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Guaranteed Wages in the Iron and Steel Industry *

Description of the Guaranteed Wage

A guaranteed wage scheme may be defined as an arrangement whereby an employer, having undertaken to provide employment at the ordinary rates of pay for a specified number of hours, days or weeks, pays a specified amount of wages if, the worker being available, neither his customary work nor reasonably alternative work can be provided. An arrangement similar to the above, but under which the wages are paid not directly by the employer but by an organization taking his place, would fall within the definition of a guaranteed wage. The requirements to provide for a guaranteed wage is normally subject to certain limitations and conditions as defined in collective agreements, legislation or orders of wage-fixing authorities.

Purpose and Objects

The main purpose of a guaranteed wage scheme is to provide security of wages for the workers in the industry. Insecurity of wages, following from unemployment or under-employment in any industry, may be caused by a variety of circumstances, and it is difficult to define precisely the field which can appropriately and effectively be covered by a guaranteed wage scheme. Variations in the level of employment affecting the security of income and employment of workers are of four main types:

a) long period and permanent changes resulting, for example, from changes in demand or from technical developments;

b) cyclical fluctuations in production arising from general economic conditions;

c) seasonal variations;

d) occasional fluctuations which may arise from the economic policy of undertakings, or Governments or from other causes.

Because of these variations and fluctuations, workers in this industry have experienced fluctuations in employment and income. The extent of such fluctuations and the amount of unemployment experienced by workers varies, of course, from country to country.

The extent to which a guaranteed wage scheme can meet the circumstances des-

cribed above and secure an increased security of workers' incomes will vary according to the social and industrial conditions in different countries. In general, however, it would seem an appropriate means of affording protection against the consequences of temporary interruption or dislocation of work which will arise from time to time, but would not seem to provide appropriate or fully effective protection against the consequences of long-term and other unemployment of the kind likely to arise under types (a) and (b) above. Certain of the problems which arise in this circumstances are not appropriate for consideration in detail in relation to the guaranteed wage, and are, in part, under consideration by the Subcommittee of Technological Changes. It should be noted, however, that the increased security of income wage scheme may, in some countries, contribute to reducing the fluctuations in industrial activity due to changes in demand.

Some Economic Considerations to be taken into account in applying the Guaranteed Wage in the Iron and Steel Industry

The cost of a guaranteed wage scheme is of fundamental importance in determining the feasibility of such a guarantee in the industry. Its introduction will generally involve some increase in production costs. The size of the increase will depend on the details of the scheme and on a number of other considerations including the effectiveness of policies at the national level, designed to maintain a high and stable level of employment. Within the industry itself, an important economic consideration will be the relative proportion of labour cost to total production cost which varies in different countries and in different processes.

The application of the guaranteed wage should accordingly be considered in relation to its effects on costs of production and prices ruling in the industry and more particularly in relation to other provisions in respect of wages and conditions of employment which in part determine the labour costs. These considerations will vary widely in different countries.

The question of the guaranteed wage will also have to be examined in relation to other provisions for securing increased security of incomes which may already exist on a national or industrial scale and which may be financed in part or in whole by the industry and therefore represent an addition to its costs.

(*The Labour Gazette, Ottawa, April 1950, Vol. L, No. 4*)

* Excerpts from a resolution on the guaranteed wage and on the social effects of technological improvements adopted by the International Labour Office Iron and Steel Committee during the course of its third session.