

REPORT EXPLAINS BASIS OF \$10,000,000 BONUS

Explains Accepted Method of Measuring Changes in Cost of Living and Indicates Amount of this Increase in Canada on Average Person.

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clothing, rent, fuel and light, and sundries consumed by the average family, it becomes necessary to weight the items composing the representative list, proportionately to their importance of consumption. For this purpose the method now in use by the Department of Labour of Canada is to construct a representative family budget, and to compute a cost of living index number as the sum of the retail costs of the various amounts of food, fuel, etc., used by the normal family. Clothing and sundries are not included in the budget of the Labour Department, but on the basis of the figures regularly published in the *Labour Gazette*, we can obtain official information as to the fluctuations in cost of food, heat and light, and rent, that is of the items composing about two thirds of the expenditure of the average family. On the basis of this family budget, summarized in part below, we see that the family which in 1913 made a weekly expenditure of \$14.02 for food, heat and light, and rent (shelter) paid for the same quantities of these items during the months of September, October, November, and December, 1918, and January and February 1919, an average of \$21.46, an increase of 53.1 per cent over 1913.

TABLE I.

Cost per week of a family budget of food, fuel and lighting, and rent, in terms of the average prices in sixty cities in Canada.

	1913.	1919.*	Per cent In-crease.
All foods, etc...	7.36	13.58	84.5
Fuel, lighting ..	1.91	3.04	59.1
Rent	4.75	4.84	1.9
Total	14.02	21.46	53.1

*Average of Sept., Oct., Nov., Dec., 1918, and Jan. and Feb., 1919.

It is probable that the increase shown by this table is less than the actual increase since the budget on which it is based does not include figures for clothing and sundries. Studies made by the National Industrial Conference Board indicate an increase in living costs in the United States from July, 1914, to March, 1919, of 61 per cent on all items, and it is probable that if the increase could be computed definitely for Canada, it would not be far from this figure.

The figures published in the *Labour Gazette* are at present, however, the only official compilation of retail prices available for Canada, and it is probably best, in order to provide a definite and authoritative basis for readjustment, to use these more conservative figures as the official basis for computation.

2. Policy as to Low-Paid Workers.

It has been the general history of violent price fluctuations that wage levels change more slowly, either up or down, than do prices. Statistics are not available to show definitely the extent to which this is the case in Canada today, but we may gain some idea of what this lag of wages behind prices is, from figures published by the United States Department of Labour, which show that the increase in union wages from 1913 to 1918 has been only about 30 per cent, while the increase in food prices has been 68 per cent. It is clear from this statement that even in unionized trades, usually in the most favourable position to secure adjustment of wages, wages have not advanced proportionately with the sharp increase in living costs. A considerable part of the increase in cost, of course, is a direct result of the war, in increased taxes, and rises in prices due to destruction of goods and diversion of productive effort to war purposes. This burden falls to the common lot of all, and with few exceptions it is safe to say that the rank and file of wage-earners and salaried people in the Dominion are to-day suffering a material reduction in incomes,

measured in terms of what these incomes will purchase. It appears on the basis of these facts that civil servants already receiving incomes adequate for comfortable subsistence may reasonably be asked to share with the taxpayer a part of this burden of increased costs resulting from the war, and that payment of bonus should be confined to the lower ranks of the service.

This reduction in the actual purchasing power of incomes has been met by the substitution of cheaper grades or by the cutting off of various items not essential to subsistence. To the man already close to the minimum standard of living, however, such reductions cannot be made save at the direct expense of efficiency and health and of those family and civic responsibilities commonly considered essential to the welfare of the state.

An analysis of departmental pay-rolls for April, 1919, shows that of 34,000 full-time employees approximately 50 per cent are now receiving salaries less than \$1,000 per year, and 27 per cent receive salaries less than \$800 per year. Of these lower-paid employees, many, of course, are young unmarried persons with the prospect of advancement before them. But even with these exceptions it is apparent that there are large numbers in the service who are obliged, under present conditions, to support their families on incomes of less than \$1,000 a year. Under the present living conditions those with families to support cannot maintain an adequate standard of living at these levels, nor can the service expect to hold the interest of competent employees under such conditions. For these wage levels it would appear that the bonus should be adequate to take care of the full increase in the cost of living.

3. Minimum Comfort Budget.

In order to determine, as nearly as may be, the amount necessary for the maintenance of a family at a reasonable standard of comfort, a careful comparative study has been made of the results of investigations of domestic budgets of wage-earners. Among the investigations made use of in fixing the amount of this representative budget were the following: Studies of the cost of living made by the Department of Labour of Canada in 1918, studies made by the United States Department of Labour in 1918, 1917, 1902, and other years; studies made by the United States Shipping Board, by the New York Factory Investigation Commission, the New York Bureau of Standards, the Massachusetts and Minnesota Minimum Wage Commission, the Spokane Chamber of Commerce, the National Industrial Conference Board of Boston, Mass., by the Russell Sage Foundation under the direction of R. C. Chapin, and a number of estimates presented by bodies of employees on various occasions. We submit in Table III a summary of the conclusions of this study.

TABLE III.

Minimum comfort budget for family of man, wife, and three children, the typical household of five persons, 1919.	
Necessary annual expenditure for	
Food	\$ 635
Clothing	271
Fuel and light	97
Rent and shelter	255
All other	300
Total	\$1,558

4. Basis for Determination of Bonus.

Possible bonus plans may be divided into four general types: (1) The payment of a percentage of the salary based on some recognized index number; (2) payment of a flat amount to those in defined salary and dependency limits; (3) payment of a bonus diminishing with increase of salary, and (4) combinations of these plans, such

as the payment of a flat amount plus a percentage.

Of these plans of payment we believe that the payment of a fixed amount to all Civil Service employees within defined salary and dependency limits, with a diminished amount to those outside these limits, will provide the most effective solution of the conditions outlined in preceding sections of this report.

As a reasonable basis for determination of the amount of this bonus we recommend that the amount of increase in the cost of the comfort budget submitted, over the cost of the same budget in 1913, be taken. If the cost of the budget is to-day 153.1 per cent of its cost in 1913, the amount of this increase would be \$40.27. In other words, \$1,017.63 per year would have maintained the family in 1913 on the same scale as \$1,558 will to-day.

The basis of readjustment of salary rates in the new classification, however, is the price level which would normally have obtained had not war intervened, and this, in the case of the typical income being considered, would have represented a 12 1/2 per cent increase, taking care of \$127.20 of the \$540.27 increase. While this classification is not yet in effect, its provisions, as to salary increase, if adopted, will be retroactive to April 1, 1919, and it seems undesirable to provide for payments that are likely to be subject to revision downward. In the event of failure of adoption of the classification, it may still be said of the amount adopted that it takes care of nearly the full increase in costs of living for the men with small incomes.

There remains to be paid as the bonus necessary to maintain the family on the same scale in 1919 that it maintained in 1913, a balance of \$413.07, or, say, \$420 as the nearest multiple of 12. This sum constitutes a basic bonus, and should be sufficient to enable the man receiving a yearly income of \$1,145 or approximately \$1,200 to maintain his family adequately, while to the man at a lower income it provides a percentage increase greater than the full increase in his costs of living.

5. Limits of Application.

A bonus of this amount would not be necessary to enable those on incomes above \$1,200 to maintain this same standard of living. There are several cogent reasons, however, for providing some bonus to those at higher incomes. As a matter of administration it is not desirable to permit a point in the salary scale at which a promotion means no increase, or a negligible increase, in salary. This would be the case if the bonus was stopped short at a definite point. For example, a man receiving just over the limit set would receive considerably less pay than the man just within the limit. It is also true that the budget adopted, while in our opinion adequate for an average family, may be either liberal or inadequate for the individual family, with its own specific problems of locally higher prices, education of children, misfortune, and so forth, and it would be incorrect in theory and unjust in practice to stop sharply at a defined point. Differences in the habits of life of the typical industrial wage-earner and of the average civil servant also exist, and beyond question make it difficult for the man earning \$1,800 to \$2,000 to maintain the standard of living expected of him. All of these considerations point to a relatively gradual reduction of the bonus for incomes above \$1,200.

Some indication of the upper limit for payment is given by the application of formulæ worked out by Professor Wm. F. Ogburn, for the percentages expended at varying incomes for foods, clothes, rent, heat and light, and sundries. The application of these formulæ appears to indicate a relief from pressure at approximately \$2,500. We may safely take \$3,000 as the point of full extinction of the bonus. We suggest therefore the reduction of the amount of the bonus in uniform steps as the income increases to \$3,000.

6. Persons Without Dependents.

The basis bonus of \$420 is computed for a normal household of five persons. It is therefore larger than is needed by a person without dependents. We reproduce below the summary of a budget showing the approximate annual expenditures of a single man or woman. This

budget amounts to 58 per cent of the family budget, and indicates a bonus of \$252, or approximately 60 per cent of the basic bonus, for persons without dependents.

TABLE IV.

Estimated minimum Comfort Budget for persons without dependents.

Annual expenditure for	
Food or board	\$312 00
Lodgings	180 00
Clothing	152 00
All other	259 00
Total	\$903 00

Because of the fact that a considerable part of the household expenses such as rent, fuel and light, and in part food and sundries, do not increase proportionately with the increase of the size of the household and because of the difficulty in administering bonus payments on the basis of the number of persons in the household, it seems advisable not to carry the distinction beyond a division as between the head of a household and the person without dependents.

Where employees receive the prevailing rate for the class of work in the region, it does not appear proper that such persons should also receive the bonus, since they are not subject to the disability placed upon others by the classification, of receiving rates less as a whole than those being paid in commercial employment.

In the case of persons who carry on government work incidentally to other occupations, as in the case of storekeepers or merchants who also act as postmasters in offices of the first or second grade, or preventive customs offices, it does not appear that bonus should be paid, since the duties of such persons are variable and often incidental, and since such persons are not usually primarily dependent on the government for their support. It appears, however, that there are many seasonal employees, working full time for varying periods, and primarily dependent on their government salaries for support. It appears proper that such persons should receive bonus pro rata for the time worked.

PEAT FUEL HAS LOW ASH CONTENT

Produces No Soot But More Bulky Than Coal, Report Says.

The following is a summary of the properties of peat fuel when properly manufactured, as given in an address before the Commission of Conservation, ninth annual meeting, by Eugene Haanel, Ph.D., Director, Mines Branch, Department of Mines.

"Peat is a clean fuel to handle; has, as a rule, a very low ash content, and produces no soot or other deposit when burned in an ordinary cookstove or open fireplace. The ash, moreover, is in a very finely divided condition, free from combustible matter and can be easily removed from the stove or fireplace. Clinkers are not formed. On account of the ready manner in which peat fuel ignites, often a little paper or a few shavings are sufficient to start a fire. A peat fire does not, therefore, require to be kept continually burning throughout the day, if not needed, since a new fire can be easily started.

"Peat fuel, on the other hand, is more bulky than coal and is of lower heating value per pound. The relation between anthracite coal and peat fuel as regards heating value per pound is 12,500: 7,000, or 1.8, that is one pound of the average anthracite coal is equivalent in heating value to 1.8 pounds of peat fuel, containing 25 per cent moisture it is necessary to store 1.8 times the weight of the coal required, in peat fuel. The volume occupied by peat fuel is much larger than that of coal. One cubic foot of anthracite weighs approximately 56 pounds, while one cubic foot of machine peat weighs about 27 pounds. The volume of peat required to equal coal of the above heating value will therefore, be about 3.6 to 4 times that of the coal."

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