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QUEBEC

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ARE EXTENDED COLLECTIVE AGREEMENTS HURTING LITTLE BUSINESS?

Findings of shoe industry survey

by

LÉONCE GIRARD

At the 1949 Industrial Relations Convention one of our economists of repute wondered aloud if our Collective Agreements Act had favored the development of small industries or hindered them. He himself did not know. He merely tossed the question into the lap of the public without, apparently, worrying about the consequences. Anyway he declared that a survey on the question would be opportune and enlightening.

Since then we have heard many say that collective agreements with juridical extension are harmful to small business, or that they are killing it. Just lately, in the same line of thought, a labor leader declared: "There are some who 'believe' that the decrees can become, in the hands of some powerful employers, a marvellous tool for the creation of monopolies, the elimination of competition and the disappearance of small and medium sized industry."

It is quite easy to raise doubts and make declarations like this without the least proof; but to establish the facts and reply to such objections is a problem of not a little complexity. Nevertheless we wanted to get to the bottom of the matter in regard to the shoe industry, so we set about finding out the exact extent of the influence of extended collective agreements on the life and growth of this particular industry.

To do this we made a table of all shoe factories which produced between 1937 and 1949; we classed them by numbers, mentioning in regard to each factory the number of wage earners employed from year to year.

This table now permits us to reply to many questions, because it enumerates in detail the factories that began to produce, those that grew, those that cut down, those that closed doors, and

those that moved or that simply changed their names.

It goes without saying that these conclusions apply only to the shoe industry. It is ardently to be desired, in my opinion, that other industries regulated by decrees and governed by parity boards conduct similar surveys and make public their conclusions.¹

It is of little importance whether the conclusions of the survey are favorable or not to decrees or extended agreements. Everyone admits that decrees have rendered great services. What is important is to know whether it is true that these same decrees have done harm to a certain category of industry, and if so, to recommend the reforms which suggest themselves.

Now, let's answer the questions most often posed.

First Question: Is it true that extended collective agreements prevent the opening of new manufacturers? Here is what the survey says.

Year	Zone 1 Montreal	Zone 2 Quebec	Zone 3 Rural Centers	Total for the province
1938-39	6	2	8	16
1939-40	1	1	3	5
1940-41	5	1	4	10
1941-42	3	1	2	6
1942-43	6	—	2	8
1943-44	—	—	1	1
1944-45	6	3	16	25
1945-46	16	3	17	36
1946-47	10	5	15	30
1947-48	6	4	8	18
1948-49	5	1	1	7
TOTAL	64	21	77	162

(1) For the purposes of the decree, the shoe industry is divided into three zones, namely: zone 1 — Montreal, zone 2 — Quebec, zone 3 — the rest of the province. Legal wage rates are 5% less in zone 2, and 12% less in zone 3, than those in zone 1.

To sum up: During this period from 1938 to 1949, the decree did not prevent factories from opening. On the contrary, 162 firms appeared in the province, 64 in Montreal, 21 in Quebec, and 77 in the rural centers.

Second Question: But if the decree did not prevent new manufacturers from getting established, it certainly has prevented small factories from growing and developing.

That is the second objection. Let us study it in relation to the table of the survey.

Were there small industries which progressed during this period, in spite of the demands of the decree? Here are some examples:

Factory no. 2 counted 6 employees in 1937-38; in 1948-49 it had 28. Factory no. 11 employed 21 wage earners in 1937-38; in 1948-49 it had 128 on its payroll. It's the same story for a number of other small factories. Here is a table which you will examine, doubtless, with interest.

ZONE 1 — MONTREAL

Factory No.	Year	Number of employees	Number of employees in 1948-49
2 ²	1937-38	6	28
11	1937-38	21	128
15	1941-42	12	33
16	1945-46	25	38
17	1945-46	16	47
32	1937-38	18	58
34	1937-38	3	64
62	1937-38	24	34
85	1945-46	22	42
87	1945-46	19	38
95	1937-38	6	12
96	1937-38	23	47
100	1937-38	23	52
105	1945-46	2	51
107	1946-47	6	24
109	1946-47	10	17
115	1945-46	17	22
121	1937-38	10	22
127	1937-38	13	63
129	1938-39	11	57
130	1940-41	5	36
138	1938-39	2	44
139	1945-46	9	40
142	1938-39	10	61
145	1947-48	3	18

In zone 2 — Quebec, small industries progressed also. Thus:

ZONE 2 — QUEBEC

Factory No.	Year	Number of employees	Number of employees in 1948-49
155	1940-41	4	41
176	1938-39	7	10
177	1937-38	9	26
180	1946-47	4	10
194	1947-48	7	13
212	1938-39	2	18

And in zone 3, rural centers, the situation is perceptibly the same. Here are some examples:

ZONE 3 — RURAL CENTERS

Factory No.	Year	Number of employees	Number of employees in 1948-49
213	1937-38	15	144
220	1937-38	2	15
218	1937-38	19	69
226	1938-39	1	24
227	1946-47	5	13
228	1946-47	3	9
231	1938-39	11	36
246	1937-38	5	10
258	1944-45	9	19
268	1937-38	7	11
274	1944-45	13	16
290	1945-46	17	25
293	1937-38	6	14
295	1937-38	20	30
296	1944-45	13	40
303	1937-38	5	13
310	1945-46	12	36
322	1944-45	11	23
323	1940-41	6	12
324	1938-39	4	10
326	1938-39	5	26
327	1942-43	5	18
331	1945-46	16	21
333	1937-38	19	23
334	1937-38	2	10
335	1939-40	11	14
346	1947-48	23	27
289	1937-38	11	46

Thus the decree did not strangle the small factories. We have enumerated 59 which expanded. Among others, we note especially no. 11, which expanded from 21 employees to 128; no. 127, from 13 to 63; no. 129, from 11 to 57; etc.

Since the objection bears especially on this point, we felt obliged to give a copious selection of examples.

During this same period some small industries simply maintained themselves; others closed their doors. No one denies that. We count even 40 factories born non-viable which shut down after one or more months. But if the decree was the cause of their closing, why didn't the same decree close down the other small factories which, in the same period and under the requirements of the same decree, found the means, not only to survive, but to expand and become very going concerns?

Third Question: Assuming that the decree did not prevent the opening of small factories, and assuming that it did not prevent small factories from expanding, is it not, at least, true that the decree favored large factories at the same expense of small ones or, according to the expression of one of our friends, favored the creation of monopolies for the disappearance of small business?

(2) We had thought at first to give the names and addresses of all the factories mentioned in the report; but since such publicity would have placed in a

bad light the enterprises which did not make progress, we have simply indicated the factories by numbers, keeping the references for further precision if needed.

These are certainly not the facts for all the big concerns, because in this same period, under the same decree, we find at least 25 large factories in which the number of employee diminished and 29 which shut down altogether. Here is the list of factories which ceased production.

Third Question: Assuming that the decree did not prevent the opening of small factories, and assuming that it did not prevent small factories from expanding, is it not, at least, true that the decree favored large factories at the expense of small ones or, according to the expression of one of our friends, favored the creation of monopolies for the disappearance of small business ?

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The following table indicates the number of wage earners which the factories in question employed in 1937-38 or at ulterior date, and the approximate date of closure. For example, factory No. 123 employed 199 wage earners in 1937-38; it shut down in 1939-40.

ZONE 1 — MONTREAL

Factory No.	Year	Number of employees	Closed in
23	1940-41	36	1941-42
27	1945-46	48	1948-49
35	1937-38	31	1948-49
36	1937-38	325	1937-38
43	1942-43	39	1946-47
45	1939-40	40	1939-40
48	1937-38	68	1948-49
76	1937-38	37	1941-42
77	1937-38	37	1941-42
78	1937-38	32	1941-42
92	1940-41	61	1941-42
111	1937-38	37	1941-42
113	1937-38	50	1937-38
114	1942-43	27	1947-48
119	1937-38	35	1939-40
120	1937-38	52	1938-39
123	1937-38	199	1939-40
124	1937-38	194	1937-38

ZONE 2 — QUEBEC

Factory No.	Year	Number of employees	Closed in
146	1937-38	77	1941-42
151	1937-38	33	1939-40
152	1944-45	30	1948-49
183	1937-38	50	1939-40
196	1937-38	51	1937-38
203	1937-38	51	1937-38

ZONE 3 — RURAL CENTERS

Factory No.	Year	Number of employees	Closed in
215	1937-38	25	1940-41
236	1937-38	27	1937-38
252	1937-38	34	1937-38
254	1946-47	32	1947-48
257	1937-38	63	1937-38
265	1938-39	155	1939-40
271	1937-38	31	1937-38
300	1937-38	64	1940-41
301	1937-38	309	1939-40
309	1940-41	28	1943-44
314	1937-38	102	1938-39
321	1937-38	36	1939-40
330	1945-46	42	1947-48
349	1937-38	107	1941-42
351	1937-38	61	1940-41

We can discuss at another time the reasons why these factories waned or closed down. For the moment our attention is directed simply to the fact that, if the decree or the collective agreement had been advantageous to large factories and disastrous to small ones, these large factories would probably have doubled their personnel; as it is, they shut down or back-tracked whereas the small businesses expanded.

Fourth Question: But then, has the decree acted against large industries ? According to the table below we must not conclude that none of the big enterprises has continued to flourish, just because some of them have retrograded. The facts show that for the same period, under the same decree, while some large factories slowed down or closed, other important firms remained stable or expanded.

For example, factory No. 1 employed 258 in 1937-38; in 1948-49 its payroll counted 268.

Here is a list of large factories which maintained their status or which expanded.

ZONE 1 — MONTREAL

Factory No.	Year	Number of employees	Number of employees in 1948-49
1	1937-38	258 ³	268
8	1937-38	133	125
20	1937-38	168	156
10	1937-38	63	84
16	1945-46	25	38
21	1937-38	126	158
31	1937-38	144	147
37	1944-45	41	50
40	1937-38	203	326
42	1938-39	29	68
54	1938-39	25	60
49	1944-45	54	160
50	1937-38	167	191
53	1938-39	81	121
56	1937-38	41	281
60	1937-38	127	153
63	1937-38	63	73
65	1937-38	37	63
67	1937-38	105	113

(3) In this article we consider as a small factory any firm having fewer than 25 employees.

71	1942-43	88	160
75	1937-38	239	298
79	1937-38	114	170
80	1937-38	95	108
91	1937-38	123	107
97	1938-39	29	99
98	1937-38	140	203
99	1937-38	64	93
106	1947-48	30	43
116	1945-46	43	65
122	1937-38	30	27
125	1937-38	134	178
126	1937-38	28	96
128	1937-38	131	125
132	1944-45	34	156
136	1937-38	371	412
144	1938-39	75	124

ZONE 2 — QUEBEC

Factory No.	Year	Number of employees	Number of employees in 1948-49
161	1937-38	152	226
167	1937-38	75	131
168	1937-38	36	47
169	1944-45	19	25
173	1937-38	327	327
189	1945-46	27	64
190	1944-45	36	104
197	1937-38	55	78
199	1937-38	268	568
205	1937-38	82	154
209	1937-38	68	71

ZONE 3 — RURAL CENTERS

Factory No.	Year	Number of employees	Number of employees in 1948-49
214	1937-38	94	180
247	1937-38	54	158
250	1937-38	68	93
261	1938-39	32	76
264	1937-38	30	47
287	1937-38	29	38
272	1942-43	104	106
307	1938-39	48	112
315	1939-40	90	99
340	1937-38	86	116
342	1946-47	36	42
347	1947-48	28	44
356	1937-38	122	121

In fine, at least 36 large factories in Montreal maintained their status or expanded; 11 did so in Quebec; and 13 in the rural centers; making a total of 60 for the province.

Fifth Question: Has the decree favored rural centers at the expense of the big cities or has it favored big cities at the expense of rural areas ?

Without doubt you remember that, in 1934, one of the purposes of the employers and employees who demanded the decree for the shoe industry was to call a halt to the movement of industries. At that time many manufacturers were forced, on account of wage differentials, to move, and consequently to leave their employees out of work.

Here again, concerning these movements from one zone to another, the survey has something to say.

During the period from 1937 to 1949 two manufacturers left the city to set up in the country. No. 83 left Montreal in 1944 and re-established in Chicoutimi. No. 9 was burned out, and the name is now being used in a rural center.

We have no name, for the period in question, of a firm regulated by the decree having to leave the country to set up shop in Quebec or Montreal.

This shows that, whether on account of the decree or other causes, the displacement of factories from one zone to another has been considerably lessened, to the better interests of the workers and of the whole industry.

Sixth and Last Question: Has the decree favored other provinces to the detriment of the Province of Quebec ?

During the period in question a factory in zone 3, which had 3 employees, moved to New Brunswick. A factory in zone 1, Montreal, run by an American company, closed its branch in Quebec and continued its activities in Ontario where it had already been operating.

On the other hand, four companies from Ontario moved to Montreal. They are:

Factory No.	Date of entry	Number of employees at beginning	Number of employees in 1948-49
10	1937-38	63	84
42	1938-39	29	68
79	1937-38	114	170
107	1946-47	6	24

And now, what general conclusion can we draw from all this ? From 1937 to 1949, 357 factories were in production in the Province of Quebec, under different names; in 1937-38 there were 167; in 1948-49 there were 207. During the same period, under the regime of the collective agreement, small and large factories opened, expanded, maintained a stable level, or made progress; other small and large factories slowed down, moved, changed their names, were amalgamated, shut down, or failed. All this happened under the provisions of the same decree, with the same conditions and the same legal obligations.

All this indicates that the firms, big or small, which disappeared did so because they were amalgamated, because they lacked capital, because they lacked capable administrators, because they did not find a reasonable price for their products; but the decree did not directly harm any one of them, and it did not act in favor of one at the expense of the other. And this is true for the simple reason that before signing an agreement or extending one, the contracting parties and the Minister of Labour take thorough stock of the econo-

mic situation of the industry, its paying power and its capabilities of competition with the outside.

Some time from now, especially if an economic crisis is in the offing, other establishments will close their doors. It will continue to be said, in certain circles opposed to extended conventions, that these factories had to shut down because of the convention. No one will say that there was a poor or improvident administrator. But the facts are that, with or without agreements, these firms would shut down just the same, with this differen-

ce, however, that without extended collective agreements, they would shut down after having lowered wages to a lamentable state in their own workrooms and bringing about a similar reduction of wages in competing factories.

The decree for the shoe industry was set up to do away with competition in the wages and bread-winning of the worker's family. The documents cited above seem to demonstrate that it has accomplished that without at the same time imperilling the life of the industry.

WAGES IN THE PRINTING INDUSTRY OF THE METROPOLITAN AREA OF MONTREAL

1940 - 1949

RAYMOND GAUDREAU

One of the first collective agreements with juridical extent in the province of Quebec was that of the printing industry of Montreal and surrounding territory, concluded in 1936. Since then new collective agreements have succeeded one another year after year. These different collective agreements cover the printing establishments of Montreal and the surrounding territory for a hundred miles.

All printing establishments located in this territory fall into three zones, as follows:

Zone I: the Island of Montreal and the surrounding territory within a radius of ten miles. *Zone II:* the following municipalities and the surrounding territory within ten miles of each: East Templeton, Granby, Hull, Joliette, St-Hyacinthe, St-Jean, Iberville, St-Jérôme, Sherbrooke, Sorel, Trois-Rivières and Valleyfield. Those establishments which were publishing or printing one or more weekly newspapers as of the 15th of June, 1946, are not included in this zone. *Zone III:* all the territory not included in zones I and II. (The establishments located in zones II and III which were publishing or printing weekly newspapers as of the 15th of June, 1946, are grouped under the heading of Zone 2a, or Zone 3a.)

These specifications facilitate understanding of the behaviour of wages in the printing industry. They trace out the framework of our study: Montreal and its metropolitan area of a hundred mile radius (i.e. from the city limits). As to the terms of the decree giving a juridical extent to the col-

lective agreement, the minimum wage rates and the number of regular hours of work are fixed for each zone. Let us note at once that the general behaviour of wages is affected by these minimum wage rates. Since the remuneration of the marginal worker is automatically elevated by a rise in the minimum wage, average wage rates are by this very fact subject to an upward pressure.

In the light of these facts let us study the behaviour of wages under two aspects: the volume of wages paid and the wage rate minimums and maximums.

Volume of wages paid

The volume of wages mounted from 3 million in 1940 to 11.5 million in 1949 (see table below). Wages show a somewhat different behaviour for the period from 1940 to 1949 than that of hours of labour and of the average number of employees. Federal wage control during the war restrained the expansion of volume of wages paid. Hence the decade of 1940 to 1949 shows two distinct periods: from 1940 to the first half of 1945, and from the second half of 1945 to 1949.

Between 1940 and 1945, whereas the number of hours worked increased by 72% and the number of employees, by 52%, total wages increased by 97%. From 1945 to 1949, however, these factors increased in the following proportions: number of hours worked, 17.9%; average number of employees, 26.0%; wages paid, 96.1%. In gene-