Labour of all dismissals. If no reply is received within seven days, the dismissal is considered to be authorized. The authorization is granted for collective dismissals if the reduction of the workforce is considered to be necessary for economic reasons. Work rules, required in all establishments containing more than 20 employees, must include general provisions on the order to be followed in collective dismissals, "having regard to family responsibilities, length of service in the establishment, and occupational qualifications". There does not appear to be any special notice requirement over and above the one month obligation involved in individual dismissals.

In the *United Kingdom*, under The Redundancy Payment Act of 1965, an employer is called upon to give a minimum period of notice (of 28 days) to an employment exchange if he intends to dismiss more than ten workers. When the number involved is less than ten, the minimum notice is 14 days. If an employer fails to give this amount of notice, he is liable to a financial penalty.

In *Belgium*, special obligations arise if an undertaking (or department) employing at least 50 workers closes. An undertaking is deemed to close if on the final cessation of the principal activity, the number of workers falls below one quarter of the average number of workers employed there over the calendar year preceding the year in which the closure occurs. It is the duty of joint committees to determine the required prior notice to public authorities and workers.

In the *Netherlands*, there does not appear to be any legal obligations on employers in the event of collective dismissals either to consult or notify the workers or the employment service. However, voluntary notification of the employment service has taken place on a confidential basis, perhaps at the instigation of the employers' organization which has issued official statements to its members urging them to act in this way. In any event, all individual dismissals must have the approval of the Director of the regional employment office, and this ensures notice to the public authorities. Moreover, the notice requirements for individual terminations are substantial.

In *Sweden*, the Works Council Agreement of 1946 lays down the rules governing the formation of works councils in undertakings employing 50 or more workers and obliges the employer to inform the works council of any measure he intends to take which would result in a reduction of the work force "as far in advance as possible before the action is taken".

Advance notice of collective dismissals to a government agency is covered in the 1953 agreement between the National Labour Market Board, the Swedish Employers' Confederation, the Federation of Swedish Industries, and other employers' organizations. The agreement provides that undertaking shall supply the County Labour Market Board with information as to the date when dismissals or layoffs will take place, the number of workers affected, the duration of the interruption of production, and the reasons. This information must as a rule be supplied two months in advance of the dismissals and layoffs. In industrial undertakings, advance notification must be given if at least ten workers are to be laid off.

This review has indicated that special procedures for dealing with collective dismissals are quite common throughout Europe. The only apparent exceptions are the Netherlands, Austria and Norway. However, apart from the above generalization, it is difficult to summarize due to limitations in the available information and large variations in practices. It does appear that notification of public authorities at some stage in the advance notice procedure is present in all cases. Frequently, the advance notice requirement is part of an employer obligation to consult with worker representatives. There is no apparent uniformity in either the definition of collective dismissals or the length of notice required.

Two exceptions to the obligations arising in collective dismissals appear to be common. The first involves unforeseeable circumstances, and the second temporary layoffs. No information was available on the details of the exemptions.

3. Severance Pay

In Europe, although many collective agreements provide for severance pay, it has not been common for legislation to create this employer obligation. In Germany and the Netherlands, no legislation requiring severance pay exists. In France, the legislated

severance pay requirement applies only to journalists. In Austria, such an obligation is legislated only in the case of salaried staff who are entitled to two months' pay after three years' service, and up to 12 months' pay after 25 years. In Luxembourg, severance pay is only required after 15 years' service provided that the employee has not qualified for a retirement pension.

The only long-standing, widely applicable severance pay scheme exists in Italy where such payments have been made for the last 25 years. The amounts are normally set by collective agreements but certain minimums are established in the Civil Code. In the case of salaried employees, this is equal to one month's salary for every year of employment. In the case of wage earners, the minimum is four days' wages for the first year of employment, six days' wages for every subsequent year up to the tenth year, 12 days' wages for every year between the 11th and 18th years, and 15 days' wages for every year beyond 18 years.

Perhaps in response to widespread discussion of automation, a number of European countries have instituted severance pay schemes. A law passed in 1960 in Belgium provides for severance allowances upon the closing of undertaking employing at least 50 workers or upon the closing of a division of an undertaking involving the dismissal of at least 75 per cent of the personnel of that division.

A worker with at least five years' service is entitled to dismissal compensation if the employee is terminated by the employer during the 12 months preceding the closure of the undertaking. The employer is relieved of his obligation if the displaced worker has found alternate employment while retaining his previous rate of remuneration and seniority, and on the condition that he is not dismissed by his new employer within six months. The compensation is set at 1,000 francs for every year of service up to a maximum of 20,000 francs (\$400). If the employer fails to make the payment, the obligation is assumed by a government controlled — employer financed fund.

In the United Kingdom, The Redundancy Payment Act of 1965 provides that workers who lose their jobs due to economic reasons must receive compensation. The distinction between a permanent and temporary layoff is made by making the payments available at

the option of the employee if he has been laid off or kept on short time for four or more consecutive weeks or six or more weeks within a period of 13 weeks. The act covers all employees, including apprentices, who have worked for their employer for over 104 consecutive weeks and are normally employed for 21 hours per week or more. It does not cover the self-employed, those with fixed term contracts, those over the age at which old-age pensions become payable, dock workers, shore fishermen, Crown servants or certain other groups such as employees married to their employers.

The employer can escape the obligation to make a redundancy payment if he offers a substantial equivalent employment opportunity and the employee "unreasonably" refuses the offer.

The scheme is financed by means of contributions to a fund paid by employers only. Employers who make payments under the Act may make claims from the fund of from two-thirds to just over three-quarters of their payments depending on the worker's age. Payments to redundant workers vary according to age, length of service, and average weekly wage. The basis of payment is as follows:

- (a) for each year of employment between the ages of 18 and 21, half a week's wage;
- (b) for each year of employment between the ages of 22 and 40, one week's pay;
- (c) for each year of employment between the ages of 41 and 64 (59 for women), one-and-half weeks' pay.

The maximum weekly wage is 40 pounds and the maximum total payment is 1,200 pounds.

In 1967, Ireland passed legislation establishing a redundancy payments scheme. Although similar in many respects to the United Kingdom approach, it has a number of unique features. First, the length of service required for eligibility is four years after the age of 16. The treatment of the distinction between temporary and permanent layoffs is basically the same as in the United Kingdom legislation, but special provisions apply where the average annual layoff has been 12 weeks or more during the previous four years. The size of the lump sum redundancy payment is calculated according to the following rules:

- (a) the product of the number of years of continuous service between the age of 16 and 41 and one-half the employee's normal weekly remuneration; and
- (b) the product of the number of years of continuous service after the employee has reached the age of 41 and the employee's normal weekly remuneration, up to a maximum of 20 weeks' normal weekly remuneration.

The above lump sum payments are made by the employer but he can claim reimbursement for one-half of such payments from a redundancy fund that is established by employer and employee contributions. The amount to be claimed from the fund can be increased to a maximum of 65 per cent if the employer gives more notice than the minimum requirement of two weeks.

Besides the lump sum payment, workers losing their jobs due to redundancy are also entitled to weekly payments made from the redundancy fund. These payments, which begin two weeks after the job loss, are equal to 50 per cent of the worker's normal weekly remuneration, provided that total society security payments, including unemployment insurance and the weekly payment, do not exceed 90 per cent of the worker's normal weekly remuneration. To be eligible for such payments, workers must be available for work. He is entitled to one weekly payment for each year of service after the age of 16 years, and one-and-a-half weekly payments for years of service over the age of 41 years. Payments stop when the worker becomes re-employed.

Generally, in the Scandinavian countries, no legislative requirements exist. However, in Sweden, the 1964 and 1966 agreements between the Swedish Employers' Confederation (S.A.F.) and the Swedish Confederation of Trade Union (L.O.) provided for severance payments. These payments are financed out of a single nationwide fund to which employers contribute a proportion of their wage bill. The fund is administered by a joint (S.A.F.-L.O.) committee which approves or rejects applications for severance payments. To be eligible for severance payments, applicants must be at least 50 years old and have been employed for a minimum of ten years by the same employer. Or, if the worker is not 50 years old, his period of service plus his age at the time of discharge must amount to at least 65 years. There are two types of severance pay-

ments: the basic payment, and the supplementary payment. The former varies in accordance with the period of service, and the supplementary payment varies with the age of the worker.

This review of European severance pay schemes suggests three main points. First, although such schemes have not been widespread, there has been a recent increase in interest in their use. Second, the schemes generally operate on a funded basis, thus spreading the cost of change beyond the single employer directly involved in creating the redundancies. Third, the schemes recognize that payments should vary directly with the length of service, and in some cases, the age of the workers.

Appendix 4⁶⁸

TECHNOLOGICAL CHANGE AND JOB GUARANTEE PROVISIONS

The large number of plants that are closing or reducing staff and the mass unemployment that is taking place raises the need for unions to provide technological change clauses in their contracts.

The Freedman Report and the recent amendments to the Employment Standards Act dealing with termination of employment provide us not only with some guidance but with some compelling argument for the inclusion of a workable clause in our contracts.

The following is only a suggested clause :

During the life of this contract any reduction in the work force of the Company will be the subject of negotiation with the Union.

If the Company plans plant closure, reduction of staff or anticipates that the introduction of a new technology in the form of new equipment will result in employees whose immediate jobs are directly altered thereby being placed in a different occupational classification or being removed from their occupational classification due to lack of work, then when the Company knows the changes that are expected to apply to these employees it will arrange for an early discussion of these changes with the Union.

The Company shall notify the Shop Committee and the Union six months in advance of intent to institute changes in working methods or facilities which would involve the discharge or laying off of employees.

Furthermore, a joint labour-management committee will be formed which would deal with: evaluating the options open to the company, including justification for the change; its responsibility to the workers and the community; maintenance of earnings and severance pay; the feasibility of decreasing personnel through various methods such as by attrition, transfer to other jobs, retraining, educational guidance and assistance, and early retirement.

⁶⁸This is a sample clause, reproduced from *OFL Facts & Figures* an annual publication of the Ontario Federation of Labour, designed to assist unions in negotiations, 1971, p. 28.

Bibliography

- Adler-Karlsson, Gunnar. *Reclaiming the Canadian Economy*. Toronto: House of Anansi Press, Ltd., 1970.
- Anderman, S. D., ed. and trans. *Trade Unions and Technological Change*. Report to the 1966 Congress of Landorganisationen i Sverige (The Swedish Confederation of Trade Unions). London: George Allen & Unwin Ltd., 1967.
- Birch, C. M. and Gertz, J. B. "Ford Motor Company Layoff and Recall Study: Windsor Foundry and Engine Plants." A report to the Ontario Economic Council. University of Windsor: July, 1966. (Mimeographed.)
- Bloch, Joseph W. and Platt, Robert. "III - Seniority and Bumping Practices." *Monthly Labor Review*. LXXX, No. 2 (February, 1957), 177-185.
- Boase, R. C. "From Factory to Parking Lot: A Study of the Closing of 'A Surplus Plant'." Toronto: USWA, 33 Cecil St. (Mimeographed.)
- Brody, Bernard, Chairman. "Report of the Manpower Readjustment Committee at the Swift Canadian Co. Ltd. Plant 1000 Craig St. East, Montreal." Montreal, 1970. (Mimeographed.)
- Canada Department of Manpower and Immigration. *Adjusting to Technological and Other Change*. Ottawa: Information Canada, 1970.
- Chodos, Robert. *Right-of-Way: Passenger Trains for Canada's Future*. Ottawa: UTU, CBRT & GW, BRASC, 1971.
- Crysdale, Stewart. *The Industrial Struggle and Protestant Ethics in Canada*. Toronto: The Ryerson Press, 1961.
- "Social effects of a Factory Relocation." *Canada: A Sociological Profile*. Compiled by W. E. Mann. Toronto: The Copp Clark Publishing Co., 1968.
- Economic Council of Canada. *Third Annual Review: Prices, Productivity and Employment*. Ottawa: Queen's Printer, November, 1966.
- *Fifth Annual Review: The Challenge of Growth and Change*. Ottawa: Queens Printer, September, 1968.
- Eleen, John W. "Poverty in Ontario 1964." Ontario Federation of Labour 1964.
- Freedman, Mr. Justice Samuel, Commissioner. *Report of the Industrial Inquiry Commission on Canadian National Railways "Run-Throughs"*. Ottawa: Queen's Printer, 1965.
- George, Roy E. *A Leader and A Laggard: Manufacturing Industry in Nova Scotia, Quebec and Ontario*. Toronto: University of Toronto Press, 1970.
- International Labour Office. *The Enterprise and Factors Affecting Its Operation*. Geneva: International Labour Office, 1965.
- Johnston, T. L. *Short-Run Adjustment Measures*. Industrial Relations Centre, Queen's University, Reprint Series No. 11. Kingston: Jackson Press Ltd., 1968.
- Levitt, Kari. *Silent Surrender*. Toronto: Macmillan Co. of Canada Ltd., 1970.

- Miller, Delbert C. and Form, Wm. H. *Industrial Sociology*. New York: Harper and Row, 1964.
- Miller, Richard U. and Isbester, Fraser, eds. *Canadian Labour in Transition*. Scarborough: Prentice-Hall of Canada Ltd., 1971.
- Ontario Department of Economics and Development. *Automation and Social Change*. 1963.
- Ontario Federation of Labour. "Brief to the Industrial Inquiry Commission Relating to Canadian National Railway 'Run-Throughs'." Winnipeg, March 29, 1965.
- Owen, John D. *The Price of Leisure*. Montreal: McGill-Queen's University Press, 1970.
- Palen, J. J. "The Displaced Worker: The Social and Economic Effects of the Studebaker Shutdown." Ann Arbor, Michigan: University Microfilms, Inc., 1966.
- Plautz, Dieter. "Technological Change Provisions in Ontario Collective Agreements." Ontario Department of Labour, 1967. (Mimeographed.)
- Portis, Bernard and Suys, Michel G. *The Effect of Advance Notice in a Plant Shutdown: A Study of the Closing of the Kelvinator Plant in London, Ontario*. London: School of Business Administration, University of Western Ontario, 1970.
- Richardson, B. T., ed. *Skill Acceleration*. Ontario Economic Council Publication 1967. Toronto: OEC, 950 Yonge St., 1967.
- Safarian, A. E. *Foreign Ownership of Canadian Industry*. Toronto: McGraw Hill Co. of Canada Ltd., 1966.
- Shultz, George P. and Weber, Arnold R. *Strategies for the Displaced Worker*. New York: Harper and Row, Publishers, 1966.
- Sloate, Alfred. *Termination: The Closing at Baker Plant*. Indianapolis: The Bobbs-Merrill Co. Inc., 1969.
- Theobald, Robert, ed. *The Guaranteed Income*. New York: Doubleday and Co., Inc., 1965.
- Theodore, Rose. "IV - Recall Procedures: Work-Sharing." *Monthly Labor Review*. LXXX, No. 2 (March, 1957), 329-335.
- Thomas, Ron, ed. *An Exercise in Redeployment*. London: Pergamon Press, 1969.
- Tiffany, Donald W.; Cowan, James R.; and Tiffany, Phyllis M. *The Unemployed*. New Jersey: Prentice-Hall, Inc., 1970.
- Ulman, Lloyd and Flanagan, Robert J. *Wage Restraint: A Study of Incomes Policies in Western Europe*. Berkeley: University of California Press, 1971.
- United Automobile Workers (UAW-CLC). "Brief to the Royal Commission on Canada's Automotive Industry 1960." Ottawa, October 24, 1960.
- Watkins, Melville, Chairman. *Report of the Task Force on the Structure of Canadian Industry: Foreign Ownership and the Structure of Canadian Industry*. Prepared for the Privy Council, January, 1968.
- Weber, Arnold R. and Taylor, David P. "Procedures for Employee Displacement: Advance Notice of Plant Shutdown." *Journal of Business* (July, 1963), 302-315.
- Young, F. John L. *Adjusting to Technological Change*. Industrial Relations Centre, Queen's University, Reprint Series No. 4. Kingston: Jackson Press Ltd., 1963.