

Unemployment Insurance and Trade Unions

by Alvin Finkel

In the inter-war period, the Canadian trade union movement lobbied federal governments to introduce a program of unemployment insurance. Unemployment soared as the country transitioned from a wartime economy to a peacetime economy. Though the economy improved during the second half of the 1920s, unemployment returned in force during the Great Depression that lasted throughout the 1930s. In the depths of the Depression, one of every four Canadian workers was without work and many others had only part-time employment.

The left-wing within the labour movement responded to the Depression by demanding that governments take responsibility for creating work when private enterprises would not and that governments guarantee those unable to find work a living wage. More conservative elements in the trade unions were content to call for workers and employers to pay into an unemployment insurance fund from which the unemployed could, in the future, draw unemployment insurance payments. But the left-wing observed that such a system would ignore the millions of Canadian workers already out of work. Instead, they called for higher taxes on the wealthy and on corporations in Canada to fund an unemployment insurance program. The three Labour MPs supported that position. But Conservative Prime Minister R. B. Bennett was shocked by such a radical initiative, which was supported by a petition of almost 100,000 Canadians. In the end, both Bennett and his successor, Mackenzie King, agreed to support the more conservative vision of unemployment insurance.

The unemployment insurance plan that King introduced in 1940 only covered about 40 percent of Canadian workers. Seasonal workers and domestic workers, the people most likely to be affected by unemployment, were excluded from the system along with most women workers. The trade union movement successfully fought for inclusion of more and more workers within the unemployment insurance plan. By 1971, 90 percent of Canadian workers were covered by the plan. But, beginning in the 1980s, reactionary forces were able to reduce UI coverage and today “employment insurance” only covers about 40 percent of the labour force.