

**CIHM
Microfiche
Series
(Monographs)**

**ICMH
Collection de
microfiches
(monographies)**



Canadian Institute for Historical Microrproductions / Institut canadien de microrproductions historiques

© 1998

Technical and Bibliographic Notes/Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming, are checked below.

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- Coloured covers/
Couverture de couleur
- Covers damaged/
Couverture endommagée
- Covers restored and/or laminated/
Couverture restaurée et/ou pelliculée
- Cover title missing/
Le titre de couverture manque
- Coloured maps/
Cartes géographiques en couleur
- Coloured ink (i.e. other than blue or black)/
Encre de couleur (i.e. autre que bleue ou noire)
- Coloured plates and/or illustrations/
Planches et/ou illustrations en couleur
- Bound with other material/
Relié avec d'autres documents
- Tight binding may cause shadows or distortion along interior margin/
La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure
- Blank leaves added during restoration may appear within the text. Whenever possible, these have been omitted from filming/
Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- Additional comments:/
Commentaires supplémentaires:

- Coloured pages/
Pages de couleur
- Pages damaged/
Pages endommagées
- Pages restored and/or laminated/
Pages restaurées et/ou pelliculées
- Pages discoloured, stained or foxed/
Pages décolorées, tachetées ou pâlées
- Pages detached/
Pages détachées
- Showthrough/
Transparence
- Quality of print varies/
Qualité inégale de l'impression
- Includes supplementary material/
Comprend du matériel supplémentaire
- Only edition available/
Seule édition disponible
- Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image/
Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below/
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	12X	14X	16X	18X	20X	22X	24X	26X	28X	30X	32X
						✓					

The copy filmed here has been reproduced thanks to the generosity of:

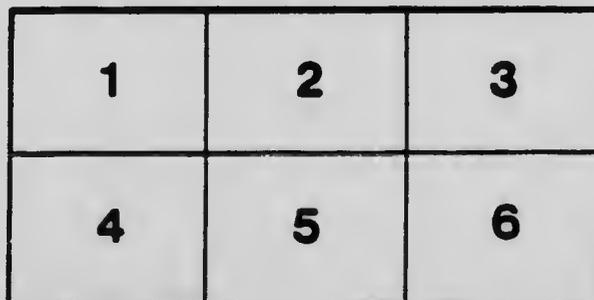
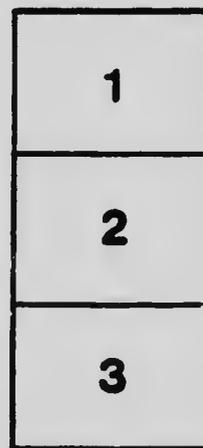
Archives of Ontario
Toronto

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol \rightarrow (meaning "CONTINUED"), or the symbol ∇ (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

Archives publiques de l'Ontario
Toronto

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

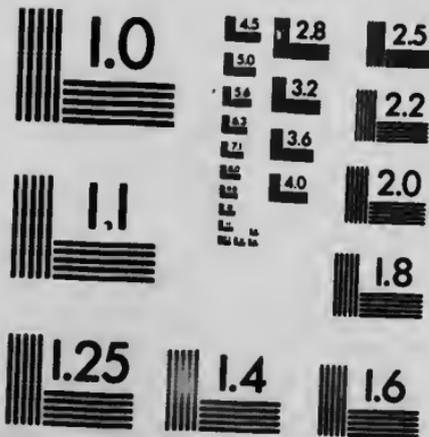
Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole \rightarrow signifie "A SUIVRE", le symbole ∇ signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc.

1653 East Main Street
Rochester, New York 14609 USA
(716) 482 - 0300 - Phone
(716) 288 - 5889 - Fax

Workmen's Compensation

Address by

MILES M. DAWSON

at Luncheon of Canadian Manufacturers
Association, at McConkey's
Friday, March 6th, 1914.



Issued by

**The Canadian Manufacturers
Association**



Workmen's Compensation

Speech delivered by Mr. Miles M. Dawson on Workmen's Compensation, at a luncheon of the Canadian Manufacturers Association, at McConkey's, Toronto, on Friday, March 6th, 1914.

Mr. Dawson, after referring to various honors which had been conferred upon him in Canada, said: And last, but not least, I was given the opportunity by the Association which is giving the luncheon here to-day to appear before Sir William Meredith and present evidence to assist him in arriving at his conclusions as to what he would recommend to the Parliament of Ontario. And now again, just prior to a final decision on the part of the Government as to just precisely what form the Act which they are about to put before Parliament shall take, I am given another opportunity. I cannot say how much I appreciate your being here to-day, realizing that all of you are busy people and that you would not turn out except for the purpose of considering matters of real, serious import to you and to your country.

The bill which has been prepared here and was submitted by Sir William Meredith is, in one of the most important particulars, along the line covered by the testimony which, on behalf of the Canadian Manufacturers Association, it was my privilege to offer about two years ago—testimony the accuracy and truthfulness of which Sir William was able to verify by his own studies abroad, undertaken after the testimony was given.

In that particular—the most important particular in connection with the bill—it is a distinct advance upon almost any legislation which has so far either been enacted or considered and recommended in the United States or in Canada. I refer to the provision made as regards almost all the leading industries of the Province of Ontario as to the method by which compensation should be supplied, viz., exclusive mutual insurance in a fund in the custody of the Province and to be disbursed by it. I am confident that the more consideration you give to this matter the more you will be convinced that that determination, arrived at by Sir William Meredith after starting out from the contrary standpoint, is absolutely wise and should not be confined even, as he has confined it, to the industries therein named, but should be extended. I shall address myself presently to the reasons why I am of this view, why I consider it should be extended in some respects; but at the present moment I will with your consent, address myself to the question of the exceptions which have been mentioned in the bill. With the desirability that very large business enterprises be, if they choose and prefer, segregated into classes by themselves, I have no

quarrel. To be precise, I know of no reason why large railroad corporations operating within the Province of Ontario need necessarily be grouped with other railroad corporations operating in the Province of Ontario in an insurance plan. I think it not at all improbable (and it proved to be the case in Germany) that these corporations may yet see the wisdom of such grouping; but if any of them which are large enough to give a safe average on account of the vast number of employees prefers to be segregated into an insurance group by itself—in other words, virtually to carry its own insurance—I see no objection to that course. I am likewise not at all sure that it would not be wise for this principle to be even further extended at the discretion of the Commission which is to be appointed. It is perfectly obvious that there are corporations and private employers engaged even in these lines of business who are in no such position and who cannot be with propriety permitted to make any such election, because they do not have the requisite number of employees to give a safe average—because their finances and general condition are not such as to make it safe for them virtually to act as their own insurance companies. I therefore very respectfully suggest that it would be well if Sir William and the Government would take under consideration whether, instead of excluding these employers from their operation—the general operation of the Act—and permitting them to proceed on an entirely different principle, namely, that of the individual liability of the employer—it would not be wise to require them to conform to the general principles of the Act, but grant to the Commission the broad discretion in creating new groups of industries for insurance purposes to permit such segregation of individual large industries, including railways, telephone companies, telegraph companies and the like, as in their opinion it may be wise and proper to permit, to form a class by themselves.

Now, if that policy were followed it would differ from the policy which has been adopted in the Act, not by compelling the Grand Trunk Railway Corporation, for instance, to be grouped with the Canadian Pacific Railway Corporation and assessed alike with the payment of common losses. You could still permit, as does the draft Act already drawn and reported by Sir William Meredith, the Commission to set up either of those railroad corporations by itself, in a class by itself, and assess it with the payment of the claims arising among its employees. But it would differ in the following very important regards: First, it would put the machinery for adjusting the claims upon that railroad in the hands of this Commission exclusively, instead of leaving them to private bargaining and adjustment between the railroad corporation and its employees. Second, it would provide for the payment of all compensation to the employees of that railroad company through this Commission, and thereby you would have both of these things being done

more economically, because you would have but one machinery in the Province for doing it, instead of a duplication of that machinery in different parts of the Province. And you would have it done more efficiently, because the agents of the Province are present everywhere, for the convenience of the entire neighborhood, and are ready to take up promptly the adjustment of all claims of this character, and because those persons who are to receive compensation on account of accidents upon the railroads, for instance, may go away from the communities where they once lived and from the neighborhoods in which the railway is represented, but they do not move away, so long as they remain in the Province of Ontario, from the neighborhoods where the Province is represented through this Commission. So that you see the whole machinery for both adjusting and paying these claims can be much more economically and efficiently administered through one agency, your Commission, than it can by the duplication of those agencies on the part of private corporations.

Now, not only that is true, but it is also true that you will be far more sure of a uniform and fair operation of your law than you can possibly be if a part of it is left, in its administration, virtually with the employers themselves (applause). And it is exceedingly important, from the working-man's standpoint, that no part of the working men of this Province shall be left, when a state fund had been created, to fuss it out with their employers, first as to how much shall be allowed, and secondly, as to whether it is to continue to be paid (applause). Therefore I strongly recommend to you the adopting of the main principles of the draft Act reported by Sir William Meredith, to which he has given years of careful consideration, and in the preparation of which he has exhibited unusual candor and unusual sobriety and unpartisanship in every regard, and in adopting that principle—that sound, correct principle of the establishment of a state or provincial fund—you do not permit this departure, but insist or require that all the employers embraced by this Act shall become part and parcel of the system, with only this condition, that it shall be within the power of the Commission, when convinced that it is wise in all regards, to permit an individual employer or a group of employers otherwise associated, to be formed into a special group for the purpose of this insurance, in which case there would be no difficulty about taking care of the problem of railroad corporations, telephone corporations, telegraph corporations and the like.

That is the policy which has been followed in the law in New York, and although in many other respects and in the most important regard that law is not uniform, in this one respect the New York law is decidedly superior to that which has been reported by Sir William Meredith. Our direct reason for so providing in New York was that it was considered that

all the adjustments and payments of claims should be made through the public authorities, and that is absolutely required there, notwithstanding the fact that, as I say, in many important regards they are not, and in the most important regard of all in my opinion they are by no means, in as good a position in regard to their legislation as you would be under this draft Act, with such amendments as naturally would suggest themselves.

I think this is a good point before I proceed to speak of one additional important particular in which in my opinion the tentative suggestion of Sir William should be departed from, and as regards which I chance to know that his own mind is entirely open; but before proceeding with that I think this is also a good point to talk a little about the New York law in the preparation of which, as Governor Glynn's adviser, I had a hand. The new York law is not only not a model law but was not put forward as such. It is the best law which we could pass in New York under the conditions that there actually existed, if we were to have any Workman's Compensation Act at all. Those of us who have given ten to fifteen years in the past largely to the work of creating public sentiment in favor of this way of dealing with the compensation of workmen and their families for the consequences of industrial accidents are naturally not disposed merely to stand still and prevent things from being done. (Applause). And if the people of the state—as has been the case in a great many of our states, I regret to say—are so blind and so ill-informed and so prejudiced and so poorly organized that they cannot and will not see what is the most economical and efficient way to do this thing, then those of us who are in favor of workmen's compensation are not in favor of nothing being done. In other words, to state that more clearly to you, if it will cost the people of the State of New York (as I really believe it will), almost twice as much under the law which has been enacted there than it need cost, it is still a better thing to adopt that law than to sit still with all the injustices of old conditions continuing. And it is on that basis that the support and even the co-operation of those of us who see, we think very clearly, what is the simplest and most economical and most effective way to give this relief to the working population and thereby to the whole people, is given to the New York law. It is because we believe that the giving of relief is so highly important that we say "If the employers of the state, as is true in New York, are utterly disorganized, take no action such as you have taken and are taking here conjointly—do nothing to study these questions from the standpoint of the common interest of the people and from the common interest of themselves, and if other influences interested in the working people of the state, including the insurance companies, which are very powerful in New York, are looking out for their interests in the matter of seeing that no legislation can be passed that is

not satisfactory to them, then the interests of the employers and the state will have to suffer." It is not the part of one who is interested in the whole people—who is interested in such a subject as workingmen's compensation and in the general subject of social insurance as a citizen—it is none of his business to spend his entire time looking out for the interests of the employers if they do not look out for their own interests. And that is exactly what has happened in the State of New York. They have not looked out for their own interests. They have not even tried to look out for their own interests. They have been represented at Albany, when at all, by very small, or by no groups at all—merely by one individual employer, and he not infrequently—and no doubt most frequently—there solely because on the other end of the telephone wire was a live insurance manager who urged him to go. Under such conditions as these individual employers were the only representatives before the New York Legislature—where there was one bill drawn directly in the interests of the casual insurance companies and one drawn directly in the interests, and largely mistakenly, but directly for and in the interests of, the labor organizations of the state. There was no effective representative at any time of the interests of the employers of the State of New York; and that is the reason why the bill which was adopted in New York left the door open to employers to elect either to be insured in the State Fund or in the stock insurance company or in the mutual insurance company or to carry their own insurance if they can convince the Commission that their financial position is such that the Commission would be warranted in permitting them to do it. In every one of those cases, however, the State assumes the responsibility of the adjustment of every claim and assumes the responsibility of collecting the money from the insurance company or the employer and pays the claim with the money so collected. I do not need to say, as most of you are aware, that the system is an awkward, expensive, intricate system at best.

Now, let me point out one thing that introduces—it introduces as a necessary element to this proposition—the agent. The agent has absorbed upon the average from twenty-five per cent. to thirty per cent. of all the money which you employers have paid. He is not necessary any more than the ambulance chasing lawyer will be necessary under the plan Sir William Meredith has wisely put before you. But the moment you introduce this exceedingly attractive, almost seductive proposition, that each employer should be permitted to select the particular method that he thinks will be wisest and most efficient and best, just that minute you make the agent an absolute necessity and you will pay him anywhere from twenty to twenty-five per cent. of all the money you draw your cheque for for the beneficent kindness which he exhibits in making up your mind for you. (Laughter). Now, they did such a thing as that

out in Michigan. The law went into effect, the State Department, with the new State Fund perfectly supine, making no special efforts to get anybody, but mutual companies recently organized by manufacturers going out of their way and taking their valuable time to organize them—the mutual companies got two per cent. of the business and the State Fund got three per cent. and the stock companies got eighty-eight per cent. You might as well not create a State Fund at all, and in all probability if it is created it is simply a waste of time, and you have saddled upon the State of Michigan the commissions of those agents. Now, if anybody came before you—if my brothers of the legal profession, for I am a member of the legal profession—were to come before you and to argue—no matter how much they kept in the background their personal feelings about the matter—that is only a clever piece of business; if they were to come before you and argue that this bill had to be so drawn as to give wide opportunities to attorneys to serve the employees and yourselves—because, don't forget that the lawyer does serve, he works for his living like other people—what would you all think about it? And yet you are taking away, when you pass legislation of this sort, a large part of the income of the attorneys, of the lawyers of the Province of Ontario. They are not here howling about it, they are not here urging you to tax yourselves somewhere from twenty to fifty per cent. of all the money you pay, for their benefit, and they are not here advancing specious arguments that it will be tremendously beneficial to you if you will leave things so that you have a selection between four different methods and thereby leave things so that a lawyer can afford to come and talk to you about the method he would advise you to go into. If those lawyers were here trying to convince you of anything of that sort they would be ridiculed; and when insurance companies do that they should likewise be ridiculed. (Applause).

Now, in making that statement to you I want to explain—because it is only fair I should explain—that I have been a student of this subject of insurance and its general principles, including the choice of companies and so forth, for very nearly twenty years. Some five or six years ago I was requested by the Russell Sage Foundation of New York to visit Europe with another gentleman to make a special study of this subject and come back and prepare a report in book form, which we did. Now, when I sailed away from these shores, my profession being that of insurance lawyer and consulting actuary, familiar with insurance companies of one sort and another for my clients, having had the largest casualty company in the world as my client and having had the largest casualty company in the United States as my client, having the opinion, as all of us nearly have in whom English or British blood flows, that naturally if we don't do it best in Canada or the United States they have probably done it

best in Great Britain (Applause) I left these shores supposing I would come back confirmed in that view. We studied and studied carefully through the different countries. At the same time we were doing so the Chancellor of the Exchequer of Great Britain was making a tour through those countries, he himself for the Cabinet looking into some of these subjects. When I sailed back to the United States after several months' absence I did so considering within myself what was my duty; because I had concluded that while other ways of doing it were not necessarily bad, the most economical and efficient way of doing this was the way in which it had been done in Germany, the way which is the foundation of Sir William Meredith's report to you. I had a perfect right as a member of the actuarial profession to button up my opinions within me, take a public attitude upon the question, talk about workmen's compensation in general terms, discuss learnedly different principles of dealing with it, and take the practice which was there at my beck and call from our very wealthy private companies and the wealthy stock companies of other countries doing business there, and from the mutual companies; but before I stepped off that vessel I knew I had no right to do it. (Applause.) And if you go carefully into this subject you will come to the same conclusion, that no matter what your predilection, no matter how easy-going and kind you would like to be in this matter, you cannot do your duty to yourself, by your workmen and by the people of the Province and permit any stock or mutual insurance company to have anything to do with this subject whatever.

Now, in order to make my point clear about that I must very briefly address myself to principles—to fundamentals. Before this Workman's Compensation idea came along we all regarded this as an individual matter between an employer and his employee, and the question as being whether the employee deserved to receive money—which means that something the employer had done or failed to do entitled the workman to receive compensation, and the question as being whether the employer ought as an individual to pay it. Necessarily on the only sound basis that we could consider such a question we argue it out this way: The employer as an individual should not be required or expected to pay this workman and his family any money notwithstanding they may have suffered, unless, first, the employer shall have promised to pay, or, second, shall have done that workman some wrong, through his wilful act or negligence, which entitled the workman to recover. That was our notion, and perfectly sound, too, from a purely individual standpoint. Now, upon what sort of basis does workmen's compensation stand which says that every workman who is injured in employment, unless it was through his own wilful act, shall be compensated, and that the family of every workman killed in that employment shall be compensated, unless it was through his own wilful act—and in some cases it has been deemed wise to strike that out

with regard to employees killed—I say upon what basis then could it possibly stand? Now it does not stand at all upon the individual basis. As between that employer and his employee, considered merely as men, it would not be at all right that any such thing should be enforced. For instance, a small employing painter has one person working for him. That employed painter sets up a ladder, drinks his own whiskey, or the whiskey somebody lets him have. The ladder which is not securely set or put together falls down and he hurts himself or breaks his neck. It is obviously outrageous and also ineffective to try to compel that little employing painter, supporting his own family, to turn around and support this other fellow's family. And yet there is a good reason why this other fellow's family should be supported, namely, that we would not let them go without a living. You don't do it now in Canada; you never did and you never will. (Applause.) Then how are you going to do it? To-day you do it either through public or private charity. It is found that in the State of Washington, where they have a plan like this in operation—and it is only where they have it in operation as a public matter that you ever find the things I am about to say—they find that about eighty-five per cent. of the men who have been injured or killed have no other income to supply them—in other words, eighty-five per cent. would have fallen upon public or private charity in some form. The public pay it all right. It is merely a question, then, of how we shall arrange so as to pay it better, more economically, more efficiently, and in order that the families may be cared for properly and shall not be pauperized; and so as to bring about greater efficiency of labor, which is absolutely the greatest capital that a Province or country can have. That is what it is. It is not a private matter at all, it is a public matter, and it rests upon this foundation. The great Bismarek saw that. Now I may say to you he saw it when it was presented by his enemies, and that is one of the most important things in the world—to be able to see things when they are born in the brain of your enemy. (Applause.) La Salle, perhaps the most brilliant young leader of the Socialists (had he lived, had he not been murdered when a young man, it is not impossible that Carl Marx as the leader of Socialism would scarcely have been heard of, so much more brilliant was this young leader;)—while the conceptions of Socialism which you have all heard *ad nauseam*, namely, as an earthmade scheme to pour all humanity into one mould, were being worked out in the most prosaic form, La Salle reached the general principle that the waste of humanity in industry on account of accidents ought, as a mere matter of efficiency and common humanity, to be taken care of in a business-like way, and he gave voice to that idea before his untimely death. There never was a man probably in the world who hated Socialism worse than Bismarek, but he did not hate the truth; and he saw that idea, and this is the form it took in his mind, not that the

workman in case of injury, or his family in case of death, should be supported by his employer, but that proper provision on an economical basis should be made for their support by all the employers engaged in that common line of industry—not with a view that they would bear the burden, but with a view it would be added to the cost of the product and thereby to its price, to be paid ultimately by the people who consumed the product. In other words, he conceived this as a public matter; by the taxation of the employer through insurance premiums collected from him a fund should be created out of which the compensation was to be paid as a form of indirect taxation upon the consumers, who, having enjoyed the product in which this waste of humanity had taken place, had to pay for that along with the other costs.

Now, gentlemen, that is the idea which has conquered the world one country after another. Workmen's compensation would never have entered into so conservative a mind as that of Lord Salisbury in Great Britain, who first introduced the Workmen's Compensation Act there, had it been presented as a matter between one man and another; it never could have swept from one part of the globe until every civilized country had adopted it as a matter of principle, had it not been that it was a principle that did not in the least conflict with our common and regular and correct perception of the relation of one man to another.

Now, as I have said this is a public matter. It is not your habit, I take it, in Ontario, from what I know of you, to entrust public matters to private corporations. You have not adopted the system which those of you, and that is most of you, I know learned when you were studying Latin and Roman History was the system of the Roman Empire, especially in its decadence. You have not as I understand it up to the present time adopted the system of farming out the taxes in Ontario. You have not said to any private individual or corporation in Ontario, you turn in a certain amount of money necessary to cover a certain public purpose and all the rest you can collect on top of it you can have. If you have done anything like that I have not heard of it. It is sometimes said we do something the same or something somewhat like it in the protective tariff (laughter), but even if it were true we did not intend to do it, and most of us doubt the truth of it. In any event the farming out of public taxes and the permitting of the collection of money for public purposes through private agencies, and especially their disbursement through the same private agencies, is a thing which you have not tolerated and would not tolerate to-day. If that is so why should you tolerate it here and why should you tolerate any choice about it here? And especially why should you do it in face of the facts? Let me tell you what are the facts. I made a careful analysis of the expenses of our insurance companies in the United States in connection with employers' liability and found that just an even fifty cents out of every dollar taken by those companies

was used for expenses and that out of the remaining fifty cents, not quite all by any means reached the workmen and their families. It is the part after all that reaches the workmen and their families that is going to perform this public duty of taking care of the workmen and their families. Now, 100 per cent. is added to it for expenses of administration, and even then you have not met the public part of it, because the public under their systems have to maintain their courts of commissions or whatever other means they have of determining all questions in dispute—that has to be added.

When I first began to talk about this after leaving that vessel, it was with the idea that it was almost a hopeless task. I felt about all that could be done in my country and in this was to say that undoubtedly the German plan was the best, and yet strangely enough it has not wholly been true. We have had several states in the United States adopt state funds. Washington was the first. When we used to talk about the different state systems we would point to the ten per cent. expense rate in Norway, to the eleven per cent. expense rate in Austria, to the thirteen or fourteen or fifteen per cent. (which, however, includes a vast amount of money used for the prevention of accidents) in Germany, and so on; and we have always been met with the argument in my country—I don't suppose any of you here ever dream of saying that thing about your country—in my country we have always been met with the argument that the United States was stuffed so full of bad politics it was utterly impossible for us to duplicate anything like that, that we would find it the most wasteful administration, that it was the most costly and expensive way for us to conduct this. They started it in Washington—and it is wild and woolly like British Columbia—it is not a settled section like Ontario at all, and it has some disadvantages; they are scattered over a large territory and not compact and not easy to get at—but they have been in operation for two years under a pure state insurance plan where they do not have any other way to do it, and the state makes appropriations for paying the expenses out of the general taxes; they have handled into the millions of dollars, adjusted their claims, got that money directly to the workmen and their families and it has taken about eight per cent. instead of one hundred per cent. of the amount of money that went into the net fund to pay all of those things. (Applause). So you have an illustration right before you now.

There is one other phase of this matter that I postponed to talk with you about, it is somewhat difficult and yet I do want your most earnest attention. It is of extreme importance and it does call for the exercise of the grey matter within your brain to catch it, and I don't want it to get away under any circumstances, and that is this: This is a public matter and you should deal with it in all particulars as a public matter in my opinion, and one of those particulars is that you should

not arrange for large enormous sums of money to be eached somewhere at low rates of interest for the future requirements of the plan. You should collect the money for this particular form of relief through taxing the employers, for insurance premiums collected for that fund are nothing but a tax—you should collect it in the same way as all your taxes—as the money is required—with reasonable margins for fluctuation reserves, so as to take care of the situation, and no faster. In illustration, here is a man injured, he is going to stay injured all the rest of his life. You do not need to collect more money than is necessary to pay him this year from your industries this year. You do not need to collect the present value of all the moneys that will be paid him throughout his entire lifetime. Now, at first glance that may not impress you as strongly as it does me, but I want to give you an illustration. If you do it the correct way you start with a light cost, very light, slowly increasing until it reaches its equilibrium, which will be somewhere from twenty to twenty-five years, and during the earlier part of that period you will have those sums of money in your industries—in which, as you all know, they are earning not merely the ordinary rates of interest, but much more than the ordinary. If you take it out of your industries and bank it in a special fund there you do introduce a peril in connection with state and provincial management, which is utterly unnecessary for you to introduce, and you introduce the certainty that it will be loaned at low rates of interest on specially restricted classes of securities and that the return of that money to your industry will be difficult and very much impeded.

Suppose you had no form of poor relief at all in Ontario, and the distress of the beggars swarming about, as they do in some European countries, was so great you decided to introduce it,—is there any man or woman within the sound of my voice who would dream of such a thing as putting upon the people of Ontario a tax this year to provide not merely the amount you would have to put out in poor relief this year, but all the amounts you would have to put out in the future on account of all the people you put on poor relief this year? (Applause.) You know perfectly well there is not, you would not do such a thing, you would regard it as a perfectly insane thing to do. Then why do you talk about it in connection with workmen's compensation? Again you talk about it because you don't altogether get away from the notion that this is somehow an individual and voluntary matter, whereas it ought to be a public and compulsory matter.

Now, where you have the choice of companies, for instance, the employer has the opportunity of insuring in the state fund or in the private stock company or the mutual company or to carry his own risk or to make a change from one to the other whenever he chooses, then you have not the choice, and you must both in the state fund and in all these institutions require the

accumulation year after year of money to meet those claims. Let me give you an illustration. If you did not require the stock company to do that, after awhile, when claims began to get too big, it would drop out, they would not be paid; if you did not require the mutual company to maintain those capitalized reserves they would come in and assess themselves for only enough money to meet current payments, and then, when they got too large, they would drop out and you would not get your future payments paid, and if you let the employer run along with his own insurance and not charge up against himself the present value of the amounts he was going to have to pay in the future, his balance sheet would not be the correct one, and he might be insolvent, and he likely might go to pieces and the claims would not be paid. So you see under any kind of voluntary system, whether it be absolutely voluntary or not, you can't get away from that capitalized value method. But just the moment you conceive of this as a scheme for public relief you can see that the system of setting up capitalized values is simply wild and that there is no justification for it. There are two arguments brought forward why it should be done; one of those arguments is, that, while it is true that the current cost is cheaper at the outset and for a number of years to come, in the long run it will be more expensive. There are two things to say about that. In the first place, if it were not possible to prevent accidents to a large degree, and reduce their number and seriousness, it is true that the mere summation, the mere adding up of the amounts of money which the employer would pay during the period of fifty or one hundred years would look smaller on the capitalized value method than on the other. But when you figure up your capitalized value at only three and a half or four per cent. interest at the outset, and you remember had those industries been able to keep it in their business it would have earned anywhere from six to twelve per cent., I don't think you have made any money in the process. But that is not all about it. As compared with the choice of companies and setting up the capitalized value method, it is not, and cannot be, even at its highest point, nearly as expensive as the insuring in these stock companies, which, as I have pointed out to you, adds about one hundred per cent. to the real cost. The leading actuary in this line in Germany has made calculations which I have here with me showing that if the volume of wages did not increase at all during a long period of years the current cost method would cost less for seventeen years. It would then pass the other slightly, and by the time it reached its full equilibrium at the end of some sixty years it would be about fifty per cent. higher than the cost for that time of the capitalized value. Remember the difference between eight per cent. for expenses and one hundred per cent. and you see fifty does not look big at all even on that basis. But that is also modified by

two things, one of them is the legitimate and constant growth of our industries which tends to keep these percentages down, and by one other thing, and that is the most important of all, and I would like to have you give as close attention to this as you possibly can as business men, as I believe it is the key to the whole situation. You cannot encourage prevention (experience has shown it time after time) in any way so effectively as to fasten the eyes of those who can practise prevention upon the immediate consequences of it. Under any capitalized value plan which you may choose to adopt there will be a large element of confusion in the minds of the employers as to what the actual effect of the prevention of accidents is. Under the plan which works simply by what we really pay out his mind never gets off it. They find it true in mutual fire insurance, and they have reduced, consequently, the cost to a mere fraction, on the average one-twentieth, of what it originally cost: they have done that same thing in Germany. My work, when I went back to Europe three years ago, was for the United States Government in making an investigation of the cost of workmen's compensation in the different countries of Europe, and I want to give you some idea of what I found. Remember, if you will, that Mr. Beach, the actuary I mentioned, found that during the first seventeen years, even though the volume of wages in the state did not increase at all, the system of current cost would be cheaper, take less money than the system of capitalized value, and that without taking into account at all anything in regard to prevention. Remember also that I pointed out in making the assumption which he did, that the risk would be constant, he figured it would take sixty years before the thing reached its full growth. I found that already, in 1903, just seventeen years after the law went into effect, in fact in 1902, sixteen years after, the rate of agricultural machinery plants in Germany had reached 2.3 per cent. of the pay-roll; in 1908 2.11; it varied from 1902 to 1908 from 1.84 minimum to 2.11 maximum, showing it had reached that point where it varied slightly from year to year, that it had virtually reached its equilibrium.

Take another class of industry, and this is very remarkable. Germany is a great beer country. When they started out the cost in the beer-bottling and shipping institution was 1.73 per cent. of the payroll for the first year; they went to work and they have been so effective in the reduction of the hazard that it had reached its maximum in 1888, 2.81. Since then it has varied from 1.19 to 1.89 and figures like that. In other words, there has been tremendous prevention in the brewery industry. I could read you a number of others; there is a long list, 135 of them, of which nearly two-thirds, by reason of the prevention which the employers introduced—and which prevention it is everywhere acknowledged has been tremendously more effective under the German system than under any other in the world—

brought that cost to an equilibrium at the very point where Mr. Beach said that it had reached the level of the capitalized valuation.

Now, you all see the significance of this. You are at the parting of the ways, and whatever you do at this time it will be hard to undo. If you introduce a system as we have mistakenly done in New York and which certainly never would have been done if the employers were near so wide-awake as you are—if you introduce a system of so-called choice of companies you saddle upon yourselves all sorts of additional costs and mischiefs, and if you introduce a system of capitalized values you will assess yourselves whether it be through the insurance companies or through the state fund for a number of years to come a great deal more money than you require to-day.

The two important amendments which in my judgment Sir William Meredith's Draft Act should receive would therefore be, first, that all of your industries be put under the insurance law, and that if some of them convince the Commission they are large enough, and it is wise on other grounds to permit them to be grouped by themselves, they be so grouped under the insurance law; and, second, let the idea of setting up capitalized value reserves be definitely abandoned, so that the Province of Ontario collect from its employers currently those rates of taxes or premiums, whichever they may be called, which are requisite to meet the current requirements, plus a surcharge for the purpose of taking care of fluctuations either in the volume of wages or in the degree of hazard—sudden fluctuations that may take place—and that there be no choice of companies; that Sir William Meredith's wise conclusions regarding that be not departed from, and that you definitely make this a public matter, to receive your attention as employers and to receive the attention of the employees and receive the attention of the entire people of Ontario—to be conducted with a maximum of efficiency and a minimum of profit, and if you do follow this course I am confident that what you have done in Ontario will be regarded after a very few years as absolutely the best thing that has been done upon this subject either in your country or in mine. (Applause.)

