Relations industrielles
Industrial Relations

Guaranteed Wages and Unemployment Insurance in Canada
Le salaire garanti et l'assurance-chômage au Canada

C. F . Owen

Volume 10, numéro 4, septembre 1955

URI : https://id.erudit.org/iderudit/1022669ar
DOI : https://doi.org/10.7202/1022669ar

Aller au sommaire du numéro

Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)
1703-8138 (numérique)

Découvrir la revue

Citer cet article

Owen, C. (1955). Guaranteed Wages and Unemployment Insurance in Canada. *Relations industrielles / Industrial Relations*, *10*(4), 237–254. https://doi.org/10.7202/1022669ar

Résumé de l'article

L'établissement du principe des « prestations d'assurance-chômage » sur le plan de l'entreprise dans l'industrie américaine de l'automobile, en juin dernier, de même que les pourparlers en cours entre les Ouvriers Unis de l'Automobile (UAW-CIO) et General Motors, au Canada, autour du salaire garanti, nous invitent à l'étude de ces divers plans dans leurs rapports avec le système canadien d'assurance-chômage.

Ces plans — à l'enseigne plutôt vague du « salaire garanti » — possèdent un trait commun: ils visent à coordonner les services de l'assurance-chômage traditionnelle à des prestations additionnelles fournies par l'employeur en cas de chômage. L'assurance-chômage, en d'autres termes, deviendrait d'une certaine façon la responsabilité commune de l'État et de l'employeur.

Il s'agit ici de déterminer, à partir d'une analyse comparative des systèmes canadien et américain d'assurance-chômage, dans quelle mesure les problèmes d'intégration des secteurs public et privé qui se posent aux États-Unis sont susceptibles de se retrouver, avec des modalités variables peut-être, au Canada,

CARACTÉRISTIQUES DU SYSTÈME AMÉRICAIN D'ASSURANCE-CHÔMAGE

Depuis plusieurs années, le système américain d'assurance-chômage est l'objet de critiques plutôt sévères en certains milieux. D'un État à l'autre, les systèmes manquent d'uniformité, car il appartient à chaque État de fixer le montant et la durée des prestations, de même que les conditions d'éligibilité et le mode d'administration du système. Les unions ouvrières s'en prennent particulièrement à la formule selon laquelle la cotisation de l'employeur varie en fonction des prestations de chômage qu'on a dû verser à ses employés. La participation de l'employeur est fonction du nombre des réclamations de chômage que font ses propres employés. Ainsi, le nombre des demandes favorablement accueillies étant réduit, la contribution de l'employeur en cause au fonds d'assurance-chômage s'en trouvera diminuée d'autant. Certains chefs syndicaux prétendent toutefois qu'en certains cas, des compagnies se sont opposées à des prestations d'assurance-chômage au bénéfice d'anciens employés — comme cela peut se faire aux États-Unis — afin de réduire le montant de leurs obligations à l'endroit du fonds.

A l'encontre de cette diversité, le système canadien d'assurance-chômage s'applique uniformément à tout le pays, sous le contrôle de la Commission d'assurance-chômage. De ce chef, certains problèmes, réels aux États-Unis, s'éliminent d'eux-mêmes au Canada. Et qui plus est, l'employeur canadien paie chaque semaine pour chacun de ses employés une somme fixe en fonction de son salaire, et non pas, comme l'employeur américain, une contribution qui varie selon le nombre de prestations de chômage fournies à ses anciens employés.

CERTAINS ASPECTS LÉGAUX DU SALAIRE GARANTI ET DE L'ASSURANCE-CHÔMAGE

L'insertion du secteur privé dans le secteur public, en matière d'assurance-chômage se complique encore de difficultés légales, surtout au Canada. Ici, en effet, un ordre-en-conseil émis le 31 décembre 1954 stipule qu'un individu ne peut bénéficier de l'assurance-chômage s'il reçoit des prestations de son ancien employeur a) à condition de reprendre son service chez l'employeur sur demande, et b) sous forme de salaire garanti. Selon toute probabilité, les règlements du même ordre en vigueur aux États-Unis joueraient dans le même sens. Cependant, il n'existe là-bas rien d'aussi spécifique que l'ordre-en-conseil canadien mentionné plus haut; de sorte que certains États pourraient, sans modifier la législation, donner une nouvelle interprétation à certaines clauses déjà existantes, ce qui ne semble pas possible au Canada.

Ce qui précède n'exclut évidemment pas la possibilité d'une modification de la réglementation en vigueur au Canada. Une telle modification ferait immédiatement sentir ses effets sur l'ensemble de l'économie canadienne, en vertu de l'unité même du système. Les États américains, de leur côté, pourraient modifier la loi ou lui donner une interprétation nouvelle afin de permettre à un employé de toucher son salaire garanti et de bénéficier également de l'assurance-chômage étatique. Certains États toutefois, pourraient interdire le cumul de ces deux sources durant la même semaine.

L'ordre-en-conseil plus haut cité, dans son interdiction quant au cumul par le même individu des deux sources — assurance-chômage de l'État et « assurance-chômage » de l'employeur sous forme de salaire garanti — n'a peut-être pas toute la rigueur que les mots semblent lui prêter. Il se peut qu'en certaines circonstances ce texte restrictif ne s'applique pas aux plans imaginés conjointement par employeurs et unions, sans exclure les plans qui se fondent sur la formule adoptée par Ford, General Motors et UAW-CIO.

Les éléments principaux de cette dernière formule se centrent autour du fait que l'employeur, en l'occurrence, subira une perte financière; à cause même de ce fait, il se peut que, d'après les clauses de la Loi de l'assurance-chômage, il ne s'agisse pas là d'une formule stricte de salaire garanti. Une telle interprétation aurait pour effet d'éliminer, par rapport à la formule de « salaire garanti » préconisée, l'article restrictif qui interdit le cumul des deux souces — État et employeur — par un individu en chômage.

On applique les mots « salaire annuel garanti » à tellement de formules — parfois diamétralement opposées — que l'expression a beaucoup perdu en précision. Il conviendra donc d'étudier chaque plan à sa face même, sans égard pour son titre: ce faisant, il pourra fort bien arriver que tel employé protégé par tel plan de « salaire garanti » puisse bénéficier de l'assurance-chômage, alors que son voisin, sous un autre plan dit également de «salaire garanti», n'aura pas droit aux prestations de l'État en cas de chômage.

DISPONIBILITÉ POUR TRAVAIL APPROPRIÉ

Le grand problème de compénétration des deux systèmes — assurance-chômage de l'État et « salaire garanti » de l'employeur — se situe autour de deux exigences contradictoires et péremptoires: d'une part, l'employeur, en retour du «salaire garanti », obtient de chaque employé la promesse que ce dernier retournera au travail aussitôt que lui, l'employeur, en aura besoin; d'autre part, la Loi de l'assurance-chômage stipule que le bénéficiaire doit être disponible pour tout travail approprié, et doit même normalement se chercher du travail. Il semble impossible de concilier ces deux exigences.

Un élément possible de solution loge à l'enseigne de «l'intention », sujet bien délicat en matière légale. Ainsi, l'individu temporairement en chômage, qui n'a pas l'intention de demeurer disponible pour son ancien employeur et qui se cherche activement activement du travail ailleurs, aurait droit aux prestations d'assurance-chômage même s'il reçoit de son ancien employeur un salaire durant toute la période couverte par la garantie. L'employé en chômage qui, recevant le salaire garanti, s'attend à retourner à son ancien emploi aussitôt qu'on aura besoin de lui et ne se rend pas disponible pour un autre emploi, n'aurait pas droit aux prestations de l'État.

LE COÛT DES PRESTATIONS DE CHÔMAGE AU NIVEAU DE L'ENTREPRISE

L'intégration des deux formules d'assurance contre le chômage — celle de l'État et celle de l'employeur sous forme de « salaire garanti » — aura sa répercussion sur le coût d'un plan de salaire garanti dans une entreprise particulière. Dans la mesure où un chômeur touchera des prestations d'assurance-chômage, le coût pour l'employeur d'un plan de salaire garanti se trouvera diminué; ce coût, encore une fois, dépend pour beaucoup du niveau des prestations étatiques de chômage auxquelles les employés ont droit. Au Canada comme aux États-Unis, les prestations d'assurance-chômage représentent une proportion plus forte de salaires inférieurs que de salaires élevés. Si donc un employeur garantissait un salaire égal à la totalité ou à une certaine proportion du salaire hebdomadaire moyen d'un employé, ses déboursés — s'ajoutant à sa contribution au fonds d'assurance-chômage — varieraient en fonction de la structure des salaires de sa main-d'oeuvre.

La durée des prestations varie également selon les réclamations de chaque individu. Si, par conséquent, le droit d'un individu aux prestations d'assurance-chômage devenait périmé avant l'échéance de la garantie faite par son employeur, celui-ci ne tirerait aucun avantage de l'existence du système étatique.

MISE EN APPLICATION CONCOMITANTE DES DEUX SYSTÈMES

Il ne fait pas de doute que l'intégration des deux systèmes — public et privé — de protection contre le chômage exigerait un surcroît d'efforts, et pour les administrateurs gouvernementaux et pour les représentants des entreprises en cause. D'autre part, la bonne marche en commun des deux systèmes pourrait exiger, de la part de la Commission d'assurance-chômage, un certain contrôle sur les divers plans de « salaire garanti » établis par les entreprises.

Au point de vue purement administratif, il est essentiel que les plans de salaire garanti au niveau de l'entreprise reposent sur les mêmes règles d'éligibilité que celles utilisées par la Commission de l'assurance-chômage. Tout plan privé qui s'appuierait sur des principes et des règles indépendants ou ennemis de ceux du système fédéral d'assurance-chômage risquerait de mettre les officiers de la Commission dans une situation fâcheuse et incommode.

CONCLUSION

L'entrée en scène de diverses formules de salaire garanti par l'employeur pose le problème de l'intégration de ces formules dans le système national d'assurance-chômage. Des modifications à la législation présente s'avèrent nécessaires et paraissent imminentes. Des problèmes administratifs se posent également, qui requièrent l'attention urgente des experts en la matière.

Guaranteed Wages and Unemployment Insurance in Canada [1]

C. F. Owen

The emergence of guaranteed wage plans in the automobile industry, likely to spread to other fields in the near future, poses the problem of the relationship between such plans and the national Unemployment Insurance system in Canada. This article is an attempt to indicate, by a comparative analysis of Canadian and U.S. Unemployment Insurance systems, to what extent problems associated with U.S. unemployment insurance systems, and the possible integration of these systems with company supplemental unemployment benefit plans, are applicable to Canada.

Introduction

The establishment of the principle of company unemployment benefits in the United States automobile industry in June of this year, and the current guaranteed wage proposals of the UOW to General Motors in Canada, merit an analysis of these schemes in relation to unemployment insurance in Canada.

A common feature of the many and varied plans to which the general and sometimes meaningless title of "guaranteed wages" is given is that they propose to co-ordinate unemployment insurance with company supplemental unemployment payments. By this means the employee receives a total unemployment compensation made up of state and company benefits. This article seeks to ascertain, by a comparative analysis of Canadian U.S. Unemployment Insurance systems, to what extent problems associated with U.S.

OWEN, C.R., M.A. (Oxford), instructor and lecturer in economics, Department of Political Economy, (Toronto), candidate for the Ph.D. (Toronto).

(1) This article was written at the 1955 Summer Study Group for Economists, Queen's University. The author would like to express his appreciation to the organizers of the Study Group, especially to Professor F. A. Knox, for that most enjoyable opportunity.

unemployment insurance systems, and the possible integration of these systems with company supplemental unemployment benefit plans, are applicable to Canada.

CHARACTERISTICS OF U.S. UNEMPLOYMENT INSURANCE

In 1947 Professors Alvin H. Hansen and Paul A. Samuelson stated, "There are, to be sure, many technical imperfections in our present unemployment insurance system: inadequacies of integration and uniformity between states, insufficient benefits in relationship to reserve accumulations, perverse cyclical aspects of merit or experience rating, etc. These should be remedied by legislation and practice." [2]

More recently, Mr. Philip Booth, of the U.S. Bureau of Employment Security declared, "Accompanying this anxiety over irregularity of employment, there is some dissatisfaction with the adequacy of protection afforded by unemployment insurance laws... All I want to do is to record that the existence of dissatisfaction with coverage, benefits, and certain disqualification provisions is one of the facts of our life, and the dissatisfaction won't go away by itself — it is somehing that we have to take into account in our planning." [3]

Differences in State Systems

A source of considerable dissatisfaction with unemployment insurance in the United States is the wide variation between the different systems. Each state determines the features of its own unemployment insurance scheme in terms of the amount and duration of benefits, eligibility, and administration. Accordingly, two members of the same union with identical weekly earnings and even working for the same company, but living in different states, would have quite different benefits when unemployed. One of the interesting and significant facts of the Supplemental Unemployment Benefit schemes established by Ford and General Motors is that in their plans the effects of state differences in unemployment benefits would be erased. Under these company plans employees with the same take home pay will receive company payments such their employees in all states will receive the same total of unemployment in-

(2) Guaranteed Wages: « Report to the President by the Advisory Board », Office of War Mobilization and Reconversion, January 31, 1947, page 416.

(3) Mr. PHILIP BOOTH, Chief, Division of Program Policy and Legislation, Bureau of Employment Security, U.S. Department of Labor. Report of the Interstate Conference of Employment Security Agencies, October 1954, page 78

surance and company supplemental benefits. This policy of ensuring the same total unemployment compensation (unemployment insurance plus company supplemental insurance benefits) for all employees, however, creates certain issues concerning the cost of a company guaranteed wage or supplemental benefits scheme. Where a state paid a low unemployment insurance benefit relative to other states the company would have to pay a larger supplemental benefit in order to make up the deficiency. Accordingly, for a large company with branches in many different states, the cost of a guaranteed wage plan would be partly determined by the proportions of its labour force resident in different states. If the majority of the employees lived in states that had high unemployment insurance benefits, the cost of a company scheme would be less than if they were eligible for unemployment insurance in states that paid low rates.

The number and diversity of unemployment insurance systems in the U.S.A. (a total of fifty, one for each state, District of Columbia and Alaska) create particular administrative problems in the possible integration of unemployment insurance and company supplemental payments. A nation-wide company would find itself confronted with all the intricate problems of dealing with widely differing unemployment systems.

In sharp contrast to the multifarious nature of unemployment insurance in the U.S., unemployment insurance in Canada is a uniform system for the whole country administered by the Unemployment Insurance Commission. From this aspect some of the problems faced in the United States do not or would not exist in Canada.

Experience Rating

A feature of unemployment insurance in the United States which has been sharply critized by trade unions is the system of experience or merit rating. The actual contribution of the employer to the unemployment insurance fund is influenced by the amount of unemployment claims made by his employees. If the total amount of unemployment insurance actually received by his employees in any given period is small, then the payments made by the employer to the unemployment insurance commission is reduced. This principle seeems to have been inspired by the hope that by his savings on unemployment insurance costs an employer would have the financial incentive to regularize the

employment of his labour force and not heedlessly cause them to be unemployed. Trade union representatives claim, however, that there have been cases where companies have opposed payments of unemployment insurance benefits to their former employees (as can be done in the U.S.) in order to keep down their own unemployment insurance tax. [4]

Experience-rating does not exist in Canada. The employer pays a net sum every week for each employee according to the individual's earnings. The employers' contributions are in no way influenced by the amount of unemployment insurance payments to his former staff.

LEGAL ASPECTS OF GUARANTEED WAGES AND UNEMPLOYMENT INSURANCE

A further difference between Canada and the United States concerns present legislation regarding the possible integration of unemployment insurance and guaranteed wage schemes. Section 31 (f) of the Unemlployment Insurance Act states:

> «No insured person is unemployed within the meaning of this Act (f) on a day in respect of which he receives from his employer or former employer any money that is equivalent to the normal daily remuneration received by him from such employer or former employer, and where such money is not so equivalent, the Commission may prescribe the days and the number of days in respect of which such money shall be deemed to be received."

By an Order-in-Council dated December 31st, 1954, the Unemployment Insurance Regulations were amended and section 133 (1) reads:

"Where a claimant receives from his employer or former employer monies which fall under any of the following categories:

(a) in consideration of the claimant undertaking to return to the employment of that employer when so required;

(b) in accordance with a guaranteed wage plan;

such monies shall, for the purposes of paragraph (f) of subsection (1) of section 31 of the Act, be deemed to have been received in respect of

(4) « UAW Guaranteed Work Plan in Question and Answer Term » published by the UAW—CIO Education Department, pages 4 and 5.

a period, the first day of which shall occur on the first day immediately subsequent to the termination of his employment or to the last day on which he performs services for that employer, whichever is the earlier."

Largely because of the many different unemployment insurance systems in the U.S.A. the legal aspects of unemployment insurance are more complex than in Canada. The chief of the Division of Program Policy and Legislation, U.S. Bureau of Employment Security has also stated:

"The first point which should be made on state experience to date, in determining the benefit rights of individuals covered by guaranteed wage plans, is that we have only scattered information on the subject. Few states have made determinations on the legal questions involved, and fewer cases have been carried to appelate authorities or the courts. *For this reason alone, future determinations under plans like those which exist today or under different plans might depart greatly from the line of existing decisions.*

But from the data which we have available, it appears very clear that, without exception, States which have passed on the subject have regarded guaranteed wage payments as wages, that they are disqualifying income, and that individuals receiving guaranteed wage payments in a given week are not regarded as totally unemployed in that week." [5]

Thus, while it is probable that under existing regulations it would not be possible for an individual to receive unemployment insurance and guaranteed wage or company supplemental payments simultaneously, there is not the specific legislation that has been enacted in Canada. Accordingly, it is not altogether impossible that some states, without any actual changes in legislation, could arrive at new interpretations of existing provisions.

Perhaps a more important matter is the possibility of future legal action. In Canada, any changes in the Unemployment Insurance Act would be immediately applicable to the whole country. In contrast, there could be quite different policy action in the separate U.S. systems. Some states could re-interpret existing legislation, or amend such legislation to enable a person to receive guaranteed wage payments and still

(5) Mr. PHILIP BOOTH, Chief, Division of Program Policy and Legislation, Bureau of Employment Security, U.S. Department of Labor. Report of the Interstate Conference of Employment Security Agencies, October 1954, page 79.

be eligible for unemployment insurance. On the other hand, other states could insist that it would be impossible to receive these payments in the same week.

The Ford Company Plan for supplemental Benefits acknowledges that there may be a future difference of policy between states on the legality of receiving unemployment insurance and supplemental benefits together. The Ford Plan specifically requires rulings in states in which the company has two-thirds of its hourly working force, that payment of Plan benefits shall not reduce or eliminate state unemployment compensation, before the company benefits can start. If this approval is forthcoming, but similar rulings are not made in states where less than one-third of the company's employees live, the company has proposed a system of substitute supplemental benefits, which would be paid by the company in a week *after* a period in which state unemployment compensation had been paid. By this system an individual could receive unemployment insurance and company benefits, not in the same week, but in subsequent weeks. The limitation of this method of payment for the individual, however, is that his total unemployment compensation of state and company benefits would be less, because in the week that he wanted to receive the company benefits he would have to relinquish his claim for unemployment insurance.

The Problem of Terminology

As indicated above, in Canada the Order-in-Council specifically states that an individual will not be eligible for unemployment insurance, "*Where a claimant receives from his employer or former employer monies... in accordance with a guaranteed wage plan*". This statement, however, is not as precise as what would first appear, and it is quite possible that under certain circumstances it would not be considered applicable to plans that could be negotiated between employers and unions, including any schemes based on the pattern of those established in the U.S. by Ford Motor Company, General Motors and the UAW.

The term "guaranteed annual wage" has become so general in its application that it lacks any clear meaning. In practice, it can be and is applied to radically different systems. Currently, the term is being applied by unions to proposals that basically differ from those made by the same union in previous years. Also, "guaranteed wages" is applied

to the proposals of separate unions and such company plans as Hormel, Proctor and Gamble, and Nunn-Bush, which have been in operation for some years, despite the fact that each of these schemes may have important features which are not common to the other schemes. Furthermore, it is not a guarantee of wages but guaranteed employment which can be sought. In this respect the UAW has declared:

"The UAW's purpose is really to develop a *Guaranteed Employment* plan. We use the phrase "guaranteed wage" because it is widely used and understood. But it is not a completely accurate description of what our union will propose in collective bargaining.

Our main objective is steady full-time employment, week by week, the year around." [6]

The Ford Motor Company has sought to emphasize that its plan is not a guaranteed annual wage. Henry Ford II declared, "In some quarters, it has been likened to the union demand for a 'Guaranteed Annual Wage' — which it is not". [7] Mr. John S. Bugas, Vice-President, Industrial Relations, in a statement made at the same time, gave nine reasons "...why the UAW's 'Guaranteed Annual Wage' was wrong in principle..." and concluded:

"Ford Motor Company (perhaps the auto industry generally), because of the lay-offs at the time of new model change-overs, perhaps has a special responsibility to cushion the effect of such lay-offs with respect to its employees. If this be so, Ford Motor Company should consider allocating a part of an economic package, *the size of which has already been established by a prior offer of another company* in the industry, to the cushioning of such lay-offs, *if* the dangerous principles of the UAW's 'Guaranteed Annual Wage' would positively be avoided.

Therefore, there evolved in Ford Motor Company from the long period of study mentioned above, the Supplemental Unemployment Benefit Plan. This Plan was offered to the Union and was agreed upon practically unchanged in substance". [8]

(6) « Preparing a Guaranteed Employment Plan », published by the UAW—CIO Education Department, page 5.
(7) Foreword to Ford Motor Company publication, « The Ford Supplemental Unemployment Benefit Plan ».
(8) Introduction to Ford Motor Company publication, « The Ford Supplemental Unemployment Benefit Plan ».

The title of the Ford Motor Company plan suggests its characteristics. In this plan the Company undertakes to pay eligible employees, within the limitation of a maximum of $25 per week, benefits which added to state unemployment insurance could give an employee an amount equal to 65 per cent of his weekly after-tax wages for each of the first four weeks of a lay-off, and then an amount equal to 60 per cent of the worker's weekly after-tax wages, for a maximum of twenty-two weeks. Accordingly, the companies would pay *supplemental, unemployment* benefits to employees, which they consider to be quite different from the guaranteed wage principle. The basis for this distinction is that the companies are not guaranteeing the wages of an employee, but only undertaking to pay *possible* benefits which would be significantly less than his normal weekly wages. Even if the individual did not receive any unemployment insurance at all, the companies would only be obliged to make a maximum payment of $25 per week.

These features of the General Motors and Ford plans, which are crystallized in the fact that an employee would be suffering a loss of income, may decide that this type of scheme does not provide a guaranteed wage, as envisaged in the Unemployment Insurance Act. In this event the provision in the Order-in-Council, which would not allow unemployment benefits to be paid to a participant in a guaranteed wage plan, would not be considered applicable.

Also, to the extent that "guaranteed wage" is an ambiguous term, each plan would have to be examined on its own characteristics. Accordingly, it is quite possible that the recipient of one type of "guaranteed wage" payment would be eligible for unemployment insurance and that another person participating in another type of plan would not be eligible.

Availability for Suitable Work

Perhaps the greatest obstacle to the integration of any "guaranteed wage" schemes with unemployment insurance lies *not* in the reference of the Order-in-Council to a guaranteed wage plan, but in the statement that an employee would be ineligible for unemployment insurance "Where a claimant receives from his employer or former employer monies... in consideration of the claimant undertaking to return to the employment of that employer when so required".

The Handbook on Unemployment Insurance issued by the Unemployment Insurance Commission states:

"If the job (arranged by the Employment Service) is suitable, you will be expected to take it. Refusal or failure to apply for suitable employment without good reason usually results in your being disqualified for benefit for a period up to six weeks. *You are expected to look for work yourself while on claim.*"

"Having made a claim for benefit *you must prove that you have been unemployed on each and every day for which you are claiming benefit, that you are capable of and available for work and that you cannot obtain suitable employment.*" [9]

Under these circumstances, where a company was laying off an employee temporarily, and there was an actual or tacit understanding between the company and the employee that the company would re-employ him if he undertook to return to the company when he was required, the individual would appear not to be eligible for unemployment insurance. If, through a company supplemental benefit plan, a former employee maintained an association with the company which meant that he did not apply for other employment, he could be disqualified from receiving unemployment insurance benefits.

The outcome of this whole issue would seem to turn on the delicate legal matter of "intentions". If an individual had no intention of making himself available for re-call by his former employer, and actively applied for new employment, he would be eligible for unemployment insurance even though he may receive benefit payments from the company for the full period of the company's guarantee. On the other hand, if an employee received company unemployment benefits with the understanding that he would return to the employment of the company whenever his services were required, and therefore not make himself available for other employment, he would not be eligible for unemployment insurance. If this interpretation of the Order-in-Council is correct, unemployment insurance officials would have the unenviable task of trying to ascertain the attitudes and actions of claimants regarding this matter.

In practice, it could be very difficult to determine whether an individual was actually seeking new employment. Perhaps the only clear-

(9) Handbook on Unemployment Insurance, seventh edition, pages 7 and 8.

cut case would be where an individual clearly refused suitable work offered to him by a prospective employer.

There is also the further problem of what would, or could, be done in cases where employees ultimately returned to the same company after having been paid unemployment insurance on the assumption that they were not holding themselves available for re-employment.

Even if the 1954 Order-in-Council is rescinded and no similar regulation is specifically mentioned in the forthcoming new Unemployment Insurance Act, these issues would still remain. Unless there were changes in the basic unemployment insurance principle that a claimant has to make himself available and apply for suitable employment, satisfaction or non-satisfaction of these provisions would appear to be the ultimate determinant of whether any individual will be able to receive unemployment insurance simultaneously with company supplemental unemployment benefits.

COSTS OF COMPANY UNEMPLOYMENT COMPENSATION

The issue of integrating unemployment insurance with guaranteed wage or supplemental benefit schemes would have a great importance for the costs of such plans to a company. To the extent that an unemployed person received unemployment insurance the costs of any company guarantees would be reduced. Accordingly, to a large degree the actual costs to a company of a guaranteed wage or similar type scheme is determined by the unemployment insurance benefits to which employees are entitled.

As indicated above, unemployment benefits vary in duration and amount between the different insurance systems in the United States. Thus, the extent to which the cost of company guarantees is off-set by unemployment insurance payments would depend on the states in which the company's employee's lived.

This problem does not exist in Canada. However, in both countries, as a general rule, unemployment benefits are a higher percentage of lower wages than they are of higher wages. In Canada, unemployment insurance benefits are related to contributions into the fund and these contributions are based on the earnings of the individual. The relationships between the various levels of benefits and wages are shown below:

TABLE I

PERSON WITHOUT A DEPENDENT

Weekly Earnings	Weekly Benefit	Benefit as % of earnings	Cost of making up benefits to average earnings	Cost of making up benefit to 60% of average earnings
$27.00 to 33.99	$12.90	47.9 to 38.0	$14.10 to 21.09	$ 3.30 to 7.50
34.00 to 47.99	15.00	44.1 to 31.3	19.00 to 32.99	5.40 to 12.80
48.00 to 92.00*	17.10	35.6 to 18.6	30.90 to 74.90	11.70 to 38.10

* The maximum yearly earnings that can be earned, to be insurable, is $4,800.

PERSON WITH A DEPENDENT

Weekly Earnings	Weekly Benefit	Benefit as % of earnings	Cost of making up benefits to average earnings	Cost of making up benefit to 60% of average earnings
$27.00 to 33.99	$18.00	66.7 et 53.0	$ 9.00 to 15.99	$0.00 to 2.40
34.00 to 47.99	21.00	61.8 to 43.8	13.00 to 26.99	0.00 to 7.80
48.00 to 92.00*	24.00	50.0 to 26.1	24.00 to 68.00	4.80 to 31.20

(This table is based on pages 5 and 13 of the Handbook on Unemployment Insurance, seventh edition, issued by the Unemployment Insurance Commission.)
* The maximum yearly earnings that can be earned, to be insurable, is $4,800.

From Table I it can be seen that if an employer guaranteed unemployment compensation equal to all or a certain percentage of the employee's average weekly wage, his own payments (to be added to unemployment insurance) would depend on the wage structure of his labour force. If the majority of his employees earned $48.00 per week or more, his own payments to bring their total unemployment compensation to a certain guaranteed minimum would be much higher than if their weekly earnings were less.

Therefore, within a company one of the main factors influencing the costs of a supplemental benefits plan would be the relative percentage of employees in the different wage brackets. Between companies, all other factors being the same, the company's liability would depend on whether it was a high-wage or low-wage firm.

Duration of Unemployment Insurance Benefits

Under the existing provisions of the Unemployment Insurance Act in Canada an insured person may receive one day's benefit for every five daily contributions made during the prescribed five-year period. [10]

By his contributions, an individual builds up his entitlement to unemployment insurance benefits and a five-year period of continuous contributions is required to be eligible for a year of full benefits. The duration of benefits to which the individual is entitled would have a particular significance to a company with an obligation to maintain an employee's unemployment income for a certain minimum period.

As previously indicated, the U.S. Ford and General Motors Supplemental Unemployment Benefit Plans provide, for the first four weeks of unemployment, benefits which, when added to state unemployment compensation payments, would equal 65 per cent of the employee's after-tax wages, and then for a period of twenty-two weeks benefits which, added to unemployment insurance, would total 60 per cent of average weekly net earnings.

Using these plans as an example, if a company had assured a worker of 60 per cent of his average weekly earnings for a period of six months, but this insured person only had unemployment insurance entitlements for four months, after the unemployment insurance payments had ended the company could be liable to the full amount of the guaranteed wage. The costs of the guaranteed wage would have ceased to be off-set by the individual's receipt of unemployment insurance.

As suggested above, estimates of the costs of guaranteed wage schemes that integrated with unemployment insurance could be exceptionally complex. This arises from the fact that employees could be entitled to extensively varying unemployment insurance benefits differing in both amounts and duration. In the General Motors and Ford Plans the liability of the company is limited by the fact that, regardless of the unemployment insurance received by the individual, the maximum benefit which an eligible employee can claim from the company is $25 a week.

The liability of the company is one of the basic issues in the examination of guaranteed wage schemes. The need to limit the liability of

(10) Handbook on « Unemployment Insurance, seventh edition, issued by the Unemployment Insurance Commission », page 13.

the company and to know the full extent of that liability is perhaps the basic factor influencing employers' outlooks. The Ford Motor Company has stated:

"Some of the reasons, among others, why the UAW's "Guaranteed Annual Wage" was wrong in principle are as follows:

1. It contained an unlimited liability.

2. It had unpredictable costs...

3. It would be pro-cyclical rather than counter-cyclical in its effects on the economy, since it would require the expenditure of considerable amounts at a time when a company's business was on the decline or in the trough of a recession, and therefore when the company could least afford it." [11]

Administration of Guaranteed Wage and Supplemental Benefit Schemes

Administrative problems would appear to be potentially less complex in Canada than in the United States, again because of the basic difference between a federal and multi-state system, although this statement may be only relative. From the company viewpoint, in the United States there are the difficulties of relating their schemes with the various state systems, each with its own special features. In Canada, private companies would be all dealing with the same uniform system. In contrast to the United States, administrative factors in Canada would largely evolve around the issue of unemployment insurance co-operating with company guaranteed wage plans, which themselves could differ appreciably.

Relations Between the Commission and Private Companies

The administration of guaranteed wage or supplemental benefit schemes would likely raise particular issues for unemployment insurance officials. The very fact that the unemployment insurance and guaranteed wage plans would have to be co-ordinated and integrated would automatically mean extra work for the unemployment insurance system. Instead of being an independent system with its administration deter-

(11) Ford Motor Company publication, « The Ford Supplemental Unemployment Benefit Plan », introduction by John S. Bugas, Vice-President, Industrial Relations.

mined by its own features and policies, both internal and external, unemployment insurance would have to be partly administered with a view to the company schemes created. For example, there would be the need every week for the unemployment insurance commission to provide the employer with full details of unemployment insurance payments to his employees. The amount of such benefits received by the insured person would then determine how much payment the Company would have to make. Also, in order to enable a company to make adjustments in its rates of payment the unemployment insurance commission would have to notify the company in advance when an individual's unemployment benefits were about to end.

The consideration of extra administrative work resulting from the integration of unemployment insurance with company plans is not confined to the unemployment insurance system, but would apply equally to the company. As well as maintaining staff for the payments of its own benefits, the company would need to keep in close contact with the Unemployment Insurance Commission regarding individuals making claims for both types of unemployment compensation.

The possibility of some degree of supervision by the Unemployment Insurance Commission over the various company schemes that could arise must also be considered. The expectation of an increasing number of company schemes, which could vary considerably from one another, may cause the Commission to seek powers to have the right of approving company plans, or even itself establishing certain patterns of guaranteed wage schemes. This could limit the variety of company benefit plans with which the Commission would have to deal, and also enable the Commission to prescribe features in the plans which would allow for the most efficient co-operation between the two systems. The element of supervision is perhaps even more important in regard to the financial aspects of guaranteed wage schemes. There may be concern to ensure the ability of a company to finance a plan that it had negotiated with its employees.

Who administers?

The *manner* of administering a guaranteed wage or supplemental benefit plan is especially important in the possible integration of these schemes with unemployment insurance. To the extent that the administration of a guaranteed wage plan was based on principles and poli-

cies which were independent from or contrary to those of unemployment insurance, the position of the Commission's officials could be made quite difficult. This would be particularly so with the extension of the guaranteed wage principle throughout the economy.

An immediate potential source of conflict between a company scheme and the Commission could be on the definition of "suitable" employment. If the administrators of a company benefit plan claimed that the work being offered to a former employee was not "suitable" employment there would be an immediate clash of policies.

From the administrative aspects, it would be essential for company supplemental benefit plans to be based on the same standards of eligibility as those used by the unemployment insurance officials. The simplest way of achieving this would be to leave all such decisions to the Commission.

Conclusion

As a result of the fact that unemployment insurance in Canada is a federal system, it could be felt that many of the problems arising from the U.S. pattern of state unemployment insurance systems do not exist in Canada. In contrast to this, present legislation in Canada would not permit an individual to receive unemployment insurance if he were also in receipt of a guaranteed wage. Yet, even allowing for this legislation, which may be altered in the very near future, there are basic unemployment insurance principles, cost and administrative issues involved in the possible integration of unemployment insurance and guaranteed wages that demand the urgent attention of experts in industrial relations and unemployment insurance.

SOMMAIRE

LE SALAIRE GARANTI ET L'ASSURANCE-CHOMAGE AU CANADA

L'établissement du principe des « prestations d'assurance-chômage » sur le plan de l'entreprise dans l'industrie américaine de l'automobile, en juin dernier, de même que les pourparlers en cours entre les Ouvriers Unis de l'Automobile (UAW-CIO) et General Motors, au Canada, autour du salaire garanti, nous invitent à l'étude de ces divers plans dans leurs rapports avec le système canadien d'assurance-chômage.

Ces plans — à l'enseigne plutôt vague du « salaire garanti » — possèdent un trait commun: ils visent à coordonner les services de l'assurance-chômage traditionnelle à des prestations additionnelles fournies par l'employeur en cas de chômage. L'assurance-chômage, en d'autres termes, deviendrait d'une certaine façon la responsabilité commune de l'Etat et de l'employeur.

Il s'agit ici de déterminer, à partir d'une analyse comparative des systèmes canadien et américain d'assurance-chômage, dans quelle mesure les problèmes d'intégration des secteurs public et privé qui se posent aux Etats-Unis sont susceptibles de se retrouver, avec des modalités variables peut-être, au Canada.

CARACTÉRISTIQUES DU SYSTÈME AMÉRICAIN D'ASSURANCE-CHÔMAGE

Depuis plusieurs années, le système américain d'assurance-chômage est l'objet de critiques plutôt sévères en certains milieux. D'un Etat à l'autre, les systèmes manquent d'uniformité, car il appartient à chaque Etat de fixer le montant et la durée des prestations, de même que les conditions d'éligibilité et le mode d'administration du système. Les unions ouvrières s'en prennent particulièrement à la formule selon laquelle la cotisation de l'employeur varie en fonction des prestations de chômage qu'on a dû verser à ses employés. La participation de l'employeur est fonction du nombre des réclamations de chômage que font ses propres employés. Ainsi, le nombre des demandes favorablement accueillies étant réduit, la contribution de l'employeur en cause au fonds d'assurance-chômage s'en trouvera diminuée d'autant. Certains chefs syndicaux prétendent toutefois qu'en certains cas, des compagnies se sont opposées à des prestations d'assurance-chômage au bénéfice d'anciens employés — comme cela peut se faire aux Etats-Unis — afin de réduire le montant de leurs obligations à l'endroit du fonds.

A l'encontre de cette diversité, le système canadien d'assurance-chômage s'applique uniformément à tout le pays, sous le contrôle de la Commission d'assurance-chômage. De ce chef, certains problèmes, réels aux Etats-Unis, s'éliminent d'eux-mêmes au Canada. Et qui plus est, l'employeur canadien paie chaque semaine pour chacun de ses employés une somme fixe en fonction de son salaire, et non pas, comme l'employeur américain, une contribution qui varie selon le nombre de prestations de chômage fournies à ses anciens employés.

CERTAINS ASPECTS LÉGAUX DU SALAIRE GARANTI ET DE L'ASSURANCE-CHÔMAGE

L'insertion du secteur privé dans le secteur public en matière d'assurance-chômage se complique encore de difficultés légales, surtout au Canada. Ici, en effet, un ordre-en-conseil émis le 31 décembre 1954 stipule qu'un individu ne peut bénéficier de l'assurance-chômage s'il reçoit des prestations de son ancien employeur a) à condition de reprendre son service chez l'employeur sur demande, et b) sous forme de salaire garanti. Selon toute probabilité, les règlements du même ordre en vigueur aux Etats-Unis joueraient dans le même sens. Cependant, il n'existe là-bas rien d'aussi spécifique que l'ordre-en-conseil canadien mentionné plus haut; de sorte que certains Etats pourraient, sans modifier la législation, donner une nouvelle interprétation à certaines clauses déjà existantes, ce qui ne semble pas possible au Canada.

Ce qui précède n'exclut évidemment pas la possibilité d'une modification de la réglementation en vigueur au Canada. Une telle modification ferait immédiatement sentir ses effets sur l'ensemble de l'économie canadienne, en vertu de l'unité même du système. Les Etats américains, de leur côté, pourraient modifier la loi ou lui donner une interprétation nouvelle afin de permettre à un employé de toucher son salaire garanti et de bénéficier également de l'assurance-chômage étatique. Certains Etats toutefois, pourraient interdire le cumul de ces deux sources durant la même semaine.

UN PRÔBLÈME DE DÉFINITION DES TERMES

L'ordre-en-conseil plus haut cité, dans son interdiction quant au cumul par le même individu des deux sources — assurance-chômage de l'Etat et « assurance-chômage » de l'employeur sous forme de salaire garanti — n'a peut-être pas toute la rigueur que les mots semblent lui prêter. Il se peut qu'en certaines circonstances ce texte restrictif ne s'applique pas aux plans imaginés conjointement par employeurs et unions, sans exclure les plans qui se fondent sur la formule adoptée par Ford, General Motors et UAW-CIO.

Les éléments principaux de cette dernière formule se centrent autour du fait que l'employeur, en l'occurence, subira une perte financière; à cause même de ce fait, il se peut que, d'après les clauses de la Loi de l'assurance-chômage, il ne s'agisse pas là d'une formule stricte de salaire garanti. Une telle interprétation aurait pour effet d'éliminer, par rapport à la formule de « salaire garanti » préconisée, l'article restrictif qui interdit le cumul des deux souces — Etat et employeur — par un individu en chômage.

On applique les mots « salaire annuel garanti » à tellement de formules — parfois diamétralement opposées — que l'expression a beaucoup perdu en précision. Il conviendra donc d'étudier chaque plan à sa face même, sans égard pour son titre: ce faisant, il pourra fort bien arriver que tel employé protégé par tel plan de « salaire garanti » puisse bénéficier de l'assurance-chômage, alors que son voisin, sous un autre plan dit également de « salaire garanti », n'aura pas droit aux prestations de l'Etat en cas de chômage.

DISPONIBILITÉ POUR TRAVAIL APPROPRIÉ

Le grand problème de compénétration des deux systèmes — assurance-chômage de l'Etat et « salaire garanti » de l'employeur — se situe autour de deux exigences contradictoires et péremptoires: d'une part, l'employeur, en retour du « salaire garanti », obtient de chaque employé la promesse que ce dernier retournera au travail aussitôt que lui, l'employeur, en aura besoin; d'autre part, la Loi de l'assurance-chômage stipule que le bénéficiaire doit être disponible pour tout travail approprié, et doit même normalement se chercher du travail. Il semble impossible de concilier ces deux exigences.

Un élément possible de solution loge à l'enseigne de «l'intention », sujet bien délicat en matière légale. Ainsi, l'individu temporairement en chômage, qui n'a pas l'intention de demeurer disponible pour son ancien employeur et qui se cherche activement activement du travail ailleurs, aurait droit aux prestations d'assurance-chômage même s'il reçoit de son ancien employeur un salaire durant toute la période couverte par la garantie. L'employé en chômage qui, recevant le salaire garanti, s'attend à retourner à son ancien emploi aussitôt qu'on aura besoin de lui et ne se rend pas disponible pour un autre emploi, n'aurait pas droit aux prestations de l'Etat.

LE COÛT DES PRESTATIONS DE CHÔMAGE AU NIVEAU DE L'ENTREPRISE

L'intégration des deux formules d'assurance contre le chômage — celle de l'Etat et celle de l'employeur sous forme de « salaire garanti » — aura sa répercussion sur le coût d'un plan de salaire garanti dans une entreprise particulière. Dans la mesure où un chômeur touchera des prestations d'assurance-chômage, le coût pour l'employeur d'un plan de salaire garanti se trouvera diminué; ce coût, encore une fois, dépend pour beaucoup du niveau des prestations étatiques de chômage auxquelles les employés ont droit. Au Canada comme aux Etats-Unis, les prestations d'assurance-chômage représentent une proportion plus forte de salaires inférieurs que de salaires élevés. Si donc un employeur garantissait un salaire égal à la totalité ou à une certaine proportion du salaire hebdomadaire moyen d'un employé, ses déboursés — s'ajoutant à sa contribution au fonds d'assu-

rance-chômage — varieraient en fonction de la structure des salaires de sa main-d'oeuvre.

La durée des prestations varie également selon les réclamations de chaque individu. Si, par conséquent, le droit d'un individu aux prestations d'assurance-chômage devenait périmé avant l'échéance de la garantie faite par son employeur, celui-ci ne tirerait aucun avantage de l'existence du système étatique.

MISE EN APPLICATION CONCOMITANTE DES DEUX SYSTÈMES

Il ne fait pas de doute que l'intégration des deux systèmes — public et privé — de protection contre le chômage exigerait un surcroît d'efforts, et pour les administrateurs gouvernementaux et pour les représentants des entreprises en cause. D'autre part, la bonne marche en commun des deux systèmes pourrait exiger, de la part de la Commission d'assurance-chômage, un certain contrôle sur les divers plans de « salaire garanti » établis par les entreprises.

Au point de vue purement administratif, il est essentiel que les plans de salaire garanti au niveau de l'entreprise reposent sur les mêmes règles d'éligibilité que celles utilisées par la Commission de l'assurance-chômage. Tout plan privé qui s'appuierait sur des principes et des règles indépendants ou ennemis de ceux du système fédéral d'assurance-chômage risquerait de mettre les officiers de la Commission dans une situation fâcheuse et incommode.

CONCLUSION

L'entrée en scène de diverses formules de salaire garanti par l'employeur pose le problème de l'intégration de ces formules dans le système national d'assurance-chômage. Des modifications à la législation présente s'avèrent nécessaires et paraissent imminentes. Des problèmes administratifs se posent également, qui requièrent l'attention urgente des experts en la matière.