

Reprint

**INDUSTRIAL
RELATIONS
RESEARCH
ASSOCIATION**

-7th
**PAPERS PRESENTED AT
DETROIT, MICHIGAN**

DECEMBER 28-30, 1954

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**PROCEEDINGS OF SEVENTH ANNUAL
MEETING OF INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION**

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INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION

DETROIT, MICHIGAN

DECEMBER 28-30, 1954

EDITED BY L. REED TRIPP

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PREFACE

The Industrial Relations Research Association presents in this volume papers delivered at its Seventh Annual Meeting at Detroit, Michigan, December 28-30, 1954. Starting with the Presidential Address as Part I, all sessions are included with three exceptions. The two joint meetings with the American Economic Association, *Urbanization and Industrialization of the Labor Force in a Developing Economy*, and *Price and Wage Flexibility*, will appear in the Proceedings of that Association. The session dealing with Human Relations and Industrial Relations is not included in this volume because the papers presented there comprise the basis for the Industrial Relations Research Association's special volume on human relations to be published in 1956.

The Association is grateful to the participants in the 1954 meetings for their fine cooperation in making the present volume as complete as it is. All papers and all except one of the discussants' comments delivered at the meetings covered are included. The contributors deserve further credit in taking special efforts to restrict the length of their manuscripts so that the volume could be kept within a manageable size.

This year for the first time, members will find brief notes of local chapter activities contained in the business reports, Part X. Other items of Association business will be found in that part.

Most sessions reported in this volume follow the traditional form of main papers together with prepared discussants' remarks, or are otherwise self-explanatory. Special editorial notes are inserted at the beginning of Parts VII and VIII to explain the nature of programmed sessions deviating somewhat from this pattern. It is believed that the volume as a whole represents a significant collection of current research and analysis of interest to all persons concerned with the field of industrial relations.

L. REED TRIPP, *Editor*

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Part I

PRESIDENTIAL ADDRESS

INDUSTRIAL RELATIONS AND THE LIBERAL PLURALIST

CLARK KERR

University of California (Berkeley)

WE ARE LIVING in the single century of greatest economic change in the long record of mankind. This is the century of world-wide industrialization. The historical process of industrialization, of course, antedates the current century and, in fact, began nearly half a millenium ago; but it only commenced to transform the daily working habits of the mass of men at the turn of this century. By that time only England, among the major nations, could be said to have a largely settled industrial way of life. Germany, the United States, Sweden had just recently begun their massive transformations; Japan and Russia were to come along later—the latter spectacularly in the past twenty-five years.

Industrialization is now penetrating into what were once the remote corners of the world—Argentina, Saudi Arabia, China—with varying success. Whether the world will become substantially industrialized, except for odd backwaters, by the end of this hundred years cannot as yet be fully known. A staggering volume of investment and at least an equally staggering amount of social upheaval will take place between now and then if it does. The massive revolution of this era is not the revolution against the industrial system in its capitalist form, as Marx envisaged it, but rather a revolution in favor of industrialization in almost any form—provided only it is successful.

Industrialization and the Social Structure

This world-wide shift from largely agricultural to predominately industrial pursuits, and the accompanying change from rural to urban modes of life, bring in their wakes the most fundamental reorganization of the relationships among men; between men and such more or less voluntary organizations as they may have; and among men, their associations and the state. The commercial revolution, where it has come first, has of course wrought some of the same changes but usually more slowly and less pervasively.

A concern about industrialization and social structure, as it relates to arrangements between the managers and the managed

in particular, has been a central theme of labor economics from the origin of the discipline. Perhaps it might even be said to be the central theme, although more microscopic problems have been receiving increasing attention all the time and, for a while, labor economics became, in its most popular renditions, a special application of the theory of the firm and of the business cycle.

The Webbs, the British founding fathers of labor economics, and Commons, the American father, were primarily interested in the structural arrangements which flowed from an industrial order and how they might best, within the power and wisdom of man, be devised to maximize the social welfare. These also were the interests of Marx, who might be viewed as the Continental father of labor economics. An interest in social structure is not, of course, the exclusive prerogative of the modern labor economist; it extends in time at least to the early recorded history of man and in breadth throughout the social sciences and humanities—witness, for example, Plato's ideal city state. But the labor economist must be concerned with social structure, and particularly as it affects the employment relationship, which is one of the key relationships in any industrial system.

The Webbs, Commons, Marx—all were analysts and reformers alike, although their reforms were not only different from each other but quite in conflict. Each has had some substantial influence on national and even world affairs. Analysis and reform almost inevitably mix together in a field such as this, where the wishes of men rather than the laws of nature order the passage of events.

This then, is the great tradition, albeit a controversial one, of labor economics—to study and advise on those myriad relationships of managers and workers, and those rules of conduct which they follow as these relationships and rules develop out of and guide an industrial economy.

One eternal problem of an industrial society—of any society but it need not necessarily arise in so acute a fashion elsewhere¹—is the distribution of power. An industrial society not only permits or encourages a vast increase in population but it throws people closely together in enormous clusters. And the more productive such a society, the more dependent the welfare of each

¹ Except perhaps in an economy based on a complicated irrigation system, as in ancient Egypt.

person becomes, through the process of the division of labor, on the reasonably continuous and efficient performance of each other person. Quite literally, each of us becomes our brother's keeper; and he becomes ours.

This forces, as the greatest imperative of an industrialized economy, the imposition of a veritable "Iron Maiden" of laws and customs and rules preferably to encourage but also perforce to command a disciplined discharge of duty. The burden of these rules may lie lightly on the person grown accustomed to the industrial way of life and knowing no other, but heavy it is indeed for the workers just out of the Kentucky hills, or just off a tribal preserve in South Africa, or fresh from the Arabian desert. The detail of the rules necessary to make an industrialized and urbanized civilization operate effectively is most intricate and precise.

This is not to suggest that there are not other grave problems of an industrial society such as the provision of security within a dynamic economic setting, or the achievement of some degree of distributive justice. But these others are usually subject to simpler solutions than is the issue of the distribution of power. Nor is this to suggest that the only consequence of industrialization is submission to a yoke of social control. If it were, the populace of the world would not be so hungry for industrialization. Particularly as consumers of all sorts of goods and services, members of industrialized societies gain great new freedoms; but in their roles as producers, they must fit into a highly disciplined system. Industrialization may well be worth the price almost no matter how high; but it is nevertheless an urgent social concern that that price be no higher than absolutely necessary; that the essential discipline necessary for the proper working of the industrial order not have compounded on top of it pressures for conformity which draw their inspiration not from the requirements of the industrial technology but from the desires of institutions and their leaders to exercise power for other reasons than productive efficiency.

If the individual must surrender a large measure of personal autonomy in his conduct as the price for more leisure and a higher standard of life and the other benefits of industrialization, it becomes important what these rules may be which set his performance for him and who shall determine them. Centers of power there will be. In the extreme case, only one. This conjures up visions of "1984" and the "Brave New World."

But one need not turn to literature to find such a condition. The essence of the Russian experiment in industrialization is the concentration of rationality, in the sense of full knowledge and known purpose, and of essential decision-making authority in a single center of power. Many argue—some liking the burden of their argument and others detesting it—that this is the eventual result of industrialization regardless of how it is first undertaken. Only thus, they say, can there be that rational planning and that preservation of social order in the face of conflicting economic interests which can maximize the material products of an industrial system; and, additionally, this maximization may be a necessity for external survival as well as internal welfare.

However, other systems, such as our own, have survived and vastly prospered with a diffusion of power into substantial, or even large, numbers of centers; and these systems have made the greater contribution to human freedom and to variety of endeavor.

The central problem of these systems is a very complex one. By the very nature of the industrial system, power cannot be truly atomized; and social justice needs more of a definition than the one credited to Socrates of "Minding your own business." Power, in such a pluralistic system, must be distributed in some acceptable fashion among individuals, organized groups and the state. Thus the problem is more complicated than the classic one of the relationship of man and the state, elusive as the solution to that one may be. The role of the organized group must be defined as well as that of both the individual and the state. This is, for example, the central problem of our federal labor legislation, to which I shall return later.

The Liberal Pluralist Solution in the American Context

The pluralist philosophers of the 1920's and 1930's contributed greatly to our thinking about these problems.² They were a miscellaneous lot and probably quite wrong in their idea that sovereignty could be shared in some way among associations, of which the state was only one. Sovereignty, defined as the supreme coercive power, probably does have to be located in one place and that place is the state. However, the pluralists brought to the forefront

² The idea of pluralism goes back, of course, much farther into history. For example, medieval society was in fact essentially pluralistic; and pluralism was central to the thinking of some of our Founding Fathers, particularly Madison.

the question of what to do with the many organized private power centers in modern western society; and they argued that these centers should have substantial authority over the affairs of men, if not full sovereignty.

Most of us are probably practicing, if not theoretical pluralists. We reject state absolutism as inimical to freedom and an atomistic approach as inimical to industrialization; and we accept the geographical decentralization of power in governmental federalism and a functional distribution in a mixed system of public and private enterprises. In other words, we recognize that it requires a considerable measure of power and a great deal of rule-making to operate successfully an industrial system, but that this power and this rule-making (although not ultimate sovereignty) are more safely and effectively distributed into many hands than into a few. But some hard questions remain.

Pluralism, as the philosophy and practice of a multiplicity of power centers, has been challenged as an unwise and even disastrous approach to the strategy of organizing an industrial society. Neumann, for example, called it, in *Behemoth*, "the disease of the Weimar Republic." Three main charges have been advanced. First, a pluralistic system cannot long survive. Basic antagonisms exist between and among organized interest groups. These will lead to social strife and perhaps even civil warfare, and the ultimate destruction of unity; or, alternatively, to a stalemate of social forces which will prevent decisive action in such crises as a war, or a depression, or the rise internally of anti-democratic forces. One way or another pluralism will fall apart.

Second, the organized interest groups will pursue their narrow sectional aims to the detriment of society for they are organized for the purpose of exploiting other elements in society. This is particularly evil when two or more such groups combine in a colusive fashion to take advantage of third parties or the general public. Organized egoism is destructive of welfare.

Third, these private groups, whether of employers or workers or others, become bureaucratic at best and dictatorial at worst, and, in either event, insensitive to the welfare of the very people they pretend to serve. The leaders want only to keep their organizations alive and themselves in control.

This is a powerful set of arguments, if true; and no doubt there is an element of truth in each. Even in the United States, we have

had periods of great strife among interest groups—after World War I, in the mid-thirties, after World War II, for example. Cartel-like arrangements do exist within American industry and collusive agreements between employers and unions. Many corporations afford few effective rights to stockholders, and some unions to their members. But the startling fact is that, in actuality, the pluralistic system, as practiced in the United States and some other countries, has worked amazingly well. It is instructive to inquire why it has operated so well in the United States in the face of this persuasive catalogue of weaknesses.

1. *Accommodation.* In industrial relations, which is the area of the most dramatic and long-continuing civil unrest among organized groups, maintaining industrial peace has not proved such a grave social problem. Except for a few major strike waves, each with a specific cause or set of causes, industrial peace has been the general order of affairs. Domestic tranquility has never really been threatened. Man-days lost due to strikes have not been a heavy social cost. Rather, the problem, over time, may become one of too great harmony with the loss of vigor and independence which that entails. Then a study may need to be undertaken to seek the “Causes of Industrial Warfare.”

The reasons for this accommodation, or to use Bakke’s phrase, this practice of “mutual survival,” are almost self-evident. We have had an expanding economy with more for everyone, or nearly everyone. Currently, a few Communists and, historically, a few syndicalists and socialists aside, the same general ideological orientation has been accepted by the people at large. This ideology has changed over the decades, even quite rapidly in the 1930’s, but it has attracted at any moment of time the large majority of all our citizens. Our relatively gradual metamorphosis from an agricultural to an industrial nation has undoubtedly eased the problem of the necessary rethinking about social problems. Also, a largely common and very useful code of ethics or conduct has smoothed inter-group relationships. Additionally, rules of the game have been developed by government and the parties themselves to keep within generally reasonable bounds their actions toward each other.

2. *Progress.* The progress of the American economy in increasing efficiency per unit of output and in expanding productive capacity has been one of the wonders of the world; this despite

efforts of many private groups to stultify competition and close out opportunity.

Why have not the predictions of calcification due to protectionist activities of private associations come true? To begin with, our economy started off without any feudal remnants of a guild system and without class and family barriers to upward social mobility for the skillful and the enterprising. Also, an expanding market and a dynamic technology have run ahead, by and large, of efforts to control markets. Furthermore, our anti-trust laws and, perhaps more important, the ideology which lies behind them, have stood in the way of wide-spread collusive activity. And, it would appear, too, that private groups when they have got themselves in a position to exploit others have not generally pushed their advantage to the ultimate points that monopolists stepping out of textbooks would surely attain. Some rule of reason seems to be operative here. Thus many sources of progress have continued to exist.

3. *Liberty*. If accommodation and progress have been lesser problems than often supposed, the freedom of individuals within organized groups has been a greater one. Men as different as Mill and Cole, for example, assumed without question that there would be democracy and independence for members within the private associations. They contended that the state should have no control over the internal life of such associations, first, because such control would threaten the autonomy of the associations and, second, because it was not necessary—membership was voluntary and internal affairs democratic.

However, companies have been autocratic and unions bureaucratic or dictatorial and on, perhaps, a comparatively large scale. American industrial concerns historically dealt with an immigrant working population under conditions of less than full employment and were expanding quite rapidly, and, as a result, were on occasion quite ruthless. They were able, for example, effectively to curtail the freedom of association of their employees. Much of this has been corrected now by the new composition of the work force, by full employment and by the growth of unions; but the new paternalism in its own way, by reducing the worker's mobility and increasing his over-all dependence on the employer, pushes toward a more insidious if less harsh dependence—more insidious because it is a type of dependence which does not spark a quick sense of revolt.

American unions probably have been generally less fully democratic than those in England, Sweden and Germany, for example. Their comparatively large size, their history of fighting for recognition under strong leaders, their relatively narrow orientation to on-the-job problems³ have all helped account for this. In any event, membership has not always been voluntary nor even possible, as Mill and Cole assumed; internal democracy has on occasion been limited; judicial protections from improper discipline have sometimes been lacking; political contributions have been based in some cases on more than desire alone—among other infringements on reasonable freedom of action.

Nevertheless, the American worker has maintained for himself a good deal of independence. He still moves around considerably from job to job and he limits his representation by functional categories. For example, his economic, political and religious interests, contrary to the situation in some European countries, are kept generally quite distinct from one another. Each is subject to separate decisions.

The pressure from the corporation and union alike, however, is toward encompassing more and more of the worker's total life. Certainly there has been and continues to be more discipline over him by corporation and union than is absolutely essential to the effective technological conduct of an industrial system; and this is an area of great sensitivity in a democracy.

Norms for action there must be governing wages, hours, output, personnel actions and many other things, and private associations can contribute greatly to social order by setting these norms at reasonable levels and to the avoidance of state absolutism by setting them at all. It is when they venture outside these essential rule-making areas into the life of the worker as citizen, or consumer, or into any of the other facets of his life external to the employment relationship per se; or when they do not yield him a proper chance to be heard in the making or enforcing of such rules as are a proper part of the employment relationship, that the employee's independence is injured by more than is required by the technology of industrialization.

If there is a failure in achieving sufficient accommodation, pressures are quickly established to try to offset this failure—the drive

³ The reform ideologies which have impelled so many European labor movements have intensified the problem of accommodation but reduced the problems of internal democracy and of collusive activities with employers.

for social order is an insistent one; if progress is impeded, again strong incentives arise, chiefly out of the profit motive, to break through the impediments; but there is no such automatic correctional compulsion when the independence of the employee is nibbled away. This makes the defense of individual independence within industrial organizations particularly a question of conscious social policy.

The pluralists, with some exceptions, were not very conscious of the problem of the rights of the citizen in the private governments of capital and labor; citizens subject to rules and to the enforcement of rules importantly affecting their working lives. In the course of their championing the autonomy and the authority of private associations, they also paid less attention than is due to the related role of the state. The state at least should seek to effect a balance of power among the private groups, as Galbraith has recently proposed most persuasively. But Galbraith was mostly interested in developing "countervailing power" in order to prevent exploitation and thus reduce social tension. However, if one is also concerned about progress and liberty, more assignments than this must be given the state in this realm of relationships. It is not enough to have power balancing power; it is also important to have a substantial number of power centers, to provide the individual freedom of choice in selecting among them, and to assure a maximum of personal freedom within them; and each of these is a proper concern of the state.⁴ The pluralists were solicitous about the autonomy of the association vis-à-vis the state; the liberal pluralist must equally cherish the independence of the individual vis-à-vis the group.

Commons wrote that the state must "trim off the destructive edges" of the mass organizations without becoming a Leviathan itself. For this to happen the organizations must of necessity assume initial responsibility for curbing their warlike, destructive or dictatorial tendencies, with the state retaining the ultimate but

⁴ For the state to exercise these functions properly it must have an independent source of power other than that of the groups it is to control. Thus the "corporate state" in its several forms, including the Federal Economic Councils of some European governments, cannot well perform these tasks. Also the state must be relatively impartial. It cannot combine with certain power groups to destroy others, nor allow power groups to infiltrate and control its rule-making and rule-enforcing agencies for their own ends. For a pluralistic system then to work well, the state must be independent and impartial, and something more than impotent.

seldom exercised responsibility. If eternal vigilance is the price of liberty to man, eternal responsibility is the price of survival for the mass organization. Otherwise the monistic solution of increasing state absolutism must ultimately prevail.

Unions, Corporations and the Government

Commons had a theme, if not a full-blown theory, as Witte has recently pointed out, that mass organizations were central to our type of society and should be accepted as such, understood, and not rejected as improper intrusions into a nicer atomistic world or as barriers to achievement of the Utopia of state socialism. But he recognized that, if left to their own devices alone, these mass organizations were capable of negative as well as positive contributions, and this was why the state had to stand ready to "trim off the destructive edges." To the extent that private associations do not set their own acceptable standards, they do run this risk of governmental intervention.

I once looked upon Taylor's appeal for "industrial self-government" with some suspicion for it seemed to sound like an invitation to collusion, and on Slichter's arguments for the responsibility of unions to the general level of wages and prices with a little doubt for it appeared to me that the unions should be concerned with the advantage of their members and that others should look out for the general behavior of the economic system—each association should be separate from each other and separate also from too much concern for the public welfare. It was in the clash of these separate wills that the general will would best be evolved. But it is probably only through the effective self-government advocated by Taylor and the responsible unionism by Slichter (and responsible corporation behavior too) that a pluralistic system can be indefinitely maintained.

Each of us, of course, will have his own definition of responsible behavior. The catalogue given above of the potential weaknesses of a pluralistic system suggests the lines of one such definition. In the area of accommodation, management and unions need to accept fully the validity of each other's existence. Except for a few employers and a small number of unions under Communist influence, this is now the actuality in the United States. The basic issues of managerial prerogatives and union security, so troublesome only a decade ago, have now been largely worked out, and

effective joint machinery for negotiation and grievance handling established.

There is at least one frightening aspect of accommodation, however. Our industrial system, with its internal interdependence of one element on another, can only work really effectively if most of the people most of the time are willing to accept or at least go along with it. No significant group can be allowed to sabotage it because of a conflicting exclusive ideological orientation. A pluralistic industrial system is particularly open to such sabotage. It can only operate well if the ideology impelling its important groups is consistent with pluralism, i.e., a philosophy of mutual survival. A philosophy of class warfare, particularly if coupled with a willingness to employ any means to an end, can doom a pluralistic system even if the adherents of such philosophy never gain a numerical majority; for they can bring strong pressures through non-cooperation at crucial points. This is frightening for two reasons: first, because it means a minority intent on sabotage has unique opportunities through the autonomy and influence of private associations; and, second, because the effective response to such tactics does raise real questions about the role of compulsion in a democracy in the handling of such groups and individuals.

As to responsibility toward progress, the record of American industry and organized labor is generally excellent, although not uniformly so. The fuller acceptance by all of industry of the spirit behind the anti-trust laws⁵ and of all of labor of the long-run advantages of technological change and efficient operations would certainly be commendable. Crowther once suggested, a little fancifully as he said, that "the old struggle of capital against labor is at an end and that a new struggle of capital and labor against the consuming public is about to begin." Accommodation, in some cases, has moved beyond mutual survival to mutual advantage at the expense of other elements in society, and thus has stood in the path of progress.

In the area of liberty, there are probably four imperatives: First, freedom of access of the worker, without discrimination, to corporation and union alike. Second, an opportunity for him to participate in setting the most important relationships between employer and employee on the one hand and union and member

⁵ Vertical combinations of sellers and buyers are a particular threat to countervailing power.

on the other—in the first case through the right to select bargaining representation and in the second through the right to vote freely in elections. Third, a right to judicial review of disciplinary action whether by employer or union.

Fourth, and this is a much neglected consideration, freedom from control or even dominant influence by the corporation or union in the non-job phases of life. The span of control or influence of company and union should not extend beyond the employment relationship itself, except as they may be forced into wider social functions by the inability or unwillingness of other agencies to undertake such functions reasonably adequately. Only thus can the worker have the opportunity really to shape his own life; the chance and stimulus to work out a pattern for himself; in a word, the full capacity to be a distinct individual.⁶

This means a rejection of both the all-embracing corporation of Mayo and the all-embracing union of Tannenbaum. The separation of power over job, politics, consumption patterns and so forth, has as much to recommend it as the separation of governmental power into the legislative, the executive, and the judicial.

Many of these considerations come to bear in evaluating the structure of our labor legislation, to which I should now like to turn.

The Role of Labor Legislation. I do not think it necessary or wise to have such comprehensive governmental labor legislation as the Taft-Hartley Act.⁷ We have in the United States today more government interference in labor relations than in any of the other democratic and developed nations of the world with the possible exception of Australia. Great Britain and the Scandinavian countries, for example, have far less legislation. In Britain, government interest is mainly along four lines: to provide (1) for mediation services, (2) against forced political contributions, (3) against political strikes, and (4) against the use of violence in labor disputes.

The Wagner Act and the Taft-Hartley Act in the United States were passed largely in response to temporary needs which no longer fully exist. The first act was designed to encourage

⁶ A pluralistic system assumes a "pluralistic person," i.e., one who is willing to work with divided loyalties and set his own pattern of activities, rather than have it set for him by a single external institution.

⁷ It should not be understood that the suggestion for less federal control is made so that more opportunity may be opened for control by the several states.

union organization to balance worker power against employer power. This has now been largely accomplished. The second act was in response to the many strikes which occurred in the decade 1936 to 1946 and the violence in connection with some of them. Today there are many fewer strikes and very little violence.

Such intensive governmental interference has several disadvantages. It gives more authority to the government, it appears to me, than is necessary and less autonomy to private groups than is desirable. Too great reliance is placed on government law rather than on the responsibility of the parties.⁸ This takes such conflict as there is unduly into the political arena where it becomes more difficult to settle. It is questionable whether there should be any general law on labor legislation, since a general law particularly invites an attempt to cover all possible abuses by the antagonists and encourages a large-scale political battle. It might be better to have specific laws, subject to specific changes, to cover specific problems where a clear case has been made for government intervention.

Turning to the three problem areas of a pluralist system noted above, I should like to suggest reliance, aside from the applicable provisions of non-labor laws, on four specific laws. In the area of accommodation, we need a law establishing a mediation service, but only mediation. Provisions for special handling of emergency disputes (wartime aside) seem to have created more emergencies than they have settled, as Harbison and others have noted. Also, we probably still need, although not necessarily permanently, a law on representation elections. Union security issues, however, can probably best be left to the parties themselves. As to rules of the game, these are generally quite well set out in non-labor laws and court rulings affecting the use of violence, the sanctity of contract, and so forth, with the exception of the propriety of pressuring third parties to get at second parties and here a third specific labor relations law may be advisable. On the question of Communist unionism, this is being handled as effectively as possible by the two major union federations, although requirements for greater democracy in unions would no doubt help eliminate this problem as they did in Australia.

When we turn to the criterion of progress, it would seem that our present anti-trust laws, including the *Apex* interpretation which bans union-employer collusion, are sufficient to the task.

⁸ As Leiserson once pointed out, you cannot by merely passing a law make the parties "live happily ever after."

Application of the third standard of liberty probably involves the greatest controversy. Cole railed at the Osborne decision which, in Britain, limited trade union compulsory collections of political contributions. Here is where the pluralist and the liberal pluralist may come to the parting of the ways; the former arguing for the autonomy of the private association from the absolutism of the state and the latter also for the independence of the individual from the absolutism of the group—even if this means some state interference in the internal affairs of the group. My own view is that the right of access, the right of participation (partly covered by the right to representation of one's own choosing in dealing with employers), and the right of judicial review should be provided by the state if not supplied by the private groups themselves. As to the appropriate span of influence of unions and corporations, this is hardly subject to state control, except in the case of forced political contributions and perhaps also the vesting provisions of pension plans. These several questions of worker freedom might properly be the subject of a fourth specific law.

These four laws, taken together, would somewhat reduce the total burden of law and, as separate laws, be more politically manageable than one omnibus law. Any legislation in this area should, of course, be based to the extent possible on the consent of the parties themselves.

Conclusion

There can be no single and fully agreed upon structure for a pluralistic system. It would be pleasing to all who have philosophical leanings toward the Jeffersonian system if no private association or the state itself had any claim on an individual's behavior, except as the conscience of the individual rendered acquiescence. But many laws must be passed and rules adopted in an industrial society. The best that can be expected is that they will emanate from a whole series of majorities, in the many public and private states of a pluralistic system, rather than from a single majority in the governing group of a monolithic state. The essence of pluralism is the offering to the individual of these many majorities instead of one—and one from which there is no escape.

But pluralism is still on trial and the conditions for its success are not always at hand. It failed at one time in Germany; and it is not yet certain whether it can attract the continued support of the newly developing nations. Even in the United States and

Western Europe the eventual structural form industrialization will take is not finally determined. Whether pluralism continues in these countries or not will largely depend on how the three problems of accommodation, progress, and liberty, which have been the burden of this paper, continue to be handled; and a pluralistic system offers the best available compromise between the oft-conflicting demands of order on the one hand and liberty on the other. The answer lies in the responsibility of private associations and the wisdom of the law. The absolutism of the state can be avoided through strong and responsible associations; the absolutism of the private group through strong individuals properly protected in the exercise of their independence.

Part II

THE UNION'S INFLUENCE ON MANAGEMENT DECISIONS IN THE AUTOMOBILE INDUSTRY

UNION INFLUENCE ON MANAGEMENT DECISIONS—A UNION POINT OF VIEW

JACK CONWAY

United Automobile Workers of America, CIO

THERE IS NO DOUBT whatever that the UAW-CIO had *and has* a profound influence on management decisions in the automobile industry. In using its influence, the Union has sought always to move the automobile industry in directions that would make *a way forward* for the entire community.

I think it can be demonstrated that the UAW influence on management has helped make the country, and especially UAW cities and towns, places where visible steps toward brotherhood and understanding and individual and community well-being have been taken.

In this connection there is an interesting example of UAW influence in a major company. The UAW, as you probably know, attempts to buy a share of stock in each of the major companies with which it has contracts, so that it can get accurate information for use in negotiations, for making its own economic estimates of the future, and for other purposes. About four years ago the Union sent an observer to the stockholders meeting of a large company, armed with the credentials that the one-share ownership provided. At the meeting the minutes of the Board of Directors' gatherings were open for inspection to stockholders. Naturally, the Union observer inspected them. He noted, among other things, that at a meeting where large contributions were made, some to near-fascist organizations, a request for money for a fund for Negro colleges was turned down. This fact later was noted in one of the Union publications. Not very long after the Union published this information the company in question gave a handsome contribution to the Negro College Fund, and one of its more important officials took on a major campaign responsibility for funds for Negro colleges.

My function here today, I would gather, is not to trace these more remote influences upon management, but rather to focus attention on the more direct immediate relationships between the Union and management. As a number of writers have noted, collective bargaining uses the vocabulary, the imagery, and sometimes the tactics and strategy of warfare. As a consequence verifiable

information on this subject is, in large measure, classified information. If you will keep this in mind I shall proceed with the subject at hand.

The attempt to frustrate associations of employees when the CIO first tried to organize the mass-production industries had as its purpose the maintenance of a set of conditions in the factories in which each worker was an isolated and powerless person. This condition if maintained would have made it possible for an employer to make calculations into which the reactions of the workers as a factor would be kept at a minimum. In some cases, where presumably it was thought that this total fragmentation could not be achieved, company unions were organized in an effort to control worker reactions in the plant.

At the same time managements undertook to employ labor spies, to employ commercial strike-breaking agencies, to lay in supplies of sub-machine guns, tear gas, and other armaments of class warfare. They also, of course, increased the plant protection forces. You will remember that the companies were led by the same considerations to spend large sums of money on advertisements explaining that wages were high, working conditions good, unions unnecessary, and that the only consequences of union organization would be mischievous.

Happily, there has been a development in the automobile industry, throughout industry in the United States in general, in fact, and except for primitive industrial communities where some aborigines still survive, the Kohler Company, for example, black-jacks and tear gas have been laid away in lavender and old lace, and the more violent epithets have become quaint museum pieces. The conscious, social, political and personal response of management to union actions has altered. There has been an adaptation which produces an interesting relationship.

One aspect of this has been management passage from an attitude which regarded union representatives as interlopers best described by obscenities, to the attitude which prevails in most companies at the present time, namely that union people are legitimately in the industrial society in a role that is as relevant and necessary as *almost* any management role. It would be inaccurate to leave out the word *almost*.

The fact that auto workers and their Union have earned a place in the industrial society has produced the relationship I refer to.

Not co-existence. Not a majority and a loyal opposition, but a *competitive conflict*, in which there are evolving rules which both competitors observe, that are in part, the stakes of the competition.

I once thought of their relationship as a football game, on a field bounded on one side by the recognition of the Union, and on the other side by the management prerogative clause in the collective agreement. Actually, this analogy is too static. Perhaps a competitive symbiosis¹ would describe the relationship better. It is a relationship which is fluid—it has no outside boundaries—there is no “fixed” line of demarcation. Instead, it is a relationship between two increasingly interdependent organisms that are kind of joined together by a collectively bargained agreement—each retaining considerable freedom of movement from the other—each dependent somewhat upon the other but both definitely dependent upon society as a whole for their continued existence.

Now, all this is preliminary, but a very necessary preliminary to any observation that I might make on union influences on management decisions in the automobile industry. In effect I have been asked to talk about how the Union, by its presence or actions, has influenced management decisions, particularly in any major economic respect, such as the level of output, rates of production, introduction of machinery, location of plants, costs and pricing, and so on.

¹ Webster's New International Dictionary defines symbiosis as “the living together in more or less intimate association or even close union of two dissimilar organisms.” In a broad sense the term includes a parasitism or antagonistic or antipathetic symbiosis in which the association is disadvantageous or destructive to one of the organisms but ordinarily it is used in cases where the association is advantageous, or often necessary to one or both, and not harmful to either.

Biologically, where there is a physical union of the associated symbionts, the relationship is conjunctive, while an association between two symbionts involving no continuing physical connection is disjunctive.

The Dictionary of Biology by Abercrombie, Hickman and Johnson, defines symbiosis briefly as an “association of dissimilar organisms to their mutual advantage, e.g., association of nitrogen-fixing bacteria with leguminous plants, peas, beans, etc. . . .”

Competitive symbiosis, however, is social rather than biological, and it assumes a relationship in which institutions associated in the same endeavor by competing with each other realize their separate functions more efficiently. Thus in government the rivalry between the executive and the legislature is analogous to the taut competitive symbiosis which exists in the union-corporation relationship in industry. If the law were less archaic, the association of prosecution and defendant in the attainment of justice would approach a competitive symbiosis.

Certainly, the union influenced management in coming to a decision on:

- the recognition of the union
- the establishment of a grievance procedure
- the rate of pay
- vacations
- paid holidays
- payment for pensions
- health insurance
- call-in pay
- pay for overtime
- seniority
- the union shop—in any of its forms
- the assignment of work
- policies governing promotions and transfers

Influence, in fact, is not the word, since these management decisions found expression in a collective agreement. The union in fact enters actively into these management determinations.

Once the union was recognized, several developments began to unwind. First, the interplay, which I describe as a competitive symbiosis, began to operate to make *and change* rules governing the inter-relationship and the inter-penetration of function. Further, this activity has produced offspring, umpires, arbitrators, joint boards that administer the pension programs, joint committees on apprenticeship. And I might add we are expectant again, that in the immediate future there will be the joint boards which will administer the guaranteed employment plan.

It is impossible here, for lack of time, to go down the list of union gains and to note schematically all the ways they have influenced management behavior. Some management *adaptations*, however, are obvious. The negotiation of the contract which embodied the recognition of the union has led to *central* personnel and labor relations offices with company-wide policies on wages, working conditions and hours. The establishment of the grievance procedure has brought about, among other developments, an intensified supervisor training in labor relations, a close supervision of supervision, and has apparently tended to professionalize the supervisory staff. The necessity to negotiate a contract has led to the creation in most auto companies of a planning staff which works year round on contract negotiations.

We know from reports and documents that have come to us that the union by its existence has created an awareness in the auto companies very like the awareness they have of their markets. Just as every product they make must be considered from the point of view of the consumer, every decision that affects the workers in the plant, *and most do*, is considered from the point of view of the collective bargaining relationship of their workers' union. These calculations, we know too, are subtle, well-informed for the most part, and nicely calculated. I know, for example, of analyses by the auto companies, which dealt not only with the union as an entity, but with the rank and file, the secondary leadership, the top leadership, and even the opposition.

In the minds of some management people, at least, the very existence of the union implies the possibility of a strike. This "possibility" has no doubt entered into some management decisions to build or not to build a plant for a particular purpose. I think that it is possible to point to plants which have been built chiefly to avoid the "possibility" of a bottle-neck in the event of a strike.

When you consider the pay, the method of payment, as well as the rate, so many influences can be counted that there isn't even time here to enumerate them. The union, for example, has attempted to switch over wherever possible, from piece work payments and incentive payment systems to day and hourly rates systems.

Call-in pay, seniority, vacations, premium pay provisions have required sharper, more careful management planning in the shop. They have placed a penalty on bad judgment with respect to scheduling, and a premium in the form of lower costs on accurate programming.

The classic example of a product growing out of this symbiotic competition is the double featured wage formula providing for cost-of-living adjustments and an annual productivity factor increase which was first set down in the General Motors contract in 1948. The company had rejected out of hand, or at least had pretended to reject out of hand, the union demand for a wage increase. Instead, its spokesmen had answered by suggesting that the best way to secure higher wages would be through the establishment of an incentive pay plan in the General Motors plants. The union replied in a memorandum which pointed up the inadequacy

of an incentive payment program in GM and at the same time argued that a wage increase was justified on three grounds: *inflation*, the fact that wages had fallen behind the advance of prices; *increased productivity*; and, finally, the corporation's *ability to pay*, which involved the corollary notion of the injustice in the distribution of profits as between wages and dividends. The union declared that it would insist on the right of workers to have these factors considered in the determination of their wages.

The negotiations at that time had been in progress almost two months and there was no question but that a strike could ensue if the bargaining time ran out before the contract was agreed upon. Out of this tension there finally emerged the cost-of-living-productivity factor contract as an embodiment of the requirements set out in the union proposal.

I am not trying to make the obvious point that collective bargaining here accomplished what it was supposed to, that is to produce a joint decision which accommodates and transcends two opposing interests, that it, in a sense, ends in a harvest of creative adaptations. Much more significant, it seems to me, is that in a situation where two formerly opposing and mutually resisting forces at one time resolved their opposition by a coercive victory, there has emerged a policy of limited and bounded conflict.

Since the appearance of unions, the question always arises over what area should this kind of decision-making extend. Just where do you draw a line? Actually, the decisions made in bargaining and the existence of the union affect almost all the company's activities. The results are not always good—from the Union's point of view.

Take, for example, the evolving relation of the union to management in the community at large. Before unions were organized, managements were less active in National Associations of Manufacturers, in efforts to organize their supervisory forces into political machines, in the manufacture of opinion. Their legislative bureaus were informal and had not hardened into elaborate bureaucratic structures under special vice presidents. Today what the automobile workers do politically, now that they have acquired an organized voice, has substantial influence on management decisions. A tax law or a decision to amend a tax law obtained as the result of labor support during a New Deal or Fair Deal Administration can have a bearing upon the capital improvement pro-

gram of a company. Union success or failure in support of or opposition to features of unemployment or workmen's compensation laws again echo in developments inside the plant. Sometimes it works the other way. A national program by the companies to revise or amend the unemployment compensation laws, or laws governing democratic union shops, lead to new union activity, which in turn brings counter moves from the companies.

The circuits and fields in which these currents and impulses and forces feed out and feed back, flow together and divide, are endlessly complex, though it is possible to say that measured totally they come to a magnificent flow of creative power. These social, political and economic circuits are so various and so unpredictable, however, that in labor history, no labor leader, no union, has ever been willing to say that this is our last demand. You will remember that, after the war, President Truman called a National Labor-Management Conference which in turn created a Committee on Management's Right to Manage. That Committee finally dissolved because the management representatives demanded a surveyed boundary on the area labor claimed to be interested in, and the labor people in turn declared that it was impossible to forego forever into the future an interest in anything a company might do.

Sidney and Beatrice Webb, in *Industrial Democracy* in 1902, divided the possible areas of industrial activity in which unions might be interested into three: "the decision as to what shall be produced, the judgment as to the manner in which the production shall take place, and finally the conditions under which . . . human agents shall be employed. . . ." The Webbs declared that the productive bias of workers in the factory, in a sense, made it undesirable for them through their union to participate in the first and second management areas.

In one sense most people in the UAW would agree. How they would agree was expressed, approximately at least, by Eric Hofer in an article in the March 1954 *Harper's* called "The Workingman Looks at His Boss." There he said: "To the eternal workingman, management is substantially the same whether it is made up of profit seekers, idealists, technicians or bureaucrats. The allegiance of the manager is to the task and the results. However noble his motives he cannot help viewing the workers as a means to an end. He will always try to get the utmost out of them; and

it matters not whether he does it for the sake of profit, for a holy cause, or for the sheer principle of efficiency. . . . Our sole protection (the workers, that is) lies in keeping the division between management and labor obvious and matter of fact. We want management to manage the best it can, and the workers to protect their interests as best they can.”

It is in protecting the workers' interest as best they can that unions, and perhaps the UAW especially, sometimes seem to make management twinge in the vicinity of its prerogatives. The UAW role during the steel shortage is a good example. The UAW wage-increase-without-a-price-increase demand during the OPA period is another. The UAW demand last year that management plan its production so it need not recruit new workers from the south in May and June and cut back past fifteen years of seniority in September and October is still another.

To borrow an idea from the automated factory, what is involved here is the application of a limit switch notion. Workers in the plant through their union become aware of a failure, or breakdown, or a short, or some other interruption with the processes by which they get their living. The feed-back circuit begins to operate. When the workers become aware of actions which endanger their security, a circuit opens which protests to management, sends letters to the President, petitions Congress and invokes all the other mechanisms of our public society to get management operating back within a proper tolerance.

So long as the pricing policies do not jeopardize the interests of wage-earners, the price of the Belvidere versus the Commodore versus the Fairlane Hardtop does not concern us. So long as the people in the plants have decent wages and regular employment, and a proper satisfaction of a reasonable desire to make progress, the scheduling of the company does not concern us. But when there is a failure, the limit switch in a sense sets the people in the union in motion.

Of course, there is technological progress in union methods, as well as in the design of electronic controls or digital computers. The UAW now, in critical areas, also attempts to build into the collective bargaining contract incentives that will accelerate or boost management's interests in providing greater security and personal well-being for workers. The pension provisions, which were linked to Social Security payments thus gave employers a

financial incentive for supporting higher Federal Social Security payments, and it is noteworthy that the corporation opposition to higher Social Security payments generally tended to collapse after the Ford, GM and Chrysler pensions were negotiated.

The UAW-CIO Guaranteed Employment Plan, on which the union will begin to bargain in 1955, contains similar incentives.

The link between the Guaranteed Employment Plan and the state Unemployment Compensation systems will, we believe, tend to make employer opposition to a carefully considered and community oriented unemployment compensation program less recalcitrant.

The entire program places a powerful economic weight on the scales in favor of regularized schedules and employment throughout the year.

There *should* be a tendency for employers to pay more attention to the social consequences of their labor recruiting policies. Since an employer's liability for a worker's unemployment will be reduced if the worker can find a job in the area, there is some reason to believe that community-wide and area-wide cooperation for the stabilization of employment will likely come into being.

There is obviously not time here to explore all the *alterations* in management procedures and operations that will ensue when the Guaranteed Employment Plan is generally adopted. Until it is adopted, management is certainly going to point to the cost of the program, and to the limiting effects of the plan. But since workers have always been given their consolation in the form of a prescription that said in the long run, this new machine or this technological change will provide you with higher pay, shorter hours and lower prices, it seems to me that for once, as a union spokesman, I might give a long-run prescription to management. Almost without exception I think it can be demonstrated that every so-called cost increasing demand of labor has resulted in higher efficiency, more profits, and a higher level of community well-being for management, for workers and for the consumer. This certainly will be so in the case of the Guaranteed Employment Plan.

In the nation as a whole, we have seen how *effectively* Unemployment Compensation, guaranteed bank deposits, contractual wages in the plants, farm price supports and guaranteed mort-

gages have stabilized the economy. The National City Bank, the Treasury Department and the President's Council of Economic Advisors, have all at one time or another observed that these supports protect the economy against severe and disruptive erosion. The price of these programs is trifling, compared to the devastation of a major depression. In this same way, the Guaranteed Employment Plan will contribute to a stability that will enable the economy and the society to demonstrate how magnificently dynamic this nation of ours can be when it is not braked by anxiety, by economic shut-offs and by miring in recessional swamps.

* * * *

Let me conclude by making one final observation: A not entirely unlooked for consequence of collective bargaining, though one that is too infrequently examined, has been the extraordinary growth of the value of the stake an individual auto worker has in his job—and in his company. It is estimated that auto workers today have accumulated something more than \$250 million in pension funds. In the 30's—before the Union was organized—a job without any assurance of tenure, without holidays or vacations, health insurance or pensions, seniority or call-in pay, without justice or hope, sold in Detroit for \$50 or \$100 and sometimes even more.

I often wonder—just what is the cash value of a job that does have tenure, that does have pension rights and health insurance, on which you do have some semblance of justice through a grievance system, a job that provides some kind of employment guarantee, especially after you have ten or twelve or thirty years' seniority. Actually, if any economic value could be placed on the stake auto workers have in their jobs, it would probably be in excess of \$10 billion, a figure which is something more than the 7.8 billion dollar value of the total stockholders equity in the automobile industry. I know this is not a claim that is recognized as negotiable, and there is no market where these rights are bought or sold, but the individual auto worker knows very well that he has a valuable economic stake in the industry and its future. For the most part this stake is something he has acquired through collective action in his union. Like any other property holder he tends to want to conserve and protect and husband his property.

What has come about is a situation in which a union which is widely held to be—to use the clichés—turbulent, unruly, radical, has actually been the instrument by which a new responsible owning interest has been created, one that is genuinely democratic in composition, genuinely democratic in aspirations, and genuinely community directed in its activities. This too has had, and will have, an influence on the decisions of management in years to come.

UNION INFLUENCE ON MANAGEMENT DECISIONS IN THE AUTOMOBILE INDUSTRY—AN INDUSTRY POINT OF VIEW

FRANK RISING

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THE SUBJECT is an extremely broad question, apparently covering the whole scope of management decision, in every part of business operation. When I was asked to talk about it, I was told by the promoters of the meeting that the discussion was to be kept "on a plane of objective examination" and that the speakers were to "avoid anything smacking of a debate." I also was informed that a speaker from the UAW-CIO would precede me on the program, and I wondered how in the world he and I were going to find anything to disagree on, because except for the field of labor relations and public relations I don't think the union influence is any more than that of any large consumer group. Nor do I think the union thinks so.

I believe that the union attitude influences management profoundly in some ways; no one but a nitwit would deny that. The union can, and does, sometimes influence management to close down the shop entirely, and surely you can't get much more influence than that! But management is influenced all the time, every day and every minute, by a whole host of factors. If the sense of the question here today is to suggest that the presence of the union exercises some powerful influence outside the closely-related areas of employee-employer affairs and public relations, then I simply must cast my vote on the other side.

Sure, the union influences management, but so does management influence the union. The consumer or general public influences both of them more than either influences the other. Management is influenced by the politician, the farmer, teacher, storekeeper, preacher, doctor, housewife—literally everyone. Even children influence management; not long ago we discovered that the wives and children were more and more prominent in the family decision on purchase of a new car. The result—more colorful, more stylish cars.

Let me put it this way: Except for areas which I will describe, I don't think that the union influences management decision as much as the weather does. If you feel that management used to think in an entirely different way, and that the presence of a union has brought a new kind of management thinking, you are wrong.

The problems which management confronts today are the same problems it had to confront before the union ever organized. Management has to raise money, decide what to make and how to make it, and where to make it . . . what price to charge, what kind of style to follow, what tools to acquire, what distribution system to set up. Management has to create and maintain whole departments devoted to production, research, law, finance, sales, purchasing, advertising, and more. In most of these areas the union has no influence at all, except as an occasional irritant or nuisance when it may be politically expedient to decry a management decision or policy. And you may note that most of such complaints are what we call "hind sight"—or Monday-morning quarterbacking.

Where the union is really an influence is in employee relations and all that is included in the term—pay, perquisites, and privileges . . . everything in the employee-employer area. I believe that the union also influences public relations, but to me it is difficult to separate good employee relations from good public relations, in any event.

The union has influenced some managements to close up their operations entirely, during the past year or so in the Detroit area, and I suppose it will happen again. By driving a competitive shop out of competition, through forcing the labor costs up beyond reason, the union most certainly can cause a major management decision!

Such influence can be exercised either directly, by fastening too steep a wage scale and fringe benefit schedule on an employer, or indirectly by holding down the production per man. Even now, a new scare is being raised about something caused "automation," which to me is what we used to call mechanization or simply the machine age. I wouldn't be surprised if a good many manufacturers found their shops were all stirred up, shortly, by union efforts to impede the introduction of better machinery.

This short-sighted policy of the unions has been around a long time. You all know the story of the early power looms, and of the

flint glass workers who fastened such a restrictive rule on the industry as to greatly speed the coming of automatic glass-blowing machinery. Some of the same "influence" is at work in the automobile industry, and indeed in almost any unionized industry you can name.

Let's agree that the union can influence management, and that it does. It uses plain economic force, or the threat of that force, to gain some management decisions which it otherwise would not get. I might add that management makes some good decisions all on its own, and sometimes has to work quite hard to find a way to let the union take credit for it!

But how about the other areas of management decision? Let's be realistic about it: Can you imagine the sales, advertising, financial, or plant-building men using the union attitude as a guidepost? I can't. Nor can I imagine the design engineers, for example, calling a halt to their work on the drawing boards and in the test rooms to ask: "Wait a minute—what is the union going to think about this?"

I *can* imagine—and really don't have to use my imagination much—a meeting of the management policy committee where the question is one of continuing to run a division of the company which has been showing consistent losses despite all that can be done. Not long ago I was talking with a manufacturer about this very problem. "Frank," he said to me, "I'll tell you in confidence, although I don't want it published, that we are not able to continue in the automotive parts field. We have operations in other places which are going to be expanded, but we are through in Detroit. Even if the union did not plaster us with another 'pattern' package, which they are pretty sure to do, they already have forced us up too high.

"We tried to stand our ground and show why we should have better treatment, but they wouldn't listen, and now it is too late to do anything about it. We told the union that we were forced to close down in Detroit, some months ago, and they told us to quit bluffing. Now we are running out the last of our remaining business and the bulk of our former orders has gone to competitors in other places."

That is the story of how a union can force management decision. For years the union forced that management to go along with a

pattern, paying no attention to warnings of the ultimate pay for the piper. Now it comes time to pay.

This sums up the case, so far as I can see. You may find an isolated case here and there where management called in the union to ask its opinion or approval of a financial or style change—I have heard that this happens in the ladies' dress industry now and then. But in metal-working manufacture, automobiles included, life is about the way I have described it.

I don't want to deny that the union has influence. It most certainly has—in fact, I am one who believes that it has far too much, in some cases, and it exercises its influence sometimes with a brutal disregard of logic and reason. But in the vast area of management decision outside the defined areas, the union has very little influence.

THE UAW'S INFLUENCE ON MANAGEMENT DECISIONS IN THE AUTOMOBILE INDUSTRY—AN OUTSIDER'S POINT OF VIEW*

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THE THESIS of this paper is that the United Automobile Workers Union has had a profound influence on automotive management decisions in the personnel field, but that the UAW has affected surprisingly little the decisions of management outside the personnel field. This thesis is based upon a study of management policies in the fields of personnel, pricing, sales, purchasing and production. After examining the union influences on management in these fields which is the factual basis for my thesis, I shall endeavor to determine whether the parts actually add up to a whole, or whether such a piecemeal approach distorts the total picture. Finally, I shall speculate on some of the implications of my conclusions and why they are probably not applicable to all industries.

Personnel

In the personnel field, the UAW exerts its greatest influence on management decisions and behavior. Here the union's influence is primary and direct, backed up by the legal power granted to the exclusive bargaining agent. The UAW does not control entrance to the industry, but it has helped to shape the character of the labor force by easing introduction of Negro workers in plants hitherto closed to them, and by seeing that conditions of employment for them are considerably more equated than might otherwise be the case. Likewise the equal pay provisions regardless of sex are a direct result of union pressure.

In the non-monetary aspects of working conditions—the shop rules or systems of industrial jurisprudence—UAW influence is most complete. Seniority, effective appeal to arbitration from the decisions of supervision and management, brakes on disciplinary measures, and the other rules and regulations of the collective agreements are union creations limiting and controlling the right of management to direct personnel. Moreover, the existence of the

* I am grateful to Professor Neil Chamberlain for penetrating criticisms of the first draft of this paper.

union-enforced collective agreement forces management to consider the union point of view before management acts in labor matters. Human relations in the automobile factory are, as a result, enormously different, and undoubtedly more pleasant for the worker in 1954 than they were twenty or thirty years ago. This may be the UAW'S greatest accomplishment.

The UAW has imposed upon the industry fringe items—vacations, holidays, health and welfare, pensions—which add up to anywhere from 10 to 20% of a company's wage cost. Perhaps these vestiges of the better life would have come without the UAW, but the fact is that they did not. Some, such as holidays, were taken in bargaining in lieu of wage increases. Others were first imposed by the War Labor Board during World War II. None of these fringe items were won before big unions in other industries obtained them. In all cases, however, it was the UAW pressure which put them into the contract. Today they are part of the social cost of doing business.

Now comes the UAW with the climactic fringe demand—the guaranteed annual wage. If the UAW succeeds in winning this demand it has the potentials of the most costly fringe item and the one most likely to affect all facets of a company's business.

Since 1948, wages in the automobile industry have been based on the General Motors contracts. The 1948 contract represented the considered decision of General Motors to get along with the UAW, which at that time was being hard-pressed, along with other CIO unions, by industry's decision to hold the wage line. GM broke industry's ranks to make a two-year contract, the predecessor of the famous five-year deal of 1950.

Although prime credit for the "social engineering" involved in these two contracts belongs to General Motors, the General Motors statement to the UAW preceding the 1948 agreement attributes its proposals to its desire to meet the economic problems of workers as "the union now and in the past has interpreted" them. Moreover, after the 1953 "livable" negotiations, the UAW influence on wage policies in the industry cannot be discounted.

Did money wages rise faster in the automobile industry because of collective bargaining than they would have without such bargaining? Many theoretical economists have expressed doubts that this is the case, and one has even stated that the UAW was "responsible for preventing the wages of . . . (its) members from

rising as much as they would in the absence of the union.”¹ This observation, and others similar to it, are based on poorly interpreted statistical comparisons of union and non-union wage statistics without an understanding of the pervasive influence on non-union wage rates of the big strikes and big bargains in the automobile industry. Actually, the General Motors settlements in 1947 and 1948 were considerably above the average up to the time that those agreements were reached.² It is likely that, if the Korean War and inflation had not intervened, the same could be said for the 1950 agreement, and I am certain that the “livable” document of 1953 fits into that pattern. One must agree with Professor Slichter that “It would be strange if the bargaining ability of unions were so specialized that unions were able to force employers to accept the deeply abominated union or closed shop, and yet not force them to pay somewhat higher money wages than they would otherwise pay.”³

In contrast to the union’s effect on money wages, the data on the union’s influence on the share of national income indicate, although not conclusively, that labor’s share is fairly constant over the years even in well-unionized industries such as automobile manufacturing. The many variables which enter into the computation of these figures render it exceedingly difficult, if not impossible, however, to draw any firm conclusions.⁴

This cursory review indicates, I believe, without serious question that UAW has had a profound influence on personnel policies in the industry. Let us now turn to the more controversial portion of my thesis—that the UAW’s influence on non-personnel decisions has had a relatively minor effect.

Prices and Competition

The post-World War II price history demonstrates that the higher money wages won by the UAW were generally followed by higher prices for automobiles. I should argue that the prices of

¹ Milton Friedman, in D. McC. Wright (ed.), *The Impact of the Labor Union*, (Harcourt, Brace, 1951), pp. 217-218.

² S. H. Slichter, “Do Wage Fixing Arrangements in the American Labor Market Have an Inflationary Bias,” *American Economic Review*, Papers and Proceedings, 1953, pp. 336-343.

³ *Ibid.*, p. 330.

⁴ For some brave attempts, see the addresses by Professors Clark Kerr, Harold Levinson, and Martin Bronfenbrenner, and the discussions by Professors John Troxell and Philip Taft in the *American Economic Review*, Papers and Proceedings, 1953, pp. 277-321.

automobiles are somewhat higher as a result of UAW wage pressure than they would have been without it.

On the other hand, these higher prices do not appear to have reduced the demand for automobiles because over a considerable price range, that demand appears inelastic. First the long pent-up demand for automobiles and then installment buying and high prosperity have kept automobiles moving off the assembly lines in unprecedented numbers since World War II. I also do not believe that the automobile of 1955 is priced any higher in relation to the economy of 1955 than were its predecessor models in 1935 or 1925 relative to the economies of those periods. I conclude therefore that, if the UAW has influenced money prices, it has not altered effective total demand.

The UAW and the Independents

But if the UAW has not significantly influenced total effective demand, has it altered the content and direction of that demand? Is, for example, the UAW the prime cause behind the recent mergers of the independents or the 1953-1954 sales nose-dive of Chrysler?

The Kaiser-UAW agreement covering the Willow Run plant was very unfavorable to a low cost production operation. Yet I do not believe that Kaiser could have survived with a much more favorable agreement. Even though he came into the industry at a most favorable time, he was never able to develop sufficient public confidence, a sufficiently complete dealers organization, or a sufficiently satisfactory source of raw materials in order to insure a permanent place in the industry. I would estimate that with or without a UAW agreement, he would have needed at least two to three more years of the type of sellers market which existed in 1947-48 to have had a good chance of permanent survival.

After Kaiser merged with Willys and moved to Toledo, the UAW negotiated a "readjustment" of its incentive plans at Willys in order to reduce labor costs of the company. A similar cut has been negotiated with Studebaker at South Bend. Both these agreements appear to be significant admissions on the part of the companies and the UAW that labor costs must be kept in line if the independents are to survive.

But whether the recent mergers should be attributed primarily to the squeeze of high labor costs is another matter. It should be

kept firmly in mind that the automobile industry is the perfect example of an industry with economies of large scale production. The ability of the Big Three to reduce the unit costs of plant, equipment, tools, and other fixed costs by large scale production gives them a tremendous advantage. In addition, the bigger the production, the more the company can decentralize its assembly operations and effect great economies in freight rates and transportation. With size also comes the ability to afford more frequent model changes, larger dealer organizations, more costly advertising, and a host of other expenses with which the independents find it difficult to keep pace.

All these factors reduced the number of independent producers in the business to a handful before the UAW-CIO was born. The postwar sellers market and then the allocation of steel during the Korean War kept competition relatively static until 1953. In the meantime, the UAW had imposed on the industry a pattern of wage and fringe increases which generally were geared to the General Motors contract. The inability of the independents to spread these increased labor costs over the large number of units which the Big Three produce may well have hastened the day when the independents got into trouble.

On the other hand, I find it difficult to believe that, without UAW pattern increases, the independents could have long avoided their present attempts to survive by mergers. If, for example, the independents were able to cut prices substantially as a result of lower wages, the Big Three would surely be able to meet the price competition if necessary. But I doubt if it would be necessary because, for Nash or Studebaker to cut substantially into the market of Ford or Chevrolet, would probably require a price differential of a considerable magnitude. In view of the economies of large scale which Ford and Chevrolet enjoy, such a price differential is not likely to be gained even if the UAW were eliminated as a factor in the plants of the independents.

Big Three Competition

I also do not believe that the sales decline of Chrysler or the resurgence of Ford in 1954 can be attributed to UAW influence. Chrysler got caught with a well engineered car in a style conscious market, probably as a result of an unbalanced management organization in which engineering and financial personnel had an un-

balanced influence. This same lack of management organizational balance was probably also contributed to unstable labor relations at Chrysler.

Thus we may conclude the Chrysler's sales problem did not emanate from its labor relations problems, but that both developed from the same source—an unbalanced, loosely defined management organization.⁵

The most significant development in the industry today is Ford's fight for first. This has introduced an entirely new competitive factor in the industry, and paradoxically, greatly strengthened the power of the UAW-CIO to affect demand, for it means that the company which sells the most cars is very likely to be the company which remains strike free.

Most UAW-CIO contracts in the automobile industry permit strikes during the life of the contract on three issues: labor standards, rates for new jobs, and health and safety. In 1953, the UAW developed disputes over labor standards or new job rates at two key Ford parts plants. By striking these plants, the UAW shut down nearly all Ford assembly operations and cost Ford the production of 80,000 cars. It was when this strike was in progress that General Motors agreed to make the five year contract "livable."⁶

Competition among the giants of the automobile industry today makes them particularly vulnerable to strike action. Production officials anxious to continue the high rate of output, and financial officials equally anxious to continue the high rate of profit are likely to be willing to go far to avoid shutdowns. Therein lies the power of the UAW to exert a greater influence on management decisions in the future and to significantly alter the direction of demand as long as the demand for automobiles remains strong enough for Ford or General Motors to sell all they can produce.

By holding that the relative competitive positions in the industry have not been significantly altered by UAW influence on man-

⁵ It is interesting to note that the full effects of Chrysler's organizational difficulties—*i.e.* the sales dip of 1954—were felt after a new Chrysler management had begun the job of rebuilding, realigning and tightening its organization. Chrysler's recouping efforts this year should be greatly aided by the significant improvements in the management organizational structure which are already underway there.

⁶ Actually the GM agreement has been modified 22 times since it was signed in 1950. However, only one, the 19th modification was a matter of unilateral pressure, the remaining being mutual amendments to care for unforeseen situations which arose since 1950.

agement decisions, I have, in effect, rejected the view that the 1950 UAW-GM agreement was critical for GM's billion dollar expansion. Of course any factor contributing to the stability of labor relations will have a healthy influence on the propensity to invest. On the other hand, the management organization at General Motors was in 1950 sufficiently competent and self-confident to feel that it could work out its labor problems. GM pushed expansion because it felt the market was there. The five year agreement was helpful, but not required for the expansion. Industrialists tend to act primarily on the basis of market and profit potential, not on the prospects for labor peace which is just one aspect of the total business situation.

Other UAW attempts to influence demand were directed to sales policies. In the 1941 agreement, the union label was made available to Ford, but the termination of automobile production because of the war soon followed. At the end of the war, any car could be sold, with or without any labels of any kind. By the time that the sellers market ended, the UAW had achieved union security at all the producers and was in no position to push one brand as against another. The union label has thus never been a sales factor.

The recent attempts of the Willys local to stimulate sales by taking over a sales agency and that of the Studebaker local to do likewise by apparently enforcing brand preference as a membership requirement are interesting examples of the type of labor-management cooperation which occurs when loss of business threatens the jobs of union members. It is doubtful, however, whether such activities can significantly alter the demand for the product.

Production

One would expect that next to personnel, the most effective UAW influence on management decisions would be exerted on production. I believe this is the case. But I also have found that the net effect of union influence in production is not to alter management's decisions, but to encourage management to arrive at the same decision in a somewhat different manner.

Production Rates and Schedules

There is general agreement in the industry that the UAW has slowed down the assembly lines from the pre-union days. It is also true, I believe, that the general pace in the industry is more lei-

surely for the worker than it was before the UAW became a factor to be reckoned with. It is further likely that seniority rules which tend to promote the oldest worker in point of service, rather than the most efficient, tend to reduce the propensity of workers to hustle in order to get ahead.

One might conclude from these observations that the UAW has significantly altered the rate of output. Such a statement might have been correct were it not for the fact that technological advancement has taken up the slack. The assembly line of 1954 is quite different from its predecessor of 1935. Technological improvements have permitted industry to increase output without a speed-up, and indeed despite an alleged slackening of labor's effort. The industrial engineers have proved an effective answer to labor's demand for a more humane rate of production. Today we are getting the output which a reasonable management can demand at a pace which is more leisurely than in the past. Just as the UAW has affected prices without significantly altering demand, so it has affected the rate of production without significantly affecting output.

Methods of scheduling production are much improved over pre-union days. Penalty overtime, call-in pay and other shop rules have effected the change. The result is a more efficient utilization of manpower and a greater regard for human considerations in scheduling, but no drastic changes in the basic science of coordinating men and materials to produce a car.

Contracting Out Work

The UAW has made several attempts to alter Ford's announced policy of reducing its large construction and maintenance force by turnover and transfers and of contracting out more work. At Chrysler and General Motors also the issue has come up a number of times, but the companies have opposed making any commitments because of the special skills and the special equipment which are often required in maintenance and construction. Direct action by some of the Chrysler locals has, however, allegedly resulted in some commitments not to contract out except under certain conditions, but the evidence as to the extent of such commitments is not clear.

The most successful UAW-CIO endeavor in this regard was its agreement with Kaiser Willow Run Local 142, whereby Kaiser agreed not to contract out work without the approval of a joint

committee upon which the UAW was equally represented with management. This agreement is, of course, no longer in effect since Kaiser is no longer at Willow Run.

Automation

The coiner of the word "automation" may some day best be remembered as the man who turned technology over to the public relations men. The literature on the subject is being overdone when it begins to discuss robot factories and manless plants. At the risk of being coupled with the gentleman who made that remark about the horse, I nevertheless want to go on record as believing that the worker is here to stay.

What we do have, however, today is a resurgence of labor's interest in technological advance, and the benefits therefrom as a result of the adaption of long known labor saving principles particularly to materials handling functions and to industrial divisions, e.g., foundries, which had lagged behind other operations in the substitution of machines for men. There is general agreement among managements in the industry that high wage and fringe costs imposed by the UAW combined with the fierce competition makes further technological progress both necessary and inevitable.

The 1950 UAW-General Motors agreement, which set the pattern for the industry states:

"The annual improvement factor provided herein recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress. It further recognizes the principle that to produce more with the same amount of human effort is a sound economic and social objective."

Although the international union is thus on record as encouraging technological advancement, some locals have attempted to obstruct improvements by demanding an especially high wage to work on them (See Arbitration No. 14459, Ford Local 600). It now appears that as part of its guaranteed wage drive, the UAW is not only dissatisfied with an annual increment of 5 cents as labor's share of technological progress, but wants to control the rate and timing of new technology as well (See *United Automobile Worker*,

December 1954). As of now, however, union policy has not had that controlling influence.

Plant Location

As before the rise of the UAW, freight rates, availability of raw materials and labor, and closeness to markets appear to be the prime considerations which determine plant locations. Pressed for space at River Rouge, Ford located a new forge plant in Canton, Ohio, which is the center of the forging industry and where there were steel, labor, and buildings available. Ford also established additional stamping capacity at Buffalo, again where steel and labor were readily available, but in the greater Detroit area, Ford also built its new Mercury plant, a new transmission plant, is building its new Lincoln Continental plant (near Dearborn) and has added to its Ypsilanti facilities.

The General Motors situation is similar. Batteries are heavy and expensive to transport; so GM located a new battery plant in California in order to serve its assembly plants out there. To get closer to raw materials, GM has located one plant adjacent to a steel mill and another to an aluminum mill. But most of GM's billion dollar expansion has been in Flint, Michigan, where there was the largest concentration of General Motors' employees even before the expansion.

There is no decentralization plan to run away from the union. Excessive decentralization is not economically feasible, even if it were desirable.

Labor-Management Cooperation

Neither Ford, General Motors nor Chrysler has ever permitted the development of labor-management committees to discuss production problems or to suggest methods of improving production or operations. The independents have been much more willing to engage in such activities, but the actual effect of such union participation on actual policy decisions is certainly not great.

Finance and Purchasing

As yet there has been no discernible direct UAW influence on company financial policies. Of course, it is quite likely that a serious strike or a series of labor difficulties has in the past affected the ability of a company to pay dividends or has affected the timing of a stock issue or the flotation of bonds. It is also quite possible

that certain company decisions as to whether to yield or settle with the UAW have been determined in the past by financial considerations of one type or another. Beyond this, however, there is little evidence of UAW influence in this field.

In the current demands, however, the UAW wants to have a voice in the actual handling of the pension fund, and in the event it obtains some sort of an annual wage guarantee, a like voice in the policies of the reserve fund which it wants to get set up under that program. Both the pension fund and the contemplated annual wage reserve fund involve operations that are peripheral to the principal financial operations of companies, but the operators of both funds in effect would determine how much of a company's general reserves would be transferred to these special funds.

The UAW as a matter of policy does not attempt to influence purchasing or procurement by the automobile companies. There have been a few attempts by local unions to induce one of the Big Three companies to cease giving orders to parts concerns with which the UAW was having a dispute, but these attempts have never been pressed.

Concluding Remarks

I have examined the principal areas of management and found that, outside of the personnel field, UAW influence has probably not altered basic managerial decisions in the automobile industry. Would the conclusion be different if management is examined as a whole instead of by segments?

This possibility must always be recognized. Corporations are run by people who, like all of us, are affected by the social setting in which they live. Twenty years of living with a union, like the UAW, must leave its imprint. The UAW and other unions have certainly changed management's thinking over the years. High in management councils are the industrial relations executives whose job it is to understand and interpret union views, as well as to counteract them. Twenty years ago even such understanding and interpretation would have been considered very radical, but today it is merely good management.

The existence of a union is a constant challenge to management. The influence of the UAW in sharpening and influencing the management organization and hence its decisions may therefore have been understated in the foregoing paragraphs. Changes in cor-

porate thinking and policy are likely to be slow and subtle, and quite imperceptible. It is therefore possible that significant changes have occurred which neither labor, management nor an "outsider" could readily distinguish.

Economics Decisive

I do not, however, believe that this is the case, for I believe that the decisive considerations in the automobile industry are economic and center in the advantages which accrue to the largest producers by virtue of their ability to spread their costs.

The relatively inelastic demand for automobiles is another significant characteristic for the industry. Moreover, because of the importance of the secondhand car market in the total demand picture, the demand for products of the Big Three is much more inelastic than that of the independents. If demand shifts, it generally goes from the independents to the Big Three, or from one of the Big Three to another. Only in an overwhelming sellers market have the independents gained a larger share of the market, and that appears not to have been a permanent gain.

The economies of large scale also permit the Big Three to build up sufficient resources to withstand serious mistakes and poor years, whereas a similar slump can put an independent out of business or induce a merger.

This was the pattern in the industry before the UAW was born, and it remains the pattern after twenty years of UAW activity. The UAW has effected changes, and altered ways of thinking, but the basic decisions are made by managements and controlled by the economics of the industry.

Application of Conclusions

These conclusions obviously do not have general application. What is true about the automobile industry is not necessarily elsewhere applicable. It would be quite erroneous to assume that unions in other industries have similarly affected managerial decisions unless the same basic economics are controlling. Where, for example, there are few economies of large scale and the product demand is quite elastic, the situation might be expected to be quite different.

If, however, my conclusions are valid for the automobile industry, then they may apply also to industries with similar char-

acteristics—steel, rubber, aluminum, flat glass, heavy machinery, appliances, etc. If so, the implications could be of great interest.

For example, these industries are all featured by pattern bargaining. Many economists and not a few industrialists regard such bargaining as at best unfortunate. Yet is it not this pattern bargaining which has kept the basic products of our economy in a relative price equilibrium and thus reduced union influence on effective demand?

All the unions in these industries, together or singly, have at one time or another been stigmatized as monopolies. According to one writer: "The union is a monopoly because it can and does raise the price of labor to levels which will in a competitive price system inevitably cause waste, unemployment, inflation or all combined."⁷ Actually, such reasoning assumes that a strong union comes in and upsets a purely competitive equilibrium which leaves demand reasonably unaffected. What therefore the UAW would do because of its effect on the price of labor in the never, never land of pure competition is neither relevant nor correct in the fierce competition of our oligopolistic reality.

If the UAW does not have a significant influence on management policies outside of the personnel field, is management tilting with windmills when it fights to defend its prerogatives? To some extent that may be the case. But just as the union security issue has a slogan value to the UAW, so the fight over managerial prerogatives keeps the management organization morale high. In the automobile industry, the situation appears to be a draw: the UAW has union security and the management organizations have their prerogatives. If the latter are a little dented and diluted, the fact remains that they appear to be intact. The UAW is still just a challenger.

Perhaps the most significant conclusion of this analysis is the additional verification of the compatibility of trade unionism with the free enterprise system, and of the ability of management to operate a business on basic economic foundations and still live amicably with a strong union. Those who feel that trade unionism is sounding the death knell of our system overestimate the ability of unions to combat basic economics and underestimate the ability of American management to roll with the punch.

⁷C. E. Lindblom, *Unions and Capitalism* (Yale University Press, 1949), p. 22.

Finally, my analysis raises doubts that the UAW can influence basic decisions in the industry to the extent it predicts it will if it gains the annual wage. For even an annual wage cannot alter the hard economic facts with which automobile management has been so successfully contending all these years.

Part III

**THE LABOR MOVEMENTS IN
THE MODERN WORLD**

THE LABOR MOVEMENT AND ECONOMIC DEVELOPMENT IN JAPAN

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OVER NINE YEARS have passed since the White House issued its directive for occupied Japan that "encouragement shall be given and favor shown to the development of organizations in labor, industry, and agriculture, organized on a democratic basis."¹ Japanese labor was easily encouraged. By 1949, starting from zero, the largest labor movement in Asia had been created. Today, while slightly less than the high point reached five years ago, membership is close to six million, or about 40 per cent of all non-agricultural employees.²

An adequate interpretation of the role that the labor movement has come to play in post-war Japan requires more space than allotted here. Accordingly, what I shall say will suffer from oversimplification, omissions and unnoted exceptions, and is likely to raise unanswerable questions. No doubt the same would obtain even with more leeway. A nation of 89 million population (and growing rapidly), jammed into a highly mountainous territory not much larger than Michigan, Ohio, and Indiana, and possessing fewer natural resources, is bound to be complicated; and so is its labor movement, especially one that is young, inexperienced, and overgrown for its age.

I shall, however, attempt to portray the place of organized labor in the Japanese economy by drawing attention to three closely related topics: 1) the division of political and economic functions, with some special emphasis on the emergence of the political, 2) the course and significance of political action in the movement, and 3) the persistence of the prevalent type of labor organization commonly known as "enterprise" unionism. By treating these I would hope not only to delineate the basic nature of

¹ Contained in "United States Post-Surrender Policy for Japan," September 22, 1945.

² In comparison, the highest prewar figures were 7.9 per cent in 1931 and 420,000 members in 1936.

the movement but also to indicate the direction in which it may be headed.

Division of Political and Economic Functions

The Japanese labor movement at present embraces some 30,000 unions, of which 90 per cent are enterprise-wide organizations.³ These unions have tended to federate into national industry-wide unions, of which there are about 100, although a substantial proportion has always been unaffiliated or has affiliated only temporarily. In some instances, there are also regional federations which follow either industrial or general lines. In turn, national unions have formed general federations, but no single general federation has yet succeeded in embracing more than about half of the movement. Between 1945 and 1949, there were two competing federations, the communist-dominated *Sanbetsu* and socialist *Sodomei*; from 1949 to last March, only one of real significance, *Sohyo*, which at first was politically neutral and later allied mainly with the Left Socialists; since March, again two, *Sohyo* and the Right Socialist *Zenro*. In addition, there have usually been a few minor ones.⁴ In some cases, enterprise units have affiliated directly with a general federation, without affiliating with a national union. In others, they have affiliated with a national union without consenting to affiliate with a federation the national joins, or have affiliated with a federation their nationals have not joined.

One salient feature stands out from this organizational patchwork. In general, the federations and national unions almost exclusively plan and direct programs of political action; while the enterprise units, with some notable exceptions such as the national seamen's and textile workers' unions, are in firm control of the economic dealings with management. This functional division often gives the impression that not one labor movement exists in Japan, but two: at the top, a political organization with scattered supporters within the component parts of the union structure; at the bottom, a struggling trade unionism with few leaders at the upper

³ The remainder are craft unions, industrial unions covering more than one enterprise, and general labor unions.

⁴ *Sodomei* and *Sanbetsu* continued in splinter form after 1949. At present the communist-led *Sanbetsu* remnant has about 12,000 members, while *Sodomei*, as a federation within a federation, has become a part of the new *Zenro*. Also, there is the Left-Socialist *Shinsanbetsu*, with about 40,000 members, which broke off from *Sanbetsu* in 1949, joined *Sohyo*, and seceded from *Sohyo* in 1952.

levels.⁵ Often, too, the impression is gained that Japanese unionism has to choose between either, on the one hand, a political movement, largely of the extreme left-wing variety, or, on the other, the likelihood of management domination.

Both observations, while containing elements of truth, do not wholly capture the essence of the Japanese labor movement. The chief reason for the functional division appears to lie in the factors basically responsible for the enterprise-wide union as it has developed until now. This point will be made clearer in the discussion of my third topic. However, here I should point out that division of functions between the enterprise units and the national and federation organizations⁶ does not necessarily make them incompatible within a labor movement having these dual functions, even though invasion of one functional domain by the other (usually in the form of attempts by the nationals and federations to control bargaining at the enterprise level for political purposes) has occasioned frequent splits and defections. The division itself has not been deliberate.

Before turning to the nature and consequences of this functional division, it is appropriate to cite some of the factors that tend toward a heavy emphasis within the Japanese movement upon the political function:

First, along with other social reforms of the Occupation, politically, the purpose of labor organization has been not only to prevent groups that formerly held power from regaining government control, but also to aid in shaping a new power configuration based on a democratic model. One of the issues that has gripped the labor movement is the degree of responsibility it has for achieving this goal.

Second, the heritage of labor leadership in Japan is social reform and revolutionary ideology.⁷ The post-war organizers were

⁵ The former condition appears truer of *Sohyo*, which embraces about half of organized labor and most of the major national unions, including a million and a half government and government-enterprise workers; the latter, of *Zenro*, which is about one-third of *Sohyo's* size and is concentrated almost entirely in private industry.

⁶ I have lumped the national unions together with the federations because their principal function has been political and as such have tended to serve more as branches of their respective federations rather than representatives of their affiliates' interests within the federation.

⁷ For a review of the pre-war development, see Eitaro Kishimoto, "A Short History of the Labor Movements in Japan," *Kyoto University Economic Review*, Vol. XXI, Number 1 (April 1951), pp. 39-56.

the thousands of political prisoners released from jail by the Occupation. They were largely intellectuals with little practical trade union experience; espousal of Leninism, non-Marxist socialism, anarco-syndicalism, etc., had been their main pre-war activity. Not only were they dedicated to making Occupation reforms stick, but also their immediate aim was the creation of a socialist society. While few leaders today would confess to holding Communist Party cards, almost none would profess not to be ardent socialists of the left, right, or center.

Third, there is little question in the minds of most Japanese that control of central government policy is key to Japan's economic viability. Historically, this has been the case: the early Meiji government plans to stave off Western colonialism by industrial development; the encouragement of cartelization; the great economic expansion of the First World War; the deliberate shift from light to heavy industry following the Manchurian incident; totalitarian control of the Chinese and Pacific War; economic reconstruction under centralized Occupation controls; and the present government-sponsored austerity effort to overcome Japan's severe foreign trade deficit, reduce dependence on American aid, and undertake self-defense. Under such conditions of state fostered capitalism, it is imperative for any group desiring to play an influential role either to wrest control of or at least participate in central government policy making.⁸ Private collective bargaining alone is not likely to produce satisfactory results for labor groups.⁹

Fourth, post-war unionization was accompanied by the institution of new channels for participation in the governmental process, especially political parties. With virtually the same people organizing the new unions and the new parties, any distinction between the two was largely indiscernible. Unions provided organizational machinery which the parties had yet to develop, and, as long as they were conveniently at hand in such large numbers, politicians

⁸ For example, a crucial moment for such attempts arrived with the end of the Occupation in 1952, creating a partial vacuum in central government control.

⁹ Also, government has already preempted an area of collective bargaining which in other countries served to constitute a large part of the labor movement's struggle. Here, I refer to the large body of protective legislation enacted on Occupation suggestion to bring Japan abreast of the most advanced industrial democracies.

had little need to develop separate machinery. With party splits and personal rivalries, moreover, even heavier reliance was placed on unions.

Fifth, restrictions upon bargaining and strike rights of government workers have led their unions to intensify political movement as a means of compensating for the limitations upon economic action. These restrictions were imposed by the Occupation, and continued by the government, beginning in 1947.

Lastly, the functional division itself has intensified political movement. That the enterprise unions carefully guard their collective bargaining function rather than delegate it to national unions and federations probably has contributed to the latter's preoccupation with political activity.

The Course and Significance of Political Action

The tendency toward a major emphasis on political movement is best illustrated by *Sohyo's* development since its inception in 1949, when, following the virtual dissolution by the Occupation of communist-led *Sanbetsu* and the splintering of the socialist *Sodomei*, it was established with Occupation blessing for the purpose of producing a single all-embracing federation devoted to relatively pure trade unionism.¹⁰ The major aims were promotion of collective bargaining, cleaning out communist elements, and affiliation with the ICFTU. Contributing to a widespread resolve to form a non-political organization were Occupation labor directives, trade union law amendments, the "red purge," economic stabilization under the American-sponsored Dodge plan, and the Socialists' ineffectiveness in heading the government. Unions previously politically neutral and *Sanbetsu* unions cleansed of radical leadership now found common ground to join together.

However, within two years, heavy emphasis on politicalism reemerged. The stimulants were issues of the Peace Treaty, rearmament, American military bases, and Japan's part in the East-West struggle. The Korean War, by involving Japan as a supply base for U. N. forces, heightened the tendency, especially as inflation recommenced and the very large firms became prin-

¹⁰ For a fuller treatment of this development, see Solomon B. Levine, "Prospects of Japanese Labor," *University of Illinois Bulletin*, Institute of Labor and Industrial Relations, Reprint Series No. 28, reprinted from the *Far Eastern Survey*, May and July, 1954.

cial beneficiaries of American spending. Post-Korean readjustments, including the government's recently initiated austerity program, brought further pressure, as Japan's thousands of small enterprises were affected adversely and unemployment and wage cuts threatened wage earners.

Nonetheless, the response of the workers and their enterprise unions has not appeared commensurate with the national leaders' vociferous calls for political action. So far, they can claim few political achievements directly attributable to the effort expended.¹¹ Rather, the opposition has responded with further curtailment of union activity.

The recent ineffectiveness of politicalism in the Japanese labor movement may be explained on several grounds. First, political action has been contained by government policy, beginning with reversal of Occupation attitude after the general strike threat of early 1947. This was accompanied by the restoration of employer status in industrial relations. Official approval of unionization changed rapidly to uncertainty, dampening the ardor of many in the labor movement. Second, the "red purge," revisions of the Trade Union Law and Labor Relations Adjustment Law, and enactment of restrictions upon government workers' union activities eliminated or pushed into the background vocal political leadership in the movement. Such leaders were shorn of the authority which some rank-and-filers would have blindly followed. Third, ideological splits among the leaders, related principally to Japan's role in the Cold War,¹² created ambivalence and confusion among organized workers, which were enhanced both by personal rivalry and differing degrees of disillusionment over American aims toward Japan. Fourth, tactical differences have tended to spread political efforts thinly. For example, *Sohyo* leaders disagree over

¹¹ Without going into the detail, the prominent failures have been the nation-wide walkouts in the summer of 1952 opposing anti-strike and anti-subversive measures proposed by the government, the prolonged coal and electric strikes of the fall of 1952, the stoppages in the spring of 1953 to protest passage of strike restrictions in these industries, and the inability to unseat the government in the general elections of 1952 and 1953. Characteristic of each of these attempts to overturn the Yoshida government was lack of coordination and the breaking of union ranks, despite careful planning.

¹² For fuller treatment of the nature of these splits, see David J. Saposs, "The Split Between Asian and Western Socialism," *Foreign Affairs Quarterly*, July, 1954.

what elements of the population to appeal to and organize for political purposes.¹³ Finally, it is likely that inclination to engage in political action is still either at a low level among many organized workers or is secondary to other social and economic preoccupations. Even though awareness of the importance of government action is widespread, political and ideological appeal faces stiff competition within the "web" of Japanese culture. This point underlies in part the strong adherence to and persistence of enterprise unionism.

Thus, while a substantial basis for labor movement thrusts into the political area exists, immediate achievement of far reaching results does not appear likely on the above grounds alone. As I shall point out, the nature of enterprise unionism further undercuts the effectiveness of political movement. However, it may be said that the attempts made have served to engage workers' attention to political matters.

Persistence of Enterprise Unionism

If the political function has had broadscale but weak application, the economic to the contrary has been narrow and more effective. This brings me to enterprise unionism. Except for the formal ties that it has with a national union and federation, the enterprise union resembles an independent company-wide union. As such, locus of power in the Japanese labor movement is spread largely throughout the enterprise level, although authority at times

¹³ The extreme leftist Takano "Peace Force" faction, which controls *Sohyo* machinery, stresses action on a united front, not unlike the Communists, to include farmers, unorganized workers, small businessmen, housewives, students, intellectuals, and so forth. The right, or Ota "Third Force," wing which is in the mainstream of the Left Socialist Party, prefers to focus efforts only on the union membership. In this respect, incidentally, the Ota group resembles more closely the Right Socialist union leadership of *Zenro*. Concerned over the deleterious effects of the division upon their relative political effectiveness, after waging a bitter contest for control of *Sohyo* at its most recent convention last July (in which the Takano group remained in control by a slight margin), the two groups attempted to display unity by declaring that the federation would support all parties of the left except the Communists. However, it was quite obvious at the time that the pronouncement, which was vague and open-ended, would permit the controlling faction to pursue any policy it deemed appropriate. Undoubtedly, the split will continue and come into the open again, as the Takano action policy becomes clear. In the meantime, the differing appeals to the workers are likely to diffuse any support they may give.

is given to the nationals on an *ad hoc* basis.¹⁴ For reasons I shall point out presently, this appears to be a persistent situation.

Enterprise unionism, as a basis for the Japanese labor movement, was not readily apparent during the growth period 1945-1949. Weakness in central organization then was primarily attributed to lack of time and experience. In fact, despite the various ideological divisions, many factors contributed to a seeming rapid development of centralized power on a broad national scale. The phenomenal response to the call for unionization was in part obedience to a new supreme authority, in part generally felt relief from police controls. Even more, it reflected the need for coordinated effort to rehabilitate production facilities to ward off mass starvation, especially with management in disrepute. As the new political parties of the left rushed in to organize unions, centralism appeared likely. The appearance was fortified by syndicalist behavior as many unions virtually took over traditional management functions.¹⁵

However, unionism on an enterprise basis was related to "enterprise consciousness" rather than initial Occupation encouragement to build national unions on the CIO model. The chief focus of workers' interest in joining unions was on securing attachment to an enterprise that could expect to be resurrected. Other factors undoubtedly sharpened this focus: the characteristic Japanese sense of conformity; ready acceptance of paternalism; and previous experience with enterprise-wide patriotic associations. The result was an all-inclusive organization, embracing most elements in the enterprise which could lay claim to permanent attachment. Unions of production workers only were, and still are for that matter, relatively few. The rampant inflation that continued into 1949 strengthened this outcome as all regular employees shared

¹⁴ Typically, national unions have few of the usual means for controlling affiliates: the share of per capita dues is low; strike and organizing funds, meager; strike sanctions, infrequent; contract approval, seldom required; national union services for collective bargaining, not widely utilized; and so forth. Economically, the national appears to serve principally as a meeting ground for enterprise unions to discuss mutual problems and to provide mutual aid in crisis situations. Usually, it is organized to prevent national officer encroachment upon enterprise autonomy and the sacrifice of interests of any one enterprise union to the others.

¹⁵ Seen, for example, in widespread use of right-to-work provisions, union control of personnel administration, and so-called "production-control" incidents.

the common interest of maintaining incomes abreast of the cost of living. With the white collar intellectuals frequently assuming leadership at the enterprise level, the mass response, which was fundamentally enterprise-oriented, received a stamp of social reform and revolution.

The essential nature of enterprise unionism emerged clearly only after the economy was stabilized in 1949, political shouting momentarily died with the "red purge," legality of union membership was revised to exclude management personnel, and the Occupation abandoned its primary emphasis on social reform. The difficulties of establishing horizontalism and centers of unified power within the movement were now more clearly due to basic institutional reasons lying in the nature of the industrial structure, the product market, and the labor market. Enterprise unionism appears to be the resultant primarily of these factors.

To begin with, unionism is concentrated almost wholly among the relatively large operations, principally of the government and *ex-zaibatsu* cartels. Only minor inroads have been made into the millions of small enterprises, which employ half the non-agricultural wage earners. This is somewhat surprising in view of the enormous encouragement to unionization and almost complete lack of initial management resistance. However, only the large units have workers concentrated in appreciable numbers and likely to be conscious of their wage-earner status; while the small enterprises tend to be economically unstable and are usually family-type cottage industries, whose members are often mainly engaged in farming. The small firms, moreover, have not constituted suitable terrain for craft unionism, one base upon which horizontal organization could develop, largely because distinguishable craft lines do not readily exist. Most enterprises possess distinct technologies and special hierarchies of worker status.

That union organization follows the enterprise, not the industry, is partly a product-market phenomenon. As pointed out earlier, Japanese industrial development has been a highly planned affair. No era of bourgeois liberal capitalism was experienced. Also, in the drive to lift Japan's standard of living and military strength, large scale industrialization was, and still is, directly dependent upon foreign sources of raw materials and export markets. Thus, each larger unit has required careful planning and articulation within the economic structure; each was likely to be

monopolistic. Large industries without trade abroad, such as coal mining and electric power, were dovetailed with the overseas-oriented operations. Despite Occupation efforts to decentralize ownership, the units that had been created in this manner still constitute the strategic points in the Japanese economy. In other words, in Japanese industrial development highly specialized units were fostered, each to meet a more-or-less distinctive requirement, and, in this sense, industries are "artificial" entities. Accordingly, immediate economic interests of organized workers more closely depend upon the enterprise, not the industry. Unionists see little advantage in industrial organization for economic purposes, although they give considerable lip service to the idea. (On the other hand, for political purposes, national industrial unions are no doubt more effective.)

The second basic factor accounting for enterprise unionism is the historical development of the labor market. Despite Occupation sponsorship of a wide public employment exchange network and abolishment of the "labor boss" system, manorial labor markets, to borrow Clark Kerr's term, are still prevalent.¹⁶ With heavy population pressure, especially since the War, entry into established enterprises is extremely difficult. However, once a worker does become a permanent employee, he usually is assured of this status for the rest of his working life. Workers with temporary status¹⁷ have dismal prospects: spasmodic employment, often with one enterprise only; return to the family farm as marginal contributors to family subsistence; or take their chances among the plethora of small and unstable firms.¹⁸

The enterprise union's typical reaction to this situation is to protect, as its principal function, the members' permanent attachment to the enterprise. While the enterprise union's economic activity varies depending upon general business conditions, financial state of the enterprise, and management labor policies, this key problem basically holds together the diverse elements in the

¹⁶ The horizontal markets that do exist usually apply to the lowest tiers of jobs in the workers' status hierarchy (tied more to ages than job) in any given enterprise. These would include the temporary jobs as a rule.

¹⁷ Some estimates place as many as one-third of the non-agricultural wage earners in this category, which expands and contracts as agricultural and unpaid family workers enter or leave the labor market.

¹⁸ Wage differences between workers in large and small enterprises not only are substantial, but also increasing.

union.¹⁹ An alternative, which many of the enterprise unions adopt, is to emphasize mutual benefit activities also. It is this behavior which has led to the impression that company domination is rife in Japan, for the aim of employment security in this case coincides with employer policy to promote enterprise loyalty.²⁰ Undoubtedly, under conditions of economic adversity, the unions could easily succumb to employer control. However, what appears to have developed is a type of autonomous unionism embracing a select group of workers of all types who utilize their organizations to obtain assurance of employment security in the economic operations best equipped to provide it. In this, enterprise unionism appears to have served effectively and represents a departure from pre-war institutions.

On the other hand, while the diversity of elements within the enterprise union invites appeals for political action as a means for achieving a broadscale movement, the narrowness of common interests blunts the effectiveness of the political function. Yet, upon the slim base of employment security in enterprise attachment may

¹⁹ An enterprise union usually does not attempt to organize temporary workers in the enterprise, who may comprise as much as a third or fourth of the normal workforce, since it does not desire to share employment and income opportunities of its members with the group that provides the buffer against layoff. Discharge of regular workers typically will evoke the loudest protests from the enterprise union. In fact, seniority systems as a rule are rejected because they admit the possibility of layoff. Beyond the job security issue, collective bargaining is fairly narrow. A usual demand is the union shop, but only for regular workers, which means in effect that all members of the union will be guaranteed permanent attachment to the enterprise rather than all workers hired will become union members. There are also many wage demands, especially during inflation, but because of the make-up of the union, they usually are broad and easy to administer: across-the-board, percentage increases in the total payroll, seasonal bonuses, lump sum payments, and wage minima. Wage structures and differentials receive little emphasis. Interest in securing written contracts and in contract administration is not high, either. Where there are contracts (probably only a little more than half the unions eligible to have agreements actually have them), they often merely confirm rights granted by law. Also, grievance procedures are rarely used, partly because of management failure to develop discernible lines of authority and responsibility, but partly because of the reluctance of enterprise unions to pursue individual worker problems which may conflict with the wide spread of interests in the unions. For similar and other reasons, strikes are relatively infrequent and of short duration, and the utilization of unfair labor practice proceedings provided by law is exceedingly small.

²⁰ Arrangements, such as management's continuing to pay the wages of full-time union officers, guaranteeing their jobs when they leave these posts, providing office and housing facilities for the union functionaries, also are cited as evidence of employer domination. However undesirable such practices may be for American unionism, in the Japanese context of financial stringency they are more likely to be evidence of union security.

rest the evolution of a more horizontally and vertically organized movement which will achieve greater centralized unity for both economic and political functions. This possibility, however, must await developments in economic stability, industrial structure, foreign trade relations, labor market operations, and political institutions, which in any event would come but slowly. In the meantime, experimentation with the present functional division will probably continue for some time to come, as enterprise unions discover the dimensions in which they can successfully operate and national unions and federations regroup to reflect growing political sentiment among their constituents.

SOME REFLECTIONS ON ECONOMIC DEVELOPMENT IN MEXICO AND THE LABOR MOVEMENT

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Introduction and Summary

AMONG THE MANY interesting aspects of industrial relations in Mexico, as they affect economic development, I have selected two for a more detailed discussion:

1. the conspicuously large wage differentials from industry to industry while skill differentials are rather low, and
2. the tremendous emphasis given, by Mexican labor, to the problems of job maintenance and job security.

The two issues I have mentioned have an obvious connection: without the various protective barriers set up around a job and the job-holder, the maintenance of the existing large wage differentials would be difficult, if not impossible. Even in a country with as low an average mobility of labor as Mexico (in spite of the wetback migration), competition for jobs would be intense enough to reduce wage differentials considerably, if institutional devices—among them labor legislation and even more importantly, union policy—would not separate the labor force into many non-competitive groups. Yet there are special factors relating to point 2, some of which seem to me to have general validity beyond the geographic boundaries of Mexico.

I. The paucity of wage statistics in Mexico makes it difficult to produce more than suggestive evidence for the first proposition contained in this paper. Nevertheless, to the extent to which figures are available, they confirm the impression that the wage structure is characterized by exceedingly large wage differentials among different occupations as well as different industries. In order not to tire you with large columns of figures, I shall merely quote some summary surveys. Thus daily earnings for various industries in 1949—the last year for which I was able to obtain a wide variety of figures—ranged from 3.01 pesos a day legal minimum wage for the Republic to an average of pesos 33.50 for oil-workers in *Petroleos Mexicanos*. In the *Henequen*—textile industry, average daily earnings were at the same time running below

9 pesos. Even within the narrow confines of manufacturing alone average daily earnings varied in 1949 between 7.74 pesos in the shoe industry and 16.80 in iron and steel. For agricultural wages we have figures for 1949 indicating a range from pesos 3.75 a day for coffee up to 5.89 in cotton.

These figures are industry-averages in which all kinds of differentials are combined so that the size of individual differentials cannot be easily singled out. But as they stand, they indicate to me that the wage structure as a whole has a very wide spread, with some groups forming a kind of—relatively speaking—workers' aristocracy. In this group are in particular the oilworkers and the railway men. Although the problem is most pronounced in these cases, they are not the most consequential.

This kind of wage structure is what we would expect to find in a country as diversified culturally and economically as Mexico. It is a common observation of all students of Mexico that the country belongs at the same moment to the stone age and the 20th century. In terms of economic productivity this means that output per man-day in both physical and value terms is tremendously varied according to whether we are dealing with an industry using contemporary capital equipment or with those activities that are still carried on with the technology of the Indio.¹

These phenomena, it seems to me, are likely to occur not only in Mexico, but to be rather of a universal nature in under-developed countries. Economic development—which in this context means the growth of the productivity of labor—is likely to be highly uneven. This holds true most probably in regional terms as well as in industry terms and frequently these two aspects coincide when different industries are located in different regions. Such uneven development will be reflected in a highly differentiated wage structure.

The main explanation for such diversity, it seems to me, is differences in the quantity and quality of capital equipment in different industries. (Of course other factors such as differences in the skill distribution of the labor force over different industries are also relevant. To some extent these latter differences may be related to differences in the nature of the capital equipment of the different industries as well.) From this follows an important policy

¹ On the point of differential rewards to factors I acknowledge an intellectual debt to Prof. Theodore W. Schultz of the University of Chicago with whom I had the privilege of engaging in a brief discussion on a related point.

question: what are the implications of either of two policies that may be pursued: that of concentrating the available scant resources of capital and skilled manpower on a narrow range of industries—or spreading them in such a way as to bring industries with low productivity up to the level of the more advanced industries?

An answer frequently given favors the policy of advances on a wide front. Thus, in a recent book, Professor Ragnar Nurkse has developed the case for what he calls “balanced growth.”² This case is based upon the law of the markets in combination with the diversity of human wants. “An increase in production over a wide range of consumables, so proportioned as to correspond with the pattern of consumers’ preferences, does create its own demand.” It is quite true that the external economies relating to a given volume of investment will be maximized only under certain conditions which are likely to be realized if investment is used to develop groups of industries rather than a single industry. This refers particularly to industries which either use factors produced by others in the group or produce complementary commodities. To this list should be added in a general way any measure which makes for higher incomes since they provide the demand necessary for an expansion of output which lessens unit cost.

In all probability this will imply a diversification of economic activities. But this need not mean anything approaching an attempt to arrange production so as to “correspond with the pattern of consumers’ preferences” nor does it imply, as the report of a group of United Nations experts put it, that “progress must be made on all fronts simultaneously and in a balanced way.”³ Indeed, these prescriptions, if taken literally, would end in autarchy and futility.

In most cases—most probably in Mexico—capital thus diffusely employed would have small effects in terms of each individual output variation—though the aggregate effect might be quite substantial. In this way the dynamic impetus would be lost, which a more concentrated use of the limited resources might produce. Since

² Nurkse, Ragnar, *Problems of Capital Formation in Under-developed Countries*, Basil Blackwell, Oxford, 1953, esp. pp. 11, 12.

³ United Nations, *Measures for the Economic Development of Under-Developed Countries*, New York, 1951. The reference to “progress—on all fronts simultaneously” occurs twice in the report; on p. 49, it appears in a context which seems to indicate that though true, the principle may not be too relevant; on p. 50, however, the same reference occurs without any qualification.

economic development is supposed to be a cumulative process, a more concentrated use of investment might have greater long-run effects.

This argument may be expected to apply even more strongly to the early stages of economic growth or the take-off period itself. As has been pointed out ⁴ a relatively modest capital injection at the take-off period may be sufficient to start the cumulative growth process of the economy. However, such an effect is unlikely to occur unless there is a sufficient concentration of investment on an industry or better still a combination of economic activities.

II. Economic development is, moreover, not simply an economic phenomenon. As the history of Mexico and of Mexican labor exemplifies, other factors than those usually accepted as economic are highly relevant as well. Among them one of the most conspicuous and I believe most consequential is the relationship—social, cultural and political—between the most advanced and the most productive parts of the economy and their most primitive and least productive hinterland. This problem has its reflections in the labor movement. I can only briefly touch on this topic which I believe is of fundamental importance for Mexico and Latin America as a whole and I suspect in a number of other areas.

The great differences of productivity and income among occupations and industries are expressed also in exceedingly large regional differences of living standards and culture—corresponding to some extent to the economic nature of the region—in differences between towns and country-side and particularly between one or two metropolitan areas and the rest of the country. This is obviously a large topic in itself and I shall deal with it in a highly summary fashion.

A good case can be made out, I believe, in favor of the thesis that uneven rates of economic growth may have a stimulating effect upon the laggard parts of the economy. It is frequently out of the tension between advanced and backward sectors that the forces arise which make for more rapid advance in the latter. This may very well be regarded as just a special case of a more general law—namely, that diversity rather than uniformity creates conditions favorable for growth.

⁴ Cf. among others H. W. Singer in the discussion on "Growth in Under-Developed Countries," *American Economic Review, Supplement*, Vol. XLII, No. 2, May 1952.

Moreover, without some degree of unevenness it may prove impossible to obtain the psychological effects indispensable for rapid economic development. A relative concentration of effort will produce visible results that justify, in the eyes of the nation, the sacrifices which rapid economic growth is bound to impose upon the people. This may also make it possible to offer free unions some successes which they will need in order to compete successfully with totalitarian movements, in the struggle for control of labor.

However, when the "distance" between the advanced and backward sectors of the economy becomes too large, this may well prove a major impediment for the advance of both sectors. Such tremendous differences create a situation in which competition is or appears hopeless for the backward sectors of the economy: the well known infant industry argument becomes applicable to enterprises in the backward parts of a country without, however, the same ease of application of protective devices; the rewards open to factors in the progressive parts of the economy are such that the most efficient and most mobile elements are subject to powerful attraction and by their departure weaken even further the areas that they leave behind. Mexico City and a few other towns with their ultra-modern style of life or high wages become the Meccas for gifted and ambitious young men, just as Paris drains the provinces of a great many of these potential leaders. The metropolis establishes a kind of colonial relationship with its hinterland.

This in turn may then delay or even prevent further growth in the advanced areas. The development of luxury trades in the metropolitan districts is no substitute as far as economic development is concerned for the growth of mass production industries. The failure of the economy to produce mass markets is far more important for its future than the existence of a few cases of technically highly advanced plants and show places. I wonder whether an excessive degree of unevenness in economic growth has not been the root of some of the abortive attempts at economic development known in history.

III. The maintenance of the protective barriers around individual working class groups absorbs the main energies of the Mexican trade union movement. Two outstanding expressions of this are the restrictions on dismissal and union resistance to innovations of a labor saving nature.

Mexican labor legislation and collective agreements make it very difficult to discharge an employee once he has acquired the

status of a permanent employee. The Federal Labor Law provides for a dismissal pay of three months' wages for all permanent workers discharged without "just" cause, regardless of whether the worker discharged works full time or not. The courts have been very reluctant to admit "just" causes so that the payment of dismissal wages has become the rule, and "the necessity of paying the dismissal wage has made employers extremely cautious in taking on labor."⁵ For discharges because of the introduction of machinery or of new work processes, art. 128 of the Federal Labor Law provides also for the payment of a dismissal wage equivalent to three months' pay unless the collective agreement contains special rules. Court decisions have added the requirement "that the employer prove the need to dismiss the worker." In many industries, however, collective agreements contain clauses more favorable to the workers. The agreement for the cotton textile industry does provide indeed for larger dismissal fees than the minimum laid down in the Federal Labor Law. For temporary workers (*trabajadores provisionales*) the rate of dismissal pay runs up to the equivalent of three-and-a-half months of wages. For regular workers (*trabajadores de planta*), dismissal wages were set at three months' wages plus twenty days' wages for every uninterrupted year of service. Temporary workers dismissed after a date in January 1953, are to be treated as regular workers.⁶

Permanent or regular employees thus acquire a kind of property right on a job. This has been occasionally "leased" by its owner to another worker against payment of a fee. Thus dockworkers in the Gulf Coast ports complained fairly recently that they had to pay a recurrent fee to the regular job holders in order to be permitted to do the work.

The outstanding example of union resistance to innovations of a labor saving nature is offered by the Mexican Textile industry.⁷

⁵ Marjorie Ruth Clark, *Organized Labor in Mexico*, Chapel Hill, 1934, p. 238.

⁶ Rules 7 to 11 of the General Rules on the Modernization of the Cotton Textile Industry, established by the Joint Labor-Management Contract set up under Article 6 of the Agreement of July 7, 1950.

⁷ There are plenty of examples in other countries. In Latin-America, Cuba offers spectacular problems of this kind. Thus the "Report on Cuba" (Published for International Bank for Reconstruction and Development by the Johns Hopkins Press, 1951, p. 127) contains the classic statement: "The purpose of industry is not to provide employment; it is to convert raw materials into desirable finished products. Employment is a useful by-product." Cf. also in the same volume, Ch. 16 on Labor-Management Relations.

A study made by the United Nations Economic Commission for Latin-America came to the conclusion that the "old mills offer much room for improvement in labor productivity, since modernization of the equipment and of the working methods would represent an increase of productivity of 260 per cent in the spinning mills and of 281 per cent in the weaving mills."⁸ The relative significance of this problem can be gauged from the fact that some 85 per cent of the spindles and 95 per cent of the looms of the country require modernization. This, however, would mean the displacement of more than 15,000 workers, about one-third of the workers employed in the industry, the largest branch of manufacturing in the country.

It is very likely that the capital necessary for such a large-scale modernization process could be raised only with extreme difficulty at this time. Moreover, it is not certain that investments on such a scale in the cotton textile industry would be the wisest use of the existing scant capital resources, although some measures of modernization involving some capital investment are probably highly indicated. In our context, however, what is relevant is that the unions involved have bitterly opposed any change of the existing collective agreement (which under Mexican legislation has been given the force of law). The agreement "stipulates the number of workers to be employed in relation to the capacity of the mills and establishes an inflexible basis for the relation between production and wages. Since 1912 it has been ruled that a tender in the card section should attend no more than eight machines, instead of forty as in other countries, and if manufacturers want to raise the workload, they would have to pay the tender proportionally more and compensate the surplus tenders."⁹ Negotiations aiming at a fundamental change of the agreement have failed so far. The reason is simply that under existing conditions and those foreseeable for the near future, technological unemployment once created is likely to be permanent. In a sense, the unions are throw-

⁸ United Nations Department of Economic Affairs, *Labor Productivity of the Cotton Textile Industry in Five Latin-American Countries*, New York, 1951, p. 81. Cf. also Lies. Octavio Munoz and Rafael Lebrija, "Modernizacion de la Industria Textil Mexicana," *Commercio Exterior*, Vol. II, No. 10, Oct. 1952.

⁹ International Labor Office, *Textile Wages; An International Study*, Geneva, 1952, p. 71. These clauses stand in the way of the modernization of old plants; they do not apply to newly established modern plants.

ing the burden of the care for unemployed cotton-textile workers upon the industry itself.

Labor resistance to technological change in Mexico has been described (by the Latin-American Commission of United Nations) as "merely a symptom of the real cause which is far more important and fundamental, namely the limited capacity of the Latin-American countries to invest in undertakings capable of absorbing personnel displaced by technological progress."¹⁰ I believe, however, that even this phenomenon is still merely a symptom of a more fundamental problem: the inability of Mexican non-agricultural enterprises to absorb the natural increase of the farm population and, a fortiori, to reduce the existing and very substantial excess labor force in agriculture.

This applies even for the period of 1939-1950 which was one of very rapid economic growth. The average annual rate of increase of the real net domestic product at factor cost during this period has been estimated at 7.3 per cent.¹¹ The index of industrial production alone rose by some 45 per cent during the decade 1939-49. Yet even at this high rate of growth Mexican non-agricultural occupations have not been able to offer jobs to the increment of the agricultural population. With a net rate of population increase of 3.43 per cent for 1950 (and of 2.65 per cent per annum on the average for the decade 1941-50), the "Malthusian counter-revolution" is putting in jeopardy the economic progress of the country.

It is true that the share of agriculture in the total labor force has been declining (from 65.4 per cent in 1940 to 58.3 per cent in 1950). But given the high rate of population increase and consequently of the growth of the labor force the decline of the proportion does not imply a reduction of the absolute size of the agricultural labor force. Indeed, its size has increased from 3.8 million in 1940 to 4.8 million in 1950, while the industrial labor force during the same period rose from 640,000 (10.9 per cent of the labor force) in 1940 to 1,272,000 (15.9 per cent) in 1950.

This means that in spite of the rapid growth of industry (and of the economy in general), the agricultural labor force continues to expand, even though its reduction, in absolute terms, or at least

¹⁰ United Nations, *op. cit.*, p. 13.

¹¹ Cf. *The Economic Development of Mexico*, Report of the Combined Mexican Working Party, published for the International Bank for Reconstruction and Development by the Johns Hopkins Press, Baltimore, 1953.

its stability, is of cardinal necessity. Mexico thus takes its place among the large number of countries in which economic development—rapid as it may be by any other yardstick—is not fast enough to prevent the agricultural labor force from increasing. Japan and Russia are the outstanding examples of the opposite case where the entire natural increase of the farm population went into the expansion of industry and related activities and agricultural production was maintained “with an absolutely constant but relatively decreasing farm population.”¹²

To this difference in the relative speed of industrialization corresponds a wide and very significant divergence of union attitudes toward economic development and consequently toward productivity, technological progress, etc. Quite probably there are further connections with the general role of unions in the respective societies and the political structure of society. At this point new and important research problems evolve that require further exploration.

The unfavorable proportion between the growth of the labor force and the growth of the volume of non-agricultural employment is reflected in everything the labor movement does, the internal power relationships of the unions, their outlook on general problems, etc. There is a vicious circle leading from unemployment to resistance to technological change, impaired efficiency and again to unemployment. It is improbable that education of the unions can lead to a basic change. Given the circumstances, their attitude is rational. Only a profound change of circumstances can lead to an altered union policy. The central factor is the rate of population increase in relation to the volume of investment. Whether and how this can be changed without totalitarian methods is a topic outside the range of this wide-ranging paper.

¹² Frank Lorimer, “Demographic Trends and Labor Force Characteristics Prior to and During Early Industrialization,” in *Labor, Management and Economic Growth*, Institute of International Industrial and Labor Relations, Cornell University, 1954, p. 15.

RECENT RESEARCH ON WESTERN EUROPEAN LABOR MOVEMENTS

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A FEW YEARS AGO, following the great rediscovery of Europe by American social scientists after the war, one might have entitled this paper "Invitation to a Bandwagon." More recently interest (and financing) have passed mostly to the underdeveloped areas of other continents. I shall hold to the term "invitation," however, since this is not the occasion for either a full bibliographical paper or a proper methodological paper, but rather for an inventory of some progress and some approaches, and an appeal for more research on many waiting problems. If that appeal causes me to stress the gaps in our knowledge, the gaps in the comparable literature on the American labor movement are wide too, despite the greater resources allocated to such studies.

For brevity, I shall use "labor movement" to mean labor unions, referring to the labor-based political parties only in connection with the unions. I shall be able to refer only to work *already published* and not to work in progress, and at that to comparatively few writers and those in the briefest form. This is my apology to many writers, Americans and, even more, Europeans. There is hardly room in which to plant a footnote.

A list of some recent works (with one exception, all published since 1946) is appended to this article. In the text, numbers in parentheses refer to works on that list.

History, the oldest of our disciplines, is the area in which there has been the largest production of works. In scope, one may distinguish four types: (a) Histories of a national movement as a whole, either from "the origins to our times," although people often differ about the origins; or of a well-defined period.

(b) The history of a specific union or of unionism in one trade or industry. Only in Britain have many union histories been written—some memorial volumes, others scholarly, some both. But even in Britain, for many important unions, such as the textile workers, there are no recent studies, and for even more, no adequate histories. The dearth is more striking elsewhere. For example, the only nearly adequate history of a French union is that of the hatters (by Vial, 1941).

(c) The history of unionism in a region or locality, or the history of a regional labor organization. There are very few such studies. Differences among regions, like differences in industries, can illuminate the study of social movements.

(d) Biography and autobiography. Even uncritical works—the “he’s a jolly good fellow and M.P. and Cabinet-Member too” type (e.g., Eastwood: *George Isaacs*, 1952)—have their utility. The autobiographies and reminiscences are valuable even when they are blatant self-justification. Autobiographical writers, except for an occasional mystic or intellectual, cannot be expected to indulge in confessions or self-flagellation.

Most of the works by participants offer materials for history rather than histories. Their deficiencies were summed up by a committee of the British building trades unions over 30 years ago. One way to write the builders’ history, said the committee, “would be to entrust the History to an old member of a union concerned, who would write up reminiscences, compile a list of dates and names, and extract portions of Chairmen’s addresses to Annual Conferences. This would produce a souvenir for members—not a History.”¹

This does not mean blind rejoicing for every academic or journalistic history. Many lack the breath of life and understanding; some are as biased as participants’ writings. The intellectual participant’s prejudices may be as damaging as the old member’s dullness. Thus Paul Louis’ history of the French labor movement (41) is fog-bound in the mystical belief in “working class unity” in disregard of dramatic facts to the contrary. And the author constantly finds price increases outrunning money wage gains, so that over the past century we should see workers’ levels of life sinking to starvation instead of rising as they did.

The history of most national trade union movements remains to be written. For most countries, to be sure, we need more collection of documents, more archival and bibliographical work. (I am sorry that there is no space even to mention work on the *tools* of research.) We need more of the preliminary monographs. Yet comprehensive general histories can be written now that would not only add to basic understanding, but also point up the requirements for further studies.

¹ Preface to R. W. Postgate, *The Builders’ History*, London, 1923, p. xiii.

I would also enter a plea for more biographies. If no institution's life can be understood without an understanding of its leading personalities, this is dramatically true of social movements, of institutions whose forms are not crystallized, and which are so largely political in their behavior. The leaders have been surprisingly little studied, either in biographies or in the course of general history and description. Again the British literature is least deficient. And I would pay my modest tribute to a French writer who died a few months ago, Edouard Dolléans (18); his work, whatever its gaps and occasional sentimentality, was informed (and suffused with warmth) by his knowledge of the personalities of the early French and English labor movements.

In addition to the many earlier figures awaiting realistic biographies, the deaths in 1954 of two veterans recall two good subjects. One is Rinaldo Rigola (53), pre-World War I head of the Italian General Confederation of Labor. Another is Léon Jouhaux (he had long been composing snatches of autobiography), whose life makes a fascinating thread on which to hang the story of all the changes in French unionism from the time he became chief of the syndicalist General Confederation of Labor, in 1909, until he died, head of the reformist Workers' Force Confederation.

Biographies offer an interesting, if only partial, approach to the complex problems of leadership in democracies, the decision-making processes of groups, group conflict and adjustment, the relationship of union to political leadership and the transition from one to the other, the interplay of person and organization, as well as to the understanding of specific social movements.

Another form of historical research, of which we want more, is that of great episodes or crises, turning points, in national and in union history. For example, the great strikes, particularly the decisive general strikes, won or lost, the attitude of the unions toward the coming of war in 1914 and the accession of Hitler to power, the Spanish Civil War. The light which these great moments throw on the features of unionism is vivid, sometimes even lurid, and revealing.

At the other extreme from the great moments, we need to examine the relationships of the unions to broad historical process; e.g., economic development and economic decay, changes in class structure and class identification, the development of mass parties, the changing role of government, the attempts at reconciliation of planning and democracy.

An urgent requirement is that for general studies of a national trade union movement as a whole, in the setting of economic and political development and social and cultural patterns. Walter Galenson's *Labor in Norway* (26) is a good example of such a work; another recent work attempts it for France (40); as do several briefer works for Britain (3, 21). Interestingly enough, it was at earlier formative stages of the labor movement—a generation and more ago—that we had a larger number of such studies, some quite powerful, comprehensive, and insightful.

On the structures of unionism, there has been surprisingly little research since such classics as the Webbs' *Industrial Democracy*, the more general works on bureaucracy by Weber and Michels, and Maxime Leroy's *La Coutume Ouvrière*. (The latter has never had proper recognition even in France, perhaps because the First World War broke so soon after its publication.) Indications of how much can be done and how much remains to be done are given by Allen's *Power in Trade Unions* (1) and Collinet's *Esprit du syndicalisme* (15).

The analytical description of individual unions is rewarding, if the union is significant for its function, its structure, or its relations to the general labor and political movements. There are still very few such studies. An excellent contribution is *General Union* (11) by Hugh A. Clegg, one of the important Oxford University group of students of trade union institutions.

The study of industrial relations has made most headway where the practice is most successful, Britain and Scandinavia. A model volume has been done by Galenson for that lovely model country, Denmark (25). The American student will welcome the appearance of text books in Britain, which, far from having attained our ratio to professors of one to one, have just begun to appear (22, 52).

Labor relations of specific industries in Britain have stimulated a few excellent studies (e.g., 12, 43) as have the policy problems of labor relations in nationalized industries. In other countries there is little. Again on Britain, the important work of Knowles on *Strikes* (36) analyzes extensive experience with fine care.

In most continental countries, there is less attention to the facts and significance of union life and of collective bargaining, and more to the law. Partly this reflects the legal bias of social science training, partly the reliance on law to solve social problems. What Georges Scelle said of France a generation ago about policy is not

only true today, but true of research as well: "It would be a good idea if we concerned ourselves in France with organization instead of hypnotizing ourselves with the *regulation* of labor."²

French and Italian studies continue for the most part to be juridical in selection of subject and in treatment, paying too little attention to the gaps between enactment and reality. They ignore many of the subjects which might be most interesting in a legal setting broadly conceived. A valuable work on the French Labor Code (Drouillat and Aragon) does not even concede a reference to the most important legal restriction of unions' right to strike, because that happens to be not in the Labor Code but in the National Service Law. (But let us note that one of the most useful journals in the field anywhere is France's legally inspired *Droit Social*.)

Among the instrumentalities of industrial relations none have been studied more than the German works councils and co-determination (e.g., 7, 20, 33, 34, 45). For Americans, interest is heightened not only by the apparent contrast between the German unions' large membership and small immediate gains, but also by American responsibilities in the recent occupation period. *Mitbestimmungsrecht* was then so hot a policy issue that General Motors threatened it would not invest another dime in Germany if the United States government allowed one of the *Land* works council laws to remain unvetoes. This was a case where business men mistook form for substance. Naturally scholars never suffer such self-deception.

On the analogous French plant committees, Chambelland's book (10) is one of the rare French studies to go below the surface of statute and regulation into the working of an institution. Many other specific institutions of industrial relations, old and new, deserve our attention, even if we do not take from them all the inspiration Commons once derived from the Belgian Conseil du Travail. Examples of those which have received interesting monographic treatment are the Italian grievance committees (48), the French compulsory arbitration of labor disputes between 1936 and 1939 (16), and German labor courts (64).

Industrial relations, and the life and role of labor organizations, will not be altogether understood until the resounding silence on many countries' employer associations is broken. On France, for example, there has been no real study since that of Villey in 1923.

² *Le Droit ouvrier* (Paris, 2d ed., 1929), p. 216.

What is so rare and confident as the gesture of the Swedish employers in asking an outsider (47) to report on their industrial relations? But on the Scandinavian employer groups, there was already a considerable literature. Material has been appearing also on British employers (e.g., 22).

Description and theory have hardly begun to take account of the changed realities in the position of the working class in relation to the state and to other groups in society, as well as to changes in the structure of the working class. One might have expected more theoretical writings because of the dramatic upsurge of labor after the war, industrially and politically, the new forms of social peace in the northern countries, and the prolongation of old social warfare in France and Italy. Communist intellectuals have been too busy with party tasks and propaganda to reassess and revise, or even apply to research, Marxist theories of class composition, class status, and class action.³ Swedish writers (e.g., Gosta Rejn and 58) have given balanced long-run consideration to wage and employment policies in the light of the political responsibilities assumed by their labor movement; of course these are a far cry from any Social Democratic orthodoxies. But most writers of democratic orientation have been preoccupied with immediate concerns. Said a friend of mine, a Sorbonne professor of history and a Socialist, at a celebration of the centenary of 1848: "We must reevaluate all our doctrine soon or we are lost." I asked him, "Who is doing this reevaluating?" "Ah," he said, "no one. We are all too busy."

For France some of these issues have been treated by Ehrmann (19), David Thomson, Lefranc (38), and Michel Collinet (15 and elsewhere). Goetz-Girey (28) has written a suggestive history of French union thought, in terms of activists and theoreticians. Vignaux has done a fine book (61), reflective and spirited, on Catholic thought, particularly its corporatist strands, and union action.

Union methods and union goals in relation to the problems of power and values in society have been explored by Franz Neumann (49), Goetz Briefs (7), Arkadii Gurland, Kerr (33) for Germany; Schlesinger (56) for central Europe; Reichhold (51) and Sturmthal (59) on Europe in general. Again necrology: a wretched auto

³ In Italy the Communists have recently produced a number of significant historical accounts, mostly for the pre-Fascist period, but in France, the other seat of Communist strength among workers and intellectuals, they have produced little.

accident this year robbed us of Neumann's trenchant mind and vigorous personality.

Specifically on union-party relationships, much-needed light is shed by Rossi's books on the French Communist Party's behavior between the turning points of 1939 and 1941 (54), Maurice Duverger's work on political parties, Fusilier's analysis of the organization of the Swedish Social Democratic Party (24), Haakon Lie on Norwegian communism, Flechtheim on the German Communist Party (23), Buttinger's memoirs (8) on Austria after 1934, and, for an earlier period, the recently published letters of Victor Adler to Bebel and others. Although far more remains to be done on the relations between the unions and the mass parties, and of unions to the whole political process, other areas of particularly European significance are even less explored. One is that of the Catholic Church and the unions, of interest not only for union history and doctrine, but for light on the relationships among the religious, the economic, and the political spheres of life.

The history and problems of international labor organization have been illuminated again by Lewis L. Lorwin (39). These problems are seen through the American unions' participation in John Windmuller's new book (63). There is room for work on the international trade secretariats, particularly the most effective, colorful and truly international of them, the International Transport Workers Federation. The attitudes of the unions—national centers and major unions—on the historic international political decisions and on recurrent problems such as immigration and foreign trade deserve more research. It is always interesting to explore the reasons for the contrasts between ideology (official and unofficial) and action, between internationalist words and nationalist behavior.

The literature of rank-and-file attitudes toward their unions' risks becoming part of the sociology of apathy. Bednarik finds that *Der junge Arbeiter von Heute* (4) is a "new type," lacking that commitment to union and party he encountered in his own youth in Austria. Collinet (15 and elsewhere) makes an acute analysis of some of these problems, and of working class structure, in France. The new Darmstadt Institute of Social Research, much influenced by Americans, has used questionnaire methods to survey workers' attitudes to their representatives (42). In part because there is so little literature on the subject, the publication in England of Joseph Goldstein's interesting case study of a local branch of the Trans-

port and General Workers Union (29), sweepingly mistitled *The Government of British Trade Unions*,⁴ aroused excessive indignation, press and union, directed respectively at union and author.

The British have probably seen more progress than the other European countries in the application of sociology and social psychology to the study of industrial situations. But the practitioners of an older, more formal school of institutional study are not tolerant of what Flanders and Clegg dismiss as "these more adventurous methods."⁵ At that, government and Productivity Council research and grants are bringing some representatives of the two schools together.

Sir John Clapham said that "it is at the overlapping margins of disciplines and sciences that the most important discoveries are usually made."⁶ With this exhilarating hope, and with the great tasks ahead for research here and abroad, on foreign and on American labor movements, perhaps we can keep the frontiers open for fruitful exchange rather than closed by boundary disputes.

There is clearly need for many approaches and all the disciplines, for the political scientist, economist, historian, sociologist, lawyer. The economists will recall that the Webbs wrote, in the original preface (1894) to their *History of Trade Unionism*, that they began their work thinking it would need to be essentially economic, but it turned out to be far more complex. "Where we expected to find an economic thread for a treatise, we found a spider's web."⁷ Whether or not their pun was conscious, the web implies the need of a many-sided approach. The web has grown far more complicated in the sixty years since the Webbs first wrote.

There is room too for many styles of research, for work in the library and the union hall, in the armchair and at the cafe table. Insight and Sitzfleisch must complement each other. In the study of foreign as of American movements, there are no substitutes for intelligence and feel, for curiosity and method. Even if much of the time we wear our monographic spectacles, we must lift our eyes from time to time to the horizon.

⁴ But by its American publisher given a title closer to its scope, *The Government of a British Trade Union*.

⁵ *The System of Industrial Relations in Great Britain*, Oxford, 1954, p. vi.

⁶ "Economic History as a Discipline," *Enc. of the Soc. Sci.*, vol. V, New York, 1931, p. 330.

⁷ 1920 edition, London, p. vii.

Whether one undertakes purely descriptive work or theoretical formulation—or tries to go forward holding description and generalization each by one hand—depends on one's training, taste, and temperament. While we need more documentation and more monographs, at the same time, in the present state of generalization on our problems, we also need more broadly comprehensive studies and more essays at theoretical formulation. The publication even of very tentative generalizations and working hypotheses can greatly aid our empirical research.

A habitable half-way house between description and generalization is that of comparative study. Western Europe, or Western Europe plus the United States, offers an appropriate area, with differences enough to make the studies intriguing, yet with homogeneity enough in culture and industrial development to make comparisons valid and significant. Of course the very accessibility and apparent familiarity of Western Europe conceal the attendant danger of assuming greater cultural homogeneity (and greater knowledge on our part) than may exist.

Anyone studying foreign institutions inevitably engages in some comparisons, whether on paper or wordlessly or even unconsciously. But, in general, despite a few interesting comparative analyses of labor movements, formal comparative approaches remain to be developed. To begin with, however, we must have fuller and clearer descriptions of the phenomena to be compared, among the nations and within nations. The units of comparison need not be the national movements; they may be, for example, different regions or different groups within a nation.⁸ There are important studies to be made comparing unions of one industry in a number of countries; the behavior and influence of different trades and groups of organized labor (or of employers) within the general movement (or within employer associations); or the handling of the same specific problems of industrial and public policy in different environments.

We need not feel too badly that we have not gone further with the comparative approach yet. The stimulating report of the Social Science Research Council Seminar on Research in Comparative

⁸ For some penetrating comparative pages on working class life and currents of thought, though not on organizations, within one country, see Georges Duveau's *La Vie Ouvrière en France sous le Second Empire*, Paris, 1946, and his "Comment étudier la vie ouvrière," *Rev. d'his. écon. et. soc.*, vol. 26, no. 1, 1940-1947, pp. 11-21.

Politics, in 1953, after asking a series of relevant questions on method, found that "comparative politics as conceived today . . . fails to raise—let alone answer—such questions."⁹

Comparative studies, if they must begin with description, soon eventuate in theory. Theory at forced draft may not strike many as the prime necessity of the moment.¹⁰ Is it necessary, exclaimed one of the discussants of the Report of the SSRC Seminar on Research in Comparative Politics, is it necessary for us all to become sociologists or whatever is the most general field of study? The answer is no, but it is a help if one can be that in some degree. And what more revealing to us pedestrians than that some of our brethren take wing and soar, even if over unmapped hills and dark woods to bumpy landing strips? Soaring, they help us all see farther and more clearly—if we will still look around us with our own eyes.

SOME RECENT WORKS ON WESTERN EUROPEAN LABOR MOVEMENTS

(Short Titles)

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2. Arnot, R. Page, *The Miners*, 2 vols., London, 1949, 1953.
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4. Bednarik, Karl, *Der junge Arbeiter von Heute—ein neuer Typ*, Stuttgart, 1953.
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6. Braun, Kurt, *The Right to Organize and Its Limits*, Washington, 1950.
7. Briefs, Goetz, *Zwischen Kapitalismus und Syndikalismus: Die Gewerkschaften am Scheideweg*, Bern, 1952.
8. Buttinger, Joseph, *In the Twilight of Socialism*, N. Y., 1953.
9. Casparsson, Ragnar, *Landsorganisation under fem Artionden*, 2 v., Stockholm, 1947.
10. Chambelland, Pierre, *Les comités d'entreprise*, Paris, 1949.
11. Clegg, H. A., *General Union: A Study of the National Union of Municipal and General Workers*, London, 1954.

⁹ *Amer. Pol. Sci. Rev.*, vol. 47, no. 3, Sept. 1953, pp. 641-675. See also *The Social Sciences in Historical Study*, Soc. Sci. Res. Council Bulletin 64, 1954, "The Comparative Method," pp. 151-152; and Marc Bloch, "Toward a Comparative History of European Societies," (1928) in F. C. Lane and J. C. Riemersma, eds., *Enterprise and Secular Change*, Homewood, Ill., 1953, pp. 494-521.

¹⁰ Cf. the discussion of the Conference on *Labor, Management and Economic Growth*, ed. by R. L. Aronson and J. P. Windmuller, Ithaca, 1954, pp. 217-243; and Clark Kerr and Abraham Siegel, "The Structuring of the Labor Force in Industrial Society: New Dimensions and New Questions," *Ind. and Lab. Rel. Rev.*, Jan., 1955, pp. 151-168.

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DISCUSSION

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Foreign Operations Administration

My remarks will be directed toward Mr. Levine's paper but first I would like to offer a couple of footnotes to the excellent paper by our friend Val Lorwin.

I have just returned from one of the customary "flying saucer" type tours of the six major countries of Western Europe. It was my first trip after an absence of almost four years. There have been many changes during that period of time but the thing that struck me the hardest can best be described by that trite but true remark that "the more things change, the more they remain the same." The same old basic economic and political problems remain. Some have been ameliorated and some have intensified but, basically, there seems to have been but little change.

However, out of the welter of opinion which was thrown my way plus what I was able to observe came two very firm conclusions. They are:

First: The outstanding fact in European life today is not fear of aggressive, imperialistic *Communism* but, rather, fear of inflation. And that basic fact explains many of the otherwise incomprehensible actions of labor, industry and government.

This fear of inflation begets my second conclusion, viz., that so long as this fear exists, the thinking, planning and actions of labor, industry and government will be oriented in the direction of achieving *short-range* results *only* with the devil taking the *long-range* consequences.

The results of this type of mental set are obvious. Industry pursues policies of caution; capital investments in new plant and equipment are nominal; quick, high profits are sought; market restrictions and cartel arrangements flourish; little or no heed is given to the problem of developing mass markets; and, the productivity of industry increases slowly if at all. The unions likewise pursue policies of caution which place primary emphasis upon job stability and the maintenance of what they consider reasonable *balance* in the economy. And government gears its policies to comport with these attitudes and lives by the doctrine "Don't rock the boat."

What I have said seems to suggest that perhaps we have had enough of the historical type of "study" of European labor

movements which inform us mainly of their size, composition and relationships and what we need now is the type of study which will help us the better to understand *attitudes* and where those attitudes are inconsistent with a firm belief in a prosperous and peaceful long run future, what needs to be done to bring them into consistency and *how* that might be achieved. In a word, I opt for the *kind* of research which will *first* lead to better understanding of the *nature* of the problems with which we are dealing and *second* (and more important) provide some basic guidelines for the *solution* of those problems. In my view, what we need is more emphasis on how usefully to employ the knowledge we *have* and a bit less on the accumulation of knowledge for its own sake as too often appears to be the case—at least to one of such a *practical* turn of mind as occasionally to be called “anti-intellectual.”

Now turning to Mr. Levine's paper on Japan. First, I would like to point out that Japan is but a part of the larger problem of Asia and then I would like to give you my formulation of the problem which besets us in that part of the world.

The Problem

Substantial strength would be added to efforts of the free nations, seeking to defeat Communism and work toward a peaceful situation in Asia, if these efforts were carried out with the increased mutual confidence, solidarity and zeal that would come from a clearer understanding and *agreement on the interests* which the free nations share in today's situation, and on the *objectives* they will cooperate in working toward.

Determined action to clarify and give voice to these interests and objectives is particularly important at this juncture, when a fresh look is being taken at policies seeking, by peaceful change, to move out of the cold war toward stability and peace in Asia on a more enduring basis.

Great power is supplied to an endeavor when it rests on ideas, as the Communists have discovered. Powerful ideas, on the other hand, grow out of basic interests deeply felt, and from objectives that appeal to fundamental human desires. There is urgent need, therefore, to identify and give voice to these ideas and to the mutual interests and objectives on which they rest, in a manner that is intelligible and challenging both in the United States and abroad.

The present critical economic situation in Japan, the recent political developments, the question of trade with China and relations with the Soviet all have a bearing on United States relations with Japan. With six million workers in the Japanese labor movement, it is therefore particularly timely to discuss Mr. Levine's scholarly appraisal of the economic and political role of the Japanese labor movement in the post-war period and in the critical times which lie ahead.

Mr. Levine's central theme is that the organizational structure of the Japanese trade unions has had a major effect on the economic and political activities of the labor movement. He points out that, with notable exceptions like the National Seamen's and Textile Workers' Unions, the federations and national unions almost exclusively plan and direct programs of political action while the enterprise organizations, constituting 90 per cent of the same 30,000 unions are in control of economic dealings with management.

According to Mr. Levine, the political functions of the Japanese labor movement have had broadscale but weak application, whereas the economic functions as carried out by the enterprise unions have been narrow and effective. Further, Mr. Levine believes that the immediate achievement of far reaching results by political action does not appear likely. He attributes this belief to a variety of factors: (1) political action has been contained by government policy, (2) government legislation and other actions have eliminated or pushed into the background vocal political leadership, (3) the ideological splits among labor leaders created confusion among workers which has been enhanced both by personal leaders' rivalry and differing degrees of disillusionment over American aims toward Japan, (4) tactical differences have tended to spread political effects thinly and, (5) the primary interest of workers has been on social and economic factors rather than political. Moreover, according to Mr. Levine, the nature of the enterprise unions undercuts the effectiveness of the political activities.

On the other hand, in discussing the function of the enterprise unions and the historical and economic reasons for the close identity of the enterprise unions with management, Mr. Levine points out that the strength of the enterprise union has been the hope of employment security it holds out for its membership. It is on this base of employment security that Mr. Levine believes may rest the evolution of a more horizontally and vertically organized move-

ment which will achieve greater centralized unity for both economic and political functions. This evolution, however, Mr. Levine conceives as a long range proposition with many shifts and regroupings and changing political sentiments.

There is no doubt that the factors which Mr. Levine has outlined have contributed to the political ineffectiveness of the Japanese labor movement. However, the stringency of the present economic situation may well be a rallying point for more effective economic and political action sooner than is anticipated. As Mr. Levine has pointed out, employment security is the number one concern of Japanese workers. Likewise, as he has pointed out, there is little question in the minds of most workers that control of government policy is the key to Japan's economic viability and that under conditions of State controlled capitalism, it is imperative for any group desiring to play an influential role either to wrest control of, or at least participate in, central government policy making.

Japan's workers have increasingly felt the economic impact of the Japanese Government's policies in the past year, particularly the Yoshida Government-sponsored austerity effort designed to overcome Japan's severe foreign trade deficit, reduce dependence on American aid and underwrite rearmament. According to a report of the Japanese Labor Ministry, the effects of deflation, engendered by the austerity program, on industrial relations were as follows: (1) labor disputes declined 60 per cent in the first half of 1954 from the same period in 1953 (both in number of strikes and duration), (2) wage increases were more difficult to secure, (3) the index of regularly employed continued to decline, (4) there was a large increase in firms defaulting on wages and also in the amounts of wages in default, particularly in coal and ship building. Of perhaps greatest significance to Japanese workers, in view of the emphasis on employment security, is the fact that unemployment has been increasing, reaching the post-war high in August of 710,000, although September figures indicate a drop to 650,000.

The economic situation today is singularly comparable to that existing in 1949 and early 1950 prior to the outbreak of the Korean War. It was the Korean War which offset the effects of the stabilization program undertaken by the Japanese Government early in 1949. In view of the present economic and political situation,

it would seem extremely likely that there will be a marked acceleration in the political activities of the Japanese labor unions as a means of achieving economic gains and in order to play a more significant role in the formulation of the government's domestic and foreign policy.

Mr. Levine has pointed out the ideological differences which prevail among the two factions in Sohyo which have diffused its political efforts. Whether the economic issues will serve to unite the forces within Sohyo or whether the ideological differences and personal rivalries are so prominent as to preclude such unity is yet to be seen. In any event, the question of trade with China as a means of opening new markets, providing employment, and raising workers' standards of living will doubtless be exploited to the hilt by that leadership in Sohyo which has been openly anti-American and has followed the Commie line. The part to be played by Zenro, the newly created right-wing Socialist oriented federation, as well as that of the independent unions, is also yet to be seen.

In short, while we may agree with Mr. Levine that politically the Japanese labor movement has been relatively ineffective in recent years, we must be alert to the fact that its political and economic potential is enormous and must not be underestimated. Whether those potentials will be fully realized, and the direction of their orientation, depends in large measure upon the policies of governments—the Japanese as well as our own. If those policies provide a realizable opportunity for the attainment of those fundamental human desires about which I spoke earlier, then, we have faith that those policies will contribute significantly toward Western orientation of Japanese labor and a firm alliance with the nations of the free world.

JOHN P. WINDMULLER

Cornell University

I would like to concentrate on some of the points made by Professor Lorwin, but I would like to note first that Sturmthal and Levine approach the relationship between economic development and the labor movement in rather different ways, one emphasizing economic and theoretical, and the other some historical, political, and institutional considerations. It was thus striking,

though perhaps not unexpected, to find that, despite their different approaches and despite the contrasting conditions of Mexico and Japan, both pointed to the essentially defensive strategy of unions in perpetuating the rights of the "permanent" employee to his job or place of employment. In this connection, it is instructive to learn that the Japanese enterprise union generally rejects the device of seniority. Apparently, seniority is viewed with suspicion, not because it is unworkable or inequitable or may promote inefficiency, but rather because the application of seniority would recognize the possibility of layoffs and discharges. We know from other researchers that unions in some European countries have maintained parallel defensive attitudes toward decreases in employment opportunities, and one might raise the question whether a comparative analysis of this problem might not be the type of study which Professor Lorwin urges us to consider in his plea for the comparative approach.

Professor Lorwin has succeeded admirably in wedding a survey of an extensive body of literature to a cogent discussion of research accomplishments and gaps. I find myself generally in agreement with his observations and conclusions. The major topical omission would seem to be the field of labor economics proper. Also, one should not forget to call attention to Lorwin's own studies of French trade unionism and industrial relations to which he recently added the volume on the French labor movement which may well stand as the definitive treatment of that subject for some time to come.

My chief regret is that an attempt was not made to be more critical of the material. A critical view, or an effort at evaluation, would have compelled the adoption of criteria or standards which, in turn, would probably not have permitted adherence to the implied view that in research on foreign labor problems anything, or almost anything, represents a valuable contribution. Certainly we should not alter our priority rankings of research nor our standards merely because our data are gathered outside the United States.

I would agree with Lorwin that definitive histories of many national labor movements remain to be written. This is true not only of the unions in the smaller countries, as for example Holland, Belgium, and Switzerland, but also of such large movements as the German. But I do not believe that the American scholar should

be encouraged, in general, to specialize to the extent of becoming immersed in histories of national unions, regional bodies, or outstanding leaders abroad. Would that not best be left to the German, the French, the Italian or the Dutch student? We may have to be patient, however, since the study of labor movements and labor problems must still achieve for itself a more respected and respectable place in the universities of Europe and other regions.

I also concur that trade union structure and government remains a subject for further profitable investigation. In Western Europe some most revealing studies could be undertaken on comparative union structure and government, on the determinants of structure (i.e. impact of political parties and ideologies, the role of government, the character of organization assumed by employers, etc.), and on the effects of structural differences on collective bargaining and other trade union methods. One might expect, for example, that a movement which is consistently forced to bargain with a central government takes on a structure and government quite different from one which negotiates with regional industrial employer associations.

In industrial relations, significant work has been completed in the postwar period on problems of labor relations law, collective bargaining, and worker representation in the shop and enterprise. Most of this work, perhaps because of language barriers and handicaps, has been confined to single country studies. Little has been truly comparative. And yet, the contrasts and parallels in the development, say, of works councils or their counterparts and equivalents in Germany, Holland, France, Italy, and other countries, are singularly adapted to comparative analysis, especially now that some of the basic studies have been made. There have of course been pioneering comparative studies in the research of Professor Sturmthal and others. Most recently, the chapter by Clark Kerr and Abraham Siegel on "The Interindustry Propensity to Strike" in the symposium *Industrial Conflict* (McGraw-Hill, 1954) represents a type of research challenge which should be taken up by further studies that would test and refine the hypotheses advanced by the authors. For instance, would it not be fruitful to examine through comparative analysis the problems of dock and longshore unionism and labor relations? In addition to increasing our knowledge of what makes this industry so particularly prone to industrial unrest (and the unions in this industry

so frequently subject to Communist domination), we might also be able to make an incidental contribution to a better understanding of our own difficulties in that industry.

Regarding scope and method, I share Dr. Lorwin's belief in the efficacy of the comparative approach. We should encourage attempts to extend and test our theoretical equipment; we must also rely to some extent on descriptive and historical studies. Yet, the greatest "payoff" will come through the development and refinement of the comparative method. This approach largely rules out a concentration or specialization on a particular geographical area—and rightly so, I believe. We should investigate problems, not areas. Any commitments to center our research around a particular geographical area (Latin America, Southeast or South Asia, Africa, or even Western Europe) run the danger of becoming purely policy or service oriented. Such specialization would hardly advance the development of generalizations and the formation and testing of hypotheses, and these tasks must remain the primary function of university research.

W. CAMPBELL BALFOUR

University College, Cardiff

Val Lorwin's excellent paper, a Grand Tour of Europe in the labor rather than the aristocratic manner, covers so much that I can only comment on the British aspect.

There seem to be three schools of research in British industrial relations:

- (1) The formal or classical school, which leans heavily on the tradition of the Webbs. The work of Richardson, Flanders and Clegg falls in this category.
- (2) The psycho-sociological or human relations school, a new development in which Britain has lagged far behind the States. The Tavistock Institute of London have done most of the pioneer work here with their researches into the Glacier Metal Company directed by Jaques.
- (3) The *Kraft durch Forschung* school which is what the new terminology would call "secularly oriented" and which receives M. S. A. dollar funds for research into pro-

ductivity rising from the recent Anglo-American work team visits.

A state of ideological cold war seems to exist between schools one and two but a rapprochement seems possible through the work of the research teams of school three. Research into norms of output, restrictive practices, technological change, etc., means that new ideas and methods are leaking into the older academic disciplines as the social and natural scientists combine to study productivity. This "secularly oriented" research is a new development for the social science faculties in British universities where the old attitude has been like the Cambridge toast "Here's to pure mathematics and may it never be any use to anyone."

My job here is to comment on Professor Lorwin's paper and not on what other discussants have said about it. But I find myself in cheerful disagreement with at least the first two who seemed to suggest that all will be well when the workers become reasonable. One man's orthodoxy is another's heterodoxy and the Golden Mean is not easily found. That dry, empirical philosopher Hume said "Reason is, and only can be, the slave of the passions." He has yet to be proven wrong.

In this vein I should like to suggest more research into workers' motives and attitudes as well as managers, who assume too readily that their motives are the only ones. Perhaps the key to production is found in the study of consumption, yet we know little of the link between work and spending. Very little has been done in Britain apart from Dr. Zweig's little book on "The British Worker." It is easy to criticize this, but the only effective answer is a better book. This could only come after a number of occupational or regional studies of workers.

I mention this, as well as the need for cross-cultural research, because of the recent spate of Anglo-American Productivity Reports. Technically good, they are poor on the sociological side. There is an easy acceptance of the idea that cultural patterns can be transferred from one industrial country to another. Like Professor Lorwin, I end by urging the explorers towards the uncharted jungle on the horizon.

Part IV

**METHODS AND OBJECTIVES IN
INDUSTRIAL RELATIONS
RESEARCH**

RESEARCH IN INDUSTRIAL RELATIONS:¹ PAST AND FUTURE

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(1) THE PROBLEM before us is the allocation of the scarce resources of ability, time, energy and money—in the order of their importance—among competing research alternatives.² What sub-areas of research should be relatively expanded? What sub-areas should be relatively contracted? Almost any research endeavor, however picayune or specialized, makes some positive contribution to our knowledge. And, it is always possible to point to a long list of research projects that need to be done and that would be worthwhile. But that is not enough. The issue is whether our knowledge and understanding as a whole can be enhanced, by a greater amount or at a faster rate, by a relative shift in the sub-areas of research or by resort to different methods.

(2) At the outset it should be made perfectly clear that this meeting does not contravene the fundamental requirements of all research. There can be no substitute for the inner geist and insight of the individual scholar.

“The state of knowledge and the existing standards of science define the range within which he (a scientist) must find his task. He has to guess in which field and to what new problem his own special gifts can be most fruitfully applied. At this stage his gifts are still undisclosed, the problem is yet obscure. There is in him a hidden key, capable of opening a hidden lock. There is only one force which can reveal both key and lock and bring the two together: the creative urge which is inherent in the faculties of man and which guides them instinctively to the opportunities for their manifestation. The world outside

¹ This paper considers the locus of industrial relations to be union and management organizations and their interactions at all levels. Industrial relations research, as so defined, is uniquely of interest to the Industrial Relations Research Association. The field excludes the topics narrowly within the specialization of an established discipline.

² This paper is not concerned with the expansion of any of these scarce resources; it does not consider the legitimate and pressing problems of how to expand the total resources applied to research in general and to research in this field in particular. It is generally easier to reallocate resources in an expanding compared to a static total of research resources.

can help by teaching, encouragement and criticism, but all the essential decisions leading to discovery remain personal and intuitive. No one with the least experience of a higher art or of any function requiring higher judgment, could conceive it to be possible that decisions such as these could be taken by one person for another."³

We are not met as a cartel of research directors to divide up the field and assign quotas for a period ahead nor to appoint a commissar or czar of research. This is a part of the free market place of ideas, an attempt to make that exchange the more perfect.

These remarks about the direction of research accordingly should be treated as peculiarly subjective, the intuitions and feelings of one man. They are on quite a different plane than a paper on the substantive or theoretical aspects of a problem in the field of industrial relations. If these remarks appear at times to tread heavily upon the toes of colleagues, and that is the invitation of the chairman, the apology at the outset is that the views can carry no more weight than those of any other student in the field. In the words of the *Behavioral Sciences* report at Harvard, "no individual or no committee can pretend to omniscience implicit in the establishment of a priority list based on estimates of the ultimate values of the work of hundreds of scholars."⁴

(3) Research in the field of industrial relations is beset by very great difficulties. They account for some of the low productivity of past research; they impose limitations on future work. Four of these difficulties must be noted.

(a) Research in industrial relations suffers from the fact that many of the potentially most able scholars are drawn off, in whole or part, into the practical field of action. They work with unions, managements, government agencies or as arbitrators. These fields of endeavor are frequently intellectually challenging at the outset, permit unparalleled access to significant research materials and are often financially lucrative. These activities may reflect insistent demands for disinterested and often thankless public service. But few resist the wiles of relentless encroachment upon research time, energy and interests. The result is a large number of very knowl-

³ Michael Polanyi, *The Logic of Liberty, Reflections and Rejoinders*, Chicago, University of Chicago Press, 1951, pp. 52-3.

⁴ *The Behavioral Sciences at Harvard*, Report of a Faculty Committee, June, 1954, p. 437.

edgeable academicians but little substantial and definitive research. "For of all sad words of tongue or pen, the saddest are these: 'It might have been'." In addition to such evident losses it is difficult to see the more subtle shift from fundamental to immediate problems, from definitive study to the quickie on policy recommendations, the muted voice in order not to offend when outspoken courage and boldness is the old self, the gradual stifling of interest and aptitude for systematic research or the atrophy of "the integrity of craftsmanship."⁵ There are indeed real gains from practical experience for research in this field, but there are also very real losses and very high costs.

(b) The university traditions in the field of industrial relations, from Ely to the present day, bring a heritage of advocacy for collective bargaining, and for the recognition of unions, that today create a variety of problems. In the day prior to a public policy which announced that it seeks to encourage collective bargaining, university specialists were generally strong protagonists of the growth of unions or the inevitability of this result in mature industrial society. The names of Ely, Commons, Barnett, Blum, Seager and Millis are illustrative. No criticism is implied for those times. But the consequence was that industrial relations specialists became somewhat suspect by more orthodox academic colleagues in various disciplines, and employer organizations at times expressed strong criticism. The shadow of this past is reflected into our day, although these difficulties are greater in some communities than in others.

(c) A related difficulty arises from the close association in this field in our times of analysis and public policy. While this is true of much research in the social sciences, the industrial relations area has been particularly hot. Problems for research have been perhaps more directly posed by policy considerations in this field than in others. More abstract or general theoretical frameworks have been less decisive in shaping research; as a consequence the tie between research and immediate application has been closer and the field the more controversial. Research has been concerned with immediate and practical questions of public policy. Thus, in considering burning questions of proposed legislation on strike

⁵ See, J. Robert Oppenheimer, "Prospects in the Arts and Sciences," *New York Times*, December 27, 1954.

votes and union abuses, research has neglected the more basic processes of internal union government. The frontiers of research are not far enough away from immediate issues of policy.

(d) Finally, the field of industrial relations purports to concern a totality of behavior. It cannot be content with a single aspect, the economic or the psychological. As a consequence the field is the meeting point of a variety of disciplines. There is no single intellectual framework in which to approach experience in this field. The consequence is the rich stimulus of constant ferment and the perils of treacherous cross currents. The field has become a focal point of conflict among disciplines, for it is indeed a rich prize. The teaching in industrial relations has traditionally been centered in the Economics Departments of the country. Many other departments have now filed claims for this rich jurisdiction. The actual experience of industrial relations is in danger of being twisted to fit the intellectual mold of competing disciplines.

These then are the difficulties of the field: some of the best talents tend to be drawn into practice or perverted from research; public policy issues tend to constrain research from more basic work; the heritage of advocacy is difficult to leave behind; and serious conflicts arising from the imperialism of competing social science disciplines divert research. These difficulties have been arrayed, as they appear to me, in their order of greater importance.

(4) Attention should be directed to the fact that there are some sub-areas of the industrial relations field today where research clearly does not even meet the standards and performance of the past. Start with the marshalling of source materials. There is nothing in the experience of recent years to match the 1901 and 1913 reports of distinguished commissions or the LaFollette Committee investigation of the 1930's. Even when confronted with most serious issues of policy, except in social security legislation and migratory labor, there have been no exhaustive public inquiries. The Taft-Hartley debate on regulating collective bargaining and internal union affairs has been conducted without resort to any comprehensive marshalling of facts. The current interest in health and welfare fund legislation or the plight of workmen's compensation illustrate the same point. The day needs to rediscover the distinguished commission in this field.

The area of internal union government, with some few exceptions, shows serious retrogression. Where are there a series of

studies to match those prepared thirty or forty years ago under Barnett and Hollander on finances, control of strikes, apprenticeship, jurisdiction, beneficiary features, admission and other aspects of union government? In another area, I do not know of a first rate recent account of the growth of an international union. This is an appalling state of affairs when one considers such long established and interesting unions as the Miners, Machinists, Teamsters, Carpenters, to mention only a few of the larger and older unions. (The work of Vernon Jensen is a notable exception in this field.) Careful and disinterested biographies of leading labor or industrial relations figures are likewise notable by their absence. Research has apparently been too busy in other directions and in my view fallen below past standards in at least these respects.

(5) It is interesting to speculate on how the present distribution of research resources in the industrial relations field came to be determined. Does the existing range of research reflect the pure insight of scholars? Does it reflect the distribution of natural talents? Does it correspond to the availability of research funds and the judgment of foundations, state legislators, and others as to the direction of research? How much is it the judgment of the foundation, the legislator, and how much of the scholar? Does research direction reflect primarily the contemporary policy interests of the day?

One simple measure of the changing locus of industrial relations research is found by studying the dissertations completed for the Ph.D. degree as reported in the *American Economics Review* under the heading of "Labor." The following tabulation shows a classification of these theses since 1920 in five-year inter-

Topic or Area of Dissertation	1920 -24	1925 -29	1930 -34	1935 -39	1940 -44	1945 -49	1950 -54
Total.....	90	144	118	106	128	76	186
Labor History.....	15	24	17	11	20	5	18
Foreign Labor.....	13	13	7	12	7	5	14
Labor Market, Wages, etc.	15	23	20	25	24	24	37
Labor and Government...	13	22	19	22	25	10	41
Collective Bargaining....	15	23	18	12	22	14	35
Union Government and Policies.....	6	10	8	6	13	5	18
Management.....	5	8	6	2	3	8	10
Working Conditions.....	5	10	13	8	5	1	
Miscellaneous.....	3	11	10	8	9	4	13

vals.⁶ These data suggest that Ph.D. dissertations have been predominately topical, dealing with the problems of relative current interest. While this result is to a degree understandable, the consequence is that many fields of research have been neglected. The relative concentration on specific collective bargaining situations, on economic questions like wages, unemployment and the labor market and on government agencies and their policies has tended to overlook the internal decision making process and policies of unions, to result in the almost total neglect of management organization and in a lesser emphasis on labor history and foreign labor. It may be suggested that these relatively neglected areas present greater difficulties in securing access to materials and require greater research skills. But there are many unexplored problems associated with management and union organization which lend themselves to the ordinary Ph.D. thesis.

While no statistical study was made of research activity beyond the Ph.D. thesis, the same general pattern of relative disposition of research resources would not surprise me.⁷ Can this distribution of research talent be justified? Do some sub-areas of the field show relative saturation? What advice should a professor give to a graduate student and a younger scholar regarding topics and problems?

(6) These questions can be approached by indicating the sub-areas of the industrial relations field which should receive relatively greater emphasis in my view. They should be the expanding sectors.

(a) The labor factor in the industrialization process provides a focus of research which at once constitutes a broader setting for industrial relations problems in the United States and provides a common denominator for international comparisons. Any industrialization process requires the recruitment and commitment of a labor force and the development of managerial, technical and professional personnel. The emerging working force protests the discipline of the industrial society and the transformation and

⁶ There are obvious limitations to the tabulation: Dissertations were presented in industrial relations in other disciplines besides Economics; some theses in Economics were classified in other sub-areas such as Economic Theory; a classification developed from titles may not represent actual content; there may be considerable overlapping in these sub-areas of the field. I am grateful to Dr. Morris Horowitz for assistance in the preparation of this tabulation.

⁷ See, for example, the articles published in the *Industrial and Labor Relations Review* since its first issue in 1947.

dislocation from an earlier society. They form unions and political parties.

Industrialization patterns vary. Some take place with a relative scarcity of labor and others take place with a relative surplus population. Some are financed exclusively by restricting consumption (by taxes or inflation); others utilize substantial capital imports. Some countries have industrialized slowly; others have been proceeding at break-neck speed. Some industrial revolutions do not involve drastic political changes; others take place concurrently with a nationalistic and political revolt. The industrial relations problems and patterns in these various types of industrialization can be expected to be quite different. The labor factor in industrialization should be a central focus of study.⁸

(b) The field of labor-management history should be relatively expanded. The time is ripe for significant work. The major events since the 1920's need to be organized carefully and placed in perspective. Even earlier periods need reevaluation. The labor movement in the United States has grown from three millions to almost 18 millions in the last quarter century. Many of its policies and organizations have been drastically changed. Management policies and organization to deal with employees and with unions have been radically transformed. There is need for a reappraisal of industrial relations in the twenties and the transformation that has taken place since then. In addition to a comprehensive study, there is room for innumerable studies of particular unions, companies, biographies and regional and local histories.

(c) Even greater emphasis needs to be placed on study of the internal decision-making process of unions⁹ and managements. Such studies need to be pursued over a period of time rather than considered at a single current date. It is more important that we have a few good studies based on careful reporting over a period of time by people who are intimately familiar with an organization than a number of impressionistic jobs. This heading includes the analytics of the collective bargaining process which remains largely unexplored territory.

⁸ See, "The Labor Problem in Economic Development: A Framework for Reappraisal." This article by Clark Kerr, Charles Myres, Fred Harbison, and John T. Dunlop will appear in the March 1955 *International Labour Review*.

⁹ For a significant study, see, Philip Taft, *Union Structure and Government*, Cambridge, Harvard University Press, 1954.

(d) Finally, on my list for expanding sectors is the study of technological processes in its relation to this field. The social sciences, including economics, tend to regard technical coefficients as given. We need much more research on the inter-relations between technical processes and their change with industrial relations. A new type of research worker may be required, trained in engineering and labor relations. The impact of technical changes on internal wage structure, piecework and incentive systems, seniority systems, training and hiring patterns and the sharing of the benefits of technical change. In turn the impact of labor relations considerations (wages, labor costs, strikes, etc.) upon the introduction of technical changes is the other side of the same coin.

(7) These sub-areas which are proposed for relatively greater weight need to be approached with some change in methods. (a) A greater use of the comparative method can be expected to yield more fruitful results. Study the labor factor comparatively in a limited number of industrializations. Compare the growth and evolution of a number of international unions or local unions in the same international. Compare the industrial relations policies of a number of companies in the same industry or locality. The comparisons are designed to highlight the factors which are strategic to the different experiences. The comparative method yields rich returns but requires greater knowledge since a variety of cases are examined. This greater range of experience requires more maturity. (b) There is need to follow industrial relations events over time, discerning the consequences of a variety of factors: inflation, unemployment, changes in leadership, variations in legislation and political atmospheres. A great variety of economic and industrial relations theories were built upon the inflation experience of the post-war period. Deeper historical roots would have precluded some of these imaginative but distorted projections.

(c) Finally, on method, a word about the training of younger research scholars. It seems to me that in scientific endeavor generally best results are obtained by a small group, having completed the Ph.D., working with a senior professor for a period. Young scholars are turned out too soon on their own, or if kept in a major university compelled to work either by themselves in isolation or under the direction of a senior staff member. The intimate association with a senior professor is required in actual work on a problem. Much of the knowledge and method in this field, as in

others, is best transmitted in this form of informal association and by oral tradition. The class room or the dissertation will not serve to transmit the insights and knowhow which can come from working together. The desperate need is for craftsmen of integrity in this area of research. "... the tradition of science as an art can be handed on only by those practising that art," and I would add, in the practise of that art.

(8) If the areas of relative expansion have been noted, what are to be the areas of relative contraction in research? Here method is perhaps even more important than subject matter of research.

(a) The use of the *ad hoc* questionnaire or interview, it seems to me, is relatively less productive and the possibility of serious error is very great. I do not refer to repeated questionnaires or interviews which follow events over time. The one-shot questionnaire or interview has been extensively used in this field in recent years by investigators doing what is called "field work." We know that people seldom give the "real" reasons for behavior, even if they are aware of them, and they differ widely in their capacity to verbalize about their experience. The relation between the interviewer or the circumstances under which a questionnaire is presented is likely to be decisive for the results. Greater reliance must be placed on documents and on "living with a situation."

(b) Relatively less reliance should be placed upon the "inter-disciplinary team" in my opinion. This is not to say that the framework of analysis for industrial relations should not be broadened. But it can be broadened best by expanding the intellectual horizons of an individual or by two or three scholars working in close collaboration. The inter-disciplinary committee with a number of members tends to produce diffused results. A research project comprised of a little economics, psychology, law, political science, sociology and history remains too often a mixture. The sustained work and interchange between two or three scholars of diverse backgrounds and trainings concentrated upon specific problems, on the other hand, may well yield substantial new insights.

(c) The quick job to meet a budget justification or demonstrate a record to an advisory committee is all too frequent. Research work in this field of high quality does not come quickly, although a long period of production is likewise no guarantee of quality.

(9) One field of research suggested for relative contraction is the investigation at a point in time of the qualities of a collective

bargaining relationship. Research like the movies has its fads, and in recent years that has been a great outflow of studies of the relationships between parties after there appeared several interesting and popular case studies. Any such study should be intensively done over a long period to add very much to our understanding. There is a glut of impressionistic case studies done without reference to the developments over time. Further, much of the current work on the functioning of unions and the formal mechanics of personnel can be relatively constricted. The area of internal decision making is vital, but the concentration upon formal mechanics and organization is relatively unproductive as an area of research.

(10) Industrial relations research needs to state clearly its central problems. Then the significance and importance of sub-areas can be reappraised by each research worker. The following basic questions are suggested. (a) How do you explain the behavior of labor unions at varying levels and in various environments? (b) How do you explain the behavior of management organizations with respect to the labor factor at varying levels and in various environments? (c) How do you explain the varying patterns of continuing labor management relations in various environments? (d) What are the interactions between these labor and management organizations on the one hand and the larger community and national life? Any quest for wisdom in these directions requires the constant pursuit of both detailed fact and the reformulation of theoretical models.

METHODS AND OBJECTIVES OF INDUSTRIAL RELATIONS RESEARCH

PAUL WEBBINK

Social Science Research Council

AS JOHN DUNLOP has forcefully pointed out in the preceding paper, we too often disregard our obligation to allocate wisely the assets—the ability, time, energy and money—available for research in the industrial relations field. These are very limited resources. Too often the planning of research, and especially discussions of what research should be undertaken by some one, neglect the hard fact that the “some one” may not exist at all, or may have other plans and commitments that are more important to him.

The solution is certainly not to be found in trying to impose the judgment of a cartel or a committee, or even an association such as The Industrial Relations Research Association. We must begin by recognizing that good work gets done only when it is undertaken by an individual who is really competent and motivated to do it. Sessions such as this one can in time point out a wealth of challenging and important ideas. That is worth while, particularly if the ideas get into wide enough circulation so that those whose interest might be aroused will be reached. Let there be no illusion, however, that this session or the deliberations of any other conference or committee can draw a blueprint which our associates and colleagues will put into early and effective operation. Many good ideas have been laying fallow for long years, either because no one has come along who is competent to work on them or because the competent have other overriding interests. The planning of research is essential, but it provides no guarantee that research will proceed on the schedule which we should like to see followed.

I agree with Dunlop's analysis of the reasons responsible for a too low level of productivity in industrial relations research. Two additional problems might have been added to his list: excessive specialization on the part of many workers within the field, and serious limitations in the training for research of graduate students.

It had been intended, I understand, that this session should be concerned in part with the relative weight which should be given in the next few years to such questions of method as the

use of statistics as against further case studies, extensive vs. intensive questionnaires and field interviews, team vs. individual research, historical as against current studies, fundamental vs. applied research, and the use of neighboring disciplines. A general judgment concerning alternatives such as these does not seem meaningful to me. The tools to be used and the objectives to be served must be chosen in terms of the specific problem under consideration, and not in terms of a fixed preference for one way of working as against another. It is necessary, since we are thinking about extremely scarce resources, to watch the dimensions of any proposed project so that its draft upon existing resources will not be inordinate, and so that there is a fair chance that its findings will be available within a reasonable length of time. There are those who cling to a study with a miserly intensity instead of sharing their findings and thought as these evolve. It is of course also necessary to guard against fact-gathering for its own sake, without provision for adequate analysis and for relating the facts to our total body of knowledge.

On the choice of ways of working there is one point which does deserve general discussion. This is the often unproductive debate about "interdisciplinary cooperation," and back of that, an apparent resistance on the part of some economists toward the participation in industrial relations research of collaborators or competitors from other disciplines. There have been projects which have strained for interdisciplinary collaboration and have achieved little more than interdisciplinary frustration or animosity. The existence of the Industrial Relations Research Association with its diverse membership does, on the other hand, reflect a belief that not only economists but lawyers and engineers as well as sociologists, psychologists, political scientists and historians all have a legitimate concern with research in industrial relations and are capable of making significant intellectual contributions.

I am convinced that we shall find a growing number of instances in which collaboration by scholars from two or more disciplines in the analysis of carefully defined problems will yield valuable results. All depends upon finding the specific problems on which the pain and time imposed by interdisciplinary communication will be worth-while, and on which a real basis for working together can be established. There is no virtue in the interdisciplinary team if it is undertaken out of conformity with the customs of the time,

or without careful and painstaking deliberation as to whether the problem is one on which the process may be profitable and whether the individuals concerned can really work together. If these conditions can not be satisfied each had better stay happily within his own field.

The feasibility of working across the jurisdictional lines of academic and professional disciplines will depend in good part upon overcoming present educational barriers within the universities. The established interests of particular departments and professional schools, and reluctances to tamper with these going concerns, make it difficult for the student to learn more than the subject matter and the patten of the particular field in which he is getting a degree. Furthermore, the pressure to complete courses satisfactorily leave both student and teacher little time for even a passing touch of actual experience with the doing of research. Rarely is the student led to reflect upon the processes whereby the truths or principles or techniques which he is learning came into being, or how they might be tested to see how well they accord with life as it exists outside the academic world. Then too, most of the students seeking advanced training in industrial relations, as in other fields, are either trying to get a quick mastery of the vocational skills which they think will interest prospective employers, or else are so preoccupied with fitting themselves (as they see it) to make this a better world, that they are impatient with spending the time needed to acquire skill in discerning actual differences between better and worse, or between primary and secondary effects, or between supposition and validated knowledge.

Whatever the causes, the number of students who become equipped to do serious research and who become motivated to pursue scholarly interests is a small one. Few of them have enough exposure to disciplines other than their primary one to be able to communicate with men in other fields. Indeed, few of them learn to communicate effectively any way. As one of my colleagues reported not long ago, "sentence structure is a deep mystery to a surprising proportion . . . (and) few have anything resembling style." The thought that research findings should be presented with "literary grace or sensitivity in the use of the English language" has not only disappeared but is almost looked upon as unprofessional.

Serious thought should be given in launching and financing research to the question whether research activity is worth undertaking if its results are going to be communicated in jargon or in effect not communicated at all, save to a little coterie of kindred spirits. The lack of concentration upon skill in communicating research findings is usually accompanied by a lack of concern with craftsmanship generally. Apprenticeship training in research of the kind which Dunlop urges could do much to overcome the too widespread obliviousness to the use of simple language and of elementary good workmanship.

These problems are all the more urgent because there is now a shortage of first-rate research workers and this will get much worse before it gets better. The number of graduate students is dropping for the time being, within four to six years the growth in undergraduate enrollments will bring a shortage of teachers, and the competitive hiring of first-rate graduates by industrial and other employers is increasing. We may therefore have to face problems not of what research or what research methods but whether there will be any one competent and available for research of a fundamental character.

It does not follow that all graduate students interested in industrial relations should be trained in research. Some of them should, however, be so trained, and in ways going well beyond a capacity for turning out an acceptable master's thesis or doctoral dissertation. It would also help if there were a more general recognition that the devoted research worker makes an important contribution. The recognition and rewards of practice or policy making are so great, comparatively, that those who devote themselves to a ceaseless search for understanding, for testing assumed facts, and for creating new knowledge receive all too little encouragement.

Much is being said these days about anti-intellectualism. I am not convinced that this is the present major problem. In many senses we are becoming a nation of intellectuals. There is, however, at the same time a real danger that we shall gradually descend into an amiable mediocrity, and amiable mediocrity can over the next decade engulf the industrial relations field as well as many others. Our protection rests in training and encouraging individuals who will challenge the comfortable presuppositions on which the rest of us operate, and who will do some of the thinking for

which most of us find ourselves too busy. It is especially important that we make a deliberate effort to encourage a few scholars who will see the industrial relations field as a whole instead of making their reputations by working more and more intensively upon some narrow segment of the field.

The limited number of really basic research contributions is not a function of a lack of sufficient funds but of the way in which funds are used. The pressure for immediate results—whether to satisfy a donor of funds, or an employer, or a government agency—often makes it difficult for those responsible for the allocation of funds to exercise the courage needed to finance less spectacular but more fundamental tasks. We become caught in a spiral. The easier things get done first. Neither those responsible for allocations of money and time, or even those who would like to do work of more lasting significance, find themselves willing to spend the time needed to make the case for allocating resources to the less immediately appealing tasks whose outcomes are not only less spectacular but slower and less certain.

The problems with which this session of the Association is concerned are ones for which there are no panaceas and on which genuine progress can be made only piecemeal and slowly. The Association can perhaps make its greatest contribution by scheduling at each of its meetings question-raising sessions of this kind. We need less exposition and less exhortation and in its place more opportunity and greater readiness to raise pointed issues about the hardheadedness and utility of what we are doing. Discussions of that kind will in themselves do much to break down disciplinary barriers to communication among ourselves. Along with this might well be more effort to appraise thoughtfully what is being accomplished in certain specific fields of work; last year's session on wage research constitutes an excellent precedent. Perhaps from this the Association can go on to an annual, or at least a periodic, critical review of what has been done in the name of research in all of the fields in which its members are interested. Steps such as these will be the most effective means of making certain that those resources which come under our joint or individual controls will be put to really productive use.

DISCUSSION

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Professor Dunlop's paper is a straightforward and provocative discussion of what is wrong with industrial relations research and what should be done to improve it. I agree with most of his views on the subject. I have some reservations about the relative importance he attaches to certain factors. One or two of the points he makes about past and current research, it seems to me, need to be developed a little further. Finally, there are one or two additional factors, not mentioned in Professor Dunlop's paper, which I feel are significant for future industrial relations research.

In Professor Dunlop's view, one of the main weaknesses of industrial relations research as presently conducted is that too much of it is concerned with current issues of public and private policy, and not enough with general theoretical frameworks. Two points are worth making in this connection. In the first place, industrial relations is a practical art rather than a science or combination of sciences; and as Dean Brown pointed out in his IRRA presidential address two years ago, it is likely to remain so as long as human behavior is largely unpredictable. It is quite proper, therefore, that research in industrial relations should concern itself to a considerable extent with current issues and problems.

Second, the social sciences—the formal disciplines underlying industrial relations—are essentially inductive in character. That is, in order to arrive at valid generalizations, it is necessary to proceed from observations of actual experience or experiment, rather than by deduction from other, already known generalizations.

These considerations suggest that a rather heavy emphasis on researching major public and private issues is desirable, since this kind of research affords the most direct approach to advancing the practice of industrial relations, and since at the same time it contributes to the body of knowledge from which broad generalizations in the social sciences are derived. They suggest further that industrial relations research should concern itself not only with current but also with emerging issues—i.e., issues that are currently of minor importance or narrowly confined, but that are likely to become widespread and serious in the near future. If research can uncover methods of dealing effectively with emerging problems, its

value for policy and action purposes will be greatly increased, since more time will be available to develop remedial measures than in the case of already "burning" issues.

Professor Dunlop also notes that industrial relations is concerned with all aspects of human behavior and that, as a result, it has become a focal point of conflict among the several social science disciplines. He counts this as another factor retarding industrial relations research. Here again, however, the desirability of emphasis on industrial relations as a practical art is indicated. While no documentary proof is available I have a definite impression that, where attempts at interdisciplinary research have led to conflict in the past, it has been mainly over questions pertaining to general frameworks and theoretical models. I would hazard a guess that if research teams of social scientists from different disciplines would concentrate their efforts more on researching major current and developing problems, there would be less conflict and more co-operation—and a larger output of useful research results. There are, in fact, several interdisciplinary research teams already in existence, working on such projects in close co-operation, and with a minimum of conflict.

I should like to mention one other factor retarding progress in addition to the ones listed by Professor Dunlop: the reluctance to undertake or support industrial relations research that characterizes most companies, and most unions as well. I doubt whether there are more than two dozen companies in the country that are currently engaged in significant research in the field of industrial relations on their own account, and the number that are providing research settings and materials in their plants for university researchers is not much greater. The number of unions carrying on research is probably even smaller. I suspect that a good many of the "potentially able" industrial relations researchers mentioned by Professor Dunlop who are now working in companies and unions would gladly be doing useful research, if they could get their bosses to approve it.

Professor Dunlop's next major point, namely, that there has been a relative overconcentration of research in certain sub-areas, is certainly of first-rank importance to any discussion of future research. Over the past 20 to 25 years unionism and collective bargaining, wages and labor markets, and labor and social legislation have unquestionably been overemphasized, while such areas as man-

agement's role in industrial relations and the internal operation of unions have received only minor attention. If one examines the recent and current projects undertaken in the various university industrial relations institutes,¹ a somewhat less one-sided picture is obtained than that revealed by the record of Ph.D. thesis topics in labor economics. This is explained in part by the fact that the staffs of some of these institutes include scholars in other disciplines, such as psychology and sociology, whose interests run more to the neglected areas than do those of the labor economists. Nevertheless, even the record of recent post-doctoral research indicates an unbalance of emphasis in the same general direction as shown by Professor Dunlop's analysis.

The list of broad subjects which Professor Dunlop finds have been neglected and which accordingly he feels should be given more emphasis in the future includes: (a) the labor force in the industrialization process, (b) the field of recent labor-management history, (c) the internal decision-making process inside unions, and inside managements, and (d) the relationships between technological processes and industrial relations.

I agree that research efforts in all four of these subjects need to be expanded. However, I should like to add another broad area that has been equally neglected and that, in my view, is at least equally worthy of future attention—namely, the area of employer-employee relations outside the collective bargaining relationship. Actually, this covers a whole series of sub-areas, including the selection-hiring-placement process, the selection-for-promotion function, the foreman-worker relationship, and many others. In the case of preponderantly unorganized groups, such as clerical and professional personnel, it embraces the entire span of employee-management relations. While some research has been done in certain sectors of this broad area in recent years, it has not received anything like adequate attention in terms of its relative importance in the total industrial relations picture.

The need for future emphasis on the neglected areas is even more apparent if one examines them in the light of major current and emerging industrial relations problems. Consider, for instance, the area of technological advance and its bearing on industrial relations. There are strong indications that the development and adop-

¹ See especially *Personnel*, issues of September and November, 1954; also recent issues of the *Industrial and Labor Relations Review*.

tion of new labor-saving equipment and methods will proceed at a much faster pace during the next decade than in any like period in the past. It seems evident that a thorough study of the industrial relations implications of the expected "automation" boom is urgently needed. Where and when will the major displacements of workers occur? What occupations will be in increasing demand, and how many new workers will be needed for each? To what extent can occupational groups facing displacement be trained for and transferred to expanding occupations? These illustrative questions indicate the scope and difficulty of the problem. However, even approximate answers to such questions would greatly facilitate preparatory action and orderly adjustment to the impending upswing in technological change.

Another cogent example is found in the areas of hiring and promotion. One of the most pervasive of current industrial relations problems is that of establishing equality of employment opportunity for racial minority groups. The concept of racial equality in employment has broad social and economic implications involving employers, unions and the public at large. Functionally, however, it is a problem in the selection, placement and promotion of personnel, and the basic responsibility for constructive action in dealing with it falls to management. Lack of knowledge among many managements of tested approaches in establishing and administering a policy of racial equality in employment appears to be a basic reason for the slow progress made on this problem in the past. However, a number of companies have pioneered in the area by introducing and implementing the policy on a trial-and-error basis. On another front, various sociologists and psychologists have conducted considerable research on the general problem of racial prejudice and conflict. Accordingly, in conducting needed research on this problem, the approach should be (1) to study at first hand the experience of companies that have pioneered in this field, and (2) to review the results of sociological and psychological research on the more general problem and restate these results in terms of administering equal treatment in the workplace. On the basis of this two-pronged study, it should be possible to outline workable policies and procedures for establishing racial equality in employment.

I have only one comment to make with regard to Professor Dunlop's observations on research methods. I want to underscore his plea for a wider use of the comparative method. I would espe-

cially hope to see a wider use of two particular types of comparison—controlled experiments, and studies of comparative experience situations with built-in controls. One of the chief barriers to progress in industrial relations research is the virtual impossibility of obtaining any real proof of the validity of research results. Most of our conclusions regarding cause-and-effect relationships have to be highly tentative, owing to the multiplicity of variable factors involved in every industrial relations problem, and to the fact that particular variables can never be completely isolated.

The definiteness that characterizes research findings in the physical sciences will probably never be possible in social science research. However, it is possible to reduce the uncertainty, in some instances, at least, by devising experimental situations or by seeking out experience situations that approximate controlled experiments. The studies in the field of productivity and motivation conducted by the Survey Research Center at the University of Michigan provide an outstanding example of the usefulness of this method. Practical problem situations with built-in controls are not easy to find; but the potential reward in terms of increased validity of research results makes the effort well worth while.

Part V

**AUTOMATION, PRODUCTIVITY
AND INDUSTRIAL RELATIONS**

AUTOMATION: A NEW DIMENSION TO OLD PROBLEMS

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“AUTOMATION” is certainly one of the most widely-hailed forms of technological change to come down the pike in a long time. Its prophets and disciples hail it as the main hope for the increased productivity on which the future growth of national income must depend. But there are others who fear that automation, almost by definition, means the widespread displacement of people from their present jobs, with a resulting unemployment problem of serious proportions. Implicit in both attitudes is the assumption that automation represents a technological development of a *generalized* type, potentially applicable over a wide range of industrial and non-industrial operations in many industries. Automation thus differs from the development of the continuous strip mill in the steel industry, the linotype machine in the printing industry, or any one of hundreds of technological developments that are specific to a single industry in their application. Automation stands for something as general—and as complex—as “mass production.”

The purpose of this paper is three-fold: (1) to try to define what the word automation means; (2) to assess the speed, scale and nature of its development; and (3) to explore some of the areas within the industrial relations field that are likely to be affected by it. We should like to emphasize at the outset what will quickly become apparent: we are not engineers with a background of expertise in automation. Neither do we bring to this meeting a lengthy or intense experience of research on the problems we shall be discussing. But we did become interested some months ago in the way the field of industrial relations might be affected by this new technological development. We have read in the cascading literature of automation, we have talked with engineers who know something about the field, and we have visited a small number of plants and talked with management and union officials. We have then tried to figure out what it all means.

What Is Automation?

By itself, the word “automation” has more romance than meaning. It is an attractive word, with a distinctively American

flavor that combines our fascination for engineering and technology, our faith in progress, and our weakness for over-simplification. A new professional literature is growing up around the word, more than one advertiser is living off its magic, union research officers are setting up files marked "automation," innumerable professional conferences and industrial exhibitions are being organized around it, and a stockbroker who doesn't have a brochure on automation is more likely to be a pallbearer at the funeral of the first Industrial Revolution than a midwife at the birth of the second. In terms of sex appeal, automation is doing for the mechanical and electronic industries what uranium is doing for mining.

When we try to go behind the word itself and describe the kind of technological change it represents we quickly come up against complexity and vagueness. None the less, there seem to be three quite distinct developments which together embrace nearly everything that can be brought under the "automation" rubric. These three fundamental developments are:

1. The linking together of conventionally separate manufacturing operations into lines of continuous production through which the product moves "untouched by human hands." This first development, which depends primarily on mechanical engineering for its adoption, we shall refer to simply as "integration," a term already in wide use in the metal-working industries. It is also called "Detroit Automation" in honor of the industry in which it got its start. "Continuous automatic production" is another and perhaps more descriptive term being used.
2. The use of "feed-back" control devices or servomechanisms which allow individual operations to be performed without any necessity for human control. With feed-back, there is always some built-in automatic device for comparing the way in which work is actually being done with the way in which it is supposed to be done and for then making, automatically, any adjustments in the work-process that may be necessary. This second development we shall refer to simply as "feed-back" technology; it is dependent primarily not on mechanical but on electrical engineering knowledge and techniques.
3. The development of general and special purpose computing machines capable of recording and storing information (usu-

ally in the form of numbers) and of performing both simple and complex mathematical operations on such information. We shall refer to this aspect of automation as "computer technology," a technology that rests primarily on new developments in electrical engineering.

Integration developments have the primary effect of eliminating the need for labor devoted to materials handling, including the functions of exact machine loading and unloading. "Feed-back" automation has the primary effect of eliminating the need for labor devoted to controlling the performance of operations between the time when the work is set in place and when it is finished, i.e., gauging the work and adjusting the machine or machines. The computers, the third embodiment of automation, are not only of enormous value in solving difficult mathematical problems presented by scientific and engineering research but they are also capable of handling a large number of the traditional office operations characteristic of banks, insurance companies, payroll departments and the like.

We have seen integration used alone, feed-back used alone, computers used alone and all three used in various combinations. For example, the Cleveland Engine Plant of the Ford Motor Company (a good film of which is available) relies almost exclusively on the integration concept. The notable engineering feature of the plant is the way in which separate operations are tied together by ingenious mechanical linkages which load and unload the production machines without human intervention. But few of the production machines in this plant employ the feed-back principle in their operation; instead, they are programmed or scheduled to perform their operations a certain number of times (determined chiefly by tool wear) at the end of which a man must come and change the tool. But no man has to watch the machine while it operates. If the production machines themselves had built-in electronic devices which adjusted the machines' performance to compensate for tool wear without any person changing the tool or adjusting the machine, we would speak of feed-back. An example of feed-back and computers used in combination is M.I.T.'s automatic milling machine, which cuts out complex metal shapes by following instructions programmed into the machine by means of holes punched in a paper tape. The holes are coded in such a way that they can be read by a computing machine called a "director,"

which, in turn controls the motions of the milling machine itself. Lest it be thought that we are talking only of the "hardware" industries, we should point out that the feed-back principle has probably been used most extensively in the petroleum and chemical process industries, whose raw materials are liquids. The concept of the completely "automatic factory" depends on various combinations of the three basic types of automation we have described above. However, we have found it more misleading than helpful to think in terms of "the automatic factory," which does not seem likely to become a practical proposition in the manufacturing industries within the foreseeable future.

How Revolutionary Is This Development?

You cannot read much about automation without gaining the impression that some people regard it as the "Second Industrial Revolution." Here again we have a phrase that is both hopeful and alarmist; few of us would wish that we had never had the first Industrial Revolution but many of us wish it had been accompanied by less dislocation and suffering. What is there about automation that leads some people to conclude that it is revolutionary? As the first Industrial Revolution was primarily a new technology based on new forms and applications of *power*, so today we may be on the threshold of a widespread transfer of the *control* function from human beings to automatic devices.

This control function, where it involves the notion of "feed-back" and the use of computers, has arisen out of a general theoretical break-through in the analysis of what "information" is and how it can be handled or processed. This new field of communications theory and research has grown up in close company with critical developments in the applied field of electrical engineering, the seminal invention having been the development of the vacuum tube following World War I.

World War II greatly stimulated this work in communications theory and the development of electronic machines, built around the vacuum tube, for handling data in incredibly large quantities at unbelievably fast speeds. The commercial development of data-processing machines has gone forward very rapidly during the past six or seven years until today there are on the market several types of "electronic brains" or computers which can be built to perform a remarkably wide range of operations that use numbers or letters as their primary raw material. We have all heard of

Remington Rand's UNIVAC and IBM's 600 and 700 series. Many other companies are rapidly developing both general and special purpose data-processing machines.

These complementary advances in communications theory and electronics provide the basis for significant new forms of technological change in both the office and the factory. However, the office changes are here and ready to go while the feed-back and computer-controlled factory seems to be approaching more slowly and with less certainty. The new examples of factory automation are arising out of the integration process rather than out of feed-back and computer applications. In the large office, the computer used alone is the dominant development. From what we have been able to observe to date, office automation is likely to come sooner and to proceed faster than factory automation.

One additional important point about the development of factory automation is that today it represents primarily a way of thinking about the flow and control of work; engineers are still in the very early stages of translating these new conceptions into specific pieces of hardware. Nearly every instance of automation we can find today has been a "custom job" of engineering and nobody really knows in how many operations or in how many industries automation will prove technologically feasible. It is much more sensible to think in terms of extending automation gradually to selected departments of a plant, or to the fabrication of a few high-volume products, than in terms of "the automatic factory." The function of final assembly is likely to prove, technologically, a particularly difficult set of operations to automatize. Furthermore, changes that prove technically possible may not make sense economically, barring war conditions. A great many integration and feed-back opportunities involve very large capital investments, even for the exploratory stage alone, and in a significant number of instances we suspect that companies will find that automation just does not pay. Of course we will rarely hear about such cases: we tend to hear about technological feasibility much more frequently than about the arithmetic of new investment opportunities that cannot be justified.

Some Likely Effects on Industrial Relations

Some of the ways in which automation will affect industrial relations will obviously depend on the speed and mass with which

it strikes the economy. We have already indicated that it is less likely to come as a tidal wave than as a succession of groundswells that will reach different industries at different times and with quite different impacts. Most affected industries will probably have quite a bit of time in which to think through the labor problems automation will create and to plan whatever adjustments may be necessary. It is often possible to do things over time that could not be managed if they had to be done overnight—such as letting attrition work off surplus labor or retraining key employees.

There are also likely to be some effects of labor relations which are independent of the speed with which automation comes—for example, the upgrading of the level of skills required in the labor force and the reversal of the past trend towards more specialized, more routine, and less interesting jobs. These two examples suggest that automation will not confront us solely with “problems” in the labor field, but will confer some direct benefits on labor as producers as well as indirectly as consumers.

It is important to state quite explicitly that no one is likely at this early date to be able to predict confidently the outcome of specific developments or to recommend specific solutions to hypothetical problems. What is needed, and what alone seems possible now, is the development of a general awareness of the kinds of changes and problems automation is likely to bring. Here, then, are some general areas that we think automation will affect:

1. Automation is likely to permit greatly improved *working conditions*, including greater safety and easier housekeeping.

2. Much thinking about *incentive systems*, particularly individual forms of piecework, will have to be revised or discarded.

3. As some of the traditional processes and factory layouts are changed, the job of pin-pointing *managerial responsibility* for the performance of specific manufacturing operations may become easier; buck-passing among departments may be more difficult to get away with. Foremen are likely to take on increased responsibility. On the other hand, there may well be some forms of automation that will work the other way, that is, they may blur responsibilities that are now clear.

4. *Training* (or perhaps retraining) problems will probably require more attention than they have since World War II. The training problems are likely to center on the development of new

and complex skills for new grades of maintenance technicians, with shifts in operators' skills being relatively minor.

5. A marked change in the work-content of jobs resulting from automation may find expression in three familiar forms:

- a) *Wage structures* may often require adjustment.
- b) The *traditional jurisdictions* of some unions may be disturbed—for example, by the need to unify mechanical and electrical skills in a new class of maintenance workers.
- c) The *internal structure* of some unions is likely to undergo shifts; in particular, arrangements for giving special recognition to new, small groups of highly skilled workers may become important within some unions.

6. Managements and unions accustomed to think in terms of narrow and rigid *job classifications* may need to broaden their scope somewhat. The same thing applies to thinking about *seniority units*.

7. Finally, there is the employment effect. The anxiety and fear which stem from uncertainty concerning how employment will be affected by automation give rise to the most difficult problems of all. It is hardly surprising that union newspapers and current contract demands often reflect these fears—though it is worth noting that most unions seem to be approaching automation without hysteria and with a desire to plan intelligently for what may lie ahead. We cannot shrug off peoples' fears—fears of being left stranded, of having no alternative job or the time and money to find one in the event of layoff—we cannot down these fears by citing the virtues of technological progress, labor mobility, and individualism. Automation seems sure to bring with it increased emphasis on means of cushioning the shock to the worker who is displaced and of retraining him to a useful and satisfying role in our society.

Each of the areas noted above deserves careful consideration by managements and unions; and each is worthy of considerably more academic research than has been done up to this point. Of course, in many respects the problems are entirely familiar and there is already at hand a large body of research and experience to use as a guide in working them out. As one experienced union leader remarked to us, "Automation? It may look new to the engineers but to me it's an old story. Back in the thirties we called it

technological change." But, while broadly familiar, the problems associated with automation do bring some new twists, some new dimensions for us to consider. We propose to look briefly at three areas, using as a basis for the discussion what we have gleaned from the limited published information available and our own observations. The areas we have selected are these: (1) the effects on the abilities required of the labor force, (2) the effects on rigidly-defined job classifications and seniority units, and (3) the problem of displacement.

Abilities Required of the Labor Force

What will be the impact of "automation" on the abilities required of the labor force? Will it leave us with a predominance of dull, routinized jobs, where people are increasingly forced to conform to the dictates of the machine? Or is it more likely to open up jobs with greater intellectual challenge and to raise the skill composition of the labor force?

Any discussion of job mix is, of course, a discussion of proportions, of the relative weights of managerial, professional, skilled, semi-skilled, and laboring jobs. Automation appears generally to bring about a change in the mix, so that the resulting weights tend to emphasize the former, more highly skilled rather than the latter less-skilled types of occupations. We have observed this upgrading effect in a limited number of cases but the conclusion must rest more on *a priori* than on statistical grounds. It seems reasonable to expect that the ratio of managers to employees will increase, in view of the increased value of the equipment for which an individual manager becomes responsible and of the increased proportion of the total work process inevitably brought under the supervision of one man. The value and complexity of the equipment similarly indicate a need for a higher proportion of engineers and, especially in the case of the electronic "feed-back" and computer technologies, give rise to what amounts to a new occupation in most concerns, that of electronic technician.

In the factory, the new technology takes over most readily the materials-handling and completely routinized machine operations and tends to emphasize, as far as the average plant workman is concerned, jobs directed at "keeping the process going because we just can't stand downtime." As one plant manager explained to us, "You can't afford to chase all over the factory for a main-

tenance man when something goes wrong. He's got to be right there and he's got to know something about electrical and hydraulic problems, not just mechanical." So the proportion of maintenance people is likely to increase as well as the skill required of them. This is not to say that all routine or heavy jobs are eliminated or to overlook the fact that many skilled jobs may disappear or become less important quantitatively. But in terms of over-all proportions, it seems likely that automation will have an upgrading effect on the job mix in those areas of the economy where it is employed. The conclusion may be further bolstered by reference to the oil and chemical industries, where automation already has a relatively long history.

The quantitative impact of automation on employment in those areas of our economy where it is used is almost impossible to estimate. Obviously, firms install the new equipment because it helps them reduce costs. While labor costs are not the only area of savings involved, they are typically a major consideration, so, on the face of the question, we would expect a reduction in employment opportunities, given some framework of total effective demand. But it is much easier to identify jobs that are being lost to technological change than those it is creating. Neglecting the possibility of greater demand resulting from lower product prices, there is the virtual certainty of new products made technically or economically feasible, particularly by the feed-back control devices being developed. As an example of what we mean, it would apparently be impossible to operate a modern oil refinery at all without automatic controls. The question then is at least an open one. Neither optimists nor pessimists can afford to be too dogmatic about long run quantitative effects.

But suppose we assume that the industries where automation is used employ a smaller and smaller proportion of the labor force. Despite a direct effect of upgrading on the job mix, there might be, in the over-all picture, a downgrading effect if the adjustments that take place are predominantly in unskilled occupations or in such areas as personal service. That seems to us unlikely, however. It seems as certain as any social trend can be that the demand for professional services, especially medical and educational will increase rapidly during the next ten years and beyond. And with the higher standards of living made possible by technological advance, the adjustment may be made through a continuation

of present trends toward longer vacations, more holidays and a shorter work week. In that event, we may well see another long-term trend continued: a further reduction in the number of unskilled jobs and an increase in emphasis on the more skilled and professional occupations.

In short, our guess is that both the direct short-run and the indirect longer-run effects of automation on employment will call for more and not less skill on the part of our labor force. We are entitled to a cautious hope that automation may afford a partial answer to those who look at the rising educational levels in the country and ask, "What are people going to do with all that education when they find themselves on the dull and routine jobs of American industry?" *Mechanization* may indeed have created many dull and routine jobs—but *automation* is not an extension but a reversal of this trend: it promises to cut out just that kind of job and to create others of higher skill.

The training, or should we say educational job implied will obviously be more difficult and more important as the speed of innovation increases. Studies of the skilled labor force, its recruitment, training and movement, such as that made recently on Electronic Technicians by the Bureau of Labor Statistics,¹ are given added significance by the technological developments we are discussing. The same may be said for the work of the Bureau of Apprenticeship and of the many opportunities for adult education in a wide variety of fields. We can expect many of the more alert engineering colleges and community vocational schools to revise their curriculums to take account of automation. Many company apprenticeship programs may be similarly affected.

Job Classifications and Seniority Units

A frequently noted characteristic of our economy is the tendency toward greater and greater specialization of knowledge and of tasks. Work has typically been organized into the smallest possible units, each one of which is a repetitive part of a total process and is so small in relation to the whole that a sense of identification with the total process on the part of the person performing the job is almost out of the question. In part, this tendency has

¹ U. S. Department of Labor, Bureau of Labor Statistics, *The Mobility of Electronic Technicians 1940-1952* (Washington: Government Printing Office, 1954).

been a result of the developing technology. But it is also a result, as we all recognize, of the philosophy which says (1) break the work process down into the smallest possible components, (2) fit jobs into a rigid structure that emphasizes the duties and the boundaries of the job rather than its part in the process, and (3) put everyone possible on an individual or small-group incentive system gearing pay to output on the particular job. This philosophy inevitably has tended to identify the individual with an ever more narrow task, giving him positive incentives to restrict his interests and no incentive at all to think beyond his immediate work environment or to place his own performance in the context of a total operation. It is ironic that we have bemoaned the lack of teamwork, while organizing work in a way that practically prohibits teamwork. But it is obvious that this philosophy brings with it a tendency to think in terms of rigid and narrow job classifications and, in many cases, of equally narrow seniority units.

Automation is likely to challenge these habits of thought fostered by discontinuous and highly specialized methods of production. From the technical point of view, automation ties operations together physically; in terms of systems-engineering and economics alike, automation requires a new way of thinking about the flow and control of work—a way of thinking that emphasizes continuous movement of work through a total process rather than stop-and-go progress, thought of as the sum of independent operations.

Just as we observed and reasoned about the effects of automation on skills, almost as a corollary we judge that automation will necessitate broader thinking about job classifications and seniority units. For example, we have seen three or four different types of grinding operations, each of which represented a separate job classification, tied together by automation in a way that allows one man to operate the integrated grinding line. This man must have a generalized knowledge of grinding. And his changed, broader job classification is likely to carry more pay than any of the old grinding occupations.

As for seniority, existing contract clauses and plant customs may be found unsatisfactory in the light of new needs presented by automation. Where seniority provisions have arisen from a relatively stable operation with long-established and clearly defined occupational groups, we suspect that the parties will want to make changes in the rules to accommodate the prospect of increased job

changes and transfers of personnel. For example, seniority rules that work satisfactorily in a plant divided up into machining, heat treating, grinding, and assembly departments may not make sense within a new department that combines all these operations in one integrated line; existing rules may also make it difficult to staff a new integrated department with those individuals both parties agree ought to get the new jobs. One management group with which we talked suggested even further that seniority *standards* would undergo an evolution stemming directly from the need for a more flexible work force. In this view, the development of a work force willing and able to adapt itself to the changing needs of an evolving work process would mean more than application of seniority protections to broader units of work. As a standard for continued employment, "ability to learn" would gradually replace "ability to do" the job.

The Problem of Displacement

It would be silly to pretend that there will not be many jobs which automation will abolish. Whether or not it creates, directly or indirectly, as many jobs as it wipes out, no one can know. Despite the inevitable uncertainty as to the speed and scope of automation's impact, this much at least seems certain: there is bound to be a new influence at work which will strengthen the arguments of people who feel that wage earners ought not to bear the main brunt of technological change.

Social shock absorbers such as severance pay, the guaranteed annual wage, unemployment benefits, careful timing of labor-saving innovations to coincide with business upswings, and increased information-sharing between managements and unions seem likely to receive increased attention as automation spreads. If some of these mobility-benefits add to the cost of technological change, that alone would not disturb us greatly. Indeed, it is important to recognize clearly at least two types of costs incurred by the displaced worker: (1) loss of income while finding a new job and (2) loss of equities built up on the old job in the form of seniority, pension rights, vacation rights and so on. While unemployment benefits of one kind or another are clearly a way of approaching the first type of loss, the more general adoption of the severance pay principle for people with substantial equities in existing jobs strikes us as one entirely appropriate way to share some of the initial gains involved.

In addition, such gain-sharing should strengthen the hands of both management and union officials as they confront the inevitable short-run pressures that develop whenever jobs are eliminated.

In developing policies to cushion the impact of automation, just as with any major technological change, the toughest situations are not likely to be those in which some new machines and equipment are installed in a given plant; the toughest situations are likely to arise from competition between new plants designed for automation and older ones that are not. Sometimes the two plants will belong to the same company, sometimes not. In cases where automation expresses itself as competition among two or more firms not under common ownership, then the policies appropriate to it seem no different from those we would like to see in any competitive situation.

But when automation takes the form of changes internal to a particular firm, then managements and unions have much greater control over the effects it will have and the ways in which these will be handled. For one outstanding characteristic of automation is that it takes time to install. Even after an exploratory stage has been completed, equipment must be designed and manufactured, men must be hired or trained for new occupations, physical installation and transition problems must be faced. All of this takes time—not days or weeks, but many months or years. And with problems like displacement and personal adjustment, time, of course, presents a major opportunity that alert and socially responsible companies and unions can use to good advantage. Social responsibility would mean telling new employees that their jobs were temporary, re-training old employees who have the requisite ability, permitting those near retirement to claim pension benefits, and so on.

We have already noted that automation is likely to have its greatest immediate impact on office occupations. In a sense, that is fortunate, since it will affect a class of workers for whom the blow can be softened most easily, namely female employees working in large offices. Not only is turn-over markedly higher among female clerical employees, but the demand for them in recent years has been high in most labor markets. Professor Craig's paper can be expected to throw some light on the possibilities for intelligent handling of automation in these cases.

There is one further point to be made here that is both obvious and obviously too important not to mention. In considering the problem of the displaced and unemployed worker, it is not so important to ask why he lost his old job as how much trouble he has in getting a new one and what kind of new one he gets. This brings to the fore the educational and re-training problems to which we have already alluded. But even more, it serves to emphasize for an era of marked if not revolutionary change the importance of government economic policy directed toward the maintenance of "full employment." Change the level of unemployment by a few percentage points and the problem of displacement changes from a relatively manageable question of adjustment to a social catastrophe of alarming proportions in which orderly technological progress becomes impossible.

Summary

We said at the outset of this paper that we were not experts in this area but that we had tried to expose ourselves to the meaning and implications of the word "automation," about which we all hear so much these days. Following this exposure, we have tried to "figure out what it all means." In summary, these are our conclusions:

1. Automation encompasses much that is old, though with renewed emphasis on thinking about a total process rather than its component parts and with strong links to the idea of "feed-back control" and to relatively new means of electronic processing and storing of information.

2. It is a development certainly not confined to manufacturing in its possible range of applications; in fact, its greatest immediate impact may well be on office occupations and control functions such as scheduling and accounting.

3. The industrial relations problems associated with automation are broadly familiar to us all as those commonly associated with any major technological or economic change. These problems are, in some cases however, given a somewhat new dimension and, in any case, they remain a continuing challenge for our social and political ingenuity and our individual capacities for adjustment.

4. Among the opportunities presented by automation are those stemming from its likely effect on the skills required of our labor

force and on the meaningfulness of individual jobs, which may well become more easily identified with a total process than had often been true in the past. While the need for skilled people is a problem from a personnel or recruiting point of view, in a broader sense it represents an opportunity for members of the labor force and a challenge to our educational and training abilities.

5. The major social problem connected with automation—displacement of labor—is almost certain to bring with it increased emphasis on means of cushioning the shock to the worker and of retraining him to a useful and satisfying economic role in our society. In working towards these ends, we at least have the advantage that the introduction of automation typically involves considerable time between the initial decision to go ahead and the full-scale operation—time for company, union and employees to plan and adjust, if they are adequately informed and provided with resources enough, to get through the inevitable transition period. Of all the possible ways to share the gains from automation, we can think of none with a claim to higher priority.

ADMINISTERING TECHNOLOGICAL CHANGE IN A LARGE INSURANCE OFFICE—A CASE STUDY

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AN AREA OF AUTOMATION of growing significance today is the result of recent major technological advances in the use of mechanized and electronic equipment for data processing. The introduction and utilization of these new methods in our large modern offices pose many problems, some of which are technical; others are primarily administrative.

In this paper, I will endeavor to report upon a case study of certain administrative problems which arose during a conversion to electronic accounting in the commercial department of the home office of a large insurance company.¹ My interest in these administrative problems was first aroused upon reading the reports of several instances where attempted conversions to procedures utilizing electronic accounting methods created so many acute personnel problems that the managements concerned decided to abandon the attempts. In one situation an executive of a publishing company reported that the resistance on the part of "old-timers" in his establishment was such that the management decided to abandon the new system. This executive estimated that the cost to his company of the abortive attempt to utilize the new methods was a quarter of a million dollars. I found, upon inquiry, that the literature upon the subject of the installation and operation of electronic accounting systems was full of technical information which had been most carefully and precisely compiled. I was also aware that the manufacturers of the new systems normally provided, as a part of the contract of sale, the services of experts in installing the systems. Why was it then, when technical information was so complete and so precise and installation experts were provided, that these reports of administrative problems were so persistent? To find some answer to this question I made a clinical study of a conversion which was in progress in a large insurance company.

¹ My findings are based upon 15 months of field work employing the case method of intensive research. This paper is based upon a larger study, which will be reported in a forthcoming book: *Administering a Conversion to Electronic Accounting*, Division of Research, Graduate School of Business Administration, Harvard University, Boston. (In press available March 1955)

The program for conversion which I studied in the commercial department of the Amalgamated Insurance Company² was a successful conversion. It was successful in three main ways. First, after conversion the department was able to perform its functions with greater speed and flexibility at a slightly lower cost. Secondly, the stability of the organization was unimpaired and there were no overt expressions of hostile sentiments among employees. And thirdly, the capacity of the organization to develop new and better ways of doing things had been increased by a feedback of enthusiasm for the new system. A significant element leading to that success was the administrative behavior of the management team during the conversion period.

The Organization Studied

The commercial department of the home office of the AIC was engaged in a "paper" industry involving communication by mail with 7,000 agents operating from 200 branch offices in the field organization. The volume of paper flowing in and out of the department was considerable, numbering each working day an average of 36,600 standard forms and involving a dollar value of \$2,459,000. The unit value of each transaction was comparatively small, but the total volume and aggregate value involved necessitated a precise system of accounting control.

The 539 people employed in the department prior to the conversion constituted an organization which had grown in an evolutionary manner over a period of more than 25 years. Growth had taken place gradually by adding additional units with few changes in basic procedures. The employees, 95% of whom were female, were not organized for bargaining purposes. The policies of the company and the personnel practices administered in the department, however, had built up traditions and codes of behavior which spelled out and regularized the organizational activity of this group of people. The personnel practices placed special emphasis upon security of employment, seniority as an important element in selection for promotion, and annual increases within salary ranges which tied the actual salary paid closely with the years of service of each employee. These practices had developed an organization which evidenced a high degree of stability and security. The expect-

² All names and any other data which would identify the company have been disguised.

tation of individuals within the group in the immediate future could be spelled out clearly. That is to say, before the conversion, most of the clerks and most of the supervisors in the department were in a position to plan their personal expectations for at least the next five years, and some of the "old-timer" clerks could and had planned with great confidence their expectations for the rest of their working lives.

The Effect of Technological Change

The changes which were instituted in this organization were great enough in size and degree to be considered revolutionary. The displacement of manual methods by electro-mechanical methods made tremendous changes in most of the procedures throughout the department. The timing of the institution of these changes—they were instituted over a period of four years—was important. During this conversion period a number of administrative problems arose. Most of these problems, I believe, may be considered to be inevitable in any conversion of this magnitude and degree because they arose as direct results or effects of the conversion itself. Some of the effects of the conversion which I observed were the changes in skills of clerks; the changes in salaries paid; the displacement of manual operators; the impact upon personnel practices, such as security and seniority; the changes in the jobs of supervisors; and the effect upon the morale of the employees. I shall endeavor to report my observations of each of these effects.

The Changes in Skills

After the conversion I found that a considerable upgrading in job content and skill of clerical jobs had taken place. (Exhibit 1) The evaluation of jobs throughout the department was done by an evaluation committee made up of representatives of all 16 departments of the company. Consistent application of job evaluation standards by this committee had resulted in a considerable upgrading of jobs throughout the department. Before the conversion, 470, or 87.2%, of the 539 jobs in the department had been in grades 1 to 3. After the conversion only 256, or 63.1%, of the 406 jobs in the department were in grades 1 to 3. Before the conversion, 22, or 4.1%, of the 539 jobs had been in grades 4 to 6. After the conversion, 102, or 25.1%, of the 406 jobs were in grades 4 to 6. A more detailed analysis and the salary ranges of the jobs are

EXHIBIT 1

Classification of Jobs Before and After Conversion

Job Grade	Weekly Salary Ranges		Number of Jobs		Per Cent		Selected Groups	Group Totals			
	Minimum	Maximum	Before	After	Before	After		Number		Per Cent	
								Before	After	Before	After
1.....	\$ 32	\$ 45	148	52	27.4	12.8	1-3	470	256	87.2	63.1
2.....	35	50	167	113	31.0	27.8					
3.....	39	55	155	91	28.8	22.4					
4.....	43	60	13	46	2.4	11.4	4-6	22	102	4.1	25.1
5.....	47	66	8	43	1.5	10.6					
6.....	52	72	1	13	.2	3.2					
7.....	57	79	12	8	2.2	2.0	7-9	34	28	6.3	6.9
8.....	63	87	....	5	.....	1.2					
9.....	69	96	22	15	4.1	3.7					
10.....	76	106	....	4	.....	1.0	10-12	6	11	1.1	2.7
11.....	83	116	6	3	1.1	.7					
12.....	91	128	....	4	.....	1.0					
13.....	101	141	6	4	1.1	1.0	13-15	7	9	1.3	2.2
14.....	111	155	1	2	.2	.5					
15.....	122	170	....	3	.....	.7					
16.....	134	187	....	....	.....	.....	
			<u>539</u>	<u>406</u>	<u>100.0</u>	<u>100.0</u>		<u>539</u>	<u>406</u>	<u>100.0</u>	<u>100.0</u>

shown in Exhibit 1. Examples of the weekly salary ranges are: grade 1, \$32 to \$45; grade 2, \$35 to \$50; grade 3, \$39 to \$55; grade 4, \$43 to \$60; grade 6, \$52 to \$72.

When the conversion had been completed, the nature of the jobs of the clerks, in most cases, had completely changed. Prior to the conversion many clerks had been employed doing manual work of a detailed repetitive nature. For example, the clerks in one division had to sort and record manually 150,000 dividend notices per week. After the conversion, the detailed repetitive work of this function was done on machines, and the job of the clerks was either to control the accuracy of the work done on the machines or to operate the machines themselves. Some work in the department was still done manually but most of the volume work, such as the sorting and recording of dividends, was done on the machines.

The Effect Upon Salaries Paid

During the conversion period the salary ranges for the 16 grades of jobs were unchanged. The increase in job content and skill in the jobs of clerks, however, involved the upgrading of clerks referred to earlier and in accordance with the company salary administration policy, salary increases took effect following the upgrading of jobs. The average weekly salary in the department rose from \$37 in 1950 to \$49 in 1953, an increase of \$12, 32% of the 1950 average salary (Exhibit 2). The cost of living increase

EXHIBIT 2
Average Weekly Salary

	January 1950	October 1953
Approximate weekly payroll.....	\$20,000	\$20,000
Number on the payroll.....	539	406
Average weekly salary.....	37	49

during this period was approximately 3%. The precise effect upon individuals' salaries paid cannot be derived from this average figure but the increase in the average salary of \$12 per week shows that some of the gains derived from the new system were shared with the clerical employees. Some of this increase in average salary was necessitated by the expanded market for the services of personnel of the department. IBM procedures are comparatively standardized in different industries and a trained operator can

work almost as well in one industry as in another. This meant that to some extent after the conversion the AIC had to compete in payment of salaries with all other local industries which used IBM equipment. Prior to the conversion, company policy had been to maintain salaries at the rate paid by other financial institutions in the area.

The Displacement Problems

The displacement problems during the conversion period were severe. In this company the policy was established that no person would be fired, laid off, or downgraded when displaced by the new system. The reduction of 133 personnel in the department (539 to 406) was achieved through transfers to other departments of the company and voluntary terminations. The timing of the rate of conversion was important because it enabled time for opportunities for departmental transfers to arise, and it allowed time for voluntary terminations to be used as the basis for decreasing the number of personnel. At the end of the conversion period 237 of the 406 employees in the department had more than 4 years' service. These 237 people had been employed under the old system and had been retrained in the operation of the new system.

The turnover of clerical personnel during the conversion period was somewhat higher than that experienced in prior years, but there was no dramatic change in volume and no one was laid off. I was unable to obtain detailed information on the reasons underlying the turnover during the whole of the conversion period. During the last six months of the conversion period when reasons were classified for a special purpose, there were 71 terminations. Forty-five per cent of these terminations resulted from marriage and pregnancy, 27% from positions obtained elsewhere, 10% returned to school, 7% moved to another state, 4% were drafted, 3% resigned for health reasons, 4% resigned because they were dissatisfied with their jobs, 1% were discharged for a serious infraction of a company rule, and none were laid off.

The management policy of security of employment and reassurance regarding that security, which was part of the management policy of recognizing the company's responsibilities to employees, facilitated the working out of the displacement problems. This policy incurred some extra financial cost but even after allowing for this cost and the share in gain which was earned by employees

in the increased salaries mentioned earlier, the organization was able to perform its functions at slightly lower cost than would have been incurred under the old system. Increased productivity in terms of transactions per employee contributed to the reduction of costs. Statistics of transactions evidenced a productivity increase from 436 transactions per week per employee before conversion to 583 after conversion.

The Impact Upon Personnel Practices

The company policy and personnel practice during the conversion were to maintain security of employment, the traditional importance of seniority as an element in selection for promotion, and length of service as an important element in the determination of salary. There were cases, however, where exceptions to these general rules were made to suit the particular needs of the organization during the conversion to the new procedures. This management did not, as some others have done, entrust the responsibility for planning and installation of the new system to outside experts. The planning team which was charged with responsibility for planning the conversion was composed of three men who, in the aggregate, had 62 years of service with the company, most of which had been served in the commercial department. These men were very conscious of the need to formulate a balanced plan for the optimum use of the machines in the carrying out of the objectives of the department. They did not attempt to adapt the functions of the department to suit the new system. As a general policy the department did not hire outside experts at a supervisory level; however, they did hire three technical experts in the application of IBM equipment. These men were classed as technicians and were not given supervisory status. The IBM local sales manager was used as the resource person for planning purposes. All the supervisory personnel were selected from existing employees of the department and were specially trained in the new procedures. This training took time, but, as the head of the planning team commented, "We started early enough to have time to train our own men."

As the conversion proceeded, the number of clerks and supervisory personnel in the machine room expanded and some young men who had been trained in the new procedures were promoted to positions of managers of the newly formed divisions of the

department. These promotions involved exceptions to the tradition of seniority as an important element in the promotion. The management team was, however, careful not to make such exceptions without some good reasons which were, in general, acceptable to the "old-timers" and the promotion of these younger men was tempered by the administration of salary policy. The effect of this salary policy, as was mentioned previously, was to tie the salary paid closely with years of service. For example, the manager of one of the newly formed divisions, aged 37, with 17 years' service, was paid \$96 per week, after he had been promoted to that grade 15 job. An "old-timer" manager aged 48, with 30 years' service who was assigned to a grade 13 job was paid \$141 per week. The salary range for grade 15 was \$122 to \$170 and for grade 13 was \$101 to \$141. The young manager was paid \$26 less than the minimum while the "old-timer" was paid the maximum salary of his job grade.

Supervisory Positions

During the conversion period, several effects upon supervisory positions were evident. The economic utilization of the new machines required the functionalization of the operations of the department and tended to narrow the technical knowledge requirements of supervisors in the seven divisions of the department. Conversely, the need for supervisors to grasp the new procedures of electronic accounting and to assist in the planning of new and better ways of performing the functions of the department broadened the skill and job content of the supervisors' jobs and caused an upgrading of four of the jobs of managers of the seven divisions. Another effect was a new emphasis upon management capacity in terms of productivity and management capacity in the development of creative ideas of better ways of doing things. These new elements in managers' jobs showed up in sharp contrast with the old system which had been maintained without change in basic procedures for more than 25 years. After the conversion the supervisors were not only allowed to suggest new methods; they were encouraged and required to develop new and better ways of performing the functions of the department.

The Morale of Employees

By clinical study of this organization of people for 15 months, I gathered evidence of employee attitude and morale. I talked in-

formally frequently and at length with people at all levels of the departmental organization. For example, while one division was undergoing conversion, I talked with every one of the 30 clerks in that division. The sentiments these employees expressed freely gave evidence of approval of the new system and, in general, approval of the method in which the conversion had been handled.

Very few negative or hostile sentiments were expressed. The clerks expressed pleasure in their new work and referred to the old system as being much less desirable from their point of view. The girls who were employed, operating machines, showed great pride and enthusiasm for the speed and efficiency of their machines. The girls who were employed in preparing information and controlling the accuracy of the work done on the machines, referred to the old manual system as tiresome, tedious and dull. They said they liked the new system much better.

People at all levels were enthusiastic and the management team, proud of the successful culmination of their efforts, were poised for future development of the new procedures. The mood they expressed was one of re-examination with a view to further improvement of methods of performing the functions of the department.

Administrative Behavior

A very significant element in the success of this conversion was the administrative behavior during the conversion period. Limitations of space in this short paper prevent me from giving clinical evidence of the importance of skill and understanding in day-to-day administrative behavior. This successful conversion, however, did not come about by chance or by laissez-faire methods of administration. The successful blending of the economic, technical, and human factors present required a high degree of skill and a large amount of positive day-to-day administrative behavior. The upgrading of jobs, the increases in salaries, the retraining of employees, the maintenance of the traditions and codes of the organization, the effect upon supervisory positions, and the morale of employees were all dependent in large degree, upon this positive administrative behavior.

During my study of a large number of incidents of day-to-day administrative behavior I discerned a pattern which showed clearly the administrative values which these executives held to be important. For example, the importance of the management's

responsibility to employees was discernible in the realistic planning for conversion, the information and reassurance made known to employees, the retraining of existing employees, the sharing of gains made, and the intelligent balance which was achieved between the needs of the new system and the traditional rights of the existing employees.

These administrators did not leave the maintenance of cooperation to chance. They considered the effect upon the members of the organization and the maintenance of the traditions and codes of the organization as important elements to be considered in the over-all solution of the problems which arose. It was significant that the maintenance of the importance of the traditions and codes regarding security, long service, and seniority as an element in selection for promotion did not, as some people think it will, lead to inefficiency and stagnation in the organization. In this organization the maintenance of these codes was not inconsistent with leadership in the development of new procedures. This management team had developed some procedures of machine accounting to a stage which was in advance of any other known method used in the insurance industry. They had achieved an effective way of utilizing the recent technological advances in methods of data processing; they had maintained the stability of their organization and they had developed a feedback of enthusiasm which had increased the capacity of the organization to develop still better methods of performing the functions of the department.

DISCUSSION

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Our authors are first to be congratulated for contributing so materially to a sounder understanding of "automation." In contrast to much of the confused and erroneous thinking that is being expressed on the subject, they start from facts and hold fast to supportable or logical evaluations. Even in their speculations about possible future developments, they seem to keep in tune with reality, both rationally and emotionally.

The two papers make some important points in common. First, that the elements of automation and the impact of their development, installation, and use are already more or less familiar. Each points out that machines are not people and that machines cannot replace people. They make clear that machines are tools—tools for people to use, tools to increase the individual's productivity and, therefore, to raise his own as well as the general standard of living.

Second, each emphasizes that successful application is dependent on economic as well as technological factors. The technical problems to be solved and the requirements of volume, standardization, uniform rate of output, and savings possibilities necessary to make an application of automation even of the slightest interest are to be found at present only in isolated operations, departments, or units. Both point clearly to the fact that automation is not here; that it is not even around the corner. Both agree that a great amount of time is required "not days or weeks, but many months or years" to apply just one or two elements in a single department.

Third, they both show that the outstanding industrial relations effect is a reversal of the trend to "dull" work; that it will take us away from simple, routine, monotonous jobs toward broader, higher skilled, more interesting jobs.

The differences between the two papers are also meaningful. Professor Craig's case could just as well serve as a basis for consideration of mechanization or what the other paper calls "integration" as for the whole area of automation. If we regard automation broadly, that is as the combination of integration of machines, feed-back controls, and computer technology, then the insurance office case is clearly limited to the first of these three

elements. Professor Craig indicates this himself in his reference to the expectation of still better methods of performing the functions in that particular department.

Professors Shultz and Baldwin treat directly with this aspect of the subject at several points in their paper. For example, in their answer to the question "What is automation?" they point out that it is more misleading than helpful to think in terms of the automatic factory since, in their opinion, that does not seem likely to become practical in manufacturing within the foreseeable future. Thus both papers stand squarely on the fact that automation will not flood us in a tidal wave of operational, economic, and social changes. Each shows, in its own way, that developments will progress step by step from the familiar to the new. That sufficient time, and differences in timing for specific trial applications, will be available to allow us to apply the lessons of the past as well as experience gained at each succeeding step.

The papers, too, differ in their fundamental points of view. Professor Craig draws for us the picture that the employee, the union representative, or the manager might see from within a specific experience. Professors Shultz and Baldwin draw the picture that the student, the news forecaster, or other outside observer might see. The differences in their presentations are, therefore, readily accountable. More striking, however, is the fact that neither includes any very clear reference to one great positive contribution to industrial relations implicit in the long-run development of automation. That is the whole new world of developments of which it even now gives us promise. True, each paper touches lightly on this—Professor Craig's by inference, and Professors Shultz and Baldwin by cautioning against either optimism or pessimism about its long-run quantitative effect.

To me, this is a serious omission. One of the lessons the past shows clearly is that the discovery of broad new techniques, such as we seem to agree we face in automation, have far outweighed in new products, new activities, new services, and therefore in a host of new job opportunities, all the pin-point and transitory dislocations to directly competitive items. Certainly the factory brought more of good in new products, lowered costs, greatly expanded employment, and in the standard of living than was expected by those who saw only the dislocations it would force upon home-

workers. Certainly the mass production techniques that have in this country flooded us with automobiles, radios, kitchen appliances, and all the other products that are the present measure of our standard of living, gave many more and better opportunities for employment than could have been envisioned in a narrow consideration of the dislocations that it would force upon the job shop or the custom-built type of operation.

Or to treat this phenomenon in more specific terms, it now seems evident that the automobile has been much more strongly a positive factor in our economy than a negative one. What it has called forth in highway construction and maintenance, in service activities from the corner gas station to the motel, expansion in suburban living, decentralized business operation, and countless other effects on our way of life has far more than offset its impact on the buggy maker, the horse trader, and the hay and grain merchant. Contrary, too, to many predictions, radio and TV have not killed the newspaper, discouraged the flood of new books published, nor even, it now appears, completely displaced the theater or the movie house.

While both papers are right in reminding us that general gain does not offset individual loss and that we should not slacken our efforts to improve our abilities to meet the industrial relations problems attendant on any technological or economic change, such advice is sound quite apart from automation. It is a most grave error to link the two in any exclusive relationship. Industrial relations research in the areas of improved stability of employment, better accommodation to job displacement, and more effective teaching of new or changed skills is indicated as necessary far more to meet threats of major changes in the business cycle, the impact of competition, and the changing habits of the consumer than for any problem of displacement arising from the impact of automation. Furthermore, in proportion as we do develop them, we can handle more effectively this latter problem.

Then, as each paper suggests, we also need to give attention to those positive areas of industrial relations research in organization, in broadened responsibility patterns, in more effective communications, and in improved educational or training techniques for development of ability potentials so that this new technique may fulfill its great promise for us all.

SOLOMON BARKIN

Textile Workers Union, CIO

The social and industrial significance of automation cannot be appraised solely in terms of the effects of a system of complete mechanization and self-regulations of operations. Automation is coming of age at a time when many scientific, industrial and management innovations are making themselves felt. Each is stimulating and reinforcing the other. Together they are impelling an accelerated rate of manhour productivity, raising it beyond the historic rate of 2.5 percent per year to figures double this percent.

Current Technical and Industrial Trends

Those who urge caution in labeling the current changes in production and service methods as a second industrial revolution are asking us to understate the vastness of the changes and the problems they will be creating.

Our higher sensitivity to the personal and social costs will not permit us to remain calm in face of the portentous problems. Organized labor is demanding a national investigation as well as social preparation and planning to assure dissemination of the benefits and the cushioning of the personal costs and social dislocations. Management and the community are interested in girding themselves for these challenges. The tremendous national gains flowing from higher productivity will afford us ample resources for dealing generously with the specific issues. Not only is there a human and social incentive for this course of action, but there will be also a financial reward. Broad constructive programs will clear the way for continued advance since they will reinforce the prevailing tolerance and acceptance of the innovations.¹

A quick review of scientific developments will disclose that automatic controls of processing through feed-back devices is only one of a number of significant innovations. Basic to automation is the appearance of a whole discipline of instrumentation primarily serving open-loop control installations. They register conditions without initiating automatic corrections. But every advance

¹ Solomon Barkin, "Trade Union Attitudes and Their Effect Upon Productivity," *Industrial Productivity*, published by Industrial Relations Assn., Champaign, Ill., 1951, pp. 110-129.

Solomon Barkin, "Human and Social Impact of Technical Changes," *Proceedings, 3rd Annual Meeting of Industrial Relations Research Association*, 1950, pp. 112-127.

in instrumentation accelerates and diversifies the application of automation. One major application is represented by analogue and digital computers which record and digest material and provide answers at lightning speeds. They may be tied into production systems and offer immediate direction to a production or service unit. The actual use of these computers has created what the authors of the primary paper call "computer technology."

The latter instruments would in themselves not have been possible except for our progress in electronics which brought myriads of other inventions and applications into our scientific and industrial world. A fourth movement has been the appearance of atomic power and the creation of new products by atomic fusion and fission. Their industrial uses are multiplying rapidly. As atomic power becomes economic the effects upon the location of industry and the promises for industrial expansion are sweeping enough to stagger the imagination.

One by-product of our increased industrial knowledge is a series of military inventions such as guided missiles, radar, integration of defense mechanisms into nets or systems, submarine detection and others. These government financed projects have created tremendous new mechanisms for control, detection and calculation. They have resulted in the standardization of component parts and mechanisms eliminating the need for new basic research and offering opportunities for extensive applications. The importance of process technology in accelerating the rate of increase of manhour productivity has been underestimated and its acceptance understated. The standardization of component parts opens up a vast field for the application of existing knowledge with little additional need for new fundamental design or research.²

² During the discussion, questions were raised concerning the currency of process technology. Several examples may illustrate the use of components in the development of new equipment. A recent issue of *Business Week* reports: "an electronic device developed for guided missiles now has a new job: directing freight cars. An automatic switching system . . . called the 'electronic yardmaster,' is a joint effort of the railroad and Reeves Instrument Corp." (November 6th, 1954, p. 118). The Hagan Corporation advertises many specialized applications for its control systems particularly in the aeronautical and automotive test facilities. Other examples in the December 1954 issue of *Mechanical Engineering* may illustrate the use of process technology: an automatic blending process includes remote weight-control system for selection of weight ratios; a control system for selection of any one of eleven sequences to move coal from boat to stock; oscillographic recording systems for such phenomena as stress, strain, pressure, displacement, thickness, velocity, acceleration, current, voltage, temperature, etc.

Characteristics of Modern Management

Equally significant in evaluating the likely impact of these scientific and industrial developments upon industry is the readiness of modern American management to appraise, accept and apply these innovations. Management of our large industries is now predominantly professional. It has been trained to approve and accept industrial innovations. The last fifteen years have taught it that profits can be gained from new products, methods and production. It has gained new glory from industry's production record and exults in its role as the leader of an advancing technology and economy.

The very increase in the size of modern American business corporations has created a need for greater facility at reaching centralized decisions. Management is eagerly awaiting new techniques which will enable it to make quicker and more carefully evaluated conclusions. Scientific management in the twenties and thirties meant the use of standard costs developed through time and budget allocations and paper controls. During the war the quality control techniques introduced modern management to large scale use of mathematical measures for controlling operations. Its spread is indicated by the growth in the membership of the American Society for Quality Control, formed in 1946, to 8,500. Hardly had it gained a foothold before the avalanche of new mathematical procedures for management began inundating industry. Scientific sampling, linear programming, the queuing theory, symbolic logic, the game and search theories began to be applied and have all been subsumed under the term "operations research." A national society called the Operations Research Society of America was formed about 1952. Many companies are already routinely utilizing operations research teams for the analysis and solution of their problems.

During the war, American management became aware of the importance of space and the economy necessary in materials handling. From it evolved a new field of knowledge and practice which has substantially reorganized plant lay-outs, new factory and building designs and effected tremendous economies in the utilization of labor. A separate group called the American Materials Handling Society combines the technicians in this area.

These changes are revolutionizing the nature of and demands upon management. Where a specific company is unable itself to

engage these specialists, it can choose from the many thousands of consultants eagerly seeking jobs to perform these services. They bring specialized experience and their knowledge of the newer techniques to help solve problems and reorganize current operations. Modern management is employing these persons in large numbers and is most sympathetic to their use as many administrators are themselves recruited from the ranks of consultants, or set themselves up as consultants.

In our post-war economy, full employment has promoted a new awareness in management circles that profits can be made from production rather than restrictions. Companies are seeking new products, materials, processes and methods, to gain dominant positions. Many companies have organized their own research staffs for fundamental and applied projects. Where a company is short on facilities or talents, commercial and non-profit groups are increasingly available. The acceptance of industrial diversification by our large companies has increased interest in these agencies.

Scientific and management changes are together intensifying the accent on new processes, materials, products and services. Instead of assuming that automation will only confront us with the same issues faced previously, we must boldly declare that they will be of such larger dimensions as to constitute a new industrial era.

Rate of Change

The suggestion that the changes will be gradual flies in the face of our current experiences. Each of us can call to mind many current large scale transfers of operations from old to new plants resulting from management's desire to introduce new production methods to effect major changes in layout, processes and products. The changes in processes and their order, the integration of an entire system of production or service, and the necessary redesign of products to adapt them to automated production methods preclude simple retooling of a standard plant and suggest the desirability of transfer to new plants better designed for the new output and permitting the realization of the consummate benefits at one time. The shift is likely to be wholesale. The large number of current moves in the production sites for electrical goods and machinery plants provides us with a preliminary insight into the sweeping nature of the changes flowing from current technological developments.

The assumption that office work is likely to be affected more rapidly and significantly than manufacturing or industry requires reappraisal. First, the number of such large office operations is limited. Second, the current rapid progress in the office field is due to the prevalence of standardized office procedures. The large office machinery companies are therefore able to construct a few standard units suitable for wide sale. But the day is rapidly approaching when standard components will also be available to industry and the consequence will be faster and more sweeping applications. The larger savings resulting from industrial innovations will encourage their more rapid extension and use in this area.

The Social Issues of Plant Abandonment

The major issues flowing from the adjustments required by modern industrial developments will not be limited to or be most serious in the surviving plants. One major issue will be the high rate of substitution of process, method of production and materials which will render existing sites and plants obsolete. The number of abandoned plants will be greatly increased. The result will be the displacement of large work groups composed of substantial numbers of older persons with accumulated experience and seniority rights and low capacity for mobility. If they are employed in plants providing pension benefits but granting no vesting privileges they will lose substantial claims. Many communities will be drastically affected by these large scale movements.

The correctives for these impending developments appear quite clear. They are the arrangement of early vesting rights in existing pension programs and the establishment of severance pay provisions to enable persons to carry on during periods of adjustment. Multi-plant corporations, proliferating over the American industrial scene, must increasingly provide transfer rights among their constituent operations. A precedent for such an arrangement was provided by the 1936 railroad agreement and the subsequent revision of the Transportation Act of 1940. They provide not only separation pay, but also guarantees against reductions in earnings for stipulated periods for employees remaining with the company, reimbursement for moving expenses and wage losses resulting from changes in residence and reimbursement for losses incurred from the sale of homes or cancellation of leases on dwellings.

To finance such costs, it has been suggested that a special levy be placed on the sizeable capital gains and financial benefits enjoyed by companies which close such plants.

The community problems resulting from such abandoned plants are numerous. In previous decades ghost towns have appeared and other communities have suffered from economic decline. We have extended little assistance to them. During the war and post-war years we acquired a new sense of responsibility for distressed areas, particularly as we have acknowledged the importance of public decisions in contributing to their problems. The federal government is encouraging the location of new industry in these areas through special depreciation allowances and has also formally approved the diversion of government business to such areas. But the increase in the number of distressed areas in recent years and the greater number likely to flow from the higher rate of plant and industrial obsolescence require that we evolve a more systematic approach to this challenge. Federal assistance must extend beyond the current offer of modest assistance to direct help in study, planning and resources development for economic revival.

Such reconstruction for community and personal adjustment is of course dependent upon the maintenance of a full employment economy. Technological obsolescence, most of us will agree, is not in itself a sufficient force to maintain full employment. Growing man-hour productivity in a capitalistic society must be accompanied by a positive economic and fiscal program to maintain and expand purchasing power and to stimulate economic growth in proportions commensurate with the greater output.

If governmental and industrial efforts are inadequate, the very revulsion against abundance will be a demand for inhibiting production and change itself.

Revision of Educational System

Another area beyond the collective bargaining and plant level which needs immediate study is our educational system. How can it best serve our needs in this new era of industrial innovation? We are already suffering from a shortage of technical engineering and skilled personnel. How may their numbers be increased and qualifications improved? The immediate burden and responsibility must rest with industry. Management must upgrade its wage sched-

ules and benefits to attract the labor force and provide allowances and facilities for training. In the long run the educational system will have to be adapted to this change.

The new demands on personnel express themselves in many more ways than merely wider competence in the physical and social sciences and in the industrial arts. They call for the education of people for an ever changing world. This means not only an ability to live and enjoy it and quickly to adapt to its many developments, but also the maintenance of a skill for such adaptation. We require new teaching techniques for adults and older persons so that they too may learn easily. Unfortunately our training and teaching methods are structured for a youthful population.

Plant Bargaining Developments

The application of these scientific and industrial innovations will bring many new conditions within the plant. Foremost is a high rate of change and an increase in the importance of the problem of transfer and retraining.

We may not produce as extensive a shift toward higher skill as is suggested by the principal paper and other authors. In maintenance work, the use of skilled mechanics may be kept down. Basic to the new technology is the standardization of component parts. The new maintenance personnel will consist of men able to locate and replace faulty parts and a second group to make the repairs. It may be more economical to substitute completely new components and to scrap old ones, a common current practice. These developments may minimize the need for skilled maintenance men.

Automation has already resulted in unions' demands for special compensation for employees on such operations. Some managements have been ready to meet this request to moderate the opposition.

The movement for the broadening of seniority areas started by the industrial unions will be greatly accelerated. Company-wide seniority claims have already been granted by some managements. In some older industries, labor market-wide seniority claims have been historically recognized. These may even be accepted by the newer industries. Within the plant, employees will want rights to enable them to shift freely to new employments as older ones are eliminated. The existing work force will demand priorities on new jobs. This proposal for greater ease of transferability will not in

itself wipe out narrow seniority rosters but will invite more opportunities for transfers and consolidation of seniority rosters and more adequate training periods.

Effects on Unionism

The radical changes in technology will also affect the very structure and nature of unionism. The industrial union evolved in response to the routinization of the production system which displaced the skilled by the unskilled worker. Jobs were fractionalized. The skilled worker lost his bargaining power. The wide diversity of occupations, processes and skills make a mockery of the sharp jurisdictional lines separating unions. In the mass production industries a new bargaining unit had to be established to cover all workers. Councils of craft unions within a specific plant have been tried but found wanting. The economics and strategy of bargaining had to be related to an end product. The industrial union was the result, embracing all workers in a plant belonging to a defined industry.³

But the march of technical change has already altered these conditions. The new corporate and industrial world presents new facts. Industry divisions do not divide corporations. They have diversified and extend over many industrial areas. Look at any large so-called rubber company and list its processes and products and try to justify its name. The same is true of the so-called electrical products and automotive, agricultural implements and railroad parts industries. The economics of a single industrial division no longer determines the bargaining limits. The fate of the individual plant is subsumed in the generality of the discussions. The terms are uniform for all, irrespective of the consequences on the specific unit or industrial division.

The industrial unions have met these changes in some cases by forming joint councils for plants of a specific company. But what happens with the frequent turnover in plants, in the shifts in ownership of plants and realigning of divisions within a company?

The determinants of bargaining currently lie within the experience of the large corporations as a whole. In the post-war period, we have described our experience as industrial pattern bargaining.

³ Solomon Barkin, "Labor Unions and Workers' Rights in Jobs," *Industrial Conflict*, edited by Arthur Kornhauser, Robert Dubin, and Arthur M. Ross, (New York: McGraw Hill Book Co., Inc., 1954) pp. 121-131.

But truly, the pattern was set with one of a group of five to ten corporations. What structure of unionism is best suited to this new set of facts?

Nor has the full effect of these new changes been felt in our collective bargaining demands. Unions have formulated their demands in terms of the traditional objectives relative to earnings, security and collective bargaining rights. But the new technology and productivity and the higher economic status and personal independence of workers will suggest many new needs. The shorter work week is an increasingly more discussed objective. Provision for more opportunities for improvement in individual competency or allowance to offer public or civic services has been noted. With leisure occupying a more important role in man's life, new demands may arise from that field.

Conclusion

The new technology rests on a broad base and extends beyond the innovation of automated production systems. Together these developments may truly be labeled a second industrial revolution. They invite a concerted effort at study and planning so that we may smooth the transitions, ease the personal adjustments and enable us to utilize the abundance for the greater American good. The changes will be numerous and the problems serious. We can be best prepared if we acknowledge rather than minimize their tremendous dimensions and accentuate their great promise. To underestimate their effect and the problems they are bringing in their wake is to invite the revulsion and insurrection which met the first industrial revolution. Careful planning can convert these into opportunities for an enriched life for our people.

Part VI

**THE IMPACT OF EMPLOYMENT
SECURITY PROGRAMS**

THE ECONOMIC FUNCTION OF UNEMPLOYMENT INSURANCE

ARTHUR LARSON
Under Secretary of Labor

THE NEW YEAR, upon which we are soon to enter, will bring us among other things the twentieth birthday of Unemployment Insurance in the United States. For it was in the summer of 1935 that the Social Security Act was passed, which induced the states to adopt unemployment compensation acts throughout the country by means of a congenial bit of beneficent bullying known as the tax-offset device.

This is a good time, then, for some reflection on the part that this institution has played and can play in our lives. This is a good audience for the occasion, too, since I see here not only some of the Founding Fathers, but even a midwife or two, who had much to do with the birth of this system. For example, our eminent chairman, Professor William Haber, participated in the shaping of the original Michigan Act, and was the first director of the organization which put the state program into operation. The occasion is made even more appropriate by the circumstance that this young system has just survived one of the most stringent tests of its existence during the year just past, not least in this city of Detroit which is the setting for our meeting.

My theme today will be this: The economic function of unemployment insurance is not a fixed or immutable thing; we must be constantly vigilant to see that it is being most effectively used to meet the economic needs of our times on the strength of the best economic knowledge, experience and theory that the present can supply.

This observation on the changing character of our problem impels me to tell a story. A visitor to one of our great University campuses, located not far beyond the Willow Run Airport, was being shown about the premises. He saw the superb buildings, including the famed Lawyers' Club, and after being duly impressed, was finally returned to the office of his guide, who was a professor of economics. At that point the economics professor handed the visitor a sheaf of paper and said, "And now I want you to see the examination in economics that I give every year." The incred-

ulous visitor asked, "You mean you give the *same* exam every year?" "That's right," was the reply. "But," pursued the visitor, "don't the boys catch on to this and pass the information along from year to year?" "Oh, we don't worry about that," said the economics professor, "The questions are the same, but the answers change every year."

Economic and Humanitarian Functions

One of the changing factors in the story of unemployment insurance is the relative importance attached to its economic function. It is the genius, not only of unemployment insurance, but of income-insurance generally, that it has two great major functions. The one is economic. The other is humanitarian. At different times, and in different business settings, sometimes the one will loom larger, sometimes the other. In the trough of a sustained depression, the humanitarian purpose may get most attention; in times of sharp business transitions accompanied by relative prosperity, the economic function may come into prominence. Or, it may depend on who you are. If you are an economist, it is very probable that the economic role of the system engages most of your interest; but how about the ordinary person—the fellow to whom a contra-cyclical built-in stabilizer would probably mean something to be bought in a motorbike shop? To him, the really important thing is that the family neither goes hungry nor goes on relief.

We should be careful not to become so preoccupied with one of these two major functions that we slight the other. Certainly the humanitarian objective was uppermost during the discussions of the early 'thirties. The whole idea of maintenance of purchasing power through this type of device did not reach full flower until the appearance of John Maynard Keynes' *General Theory* shortly after the passage of the Social Security Act. But lately I sometimes suspect that the pendulum may have swung to the other extreme. For example, when one suggests such an obvious humanitarian move as that of permitting the continuance of unemployment insurance benefits to people who become ill during their benefit period, one is apt to be reminded sharply that unemployment insurance is designed for the very specific purpose of dealing with economic unemployment, and should not have its purity of purpose muddled by the introduction of anything to do with disability. But try to explain to the victim himself, as I have done,

and as many of you have done, how it happens under a supposedly beneficent piece of legislation that one disaster gets you benefits but two disasters get your benefits cut off, and your sense of balance between the economic and humanitarian functions of unemployment insurance will be somewhat restored.

I want to start, then, with the *caveat* that in speaking of the economic function of unemployment insurance we are not by any means covering the entire function of the system, with all its personal and intangible implications for the happiness, freedom, self-respect, and character of the individuals who live within its protection.

Changing Emphasis on Theories of Economic Function

Theories on the economic function of unemployment insurance appear to have ranged between two extremes, having to do with differing conceptions of the nature of the unemployment problem. The one view stressed individual employer responsibility for unemployment. From this premise there naturally flowed certain detailed conclusions: there should be individual reserves, not a great nation-wide or even state-wide pool; each employer should be directly rewarded under experience rating for favorable unemployment experience; and so on. The economic theory behind all this was that the system could do the most economic good by *preventing* unemployment through the incentive given to employers to stabilize employment. The other view, held, I believe, by Dr. Harris, among others, was that unemployment was a national phenomenon which afflicted all industries and employers — those who conscientiously tried to stabilize employment as well as those who did not. Hence, certain things followed. Individual or local reserves were bad, because they could easily be swept away in the general business avalanche. A national pool was preferable, both to ensure safety and to recognize the national character of the responsibility. Experience rating, in this view, was out of place and even harmful, since incentives to the individual employer could not appreciably reduce unemployment and since lowering rates would only weaken the fund and stimulate employers to try to hold down benefits. The economic theory here, then, was one not of preventing unemployment in the first place, but of combating it by restoring purchasing power on a broad scale to people rendered jobless by a wave of unemployment.

As so often happens in this country, we have come up with something of a compromise. The states were left free to choose their own theories, and so a single choice did not have to be made. We do have experience rating, but in most instances it is not absolutely direct, since there are frequently minimum and always maximum limits within which the rate can fluctuate. We have, as a rule, built up substantial reserves which generally back up the system, and which now amount to over eight billion dollars. Thus, we are trying to do both things at the same time: prevent unemployment by giving an incentive to employers to stabilize employment, and check or reduce unemployment through a reserve fund which will buoy up purchasing power if necessary over a moderately long period of unemployment on a national scale. I say "moderately" because I think that we must admit that our system cannot be expected to overcome the consequences of a long-term and sharp nation-wide increase in unemployment.

Four Major Economic Functions

What, then, is the economic function of unemployment insurance for 1955 and beyond? It should continue to do, and should do more thoroughly, the composite job it is now doing. There are four components to this job.

The first economic function, and probably most important is that of replacement of purchasing power. The automatic and instantaneous replacement of a portion of lost earnings does not, of course, necessarily of itself stop a recession or cure a depression, but it places a definite brake upon downturns in business activity. The strength and importance of this braking effect have never been fully analyzed. We simply do not have the data to make a nation-wide appraisal. Even to calculate how much purchasing power the system really restores is an immensely complex and controversial task, before you go on to figure out what the economic effect of this restoration is. You can find local studies that sometimes show quite remarkable results. For example, it has been pointed out that in the first week of May 1949, in Lawrence, Massachusetts, although 40 percent of the workers were unemployed totally or partially, business conditions were about the same as for the country as a whole. On a national scale, we have all just witnessed a period in which there occurred, side by side, a large increase in unemployment, and a surprisingly high sus-

tained volume of retail buying and private construction. During the year ending September 30, 1954, wages and salaries declined by approximately 4.75 billion dollars. Benefit payments during the same period amounted to 1.9 billion dollars, as against 0.9 billion in the preceding twelve months. Without attempting to calculate the direct effects on purchasing power, nor to speculate on what the secondary effects of such an increase of benefits might be, in the form of business confidence, worker morale, and prevention of fear, panic, and a downward spiral, one can surely draw the conclusion that the availability of unemployment insurance had a substantial part in checking the downturn and allowing the economy to right itself and start again on an upward trend.

I cannot help thinking, however, that if a system does indeed produce this economic benefit, it should logically follow that larger coverage of the system should result in a larger economic benefit. If you were to assume that the principal groups now excluded were added, and assume also that their unemployment experience would have been the same as that of workers now covered, benefits in the calendar year 1953 would have increased by approximately one-fifth. It is significant that the benefits would have provided purchasing power not now being provided to any extent by any public or private means, and would have applied that purchasing power heavily in many areas of the country now relatively little affected by the unemployment insurance program. The actual effect, then, might be greater than the mathematical proportions indicate.

The same reasoning, within limits, can also be applied to the size and duration of benefits. To the extent that the benefit structure falls short of the half-of-average-wage, six-month pattern, it is probably failing to do the economic job that is nowadays expected of it. These benefits ought to be sufficient to permit a worker to meet his necessary non-deferrable expenses for a reasonable period while out of work and looking for a job. The economic job is not done if the benefit level provides only the barest starvation-prevention subsistence, and forces a man to forfeit the goods he is buying on installments and perhaps lose even his house. Moreover, once it is known that the level is that low, people will not feel able to buy goods on installments, because they have no confidence that they can keep up payments during temporary unemployment. In such a case, surely much of the economic benefit of unemployment insurance is being lost.

A second economic function is that of evening out the cycles. Within limits, our present system does have a contra-cyclical effect. Reserves are built up during periods of high economic activity, and are available during periods when employment declines. This makes unnecessary the immediate levying of new and higher taxes, the floating of bond issues or the accumulation of other public debt to finance payment of benefits to the unemployed during a recession. Mr. Marvin K. Bloom presented a paper to the American Statistical Association last September containing some analysis of this function, and reached the conclusion that there was discernible "a pretty clear tendency for the unemployment benefit system to result in additions to purchasing power during periods of slump and subtractions from purchasing power during periods of high prosperity." Without attempting to trace his argument and his evidence, I may sum up the most significant data in one statement: benefits have exceeded tax collections during 1946, 1949, 1950 and 1954, all of these being years of substantial unemployment.

Again, we might ask ourselves whether and by what method this beneficial result of our program could be enhanced. In this connection, attempts designed to put unemployment insurance more effectively into the service of fiscal policy which have been tried abroad are of some interest.

For example, in England during the 'thirties, and, indeed, during most of the 'forties, there was much serious planning to use unemployment insurance to combat the business cycle. The Unemployment Insurance Statutory Committee attempted to work out a scheme of contra-cyclical finance, using an "eight-year budget," so adjusted that surpluses planned for the middle and late 'thirties would cover the anticipated deficits during the downturn which was expected at the end of that phase of the cycle. The advent of the war spoiled the cycle, but did not entirely destroy the British faith in contra-cyclical financial planning. The 1946 National Insurance Act was so drawn that the same kind of manipulation could be carried out. The kind of true contra-cyclical financing which was discussed in Britain ran like this: given a certain average unemployment figure—say 6 percent, the contribution of employer and employee would vary *inversely* as average unemployment went above or below 6 percent. Thus, there might be a decrease of sixpence for each employer and employee for every one percent increase in unemployment. This, you can see, is

almost the direct opposite of the way in which experience rating has been operating in our experience, for contributions go up when unemployment goes up.

The idea of having contributions go down when unemployment goes up is, of course, that the easing of the tax burden occurs at just the time when you want both employer and employee to have more money to spend on consumption and investment. The sixpence remission just mentioned, would, in 1950, for example, have added eighty million pounds to the income of employers and employees. Where, as in England, the employee contributes, the effect of this remission on consumption expenditures is more pronounced of course than it would be in a solely employer-financed system. Nevertheless, even in an almost entirely employer-financed program, the contra-cyclical effect would be more pronounced than under our present system of financing.

A third well-known economic function of the program is the facilitating of maximum use of our manpower and skills. The tie-in with the employment service ensures that the employment office will attempt to place the worker in work at his highest skill before certifying the payment of benefits. The rule that claimants need not grab the first job that comes along, but can without penalty wait for something reasonably suited to their training and prior experience, means that valuable skills are not dissipated by the desperate necessity of taking any work that offers itself, just to keep from starving. This benefits the employer, too, since during a temporary lay-off, it is not necessary for his trained work-force to disperse all over the country to find other work.

The fourth and most controversial of the claimed economic benefits of our present system is the incentive to stabilization efforts by employers. With so many possible motivations that might account for an employer's decisions, and with this tax motivation so entwined with other factors, it perhaps will never be possible to demonstrate conclusively what the extent of the effect of experience rating on stabilization has been. Two things are clear: first, that there is a reward for the employer who stabilizes, and second, that in some industries, at least, there is an area of improvement within the control of the employer. This is evidenced by many examples in which, by inventory planning, diversification, new kinds of storage, out-of-season promotion, off-season production of seasonal

goods, and so on, individual employers have found it possible to spread out employment even in some difficult industries.

So far, in describing what the system should be attempting to do under 1955 conditions, I have suggested that it can perform four conventional functions and perform them better: modified contra-cyclical financing; maintenance of purchasing power; preservation of skills; and inducement to stabilization of employment.

A Special Problem for 1955

Now, is there anything new that unemployment insurance could be doing that it is not doing to meet the economic challenges of 1955? What *is* the special nature of our 1955 problem? It does not seem to be the prospect of an orderly business cycle, as many people thought the problem was in the 'thirties. Our successful weathering of several business downswings also seems to indicate that the problem is not the prospect of a minor recession snowballing into a major depression.

I would venture the suggestion that our most pressing problem in this area is the presence of persistent unemployment among certain groups and in certain areas or industries. Of course, we must do everything in our power to reduce the overall total of employment; but the problem of chronic unemployment has, it seems to me, the first and greatest claim upon our ingenuity and resources. For present purposes, I am using the term "chronic unemployment" to refer to the situation of those people who exhaust the full duration of unemployment insurance benefits and still go on unable to get work, either because of the locality, or of the industry, or because of some other factor that makes them a special problem group.

During the first 9 months of 1954, nearly 1½ million workers exhausted their rights to benefits before finding jobs. There were 200,000 in Pennsylvania alone, over 100,000 in Michigan and New York, and more than 75,000 in five other states. I do not mean to say that all these should be classed as chronic unemployed; many exhaustions are the result of short entitlement or short benefit limits in a state, and many of the workers find work within a reasonable time after exhausting benefits, although no one knows exactly how many. But we know that there is a hard core of unemployed, especially in certain areas, whose problem is no longer the

usual one of temporary unemployment for which unemployment insurance as now constituted was designed. Is there any way unemployment insurance can be pressed into service to help with this situation?

Since this is a Research Association, I commend this question to you as one of the challenging subjects for research that could be found. And I want to assure you that we in the Department of Labor are already at work in this field, with studies on the characteristics of beneficiaries and persons who have exhausted benefits, the special problems of older workers, the nature of labor turnover, and the experience of this and other countries with proposals to cope with the specific problem of chronic unemployment. So far as I know, there is no ready-made example that we can take over from the history of any particular state or foreign country, but there are some fragments of experience that at least deserve our investigation.

We can start with the assumption that the solution is not to make benefits unlimited. Our system is aimed at temporary unemployment, and must continue to be so if it is to retain its insurance character.

I think it is equally true that you do not solve the specific problem I am talking about by a mere quantitative extension of the duration of benefits beyond six months, to, say, nine months or twelve months, even if that were within the realm of serious possibility. This alone, for the really persistent type of unemployment, would merely postpone the problem while putting an additional load on the system in areas least able to bear it.

But is it possible that the matter could be approached by means of a combination of some extension of benefits, conditioned upon and coupled with an entire new special program aimed at removing the particular individual's cause of unemployment? Should consideration be given to some such additional devices as: retraining of the individual in a trade or skill for which there is a demand; travel allowances to make it possible for him to undertake the training and take up the employment opportunities thus made available to him; perhaps even scholarships for younger people, to enable them to get a fresh start?

The general idea would be this: when a man has exhausted six months of benefits, and still remains unemployed, in spite of the best efforts of himself and the employment service, he is by that

fact a special case for attention. As to him, our available insurances and services have broken down. Should we then, relegate him to tax-supported relief? Or should we rather redouble our efforts and concentrate our resources upon him more vigorously than ever before?

Although the analogy is not perfect, I should like to make a comparison between this idea and relation of rehabilitation to workmen's compensation. Until rather recently, a man with a permanent industrial disability was treated somewhat as we now treat a man with a chronic unemployment status. He was paid whatever benefits the law allowed, and that was that. The modern way to handle the matter, however, which a number of states are adopting, is quite different. A special allowance, beyond normal benefits, is made for the man if he agrees to undertake a rehabilitation course. The cost of support, the cost of training, and the cost of necessary travel are all included. When the course is completed, special efforts are made to place him in suitable work. Now, the chronically unemployed man is in somewhat the same predicament, except that the cause of his unemployment is economic rather than physical. With a relatively small investment, might it not be possible to restore the man to self-sufficiency and to make him an asset rather than a burden to the community?

So far as I know, nothing on this scale has ever been attempted. Britain has had various kinds of extended-duration plans, but nothing with this full rehabilitation feature. A number of states before 1937 had extended-benefit clauses, but they never actually took effect, never had these additional features, and in any case never would have gone beyond 26 weeks. Perhaps the closest thing to it was adopted right here in Michigan in 1942, in the form of a provision for special benefits during vocational training. Under the 1943 amendment, special benefits for 18 weeks could be added for those individuals who, by direction of the Commission took special approved training courses. I understand that about 200 claims were filed and allowed during the early part of World War II, but, when I last looked into the matter, there had not been any claims allowed since World War II.

In most states, however, the very opposite of the training objective has resulted, since they have felt it necessary to rule that a man who is undergoing a training course is not available for work and hence not eligible for benefits. At the very minimum, states

having the problem of chronic unemployment which might be alleviated by systematic training would be well advised to see whether this training is being actually impeded by their eligibility rules.

In any "economic rehabilitation" plan of the kind I have suggested for discussion, there are many variables and details that should be considered.

One is the possibility of a relation between a long steady work history and eligibility for the extension. The British experience can be studied here. An argument can be made that, on an insurance basis, a man with ten years of steady contributions made on his behalf, and with no debits against him, could be considered entitled to a little extra consideration. This, incidentally, might come to the aid of a class much in need of aid—the older workers. We know that, when they become unemployed, proportionately several times as many of them exhaust benefits as the younger workers, and the difficulties of ever becoming re-employed are multiplied.

Another possible question is whether such a program should go into effect only if an emergency is found in a particular locality, under some test based on volume of unemployment or the like. It may be questioned whether the test should relate to a specific emergency or cause, such as the proposals that have been aimed directly at unemployment caused by reconversion or foreign trade policy.

Other questions might relate to the way in which you might try to limit the rehabilitation technique to the most pressing cases. Should all claimants be eligible who have exhausted benefits? Or only those with dependents? Or those who have a specially long, steady wage record? Should it be only the principal wage earner in a family who can get the special consideration? Or some combination of all these variables? And how long should the extended period be?

Well, since this is a Research Association, I have no hesitation in leaving all these questions hanging in the air. I do this even more cheerfully, because I know that I am about to be followed by several men who, whatever their other differences, have in common the fact that they are all men of uncommon brilliance.

Conclusion

This leaves matters somewhat where they were in the conversation between the discontented grasshopper and the ant. The grass-

hopper, in a mood of despair, called upon the ant, and poured out the story of his unhappy lot. There was no food; a drought had spoiled the grain; what's more, farmers were always spraying poison on things, and a grasshopper just didn't have a chance nowadays; people were always stepping on you, birds were always dive-bombing you, snakes lurked around every stump waiting for you. How much better it would be to be an ant. "Not so," said the ant. "All day long dragging heavy hunks of sand or dead beetles; lousy accommodations; stuffy and frightfully overcrowded in the anthill; hundreds of relatives; cold in winter, hot in summer, whenever it rains the whole doggone place flooded." "Tell you what," continued the ant, "if you want to be something else, why don't you be a lark? Boy, there's the life. Soaring about up in the fresh air and sunshine. Sing all day. Go south for the winter. See the whole country. No fears, no worries." "That's for me!" exclaimed the grasshopper. "That's exactly what I want. How do I get to be a lark?" "I'm terribly sorry," said the ant. "This is the research and information department. That's an administrative question."

And so, having provided a little information and quite a few questions for research, I will now yield to the gentlemen of the panel, all of whom, I believe, have had a wealth of administrative experience and will, I trust, supply some much-needed answers.

ECONOMICS OF THE GUARANTEED WAGE (G. W.)

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Introduction

The guaranteed annual wage, guaranteed employment, guaranteed wages, or whatever the appropriate term, promises to become one of the major economic issues of the next few years. Mr. Walter Reuther, President of the UAW, announced that the UAW is determined to obtain a "guaranteed employment plan" in 1955 even if a major strike becomes necessary to achieve it. In view of its importance, an analysis of the issues involved may be helpful.

In the situation of 1955, the plans likely to be fought over would probably include the following features: (1) a guarantee of employment or else payment to cover a fairly long period of idleness, say 52 weeks, not necessarily in one spell and requiring qualifying periods of employment; (2) this compensation would be related to the employee's past employment with a firm, that is, he might for example, be entitled to one week's pay while idle for two weeks of past employment (the UAW Plan) or one week in three (an earlier Alcoa plan); (3) the weekly compensation would greatly exceed the amounts paid under unemployment compensation (an average of \$24.70 in June, 1954, or 32 per cent of the average weekly total pay in 1953)¹ and also the duration would be much greater under guaranteed wage programs (current proposals seem to demand a guarantee equal to wages or close to that standard); (4) employers would be relieved of payment insofar as unemployment benefits can be made available to meet part of expenses and insofar as alternative employments yield income (but it is recognized that changes in the law and administration of unemployment compensation [U.C.] would be required);² (5) a limit would be put upon the obligations of an employer, say a limit of 10 per cent of payrolls in any one year, and hence a smaller average charge over the (say) 5 years of a business cycle; or as

¹ U. S. Dept. of Labor, *1953 Supplement to Handbook of Unemployment Insurance Financial Data*, Sept. 1954, p. 3.

² See *G. W. Report to the President by the Advisory Board, Office of War Mobilization and Reconversion*, January 1947, Ch. IX; and *Monthly Labor Review*, Feb. 1954, pp. 143-46.

under one plan, a regular payment of (say) 10 cents an hour per work hour;³ (6) in order to reduce the burden in any one year and also in order to reduce the fixed charge on the employer in any one year, some plans envisage the accumulation of reserves.⁴ It is scarcely necessary to add that all kinds of schemes have been used and are now being proposed, with variations on the basis of coverage, rights to renegotiate, financing, limitations of costs, etc.⁵

The Guaranteed Wage, Fixed Labor Charges and Reserves

One of the major complaints made against the G. W. is that it involves a large fixed charge, which becomes increasingly serious. Many will point to the French experience where wage supplements amount to 30-40 per cent of wages. It should be pointed out, however, that the modern corporation assumes fixed charges such as certain taxes (e.g., property taxes), salaries of management and many other white collar workers, interest on debt that may often be large compared to anticipated charges on the G. W. But here we are concerned with the tendency in recent years for supplements to wages to become increasingly important. In large part these are fixed charges, though to some extent they vary with payrolls. At least they are fixed charges in the sense that they generally cannot be cut without cutting payrolls. They may also have the effect, as Professor Slichter has suggested, of increasing the unfortunate tendency towards seeking liquidity in depression.⁶

At the outset I should say that the analysis of the G. W. here made is generally based on the assumption that it might eventually cover a substantial part of the working population. But at some points the analysis is tied to the assumption of limited coverage. Thus should coverage affect, say, but 1-2 million workers, the gains of productivity associated with the introduction of the G. W. would be much greater than should coverage be universal. For with limited coverage, employers subject to the G. W. would more easily be able to attract the cream of the labor market and stabilize through

³ This limit is discussed fully in *G. W. Report to the President*, especially Ch. VIII.

⁴ See, for example, J. W. Garbarino, *Guaranteed Wages*, 1954; UAW-CIO, *Preparing a Guaranteed Employment Plan*, April 1954, and *Questions and Answers about the UAW-CIO Guaranteed Employment Plan*, Nov. 1954; and *Fortune*, January 1954.

⁵ U. S. Dept. of Labor, *Guaranteed Wage Plans in the United States*, B. L. S. Bulletin 925, 1947.

⁶ *G. W. Report to the President*, pp. 469-70.

diversification (at the expense of others mainly) than with unlimited coverage. Again with limited coverage, there need be little concern over adverse effects of accumulation of reserves.

Let us then consider what is happening to our economy. The table below shows that supplements to labor income are becoming increasingly important. Especially of significance are the employer contributions for social insurance (notably for the old and unemployed) and the great rise in employer contributions to private pension and welfare funds.

**NATIONAL INCOME, COMPENSATION TO EMPLOYEES,
SUPPLEMENTS TO WAGES AND SALARIES,
1929, 1938, AND 1953**

	1929	1938	1953
National income (\$ billion).....	87.8	67.6	305.0
Wages and salaries (\$ billion).....	50.4	43.0	198.0
Supplements to wages and salaries (\$ million).....	662	2,018	11,081
% supplements to wages and salaries to national income	0.76	2.99	3.64
% supplements to wages and salaries to wages and salaries.....	1.34	4.70	5.61
Supplements			
a. Employer contributions for social insurance (\$ million).....	101	1,423	4,745
b. Other labor income (\$ million).....	561	595	6,336
1. Compensation for injuries*.....	278	253	944
2. Employer contributions to private pension and welfare funds*.....	169	228	4,927

* Major items.

Source: U. S. Dept. of Commerce, *National Income*, 1954 Edition.

At the outset, I should point out that these figures for supplements to wages and salaries are much below estimates made elsewhere.⁷ The United States Chamber of Commerce estimates fringe benefits at \$817 per employee in 1953, or 38 cents per hour and the equivalent of \$50 billion for 62 million workers. But much is included that is not properly included as supplements—e.g., payments for time not worked (holidays and vacations), bonuses, etc. I should add that the Chamber of Commerce sample and weighting are subject to serious criticism; as are some of the items included as fringes.

⁷ See U. S. Chamber of Commerce, *Fringe Benefits*, 1953, and A. M. Fisher and J. F. Chapman, "Big Costs of Little Fringes," *Harvard Business Review*, Sept.-Oct. 1954, p. 38.

It should be noted that though the supplements to wages have increased greatly, the percentage relative to wage and salary payments and to national income increased only about one-fourth as much relatively in the good years, 1938 to 1953, as compared to the rise in the declining period, 1929 to 1938. A rise in the cost of these supplements from 2.99 to 3.64 per cent of national income in a period when national income rose by 3.6 times and GNP corrected for prices almost doubled, suggests that if the effects on the economy were adverse, there was little evidence of this.

Several other aspects of supplementary payments should be noted. First, note the heavy concentration on pensions and similar payments favoring the old—\$8.0 billion in 1953. In comparison, unemployment is favored by payments of but \$1.6 billion. This might suggest a redress in this balance through G.W., though a much fuller discussion of resources and needs than I can offer here would be required to support this point. Second, the amount of resources made available to deal with unemployment through insurance was inadequate even in the period of relatively low unemployment (average) in the years 1938-1953. In these 16 years there were 57 million man-years of unemployment; but only \$12 billion of unemployment benefits were disbursed, or about \$210 per man-year of unemployment. In 1949, a year of unemployment about as severe as 1954 (3.4 millions unemployed), wage losses amounted to \$7.8 billion, and unemployment benefits, \$1.9 billion, or 25 per cent of the wage losses.⁸ (More on this later.)

One final point should be made relative to the supplements to wages and salaries and their effects upon the economy. Large savings are made; and they are invested increasingly in gilt-edge securities. The net effect is probably a larger volume of savings than would otherwise occur; and the investment of these savings in non-risky assets. The results on the economy may not all be good. The importance of these savings is revealed by the following. The major investments are in government securities first and mortgages second. In the years 1951 to 1954 (fiscal years), mutual savings banks, savings and loan associations, and life insurance companies accounted for \$38.7 billion of \$101.1 billion of debt and equity financing.⁹

⁸ Figures from *National Income*, 1954 edition; *Social Security Bulletin*, Sept. 1954; and *Economic Report of the President*, January 1954.

⁹ Figures from *Federal Reserve Bulletin*, October 1953, and *Statement of Federal Reserve Board before Joint Committee on Economic Report* (Subcommittee on Economic Stabilization), December 7, 1954, Mimeographed, p. 8.

ASSETS (\$ Billion)		
	1939	1953
Life insurance companies.....	29.2	78.5
Savings and loan associations.....	5.6	26.7
U. S. Government agencies.....	7.6(1940)	48.2
	42.4	153.4

Source: *Federal Reserve Bulletin*.

The above table (which is far from inclusive) points to annual savings over these 14 years of \$8 billion associated with insurance, savings institutions, etc. To this should be added \$1.5 billion of industrial pensions (1951 estimate) and a Brookings estimate of \$6 billion by 1960.¹⁰ Should G.W. cover the wage bill insured under unemployment compensation in 1953, and should reserves of 5 per cent of wages be collected per year, then \$6-7 billion additional per year would be saved on account of G.W., and total *institutional savings here listed* would rise to \$8 + \$3 (an estimate of industrial pensions in the immediate future) + \$6, or \$17 billion. In recent years the investment of funds of these proportions has raised no serious problems because they could be largely absorbed in government deficits, in sales of public securities by banks and purchases of mortgages. In the future there may be problems. But it should be noted that the accumulations of G.W. reserves, both because of limitations to be set on the amount and because of their cyclical behavior (collection in prosperity and disbursement in periods of declining demand), might well in this context at least improve economic conditions rather than depress them. (More on this later.)

All *gross savings* were of course much larger than the institutional savings here itemized. In the years 1939-1953 inclusive they amounted to \$560 billion, of which personal savings were \$247 billion. The annual average was 37.4 and 16.5 billion dollars, respectively, and the totals for 1953, 55 and 20 billion dollars, respectively.¹¹

From this discussion, I draw this conclusion: The accumulation of large reserves through the guarantee may further accentuate the problem of over-saving and might help convert a boom into a

¹⁰ C. L. Dearing, *Industrial Pensions*, 1954, pp. 177-78.

¹¹ Calculated from U. S. Dept. of Commerce, *National Income*, 1954 ed., pp. 164-65.

depression. Such possible effects should be weighed against the dangers of excessive pay-as-you-go financing which might greatly increase costs in depression periods and then lead to higher prices and reduced output as a means of covering costs.

Why the Current Interest in the Guaranteed Wage

Many explanations can be adduced for the recent vogue for the G.W. Dissatisfaction with the Unemployment Compensation programs (U.C.) is surely one reason. Here is a program that covered only one-quarter of the cost to labor of unemployment in a year of modest unemployment even after almost 10 years of unparalleled prosperity. Even in 1953 the maximum of benefits averaged \$27 per week; the average weekly benefit, \$23.58; the average potential duration, 22 weeks; the average duration of benefits, 10 weeks; and the duration of benefits for exhaustees, 19 weeks.¹²

A second reason for the increased interest in G.W. is the greater importance attached to fringes. This emphasis on fringes may be explained by the fact that the basic wage has risen to a level where much more than minimum needs are being met. Thus from 1939 to 1953, real wages per employee (exclusive of supplements, etc.) rose by 57 per cent; real per capita *disposable* income of the entire population (after taxes) by 46 per cent. In this same period, the number of jobs rose by more than 19 million, or about 40 per cent, and in relation to population 14 years and over from 46 to 56 per cent. All these figures point to much higher living standards.¹³ It has become apparent that a dollar spent on certain fringes would yield more than a dollar added to the basic wage. For example, from 1929 to 1953, the rise of supplements to wages has been 4+ times as much as that in wages and salaries. The rank and file or their leaders may find more satisfaction in a gain of 5 per cent in wages (say, 10 cents an hour) used to cover unemployment over a long period for the unemployed than a rise of 10 cents in the basic wage. In this manner, the worker feels more secure and is assured an improved distribution of spending over time. A third factor is undoubtedly a widely held view that business executives are not under sufficient pressure to stabilize their

¹² U. S. Dept. of Labor, *1953 Supplement to Handbook of Unemployment Insurance Financial Data*, September 1954; cf. Ways and Means Committee Hearings on *Unemployment Insurance*, June 1954, pp. 101-102 (calculated).

¹³ Figures computed from *Economic Report of the President*, 1954.

operations; and that imposing additional costs upon the enterprise to finance the idle would force management to stabilize and thus cut unit costs of production and through increased economies finance part of the additional costs involved. There are many other relevant items; but one that should be mentioned specifically is a strong sentiment among factory workers that they, unlike the white collar workers, are forced to bear the brunt of instability. Whereas the executive and white collar workers maintain their jobs, others fail to do so.

On the issue of the concentration of adjustment burdens on the factory worker, there is much truth in the position that factory workers suffer more than others. This is evident, for example, from the greater decline in manufacturing where factory workers predominate than in the services. The table covers three periods of decline.

% DECLINE OF EMPLOYEES, VARIOUS YEARS

	1929-1932	1937-1938	1948-1949
All industries	25	5	3
Manufacturing	36	14	7
Wholesale and retail trade.....	23	2	1
Services	23	4	+1
Government and government enterprises.....	+6	+11	+5

Source: Calculated from *National Income*, 1954, pp. 196-97.

In an unpublished study, it was shown also that manufacturing in periods of declining activity from 1923 to 1949 the average reduction in man-hours was twice as great for *production* jobs as it was for *all* jobs. In the same study it was revealed that man-hours in the automobile industry varied much more for production workers than for all workers. Thus, in 1939, the percentage variation in monthly hours was 15 per cent for production workers and 3 per cent for all other employees. The executive and white collar worker tends to have much greater stability—he has an all-year job.

Against this, it should be noted that the income of the factory worker has tended to rise relative to that of the white collar worker. In the main, the explanation is undoubtedly the large relative rise in numbers of white collar workers; but in small part the explanation may be compensation for instability. (Hansen and Samuelson have observed, however, that workers in unstable employments do not achieve equal *annual* pay with others.) The major white collar groups numbered but 740,000 (5.7 per cent

of the labor force in 1870); but the respective figures were 5.5 millions (15.0 per cent) in 1910 and 16.1 millions (27.3 per cent) in 1950. Again, from 1929 to 1952, average weekly earnings of factory workers rose by 155 per cent; salaried workers, by but 95 per cent.¹⁴

The Case for the G. W.

Much can be said for the G.W. On the assumption that the G.W. involves management in no additional wage costs, that is, labor asks for a G.W. rather than for a rise of pensions or an increase in the basic wage rate, the program can be supported on the grounds that x per cent of costs thus incurred yield higher returns in the estimate of the worker than alternative forms of wage increases. The fact that workers seek their gains in this manner supports this position. Of course, trade union leaders may want the G.W. in part because in this manner they can achieve a higher wage increase than through orthodox approaches. The explanation of this fact may be that employers can afford to pay more under a G.W. program because the incentive to reduce costs under the pressure of higher outlays charged to instability would be increased; or it may simply be that bargaining for a G.W. program may be more effective than for a rise in the basic wage rate. For example, in periods of inflationary pressure it is easier to win public approval of a program that does not add to inflationary pressures currently. In fact, the large growth of pension programs in the post-war period may be associated partly with this consideration. In this connection, it should be observed that, as Chancellor Kerr and others have argued, trade unionism has not succeeded in increasing the share of income going to wages (the stability of proportions over the years has been remarkable), and hence the gains under a G.W. program may merely represent a changed pattern in the manner of obtaining wages, the over-all rise itself being associated with gains of productivity. This generalization applies, of course, to income *before* payment of income taxes. There is much evidence of substantial changes towards equality in recent years when income after taxes is considered.¹⁵ But the gains in

¹⁴ "White Collar Unionism," *The Journal of Business*, Oct. 1954, pp. 260, 271. More material on this issue is to be found in S. E. Harris, *The Market for College Graduates*, 1949, especially Chs. 3, 3A.

¹⁵ See, especially, Goldsmith, Jaszi, Kaitz and Liebenberg, "Size Distribution of Income Since the Mid-Thirties," *The Review of Economics and Statistics*, Feb. 1954, especially p. 26.

distribution to a considerable extent relate to increased amounts of employment and the improved position of low income workers against all workers.

Undoubtedly a G.W. program, as it spread, would increase the pressure to improve the U.C. program, for employers affected by the introduction of G.W. might feel under a competitive disadvantage, either vis-a-vis competitors in their industry, or in competition with producers or sellers of competing products. Since payrolls vary from 10 to 90 per cent of cost, it is obvious that any program which imposes costs upon the basis of payrolls would greatly affect the competitive position of different products and firms. Even when one union has exclusive jurisdiction in an *industry*, costs of different firms may be affected unevenly. Thus, according to one estimate, a limitation of applicability of G.W. to workers with 3 years' seniority would cover 94 per cent of the workers in one company of an industry and 51 per cent in another.¹⁶

The trade unions consider the G.W. in part as a weapon for improving U.C. and hence contend that the introduction of G.W. would increase the pressure to improve U.C. But I am inclined to believe that the parallel with Old Age and Survivors Insurance (O.A.S.I.) is not so great as they often assume, nor am I convinced that they played as large a part in improving O.A.S.I. as they claim. It is well to remember that in the early years of O.A.S.I. in particular, large subsidies are involved under O.A.S.I., and the improvement of benefits under O.A.S.I. lightens the burden on private pensions; and also relevant is the fact that under O.A.S.I. taxes are levied on both employers and employees, whereas under U.C. the tax is imposed on employers only (with unimportant exceptions), and hence there is less incentive among employers to urge expansion of the U.C. program than there was to urge liberalization of O.A.S.I. with the surge of pension programs. Indeed, should U.C. become a burden on the general taxpayer in part—as it well might—then employers seeking to shift the burden of G.W. from one on payrolls to one on all taxpayers, may be more disposed to seek alleviation through an improved U.C. tax.

While discussing this aspect of the problem, I should raise an issue which has escaped attention. The G.W. scheme would apply presumably to all regions where unions operate on a national basis. The effect, therefore, would be that costs would roughly be equal

¹⁶ J. W. Garbarino, *Guaranteed Wages*, 1954, p. 42.

in all regions. This would be an important advantage for the G.W. over U.C. wherever unions operate on a national basis and enforce roughly equal demands (e.g., steelworkers and UAW), for under U.C. there is a strong and unfortunate tendency for states to compete in keeping benefits and taxes down.

For example, in each of the last two years (1952 and 1953), the two major textile states in New England levied taxes of 2.7 per cent of payrolls on employers to finance U.C.; but 3 major Southern textile states had average rates of 1.32 and 1.29 per cent in these years. In the years 1946 to 1950, the ratio of benefits to taxable wages was 2.7 per cent in Massachusetts and Rhode Island; 0.9 per cent, in the Carolinas and Georgia. The average weekly benefits for the 5 most important manufacturing states in the North in 1953 was \$25.82; in the 5 major states in the South, \$19.60, or an excess of 31 per cent for the North. The U.C. program, though it was justified in part as a program which would not result in competition among states to reduce taxes and benefits, has as a result of experience rating become just that. Benefit schedules tend to deteriorate to the lowest common denominator.¹⁷

Trade union leaders support the G.W. in part because they believe that the G.W. would reduce the rate of technological improvement. For example, the UAW has written as follows:¹⁸

“‘Ford’s automatic engine plant turns out twice as many engines as an old-style plant, with one-tenth the man-power.’”

“‘Approximately 10,000 men in the foundry and engine divisions of a major auto company now turn out the same production which formerly required more than 23,000 men. Only a large increase in total output prevented wide-scale layoffs in those divisions. . . . These predictions, if accurate, would mean, for example, that 200,000 men could match the present output of the million UAW members in the automobile industry.’”

“‘Under the guaranteed annual wage, management would avoid the introduction of automation in times when major

¹⁷ For facts in this paragraph see *Report of the New England Textile Industry by Committee Appointment by the Conference of New England Governors*, 1952, pp. 246-55; *1953 Supplement to Handbook of Unemployment Insurance, Financial Data*, and Ways and Means Committee Hearings, *Unemployment Insurance*, 1954, p. 267.

¹⁸ *Automation: A Report to the UAW-CIO Economic and Collective Bargaining Conferences*, November 1954, pp. 2-3.

layoffs would result. The introduction of new and more efficient equipment would be geared to periods of expanding markets so that other jobs would be available for the workers displaced by automation.

“Similarly, the guaranteed annual wage would tend to assure that new and more efficient plants are so located as to avoid mass layoffs of workers employed in existing plants. This is particularly important in view of the fact that it is more economical in most cases to install automation in new plants than in old ones. Moreover, corporations prefer to employ on automated processes workers who have had no experience with older production methods.”

Undoubtedly just as the economist far from the smoke of the factory underestimates the significance of the costs of change, so the trade union leader may overestimate the damage done. Yet the trade unions may have a case here. There is something to be said for slowing down technological change when the costs of adjustment are heavy. By imposing upon the employer part of the costs to the displaced worker and thus forcing him to bear part of the costs of change, the proponents of the G.W. support the view that change may be too rapid. One result of the G.W. may well be less improvements in depression periods when employers would have to include as costs the wages of displaced workers; and more improvements in prosperous periods when with excess demand the potentially displaced workers would be absorbed out of excess demand. In the same vein, labor contends that, though a G.W. equal to 100 per cent of wages may slow up the transfer of workers into growing industries, nevertheless their position is that mobility may be excessive; that there is a case on both economic and non-economic grounds for eschewing excessive mobility. First, because in depression, high mobility may be of little use. Second, because in prosperous periods there is a reservoir from the outside. Further, it should be noted that all workers in an industry have a stake in a G.W. reserve and would resent excessive use (and hence unjustifiable immobility) by a minority. But I hasten to add that a G.W. unwisely formulated might interfere with required mobility.

In this connection it is well to consider the possibility of slowing up migrations of firms from one region to another in response to lower wage costs, tax concessions, and migrations which may

well, and in fact have destroyed the entire industry of some towns. The G. W. might well make some of these migrations unprofitable; and I would be inclined to support the G. W. on these grounds. The employer has some responsibility to his workers, their families, and the community.

Another appeal of the G. W. may well lie in its effects upon the distribution of income among workers. The incidence of unemployment is felt especially by the younger workers, for seniority rights protect the older workers. (Indeed, the probationary workers would not generally be eligible for G. W.) Under a G. W. program, the younger workers would especially gain from the protection of G. W. Therefore, it would follow that if (say) instead of rises in basic wage rates of 5 per cent, a new contract provides a G. W. clause costing 5 per cent of wages, then the younger workers (exclusive of probationary workers who are not eligible) would gain disproportionately vis-a-vis contributions, and other workers would lose relatively. Undoubtedly, in order to reduce the resultant redistribution of rewards, the UAW proposes (1) that employers in the absence of notice under the G. W. guarantee a full week's work (this would especially profit probationary workers who might otherwise be the first to lose employment, and also all workers against losses through a reduced working week); (2) rationing of funds in the G. W. reserves once declines become serious and it becomes apparent that those laid off first might exhaust all or a large part of the available funds, leaving older workers unprotected. In this manner, the older workers are assured of some part of the total payments on account of lost time.

Some Questions Raised by G. W.

On the assumption that wages are determined by marginal productivity, there should be no opposition to G. W. on the part of employers. But there seems to be much opposition. Why?

First, employers are fearful of the costs. Their fears are greater the more uncertain the obligation assumed—for example, under a program which would limit payments as under a steel-workers' program (10 cents an hour) there would be less opposition by all but the highly stable industries than under one with uncertain obligations. Indeed, if management fails to compensate for the increased costs out of a rise of productivity, a reduction in other rewards to workers, or a rise of prices, then the additional costs must come out of profits. When profits are high, the introduction

of a G. W. program even then may be consistent with reasonable returns.

Thus in the years 1946 through 1953, inclusive, profits of corporations before taxes and income of unincorporated enterprise (in part not profits) amounted to \$472 billion. Wages and salaries added up to \$1,267 billion.¹⁹ It is conceivable that at the high level of profits in 1946-53 (as defined above) at about one-third of wages and salaries, part of the costs of G. W. might be financed out of profits. (But again we remind the reader of the historical trends which suggest somewhat different conclusions.) In the automobile industry, according to the UAW, on the basis of official statistics profits before taxes equalled 57.7 and 68.7 per cent, respectively, of payrolls in the years 1929-52 and 1937-52.

In orthodox theory, the payroll "tax" will ultimately be borne by the worker; but in the short run, capital may pay. Ultimately there will be pressure through reduced entry in the industries subject to G. W. to pass the new burden on in reduced wages or higher prices.²⁰ When the coverage is limited through discouragement of entry of new capital (on the assumption that returns are reduced as a result of the G. W.), the returns on capital in the G. W. industries would tend to return to their previous relative level. It is scarcely necessary to emphasize the fact that this tendency would be subject to all kinds of opposing forces. Where the G. W. is widely established, the workers through reduced wages or (and) consumers through higher prices (in large part paid by workers) would pay; but again there are substantial reservations: returns for management and capital may be cut to some extent.

No one can really estimate the costs of a G. W., for they would depend upon the benefits offered, the amount of unemployment, taxes saved and resultant reduction of costs.²¹ But we can make a very rough guess on the assumption that unemployment would not exceed the low levels (average) of the last 15 years. Then on the assumption that G. W. would provide benefits equal to wages, the cost would be three times that of U. C., or about 4½ per cent. (U. C. provides benefits equal only to one-third of wages, though somewhat more if allowance is made for the fact that wages of the unemployed when employed are probably less than for all workers.)

¹⁹ Calculated from *National Income*, 1954.

²⁰ S. E. Harris, *Economics of Social Security*, 1941.

²¹ Cf. *G. W.: Report to the President*, Ch. VIII.

To this must be added additional costs related to the longer period of idleness covered under G.W., less strict disqualifications, elimination of waiting periods, etc. But even if workers are covered for a year, this does not mean that the costs must be raised by $52/19$ (the numerator being the number of weeks covered by G.W. and the denominator the average number of weeks covered prior to exhaustion of benefits under U.C. in 1953). But some allowance must be made for the longer period covered under G.W. Thus in 1953, the exhaustion rate was 20 per cent. (The exhaustion rate is the ratio of exhaustions over new claims filed and would be much higher in periods of substantial unemployment.) Perhaps 1 per cent additional should be allowed for this factor, and hence total costs might be 6 per cent ($4\frac{1}{2} + 1 + \frac{1}{2}$ for the other items mentioned). But this 6 per cent is the over-all figure and on the assumption of light unemployment.²²

In the most careful survey of costs yet made, the Latimer Report based its estimates on the period 1937-41. Mr. Latimer analyzed 47 cases under various benefit schedules. Under Plan A (guarantee of 40 hours for 52 weeks covering all workers with 3 months of services), Mr. Latimer found costs varying from 0.4 to 33 per cent of payrolls per year, the average being 10 per cent, and the highest costs accruing to plants in unstable industries. Even a long secular decline without a severe cyclical decline and without large seasonal fluctuations *may* not result in high costs. The report says: "By selecting the limitations which will meet the particular conditions out of which the excessive costs arise, moreover, the costs will be reduced to reasonable levels, while maintaining guarantee benefits at the maximum level feasible under all conditions. . . . the gross cost was reduced, by appropriate limitations, to less than an average of 6.0 per cent annually even in the highest cost cases."²³

When the economist associates wages with productivity, he does not mean that wages in excess of a level given by productivity may not be paid. Rather he implies that the continuance of this policy means the eventual liquidation of the business. When wages are high relative to prices, the employer may be able to reduce wages,

²² I have made no allowance for the fact that part of the workers would not be covered under G.W. This is roughly offset by non-coverage of part of wages under U.C.

²³ *G. W.: Report to the President*, especially pp. 75-80.

raise productivity, or increase prices. The troublesome feature of the G.W. program for the employer lies in the fact that here he is committed to a substantial additional cost, largely fixed, which may continue for a long period, and this is an element of cost which is intractable. It, therefore, becomes necessary for the employer to reduce the rigidity of the system if he is to find it acceptable and workable. This may be done by setting a ceiling on the costs (e.g., 10 per cent of payrolls), by limiting the guarantees (e.g., a reduced number of weeks, a payment less than 100 per cent of wages) and by allowing a reduction in numbers covered in the midst of a secular decline. Later we list some of these safeguards.

Obviously in growing industries it is much easier to carry the burden of unemployment than in declining industries. For example, here is an indication of trends of employment from 1899 to 1951. Obviously, it would be much easier *ceteris paribus* to support the G.W. in chemicals, petroleum, rubber, metals, machinery and instruments than in textiles, apparels and shoes. In the last group, the imposition of additional charges as a penalty for reducing numbers attached to the existing firms might well accelerate the decline.²⁴ In textiles, a continuance of losses in employment at the rate of the years 1951-54 would result in the disappearance of the industry in 9 years in New England, and in 15 years in the country.

PERCENTAGE OF EMPLOYMENT

	1899	1939	1951
Textiles, apparels and shoes.....	28.5	20.7	19.4
Chemicals, petroleum, and rubber.....	4.6	6.6	7.5
Primary metals .....	.....	8.6	8.6
Metals, machinery, instruments, etc. (five major industries).....	.....	24.0	33.1

Source: *U. S. Census of Manufacturers, 1947, II*, various pages; and *1951 Annual Survey of Manufacturers*, Advance Report, Series MAS 5/24, March 11, 1953, p. 7.

In industries subject to great cyclical instability or secular declines, it may be especially necessary to set a limit of payments as a percentage of payrolls. (The average cost for the whole cycle would be considerably less than the ceiling set for any one year.)

²⁴ S. E. Harris, "Interregional Competition," *Proceedings of the American Economic Association*, May 1954, p. 375.

In industries that are strongly seasonal, special provisions may also have to be made. In such industries, the worker often receives compensation in higher pay to offset to some extent the losses involved in seasonality.²⁵ Obviously in the summer hotel business or even in the canning industries, it may be most difficult to introduce a G.W. plan—just as the seasonal industries have proved to be an obstacle under U.C. Possibly a limitation of coverage under the G.W. in seasonal industries to the seasonal period would be helpful.

The Relevance of Failures in U.C.

One argument used against the G.W. is that concentration on it would weaken the movement to strengthen U.C. which is greatly in need of improvement. Of course, U.C. is much more important than the G.W., and it would be unfortunate if the campaign for G.W. greatly reduced interest in U.C. Undoubtedly it would be a long time before even 10 million workers were covered by G.W., but at the end of 1953, U.C. covered more than 70 per cent of all wage and salary payments. As a result of new legislation in 1954 affecting employers in small establishments and federal employees, the numbers covered rose by 4 millions, the uncovered workers now numbering 10 millions. It should, however, be observed that only about one-half the unemployed (even in a period of light unemployment as in 1954) received benefits under U.C. and at compensation of but one-third of wages. In fact in the first half of 1954, unemployment averaged 3.5 million and the unemployed receiving compensation under the state unemployment laws and the railroad unemployment insurance act averaged less than 2 millions, or 56 per cent.²⁶

Unfortunately, U.C. has been disappointing. In my view, G.W. should not, therefore, be discouraged in order to concentrate upon U.C. The failure to achieve a more adequate U.C. results in part from inadequate representation in state legislators by residents in cities. According to the Conference of Mayors, 59 per cent of the people living in cities elect only 25 per cent of the legislators.²⁷ Let us summarize the failures of U.C.

²⁵ Professors Samuelson and Hansen raise some doubts on this issue: *G. W.: Report to the President*, pp. 422-24.

²⁶ Figures from *Survey of Current Business*, November 1954, and *Social Security Bulletin*, Sept. 1954.

²⁷ Ways and Means Committee, Hearings, *Unemployment Insurance*, 1954, pp. 248-56.

First, contributions have been disappointing. Whereas they amounted to 2.72 per cent of taxable payrolls in 1938-40, they were down to 1.40 per cent in 1946-53 and 1.30 per cent in 1953. Reduced rates under experience rating account for this decline. One unfortunate result has been an unhealthy competition among states to keep both benefits and contributions low (see above). Another has been after 15 years of unprecedented prosperity the accumulation of but \$9 billion of reserves, or 9 per cent of taxable wages, an amount that could be wiped out in a brief period of heavy unemployment. With the uneven incidence of unemployment, the reserves of vulnerable states have several times fallen to dangerously low levels; but the federal government has shown no disposition to provide reinsurance or even an adequate loan system. (The legislation of 1954 is a gesture in this direction.)

Second, even after more than 15 years of U.C. and despite the advances in 1954, about one-fifth of the workers are still uncovered. What is more, whereas taxable covered wages equalled 96 per cent of total covered wages in 1939, by 1953 they covered only 72 per cent.

Third, there has been a serious decline in the proportion of the average weekly benefit to the total wages: 41.1 per cent in 1938-40 to 32.5 per cent in 1951-53, as compared with a goal, according to able long-time Administrator of the Social Security Board, Mr. Arthur Altmeyer, of 50 per cent. In a period during which wages tripled, the average weekly benefit rose only from \$10.72 (1938-40) to \$22.82 (1951-53). This decline in the percentage of benefits to wages is the more serious in that in relation to both wages *and fringe* benefits (the latter having risen greatly), that is, in relation to total compensation, benefits have been reduced even more than is suggested above. As Professor Richard Lester has well observed, a large part of the difficulty stems from the failure of *ceilings* on benefits to rise adequately. Whereas in 1939 an unweighted average yielded a ceiling benefit equal to 67 per cent of wages, in December 1953, the figure was 41 percent (44 per cent inclusive of dependent allowances). Another factor tending to reduce total benefits has been increased wage and other qualifications.²⁸

²⁸ Material from 1953 *Supplement to Handbook of Unemployment Insurance*; *Social Security Bulletin*, November 1954; Senate Document No. 206, *Unemployment Insurance, A Report to the Senate Finance Committee*, 1948; and Hearings, *Unemployment Insurance*, 1954.

While discussing U.C. we should observe that many who were critical of experience rating on the grounds that employers were benefiting from reduced unemployment and hence lower rates, even though they had no or little control over unemployment, are now in fact contending that the G.W. would stimulate employers to stabilize their operations and hence cut unemployment. The argument is of course that employers forced to pay workers even when idle will seek to reduce instability, for now the gains would be great. Their former position is clearly a source of embarrassment to labor leaders. Can anything be said in their defense? The gains of stability would be much greater when the savings would be, say, 6 or more per cent of payroll (under G.W.) than when the amounts involved might only be a few per cent. But there is still the argument that unemployment is the result primarily of external forces over which neither a firm nor an industry has much control. Even if it be granted that much can be done to stabilize operations (as the Latimer Report and even Slichter²⁹ held), it still remains true that cyclical forces are largely immune to *business* and *a fortiori* individual enterprise treatment of the cycle. Indeed, business men may be able further to reduce seasonal fluctuations and also to slow up technological change; but the cyclical and secular forces are primarily external to their operations.

In the automobile industry there has been some reduction in seasonal variations of output of passenger cars in the later thirties. From 1947 to 1952, the seasonal was largely eliminated, and even model change-overs seemed to have less effect than in the pre-war. In part the improvement seems to reflect what can be done to reduce seasonals, and in part it is related to higher levels of employment and output when it seems easier to reduce seasonal fluctuations.³⁰

The G. W. and Employment

The G.W. is suspect for an important reason: it may cut down employment. Adverse effect on employment is one of the most frequent complaints made against the G.W. It is held that if in employing a worker, the employer assumes the responsibility not only of paying him when he is at work but also when he is idle,

²⁹ *G. W.: Report to the President*, especially Ch. 10; and S. H. Slichter, *Guaranteed Annual Wage and Supplementary Unemployment Compensation Plans*: A Paper before the American Management Association at Chicago, February 15, 1954.

³⁰ S. Kuznets, *Seasonal Variations in Industry and Trade*, and an unpublished study.

he will be most reluctant to hire additional workers. Moreover, once the employer is confronted with outlays to support idle workers and especially when demand is declining, he will reduce outlays in all possible directions, thus contracting demand (and employment) of his suppliers.

Is there any reply to this criticism? There are some protective devices. Thus, the G.W. contract may restrict the program to workers with some seniority and thus not confront the employer with this additional liability at the time of hiring workers. Other safeguards may include the following: a limitation on the guarantee in cents per hour of work or percentage of payrolls, the numbers to be covered (e.g., only those with one year of service or more), the period to be covered, the number of weeks of guarantee, the percentage of weekly pay to be guaranteed, the recourse to accumulation of reserves and hence reduced dependence on charges on payrolls in periods of declining demand, built-in protection related to the reduced payrolls as demand declines, introduction of the plan after a building-up period, and reinsurance. It is especially important to make the G.W. responsive to secular declines related to technological change and declines in demand. Otherwise the G.W. in contrast to U.C. may hamper movement required in a dynamic economy.

The advantage of reinsurance lies in the reduced charge on payrolls to accumulate reserves when they are pooled. Management will have to weigh these savings against the unwillingness to assume responsibilities for the unemployment of rival firms. Possibly a reinsurance provision by government would solve this problem. (Messrs. Hansen and Samuelson had some suggestive ideas on government assistance to G.W.) But this is not to be expected until the G.W. is widely used.

A growing industry or firm may well not encounter any great difficulties in adopting a G.W. program, especially if it includes built-in limitations on costs. But much more troublesome is the industry or firm that experiences declining demand. The U. S. Chamber of Commerce has been eloquent on this point and has produced figures to show that many industries and firms in particular industries suffer from declining demand even in periods of prosperity. Professor Slichter, in a much more cautious statement, also raises the question of effects on weak firms.⁵¹

⁵¹ Chamber of Commerce of the U. S., *The Economics of the Guaranteed Wage*, 1953, especially pp. 7-12; and S. H. Slichter, *op. cit.*

It has been suggested that even if the G.W. is practical for strong and growing industries, the introduction of the G.W. should be resisted because labor would then impose the program on weak industries. But it is not fair to ask the UAW (say) representing labor in a prosperous and growing industry to desist from asking for a G.W. because their example would stimulate labor leaders in weak industries (say, textiles) to seek the G.W. This might be a consideration for economists, but not for labor leaders. In the writer's opinion, it would be the height of folly for the textile workers to seek a G.W., though a dismissal wage as a deterrent to excessive migration may be appropriate.

The G.W. raises another important issue adumbrated above: Is it safe to pay the worker as much or almost as much when unemployed as when employed? In some unions there seems to be a disposition to demand as a matter of principle 100 per cent of wages under the G.W. But actually when allowance is made for the non-taxation of income received under U.C. (assuming integration) and the savings of outlays when unemployed (lunches, transportation, etc.), it would be possible to maintain income with a guarantee of 80-90 per cent of wages. I am inclined to believe that a guarantee of less than 100 per cent would be preferable—say 85-90 per cent of wages—when adjustments are made for tax relief under U.C., etc. This is not because I believe that workers are happy being paid for idling. In fact, in some states low income workers seem to receive as much as 90 per cent of wages under U.C. Nor am I convinced by the many charges made by employers against the workers under U.C. who are accused of not seeking work and preferring to be idle at 30-40 per cent of their customary wages. Once jobs became available not only did the 10 or more millions unemployed find jobs in the 1940's and 1950's, but several million additional (aside from normal accretions) joined the labor market. But nevertheless it is my opinion that the American people object to equal payments to workers irrespective of whether they work or are idle.

Some General and Concluding Remarks

We have seen that there are many reasons why workers seek a G.W., e.g., disappointment with U.C., the greater interest in fringe benefits, the disposition to force the employer and others to share the costs of instability and to offer him an incentive to stabilize.

We have also observed that recourse to reserve financing may raise serious problems in view of the spectacular rise of reserves in recent years. But this becomes a problem only when the G.W. begins to affect a substantial part of the working force. Effects upon cyclical instabilities (as against the long-term relation of savings and investment) may, however, be favorable since reserves would be accumulated in good times and spent in bad times though a boom may be converted into a depression. But as Hansen, Samuelson, and Slichter noted, through effects on the rate of interest investments may be stimulated excessively in good times, as the increased savings depress the rate of interest.

Yet despite some dangers inherent in reserve financing, it is desirable to make some use of it. Pay-as-you-go financing is likely to raise difficult problems, for the major costs occur in depression. Hence employers will be confronted with increased costs just when demand is declining. Employers subject to G.W. will then ultimately tend to restrict investment and output as they raise prices to cover the payments to idle labor. Under G.W. the employer taking into account both marginal costs (estimating otherwise idle labor that has to be compensated as zero cost) and marginal revenue (inclusive of losses due to the decline in prices associated with additional output) will be tempted to use otherwise idle labor. So long as marginal revenues exceed marginal costs (thus estimated), he should expand output. That is to say, there would be a special incentive to keep workers on the payrolls. But in view of the demand situation, additional output might quickly depress prices and marginal revenues; and hence the temptation to produce for inventories.

Aside from the effects in depression periods the conversion of labor costs into a fixed charge, as current financing of the G.W. largely brings about, will force the employer to be cautious in taking on additional employees even in good times. (As noted above, labor leaders have made proposals to deal with this problem.)

Also, it may with some justice be held that the workers favored by a genuine G. W. might obtain a degree of security at the expense of some workers who may not, therefore, find jobs. But if this happens, the results are not contrary to the general principles of trade-unionism, namely, protection of the interests of its members.

In a penetrating study of the G.W., Professors Hansen and Samuelson point out that the G.W. is much more likely to be suc-

cessful under conditions of full employment than under depressed conditions. Hence in their view, the emphasis should be put upon full employment policies and G.W. be integrated with these. Then the G.W. would make its greatest contribution and employers could more easily be forced to absorb the costs of seasonal and other short-run unemployment.³² This position seems sensible. Surely in the thirties the G.W. would have been an absurdity for the management of relatively unstable industries which in the fifties, after 15 years of high employment, are likely to have to give it serious consideration. In itself, certainly in the early years and possibly even with large coverage, G.W. is not likely to contribute importantly to stabilization; but if it is integrated with full employment policies, its contribution is likely to be greater, and with high employment its survival much more likely. If, for example, it detracts purchasing power in prosperity, then the task imposed on monetary and fiscal policies in such periods is lightened.

Finally, to those who are excessively frightened by G.W.³³ we must add that similar fears have been expressed in the past over the introduction of collective bargaining, of social security, and the great growth of fringe benefits of all kinds. Despite all of these forebodings, management and capital have retained their usual share of income, and the economy has continued to gain. This does not mean, of course, that the G.W. does not raise tough problems.

At any rate, let us conclude by saying that the G.W. is more likely to be successful and do a minimum harm to the economy (or even positive good) if it is introduced in a high employment economy; if large recourse is made to reserve financing at least until G.W. affects a large part of the economy; if there are built-in safety devices such as limitations on percentage of payrolls to be charged to G.W. and reductions of workers to be covered in industries suffering from large technological and (or) demand changes; if declining industries are not touched; if the program is integrated with unemployment compensation (and hence costs reduced); if the incentive to move into growing occupations and regions is not dulled excessively by paying under G.W. the full wage, but rather somewhat less.³⁴

³² *G. W.: Report to the President*, pp. 412-72, especially pp. 431-33.

³³ For an expression of these fears, see, for example, E. Maher, "Can Labor Get a Guaranteed Wage," *Saturday Evening Post*, December 18, 1954.

³⁴ For some suggestions of a limited guarantee, see the able, brief analysis by Professor Haber ("The Guaranteed Annual Wage," *Michigan Business Review*, January 1954).

DISCUSSION

NAT WEINBERG

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During the past few years I have had the task of reading every new piece of literature on the guaranteed annual wage that our librarians could obtain. It would be hard to imagine a less rewarding and more unpleasant activity. The studied refusal to face up to the real issues involved, the substitution of specious and irrelevant clichés for thought, the pandering to management prejudices by journalists and academicians alike make the literature on this subject an appalling example of the degradation of human intelligence in the service of special interests.

In my wanderings through this desert of arid nonsense I have found the oases to be few and far between. Professors Slichter and Haber and Mr. William Papier of the Ohio Bureau of Unemployment Compensation, and now Professor Harris, are noteworthy among the very few who have discussed real problems objectively rather than ideological fantasies emotionally.

My respect for the work done by these men in this field does not mean, of course, that I have been able to agree with everything they have said on the subject. I have had occasion, for example, to discuss publicly some of my differences with Professor Slichter.¹ Similarly, my pleasure in reading Professor Harris' paper came from recognition of its thoughtfulness rather than from full agreement with everything said in it.

Despite differences with Professor Harris, some of substance and others of emphasis, we find a considerable degree of encouragement in his paper. His analysis indicates to us that, in formulating our UAW-CIO Guaranteed Employment Plan, we have given consideration to the right problems. We believe we have met those problems satisfactorily from the standpoint of the health of the economy as a whole as well as the needs of our own members.

We had anticipated, for example, that questions might be raised concerning the effects of guaranteed wage reserves. As Professor Harris recognizes, the accumulation and disbursement of such reserves will be counter-cyclical—collection taking place in periods of high demand and spending in periods of declining demand. Nevertheless, we consider it advisable to avoid excessive accumulation.

¹ In a speech to the Eastern Spring Conference, Controllers Institute of America on March 23, 1954.

Accordingly, we propose to set a limit in advance on the proportion of payroll to be accumulated; we provide for reduction of the required reserves based on changes in the base payroll, improvements in the provisions of the unemployment compensation laws, etc.; and we have developed mechanisms for disbursement of accumulated amounts in excess of reduced requirements.

Most important, we have made provision for reinsurance (public or private) which, when it becomes available, will drastically reduce the size of the needed reserves while actually strengthening assurance that guarantee payments will be made in full when they can do the economy most good.

Like Professor Harris, we do not believe that reinsurance will precede the signing of guarantee agreements. We are confident, however, that the desirability of reinsurance for all concerned is so great that its establishment will not be long delayed after guaranteed wage agreements have been negotiated in relatively few key industries.

Even in the absence of reinsurance, however, I am of the opinion that Professor Harris' approach tends to exaggerate the size of the savings required to accumulate guaranteed wage reserves.²

First, guaranteed wage reserves will not be accumulated in all industries presently covered by unemployment compensation. In some highly stable industries, guaranteed wages may not be demanded at all; and in those with a fair degree of stability plans based entirely on pay-as-you-go financing may prove to be entirely feasible. Second, since wage guarantees will not be adopted simultaneously by all industries but will tend, like pensions, to spread over a period of years within and among industries, some companies and industries will probably have completed the process of building their reserves up to the desired levels before others begin their own accumulations. Third, accumulation will always be offset to some degree by disbursement. Individual firms and entire industries can be expected to decline even when the economy as a whole is expanding. Declining firms and industries will spend their reserves rather

² I discuss Professor Harris' general approach rather than his figures since I do not know the basis for his estimate or assumption that reserves would be collected at the rate of 5 per cent of wages per year. In practice, the rate of reserve accumulation would be related to the ultimate size of the reserve and the time over which it is to be accumulated. The ultimate size of the reserve would be related to the degree of instability in the company or industry. Thus, the percentage of wages set aside annually could vary widely from one situation to another.

than add to them. Fourth, at most the establishment of guarantee reserves would result in a net addition to total savings only during the relatively short period of original accumulation.³ Once the reserves have been built up to the desired levels no further addition to total savings will be involved although it will be necessary to replenish amounts withdrawn from the reserves. If employment fluctuations are kept to moderate proportions, pay-as-you-go will meet the entire cost of layoffs under plans of the NAW type and the reserves will remain intact. If sharp cyclical declines are not avoided and the reserves are entirely spent at the trough of the cycle, the net addition to savings over the cycle as a whole would be zero since accumulations on the upswing would be fully offset by disbursements on the downturn. If cyclical declines are less violent, so that part of the reserves remains unspent, only the difference between the amount accumulated on the upturn and the amount spent on the downturn would represent a net addition to (or subtraction from) total savings over each separate cycle.

It may be worth noting, in passing, that the accumulation of reserves in good years to maintain payments to workers for a limited time in bad years is no different in principle or in effect from the accumulation of reserves (or additions to surplus) in good years to maintain dividend payments in bad years, except that dividends are less likely to be spent when the economy needs spending.

All of the important safeguards advocated by Professor Harris are built-in features of the UAW plan. The cost of the guarantee is not a fixed cost. The employer's maximum liability is a percentage of his current payroll and thus is smallest in dollar terms when demand for his product is lowest. The employer can avoid part (and, after the reserve is accumulated, all) of the anticipated cost of the guarantee by stabilizing employment. The employer's interest in improving unemployment compensation legislation is stimulated by offering him rewards for successful efforts in that direction not only in the form of reduced direct guarantee costs but also in the form of a reduced reserve requirement and an opportunity to recapture amounts already deposited in the reserve.

The problem of reducing liabilities in situations of secular decline is met in at least two ways. First, unlike certain other plans,

³ An exception would be the additional accumulation necessary to keep the size of the reserves in step with rising wage levels. Interest income on monies in the funds will tend to reduce the amounts needed for this purpose.

the UAW plan does not specify a fixed number of workers to be covered by the guarantee. Thus, nonreplacement of workers who quit, die, retire, etc., automatically lightens the declining firm's potential burden. In fact, unless the decline is extremely rapid, such normal attrition would probably balance shrinkage of the employer's market so that the latter, as such, would impose no guarantee costs upon him. Second, the plan sets a limit on the duration of the individual worker's guarantee payments. This automatically reduces the number of workers covered as they exhaust their rights.

Mobility of laid-off workers, where there is suitable employment available for them, is assured by the requirement that they must register for and accept such employment. This is reinforced, as Professor Harris recognizes, by the interest of all the workers in protecting the reserve fund against abuse. In fact, the plan will promote mobility by contributing to the elimination of employer-imposed barriers to mobility. It is common knowledge in the automobile industry, for example, that workers laid off by one company while another is hiring will not be employed by the latter because of their probable return to work with their original employer. This is true even where the "employers" are different plants of the same multiplant corporation. Continuance of this practice is most unlikely once wage guarantees become effective since employers in the same area will be able to minimize their aggregate liabilities by hiring each other's laid-off workers.

The danger that employment opportunities may be reduced is avoided under the UAW plan by the graduation of the duration of the individual worker's guarantee rights based on the length of his previous employment. Accumulation of rights begins only after the worker acquires seniority—after 90 days as a probationer in the major auto corporations. The rate of graduation—one week of guarantee for two weeks of employment—is such that the maximum potential cost resulting from the hiring of an additional worker is less than the cost of having the same work performed during overtime hours by workers already employed.

In contrast to the immediate and certain cost impact of overtime schedules, the cost under the guarantee of adding a new worker is only a future possibility. There is not even a potential cost during the new worker's probationary period. The hiring of a new worker will not entail any additional cost at all if he is not subsequently laid off. The cost, even if he is laid off, will be less than the cost of

overtime in any case, and considerably less if he should be laid off for less than the full number of weeks for which he is entitled to guarantee payments. The unemployment compensation offset under the plan provides further assurance that the cost of hiring or recalling workers to produce a given quantity of goods will be substantially lower than the cost of producing the same quantity on an overtime basis.

As is well known, premium payments for overtime constitute no obstacle to meeting the requirements of the market. Even the maximum potential cost of the guarantee, therefore, would not be any significant deterrent to the expansion of employment and production.

As far as the laid-off worker is concerned, the guarantee, as Professor Harris recognizes, will tend to increase rather than to diminish employment opportunities. The marginal cost of recalling such a worker while he is drawing guarantee payments will be very materially reduced. By the same token, it would frequently pay to retain on the active payroll a worker who, in the absence of the guarantee, would be laid off. Thus the guarantee, both through removing employer-imposed barriers to the movement of workers among firms in the same area and through providing encouragement to recalls and for the avoidance of layoffs, will stimulate fuller utilization of the labor force of the industries and areas in which it is operative.

While acknowledging that the guaranteed wage would increase employer pressure to improve unemployment compensation, Professor Harris expresses some doubt as to the strength of the incentives involved. Time does not permit adequate discussion of this question. One simple point frequently overlooked, however, is that unemployment compensation benefits are exempt from the income tax. Thus, even if the broad and unwarranted assumption were made that each employer contributes to the unemployment compensation funds exactly the same amount as is paid to his workers in benefits, the larger the portion of the total guarantee met by unemployment compensation the less expensive it would be for the employer to provide his laid-off workers with any level of take-home income.

We would agree with Professor Harris, of course, that guaranteed wages should be integrated with full employment policies. We do not consider the guarantee a substitute for such policies. But we

are strongly of the opinion, for reasons that we have spelled out in more detail elsewhere, that guaranteed wages, particularly if effective on a widespread basis, can make a substantial contribution toward the promotion and maintenance of full employment. The guarantee will help to sustain consumer purchasing power thus moderating or avoiding economic declines. It will provide additional incentives to employers to act individually and collectively to stabilize their own operations and the economy as a whole. In the latter connection, Professor Harris might have added the name of Emerson Schmidt ⁴ to those of Latimer and Slichter as among those who believe that the individual employer can to some degree counteract cyclical instability. Regardless of what the individual employer can or cannot do, there is no doubt that employers collectively can be highly influential in decisions concerning national full employment policies. The guaranteed wage gives them a bigger stake in maintaining full employment.

While there is not sufficient time to discuss all the points in Professor Harris' paper in which I cannot concur, I do wish to dissent strongly from his interpretation of our Union's report on automation. It is definitely not our purpose, through the guaranteed wage or any other device, to reduce the *rate* of technological improvement. We believe, in fact, that as the guaranteed wage and various economic measures we advocate bring stability and steady growth, the average rate of technological advance will be accelerated. Regulation of the *timing* of the introduction of specific innovations is quite different from slowing down the *rate* of the introduction of innovations in general.⁵

The guarantee injects into the employer's calculations an additional financial consideration—a reflection of some of the costs of managerial decisions that are now borne socially—designed to lead him to act with a greater degree of social responsibility in determin-

⁴ See, for example, his chapter in the National Bureau of Economic Research volume on *Regularization of Business Investment*.

⁵ Stabilization would mean avoidance of depression periods in which investment shrinks sharply, thus increasing total investment over a period corresponding to the length of the business cycle in an unstable economy. Within a stable and growing economy, of course, individual firms and industries could experience declines, temporary or permanent. Those suffering from temporary declines could temporarily postpone investment to avoid displacement of labor without affecting the average rate of technological advance over a period of years. Stability, by definition, assumes the smoothing out of peaks and valleys in economic activity which, in turn, assumes the elimination of the violent fluctuations hitherto characteristic of investment.

ing when and where to introduce new equipment and build new plants. We are pleased that Professor Harris supports the desirability of the guarantee on these grounds. Had it been in effect in the textile industry, the economy of New England, which has occupied so much of his thought in recent years, would probably be in much better shape today.

With regard to experience rating in unemployment compensation, I have time to say only that its incentives operate more to reduce benefit payments than to stabilize employment, and that the latter objective can be achieved more effectively and more properly through a private system, in which incentives can be tailored to specific industrial situations, rather than through a social system designed to pool the risks and costs of unemployment in the economy as a whole.

In conclusion, I should like to express my appreciation once more to Professor Harris for dealing with the real problems connected with employment and wage guarantees. I hope he will have greater success than we and some others have had in evoking similar realistic discussion from the management side.

EMERSON P. SCHMIDT

Chamber of Commerce of the United States

It was wise to combine unemployment compensation (U. C.) and the guaranteed wage (G. W.) in planning this program. State U. C. is a guaranteed wage—a wage guaranteed for five to six months in most states. What now goes by the name of “guaranteed wage” is in substance “super-U. C.” Professor Harris in his paper discussed three types of U. C. :

(1) The U. C. we now have. He found it inadequate. Secretary Larson agrees.

(2) So, Professor Harris proposed improved U. C. but left the details to one’s imagination. Secretary Larson appears to want 50% of gross wages guaranteed by state law and uniform duration of 26 weeks.

(3) Finally, Professor Harris wants to build a private super-U. C. onto the proposed improved U. C. state system. Secretary Larson, by implication, is against the super-U. C. since he finds no advantage in going above 50% of wages, or for longer than 26 weeks.

Secretary Larson is most solicitous of that small minority of misfits and semi-unemployable in the labor market and those who exhaust their U. C. rights. Professor Harris is concerned with a super-U. C. system for workers who are already fairly secure—those with substantial seniority and working in strong, growing industries.

Secretary Larson finds that experience rating has stimulated more stable employment, a welcome note coming from Washington, after a long spell of sustained damnation of experience rating not only from Washington but also from most of the professors cited by Professor Harris. Our esteemed chairman, Professor William Haber, once wrote, "Merit rating is one of the vestigial remnants of the older view of unemployment." (*The Annals of American Academy of Political and Social Science*, March 1939.) Recently he called the current CIO demand "Merit rating par excellence."

Professor Harris himself once said, "The case for merit or experience rating does not seem strong. . . . Employment is largely beyond control of the individual employer." (*The Economics of Social Security*, 1941, page 371-2.) He argued that the relatively small saving on payroll taxation would be ineffective. Now he appears to have shifted his position and yet says that the CIO's arguments for the G. W. on the grounds of incentive to stabilize are "clearly a source of embarrassment to labor leaders," because of their previous opposition to experience rating in U. C. But Professor Harris himself now says that if the G. W. cost 6% of payroll, the incentive to stabilize might be fairly potent. Michigan, a great industrial state, has a spread from 1/10 of 1% to 3.7%, and Wisconsin from 0 to 4% under U. C. Why this extra 2%, or so, should suddenly become so potent is not made clear. So the "embarrassment" may not be confined to labor leaders. Many students of U. C. feel that a substantial spread between the maximum and minimum contribution rate should be 3 or 4 percentage points.

One may question whether Secretary Larson has considered all the angles involved in his proposal that U. C. benefits should total 50% of gross wages with a uniform duration of 26 weeks. Why 50%? Why not 60, or 70, or 40%? Or, is 50% just picked out of the air—a distant but not too impractical goal? But even more important—what are the ultimate goals?

Professor Harris, on the other hand, would bring the super-U. C. (G. W. plus state U. C.) up to 85 or 90% of wages. Why is Secre-

tary Larson so penurious while the Harvard professor is so liberal? Neither is spending his own money.

To make the issue of Secretary Larson's 50% of gross wages figure concrete, let us assume that the combined OASI and income tax rises from 20% to 50% in some national crisis. Under his formula the U. C. benefit then would be 100% of take-home pay. This may be an extreme example, but as OASI and income tax increase, the relationship between U. C. benefits and gross wages becomes less and less meaningful. The purpose of U. C. is to replace a fraction of income lost as a result of involuntary unemployment. To tie benefits to gross wages may have made more sense in the 1930's than it does in the 1950's with the changed OASI and income tax picture. This formula, furthermore, gives preferred treatment to the single man as against the married man with family responsibility—a possible violation of Secretary Larson's first function, the humanitarian function.

Secretary Larson wants uniform U. C. duration of 26 weeks. The Washington bureaus and labor leaders have also argued for uniform duration. Professor Harris and the CIO under the super-U. C., however, want *variable* duration—nothing for the probationary worker, and others to be paid varying amounts of super-U. C. depending on length of service. Why the switch in position? In Michigan an employee who has worked some, in at least 14 weeks, is entitled to some benefits, but the number of covered weeks rises in a definite 2/3 ratio to the number of weeks of work up to the 26-week maximum. Should Michigan pay U. C. for 6 months to employees who work only 3 months? That is at least one implication of Mr. Larson's approach.

Neither of the speakers took note of the role played by experience rating in eliminating fraud and irregularities, and helping to preserve the funds for cases of genuine involuntary unemployment. Yet nearly every state U. C. administrator will now tell you privately that without the employer interest induced by experience rating, fraud and irregularities would become so serious that the entire system of U. C. would be subjected to public criticism and placed in jeopardy.

Both speakers discussed the contracyclical implication of U. C. or super-U. C. Secretary Larson thinks that current financing with experience rating helps mitigate unemployment and generates greater stability, although he is in error when he says that the re-

serves built up makes unnecessary the levying of new or higher taxes or the floating of bond issues or going into debt. How were the extra billions of dollars raised in the deficit years of 1946, 1949, 1950 and 1954, which he mentioned?

Secretary Larson appears to have high hopes for expanded U. C. to replace lost purchasing power when recession hits. But general tax cuts would be much more potent. The multiplier effect of U. C. benefits is probably small. Giving U. C. to a few more workers or giving them a few more dollars a week isn't going to do much to revive the automobile industry or cause people to build more houses. When you contribute to the crippled children's fund your primary aim is humanitarian, although that transfers some purchasing power from you to those caring for them. If you really wanted to maintain the purchasing power of the unemployed you would have to give them 100% of their wage losses. What criterion of benefit levels does Secretary Larson's purchasing power function indicate? He shed no light on that.

Secretary Larson merits commendation on his *urge to research*. Even after 20 years of U. C. there are many unknowns. We don't know enough about the ratio of benefits to the wages of beneficiaries—to use average wages of all covered workers in a state is not illuminating. We don't know enough about the reasons for exhaustion of benefit rights—but we do know that a large percentage of exhaustees are not in the labor market, as shown by Professor R. S. Johnson in his Michigan study (Michigan Business Report No. 19). We know little about the relation between benefit levels and work incentives, although Father Beckers' book on *The Problem of Abuse in Unemployment Benefits* gives some help.

While all states have improved their systems and benefit levels have more than kept pace with the depreciation of the dollar, some states no doubt should improve their system and raise the maximum or ceiling figure for weekly amounts.

Mr. Harris has trouble in financing his super-U. C. Reserve financing, he says, may bring on depression. Current financing may be too costly, particularly in depression years.

Likewise he is confused on the cost impact. He says the interstate competition to keep U. C. benefits and taxes down is bad, whereas his super-U. C. program would apply to all regions where unions operate on a national basis and this would make costs roughly "equal in all regions." (P. 172.) But previously he had said

that since payrolls vary from 10 to 90% of costs, the competitive impact of the G. W. on different firms and products would vary widely and he cited the case of two companies in the same industry, one having 94% of its employees with three or more years of seniority and another with only 51%. Obviously, the impact of a G. W. in this industry could have highly different cost effects.

One of the stated purposes of the G. W. is to slow down technological progress. Professor Harris endorses this. Would it not be better to ameliorate the harmful effects of technological progress while accepting the benefits than to penalize the economy by the awkward and more or less blunt coercive weapon of collective bargaining. It is somewhat astounding to find a professor, in a world of tension and cold war, actually endorsing restrictionisms. Here he reflects the Walter Reuther syndicalism, combining companies in an industry for common action and Mr. Weinberg used the word "collective" action at least twice in speaking of the action which the G. W. would force employers in an industry to take.

Many problems are wholly ignored by Professor Harris. The question of codetermination was not faced. Murray Latimer, the father of super-U. C., recently said, "The employer should be the administrator." (Speech at the University of Michigan, March 1954). The CIO demands joint administration.

The problems under two U. C. systems were ignored—separate rules, eligibility, benefit levels, *etc.*, two separate administrative bureaus—one for state U. C. and one for super-U. C.—a long string of problems discussed a year ago in my paper before the I.R.R.A. (Sixth Annual Meeting Proceedings) and in our two research studies *The Economics of the Guaranteed Wage and Jobs? or Jobless Pay?*

Professor Harris is apparently worried about the rigidities of the guaranteed wage proposals and has tried to build so much flexibility into his super-U. C. that actually very little is guaranteed. It is to be confined to strong growing industries where its need is relatively less. And, indeed, the CIO at its National Convention in 1954 stated by resolution that the G. W. is to be demanded particularly in the profitable industrial firms on the theory that its benefits then will trickle down to the others.

The general impression left by Professor Harris is that, from the viewpoint of the good health of our economy, there is little or nothing to be said for G. W. even for these special industries, but since

the labor leaders are for it, he is not wholly against it, providing it guarantees wage income which would be reasonably certain anyway. In any case, any G. W. must be hedged about with substantial limitations as to seniority, percentage of payroll, duration of idle-time payments, *etc.* He says it would be the "height of folly" for the textile unions to seek G. W. His solicitude for the textile industry is touching indeed.

Professor Harris touches lightly on many of the problem areas but resolves none of them. Close study of his views suggests that he positions himself on nearly every side of most issues and ends straddling most of them.

He tends to think in aggregates, or in terms of "an industry." One scarcely gets the impression that wages, whether guaranteed or not, are paid *not* by the economy or an industry, but rather out of the sales of a specific company or employer. Thus, the issue is not whether the textile "industry" or the automobile "industry" can or should sign up for a G. W., but rather whether a specific employer should or could do so. Nor does he take notice of the fact that the free-choice consumer plays a powerful role in the ups and downs of each specific enterprise within an industry. He must have noticed the plight of the smaller automobile manufacturing companies while "the industry" was highly prosperous in 1953-54.

There are many non sequiturs in his paper. Many of his figures apparently are incomplete or inaccurate and I regret that our chairman's time limit does not permit me to identify those which need looking into. And, in fact, Professor Harris himself said that his arithmetic in the paper apparently was faulty.

Both the CIO unions and professor Harris emphasize the importance of placing a limit on the liability of the employer. Professor Harris seems to assume, however, that the current demands are the final ones, whereas in fact, all history suggests that the initial demand is only a first installment.

In terms of good industrial relations and community relations, furthermore, the idea of limited liability for the employer has serious limits itself. Suppose that the contractual responsibility for G. W. has been met but workers are still unemployed. The newspaper headlines would scream "Guaranteed Wage Ended."

For this reason, as well as for others, every employer should weigh most seriously, before he agrees to any G. W. demands, the dangers of the CIO and Professor Harris' proposals of a 5c or 10c

per hour or 5% or 10% of payroll approach. Rather, the employer, if he wants to adopt a G. W., should think in terms of a specific benefit program—so many dollars for so many weeks for so many workers. Then he should be prepared to finance that specific program and avoid any cents per hour or percentage of payroll commitment. The evils in the health and welfare funds, under current discussion, are largely due to the cents per hour or percentage of payroll approach. The employer agrees to pay it and tends to ignore what happens to the funds. If he sought a specific benefit program and had an interest in conserving the funds for only the legitimate purposes of that program, this would give him a genuine incentive in the administration of the funds. Experience rating is absent in most health and welfare funds. This approach would help to eliminate the incentive for fraud and racketeering.

If an employer wants to adopt G. W., he should not follow the U. C. supplementation route. The CIO and Professor Harris argue that U. C. supplementation would reduce the costs of G. W., but this is an error since employers finance both U. C. and G. W. and, furthermore, as shown in our studies, the G. W. would increase the costs of U. C.

If an employer wants to adopt a G. W., he should first examine most closely the implications of any U. C. supplementation. This route is full of pitfalls and can greatly deteriorate industrial relations and turn out to be much more expensive than appears to be the case at first sight—a point which we developed at full length in our research study *Jobs? or Jobless Pay?*

Furthermore, there are other approaches which merit consideration. The Geo. A. Hormel & Company's successful G. W. plan is based on the exemption from overtime under Section 7 (b) (2) of the Wage and Hour Law. There are innumerable loan and savings plans which merit consideration.

Finally, the labor leader should consider the adoption by the union itself of its own G. W. plan. Professor Harris has argued that the final incidence of the guarantee rests on the workers anyway, so in the last analysis it should not make any economic difference to the union members whether they pay it directly or indirectly. The union could vote the necessary hourly or weekly assessment against its members, accumulate the fund, and pay out the guarantee to its members as it sees fit. This would avoid all legal questions, all problems of "joint administration" and other sources of friction and ill-feeling.

SEYMOUR BRANDWEIN

American Federation of Labor

I regret that Nelson Cruikshank, the Director of Social Insurance Activities of the American Federation of Labor, who was to have been here, is not on hand to give us the benefit of his expert insight.

As a last-minute substitute, I have just a few brief comments on Under Secretary Larson's address. With no opportunity to examine his paper before the session, a detailed commentary is hardly possible, and I don't wish to wander off into an unrelated speech of my own.

But on an off-the-cuff basis, there are two observations which I think should be made to provide a bit more realistic perspective. Under Secretary Larson's address has much to commend it, so I am particularly disturbed that it is marred by some practical shortcomings.

The Under Secretary points to the desirability of various improvements in the benefit levels and coverage of the different State unemployment insurance systems. But his gentle probing and pious declarations of the need for improvement are not enough, even for a Research Association, for he doesn't touch at all on the real sore spot of the problem of improvement.

The basic difficulty is that Federal slogans alone, or research group recommendations, are not synonymous with State action. A realistic analysis can't escape the fact that State legislatures, or certainly a great majority of them, will not put into effect the improvements Under Secretary Larson advocates unless they are *required* to do so by Federal standards. This is the crux of the problem of overcoming most of the inadequacies of the widely varying State systems.

Even the more forward looking States, which tend to be in sympathy with proposals for certain liberalizations, are reluctant to enact them because they fear competitive disadvantages for their employers if they widen too far the gap between their unemployment compensation standards and those in the States with the most limited programs.

As the Under Secretary noted at the opening of his paper, the States did not do anything in the unemployment insurance area until they were induced to do so by Federal legislative action. A call for improvements today must be coupled with a call for action

by Congress if it is seriously intended to achieve truly meaningful results.

The other point which I think should not have been neglected is on the matter of experience rating. Nat Weinberg has already referred to it, as has Mr. Schmidt from a different viewpoint.

In examining experience rating, Under Secretary Larson was of course under no obligation to rehash the merits and demerits of this controversial practice, but it seems to me that, by referring to what he considers to be a beneficial result without at the same time noting the offsetting disadvantages, he produces a misleading picture.

The paper's examination of the experience rating practice stresses that it has led employers to develop more stable employment patterns. I'm impressed that by far the more meaningful current significance of experience rating is that it induces the *employers* to police the system and that it functions as an incentive for employers to have claimants disqualified, fraud or no fraud, justly or unjustly.

Experience rating has also spurred a rapid growth of increasingly stringent eligibility requirements designed to limit the number of unemployed workers qualifying for insurance payments. The original principle is being subverted. Employers are being rewarded, not simply for favorable employment experience, but for success in getting unemployed workers disqualified.

In short, Under Secretary Larson's paper should have explained that the significant net effect of experience rating today is more to reduce the financial security of unemployed workers than to provide them with assurance of more stable employment.

Part VII

UNION GROWTH

EDITOR'S NOTE

The 1954 program committee planned the following session on Union Growth and Structural Cycles with the basic paper by Dr. Bernstein prepared well prior to the meetings for advance distribution. The three discussants were invited to prepare formal comments which could be based both on this paper and on the related article on membership growth by Irving Bernstein, "The Growth of American Unions," *American Economic Review*, XLIV (June, 1954), pages 301-318. As in other parts of the Association's proceedings, no record is made of the informal discussion following the presentation of the papers. Part VII of this volume is therefore comprised of the major paper and the three formal discussants' comments described above.

UNION GROWTH AND STRUCTURAL CYCLES

IRVING BERNSTEIN

University of California, Los Angeles

IT IS A CURIOUS FACT that most of the significant changes in the structure of American trade unions have emerged and developed in sharply demarcated historic cycles. Further, the devices that employers have evolved to deal with labor organizations appear in these same intervals.

The growth of American unions may be viewed in two quite distinct contexts: that associated with long-run passage of time and that related to crisis.¹ When unions are growing slowly and steadily, they need make only slight changes in form to accommodate themselves to their environment; similarly, the employer may absorb the union expansion with only a modicum of disturbance to himself. With crisis, however, both the rate and the direction of growth shift drastically. As a consequence, the really critical developments in the morphology of unions, as well as of employers insofar as they deal with labor organizations, tend to cluster in these brief time spans.

It would be poor academic form to fail to set forth at the outset those qualifications that shield the writer against (some of) the arrows of criticism; no academician can afford to be so boorish. By structure, then I mean those essential formal units that make up the edifice of American trade unionism. Starting at the top, they comprise the national federation, the department, the state and local central bodies, the international union (with a nod in the direction of the sacred concept of jurisdiction), and the local. On the employer side consideration will be given to the employers' association and the company union. This means that the employer will be treated incompletely and as a function of the trade union. By change, I refer both to the invention and proliferation of these forms. The latter is of greater importance because the labor movement and employers introduced most of them prior to the period covered here.

There is no need to stress the fact that historical data concerning the emergence of these institutions are hard to come by. Where they

¹ This analysis is carried forward more fully in Irving Bernstein, "The Growth of American Unions," *American Economic Review*, XLIV (June, 1954), 301-318.

exist at all, they are often incomplete or internally inconsistent. Further, in many cases it has been necessary to make qualified decisions. Finally, some information is simply nonexistent.²

It should be noted that the historic analysis here, unlike most earlier work, is not limited to union membership. There is a common and understandable misapprehension that the fortunes of trade unionism are to be measured solely in terms of the number of its adherents. This probably stems from two factors, the first being that the only reasonably reliable statistical series we have that covers a substantial period of time deals with membership. The second and more important consideration is the American's (including the labor economist's) propensity to quantify. The fact that most of us feel a bit uncomfortable in the absence of numbers, however, does not necessarily prove that we are correct. The growth of unions, like the growth of other institutions, is a ramified process, affecting not only their size, but also their structure and their spirit.

An examination of the data that follow might lead to the conclusion that the American Federation of Labor has been overemphasized as contrasted with other organizations. There is a very simple explanation: the AFL has had a longer history and has been more consistent in publishing its internal statistics than its rivals.

I. THE PERIODS OF RAPID GROWTH

Membership is a reasonably satisfactory guide in establishing the periods of sharp union expansion. In the past three-quarters of a century, there have been five short intervals in which trade union membership rose at a very rapid rate: 1884-1886, 1897-1904, 1917-1920, 1933-1938, and 1942-1944. It is possible to isolate the four that have occurred since 1896 with the aid of Wolman's series; the earliest, 1884-1886, is confirmed by data for the Knights of Labor, in particular, as well as for the Typographical Union. Table 1 sets them forth in terms of average annual change expressed in per cent. The terminal dates in the table vary slightly from those given above for reasons that will be noted later.

It is worth sketching briefly the characteristics of each of these periods as they relate to trade union expansion. The phenomenal growth of labor organizations in the mid-eighties stemmed from

² The job of collecting this information was primarily the work of Herbert Shyer, who performed it with great care.

TABLE 1
Periods of Rapid Membership Growth, 1880-1954

Period	Number of Years	Average Annual Membership Increase (per cent)
1884-1886.....	3	216.2 ^a
1897-1903.....	7	15.3 ^b
1917-1920.....	4	27.8 ^c
1934-1938.....	5	16.3 ^c
1942-1944.....	3	21.1 ^c
1942-1944.....	3	13.4 ^c

^a Knights of Labor: Norman J. Ware, *The Labor Movement in the United States, 1880-1895* (New York: Appleton, 1929), p. 66.

^b Typographical Union: George E. Barnett, *The Printers, A Study in American Trade Unionism* (American Economic Association Quarterly, 3d ser.), X (October, 1909), pp. 375-376.

^c All unions: Leo Wolman as reported in Bernstein, *op. cit.*, p. 308.

social unrest. Memories of the grinding depression of the seventies joined with the abuses of a raw capitalist society and the sharp business decline of 1884-1885 to produce deep-seated discontent. At the same time, rural America, facing low farm prices, railroad monopolies, and the closing of the land frontier, erupted into Farmers' Alliances. Both native and imported reform and revolutionary movements made headway. In 1886, Henry George almost succeeded in becoming mayor of New York; Edward Bellamy's *Looking Backward* appeared two years later; both Marxism and Anarchism won adherents. The eighties witnessed immense advances in mechanization and factory size and organization. A consequence was the dilution of workers' skills and a demand for unskilled labor, satisfied in part by the movement of population from farm to city and for the rest by a great influx from abroad, increasingly from southern and eastern Europe. Workers, already existing on the borderlines of poverty, suffered sharp wage cuts and mounting unemployment in the mid-eighties.

The conjunction of these forces produced the eruption that the Commons group has called "The Great Upheaval." Workers rushed into unions in enormous numbers; membership in the Knights advanced from 51,914 in 1883 to 729,677 in 1886, in the organizations that were to form the AFL from something under 50,000 in 1884 to the neighborhood of 200,000 in 1886. A wave of strikes and boycotts of unprecedented proportions swept the nation, many of them spontaneous outbreaks by unorganized masses of the unskilled. "The movement bore in every way the aspect of a social war. A frenzied

hatred of labor for capital was shown in every important strike."³ The trade unions sought to rally this unrest about the eight-hour issue, with a target date of May 1, 1886. The Haymarket Riot, occurring on the third of May, was the high-water mark of union growth; at that point the dominant organization, the Knights, began to sustain a rapid decline.⁴

The great expansion at the turn of the century (1897-1904) resembled that of the eighties in springing from social discontent, fed in part by long-term forces and for the rest by the severe depression of the nineties. To unrest, the economic impact of the Spanish-American War added a second, though smaller, barrel.⁵

The long-run trends that had been at work a decade and a half earlier reached their apex as the century drew to its end. The imminent closing of the land frontier was now an accomplished fact. Industrial concentration and trustification advanced at a rate wholly without precedent; American Smelting & Refining was created in 1899, Northern Securities Company in 1901, and, as a climax, United States Steel in the same year. At the same time, the conditions of life for American workers were dismal. Father Ryan, examining income distribution in 1904-1905, concluded that at least two-thirds of the adult males in the United States earned less than \$600 per year, and the later studies of Douglas and Brissenden suggest that this figure errs substantially on the side of generosity. Moreover, Douglas found that average weekly hours in all industries in 1897 were in excess of fifty-nine. The wide spread of the sweatshop, the great number of children working when they should have been in school, the primitive standards of factory and mine safety, sanitation, and discipline, and the emergence of wretched working class slums in the cities joined to outrage fair-minded citizens.

³ John R. Commons and Associates, *History of Labour in the United States* (New York: Macmillan, 1918), II, p. 374.

⁴ Lucy Sprague Mitchell relates that her father, a prominent Chicago wholesale grocer, was so disturbed by Haymarket that, when he built a new house on Prairie Avenue in 1890, he installed a button, marked "MOB," which he could punch to summon the police. *Two Lives* (New York: Simon & Schuster, 1953), p. 63.

⁵ The year 1904 is included here as part of the growth period. According to Wolman, the unions added 158,800 members, an advance of 8.3 per cent. Although the rate of expansion was lower than in preceding years, it appears quite different in character from 1905-1906, when membership suffered a decline.

In the light of these conditions it is no wonder that discontent expressed itself politically. The nineties saw the dramatic advance and collapse of Populism as well as the sharp class alignments of the McKinley-Bryan election of 1896. Further, the Socialist Party was formed in 1897. That same year "Golden Rule" Jones became mayor of Toledo; in 1901, Tom Johnson won the same office in Cleveland; and in 1902, Robert M. LaFollette was elected governor of Wisconsin. This, too, was a time of intellectual disillusionment. Veblen published *The Theory of the Leisure Class* in the last year of the dying century, while muckraking made its entrance in the November 1902 issue of *McClure's* with Ida Tarbell's history of Standard Oil.

The depression that began in the early months of 1893 was, with the single exception of the 1930's, the most severe test that American workers were forced to endure in the three-quarters of a century embraced by this study. The number of factory jobs, according to Jerome, declined by more than 18 per cent between April and September of 1893, while the Industrial Commission estimated that almost 26 per cent of "possible working time" in New York City in the first quarter of 1897 was lost because of unemployment. With relief on a rudimentary basis, suffering was intense. It took dramatic form in the march of "General" Coxe's army of jobless upon Washington in 1894.

The business improvement that began in 1897 was given a sharp upward jab by the outbreak of war the following year. The conflict, though not of major size nor long duration, created typical wartime economic conditions. Persons' index of manufacturing production soared 41 per cent between 1897 and 1903; Jerome's series on factory employment advanced 39 per cent from January 1897 to September 1904; and Douglas' cost of living index rose 16 per cent between 1897 and 1903.

The coupling of deep-seated social discontent with wartime prosperity provided a field of immense fertility for seedling unionism. Membership, consequently, spurted from 447,000 in 1897 to 2,072,700 in 1904, with notable gains in mining, the building trades, and the printing trades. The preëminence of the AFL over its rivals, already established, was underscored. Labor organizations for the first time penetrated the small towns and the predominantly agricultural states. As was to be expected, the incidence of strikes rose dramatically, accompanied by violence,

and reaching a climax in the great steel strike of 1901, the equally significant anthracite stoppage of the following year, and the militant and bloody strikes of the Western Federation of Miners—Leadville (1896-1897), Coeur d'Alene (1899), Telluride (1901), and Cripple Creek (1903-1904).

The third period, 1917-1920, differed from its predecessors in lacking a base of social unrest; here union growth stemmed from World War I and the postwar inflation. Shortly before America entered the conflict, the economy shifted to a phase of rapid expansion that continued until the depression of 1920. The National Bureau of Economic Research series on physical output in manufacturing advanced by one-fifth between 1914 and 1919, while Jerome's index of factory employment rose by one-third from January 1915 to the same month in 1920. This marked increase in the demand for labor was not evident on the supply side. The civilian labor force was virtually stationary; almost five million men entered the armed forces and immigration declined to one-fourth of the prewar level. As a consequence, wages rose dramatically; Douglas reported that average hourly earnings in all industries advanced almost 98 per cent between 1916 and 1920. Finally, and of critical importance to union growth, the cost of living as measured by the Bureau of Labor Statistics shot up 84 per cent from 1916 to 1920, especially in the last two years of that interval.

To these economic forces was joined a friendly national administration spurred by the need to enlist labor's support for the war. President Wilson's views had already been manifested by the Clayton Act and his address to Congress in the dispute over the eight-hour day on the railroads that led to passage of the Adamson Act on September 3, 1916. Evidence of the Administration's eagerness to win union backing was manifold. Labor gained representation on several agencies through the tripartite formula, notably the National War Labor Board, the Shipbuilding Labor Adjustment Board, and the bodies created to deal with transportation disputes. Both NWLB and the Director-General of the Railroads (after federal seizure) established policies that facilitated the growth of unions, such as representation elections and prohibitions against discrimination for membership. To the ill-fated National Industrial Conference called by the President on October 6, 1919, the AFL and the railway brotherhoods were invited to send nineteen representatives.

This conjunction of forces led to an enormous rise in the number of trade unionists, from 2,772,700 in 1916 to 5,047,800 in 1920, according to Wolman's count. The growth was especially marked in those industries nurtured by wartime demand and/or the friendly hand of the government: munitions, rail and water transportation, metalworking (notably shipbuilding), construction, and men's clothing. This development was accompanied, particularly in 1919, by a great increase in the number of strikes; the BLS reported a mountainous total of 4,160,000 workers involved in stoppages in that year. Several were of great importance: the Seattle general strike of February 6, the Boston police strike of September 9 (which pushed Calvin Coolidge into the vice-presidency), the steel strike of September 22, and the coal strike of November 1, 1919.⁶

The expansion of 1933-1938 marked a reversion in character to the pre-World War I cycles.⁷ Here growth stemmed from profound social unrest joined with a favorable political and legal climate.

The Great Depression imposed a burden upon workers wholly without parallel in American history. Gross national product, as measured by the Department of Commerce, declined 46 per cent between 1929 and 1933, while the Federal Reserve Board's index of manufacturing production plummeted 48 per cent from 1929 to 1932. The effects upon employment were devastating: the Bureau of Labor Statistics' factory employment series fell 43 per cent between August 1929 and July 1932 and fairly reliable estimates indicate that there were in the neighborhood of thirteen million jobless by 1933. The bankruptcy of relief policy prior to the New Deal compounded the misery. With it came public discredit for the business leadership that had dominated the economic and political life of the nation in the twenties.

The discontent fed by depression formed the political and intellectual staples of the times. Marxism, particularly in the form of the Communist Party, attained peak strength. A variety of politi-

⁶ In the statistical analysis that follows the years 1921-1932 are considered as a single period. This is because the purpose of this paper is to concentrate on the time spans of growth; hence there is no present purpose in distinguishing between decline and stability.

⁷ Wolman's figure for 1933, for reasons wholly inexplicable to me, shows a decline in membership from the preceding year; hence Table 1 indicates that expansion began in 1934. This makes no sense for the purpose of the present analysis for several reasons; 1933 is in character the year of the onset of the New Deal and the enactment of Section 7(a) and it is also well known that many unions, notably the Mine Workers, the Clothing Workers, and the ILG, experienced a sharp growth in membership.

cal adventurers won large followings: Howard Scott with Technocracy, Huey Long with Share-the-Wealth, Dr. Townsend with old age pensions, and Father Coughlin with various nostrums. Most important politically, of course, was Franklin Roosevelt's New Deal, which absorbed the bulk of the unrest and directed it into relatively conventional channels. Little New Deals sprang up in the states, sometimes at critical labor junctures, as with Frank Murphy's governorship of Michigan during the General Motors' strike. Writing, as well, reflected the discontent. Lincoln Steffens published his *Autobiography* in 1931; Berle and Means brought out *The Modern Corporation and Private Property* in 1932; and, most significantly, Keynes' *General Theory* appeared in 1936. Literature, mirroring the same impulse, took such forms as Odets' *Waiting for Lefty* (1935), Lewis' *It Can't Happen Here* (1935), Dos Passos' *U. S. A.* (1937), and Steinbeck's *The Grapes of Wrath* (1939).

As viewed by union labor, the period was one of munificent governmental assistance. The Norris-LaGuardia Act was passed in 1932; Section 7(a) of the National Industrial Recovery Act came the following summer; in 1934, Congress enacted vital amendments to the Railway Labor Act; and, most important, the National Labor Relations Act became law in 1935. Many of the states followed with little Norris-LaGuardia and Wagner Acts.

In response to these forces trade unionism entered a phase of phenomenal growth. According to Wolman, membership advanced from 2,973,000 in 1933 to 7,342,000 in 1938. Following the formation of the CIO in 1935, the bastions of the mass production industries were breached. The AFL followed with large gains in the traditional areas as well as in newer industrial forms. The number of strikes, the Bureau of Labor Statistics reported, shot up from 921 in 1929 to a peak of 4,740 in 1937. Many were critically important and were accompanied by violence: the San Francisco general strike in 1934, the Minneapolis truckers' strikes of the same year, and the General Motors' sitdown and the bloody Little Steel strikes of 1937.

The period of the second World War (1942-1944) paralleled that of the first; the marked rise in the size of the labor movement is explained by the wartime economy and favorable political factors. Gross national product, according to the Commerce Department, skyrocketed 133 per cent between 1939 and 1944, while

the Reserve Board's manufacturing production index climbed by virtually the same amount. This enormous rise in output, of course, was accompanied by an extraordinary demand for labor. Factory employment, as reported by BLS, increased almost 90 per cent between January 1939 and November 1943. With more than eleven million persons in the armed services, it was necessary to suck into the labor force great numbers not normally part of it—married women, the retired, and the youngsters. This was supplemented with longer working hours, an average of 45.2 per week in manufacturing in 1944, according to BLS. A sharp increase in the BLS Consumers' Price Index, 26.3 per cent from 1939 to 1944, also characterized the times. Faced with these and related economic pressures, many employers were disinclined to quibble over an employee's union membership.

The combination of a friendly national administration and the need to enlist labor's support for the war won for the unions the highest prestige that they had ever enjoyed. They were, of course, given representation on agencies of direct interest to them, notably the National War Labor Board. They gained, in addition, some voice in administering such general economic policies as production, prices, and rationing. Also important, a government friendly to labor was the principal consumer of the output of American industry.

Under these circumstances, it is hardly surprising that union membership grew so markedly, according to Wolman, from 8,614,000 in 1941 to 12,538,900 in 1944. Although this expansion was accompanied by a large number of strikes, they were of short duration and, excepting coal, of limited seriousness.

This sketchy summary of the cycles of the past three-quarters of a century suggests a conclusion: an acceleration in the secular rate of trade union expansion stems from crisis, either a domestic social cataclysm or a war. Of the five periods studied, two related to profound internal unrest (1884-1886 and 1933-1938), two arose out of great international conflicts (1917-1920 and 1942-1944), and one was based on a combination of both factors (1897-1904).⁸ With this generalization, we may turn to the impact of crisis growth upon the structure of unions.

⁸ For a similar analysis see John T. Dunlop, "The Development of Labor Organization: A Theoretical Framework," in Richard A. Lester and Joseph Shister, eds., *Insights into Labor Issues* (New York: Macmillan, 1948), pp. 190-192.

II. THE TRADE UNION

All the national federations formed since 1880 have been related to the cycles of rapid growth. The first, the American Federation of Labor, was founded in "The Great Upheaval" of the mid-eighties. Although the AFL, understandably enough, sought later to date its origin from 1881, the year the Federation of Organized Trades Unions of the United States and Canada was created, there is little historical basis for doing so. The older organization was at its inception dominated by the Knights of Labor, never represented a majority of the trade unions or even many of the important ones, was unable to raise as much as \$700 in any year, lacked even a single paid officer, and confined itself exclusively to legislative matters in which it proved wholly ineffective. By 1884, to cite Ware, "the trade unions of the country hardly knew the Federation existed. . . ."⁹

Rather, the impetus for the AFL came from the enormous expansion of the Knights in 1885-1886 and the bitter interunion rivalries it engendered, particularly with the Cigar Makers. The move began with a circular to the trade unions issued April 26, 1886, by P. J. McGuire (Carpenters), Adolph Strasser (Cigar Makers), Jonah Dyer (Granite Cutters), P. F. Fitzpatrick (Iron Molders), and W. H. Foster (secretary of the old Federation), calling a conference in Philadelphia on May 18. At this meeting the trade unions, facing a common menace, for the first time joined together effectively. Their delegates drafted a "treaty of peace" with the Knights that would have compelled the capitulation of the larger organization. T. V. Powderly did not even bother to present it to his Richmond convention in the fall. In early December, the trade unionists, meeting at Columbus, created their own organization, calling it the American Federation of Labor, and declared war upon the Knights.¹⁰

The Industrial Workers of the World, the second of the national organizations, grew out of the union expansion at the turn of the century. "It was not a coincidence," Brissenden has observed, "that the I. W. W. sprang into being so hard on the heels of the

⁹ Norman J. Ware, *The Labor Movement in the United States, 1860-1895* (New York: Appleton, 1929), p. 252.

¹⁰ The story is recounted in detail in *ibid.*, pp. 243-298; Commons and Associates, *op. cit.*, II, pp. 318-331, 395-410; and Lewis L. Lorwin, *The American Federation of Labor* (Washington: Brookings, 1933), pp. 13-23.

strike terrors of Telluride and Cripple Creek.¹¹ The union that led those battles was the Western Federation of Miners, as it was to be the motive force behind the IWW. The WFM withdrew in disgust from the AFL in May 1897 over the latter's failure to lend financial support to the Leadville strike. During that year the Montana State Trade and Labor Council urged formation of a western alliance of unions and the executive board of WFM circularized its locals on that question on December 28. With an affirmative response, the Miners called a conference at Salt Lake City on May 10, 1898, which, despite a hurried trip by Gompers to nip a potential rival in the bud, established the Western Labor Union. It proposed to recruit all the unions between the Mississippi and the Pacific, generously leaving the East to the AFL. Bitter inter-union strife, naturally enough, ensued, notably in Colorado in 1901-1902, leading the WLU at its 1902 convention to claim nationwide jurisdiction, to shift its headquarters from Butte to Chicago, and to change its name to the American Labor Union.

Excepting the Miners, ALU made few gains; hence the WFM was persuaded, after sustaining defeat in the great Colorado strikes of 1903-1904, of the need for a more vigorous national body. The Miners convention of May-June 1904, therefore, instructed the Executive Board to lead the way in creating an "amalgamation of the working class into one general organization." This, in turn, led to a meeting of six unionists in the fall who, on November 29, invited about thirty radical union and socialist delegates to meet secretly in Chicago on January 2, 1905. That conference, for its part, called the Chicago convention of June 27, 1905 that created the Industrial Workers of the World. The only mass base IWW had at its inception lay in the western mining camps and from WFM "most of the financial bone and sinew came for setting in motion the machinery of the new union."¹²

By way of addendum, it should be noted that the Canadian sister of the IWW, the One Big Union, arose out of the great expansion of North American labor organizations immediately following World War I. The economic, social, and intellectual turmoil

¹¹ Paul F. Brissenden, *The I. W. W., A Study of American Syndicalism* (New York: Columbia University Press, 1920), p. 105.

¹² *Ibid.*, p. 104. See also Paul F. Brissenden, *The Launching of the Industrial Workers of the World* (Berkeley: University of California Press, 1913); Vernon H. Jensen, *Heritage of Conflict, Labor Relations in the Nonferrous Metals Industry up to 1930* (Ithaca: Cornell University Press, 1950), pp. 54-71, 160-196; and Selig Perlman and Philip Taft, *History of Labor in the United States, 1896-1932* (New York: Macmillan, 1935), pp. 215 ff.

in western Canada, corresponding with that in the United States, set the stage for the Calgary convention of March 16, 1919, which created the One Big Union. The organization was to give leadership to the great Winnipeg general strike in the spring of that year.¹³

The last of the federations, the Congress of Industrial Organizations, stemmed from the great union expansion of the New Deal era. Since its story is so familiar, only a few remarks are called for. CIO was the product of the struggle within the AFL over the issue of industrial organization in the mass production industries in 1934-1935. Under John Lewis' leadership, the losing faction at the Atlantic City convention of 1935 formed a Committee for Industrial Organization on November 9 of that year. The Executive Council of the Federation thereupon suspended the unions comprising the Committee effective September 5, 1936. With spectacular organizational successes and the breakdown of negotiations to heal the breach, the Committee transformed itself into the permanent Congress at its first constitutional convention of October 1938.

The second area of investigation consists of federal bodies of lesser scope than the great federations. The analysis is confined to organizations affiliated with the AFL, since the IWW's structural philosophy and small size prevented an elaborate structure and the history of the CIO is too brief to yield a proper perspective. Hence the concern here is with the AFL's departments, its state federations of labor, and its city centrals.

The charter dates of the AFL departments are as follows: Building Trades, February 10, 1908; Metal Trades, June 1908; Railway Employees, February 19, 1909; Union Label Trades [ca.] March 1909; Mining, January 8, 1912; and Maritime Trades [ca.] August 1946. On the face of it, therefore, there seems no reason to relate the formation of these bodies to the historic cycles. In fact, however, the first three had their inception in the great union expansion at the turn of the century, the delay stemming from the fear of Gompers and the Executive Council that the departments might be rivals to the Federation itself.¹⁴ The fourth and fifth

¹³ See D. C. Masters, *The Winnipeg General Strike* (Toronto: University of Toronto Press, 1950), pp. 3-39.

¹⁴ During the agitation for the building trades department, for example, the Executive Council reported to the 1903 AFL convention: "We cannot believe that the formation of a separate executive authority for the government of one group of organizations can be formed coequal with the authority vested in the American Federation of Labor, without sometime so grave a difference arising as to lead to conflict . . . resulting in infinitely greater harm than can come from our present methods. . . ." *Proceedings of the 23d Convention of the American Federation of Labor, 1903*, p. 92.

were the products of quite unique circumstances. Finally, the origins of the sixth can be traced to the New Deal cycle.

Led by the St. Louis Building Trades Council, seven similar local bodies and the Painters' international union created the National Building Trades Council of America in December 1897. The condemnation of Gompers in the 1900 AFL convention combined with the unwillingness of the Carpenters and other potent unions to participate sealed the fate of this organization. These powerful internationals then created their own league, the Structural Building Trades Alliance of America, on October 8, 1903.¹⁵ Its strength became so patent that by the time of the 1907 AFL convention Gompers was willing to accept the inevitable on the theory that the Alliance would be less dangerous inside than outside the Federation. A charter was issued early the following year.

Abortive efforts by the Boilermakers, Blacksmiths, and Machinists to form an amalgamation of metal tradesmen occurred as early as 1894. The movement, however, did not seriously get underway until the turn of the century. A temporary organization was established at Louisville in December 1900, followed in July 1901 by the formation of the Federated Metal Trades of North America. With the AFL logjam broken by the construction unions, the metal trades were not long in winning approval for a department of their own.

Federal schemes for railway workers were common during the expansion of 1897-1904. An interunion organization called the Federation of American Railway Employees was created in April 1898, but was short-lived; the remains of Debs' American Railway Union, following the defeat in the Pullman strike, formed an in-

¹⁵ Of this important organization, the Commons group has this to say: "The date of the real birth of craft industrialism on a national scale was . . . 1903, when the Structural Building Trades Alliance was founded. The formation of the Alliance marks an event of supreme importance, not only because for the first time it united for common action all the important national unions in the building industry, but especially because it promulgated a new principle which, if generally adopted, was apparently destined to revolutionise the structure of American labour organisations. The Alliance purported to be a federation of the 'basic' trades in the industry, and in reality it did represent an *entente* of the big and aggressive unions. These were moved to federate, not only for the purpose of forcing the struggle against the employers, but also of expanding at the expense of the 'non-basic' or weak unions, besides seeking to annihilate the last vestiges of the International Building Trades Council." Commons and Associates, *op. cit.*, II, pp. 535-536.

dustrial organization on January 27, 1901, the United Brotherhood of Railway Employees; and, most important, the AFL shop crafts began to set up system federations in 1900. From these last stemmed the AFL Railway Employees' Department of February 1909.

The Union Label Trades Department was special in that it grew directly out of the Supreme Court decision in the *Danbury Hatters* case in 1908. When the Court held the AFL boycott of Loewe's hats a violation of the Sherman Act, the Federation countered with sponsorship of the union label. Its administration was placed in the hands of a special department created in the spring of 1909. The Mining Department was also peculiar in that it represented a compromise that neither bargainer appears to have taken very seriously. When the Western Federation of Miners returned to the AFL on May 9, 1911, it urged an amalgamation with the United Mine Workers. Since the latter had nothing to gain from such a merger, UMW suggested the departmental substitute, which was adopted the following year. The department never amounted to much and ceased to exist in 1922.

The Maritime Trades Department of 1946 was, in a sense, the offspring of the Maritime Federation of the Pacific, formed in April 1935. This organization arose out of the great West Coast maritime strike of 1934, representing an effort by Harry Bridges' Longshoremen (then AFL) to consolidate all the crafts under the banner of industrial unionism. MFP foundered on the reluctance of Harry Lundeberg's Sailors' Union of the Pacific to share its autonomy with the shoreside stevedores and its fear of the rival CIO National Maritime Union. In 1938 Lundeberg led his sailors back into the AFL. With Bridges' International Longshoremen and Warehousemen now in the CIO and leagued with Joe Curran's NMU, the stage was set for the bitter warfare that ensued. In the 1941 AFL convention, therefore, Lundeberg sought defensively to amalgamate all of the Federation's maritime crafts in a department, but without success. In May 1946, however, the Bridges-Curran group, representing both a rival federation and a rival ideology, launched their Committee for Maritime Unity. This time the AFL unions responded at once, forming the Maritime Trades Department on August 15-16 of the same year. CMU soon fell

apart, as did Bridges and Curran, leaving the AFL Department with no function to perform.¹⁶

The state federations of labor impose severe limits on analysis for several reasons: the potential total of state bodies is arbitrarily fixed by the number of states; the AFL made no reports for years preceding 1897; and almost none have been chartered since 1916. For the little that remains, however, the cyclical pattern applies. In the eight years, 1897-1904, a total of twenty-six were chartered, or 3.25 per year, with a peak of six in 1902. By contrast, in the twelve years, 1905-1916, only nineteen were chartered, an average of 1.58 per year.¹⁷

The formation of city centrals provides a somewhat larger field for investigation, though subject to similar qualifications that must be noted. The first is that the number of cities, like the states, is limited so that diminishing returns set in over a prolonged span of years, in this case by 1921, when a peak total of 973 centrals existed. That is, by this time the AFL had quite thoroughly blanketed cities and towns of consequence with these bodies. The second restriction is that the AFL has published no figures for years preceding 1895. Table 2 shows the annual average number of city central bodies chartered, with periods of rapid growth emphasized by italics.

The table demonstrates the relationship between the formation of city centrals and the historic cycles—in particularly marked fashion prior to the New Deal and less so since for the reason given above. If we turn from the rate of growth to the actual number of city centrals in existence, it becomes clear that the great period of expansion was the turn of the century. The figure skyrocketed from 82 in 1898 to 569 in 1904 (in 1953, there were only 825), leading, in fact, to a movement to create a federation of city centrals. The Executive Council reported with no regrets

¹⁶ The most satisfactory treatment of the early departments is Albert Theodore Helbing, *The Departments of the American Federation of Labor* (Baltimore: Johns Hopkins Press, 1931). See also Perlman and Taft, *op. cit.*, pp. 365-373, and Lorwin, *op. cit.*, pp. 93-95 and 367-396. The maritime story is sketched in Robert J. Lampman, "The Rise and Fall of the Maritime Federation of the Pacific, 1935-1941," *Proceedings of the Pacific Coast Economic Association* (September, 1950), pp. 64-67, and *Proceedings of the 61st Convention of the American Federation of Labor*, pp. 259, 306, 684-665; ———, 1942, p. 65; ———, 1946, pp. 84-85.

¹⁷ These totals have been computed from data in the *Proceedings* of various AFL conventions.

to the 1902 convention that this potential rival had been laid to rest.¹⁸

The third area of analysis is the international union, the most important structural form in the hierarchy of the American labor movement. Here data are readily available, making it possible to examine the entire period 1880-1953, in fact to go back as far as the establishment of the first organization in 1852. Information has been collected on the three forms of growth that internationals have experienced; the first is the date of organization, the second

TABLE 2
AFL City Centrals Chartered, 1895-1953

Period	Number of Years	Average Annual Number Chartered
1895-1896.....	2	15.5
1897-1904.....	8	85.1
1905-1916.....	12	61.1
1917-1920 ^a	3	103.3
1921-1932.....	12	24.0
1933-1938.....	6	36.7
1939-1941.....	3	22.7
1942-1944.....	3	18.7
1945-1953 ^b	8	16.0

^a Excludes 1918 because only seven months reported.

^b Excludes 1945 because no report made.

SOURCE: Computed from data in various *Proceedings* of AFL conventions.

the year in which a merger occurred, and the third the time of a significant change in jurisdiction.¹⁹ The last is included because the international union is by definition an assertion of jurisdiction over a particular grouping of workers, implicitly for unions formed earlier than the federations and expressly for those chartered by the AFL and CIO. Hence cycles of organizational growth of internationals are at the same time reflections of the significance of jurisdiction to the labor movement, requiring some comment on the latter as the analysis proceeds.

There is a definite, though not perfect, relationship between the historic cycles and international unions. Table 3 sets this forth in summary form with the periods of rapid growth emphasized by italics.

¹⁸ *Proceedings of the 22d Convention of the American Federation of Labor, 1902*, pp. 49-50.

¹⁹ Limitations of space prevent the publication of these data; they may be obtained from the author.

The failure of the growth of international unions to accompany membership expansion between 1884 and 1886 is readily explained. The great majority of workers who unionized in those years joined the Knights of Labor, whose structure prohibited the formation of internationals. Hence it was impossible for the trade unions to thrive until the Knights had begun to decline, the AFL had been formed, and the Federation's unions were absorbing the K of L's membership. This occurred after 1886, when the size of the internationals expanded markedly: the Molders advanced from 13,000

TABLE 3
International Unions, 1880-1953

Period	Number of Years	Average Annual Number			
		Organized	Merged	Changed Jurisdiction	Total
1880-1883.....	4	2.5	0.3	....^a	2.8
1884-1886.....	3	2.7	0.0	....^a	2.7
1887-1896.....	10	8.6	1.5	0.6	10.7
1897-1904.....	8	10.3	1.7	0.8	12.8
1905-1916.....	12	3.2	1.0	1.3	5.4
1917-1920.....	4	6.5	4.3	1.5	12.3
1921-1932.....	12	2.0	1.3	0.5	3.8
1933-1938.....	6	8.3	2.3	1.0	11.7
1939-1941.....	3	7.0	1.0	0.7	8.7
1942-1944.....	3	6.3	1.7	0.3	8.3
1945-1953.....	9	4.8	2.2	0.3	7.3

^a Preceded establishment of jurisdiction-granting federations.

in 1886 to 23,000 in 1890, the Bricklayers from 7,000 in 1885 to 24,000 in 1890, the Conductors from 10,000 in 1886 to 20,000 in 1892, the Typographical from 18,000 in 1886 to 28,000 in 1892, the Carpenters from 21,000 in 1886 to 57,000 in 1891, and so on.²⁰ As a result, activity on the international union front accelerated in the years 1887-1892. Many of the basic AFL organizations were formed at this time—the Barbers, the Masters, Mates and Pilots, the Painters, the Pattern Makers, the Sheet Metal Workers, the Blacksmiths, the Machinists, the Plumbers, the Printing Pressmen, the Hotel and Restaurant Employees, the United Mine Workers, the Retail Clerks, the Electrical Workers, the Railway Carmen, the Longshoremen, the Street Railway Employees, and many others.

²⁰ Leo Wolman, *The Growth of American Trade Unions, 1880-1923* (New York: National Bureau of Economic Research, 1924), p. 32.

At the turn of the century, by contrast, the relationship was precise. The number of internationals affiliated with the AFL spurted from 67 in 1898 to 120 in 1904, the all-time peak. This was the period of establishment of the Railway Clerks, the Lathers, the Teamsters, the Ladies' Garment Workers, the Photo-Engravers, the Marine Cooks and Stewards, the Textile Workers, the Commercial Telegraphers, the United Garment Workers, the Hod Carriers, and numerous others. In effect, the Federation blocked out virtually the entire economy in squares of jurisdiction. A consequence was, for the first time, the sharpening of rivalries among organizations affiliated with the AFL. "The contention for jurisdiction," Gompers complained to the 1902 convention, "has grown into such proportions and is fought with such intensity as to arouse the most bitter feuds and trade wars."²¹ This condition, as already noted, led to the formation a few years later of the Building Trades Department.

Similarly, the growth period 1917-1920 witnessed a marked acceleration of activity among international unions. Since the AFL structure was already articulated, there was relatively little opportunity to form new unions. The result was that all-time highs were reached for mergers and significant changes in jurisdiction. This was the time when the brick and clay unions joined, the two post office clerks' organizations amalgamated, the Lithographers absorbed the Lithographic Press Feeders, and the Blacksmiths merged with the Drop Forgers. By the same token, a number of unions extended or changed their jurisdictions—the Brewery Workers moved into soft drinks, the Carpenters took over pile drivers, the Laundry Workers acquired cleaners, dyers, and pressers employed in laundries, and the Plate Printers took jurisdiction over die stampers. The wartime construction boom was accompanied by a sharp rise in the number and seriousness of jurisdictional disputes, leading the Building Trades Department on March 3, 1919, to create the National Board for Jurisdictional Awards. The Metal Trades Department experienced a similar problem though it did not work out the same solution.²²

²¹ *Proceedings of the 22d Convention of the American Federation of Labor, 1902*, p. 16.

²² William Haber, *Industrial Relations in the Building Industry* (Cambridge: Harvard University Press, 1930), p. 180; *Proceedings of the 40th Convention of the American Federation of Labor, 1920*, p. 220.

The expansion in the New Deal period, again, led to an intensification of activity among the internationals. Between 1933 and 1938 the AFL chartered a total of fifteen unions, including the Farm Labor Union, the Federation of Government Employees, the Council of Aluminum Workers, the State, County and Municipal Employees, the Cleaning and Dyehouse Workers, and the Seafarers. More important, of course, was the great "dual union" movement—the CIO. By 1938, the CIO had a total of forty-two affiliated internationals or organizing committees. They included such new unions as the Steelworkers, the Automobile Workers, the Newspaper Guild, the Maritime Union, the Transport Workers, the Rubber Workers, the Longshoremen and Warehousemen, and the Textile Workers. The industrial union movement was by its very nature a contest for jurisdiction with the AFL. Nor was the Federation itself relieved of rival union contentions. They took dramatic form in an eruption in the Building Trades Department in 1934-1935.²³

The growth during World War II differed from its predecessors in that fewer internationals were formed and merged or changed their jurisdictions significantly. The reason was that basic allocations of territory had been laid out by the two federations and this was the time to populate the sparsely settled areas with members. The period would appear relatively more active than its successor, 1945-1953, were it not for the unique problem of left-wing unions in the CIO. Many of the recent actions have stemmed from CIO's ejection of Communist-dominated organizations in 1949—the formation of rival organizations and the merger of surviving unions.

The fourth area of examination is the local union, where again we must rely wholly on AFL data. The Federation has published two series that are of use: the number of charters issued annually to directly affiliated local and federal trade unions for the period 1895-1953 and the total number of directly affiliated local and federal trade unions for 1898-1953. This information is consolidated in Table 4 with the periods of rapid growth in italics.

The formation of local unions affiliated with the AFL is closely related to the historic cycles. The Federation itself organizes these bodies and then turns them over to the internationals in whose jurisdictions they fall. This activity has tended to diminish in

²³ Recounted in detail in *Proceedings of the 55th Convention of the American Federation of Labor, 1935*, pp. 107-127.

recent years as international jurisdictions have rounded out, with the apparent result that the internationals now take on a larger relative share of initial organizational responsibility.²⁴

In this section we have demonstrated that the crisis growth of union membership is closely related to structural change in the trade union. The characteristic forms taken by the American labor movement—the national federations, the federal bodies of lesser scope, the international unions (accompanied by greater stress on jurisdiction), and the locals—have tended to emerge and proliferate

TABLE 4
AFL Local Unions, 1895-1953

Period	Number of Years	Directly Affiliated Local and Federal Unions	
		Average Annual Number Chartered	Average Annual Number
1895-1896.....	2	174	.....^c
1897-1904.....	8	579	1,132 ^d
1905-1916.....	12	230	672 ^e
1917-1920.....	4	579 ^a	967
1921-1932.....	12	74	460
1933-1938.....	6	584	1,275
1939-1941.....	3	386	1,485
1942-1944.....	3	280	1,585
1945-1953.....	9	126 ^b	1,195 ^b

^a Excludes 1918 because only seven months reported.

^b Excludes 1945 because no report made.

^c No data.

^d Excludes 1897 because no report made.

^e Excludes 1909 because no report made.

SOURCE: Computed from data in various *Proceedings of AFL conventions*.

erate in those brief time spans when the number of unionists was mushrooming. We may now turn to the employer to see how he has reacted to these historic cycles in his dealings with unions.

III. THE EMPLOYER

The employer has responded directly to rapid union growth in shaping his structures to deal with labor organizations. To establish this generalization we shall use data concerning two types of structure—the employers' association and the company union.

²⁴ See *Proceedings of the 69th Convention of the American Federation of Labor, 1949*, p. 96.

²⁵ Limitations of space prevent the publication of these data; they may be obtained from the author.

Information was collected for 484 employers' associations for the period 1862-1950.²⁵ All were or are concerned with labor relations. To the extent information permits, each association is identified as either negotiatory (bargains with unions) or belligerent (hostile to unions). The organization is classed by the year of its formation, or the year a general association first became involved in labor matters, or the year the organization switched from negotiatory to belligerent or the other way around. This system occasionally results in two appearances for the same organization. For the period 1880-1950 a total of 469 associations is recorded, of which 129 are negotiatory, 124 are belligerent, and 216 are not identified. Naturally, this is only a small sample of the whole number of associations that existed during this span of time. Strangely enough, the list is probably more complete for years preceding 1940 than for those since. Table 5 arranges this group of associations in the manner heretofore employed, with the periods of rapid union growth emphasized by italics.

Table 5 demonstrates that the formation of employers' associations was closely related to the four cycles that preceded World

TABLE 5
Formation of Employers' Associations, 1880-1950

Period	Number of Years	Average Annual Number		
		Negotiatory	Belligerent	Total
1880-1883.....	4	0.0	0.5	1.3
<i>1884-1886.....</i>	<i>3</i>	<i>0.7</i>	<i>1.0</i>	<i>4.0</i>
1887-1896.....	10	0.5	0.3	1.8
<i>1897-1904.....</i>	<i>8</i>	<i>3.9</i>	<i>5.5</i>	<i>12.3</i>
1905-1916.....	12	1.1	1.1	5.0
<i>1917-1920.....</i>	<i>4</i>	<i>1.0</i>	<i>3.0</i>	<i>8.5</i>
1921-1932.....	12	0.7	0.9	4.7
<i>1933-1938.....</i>	<i>6</i>	<i>7.0</i>	<i>5.5</i>	<i>24.3</i>
1939-1941.....	3	1.3	1.0	3.7
<i>1942-1944.....</i>	<i>3</i>	<i>1.0</i>	<i>0.0</i>	<i>3.0</i>
1945-1950.....	6	2.8	0.0	3.3

War II. The failure of the most recent period to fit that pattern may be explained, in part, by two factors: the inadequate data for the forties and the almost complete disappearance of the belligerent association as a result of New Deal legislation.

²⁵ Robert F. Hoxie, *Trade Unionism in the United States* (New York: Appleton, 1920), p. 201.

The reason for this general correspondence is evident enough. "The employers' association movement," Hoxie has observed, "was . . . primarily defensive."²⁶ Or, as a leading authority has rephrased this conclusion, "Associations tend to become strong during labor troubles or when there is threatened labor legislation, or political contests involving such legislation. Likewise, they tend to disintegrate during periods of peace."²⁷

This general relationship between the growth of employers' associations and of unions is of some interest. There is evidence that it developed long before the cycle we have chosen to begin with. The sharp expansion of unionism in the Jacksonian era, for example, was soon met by counter-organization among employers. Master tailors joined together in such "far western" towns as Cincinnati, Louisville, and St. Louis. The Commons group succeeded in identifying seven associations in Philadelphia in 1835 and eight in New York City the following year. A metamorphosis that is repeated later occurred at this time: masters' associations originally founded for trade purposes extended their interests to labor in response to growing union power.²⁸ A similar pattern recurred in the sixties. "The aggressive trade union movement during the [Civil] War period gave rise to a no less aggressive movement for organisation among employers."²⁹

The years 1884-1886 witnessed a sharp increase in organizational activity among employers. This was the time when collective bargaining systems began to emerge on a wide scale in the construction industry. The mason builders and the bricklayers union, for example, created a national board for conciliation and arbitration in 1884. Painting, carpenter, heating, and general contractors, particularly in New York City, banded together at this time. Printing employers formed the United Typothetae in 1886 to resist the nine-hour day in the book and job trade. The Stove Mounters National Defense Association, which was to prove a

²⁷ Clarence E. Bonnett, *Employers' Associations in the United States* (New York: Macmillan, 1922), p. 301. See also F. W. Hilbert, "Employers' Associations in the United States," in Jacob H. Hollander and George E. Barnett, *Studies in American Trade Unionism* (London: Hodder and Stroughton, 1906), pp. 185, 207, and Jessie T. Carpenter, *Employers Associations and Collective Bargaining in New York City* (Ithaca: Cornell University Press, 1950), p. 26.

²⁸ Commons and Associates, *op. cit.*, I, pp. 401-403.

²⁹ *Ibid.*, II, p. 26.

model for belligerent organizations in the metal trades, was established in the same year.³⁰

The great union expansion at the turn of the century was fully matched on the employer side. To a contemporary observer this development "constitutes the latest, and at present most significant, feature of the labor movement in the United States."³¹ These associations took national, district, and local forms in response to the union structural arrangement in the industry. Barnett pointed to a large number formed between 1898 and 1904 to negotiate with labor organizations, for example, coal operators in the central and southwestern fields and stevedoring and tugboat employers in various ports. Many new bargaining organizations were established, while some old belligerent associations changed their policies. The National Civic Federation, blessed by Mark Hanna and Samuel Gompers, encouraged the movement toward bargaining systems.³² At the same time, and with growing influence as the period drew to its close, employers associated for hostile purposes. The National Association of Manufacturers, formed in 1895 to promote foreign trade, in 1903 turned to labor matters and adopted a famous declaration of principles for the open shop. The National Metal Trades Association, organized in 1899 to negotiate with the Machinists, became an antiunion association in 1901. The National Founders' Association went through precisely the same cycle, signing a master agreement with the Iron Molders in February 1899 and becoming avowedly open shop in November 1904. In Los Angeles the Merchants' and Manufacturers' Association, formed in 1896 to promote local products, became overtly antiunion in 1903. The Citizens' Industrial Association, created to coördinate the activities of hostile employer organizations, held its first convention in 1903 and by the following year had 247 affiliates.³³

³⁰ *Final Report of the Commission on Industrial Relations* (Washington: 1916), I, pp. 609-644; *Sen. Rep.*, 76th Cong., 1st sess., no. 6, pt. 4 (1936-1937), p. 14.

³¹ W. F. Willoughby, "Employers' Associations for Dealing with Labor in the United States," *Quarterly Journal of Economics*, XX (November, 1905), 110.

³² George E. Barnett, "National and District Systems of Collective Bargaining in the United States," *Quarterly Journal of Economics*, XXVI (May, 1912), 426-430.

³³ *Commission on Industrial Relations, op. cit.*, I, pp. 456-457, 724-726; *Sen. Rep., op. cit.*, pp. 3-5, 14, 16; Grace Heilman Stimson, *Rise of the Labor Movement in Los Angeles* (ms. to be published by the University of California Press, 1955), p. 378; Perlman and Taft, *op. cit.*, pp. 134-136.

The same pattern was repeated during and immediately following the first World War. A goodly number of negotiatory associations were formed, for example, the Associated General Contractors (1918), the Central Pennsylvania Coal Producers (1918), the American Cloak and Suit Manufacturers (1919), the New York Employing Printers (1919), and the Haverhill Shoe Manufacturers (1920). More important by far, however, were the associations created to destroy unions. In 1920 New York State had at least fifty such organizations; there were eighteen in eight Massachusetts cities; in Illinois there were forty-six; Michigan had twenty-five; and there were many others. "By the autumn of 1920 the country was covered with a network of open shop organizations," which met in Chicago the following January and officially adopted the name "American Plan."³⁴

The New Deal period saw the growth of employers' associations to a level wholly without precedent. At the outset the NRA and the concomitant swelling of trade union membership provided the stimulus. Trade associations which had theretofore never interested themselves in labor matters became parties to codes dealing with collective bargaining, wages, and hours. Many remained in the business. "After 1933," in the words of the LaFollette Committee, "the open-shop drive was revived for a third time, but on a much broader scale than ever before attempted."³⁵ Several of the old hostile organizations, like the NAM and the Merchants and Manufacturers of Los Angeles, were reorganized, while a large number of new associations, particularly at the local level, were formed to defeat unions in organizational strikes. Much more important, however, were the associations converted or created to engage in collective bargaining. An example of the former was the Associated Industries of Cleveland, founded in 1920 as the American Plan Association, which by 1937 had grudgingly come to accept collective bargaining. Among the new negotiatory associations were the Appalachian Coal Operators (1933), the Clothing Manufacturers (1933), the Pacific Coast Pulp and Paper Manufacturers (1934), the Pittsburgh Labor Standards Association (1937), the Philadelphia Labor Standards Association (1938), and the United Knitwear Manufacturers (1938). It was at this time that the most fully articulated employer structure in the nation,

³⁴ Perlman and Taft, *op. cit.*, pp. 491-494.

³⁵ *Sen. Rep., op. cit.*, p. 14.

that in the San Francisco Bay area, came into being. A large number of industry associations were established, including the Waterfront Employers Association of San Francisco (1935), the Dock Checkers Employers (1935), the Pacific American Shipowners (1935), the Distributors (1937), the Building Owners and Managers (1937), the Hotel Employers (1937), and the Retailers (1937). The apex of the system was added in 1938 with the San Francisco Employers' Council and the United Employers of Oakland.

The union expansion of 1942-1944 was not accompanied by a sharp increase in organizational activity among employers. If the data collected for this period are meaningful, no belligerent associations were created and the formation of negotiatory bodies proceeded at a modest pace.

The second index of employer activity, the company union, fits the cycles closely for the duration of its lifetime. The data collected by the Bureau of Labor Statistics and the National Industrial Conference Board, though insufficient to permit the type of statistical analysis employed elsewhere, clearly substantiate this point. The BLS survey of April 1935 uncovered 496 company unions in existence at that time. Those that were identifiable by date of formation were distributed as follows:³⁶

Before 1900.....	3
1900-1914.....	8
1915-1919.....	87
1920-1922.....	31
1923-1929.....	35
1930-1932.....	29
1933-1935.....	378

The first suggestion of the company union idea was published in 1886 in an article by James C. Bayles entitled "The Shop Council," appearing significantly during "The Great Upheaval." The earliest recorded plans were placed in effect during the cycle at the turn of the century: Wm. Filene's Sons, Boston (1898), Nernst Lamp Co., Pittsburgh (1903), and American Rolling Mill Co., Middletown, Ohio (1904). Growth was slow until the first World

³⁶ Bureau of Labor Statistics, Bull. No. 634, *Characteristics of Company Unions, 1935*, p. 51.

War, when a great mushrooming of company unions got underway. An NICB survey conducted in February 1922 uncovered the dates of introduction for 219 plans; of these, 195 were formed between 1917 and 1920. Periodic studies by the same organization revealed that the span 1922-1932 was characterized by relative stability, that is, slight growth till 1926 and modest decline thereafter. With NRA the company union movement reached its very peak, NICB reporting the establishment of 400 between the spring and fall of 1933 alone and BLS, as already indicated, finding 378 formed between 1933 and April 1935. With the passage of the Wagner Act and the expansion of trade unions in the late thirties, the company union virtually ceased to exist.³⁷

The reason for the close relationship between the formation of company unions and the growth of trade unions is that the fundamental purpose of the former was to prevent the emergence of the latter. The BLS, for example, uncovered 125 company unions for which it was possible to determine the conditions that prevailed at the time of formation. Of these, twenty-eight were established while a strike was in progress or had recently been concluded, fifty-two were set up in face of trade union progress in the plant or locality, thirty-one were formed under the influence of NIRA, and fourteen stemmed from the management's desire to improve personnel relations, almost all of this last group taking shape in the twenties.³⁸

In summary, the crisis growth of union membership bears a close relationship to the employer's structural forms in dealing with labor organization. Two important agencies, the employers' association and the company union, have fluctuated with the growth of unions over a long historic period, excepting the expansion of World War II. We shall now assess the significance of the findings presented thus far.

IV. CONCLUSIONS

The plane on which we have until now observed structure is vertical, each form *seriatim* down a narrow corridor of time. To evaluate, we must cut across the forms within each of the cycles, viewing the periods of rapid growth horizontally.

³⁷ *Ibid.*, p. 7, as well as a number of NICB studies: *Works Councils in the United States* (October, 1919), *Experience with Works Councils in the United States* (May, 1922), *Collective Bargaining through Employee Representation* (1933), and *Individual and Collective Bargaining under the N.I.R.A.* (November, 1933).

³⁸ Bureau of Labor Statistics, *op. cit.*, pp. 81-82.

“The Great Upheaval” was the formative period of the modern American labor movement. This was the time when a small group of international unions with a limited membership, frightened by the mushroom growth of a powerful and structurally alien rival, laid down the rules of their survival. Naturally enough, they started at the top by creating a national body, the American Federation of Labor; there was no time to fill in the middle and lower echelons. Employers, more concerned about the Knights than the trade unions, merged themselves into defensive associations at a rapid rate and began to think about company unions.

With the preliminaries disposed of, the AFL lay ready and waiting for the great expansion at the turn of the century. Here we find the emergence of the department under the driving force of the powerful building trades unions, the blanketing of the nation with state federations of labor and city central bodies, the peak rate of formation of new internationals, and the rapid development of local unions affiliated directly with the Federation. It was also the period when a small group of militant industrial unionists in league with radicals and intellectuals, sharing a common disenchantment with the AFL, created a rival national organization, the Industrial Workers of the World. Employers, jolted by the great expansion of the labor movement, associated at an unprecedented rate both to negotiate with labor organizations and, more important, to crush them. This was the time, too, of the arrival of the company union in rudimentary form.

The pace of structural change was slower during the great membership expansion of World War I. There were no new national federations in the United States, no AFL departments, and very few state federations. Although the total rate of change for internationals was high, it is significant that new formations were considerably behind the turn of the century and the thirties; rather, this was the peak period for mergers and significant changes in jurisdiction. Directly affiliated AFL locals, reflecting the sharp rise in membership, were established on a wide scale, while city centrals attained their peak rate of formation. The establishment of employers' associations was at a considerably lower rate than 1897-1904 and 1933-1938, especially in the case of the negotiatory organizations. The company union spread widely but by no means at the top rate.

In the New Deal period the pace of change picked up markedly. The most recent of the federations, the Congress of Industrial Organizations, was born at this time. Further, the CIO laid out the framework of its state and city industrial union councils and even the AFL, already having exhausted the possibilities for state federations, showed a sharp rise in the rate of city central formation. New internationals were established at a very rapid pace and there were numerous mergers and changes in jurisdiction. Similarly, directly affiliated AFL locals were set up on a wide scale. On the employer side this was easily the peak period for associations, particularly the negotiatory variety. The company union movement also attained its highest level.

During World War II, by contrast, the pace was much slower. In fact, the only structural type to reach a very high rate of formation was the directly affiliated AFL local, mirroring the steep slope of membership increase.

This horizontal analysis demonstrates that growth periods based predominantly upon social unrest have a greater impact upon structure than those resting upon a wartime economy. The pace and significance of structural change were greater during the eighties, at the turn of the century, and in the thirties than during the two World Wars. Stated another way, the forces that boost membership differ from those that cause profound structural change. The former have already been explained in another place.³⁹ The most significant transformations in the structure of the American labor movement and in employer forms in the past three-quarters of a century have sprung from domestic social upheavals. Workers and their trade union leaders have embarked upon adventures in organization only in those short spans of time when they have been so disillusioned as to challenge the existing social order. Employers have not tarried far behind them. New structures are born in the convulsive labor pangs of a distressed society.

What, we may inquire, is the significance of this historical analysis for the times in which we are now living? Since the thirties we have enjoyed a high level of economic activity and relative social stability. Union membership has grown steadily in a secular fashion with a sharp acceleration during World War II and a

³⁹ Bernstein, *op. cit.*, pp. 308-317.

milder one during the Korean War. From a structural point of view this has been a period of stability and consolidation for the labor movement. Significant changes have been distinguished by their infrequency; there has even been lacking that steady carping from the left and from the intellectuals upon which the dominant labor organizations could always count in the past.

In the last few years we have witnessed several consolidating tendencies in addition to those set out above. Among them are the arbitration procedures that various groups of unions have worked out to resolve jurisdictional disputes: the building trades arrangement set up in 1948, the CIO machinery for its affiliates created in 1951, and the plan devised by the AFL in 1954 to cover the majority of its international unions. In addition, a number of unions have concluded bilateral no-raiding agreements, some with procedures for disposing of disputes. The Machinists, for example, have entered into such arrangements with the Automobile Workers (1949), the Teamsters (1953), the Rubber Workers (1953), the Printing Pressmen (1953), the Plumbers (1954), and the Carpenters (1954), while the Teamsters have reached a similar agreement with the Upholsterers (1954). This movement reached its climax in the no-raiding agreement signed by the AFL and the CIO on June 9, 1954, to which a majority of the internationals affiliated with both federations have become parties. The basic purpose of all these schemes is to underwrite the existing structural system, to buttress the status quo.

Assuming that what has gone before is a guide to what will transpire, what of the future? If present tendencies continue in a context of peace and social stability we may anticipate a gradual rise in the membership of the labor movement with further consolidation of union and employer structural forms. If the United States should enter another war, the number of unionists would spurt upward with little change in structure. If, finally, the nation should experience another social cataclysm, we might soon thereafter expect to see a great expansion of union members and profound changes in the structure of the American labor movement and of employer organizations.

DISCUSSION

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In the July 1954 *American Economic Review*, Professor Irving Bernstein picks an argument with me—and runs away. He starts his article by citing my pessimism regarding the growth of American trade unions in the near future (“The Next American Labor Movement,” *Fortune*, April 1953), and says, “not so.” Why? Because, he says, the American labor movement has grown in the past—it has grown in response to changes in the business cycle, social unrest and government encouragement—and *therefore* it may be expected to grow in the future. The “therefore” is where he runs away.

Many years ago I was bitten by the title of a paper by Sidney Hook called “The Pragmatic Critique of the Historico-Genetic Method.” (In *Essays in Honor of John Dewey*.) Its methodological conclusion, briefly, was that because something once grew in a specific way in the past, there is no guarantee, logically or empirically, that it will develop in the same manner, or respond to the same stimuli, in the future. While the child may be the father of man, a man does not, always, act as he did in his youth.

An assessment of the potentialities of union growth must stand, primarily, not in an analysis of the causal factors in the past but on the possibilities of those causal factors repeating themselves in the present and in the future. Take, for example, the causal hypothesis of social unrest, ergo union growth. Obviously, it was not social unrest *per se* that led to union growth, but social unrest among a particular type of worker, the industrial worker. But the industrial worker is organized. The white-collar worker is not. Would social unrest among white-collar workers lead to the same type of response as the industrial worker? I doubt it. In any event, an analysis of the causal role of “social unrest” should be based on an assessment of the make-up and social characteristics of the *present* unorganized work-force of the country. And Bernstein has not done so. Looking at that work force I see little warranty, certainly in the sweeping conclusion that “if . . . the nation should experience another social cataclysm, we might soon thereafter expect to see a great expansion of union members.” Why not?

Labor organization in the U. S. has proceeded—to use an alliterative device—by *eruption, extension and enforcement*. The most

important is *eruption*. Here we see, as in the late thirties, a large-scale willingness on the part of workers to join unions. *Extension* takes place when, after a break-through, competitive and comparable firms are forced into line. This comes in a climate in which unorganized firms feel that they too should cease to resist unionism, and a feeling on the part of unorganized workers that perhaps unionism is not a bad thing. The stability and growth of union membership in the wartime forties, through National War Labor Board maintenance-of-membership represents the legitimation of extension. *Enforcement* takes place when through closed shops, union shops and other contractual and legal devices minority workers are "blanketed" into union membership. This has been the most characteristic form during the war and after, of the growth of the A.F.ofL. Building Trades, and represents, probably, one of the chief elements in the recent growth of sections of the A.F.ofL. Other unions may yet grow in the same fashion; the railroad unions, for example, will enlarge their membership once they obtain a union shop.

What are the prospects for the three processes? The most significant means of union growth are through the first two. And it is here where the argument has to be joined.

Union membership in the last seven years or so, I have argued in *Fortune*, has been on a plateau. In individual instances where growth has occurred, it has been largely through enforcement. A statistical digression is necessary at this point. Professor Bernstein, in his article in the *American Economic Review*, disputes the plateau argument. Since 1946, he says, unionism has grown at a steady rate; and he produces an index of real membership to support his conclusion.

I am not a statistician, but to my unpracticed eye, two things stand out in looking at his data—and here I am indebted to Mr. Leo Troy of the National Bureau of Economics who has worked out alternative calculations. The first is that Professor Bernstein, in calculating union membership, has failed to deduct the Canadian membership of American national unions, and secondly he has computed his ratios of real membership as a relationship to the labor force—a figure that includes self-employed, unemployed, etc.—rather than to wage and salary workers, the real targets of a union organizing potential. If one takes the period from 1947 to 1952—and I take 1947 because it is the post-Taft-Hartley era—this is what shows up:

BERNSTEIN: TABLE 1

	1947	1952
Total membership of U. S. unions (in thousands).....	14,119	15,912
Union membership as per cent of labor force.....	23.5	25.2

NATIONAL BUREAU OF ECONOMIC RESEARCH CALCULATIONS

(By Mr. Leo Troy, Assistant to Prof. Wolman)

Total membership of U. S. unions (in thousands).....	14,420	15,805
Less: Canadian membership.....	620	851
Agriculture, forestry, fishing.....	18	5
Sub-total-U. S. membership	13,782	14,949
Average number of wage and salary employees in non-farm establishments.....	43,438	48,306
Per cent organized.....	31.7	30.9

I take wage and salaried employees because in this period, with low unemployment, it is the best measure of the potential organizable membership in unions. Even if we take labor force data, and subtract Canadian membership, a different figure emerges.

	1947	1952
Labor force, U. S.	60,168,000	62,966,000
Membership, U. S. unions.....	14,420,000	15,805,000
Less Canadian members	620,000	851,000
Per cent of labor force organized.....	22.9	23.7

Be that as it may, my quarrel with Professor Bernstein lies outside the area of statistical technique. My conclusions are based on present-day institutional considerations and their sociological consequences. Each of these could be elaborated to the full extent of a paper. For the sake of sharpening the argument, let me state them schematically:

1. In manufacturing, (with the exception largely of textile and chemicals), and in mining and rail transport, most industry is about 80 to 100 per cent organized. Proving the degree of saturation is difficult, but, I accept, in the main, the B.L.S. statements in that regard. The problem of union growth is primarily one of *extension*.

2. Certainly, the big business firms in the economy are in the main unionized. A *Fortune* survey of 102 (out of 150) manufacturing firms who employ more than 10,000 workers, showed

that fifty-five were between 80 to 100 per cent organized, and another thirty between 50 to 80 per cent organized. Only three dealt with no union at all. (A check of thirty-seven additional firms of this size showed thirty unionized to some degree, *Fortune*, June, 1952.)

3. In these areas, unorganized segments are almost completely supervisory and white collar workers. The former have legal barriers to organization, the latter, as a prevalent practice, are given "tandem" increases and have little incentive therefore to join unions.

4. In manufacturing, the major unorganized areas are largely small size. The U.A.W. survey showed that 97 per cent of the still unorganized plants within the union's jurisdiction have less than 250 workers and 63 per cent have less than fifty. These plants are difficult and costly to organize. Social relations prevailing in these plants (identification with employer, etc.) are vastly different than in large plants. The size makes them costly to organize and service. Moreover, and here the trend even more sharply accentuates the problem, these plants are located in smaller towns, and in the South where the atmosphere is often distinctly hostile. Many of these plants—and the town's welfare consequently—live on their ability to cut union wage corners. The political atmosphere in these towns makes organizing more troublesome.

5. To sum up, in existing highly unionized industries the degree of further extension may be increasingly difficult. Unionism, here, may be said to have reached the top of the asymptote and is levelling off.

In the large remaining, unorganized areas, the areas where *eruption* would have to be the mode of union growth, there are a variety of institutional barriers. These can be indicated variously:

1. In trade and service lines, the small-size of the units again becomes the major obstacle. Not only are the social relations different than in large plants, and organizing costly, but turn-over of personnel is higher, and union structure itself becomes a barrier. The most successful unions in the trade and service fields are, like District 65 of the Retail and Wholesale Workers, "amalgamated locals" embracing a wide variety of shops. For many unions, however, "amalgamated locals" create constitutional and structural barriers.

2. In office and financial institutions unionism has failed to take hold because its language and actions are cast in the mold of the industrial worker and unions have failed to find a language appropriate to white collar workers. A large majority of these workers are younger females with few expectations of permanent position and turnover again is high.

3. Management has learned considerably since the thirties, and its new personnel practices and benefits, its research into morale (e.g., Detroit Edison, Prudential), its willingness to change supervisory practices tend to reduce an explosive atmosphere once conducive to unionism.

4. By social ideology, outlook and character, therefore it is unlikely that these workers in any *eruptive* manner will accept unionism.

Modern unionism, the unionism of the last two decades, has flourished largely in the hot-house area of government protection. Its growth in the last decade, as I have argued, has come, in large measure through various government-sanctioned *enforcement* devices. Here too, the picture has changed.

1. Government, on the national and state levels, is no longer favorable to unions. If anything, unionism today is conducting a holding operation. It was the National Labor Relations Board, in its rulings, which gave unions a firm seat at the bargaining table. As Professors Cox and Dunlop have shown (63 Harvard Law Review, 1950), the Board, by interpreting the clause "duty to bargain," successively brought into union purview not only wages and hours, but holiday and vacation pay, work schedules, merit increases, and finally pensions as subject of compulsory bargaining. Yet "there was not a word in the hearings, in the committee reports or the debates to suggest that the [Wagner] Act could define the subjects for collective bargaining or give the Board power to resolve issues in disputed cases." Given the political balance of the country, it is doubtful whether any National Labor Relations Board, even under a Democratic administration, will lean heavily in a labor direction.

2. Public opinion, that amorphous and highly manipulable animal, is today distinctly edgy about unions. Talk about "Big Labor" (as a Survey Research Center study on attitude to Big Business) has had its effect in a suspicion of union purposes.

3. The barriers against the closed shop, against the hiring halls, etc., ineffectual as they may be, probably will remain. Union growth, as a reflection in the growth merely of the labor force, comes about through "enforcement." Again, except in places where the practices are deeply embedded, as in the building trades, a rise in union membership through enforcement may be nil.

Beyond these, other sociological factors which militate against union growth can be adduced. One is the bureaucratization of the labor movement. Many union leaders today fear a sudden growth in union membership, especially if such a growth might threaten existing power relations. Many union leaders have lost their élan; there is no will or ability any more to begin large-scale organizing drives (*viz.* Textile). Evidences of corruption, particularly in welfare funds, and most often in the Teamsters union, undoubtedly sour a number of workers against unions and deepen the cynicism that unionism is merely a racket. And finally, one can point to the basic changes in the composition of the labor force—the growth of quaternary and quinary areas, primarily research, semi-professional, government, teaching employments, which for various reasons resist unionization.

In this analysis, I have borne down heavily, if schematically, on factors which will hinder real union growth. There are counter-acting tendencies: the mechanization of the office and the stimulus, therefore, for some white-collar workers to join unions; the willingness of some employers, particularly in the distributive trades, to sign with unions rather than run the costs of harassments, by the Teamsters. There will be significant internal changes in the composition of union strength as changes in technology and markets affect unions: electricians will expand, bricklayers contract; machinists will grow, textiles will shrink.*

The question, however, is one of balance. My feeling, documented as well as I can, analytically and impressionistically, is that the tide of unionism has reached a high-water mark and that in the next five years—as in the last five—unionism will not advance significantly.

* These arguments are expanded in an article in the May *Fortune* on Strains in American Labor.

LLOYD ULMAN

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These comments will be restricted to the following propositions which (among others) Dr. Bernstein's two interesting papers seek to establish:

- (1) Fluctuations in union membership do not "depend directly upon business activity." (*Growth*, p. 308.) This finding holds for "major" fluctuations as well as for "minor" fluctuations.
- (2) Union growth "has not been closely linked to the cycle" because "The decision of a worker to join or separate himself from a trade union" is not (in Mitchell's words) "swayed . . . by short-period economic considerations." (*Growth*, p. 313.)
- (3) Two phenomena which have accounted for the "short-run growth" in union membership are (1) wars and (2) "periods related to social unrest." (*Growth*, p. 315.) With respect to the latter, "The forces that spur union growth . . . emerge only in the wake of a depression so severe as to call into question the very foundations of society." (*Growth*, p. 316.)
- (4) In such periods of unrest, extraordinary growth in membership is accompanied by more important structural changes in the trade-union movement (*Structural Cycles*) than occur either during wartime periods of extraordinary growth or during periods of growth "associated with the long run passage of time."

Let us consider first Bernstein's conclusions concerning the relationship between variations in economic activity and variations in union membership. Changes in union membership are determined by changes in both the propensity and the opportunity to form or join unions. One is led to expect that membership changes would be responsive to cyclical variations in business activity, other things being equal, since such cyclical swings might have affected both the propensity and the opportunity to form or join unions. If, during cyclical upswings, the cost of living outran money wages, a fairly uniform desire to join unions might, on the basis of experience, be presumed to have existed. On the downswing, however,

this propensity might well have abated. The economic condition of those remaining at work might have been improved by the rise in real wage rates if the latter was not outweighed by part-time idleness; and, in any event, the increased availability to employers of nonunion substitutes might, until recent times, have made the employed workers fearful of provoking retaliation by their employers. As for the unemployed worker, if membership in some union was not essential to the obtaining of a job, there was no incentive to join a union or to maintain membership therein comparable to the economic incentive prevailing during the upswing. One need not demonstrate that such cyclical variations in propensity existed in fact in order to cast doubt upon Bernstein's theoretical statement.

More important, there is strong reason to believe that the opportunity, as distinct from the propensity, to form or join unions has tended to vary with "the business cycle." Employer willingness to grant union demands for recognition and economic improvements (roughly the equivalent of employer unwillingness to incur strikes) might usually be presumed to increase during upswings and to decrease during downswings.

Of course, some important variations in opportunity—and, probably, in propensity as well—have not originated in the business cycle. Chief among these, perhaps, have been changes in public policy with respect to unionism and collective bargaining. At times, especially during wars, such changes have acted to reinforce improvements in the opportunity to form or join unions which proceeded from upswings in aggregate demand. At other times, favorable changes (from the union viewpoint) in public policy have tended to counteract the unfavorable influences upon the growth of unionism which were due to declining demand for goods and services, notably during the contraction of 1937-1938. And finally, unfavorable developments in public policy have tended to counteract cyclical influences during periods of prosperity—e.g., increased effectiveness of the labor injunction during the twenties.

One might expect, then, to discover a cyclical component in the growth of American unions, although one should not expect to find that the number of union members rose during every upswing and fell during every downswing in business activity. Bernstein apparently claims that no such component emerges when changes in union membership are compared with the short-term fluctuations in economic activity which have been isolated by Burns and

Mitchell. However, Bernstein's method consists in observing year-to-year changes in membership, and this is of doubtful value in uncovering cyclic rhythms which might be discerned by other methods. Moreover, as he states, membership data are on an annual basis and thus might fail to reveal conformity with cyclic swings of short duration or low amplitude.

But he also claims that no consistent relationship appears between movements in union membership and "major" swings in business activity, since membership declined during the prosperity of 1921-1923 and increased during the depressions of 1907-1908, 1937-1938, and 1948-1949. However, if one observes movements in the rate, as well as in the direction, of change, variations in union membership do conform to (at least) major fluctuations in business activity. Let us consider changes in union membership in relation to the major fluctuations in the output of durable goods, as identified by Alvin H. Hansen in his *Business Cycles and National Income* (New York: W. W. Norton, 1951, pp. 22-38), for the period 1897-1938. (The membership figures are Bernstein's.)

UNION MEMBERSHIP AND THE OUTPUT OF DURABLE GOODS
1897-1938

Phase of Cycle	Period	Union Membership	
		Absolute Change	Percent Change per Year
Upswing.....	1897-1907	+1,833,400	+35
Downswing.....	1907-1908	+50,200	+2
Upswing.....	1908-1920	+2,917,200	+11
Downswing.....	1920-1921	-266,500	-5
Upswing.....	1921-1929	-1,338,700	-4
Downswing.....	1929-1932	-298,300	-29
Upswing.....	1932-1937	+3,190,000	+20
Downswing.....	1937-1938	+1,007,700	+13

Especially interesting are the downswings of 1907-1908 and 1937-1938, in which membership rose, but at an appreciably slower rate than in the preceding upswings. (Bernstein "writes off" the upswing of 1932-1937 as "secondary," but not the recession of 1948-1949.) Even the relative yearly decline during the upswing of 1921-1929 is fractionally less than it was during the downswing of 1920-1921 and considerably less than during the downswing of 1929-1932. Closer analysis of the decline in membership during the shorter prosperous period 1921-1923 reflects a delayed impact

of the first World War; as Wolman points out, those unions which had expanded most rapidly during the war accounted for the lion's share of the aggregate loss. During the subperiod 1923-1929, the average yearly decline was under one percent.

If one agrees that there has been a cyclic component in the growth of American trade unionism, obviously one need not deny that the periods in which membership grew most rapidly (apart from war periods) were periods of acute and general social unrest. However, it should be noted that, while union membership expanded "*in the wake of*" severe depression (as our writer points out), other manifestations of protest—including radical farm parties and the production and consumption of the literature of discontent—made their appearance during as well as after periods of unemployment. What apparently distinguished unionism from other agencies of protest in this respect was that union growth so frequently seemed to require a concomitant expansion in employment.

Concerning Dr. Bernstein's fourth proposition, one must agree that certain periods of extraordinary growth were accompanied by important structural changes within the trade union movement. In my opinion the most important of these were the widespread adoption of national unionism by the crafts in the last two decades of the nineteenth century and the rapid expansion of industrial unionism in the 1930's; for both of these proved to be organizational changes which were necessary in order that enduring gains in membership could take place in the face of important changes in the economic environment. The emergence of the A.F.ofL. and the later rise of the C.I.O. constituted such facilitating structural adaptations. But the emergence of the A.F.ofL. Departments did not; nor was the proliferation of state federations, city centrals (the city central is an ancient structural form which, under the A.F.ofL., was made subordinate to the national unions, as indeed were the Departments), and federal unions of any greater significance than the increase in the number of local unions which is symptomatic of every sizeable increase in membership. Finally, it is not quite true that "All the national federations formed since 1880 have been related to the cycles of rapid growth": if one points to the rise of the I.W.W. in connection with a period of rapid growth, how does one dispose of the emergence of the Socialist Trades and Labor Alliance (1895) and of the Trade Union Unity League (1929)?

This reader cannot agree that Dr. Bernstein has demonstrated the existence of "structural cycles." Nevertheless he is most grateful to Dr. Bernstein for two interesting explorations into the circumstances attendant upon the growth of unionism in this country and especially for his insistence that phenomena within the labor movement are intimately related to their important developments in the wider community.

RUSSELL ALLEN

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I find it not a "curious fact" but a truism that unions charter locals and that federations charter state and city bodies during periods of rapid membership growth. To call this "structural change" is, I believe, to mistake an extension of an existing structural form for the process of change. Those categories of Bernstein's which I take most seriously as evidence of possible change are these: the formation of national federations, chartering of international unions, and mergers or significant changes of jurisdiction of internationals. In these categories, the data least supports the thesis.

National Federations

The case for claiming that the AFL was formed in a rapid-growth period rests upon acceptance of 1886 as its birth-year. Whatever the merits of that contention, it is a fact that the *structure* of the new organization was the same as the structure of the old Federation of Organized Trades and Labor Unions and therefore the rapid-growth period cannot be held to correlate with structural *change*.

The IWW was formed in 1905, outside the rapid-growth period of 1897-1903. It is true that the Western Federation of Miners withdrew from the AFL in 1897 and formed the Western Labor Union and, in 1902, the American Labor Union; but both the ALU and the IWW are called "national" federations only by stretching a point. The IWW did show the potential of industrial unionism, however, particularly in the Lawrence and Paterson textile strikes of 1912 and 1913.

The CIO was formed in 1936 in a rapid-growth period, but the craft vs. industrial argument had been running, with intermittent

heat, since the beginning of the century. The first faint nod in the direction of industrial unionism is usually regarded as the "Scranton Declaration" at the AFL convention in 1901, which, while reaffirming "craft autonomy," seemed also to be urging a wider concept of organization than the strict craft principle. It had further significance for structure in that it suggested that disputes between unions be settled by amalgamation.

While much is made of the Scranton Declaration, it was not until the Atlanta convention in 1911 that the AFL really made up its mind to push organization through the "paramount craft" in an industry rather than through a multiplicity of crafts. This decision represented a significant structural change in the AFL, quite unrelated to rapid growth.¹

International Unions

The second category which I think might provide possible evidence of structural change is the chartering of international unions. Bernstein admits the relationship of number chartered to the historic rapid-growth cycles is "not perfect." The period which shows the closest correspondence is that from 1897-1904, a span which I shall examine in detail to illuminate what I feel to be fundamental fallacies in the quantitative approach to a subject such as this.

In Table 3, it can be seen that the average annual number organized from 1897-1904 was 10.3. For an average to be meaningful, there must be some dispersion around the average; otherwise, it obscures rather than enlightens. I find by actual count that the number organized by individual years were these:

1897 — 3	1901 — 14
1898 — 7	1902 — 16
1899 — 7	1903 — 16
1900 — 12	1904 — 10

It would be much more accurate from this array to say that there was an average of six from 1897-1899 and of 14 from 1900-1904. This puts the emphasis on the latter part of the period; but in order to get a real sense of what was actually happening in those years it is necessary to take a closer look.

¹ Robert Christie, "Empire in Wood: A History of the United Brotherhood of Carpenters and Joiners of America" (Ph.D. dissertation, Cornell University, 1954), p. 257.

Lewis Lorwin noted the fact that almost half of the unions chartered from 1899 to 1904 failed to last after 1904.² A number of reasons, all charitable to Sam Gompers, are given for this high mortality, but none is so convincing to me as that offered by Robert Christie in his brilliant study of the Carpenters' Union.³ Christie describes the effect which technology had on the structure of the Carpenters' Union and then states flatly that Gompers outdid himself in chartering unions during that period because he failed to understand the influence of technology on structure and jurisdiction. During a period in which industry was consolidating at a swift pace, Gompers was "chartering craft unions where often neither craft nor union existed"⁴ and drawing screams of pain from not only the carpenters but other internationals as well. Gompers found it a "not uninteresting fact . . . that there were applications from one or more international unions for the revocation of the charters of 30 international unions" during 1903.⁵

The General Secretary of the Carpenters in 1904 was bemoaning the formation of unions among locomotive woodworkers, millwrights, shinglers, dock, wharf, and bridge builders, ceiling woodworkers, and carpenters' helpers.⁶ Their most famous fight, of course, was with the Amalgamated Woodworkers, but they also took on many others and in most cases absorbed them.

The important point to be made here is that Bernstein's conclusion as to the significance of this spurt in international charters is erroneous. It is associated not with structural change but with a refusal on Gompers' part to recognize a change that was already well begun. I refer to the policy of organizing an industry through its "paramount craft" which was timidly introduced into the Scranton Declaration in 1901 and then vigorously affirmed in Atlanta in 1911.

Formation of the Structural Building Trades Alliance by the Carpenters in 1904 shows what they meant by organization through the "paramount craft." They invited what they called the "basic building trades"—carpenters, painters, plumbers, bricklayers, laborers, iron workers, plasterers, engineers, and electrical work-

² Lewis Lorwin, *The American Federation of Labor: History, Policies and Prospects*. The Institute of Economics of the Brookings Institute, 1933, p. 67.

³ Christie, *op. cit.*, pp. 234-239.

⁴ *Ibid.*, p. 234.

⁵ 1903 AFL Convention Proceedings, p. 19.

⁶ Christie, *op. cit.*, p. 153.

ers—and immediately launched an attack on the AFL policy of issuing charters to splinter crafts. The formation of the Building Trades Department in 1907 really represented a compromise between Gompers and the Carpenters on this question, although Gompers had already put on the brakes as far as chartering was concerned. Only three new unions were admitted in 1905, and from 1906 to 1910, only 17 charters were issued.

Mergers and Jurisdiction Changes

The magnitude of the numbers in both of these categories makes any conclusion from them risky. The average annual number of mergers never exceeds 4.3, and the significant jurisdiction changes never top 1.5. Obviously, any conclusion from these figures would be subject to the fallacy of small numbers. Also the “propensity to quantify” which Bernstein speaks about can be grossly misleading. A merger of the machinists and boilermakers, for example, would hardly be on a par with a merger of the buggy whip makers and the horseshoers. Yet in the equalitarianism of the count, they would be reduced to parity.

In only one out of the five rapid-growth periods do mergers seem to have quickened, that of 1917-1920. Why growth by itself would cause these mergers is hard to explain; in fact, one might suspect that growth would tend to inhibit mergers by holding down survival pressures. Certainly some of the recent mergers among white-collar unions are caused not by growth but by lack of it. I feel that, just as technology is the spur to changes in internal union structure, it also spurs mergers and amalgamations when they are not mere weddings to share overhead costs. It seems to me that the most that the rapid-growth period offers is a fluid situation in which these structural changes are carried through.

An examination of the periods of rapid growth shows that four of the five periods coincided with periods of upswing in the business cycle. Bernstein in an article in the *American Economic Review* (June, 1954) plays down the influence of the business cycle in union growth and lists as principal forces the gradual expansion of the labor force, growing homogeneity of the labor force, growing social acceptability of trade unionism, and the extension of union security provisions. However, most of these causes could only have been at work in the last two of the five

rapid-growth periods, at most. His point does not explain away the influence of the business cycle; it merely asserts that the business upswing by itself does not cause rapid growth, a contention I find it hard to believe has ever been made.

Reading the future from a survey of the past is a precarious business, and it is on this point that I take serious issue with Bernstein. He concludes in this paper that union growth will continue in the long-run, even following a serious depression, and in his earlier paper concludes that even if a depression comes, union membership will not decline seriously. He bases this last conclusion on experience with union membership in the early 'thirties when workers did not fall away from their unions as fast as declines in employment might have indicated.

This conclusion I believe is false and is arrived at by treating union members as if they were homogeneous statistical units—data to be fed into Univac machines out of which will come accurate predictions of social behavior. It is based on an assumption that the typical union member of 1954 is the same as the typical union member of 1932. This is not true for several quite obvious reasons:

1. Industrial-type organization has increased tremendously in this period.
2. It has been accompanied by compulsory union membership and check-off clauses.

The union member of 1933 tended to be in a craft or craft industrial type of organization. The railroad worker or building tradesman quite naturally did not readily yield up his union card, since it was also his employment ticket. Furthermore, in most cases he had joined the union because he believed in it and not because the personnel manager had told him there was a union in the plant, into which he would be initiated after 30 days.

Today, with widespread industrial-type organization, even in the so-called craft unions, a member is in the union because he has to be under some union-shop provision, perhaps adopted long before his time. He may see some benefits from the union, but he is just as likely to regard the company as the agent of his economic gains. If he should become unemployed he is dropped from the union rolls after a brief period. Even the "good union member" sees no stigma attached to getting a withdrawal card from his

union if he becomes unemployed. This would not be true of closed-shop industries, but they are minor in the total union membership picture.

Quoting Mitchell on business cycles, Bernstein finds that "the decision of a worker to join or separate himself from a trade union" is not the sort of activity one would expect to respond regularly to business cycles. This statement has one large, built-in assumption; namely, that the worker of his own volition makes the decision to join or separate himself from the union. This is not true; he joins after 30 days on the job, in most cases, and he is automatically removed from the union's rolls shortly after layoff. It is difficult to find much volition in the process.

Bernstein's prediction of long-run membership growth fails to account for other trends which have been pointed out by Daniel Bell and which I find persuasive. Membership growth in the past has come from extension of organization first to semi-skilled and then to unskilled, *manual* workers, by and large. In the 40 years from 1910 to 1950 clerical and professional workers have increased from 14% to 28% of the total workforce, while manual workers have maintained a fairly constant percentage—about 44%. This means that if the union movement is to grow, it must grow in the direction of the white-collar group. The major federations have shown remarkable ineptitude, not to say disinterest, in organizing white-collar workers. Without some sudden shift in awareness of this problem and attention to it, labor leaders will find their congregation shrinking. Bernstein calls this an unwarranted "gloomy prognosis"; I call it a realistic appraisal. On this point, I would be happy to be proved wrong.

Part VIII

CHANGING LENGTH AND
PATTERNS
OF WORKING LIFE

EDITOR'S NOTE

The 1954 session on Changing Length and Patterns of Working Life includes a basic statistical paper with three specified commentaries on different aspects of the subject. The basic paper was prepared for advance distribution. The other panel participants were asked to develop the manpower, industrial relations, and expenditure implications of the statistical trends. The papers bear their appropriate titles in this part of the proceedings.

THE CHANGING LENGTH OF WORKING LIFE

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“THE EXPECTATION OF LIFE” has been of keen interest to the public as a whole and to workers in many professional fields for a long time. It is a ranking index of a Nation’s well-being; it is the key to measuring man’s progress in controlling his biological environment. In much the same way “the average length of working life”—the ages at which men begin and end their work careers and the span of their lives they spend as gainfully occupied members of the labor force—represents a key indicator of a Nation’s social and economic welfare. The educator or the person interested in the maintenance of child labor standards may focus on the “age of accession”—the age at which young people make their entry into the work force. The actuary, the expert on pension plans, the practitioner in the field of industrial relations may concentrate on the “age of separation”—the age at which men exit from the labor force. All of these persons, plus the economist who has to measure the manpower potential of a population, the businessman interested in the size and composition of consumer expenditures and many others will watch the changes in man’s total span of working life—and the years of his life he spends in retirement. Similarly, the facts of working life represent a key to measuring man’s progress in controlling his economic environment, for one of the hallmarks of a country’s standard of living is the extent to which it can increase the amount of goods and services per capita while permitting later ages of accession (more education and training for young people) and earlier ages of voluntary exit from the labor force (more years of retirement).

Five years ago, the U. S. Department of Labor’s Bureau of Labor Statistics constructed a series of Tables of Working Life which depicted the changing length and pattern of working life among men in the United States.¹ This paper presents for the first time the new BLS Table of Working Life for 1950 and compares it with similar materials for prior periods.

¹ First published in Wolfbein, Seymour L., “The Length of Working Life” in *Population Studies*, December 1949 (Printed in Great Britain). A detailed exposition of the substance and techniques of this work was presented in *Tables of Working Life*, Bulletin No. 1001 of the BLS (Aug. 1950) from which some of the descriptive materials here are taken.

These Tables of Working Life are very similar to the familiar standard life tables. The life table is a statistical device for summarizing the mortality experience of a population of some particular period of time. For this purpose, the life table starts with a group of persons—usually 100,000—born alive and follows it through successive ages as it experiences the attrition caused by death. A number of significant measures can be obtained from such a table, the most familiar of which is “life expectancy”—the average number of years of life remaining after each specified age. The Table of Working Life also follows through successive ages the experience of an initial cohort of 100,000 at birth. In addition to showing attrition caused by mortality, however, it also shows the number who may be expected to work or seek work over their life span. From these materials it is possible to find the rates at which persons enter and exit from the labor force and to calculate a “work-life expectancy”—the average years of labor force activity remaining after each specified age.

This paper will 1) discuss briefly the basic structure of working life among men as it prevailed in 1950, 2) summarize some of the important developments which have occurred since the turn of the century, and 3) describe what happened during the past decade under conditions of mobilization and high levels of economic activity. These materials will then serve as the general context for discussion by the experts of some of the consequences of the changing length of working life—their manpower implications, industrial relations effects and results in terms of changing patterns of income and expenditures.²

Structure of Working Life

1. Back in 1900 there were about 3 million people 65 years of age and over; in 1950 they numbered a little over 12 million—four times as high. In 1900 people 65 years and older accounted for one in every twenty-five of the population; in 1950 they accounted for one in every twelve. The great reduction in mortality experience which took place during the past half century and which served to bring about this significant increase in the number of older persons also resulted in the general population curve which can be observed from the Tables of Working Life (column 2). At-

² The labor force life tables presented here were constructed by Stuart H. Garfinkle, Labor Economist at BLS. Mr. Garfinkle is now doing pioneer work in developing companion tables of working life for women which are expected to be ready in 1955.

trition due to mortality is very low at the earlier ages, gradually increases during youth and middle age and becomes progressively more rapid after men reach their fifties. *Mortality experience has improved so much, however, that a third of the initial cohort born is still alive at age 60-64 years; more than a fifth is still alive at age 70-74.*

2. At the turn of the century more than one out of every five young boys 10-15 years of age were workers; by 1950 the Census Bureau had for a long time stopped enumerating labor force activity for anyone under 14 years because of the very small number of persons working below that age. This has resulted, among other things, in a marked aging of our labor force. In 1900 the median age of the male work force was 33.3 years; in 1950 it was 38.5 years. This trend also reflects, of course, the very marked increase in the age at which young men make their entry into the labor force. The labor force curve (see columns 3, 4 and 5 of the Tables) rises rapidly during the late teens and early twenties when most men normally begin their work careers. However, *at 1950 levels and rates, the average American male does not enter the labor force until he is between his 18th and 19th year of life.* Between about age 25 and 55 practically all men are in the labor force, the exceptions consisting almost entirely of those unable to work. After the mid-fifties, the labor force declines rapidly. In 1950, four-fifths of the men 60-64 years of age were still in the labor force; the proportion drops to two-thirds for the age group 65-69 and to two-fifths in the age group 70-74.

3. Fifty years ago there was very little difference between a man's working life span and his total life span. Life expectancy was comparatively short and only a small proportion of the population survived to the age which we now consider conventional for retirement. Moreover, in an agrarian economy where self-employment predominated, those who reached an older age were often in a position to continue in some active productive role. In fact, for most workers there was no sharp break in employment as we know it now.

Exits from the labor force have a much different and more distinctive pattern today. Labor force withdrawals are classified as a) due to death and b) due to "retirement"³ (see columns 6, 7 and 8 of the Tables). Separations are comparatively low in the early ages and these are due mainly to deaths. In fact, death is a more

Abridged table of working life, males, 1940 ^{1/}, 1947, and 1950

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Age interval	Number living of 100,000 born alive			Accessions to the labor force (per 1,000 in population)	Separations from the labor force (per 1,000 in labor force)			Average number of remaining years of	
	In population	In labor force			Due to all causes	Due to death	Due to retirement	Life	Labor force participation
		Number	Percent of population	1000 $\frac{A}{n \times}$						1000 $\frac{Q^s}{n \times}$	1000 $\frac{Q^d}{n \times}$	1000 $\frac{Q^r}{n \times}$	$\frac{e}{x}$	$\frac{e^w}{x}$
x to x+n	$\frac{L}{n \times}$	$\frac{L^w}{n \times}$	$\frac{w}{n \times}$	1000 $\frac{A}{n \times}$	1000 $\frac{Q^s}{n \times}$	1000 $\frac{Q^d}{n \times}$	1000 $\frac{Q^r}{n \times}$	$\frac{e}{x}$	$\frac{e^w}{x}$
(Within age interval)				(Between successive age intervals)				(At beginning of age interval)	
1940									
10-14....	461,865	6,196	2/	431.0	8.2	8.2	-	-	-
15-19....	458,100	205,229	44.8	441.6	12.0	12.0	-	51.3	45.8
20-24....	452,589	405,067	89.5	68.0	14.9	14.9	-	46.8	41.3
25-29....	445,845	429,795	96.4	7.9	17.6	17.6	-	42.4	36.8
30-34....	438,014	425,750	97.2	-	28.0	21.9	6.1	38.0	32.3
35-39....	428,373	413,808	96.6	-	37.8	29.7	8.1	33.7	28.0
40-44....	415,611	398,155	95.8	-	53.3	42.1	11.2	29.6	23.8
45-49....	398,028	376,233	94.7	-	80.2	60.8	19.4	25.5	19.8
50-54....	373,582	346,684	92.8	-	117.8	85.9	31.9	21.8	16.0
55-59....	340,970	305,850	89.7	-	211.6	115.7	95.9	18.3	12.4
60-64....	299,545	241,134	80.5	-	376.7	148.9	227.8	15.1	9.2
65-69....	248,456	150,316	60.5	-	495.5	191.8	303.7	12.2	6.8
70-74....	189,583	75,833	40.0	-	576.4	262.4	314.0	9.6	5.6
75 and over....	232,278	44,830	19.3	-	-	-	-	-	-
1947									
10-14....	475,284	18,320	2/	524.1	5.8	5.8	-	-	-
15-19....	472,525	259,889	55.0	346.7	9.5	9.5	-	52.6	47.4
20-24....	468,041	421,237	90.0	67.2	11.3	11.3	-	48.0	42.8
25-29....	462,739	447,931	96.8	6.9	12.6	12.6	-	43.5	38.2
30-34....	456,917	445,494	97.5	-	20.7	16.6	4.1	39.0	33.6
35-39....	449,323	436,293	97.1	-	32.5	24.4	8.1	34.5	29.1
40-44....	438,330	422,112	96.3	-	47.9	36.7	11.2	30.2	24.8
45-49....	422,149	401,886	95.2	-	75.6	56.3	19.3	26.0	20.7
50-54....	396,186	371,508	93.3	-	106.7	82.1	24.6	22.1	16.9
55-59....	365,102	331,878	90.9	-	160.5	115.1	45.4	18.6	13.2
60-64....	322,102	278,618	86.5	-	356.7	148.6	206.1	15.3	9.7
65-69....	267,931	179,782	67.1	-	501.8	189.2	312.6	12.4	7.0
70-74....	204,978	89,575	43.7	-	544.3	258.8	285.5	9.9	5.9
75 and over....	263,826	60,944	23.1	-	-	-	-	-	-
1950									
10-14....	477,806	21,000	2/	483.5	5.3	5.3	-	-	-
15-19....	475,282	251,899	53.0	354.0	8.5	8.5	-	53.6	47.9
20-24....	471,255	418,003	88.7	73.3	9.8	9.8	-	48.9	43.2
25-29....	466,652	448,453	96.1	6.0	10.7	10.7	-	44.4	38.6
30-34....	461,671	446,436	96.7	-	15.1	14.1	1.0	39.6	34.0
35-39....	455,169	439,693	96.6	-	23.3	21.3	2.0	35.2	29.3
40-44....	445,488	429,450	96.4	-	42.6	33.4	9.2	30.8	24.9
45-49....	430,539	411,165	95.5	-	70.9	51.5	19.4	26.6	20.6
50-54....	408,140	382,019	93.6	-	116.3	77.4	38.9	22.6	16.6
55-59....	375,956	337,608	89.8	-	195.5	109.7	85.8	19.0	13.0
60-64....	332,858	271,612	81.6	-	337.2	142.3	194.9	15.7	9.7
65-69....	279,537	180,022	64.4	-	485.9	180.1	305.8	12.7	7.2
70-74....	217,261	92,553	42.6	-	558.6	247.5	311.1	10.1	5.9
75 and over....	287,742	61,289	21.3	-	-	-	-	-	-

^{1/} Labor force data for 1940 have been adjusted to allow for a revision in Census Bureau enumeration procedures introduced in July 1945.

^{2/} In accordance with current Census definitions, only persons 14 years of age or over are enumerated in the labor force. No meaningful percentage of the population in the labor force could therefore be computed for the age interval 10-14 years.

important reason for separation from the labor force than retirement in all ages up to 55. Thereafter, the retirement rate moves up sharply. *Among men, the retirement rate more than doubles between ages 55-59 and 60-64 and reaches its peak in the age group 65-69 years.*

The concentration of labor force retirements among men in their sixties is due only partly to the progressive increase in disability among older persons. Available evidence, in fact, suggests that disability for work-force activity rises with age in a much smoother pattern, not unlike mortality. In actual fact, of course, the ages at which men withdraw from the labor force are tied much more to prevailing employer attitudes toward employment of older workers and the conventional retirement age of 65 which is found in State old age assistance laws, Federal programs (Railroad Retirement and Social Security) and private pension plans.

Length of Working Life

4. Changes in the length of life combined with developments affecting the structure of working life—particularly the later entries into and the earlier exits from the labor force—have brought about some very striking effects on the length of working life of the American male (cf. Table 1).

5. The difference between the “average number of remaining years of life” and the “average number of remaining years of labor force participation” (columns 9 and 10 of the Tables) represents the average time spent in retirement. Thus under 1950 mortality and work-force patterns:

A man of 20 would average.....	48.9 years of life
and.....	43.2 years of working life
	—————
leaving.....	5.7 years of retirement
A man of 60 would average.....	15.7 years of life
and.....	9.7 years of working life
	—————
leaving.....	6.0 years of retirement

In fact, for all the age groups below 65 years, the average difference between life and work life is around 6 years (5.7 years). In other words, *under 1950 mortality and labor force conditions,*

³ Separations due to “retirement” as shown in the Tables include all exits from the labor force other than death, e.g. because of old age, disability, eligibility for pension, long duration unemployment, etc.

TABLE 1
Average Life and Work-Life Expectancy for Men, 1900-2000

Year	At birth			At age 20		
	Average life expectancy	Average work-life expectancy	Average years outside labor force	Average life expectancy	Average work-life expectancy	Average years in retirement
1900 ^a	48.2	32.1	16.1	42.2	39.4	2.8
1940.....	61.2	38.3	22.9	46.8	41.3	5.5
1947.....	64.2	41.6	22.6	48.0	42.8	5.2
1950.....	65.5	41.9	23.6	48.9	43.2	5.7
2000 ^b	73.2	45.1	28.1	53.8	45.1	8.7

^a For white males in 11 original death registration States.

^b Estimated by assuming continuation of labor force participation rates by males as they prevail today except for drop of 10 percentage points among men 65 and over; assumes continuation of mortality trends which have prevailed from 1920 to 1950 (cf. Social Security Administration Actuarial Study No. 33).

men could look forward to spending about 6 years of their lives in retirement. After age 65, the gap between total life and work life narrows considerably, because people who continue to work past that age apparently tend to continue as workers until they die. Needless to say these figures are averages: they include the young man who dies while still a member of the labor force and thus spends zero years in retirement and the man who lives long enough to put in a protracted period of retirement.

6. The contrast with 1950 experience is very marked. Under 1900 mortality and work-force patterns:

A man of 20 would have averaged.....	42.2 years of life
and.....	39.4 years of working life
leaving.....	2.8 years of retirement
A man of 60 would have averaged.....	14.3 years of life
and.....	11.5 years of working life
leaving.....	2.8 years of retirement

Under 1900 mortality and worker participation patterns, therefore, a man averaged around three years of his life in retirement (2.8 years). Thus, during the first fifty years of this century, the average amount of years spent by men in retirement has doubled. And as can be seen from Table 1, if all of these trends persist into the future, the average number of years in retirement will go up to about 9 years (8.7 years). Past and current trends, therefore, point to a tripling of the average number of years men spend in retirement between 1900 and 2000.

7. It is instructive to examine a little more closely how the doubling of the number of years spent in retirement was achieved between 1900 and 1950. As can be seen from Table 1 and the few figures presented above, average life expectancy of a 20-year old man went up from 42.2 years in 1900 to 48.9 years in 1950—a very substantial increase in expectation of life of nearly seven years. At the same time the average number of years of working life also went up—from 39.4 to 43.2 or 3.8 years. But the duration of working life did not go up as much as the duration of life, permitting a corresponding increase in the duration of time spent in retirement as well.

Thus, despite the marked delay in entry into the labor force on the part of young people and earlier exits from the labor force on the part of older people, men today put in more years of work than did their counterparts 50 years ago. And further, despite more years of labor force activity, men today spend more of their lives in retirement than did their 1900 counterparts—the answer to this seeming paradox being the added years of total life we have today.

8. These points are sharpened by looking at the figures in Table 1 which presents data on life and work life expectancy at birth. This information enables us to note the expectancies for both life and working life from birth (instead of for some later working age) and to examine the difference between those two expectancies which represents the *total* number of years spent outside the labor force (instead of just the number of years spent in retirement).

Between 1900 and 1950 life expectancy at birth went up from 48.2 years to 65.5 years—more than 17 years added to the average man's expected lifetime.⁴ At the same time, the average number of years of work-life went up from 32.1 to 41.9 years—an increase in work-life expectancy of just short of a full ten years. Thus, again, despite the sizable reductions in labor force participation rates at both ends of the age scale, men today put in a decade more of work than their 1900 counterparts. *The manpower potential of a group of 100,000 men living and working under 1950 conditions is hundreds of thousands of man-years more than a similar group operating under 1900 conditions.* This is a factor which is fre-

⁴ The reason why the increase in life expectancy at birth between 1900 and 1950 is so much longer than for, say, age group 20, is that the major reductions in mortality during this period took place among infants and young children.

quently overlooked when simple comparisons are made of how age-specific worker rates have changed during the past 50 years.

9. The point is often made that with protracted periods of education and training during youth and high rates of retirement in older age, more of our years are spent in "nonproductive" status and a smaller and smaller group must provide for these non-worker activities. This point should be viewed against the many additional years of labor force input which men currently provide. It should also be tempered by another fact shown by Table 1. Under 1900 conditions men could expect to average about 16 out of their 48 years of life outside of the labor force—about one-third of their total life time spent as nonworkers. In 1950 they averaged about $23\frac{1}{2}$ out of the $65\frac{1}{2}$ years of their life outside the labor force—also about one-third. To summarize, then, *men today spend no greater proportion of their lives outside the labor force than they did in 1900; the longer life afforded them permits both more time as workers and more time for education and training at one end of the age scale and more retirement at the other.*

The Impact of Changing Levels of Economic Activity

10. The data and brief analytical summaries presented so far have emphasized the fundamental long-term changes in working life among men which have evolved over the past fifty years. "Evolved" is perhaps the best way to put it, because such factors as the basic structure of the labor force or mortality rates change very slowly over time. As is true in so many other fields, however, shorter range changes do take place around the secular trend and often give added perception of some of the factors which affect the length and pattern of working life. If the experience of the 1940's (as portrayed in the abridged Tables of Working Life for 1940, 1947 and 1950 presented at the end of this paper) is any guide, *the ebb and flow of working life in the shorter run appears to correspond very closely to alternations in economic activity, especially as they are reflected in changing employment opportunities.*

11. The contrasting work-life patterns for 1940 and 1947 illustrate this point very well. The 1940 pattern looks almost like an exaggerated picture of the secular trends described above. After a decade of severe dislocation of economic activity and reduced employment opportunity, 1940 worker rates at both ends of the age scale were very low. Thus a worker rate of about 45 percent for

the age group 15-19 years in 1940 contrasts with one fully 10 percentage points more in 1947 when economic activity and employment were at high levels. In 1940 young men were at a competitive disadvantage in job competition; very few (about 6 percent) who went to school had part-time employment. In 1947, many young people held full-time jobs; over a fifth who were enrolled in school were also employed.

In addition, the retirement pattern shifted markedly between 1940 and 1950. The continuation of high employment in the postwar period led many men in their fifties and sixties to remain at work. (The Social Security Administration reported a total of 842,000 men 65 years of age and over entitled to OASI benefits continued in covered employment in 1947.) Higher postwar wages and prices may also have contributed to later retirement ages. At any rate the retirement rate for men 55-59 years of age, for example, fell from 96 per thousand to 45 per thousand between 1940 and 1947—more than a 50 percent drop.

Thus, the sharp change in economic climate between 1940 and 1947 actually resulted in a reversal of the long-term trend: Age of entry into the labor force went down; age of exit from the labor force went up. As a result, the span of working life under 1947 conditions increased over that of 1940 by 1½ years (Table 1). Life expectancy also moved up—by 1.2 years. This time, however, the working life span went up more than total life expectancy, so that the average number of years spent in retirement actually went down slightly between 1940 and 1947 (from 5.5 to 5.2 years)—also a reversal of the long term trend. *Between 1940 and 1947, the manpower potential of a group of 100,000 men went up more than a third of a million man-years of labor force activity, an increase of almost ten percent.*

12. By 1950 the employment situation had again changed. The country was not, of course, in the midst of any depression, but April 1950 (the month for which the Tables of Working Life apply) was only a couple of months away from the peak period of postwar unemployment (4.7 million in February 1950). Worker rates among the young men were below those of 1947, but nowhere near as low as those of 1940. Worker rates for older men were also down, and in some cases closer to the 1940 than to 1947 levels. All this added up to a return to the observed secular trends: later entry, earlier exit from the labor force; longer duration of work-

ing life, but even longer duration of total life—and a consequent increase in average duration of years spent outside of the labor force, including retirement. As can be seen from Table 2 presented below, for all ages the trend 1940-47-50 were along these lines: Between 1940 and 1947 earlier entry into and later exit from the labor force combined to effect a substantial reduction in aver-

TABLE 2
*Average Number of Years of Life in Retirement, Male Workers
1940, 1947, and 1950 — By Age*

Age	1940	1947	1950	Age	1940	1947	1950
15-19	5.5	5.2	5.7	45-49	5.7	5.3	6.0
20-24	5.5	5.2	5.7	50-54	5.8	5.2	6.0
25-29	5.6	5.3	5.8	55-59	5.9	5.4	6.0
30-34	5.7	5.4	5.8	60-64	5.9	5.6	6.0
35-39	5.7	5.4	5.9	65-69	5.4	5.4	5.5
40-44	5.8	5.4	5.9	70-74	4.0	4.0	4.2

age years spent in retirement; by 1950 the situation was reversed so that the gap between work life and total life was above not only 1947 levels, but had already surpassed the 1940 levels as well. And throughout the decade of the 1940's while labor market participation rates experienced marked short run changes in response to economic change, reductions in mortality continued and added years not only to man's total life span but to the man-years of labor force input as well.

MANPOWER IMPLICATIONS OF CHANGING PATTERNS OF WORKING LIFE

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WHAT DR. WOLFBEIN'S paper does is to make explicit the effects of secular changes in life expectancy and social habits for the way the American male divides his lifetime between years in and out of the labor force. The average American man enters the labor force at a later age, works for a longer number of years, and lives more years in retirement than did his grandfather. His longer life expectancy is the result of the reduced incidence of mortality, particularly amongst the young, as medical knowledge and practice progressively advanced. Changes in the way he divides his years between schooling, work, and retirement are incidents of various social and economic factors.

These facts have had consequences for the American labor force and have implications, in terms of social problems and policy, for the future. The working life tables reflect experience to date and, while suggestive of future tendencies, the underlying changes in mortality and worker rates are subject to damping or new influences. Their consequences and implications, moreover, cannot be appraised apart from trends in fertility or without consideration of the mortality and labor force experience of women.

Consequences to Date

Several consequences for the past and present may be noted. The lengthening of the average life span and working life of men has had the mechanical effect of increasing population numbers and the size of the labor force, independent of changes in the birth rate, offsetting the decline in fertility, postponement of labor force entry, and the reduced volume of immigration to the United States. By increased survivorship the labor force has been augmented by men already grown up and occupationally trained, much the same as by large-scale immigration at an earlier date.

Increased life expectancy has also had significant consequences for the age structure of the American population and labor force. Since the turn of the century there has been a marked aging of the population and labor force, the result of decreased fertility as well as decreased mortality rates. In 1950 the older age groups

of men represented a larger proportion of the total population and the work force than at any previous time. The median age of working men has risen by more than 5 years. This tendency, combined with the fact of older average age at retirement, together with the decreasing importance of agricultural and other forms of self-employment, has created the problem of the older worker in American industry.

The later age of retirement and the longer span of years in retirement has had mixed consequences for problems of old-age security. Despite social compulsions and public policy measures in recent years favorable to earlier retirement, it is an interesting fact, reflecting economic realities and advancing standards of living if not our attitudes as to the value of work, that retirement by the average American man is postponed as long as possible. Forced retirement, for reasons unconnected with capacity to work, and planned retirement, are undoubtedly more frequent and important. These tendencies have raised problems of re-education for retirement and leisure, for family budget and estate planning, as well as for financing pension systems. Physical disability in old age is a continuing problem that medical science may be expected to mitigate progressively.

No change in social standards, affecting the labor force, has had more significance than the postponement of labor force entry, accompanied as it has been by the extension of educational opportunity. It is by no means certain, however, that we have utilized the longer pre-work period as advantageously as possible. The benefits of the trends toward later labor force entry have been uneven for the levels of educational attainment are still relatively low in certain States and for certain groups. But in any case real costs of extended schooling have been minimized by the spreading of costs over a longer period of working life. *Pro tanto*, the social costs of deficiencies in training for lifetime work have had consequences in terms of earning capacity and productivity over a longer lifetime.

One aspect of working life not dealt with in the paper is the changing input of weekly or annual hours of work. Technological progress translated into increased output per man-hour has made for increasing per capita real income despite substantially reduced annual hours of work. In the future these tendencies may be expected to continue except with, perhaps, greater emphasis on a

smaller number of workweeks per year than on shortening of the workweek itself. It may be noted in passing that man's lifetime of labor hours has decreased somewhat in the last half century, but not by much. Any reversal of the trend toward longer working life would have the effect of damping the rate of increase in per capita income, much in the same manner as any factor affecting the ratio of workers to non-workers in the population.

Implications for the Future

For the future, the labor force implications of increased life expectancy and changing patterns of labor force entry and withdrawal, summarized by means of the working life tables, need to be considered in connection with the possible continuing force of the trends shown, similar tendencies affecting the working life of women, and the changing size of the population cohorts to which the survivorship, entry, and withdrawal rates apply. When these considerations are taken into account, the following factors emerge as major tendencies affecting future labor force developments:

1. The reversal, temporarily at least, of the decline in fertility rates.
2. Differential survivorship rates for men and women, and for whites and nonwhites.
3. Rising worker rates for women, little change in those for men.

Population Consequences

The high birth rate during the past ten years, representing for the time being at least a reversal in the secular decline in fertility rates, has obvious consequences for the size of the American population and labor force. It has, in addition, significance for the age structure of the population. Ten years from now the American population will be larger, in actual numbers and relatively, at both ends of the age scale. The middle strata of the population, from which is drawn the overwhelming part of the labor force, will increase in numbers but decline relatively.

The continuing widening in the life expectancy of women, relative to men, will result in more women than men in each adult age group, although more males are born than females, and longer periods of widowhood for the average American woman. There may

also be an increasing proportion of nonwhites, for their fertility rates are likely to remain higher than for whites while future gains in mortality are likely to be increasingly favorable for nonwhites.

Labor Force Consequences

Even in so short a time ahead as 1965, the annual increment to the labor force will approximately double. Its significance for potential economic growth is indicated by comparing the estimated increment of $1\frac{1}{4}$ million in 1965, for example, with the average increment of 800 thousand during 1949-1954 and 600 thousand in the 'thirties. The prospective rise in the annual increment results primarily from growth of population of working age, in part from expected secular trends in female worker rates, and on balance not at all from shifts in age composition of the labor force.

By 1965 women will constitute only a somewhat larger proportion of the labor force than now—an estimated 31 percent compared with 29.4 percent in 1954. But of the expected increment of $1\frac{1}{4}$ million to the labor force in 1965, about 500,000—or 40 percent—will be women. For the rise in worker rates for women, in evidence for decades, may be expected to continue while no significant change is expected in the propensity of men to work.

Despite the long-term aging of the population structure in the United States, persons over 55 will constitute only a slightly larger percentage of the work force in 1965 than now. The actual numbers over 55 years of age, however, will increase markedly. Thus while the problem of the older worker is a major social problem, it is significant that prospective changes in age structure are minor compared with changes since 1900. The problem is not that demographic changes are making the labor market position of the older worker more difficult but that we have not yet made the social adjustments that were required by past changes. Demographic trends suggest the need for less preoccupation with the problem of the older man and more attention to social adjustments looking toward enlarged employment opportunities for women.

Other Economic Consequences

The ratio of labor force to population—sometimes expressed as the ratio of producers to consumers—appears to be subject to little change in the years ahead even on the basis of relatively high fertility projections. There is, however, some tendency in the next

10 years for the ratio of the labor force to population over 14 to decline somewhat, despite the rise in labor market participation by women, because of the increasing proportion of men and women in ages with lower working rates. Subsequently, after 1965, there appears to be some indication for a reversal of this tendency, for reasons of shifts in the age structure of the labor force.

In the long run there is little indication that the advance in the level of living, which we have come to expect as a normal thing over the years, will be appreciably inhibited, if at all, by the growth of numbers in the population, given a continuation of technological progress along historical lines. Some further reductions in annual hours of work will also appear probable and feasible as part of the general rise in the quality of the American level of living.

A considerable reserve of manpower for economic expansion will exist for possible periods of national emergency with, in addition, a rising trend for some time ahead in the supply of manpower of military age, in an economy in which economic potential for military security is constantly rising.

There is, finally, little reason to expect lack of job opportunities or revolutionary changes in weekly or annual hours of work for reasons of technological reductions in labor requirements. For, unless it is believed that we are confronted with technological changes altogether incomparable in character to the transforming changes of the last 250 years, there will be need for full employment of the available labor force with work still a major occupation of man, if the past rate of increase in real per capita income is to continue in the future.

SOME INDUSTRIAL RELATIONS IMPLICATIONS OF THE CHANGING LENGTH OF WORKING LIFE

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Job consciousness and security of employment have always characterized the American labor movement. No reason exists to believe that individual workers, or their unions, will become less concerned with the prospects of having and holding on to a job in the future than they have in the past. Indeed, the information just presented indicates that, on the average, male workers in 1950 put in more years of work than did their counterparts of a half-century ago and that by the year 2000 this average work-life expectancy will lengthen still further! Thus, workers in the future will be concerned for a longer period over their employment and conditions of work. The average worker will likewise be concerned, together with his union and his employer with the provisions which are made for his security upon retirement, which will also be of longer duration.

Although this changing chronological composition of the labor force has been a gradual phenomenon—like the process of growing old itself—it has focused attention on many current industrial relations practices. It also raises questions as to the kinds of policies labor and management may formulate for the future. Short-run, as well as long-range, problems must be resolved. The direction—and the timing of the adjustments which almost inevitably must occur—will undoubtedly be affected by the health and productivity of our economy. In the past, absorption and integration of workers in the labor force has presented relatively few serious difficulties in periods of reasonably full employment. Periods of prolonged underemployment, combined with a rapid introduction of new machinery and processes, the rise of automation and the harnessing of atomic energy, for example, may generate conditions and pressures which will test the flexibility of labor and management, and even the adaptability of our economy, to sustain employment at high levels. Regardless of secular or cyclical trends, as the labor force ages, it seems reasonable to assume that greater emphasis will be given by unions in their negotiations to such matters as seniority and pensions. It is with

these two basic provisions affecting the job rights of workers that this paper is most concerned.

Seniority Practices

It is obvious that in a labor force in which the average age is steadily rising labor's emphasis upon the importance of seniority can scarcely diminish. The rule of seniority is the most important single practice which unions have developed to secure the worker's right to his job. The significance of seniority, with especial reference to the older worker, has been summarized in these observations by the New York State Joint Legislative (Desmond) Committee on Problems of the Aging:¹

1. Seniority provisions constitute one of the long-service older workers' strongest protection devices to assure themselves of job security.
2. Seniority provisions have importance not only economically to the older worker, but also psychologically.
3. Seniority provisions may be a factor in reducing labor turnover, but may also tend to obstruct employment of younger workers, and also of older workers seeking new jobs. Too, it provides little protection to the older man with short service.
4. Seniority provisions are often highly complex, but in these detailed complexities may lie matters of significance to gerontology and toward advancing the welfare of the older worker.

One of the questions raised in this area relates to the extent to which unions have modified their seniority rules to provide for the continued employment of those workers who can no longer keep pace with their fellow employees. In such instances, adjustments in seniority rules have been made. Older unions have been faced with the problem of developing policies to assure the employment of their senior members. In the more recently organized, and particularly in the mass production industries, the age composition has not been such, at least until quite recently, to lend a sense of urgency to this problem. As the Desmond Committee has pointed out, union attitudes and policies toward older workers

¹ New York State Joint Legislative Committee on Problems of the Aging, *No Time to Grow Old*, Legislative Document (1951), No. 12, p. 120.

and their problems depend, in part, on the proportion of older workers in the union; the age of the union; the age of the union leadership; the type of union, whether craft or industrial; the nature of the industries involved; the degree of relative strength possessed by the union vis-a-vis the employers and a host of other factors.

In an effort to ascertain what types of special provisions (exclusive of those specifically relating to seniority and pension rights) have been negotiated with respect to the employment or retention of older workers, the Bureau of Labor Statistics, several years ago, examined a sample of 2,425 labor-management agreements. It was found that about one agreement out of every ten set forth special protective arrangements to this group of workers. Informal understandings undoubtedly existed in many other plant labor-management relationships. Of the 247 agreements which contained specific clauses, 166 permitted the transfer of aged workers to lighter or less exacting jobs which they might not necessarily be able to claim, or want to claim, on the basis of their regular seniority standing. Over 100 contracts likewise permitted an adjustment in the wage scale. A small proportion of agreements facilitated or required the hiring of older workers; some notably in the building trades, established ratios of 1 older journeyman for every 5 to 10 journeymen employed on the job. A scattering of agreements provided for a joint labor-management survey of jobs suitable for aged workers.² In other instances, work-sharing is practiced in which the older worker is likewise assured a measure of job security and income. Few unions, however, consent to a practice which continues an aged worker on his regular job at a reduced rate.

Regardless of its precise nature, this process of accommodation will undoubtedly continue and may accelerate. Both management and unions will need to give increasing attention to the formulation of policies which will provide productively useful employment to a higher proportion of older workers. Seniority practices which reflected union objectives under the age composition of the labor force of the 1920's may be inappropriate in the 1960's. The potentialities of job engineering (i.e., the rescheduling of the pace of

² *Employment and Economic Status of Older Men and Women*, May 1952, Bulletin No. 1092, Bureau of Labor Statistics, U. S. Department of Labor, p. 53.

production, redesign of work areas, machinery, and flow of work, etc.) and job reassignment should be explored and developed. Employers and unions may find it desirable to establish specialized engineering departments, or to extend the functions of their existing research and engineering facilities to match jobs to the age composition of their labor force. The great challenge ahead of us, according to Solomon Barkin, research director of the Textile Workers Union (CIO), "is to re-engineer the jobs in our mass production industries to facilitate the employment of our maturing population."³

Pensions

Negotiated pension plans, in contrast to seniority practices, are of relatively recent origin. Since the end of World War II the number of workers covered by plans introduced or brought within the scope of collective bargaining has expanded manifold. The latest data of the BLS—just released—show that approximately 7,100,000 workers are included in such plans. This compares with 5.1 million in 1950 and less than half a million workers at the close of the war.

Most of the collectively-bargained pension plans are noncontributory in their financing, the employer defraying the total cost. Relatively few provide for full or even deferred full vesting. A majority of 300 representative pension plans covering 5,855,000 workers studied by the BLS two years ago contained provisions for compulsory retirement, typically at age 65. However, under a substantial number of these plans the employer could grant an indefinite extension to an individual worker.⁴

At the present time, "Normal" retirement, i.e., the age at which a worker becomes entitled (having otherwise qualified) to retire at full benefit under the plan is typically age 65. Of the 300 plans studied, 286, covering over 4,600,000 workers, contained this provision. "Early" retirement—at reduced benefits—was possible under 166 plans covering approximately 3,350,000 workers. The ages most frequently specified were 55 and 60. Provision for retirement on the basis of physical disability was made in over

³ Solomon Barkin, "Job Redesign: A Technique for an Era of Full Employment," published in *Manpower in the United States*, Industrial Relations Research Association, Publication No. 11, Harper and Brothers, 1954, p. 50.

⁴ See *Pension Plans Under Collective Bargaining*, Bulletin No. 1147, Bureau of Labor Statistics, U. S. Department of Labor.

200 plans affecting 4,278,000 workers. In most of the plans analyzed no fixed age was specified for retirement because of disability.

Generally, unions oppose compulsory retirement at a specified chronological age. Employers typically—although not universally—believe that mandatory retirement at a predetermined age is more equitable to their employees as a group, is easier to administer, and assures incentive among the younger members of the labor force who seek advancement.⁵ Other employers—and there are indications that their number may be increasing—are experimenting with a more flexible approach. They are testing the concept that a difference of several working years or more may separate the physiological and chronological age of any particular worker. These employers are permitting employees to continue at work beyond the normal retirement age if certain criteria are met.⁶

This rapid growth of private (negotiated) pension programs, together with the widespread efforts to provide continued employment to older workers, raises a number of problems in the context of the lengthening life span of the American working man and woman. Some of these problems may be briefly mentioned; their adequate—and equitable—solution will, of course, depend upon a host of economic, social, and political factors stretching over a span of years.

1. It may be contended that the present "Normal" retirement age of 65 should be lowered in view of the increasingly larger proportion of older workers in the labor force. Earlier retirements, it is argued, will provide necessary opportunities for the advancement of middle-aged workers and the employment of young persons. This line of reasoning may be particularly persuasive in some industries or areas where pools of unemployment have formed because of technological change or the out-migration of industries to other areas. Effective inducements to earlier retirement, however, will require the wholehearted attention of unions, industry and the community.

2. On the other hand, policies which call for retirement at any fixed age, and especially at an earlier age than 65, will be opposed

⁵ See *Annals of the American Academy of Political and Social Science*, "Social Contribution by the Aging," January 1952, pp. 72-80.

⁶ For a case study on this type of approach, see the report of Dwight S. Sargent, Personnel Director, Consolidated Edison Company of New York, "An Employer Views the Older Worker," in *Growing with the Years*, Legislative Document (1954), No. 32, New York State Joint Legislative Committee on Problems of the Aging, pp. 95-98.

by many employers, unions, public agencies and other groups of citizens. A variety of sociological and economic factors, including the increased cost of earlier retirements, coupled with greater longevity after retirement, and how to utilize this additional "leisure time" will accent this point of view. In fact, one might anticipate pressures to extend the normal retirement age to 68 or 70 in light of the over-all lengthening of the life span.

3. Unless unions reverse their point of view that the cost of pensions is an item of business expenditure to be borne by the employer, there is little expectation that jointly-financed supplemental programs will gain in popularity.⁷ Added funds, whether provided by the employer or the employee, however, could (a) assure a larger retirement income and thereby ease one of the deterrents to retirement or (b) provide a basis for retirement at a somewhat earlier age, say 60 or 62, with the continuance of benefit levels as currently negotiated.

4. A program of "full vesting," i.e., beginning with the worker's entrance into the labor force, would likewise build up a pension equity which might lead to an earlier retirement. Here, too, the element of cost is substantial. In the absence of public policy in this area, vesting would be spotty among industries and the results dubious. Transferability of credits under a multi-employer plan would accomplish the same objective and may be easier to achieve, at least in certain industries or areas. Another possibility, suggested recently by Under Secretary of Labor, Mr. Larson, might be to devise something resembling second-injury fund in workmen's compensation under which some kind of joint or pooled fund might make up the necessary back credits of a person entering a pension plan late in life.⁸

5. Greater attention—or resort—may be given to retirement because of disability. As of now, no provision for disability retirement exists under the Social Security Act, although suggestions in this direction have been advanced in recent years.

6. Major union objectives up to this time have been to secure reasonably adequate programs to supplement basic old age and

⁷ According to the Bureau's 1954 survey, 84.7 percent of the workers covered by negotiated pension programs were under plans financed solely by their employers. U. S. Department of Labor Press Release No. 921, December 24, 1954.

⁸ Remarks of Under Secretary of Labor, Arthur Larson, National Conference of Catholic Charities, Pittsburgh, Pennsylvania, November 9, 1954. U. S. Department of Labor Press Release 838.

survivors' insurance credits and to adjust upward benefit levels to offset rising living costs. These programs will not remain static, however. For example, in the last several years greater emphasis has been placed, by some unions at least, in continuing the protection of hospital and surgical benefits to retirees under negotiated pension and welfare programs.

This interest in the retired worker (who is also, in many instances, still a member of the union) has a long-range significance. We are told, for example, that as of the end of 1953 approximately 45,000 CIO Steelworkers had been retired on pensions under the programs negotiated with the industry.⁹ About 55,000 miners were receiving pension benefits from the UMWA Welfare and Retirement Fund as of June 30, 1954.¹⁰ The number of pensioners on the rolls of the International Typographical Union—AFL—has been steadily rising and now approximates 9,000.¹¹ The UAW-CIO Social Security Department estimates that by next year (1955) the union will have 60,000 retired members and by 1957, the figure will soar to 90,000.¹² Mr. Benson Ford recently was quoted as saying that the Ford Motor Company now has 1 retiree for every 15 active employees. He estimated that by 1970 this ratio would drop to 1 to 7.¹³

General Observations

Some broad observations flow from the preceding discussion:

1. The union, as an institutional factor, will continue to grow. The increasing number of older members, working under seniority rules or retiring under negotiated union pensions, will comprise an influential bloc, aggregating in the millions. Their loyalties to the union—and to the company—will continue after retirement. Politically, both within their union and as an increasingly important part of the general electorate, they may well become a potent force in our economy.

2. Under conditions of relatively full employment, labor and management will still need to devise techniques to adjust jobs to

⁹ *Steel Labor*, November 1954, p. 3.

¹⁰ *Annual Report, United Mine Workers of America Welfare and Retirement Fund*, Report for Year Ending June 30, 1954, p. 5.

¹¹ *The Typographical Journal*, July 1953. The ITU pension fund is one the relatively few remaining funds financed solely by members' contributions and assessments.

¹² *CIO News*, August 9, 1954, p. 7.

¹³ Speech before American Hospital Association as reported in *Employee Benefit Plan Review*, October 1954, p. 42.

the varying capacities and abilities of older workers. If under-employment persists, the problems will be aggravated. In either event, it would seem prudent for unions and employers to establish, on a far broader scale than now exists, joint committees or procedures to deal realistically with these problems on a day-by-day, plant-by-plant basis.¹⁴

3. The challenge, however, extends beyond the jurisdiction—and the responsibilities—of management and labor alone, or acting in concert. This is especially so if we visualize the next decade or two as the juncture of two great forces, namely, the full and efficient use of our manpower potential in an industrial society characterized by vast technological change. If it is true, as Mr. Benjamin F. Fairless, Chairman of the Board of the United States Steel Corporation recently stated, that “we stand today at the gateway of what promises to be a great scientific revolution which will probably work a far greater change in our mode of living than the so-called Industrial Revolution . . . ,” then we shall be confronted, as Mr. Fairless has put it, with a “radical change in the deployment of capital and manpower throughout our economy.”¹⁵ Temporary dislocations will occur in many lines of business and among many occupational groups. There will be continued shifts of workers from old-line, obsolescent fields of enterprise into new industries and markedly different jobs. Some industries will migrate from one region of the country to another. This process of adjustment and readjustment will require guidance beyond the abilities of most employers and most unions, however cooperatively they may jointly seek to solve these challenging problems. To assist them, public agencies at all levels—Federal, State, and local—will need to develop and coordinate their interests and responsibilities in a broad-gauged program designed, among other objectives, to provide job opportunities for those among the older worker group who wish to be employed and incentives for those who wish to retire from the labor force.

¹⁴ A recent instance, covering one aspect of the older worker problem, is the announced agreement of the AFL Upholsterers International Union and several large employers to establish a Joint Industry-Labor Commission on Retirement Preparation with the Institute for Human Adjustment at the University of Michigan to serve as their professional consultant. *UIU Journal*, December 1954.

¹⁵ “A Look Ahead in Steel,” a talk delivered before the Seventeenth Annual Meeting of the Alabama State Chamber of Commerce, Birmingham, Alabama, November 17, 1954.

THE EFFECT OF CHANGES IN WORKING LIFE ON EXPENDITURE PATTERNS

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CHANGES IN working life patterns have many connections with consumer expenditures. Some of the more obvious ones are changes in the volume and distribution of goods and services available for consumption, changes in income distribution, changes in the timing of consumption by various groups within the economy, or the rate of savings, and the problems of support of those segments of the population who are not actively part of the labor force. In this paper I should like to concentrate on only two of the many topics. One is the effect of changing work patterns on the timing and the rate of expenditure for specific goods and services. The second deals with some of the implications of these changes with respect to the problems of support of later entry to the labor force.

Major emphasis will be placed on the effects at the lower and middle brackets of the age scale. The problems at the upper end of the age scale, both for the older worker and for the older person who has left the labor force, have been the subject of considerable study in the past few years.¹

One of the most important points to be made is that we can only talk in probabilities and possibilities. The various theories with respect to the effects of changing age distributions, within the working force upon the load of dependency, upon the patterns of consumption and savings and upon rate of social progress remain highly controversial and untested by statistical data or empirical studies.² There are many studies of consumer expenditures available, but these are almost entirely presented with cross-classifications based upon income or occupation. The amount of information by age-brackets is extremely scarce, non-continuous,

¹ a) Corson and McConnell. "Economic Needs of Older People." Twentieth Century Fund, New York 1955.

b) Fisher, Janet A. "Income, Spending, and Saving Patterns of Consumer Units in Different Age Groups." Studies in Income and Wealth, Vol. 15, NBER, N. Y., 1952.

c) U.S.D.A. Miscellaneous Publication 489.

² United Nations: "The Determinant and Consequences of Population Trends," st/SOA/Ser. A/17, N. Y., Chapter XII.

and mostly by-product data.³ The changes in the working life pattern which have been documented are essentially long-run changes, and to be reasonably sure of their effects we should have long-run series on expenditures by age brackets. Fundamentally, consumption patterns tend to be rigid over time (after standardizing for such factors as income and family size), and the effects of changing working life will not show up in a single study or a series of studies taken over a short span of years.

Also important in preventing definitive evaluation of the economic consequences of changes in the pattern of working life is the fact that as yet we do not have a table for females. Our observations at the consumer level lead us to some intriguing ideas about what is happening to the distaff side of the family, particularly with respect to the savings ratio and to the types and levels of expenditures which the family makes at various stages in its existence. For example, there is some indication that the female may be entering the labor force at an earlier age or with less training, and then alternately leaving and entering at various stages in her life. These ideas can only be tested by empirical data.

The effect of changing working life patterns upon consumer expenditures is dual. First, changes in these life patterns involve changes in incomes, and, therefore, the absolute level of expenditures. Secondly, changes in working life affect the timing of new household formation and therefore, the timing of various types of expenditure.

The relationship of consumer expenditures to income is not simple and direct. At any moment, expenditures reflect not only the current level of income, but also past levels, and future expectations. In addition, the general cultural background of the family from which the individual stems tends to set a minimum standard of expenditures under which he normally will not fall, even if it involves temporary dissaving.

³ The surveys from which data were taken were designed to study general and specific questions about consumers' economic status and behavior. Although they provide a base to begin the study of age differences, they have certain shortcomings. For example, since the age classifications are relatively broad and fixed, individual spending units cannot be shifted into different classifications to determine at what ages income status on buying behavior changes. Information on the ages of persons other than the head of the spending unit is not available. The samples were not designed to yield as many cases in each age group as would be desirable, especially in age groups that are relatively small in the population." Fisher, *op. cit.*

Within the general frame of the income-expenditure relationship, there appear to be two significant ties between age and expenditure patterns, particularly for durable goods. One is that of age to family formation to expenditures; the other is that of age to income expectation to expenditures. Behind these ties lies one of the driving forces in our country. This is the consumer preference for a separate dwelling—either owned or rented—for every family unit. Family unit is defined here in the narrowest sense, parents and dependent children. As Doctor Brady has said, "The pressure for extending the number of private dwellings to satisfy this standard is very real and tends to mold the behavior of the entire population. Given the means, young people will set up house-keeping in ever increasing numbers as young married couples, as partners, or as single individuals. The same is probably true, within limits, of the generation of grandparents."⁴ Generally, larger households will spend a greater portion of their income for non-durables and basic needs which tend to be relatively constant on a per capita basis. Every household requires a certain amount of basic equipment such as furniture, a stove and refrigerator, which does not vary particularly with the size of the family. Heavy expenditures on durable goods occur when the number of households is expanded. New household formation, in turn is largely a function of the young. All available data clearly indicate that heavy concentration of expenditures for durables occur in the lower age brackets, centering about the time when the man becomes 30. By the time a man becomes 65 his expenditures on household durables are only about half as great.⁵

The relation between changes in working life patterns and changing expenditures is predicated on the thesis that later entry into the labor force reflects additional training. Further, experience indicates that this training will be reflected both in higher absolute income and in greater expectations for income increases. It was stated earlier that both of these affect expenditure preferences. The person who expects his income to increase will spend far differently from the one who sees either a decrease, or little

⁴Brady, Dorothy S. "Influence of Age on Family Savings," *Current Economic Comment*, Vol. II, November 1949, University of Illinois.

⁵Survey of Consumer Finances, various post-war years. Conducted by the Survey Research Center of the University of Michigan under Sponsorship of Board of Governors of the Federal Reserve System. Published in Federal Reserve Bulletins.

change. The various surveys of the Michigan Survey Research Center throw some interesting light on the relationship of expectation to age. The people in the youngest age bracket are the ones who most strongly believe that their incomes will increase, and by sizeable amounts. As we move along the age scale, the percentage expecting an income increase steadily diminishes. Whereas, approximately three-fourths of the families in the lowest age bracket expect an increase, by the time we reach the group of 65 and over, we find that less than one-third of the families expect any further increment to income in future years. It is the people at the lower ends of the age scale who expect income increases and are willing to go into debt, if necessary, to establish their homes. Later entry doubtless improves this expectation.

The Michigan Surveys may be interpreted as showing some strengthening of the position of the young with respect to income expectation, even over the relatively short post-war life of these studies. However, any interpretations of this type must be greatly tempered since we are dealing with small samples, particularly at the ends of the age classifications and because of the great effect of the current economic climate on each individual's expectations for the coming year. If these conditions continue to hold, and even become more marked, then we may look for even greater spending on durables in relation to income.

The same forces of higher starting levels and greater expectations will make marriage much easier, and marriage means household formation. It is also possible to glean some evidence on this point from the Federal Reserve Surveys.⁶ In this instance, we must look at the figures on home ownership. Year after year these surveys have indicated that the percentage of families owning their own homes varies directly with the age of the head of the family. In fact, a rough rule of thumb is that the age of the head indicates the probability of his owning his own home. On the average the chances of a 20-year old being a home owner are about 2 out of 10 while for the 40-year old the chances are better than 4 out of 10. People normally do not purchase a home of their own if they do not expect their income to improve, or at least be stable. (The purchase of a home as an investment utilizing accumulated savings is probably too rare to be significant.)

⁶ *Op. cit.*

The relationships between income and age, as well as the absolute level of income appear to be directly related to the degree of skill and training required. That is, not only do the more highly skilled jobs demand a better pay level, but also there is more of a gain in pay with age. For example, laborers reach their maximum earnings before they are 35, while professionals reach their peak in the 45- to 54-year bracket. What is more important is that the more highly skilled people show a larger percentage advance between their median earnings in the 25- to 34-year bracket and the peak. According to the Census, professionals showed a 35 percent increase in earnings over this span of years, while at the other end of the scale, service workers and operatives showed a 3 percent

TABLE 1
Median Earnings of Employed Males 25 Years of Age and Over—1951
Earnings by Age

Major Operation Group	Earnings 25-34	Peak Earnings Amount	Age	Change
Professional and kindred.....	\$3744	\$5053	45-54	+35.0%
Manager, officials, proprietors.....	3563	4451	35-44	+24.9
Clerical, sales, etc.....	3388	3993	35-44	+17.9
Craftsmen, foremen, etc.....	3592	3913	35-44	+ 8.9
Operatives.....	3253	3344	35-44	+ 2.8
Service workers.....	3045	3125	35-44	+ 2.6
Laborers, except mine.....	2361	2361	25-34	0

SOURCE: Based on U. S. Bureau of Census Series P-60, No. 11.

increase, and laborers were past their peak. These data certainly lead us to the tentative conclusion that additional training at an early stage leads to a more rosy future for the individual both as to absolute income level and future expectations. This in turn leads us directly to a logical expectation of an increased rate of family formation and expenditures on durable goods.

The second major point on work patterns and expenditures deals with the problems of the cost to the individual of late entry. None of us, unfortunately, can live on air alone, and delayed entry to the labor force is a double blow to family income. On the one hand, it removes the potential earning power of the younger members of the family for an additional period of time, and on the other hand it involves a direct outlay for the support of these younger members during a period when they might have been at least partially self-supporting. It is at this point that we are so

anxious to see work done on tables for females. From our own personal experience many of us believe that this extra support is either directly or indirectly met by the female members of the family. That is, either mama or wife is part or all of that support, but we have no definitive proof of our thesis. All of us know of myriad instances in which the wife is working to help put her husband through training or school and to try and build the new family finances to a level which can support heavy expenditures for durable goods at an early stage in the history of the family.

The economic effects of this pattern are by no means clear cut; it will, without doubt, serve eventually to raise the family income by sending father into the labor forces with a more saleable set of skills, but in many instances it will also affect future saving patterns. Proportionately fewer women are moving into the skilled occupations since they are giving up their own training to purchase training for the male half of the family. If we look at the change in occupations of women workers between 1940 and 1950, we see that the large increases have been in the unskilled or semi-skilled areas, such as clerical, manufacturing, and service. Employment in each of these areas has increased 50 percent or

TABLE 2
Principal Occupations of Women Workers, 1940-1950 (Excludes Proprietors, Household, and Farm Workers)

Occupation	Number (000)		Percentage increase to 1950
	1940	1950	
Professional and Related			30
Teachers.....	768	835	9
Professional workers.....	374	640	71
Nurses.....	345	464	34
Clerical and Related			82
General clerical workers.....	757	1709	126
Stenographers, etc.	988	1501	52
Bookkeepers and cashiers.....	430	740	72
Telephone operators.....	189	342	81
Service Industries			64
Saleswomen.....	767	1260	64
Waitresses.....	361	590	63
Operatives			49
Manufacturing.....	1048	1598	52
Non-manufacturing.....	556	804	45
Apparel.....	425	617	45

SOURCE: *Monthly Labor Review*, Vol. 77, p. 1205.

more over the decade while we have had a much smaller increase in the professional fields, such as teaching and nursing. Between 1929 and 1953, college enrollments by males increased 150% while female college enrollments advanced only about half as much—less than 80%. When mother had some type of professional training, the chances were that she would always be able to enter the labor force and find employment in her field, although probably at a salary level below that which she would have obtained if she had never left the labor force. This meant that her skills were one form of insurance or additional security in case of disaster to the family head. However, unskilled or semi-skilled workers do not have this freedom of entry in normal times. The problem of employment for older workers is probably considerably greater for females than for male workers, particularly those without special skills who have been out of the labor force for a considerable period of time.

Therefore, we should not be surprised to see a change in the savings ratio in the future. Father must pay for his extra training by creating an additional source of security for his family to replace the saleable skills of the female member. Again, we must reiterate our earlier point, that this type of change will be slow, and possibly not very great in the aggregate. In many respects, it tends to sound like a new line for insurance salesmen, but undoubtedly its greatest impact will be on the various federal security programs.

Whether or not this increase in savings or security expenditures will have an adverse effect on expenditures for durable goods is highly questionable. We are certain that the concentration of big expenditures for durables take place at the outset of family life—the logic of this situation has been verified by all available statistics. This is the stage at which future income expectations are most important, and it is at this stage that the family has to worry least about security since the female member is either still in, or just out of, the labor force. The effects of a heightened security program will probably be largest in the middle years of family life, when expenditures for durable goods can most easily be postponed in favor of other forms of spending or saving.

This force, however, may possibly be offset by the growing period of retirement which the tables show. The desire for a home of one's own, is equally great if not equally attainable at both

ends of our working life—whether we are just starting out or are at the end of our working life. Provided that it is financially possible, people who retire from the labor force permanently will bend every effort to maintain their own homes. This represents a tremendous market for durable goods since older goods will not be scrapped or handed down to succeeding generations for a longer period of time. It is also likely that people who are about to retire may be relatively heavy spenders on durables to put their house in order.

In conclusion we see the change in working life patterns having a twofold effect on expenditures for durables. First, by making it easier to purchase more of these goods at an early stage, and second, by extending the life period over which we want durable goods. The logical steps from later entry to higher starting income and greater expectations leads us to potentially relatively heavier and more concentrated spending on durables at an early stage. At the other end of the age scale, the person who is facing retirement will probably make every effort to maintain a home of his own and as part of this, will want to insure that his supply of major durables and housing will be of a quality and quantity that will minimize the necessity of having to purchase new goods.

Part IX

CONTRIBUTED PAPERS

THE TRADE UNIONISM OF HENRY SIMONS

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AFTER TEN YEARS, Henry Simons' "Reflections on Syndicalism"¹ is still the high-water mark of anti-union denunciation in economic literature, and the standard periodically invoked by fellow theorists when criticizing the labor movement. In Simons' eyes, trade unionism has nothing but pernicious effects upon the distribution of income and the allocation of resources, and is also an encouragement to business monopoly, the primary threat to democracy, and perhaps the most important cause of war.² The route by which he reaches his conclusions is made perfectly clear. His standard is the free, competitive economy, with concentration upon the general welfare (of consumers) instead of the special interests of producers, whereas for labor, his criterion is "a maximizing of aggregate labor income and minimizing of inequality." (1) The major premise and the conclusions are connected in the Simons analysis by the middle term "organized labor." We must therefore examine with care the author's account of the institution itself.

In about the order of their importance, Simons denounces: 1) labor monopoly, or bargaining power;³ 2) the union's "access to" and reliance upon violence; 3) unionized "control of wage rates"; 4) union responsibility for increased labor costs; and 5) union restrictive practices.

What this adds up to is "syndicalism."⁴ According to Simons:

Few Americans will straightforwardly espouse syndicalism. . . . Few likewise will face the patent fact that we are rushing pell-mell toward and into that political order in the United States. . . . Alongside [our] formal political structure arises now a structure of powerful organizations of labor, *immune to prosecution as monopolies and largely im-*

¹ "Some Reflections on Syndicalism," *Journal of Political Economy*, March, 1944, 1-25; reprinted in the posthumous collection of Simons' work, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), 121-159.

² *Op. cit.*, pp. 1, 2, 4-5, 15, 23, 25. Page references here and elsewhere in the article are to the original article in the *Journal of Political Economy*.

³ "All bargaining power is monopoly power." (7)

⁴ Webster: "The theory, plan, or practice, of trade-union action which aims by the general strike and direct action [euphemism for "violence"] to establish control over production by organizations of workers."

mune to the proscriptions or penalties of other laws. (21, italics supplied.)

The syndicalist character of the labor movement is primarily an outgrowth of two things: monopoly and violence.⁵ Compared to organized labor, business monopoly is "a skin disease, easy to correct when and if we will" (7), and employer monopsony in the labor market another "skin disease," unsubstantial and transitory. Labor monopolies, on the other hand, are:

A different kind of animal. If much violence has been used against them as they struggled into existence, this should not obscure the fact that, once established, they enjoy an access to violence which is unparalleled in other monopolies. (7)

They are essentially occupational armies born and reared amidst violence, led by fighters, and capable of becoming peaceful only as their power becomes irresistible. Other groups practice violence, of course; but few others practice it with general public approbation or employ it at all without grave risks of punishment or loss of power. Peaceful strikes, even in the absence of overt violence or intimidation, are a meaningless conception when they involve disruption of an elaborate production process with intricate division of labor. What is obvious in the case of railways and utilities is similarly true of coal-mining, steel production, and ultimately of every important industry and occupation. (21)

In an economy of intricate division of labor, *every* large organized group is in a position at any time to disrupt or to stop *the whole flow* of social income; and the system must soon break down if groups persist in exercising that power or if they must continuously be bribed to forego its disastrous exercise. (2, italics supplied.)

With these key passages, Simons describes the organized labor movement in America. Are they accurate?

First, with respect to violence. In the roughly 100 years of continuous, organized union activity in the United States, all the great picket-line massacres have been on the side of "law-and-order," which is to say, the employers, with a single exception—

⁵ "Monopoly power must be abused. It has no use save abuse." (6)

the Herrin affair in Illinois in 1922. Compared to the mass assaults of the Pinkertons, the Bergoffs, and the thousands of deputized company guards, union violence has been casual, incidental, and ineffective. Where really violent retaliation by workers has occurred, it has usually been against armed strikebreakers imported into the community to force the issue. Herrin is a perfect illustration.

Nor is there any evidence that I am aware of to support Simons' contention of "general public approbation" of what union violence there is. There undoubtedly is general public approbation of unionism as such and often of specific union acts such as strikes, even when the latter cause the public great inconvenience. Insofar as Simons equated strikes which "involve disruption of an elaborate production process" with "violence," the conclusion may stand as a logical proposition, but it seems a rather tortured way to make a point. In my opinion, the general public does not approve of or even condone union violence, and the proposition is in a class which calls for substantial proof.

Do unions practice violence "without . . . risks of punishment or loss of power"? Is it true that "they have now little to fear from Congress or the courts"? The reader is referred to the War Labor Disputes Act of 1943, the Taft-Hartley Act of 1947, and state labor legislation of recent years, including the 17 state right-to-work laws. The question might even be put to Mr. Meany, Mr. Reuther, and their colleagues. If the answer is "Yes," then labor leaders have been wasting a lot of time and energy along lines which directly contradict it.

It will come as news to students of labor relations that the many long histories of peaceful union-management negotiation and contract administration in the United States have been conditioned upon the irresistible power of the unions involved. Few unions are irresistible. It is a strong word and a highly inaccurate one, as the record of organized industry clearly bears out, though perhaps necessary to support Simons' most extreme conclusion of all. This was the remarkable statement that *any* large organized group can stop the *whole flow* of social income at its pleasure in "an economy of intricate division of labor," which I am sure the author meant to be descriptive of the United States of America in 1944. If it was so then, it is far more so now. Was it so then? Is it so now?

If we take the gross national product as a reasonable approximation of the flow of social income at the material level only, then

how large and how powerful an organized group would be required to bring its rate to zero? One can only wonder how a serious writer is led to make the statements he does. There has never been a time in the history of the country when a labor dispute has interrupted a significant fraction of the flow of social income, taken whole, nor is there any plan, policy, or program of organized labor in process to make it a possibility. A concerted work stoppage by every union member in the country, inconceivable as it may be, would certainly have a significant impact—and bring immediate reprisals of a most serious sort—but it would not cut national income to zero or to any conceivable approximation to it. The assertion is nonsense, explainable on grounds of carelessness or exaggeration for rhetorical effect.

In sum, Simons does not make his case that labor monopoly is more brutal, more powerful, more independent, or more widely condoned than other forms of combination.

Granted that unions are monopolies, in some respects and some very substantial respects as subversive of the economic order as any other type of combination. Nonetheless, monopoly has other uses than abuse and one of these is defense. With buyers uniformly organized into large economic units, made even larger and more powerful by formal association and "understandings" with respect to existing scales, then formal combination of sellers to match them in bargaining power may well be a useful counterweight in the market. Unions are the appropriate organizations to help decide whether lower wages-lower costs-lower prices (assuming an unbroken sequence, of course) are better for the community than higher consumption standards for the workers involved, along with the increased costs, higher prices, and fewer sales which may be imputed to them. The answer surely will not be the same in every case.

For myself, I am sure that labor monopoly has been carried to the point many times where it unduly raised costs, lowered sales, and restricted employment opportunities. I am equally sure that in many other cases these effects have been counterbalanced by a substantial equalization of labor costs between firms and between industries, by the correction of inequities within firms, by concrete improvement of conditions of work, and by a rise in morale and productivity of the working force. There are both gains and losses to be considered and no single answer will suffice for all cases.

Nothing is more revealing of Simons' grasp of unions as operating organizations than his proposals for union management:

If I were running a union and were managing it faithfully in the interest of the majority of its members, I should consistently demand wage rates which offered to existing firms no real net earnings but only the chance of getting back part of their sunk investment at the cost of replacement outlays necessary to provide employment for most of my constituents during their own lifetimes as workers. In other words, I should plan gradually to exterminate the industry by excessive labor costs, taking care only to prevent employment from contracting more rapidly than my original constituents disappeared by death and voluntary retirement. (8)

This might be called "The Pure Economic Union, Simons Model": 100 per cent organization, the closed shop, an industrial union which permits no replacement of dying or departing employes, the strict shortrun viewpoint with collapse of the industry scheduled to coincide with superannuation of the last man. Would it work?

We are unlikely to find out, since no union management would for a moment entertain a policy like that described. Stated in economic terms, it would maximize neither membership, employment, nor income. On the other hand, reassuring as it may be to economic readers, any talk of maximization is probably beside the point. Unions are not economic organizations; they are "political agencies operating in an economic environment."⁶ Their objectives are power and influence. One of their purposes, perhaps their major purpose, is to influence the distribution of income, but they do not hesitate to sacrifice the latter if it conflicts with the true goal of security and authority of the organization. Furthermore, a union is an organization with a life and character of its own, apart and distinct from its membership. The leaders serve the permanent organization first and the membership, which is transitory, second. Simons' naivete consisted of judging the union as a collection of individuals concerned solely with maximizing their personal lifetime receipts. It is immaterial that the method proposed would be an obvious failure along these lines as well.

On union "control of wage rates," the Simons' analysis clearly implies a competitive, or "normal" wage with the union "standard rate" in every case forced above this level. It happens that

⁶ Arthur M. Ross, *Trade Union Wage Policy* (Berkeley: University of California Press, 1948), p. 12. See also Bakke, Fisher, Kerr, Mills, *et al.*

labor organization occurred first and has been most complete in industries characterized by extensive labor-market monopsony: large employers, vigorous employer associations, *and* in the absence of unions, not only low wages and long hours, but in many cases really vicious working conditions. I cite you, in the memory of many still living: coal mining, metal mining, the railroads, shipping, the waterfront, the steel mills, the garment trades, and so on. Monopsony, like monopoly, is also subject to abuse. There is sufficient evidence in various investigations conducted during the 20th century in this country to raise plenty of doubts that these strongly organized employers, many of them maintaining an employers' closed shop by fair means or foul, were setting wages at the competitive level. There is a strong possibility that wages are nearer "normal" (if there is such a thing) in these industries today than prior to recognition and union contract.

The unionist of course is deeply concerned with economic inequality. As economist, Simons was too. His solution was the elegantly simple one of progressive taxation of the well-to-do and socialized consumption at the bottom of the income scale. The idea was to redistribute income without disturbing the "competitive productivity norms" of the free market.

To this there are several answers. First, there should be wide agreement that "competitive productivity norms" are operating in the labor market. There are others besides trade unionists who doubt this. Secondly, this brand of paternalism (relief, family allowances, etc.) sounds dreadfully dull. It promises much more fun to negotiate a few fringe benefits for yourself, rather than wait for the manna to be distributed from Heavenly, D. C. Thirdly, there is the pragmatic approach: How soon and how much and for whom? I suspect that, confronted with a choice between waiting for the government to act and reliance upon the maxim "The Lord helps those who help themselves," most economists would act like unionists.

Last, and probably most important of all, the unionist speaks by proxy to his employer as an equal. He may not get what he asks for. Strikes often cost more in wages than can be recouped in the differential gain, a fact which is solemnly recounted in employer publicity and newspaper headlines time after time. What is overlooked is that it may be a small price to pay for self-respect, and self-respect is a value in American life, for unionists as well as economists.

THE GROWTH OF COLLECTIVE BARGAINING IN TEXAS—A NEWLY INDUSTRIALIZED AREA

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LABOR ECONOMISTS have been much concerned with "a theory of the labor movement." However, as Dunlop has pointed out,¹ not all theoreticians of the labor movement have addressed themselves to the same questions. Some, notably the Wisconsin School, have concerned themselves chiefly with the problem of identifying the variables responsible for the origins and growth of a labor movement. Others have concerned themselves principally with such problems as the explanation of the uneven incidence of union growth, and the proneness of certain workers to join or not to join unions.

I believe these two types of questions to be intimately related, though the relationship is not always explicitly recognized. The Wisconsin School's views about the origins of American unionism were deduced largely from observation of the incidence of early unionism. A theory which purports to explain growth should be able to predict incidence.

This paper presents a partial report of a study which attempted, among other things, to attack empirically and relate the problems of union growth and incidence in a geographic area which is simultaneously a frontier of American industrialization and unionization. If significant categories of incidence, within the framework of general union growth, can be discovered, hypotheses can be formulated to explain them. These, in turn, ought to lead to the possibility of some general statements partially explanatory of the growth of American unionism in its contemporary stage of development. This paper makes an effort to do what is suggested in the first two, but not the last of these steps.

The first outstanding fact is that unionism in Texas has been growing extremely rapidly in the past twenty years. This study has concentrated on manufacturing industry, with only sketchy data available for certain nonmanufacturing industries. However, from a state of virtual absence of unionization in manufacturing in 1933,

¹ See his essay in Lester and Shister, eds., *Insights into Labor Issues*, N. Y., Macmillan, 1948.

and very little in 1938, the statement can now be made that unions have grown so that the chances are even, taking at random an eligible employed worker, that he is represented by a union recognized by his employer; that is, about half of Texas' manufacturing workers are covered by collective bargaining.

Considerable growth has also been registered among the non-manufacturing industries studied. In the telephone and telegraph industry, unionization is virtually 100%, and a substantial part of this organization is among Texas' many independent telephone companies. Among railroads, the losses suffered in the shopmen's strike of the '20's have been more than regained, and unionization has become complete. In the transit industry, about 80% of the workers are under contract. In the interstate common carrier trucking industry, organization is about 80% complete. However, unionization among contract carriers and in local haulage is negligible. Among electric utilities, unionization has also been slower—only about one-fourth of the eligible jobs being covered. Very little organization exists in wholesale or retail trade.

While no detailed study was made, the Texas State Federation of Labor claims there are about 100,000 A.F.ofL. members in the construction industry. Employment in that industry is nearly 200,000.

In manufacturing industry, A.F.ofL. and CIO have shared almost exactly equally in the growth, with unions affiliated with each holding bargaining rights covering about 47% of the covered workers. About 6% are covered by independent unions. Furthermore, unions affiliated with each have shown significant gains in virtually every industry in which gains were made. In the transportation equipment industry, for example, about equal numbers of employees are covered by agreements with A.F.ofL. unions and CIO unions. While the CIO is considerably the stronger in petroleum products, the A.F.ofL. is rather stronger in the closely related chemicals industry. Almost all of the independent unionism is in the petroleum, foods, machinery, and paper industries. Even in these, however, independent unions are relatively small in the totals. Because of its greater strength outside manufacturing, however, the A.F.ofL. is probably about three times as large, in Texas, as the CIO.

One interesting bit of data is the prevalence of industrial bargaining units among those in which A.F.ofL. unions hold bar-

gaining rights. In manufacturing industry, three-fourths of all workers represented by A.F.ofL. unions are in industrial units. If the misconceptions of my students are any evidence, the literature on the American labor movement has failed adequately to present the transformation of A.F.ofL. unions outside the construction industry.

These facts of growth, on a little reflection, should not be surprising. It is the usual view that the development of a stable labor movement is dependent upon the development of an industrial economy. I will not bore you with data on the growth of factory industry in Texas—suffice it to say that in the past twenty years, Texas, only somewhat ahead of the rest of the South, has been transformed from an agricultural to an industrial economy. With that growth has come unionism at a very much greater rate. Chart I plots on logarithmic paper the rate of formation of establishments (surviving to 1953), beginning in 1929, and the rate of unionization of these establishments. It will be noted that as to both large and small establishments, the rate of unionization has greatly exceeded the rate of formation. The declining rate of unionization in large establishments is accountable for in large part by the fact that relatively few remain still to be unionized—60% of all establishments employing over 250 persons were, in April 1953, already union, and substantially fewer remained nonunion than at the beginning of the period. Outside manufacturing, all of the unionization in telephone and telegraph, 90% of that in transit and in trucking, and 50% of that in electric utilities has come since 1939, and the growth in these industries was, in general, as great from 1946 to 1953 as for the war period.

The rate of unionization in Texas has probably, throughout the entire period under discussion, exceeded that of the rest of the country. If the number of manufacturing plants recognizing a union be taken as an index of union growth for Texas (it understates the relative growth because it does not account for increase in plant size), it might be compared with the available data on union membership for the country as a whole. If one were to plot Bernstein's membership estimates² on the log scale of Chart I, the slope of nationwide membership growth would be less in every five-year period than that of the number of large plants in Texas

² "The Growth of American Unions," *American Economic Review*, June, 1954, pp. 303-304.

recognizing a union, and less in every period except 1933-38 than that for small plants in Texas.

“Real” union membership is sometimes analyzed in terms of the ratios of membership to civilian labor force. A better comparison, in this stage of American unionism, is probably to the nonagricultural labor force. In 1953, for the nation as a whole, membership was a little over 30% of wage and salary workers in nonagricultural employment. In Texas we estimate percentage of coverage to be just under 20%. Thus, if the rate of growth in Texas continues to exceed that in the entire economy, it should not be long before this gap is closed. However, much of the difference is accounted for by incomplete unionization in Texas in the traditionally union industries such as construction, printing, trucking and apparel. In these industries, union growth in Texas has been quite slow.

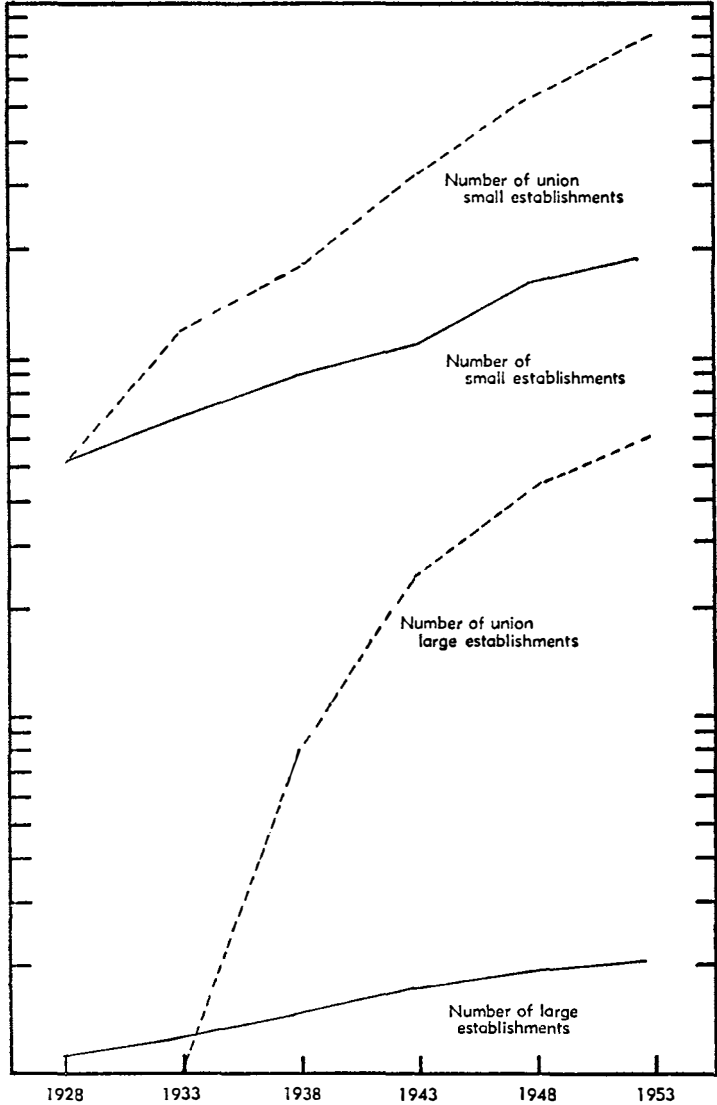
The data, then, would suggest that the low rates of union incidence in Texas and the South have not, historically, been a result of mere location, but because the South and Texas have been preindustrial. They would suggest that as these areas become primarily industrial, they will become increasingly union. In a sense, the South represents a guarantee of continued growth of the American labor movement.

Unionism, however, has come unevenly to Texas. I will take the time here only to summarize some of the patterns of union penetration:

1. Much of the larger part of union growth has, to this time, come in industries characteristic of the development of an industrial economy—transportation equipment (about three-fourths of the jobs under collective agreement, and incidentally, the second largest manufacturing employer in the State); paper, primary metals and chemicals (about two-thirds unionized); petroleum products, machinery and fabricated metals (ranging upward from one-half covered). On the other hand, the old industries—food, lumber, textiles and printing—have all been much slower to unionize. These four industries all show less than one-fourth of the workers covered, but they represent an increasingly small percentage of the total employment opportunity in manufacturing industry. Only apparel, among the rapidly growing industries, has been slow to organize. The association between rate of industry growth (measured by employment) and rate of unionization is clear—a rank correlation coefficient of .80 between these two variables was obtained.

COMPARATIVE RATES OF GROWTH IN FORMATION AND IN UNIONIZATION
 OF ESTABLISHMENTS IN TEXAS MANUFACTURING INDUSTRY
 BY SIZE OF ESTABLISHMENT, 1928-1953

Number of
 Establishments
 (Log. scale)



As a corollary, unionism is strongest in the geographic areas that have become predominantly industrial—not only absolutely strongest, but relative to the potential.

2. As was to be expected, the incidence of unionism has been much greater among the large establishments than among the small. About 60% of the establishments employing 250 or more workers are organized, but only about 10% of those employing from one to 250 persons. However, as the rate of unionization of large establishments falls off (due partly to the exhaustion of a backlog of organizing potential), that of small establishments has continued upward at an almost constant rate, and at a rate greater than that of formation of small establishments (still surviving).

3. New establishments are substantially more susceptible to unionism than old, especially among the large ones, or, to put it differently, of the unorganized plants outwardly similar except as to age, the younger would be the more susceptible to unionization. For all large establishments, and for most industries, especially the growing ones, statistically significant differences between the actual quartile age rank of establishments at their time of unionization and a hypothetically equal distribution were observed.

4. As to large establishments, rural-urban location does not seem materially to influence susceptibility to unionization. For establishments employing 250 or more persons, no statistically significant differences exist between the actual rural-urban distribution of unionized plants, taking industry by industry, and a hypothetical proportional distribution. This is not the case among small plants, where very substantial differences exist. The lesser unionization in rural than in urban industry is statistically accountable for largely by the tendency of some types of establishments with size or industrial characteristics associated with lesser susceptibility, to concentrate in nonurban areas. In the industries susceptible to unionization unions are recognized equally whether the plant is in Houston or Sundown, as long as it is large.

5. With the exception of the Galveston area, unionism has not come as significantly to the areas with some union tradition—for example, in the railroad shop towns and Division Points of East Texas—as to the areas of new industrialization, without any significant prior history of unionization. Furthermore, the industries with the longest history of unionism in Texas and those among the

first to organize elsewhere—such as printing and apparel—have benefited least. This is also true of the construction industry.

6. Much of Texas' industrial growth has come with the construction of establishments of national firms or complexes of firms in the State. Because of the difficulty of tracing corporate relationships, this could not be stated quantitatively, but it is quite clear that establishments of such firms are substantially more susceptible to unionization than those of single establishment, locally owned firms. With possibly very occasional exceptions, avoidance of unionism either was not a significant factor in industrial location, or those making the decisions to locate were incredibly blind.

7. Adequate wage histories were obviously impossible to obtain, but to anyone with knowledge of industry and establishment wage structures, looking at the establishments unionized, it is quite apparent that either by area or industry, establishments were organized in approximate order of high to low wage.

Aside from the commonly stated error that Southern industry is inherently difficult to organize, some other common observations are quite inconsistent with these data. With a bow to Lloyd Reynolds for the tentativeness with which he suggested them, may I use some of his informed guesses³ merely as examples of common statements not borne out by our data:

1. "A labor force made up to a large extent of farm boys" is difficult to organize. Much of the labor force in the large new plants in Texas have agricultural backgrounds. Yet these plants have been quicker to unionize than those plants in the old urban industrial centers, dominated by an institutionally urban labor force, such as in Dallas and San Antonio.
2. "A prosperous low-cost firm" may be able "to fight a prolonged delaying action." Such firms may be able to, but Texas experience indicates either that they don't, or that such delaying action is unsuccessful. In general, such firms are the modern large plants, and have been the earliest to unionize.
3. Again, Reynolds says that racial and cultural homogeneity in the labor force is, relatively, conducive to unionism. The

³ *Labor Economics and Labor Relations*, 2nd ed., N. Y., Prentice-Hall, 1954, p. 56 *et seq.*

present study made no analysis of cultural backgrounds of workers, plant by plant. Yet a previous study by this writer analyzed the extent of Latin-American participation in manufacturing industry, industry by industry. There seems no relationship whatsoever between susceptibility to unionization by industry, and racial homogeneity as measured by extent of admixture of Latins and non-Latins. Furthermore, a graduate student of mine recently completed a detailed analysis of the Corpus Christi labor market and its labor force by Latin or "Anglo" origin. Again, there is no perceptible tendency for plants to be more likely to be union if they are homogeneously "Anglo."⁴ The Texas Gulf Coast labor force is an admixture of Catholic Louisiana "Cajuns," Catholic Latins, Swedish Lutherans, immigrants from old Protestant Czech and German speaking communities, with Anglo-Baptists and Negroes from East Texas, yet it is significantly better unionized than the industry in North and East Texas which is much more homogeneous in these terms.

4. Plants in small towns are less likely to be union than in large. This is commonly generalized into a statement that rural industry is more difficult to unionize than urban. This is only partially true, if our data are typical. For large plants rural-urban location does not seem to distinguish organizational susceptibility; but for small plants, this locational factor does distinguish.

The Texas case is probably not untypical of other situations. Our economy (as well as others with similar institutions) is unevenly industrialized; rapid outward expansion of industry from the industrialized and unionized centers is a continuous process. What hypotheses can serve to explain and predict the patterns of unionization then following (or not following) ?

Some addenda might be added to this general statement, to make it more aptly describe the situation investigated. First, much of the heavy industry, though not all of it, has come by the location of new establishments of national firms (though not a flight from other locations or from unions as has characterized the textile in-

⁴ See Brookshire, Marjorie S., "The Industrial Pattern of Mexican-American Employment in Nueces County, Texas," unpublished Ph.D. Dissertation, The University of Texas, 1954, especially Tables 12, 21.

dustry, and some segments of the apparel industry) ; and, secondly, the labor force for the new industry has come very largely from persons previously in nonindustrial pursuits—small farmers and farm hands (or their sons), the service trades, etc.

In the current case a generalized statement about the chronology of growth, as they are revealed in the data, would be about as follows: Unionism seems to have come first, probably stimulated from national foci of aggressive unions, to the youngest large establishments in the most rapidly growing industries, especially heavy industry. From these, it seems to have spread to the older large establishments in the same industries. From these, then, there was a spread to contiguous small establishments, commonly in inverse order of their age. Simultaneously, unionization began to spread to establishments in older light industry, especially those adjacent to the newly organized young industry. It is only in these latter stages that location is a significant variable.

Establishment, locational, and industrial characteristics, however, can only be symptomatic of more basic factors explanatory of the variable of unionization. The next question then is, what kind of hypotheses about characteristics associated with these objective establishment variables can be offered in explanation of the behavior which they seem to produce, which will not be inconsistent with the data ?

The data indicate that the impulses toward unionism are most effective in the large new establishments. Purely economic interpretation in terms of either a sense of wage exploitation or of "job consciousness" would hardly fit these data. Wage goals, if they are primary, must, I believe, be set in some experiential framework. To feel that he is exploited, wage-wise, the worker must have some experiential standard of comparison. But the evidence is overwhelmingly toward the supposition that the new unionists sign cards (or vote union in elections) when they are earning more than they have ever earned before, and more than any of their community associates have earned or are earning.

Scarcity consciousness seems hardly an adequate explanation of the pattern of behavior, for it is precisely when jobs are more plentiful than they have ever been before that this acceptance of unionism has come, though to be sure, these new industrial workers, having never had it so good, may be even more eager to keep and protect it.

In general, the fact that unionism in the industries which have historically represented the solid core of American unionism—printing, apparel, railroads and transportation—have gained least seems indicative that new explanations to fit new situations are required.

The new employees to the new large enterprises come, on the whole, from closely knit community, family and work societies characteristic of rural areas. I would suggest that the primary factor in their acceptance of unionism lies in the contrast between the chaotic social structure of the new situation, as compared with the social stability of the old. The *anomie* of the industrial worker has been given as a source of industrial discontent. The disorientation of the employee new to industry must be considerably greater than that of the institutionally urban worker who shifts from one industrial job to an essentially similar one.

It has commonly been observed that no workers are unorganized. But they may be more or less well (or satisfactorily) organized into informal groups. A reasonable hypothesis would be that the development of stable and satisfactory social organization of work society is, other things being equal, directly related to the age of the establishment and inversely to its size, with the large young establishment being the most disorganized. Introduce into such a situation a "union agitator" with a program calling for cooperative effort. Might not organization crystallize around this program and set of objectives? The economic objectives of the union then become meaningful as symbolic focal points of discontent, with what experiential content union comparisons provide. That is, rather than utilizing established informal organizations and leader-follower relationships, the union serves to stimulate them into being when it comes into a quite disorganized work situation. Some hypotheses such as these might serve to explain some of the data—the susceptibility of the younger larger establishments, and the apparent irrelevance of rural-urban location—at least they would not be inconsistent with them. The model describes not a spontaneous unionism as that suggested by Commons' view of the origins of the labor movement, for it is trying to describe a different situation. It encompasses the existence of a functioning national movement seeking to expand into new areas. The economy of that labor movement itself serves as a supplementary explanation of the earlier organization of large establishments.

Further as to workers of rural background, one might guess that an inversion of a common rural attitude may make them more receptive to unionism. Texas' farmers, like farmers elsewhere, are probably more hostile to unions than not (though, also as elsewhere, strong alliances existed between farm and labor organizations in the period of agrarian revolt). This hostility, sometimes carefully fostered from the cities, seems essentially to arise out of identification of farmer status with an interest—either as food and fibre producer against consumer, or as an employer. When these farmers enter industry, they seem, at least in Texas in recent years, not to take their anti-union attitudes with them. It may well be that the very ideas which make them anti-union as farmers make them pro-union as industrial workers. They have been so well convinced that the workers' interest vis-a-vis other groups is best served through unionism that they join unions as a matter of course.

Managerial attitudes may also be less hostile in the type of establishment now being founded. Having had experience with unions elsewhere, the hysterical fear of labor organizations may be dissipated. Also, active hostility in new establishments might unsettle delicate relationships elsewhere. It is of interest here that several of the nonunion large new establishments in heavy industry are plants of firms which have avoided unionization in their plants outside Texas.

This sort of analysis would suggest the usefulness of some sort of concept describing a critical period in the life of an establishment during which it is peculiarly susceptible to unionization, but after which its susceptibility drops off very sharply. The length of the period would be related to the size of the establishment, the source and previous mores of the labor force, managerial attitudes and policies, all as they serve to encourage or discourage formation of an adequate social system in the establishment.

Having been induced from external foci into our newly industrialized area, we may hypothesize a subsequent gradually growing period of "unionism by contagion." In some communities, dominated by large establishments which are organized, affiliation with a union may become quickly the predominant pattern of behavior. Furthermore, if the original unionization had substantial hostility to overcome, involving strikes, picket lines and the accompanying drawing of lines—as in Harlan County, "there are no neutrals

there"—unionism rather rapidly engulfs the smaller establishments. This serves in part to explain the clear union ethic of Port Arthur. The new pressures to conform impinge upon the ethic of the older work society and overcome the barriers of long established informal association, or even convert it to the organizational purpose. Jefferson County (Beaumont-Port Arthur) and, to a somewhat lesser extent Houston, seem to be approaching this state, in Texas' organizational history. Furthermore, at these later stages, economic appeals may become real rather than symbolic, as the older indigenous establishments, and the smaller ones, typically adhering more closely to older standards of wages and working conditions, remain to be organized, and as unions have tangible successes in the community to point to. This sort of hypothesis would not be inconsistent with the observations concerning the relative incidence among small establishments in urban and non-urban areas.

Going at the problem of explaining the development of the American labor movement, then, from the angle of explaining differential union incidence at a particular stage of economic development and in a specified segment of the economy, not untypical of other segments, seems, at least to me, to have been fruitful. It has apparently provided significant distinctions, using the establishment as a unit of investigation, and establishment characteristics as variables, and has suggested hypotheses worthy of further investigation. Some of the data, and the hypotheses they suggest, would seem to be at variance with commonly accepted "general theories," or corollaries of such general theories. This does not greatly concern me, for my biases are with those who hold that the American labor movement has not been historically, and is not contemporaneously, susceptible of useful simplification in terms of monocausal statements. I believe a useful approach to include a recognition of the qualitative differences between the factors sufficient to explain the origins and early expansion of the labor movement, and its contemporary penetration into geographic areas on the frontiers of American industrialization.

SOME ASPECTS OF THE NEW YORK LONGSHORE SITUATION

DANIEL BELL

Fortune Magazine and Columbia University

RIMMED OFF from the rest of the city by a steel-ribbed highway and a wall of bulkhead sheds is the New York waterfront, an atavistic world more redolent of the brawling money-grubbing of the nineteenth century than the rationalized bureaucracies of the twentieth. Cross the shadow line and you are in a rough, racket-ridden frontier domain ruled by the bull-like figure of the "shaping boss." Here brawn and muscle, sustained where necessary by baling hook and knife, enforce discipline among a motley group of Italian immigrant, Slavic and Negro workers and a restless and grumbling group of Irish. Here one finds kickback, loansharking, petty extortion, payroll padding, tribute on cargo, bookmaking, numbers, theft and pilferage—and murder—a commonplace of longshore life. In such an atmosphere, rumor is rife and facts prone to exaggeration. Waterfront gossip insists, for example, that Cock-eye Dunn, head of three federal A.F.ofL. locals before his execution in Sing Sing in 1949 for killing a recalcitrant hiring boss, was responsible for thirty-seven murders. "We should be careful," states Bill Keating, onetime assistant district attorney and former counsel to the New York City Anti-Crime Committee, "and put the figure at thirteen."

Even making allowances for "local pride" the conservative estimates about the crime "take" in the lush post-war years are staggering. Organized theft and pilferage, according to deductions from insurance figures, reached \$30,000,000 in goods. Exorbitant "loading" charges added a \$10,000,000 tax annually to the consumers' bill. Many of the docks were controlled directly or indirectly by mobsters who ran the rackets and parceled out the jobs. Despite this, or perhaps because of this, the shipping companies and the municipalities around the rim of the port (New York, Jersey City and Hoboken) acted in tacit accord with the sordid elements. The rank-and-file, cynical of any settlement by the leadership of the union, and abetted often by dissident factional racket leaders, took the only course it knew, by "voting with its feet," i.e. a wildcat strike. In the decade after the war, in fact, almost

every major collective bargaining agreement between the shipping companies and the longshore union was repudiated by the men.

Why this rotten situation persisted so long is a difficult and complex story. It involves an understanding of the economics of the industry; the peculiar political relationships between the urban Democratic machines in the port and the union; the ethnic patterns within the longshoremen groups, and the Chinese warlord structure of the union itself. (I have tried to tell this story in some detail in a long paper on the union for a forthcoming book on union profiles edited by J. B. S. Hardman.) What I would like to call attention to in this paper is the distinctive role of the economic matrix in shaping the patterns of racketeering and the patterns of accommodation between shippers and union. If anything, the thesis of this study would be that in our fascination these days with the questions of power and manipulation, the economic fulcrum becomes ignored. Certainly the actions of the state agencies and the A.F.ofL. in the New York waterfront situation indicated an underlying belief on the part of the governmental and union leaders that by changing the power relations in the union and on the waterfront the conditions which created the racketeering might be eliminated. Certainly this was the justification for the extraordinary interventions by the Federal and New York state government in a labor dispute. And yet, without the reshaping of the economic and "technological" environments (using the words in their broadest sense to cover ecological and "material" aspects) the interventions of the state may prove fruitless.

New York Harbor sprawls around a sinuous perimeter of 700 miles, yet the hub of the port lies in the four to five miles of piers and ferry landings along the west side of Manhattan. Here the large ocean-going vessels dock. Here the tremendous amount of cargo and produce consumed in the city or shipped inland—as well as the cargo sent from the inland for export—are loaded and unloaded.

And yet the island's handicaps are unique. Not one steamship pier has a direct track connection to a trunk line railroad. Rail shipments have to be delivered to or taken from boats by lighters which float across the harbor, or by truck. Most of the piers are narrow structures constructed originally to accommodate the railroad floats which brought the rail cars from the Jersey shore. The

width of the slips between the piers is insufficient both for the berthing of the ocean-going freighters and the squat lighters which bob alongside to deliver or unload the bulk cargo. The narrowness of the pier works havoc, too, regarding cargo unloaded on the dock to be picked up by truck. Only a small percentage of New York's piers can accommodate the mammoth 40-foot trucks which carry cargo, so that for the great part freight must be handled in the choked marginal streets outside the piers. Congestion is so fierce and waiting time so high that the large motor carriers publish penalty rates for deliveries to steamship piers within the metropolitan area.

As a result of these antiquated facilities, shore handling costs, which once were a minor factor in the operation of a boat, today, in most instances, exceed the combined cost of vessel depreciation, crew's wages, insurance, supplies, overhead, maintenance and fuel oil. The biggest single expense is longshoring, which accounts for 50 per cent of the ship's total expense in moving cargo. If a shipping company is to have a profitable run, it needs a quick "turn-around," i.e. speedy unloading and loading, and a quick getaway. Through the ability to create delay by slowdown or strike, by assuring a large, casual floating labor supply—through the shape-up—readily available when the companies need them—the pier cliques were able to exert pressure upon the shipping companies. For this reason, it paid the shipping companies to play ball and buy off the mobsters.

On the waterfront, control of a longshore union local meant much more than the ordinary prizes of political victory. Control of a union local meant control of the host of rackets that are spawned on the docks, and the biggest prize of all was "loading." The loading racket is the key to criminal infiltration and baronial domination of sections of the International Longshoremen's Association.

Public loading arose out of a peculiar situation. When the steamship company deposited a consignment from the ship onto the pier shed floor it took no further responsibility for it. A trucker who arrived to pick up the consignment could lift the shipment onto the truck himself, take along a helper, or hire someone standing nearby—the public loader—to lift the goods onto the truck. "Time," said Benjamin Franklin, "is money." Time is the reason why the loading racket began. Because of traffic congestion—created by the narrow piers and the choked

streets—the most expensive item in trucking became waiting time. Rather than pay a driver's helper for snoozing on the truck, the driver would hire a "shenango" from a nearby saloon as a helper. Gradually, through a process of squatters' rights, various individuals began to assert a monopoly on loading at each pier. At first they offered their services; later they began to enforce compulsory service. Whether you needed a loader or not, you had to hire one who worked for the boss loader at the pier (although these men were in effect independent middlemen, paid by fee, they belonged to a local of the I.L.A.), otherwise you might not be able to load at all. Truckers in a special hurry could pay a "hurry-up" fee and go to the head of the line. So the tollgate was established, and in classical monopoly fashion, the loaders often charged, literally, all that the traffic would bear. The shipping company did not care; it was not their responsibility; moreover the loading clique at the pier often dominated the longshore local, and the shipping company wanted to keep labor peace. The trucker did not care; he simply passed along the cost. The consumer paid, but he did not care; how could he, he did not know about it.

So the industrial racketeer becomes established; he finds a strategic juncture and proceeds to occupy this point of vantage to his own profit.

In November, 1952, the simmering waterfront pot slopped over. Open hearings before the New York State Crime Commission disclosed that more than a hundred union officials regularly received gifts and pay-offs from the major stevedoring concerns. Said one of the heads of Jarka, the biggest stevedoring concern, of his pay-offs to union leaders Ed Florio, Cockeye Brown and insurgent Gene Sampson, "we needed a sufficient supply of labor; I wanted them at my beck and call."

Following the hearings, the A.F.of.L. acted to lift the charter of the I.L.A. and organize a new union. The State Government acted, too, but Governor Dewey could conceive of a remedy only through a "police action." The states of New York and New Jersey set up a bi-state waterfront commission with broad regulatory powers over the harbor:

All stevedoring firms had to be licensed and officers registered.

All pier superintendents and hiring bosses had to obtain licenses, and no ex-convict could be hired for these posts unless he could prove good conduct in the previous five years.

All longshoremen had to register. To maintain registration, a longshoreman had to work during a nine-month period to maintain his name on the hiring lists.

The shape-up at the piers was abolished and replaced by hiring centers.

Compulsory public loading was outlawed.

While these legislative moves were taking place, the I.L.A. contract expired. On September 30, 1953, the union called a strike which shut down the port. President Eisenhower set up a Board of Inquiry preliminary to obtaining a Taft-Hartley injunction. The board, headed by David Cole, stated that "the impact on the economy . . . is extremely serious," but it skirted the real issue—whether a national emergency such as to imperil the health and safety of the country existed. In effect, the question of the injunction was left squarely to the Administration; and the Administration, guided by Governor Dewey's office, left the issue up to the A.F.ofL. So close was the collaboration between the A.F.ofL. and Dewey's office, that if the A.F.ofL. had opposed a Taft-Hartley injunction, it is likely that the government would not have applied for one! But the A.F.ofL. felt it needed the time to organize, and it assented. To the dismay of the A.F.ofL., however, when the government applied for an injunction, Federal Judge Weinfeld included the A.F.ofL. under the injunction's blanket provisions too.

When the injunction expired, the N.L.R.B. moved to hold an election—which the old I.L.A. won. The union moved for immediate certification. The A.F.ofL. charged intimidation in the vote. The N.L.R.B. itself was undecided what to do. Its decision to hold an election itself had provoked violent criticism against it within the Administration. At this point, Governor Dewey, in an action unparalleled in the history of the N.L.R.B., put the full prestige of his office behind the petition of the A.F.ofL. for a new election. Publicly denouncing the old I.L.A. as a "ruthless mob" seeking to keep its rule over the harbor by force, the Governor declared on December 28 that the State would send a special representative to tell the Board that "coercion and intimidation" had prevented a fair election. Dewey also invoked the aid of Secretary of Labor Mitchell and the Republican administration in his efforts to get the N.L.R.B. to throw out the election. Dewey was successful. The Board voided the election and prepared to order a new one.

The I.L.A., its back to the wall, sought to force the issue by declaring a "spontaneous" strike. From March 5th to April 2nd the harbor was shut down tight. The A.F.ofL., to the surprise of other unions, openly sought to break the strike by recruiting longshoremen, and seamen, to go through the picket lines and work the tied-up ships. But the A.F.ofL. effort failed. Moreover it was a strategic, if not a moral blunder. The action of the A.F.ofL. in "scabbing" embittered many longshoremen; and the employment of seamen underscored the fears of many longshoremen that Paul Hall of the Seafarers, who directed the strike-breaking action, was seeking to take their jobs away and give them to his own unemployed union members. The strike was finally broken, not by the A.F.ofL., but by the N.L.R.B. which ordered the I.L.A. to bring back its men or forfeit its place on the ballot.

The Board's action highlighted the enormous role of government in this labor dispute. Although the new Republican administration had pledged itself to a hands-off policy in labor matters, the Government had gone in for more "arm-twisting" and overt intervention than in any labor dispute in the New Deal period. Dewey's rationale was that this was not an industrial dispute but a police action. But the labor aspects of the dispute could not be ignored. The N.L.R.B. had utilized its broad powers under Taft-Hartley, particularly the powers of injunction, to end an I.L.A. boycott of waterfront truck movements. It had obtained other injunctions, under the secondary boycott provisions of the act, to shut off strikes by New York tug crews. Finally, it "broke" the major strike by its threat of withdrawing election privileges.

As A. H. Raskin, the responsible labor reporter of the *New York Times* summed up the situation:

"The diversity of these weapons and the effectiveness with which they have been used against the I.L.A. have stirred a large measure of uneasiness among unionists who have no connection with the waterfront and no love for the hoodlums in control of the pier unions. They are concerned over the possibility that what has been done to the I.L.A. could also be done to unions with no taint of criminality. Ever since the Taft-Hartley act was passed in 1947, organized labor has been warning that it contained 'union-busting' provisions that could be used to break strikes and undermine

union strength any time employers wanted to force a show-down with their unionized employees. Many union leaders feel that the dock situation provides ample support for the correctness of this theory.''

In the subsequent election, the old I.L.A. again won. Why it did belongs to the longer, complex story of the ethnic-political patterns of the waterfront unions. In the year and a half of operation, the Waterfront Commission has taken some steps to clean up the waterfront, notably an effort to decasualize employment by weeding out the hangers-on and others who paid off a hiring boss for some extra work. But the peculiar economic matrix which gave rise to the racketeering conditions—the archaic methods of Chinese business through the “squeeze” and the “deal”—still remains. The economic and technological environment which has shaped this high-cost and chaotic mode of organization goes on with little internal or competitive pressure for change. Why should it, so long as the government pays subsidies or the unorganized consumer pays the extra tax?

In 1948, the New York Port Authority—an independent bi-state agency which operates the Hudson River bridges and tunnels and the metropolitan airports—submitted to the city a comprehensive plan for putting the port on a businesslike nonpolitical basis. Its blueprint called for a 114 million dollar capital investment for a huge produce terminal to be built over the water (to replace the shoddy and sprawling Washington market area), for consolidated railroad car floats, new piers, and a plan for traffic control. Its designs would have allowed greater mechanization of work, the reduction of waiting time, flexible planning to regularize employment—in short those factors which could “rationalize” a chaotic and crumbling industry and bring the port back to prominence and use. The offer was rejected by the city. The reason was glaringly obvious: a number of entrenched and politically powerful interests would have been upset.

So, the New York waterfront remains, aging, chipping, cracking and congested. The fulcrum of crime is still time—the time ships need for a fast turn-around to equalize mounting dock costs, and the time the trucks wait to load or unload. The narrow, fringe-like piers with little radial space still constrict the flow of goods. For the moment, the sluice gates erected by the mobs to exact their tolls are down. But the dilapidation remains.

GUARANTEED WAGES AND WORK-SATISFACTION

FRED H. BLUM
Howard University

I

AT FIRST GLANCE it may seem rather arbitrary to relate guaranteed wages to workers' satisfaction with their work. However, even a cursory examination of some of the factors determining work satisfaction demonstrates its relationship to wage guarantees.

The goals and values which are embedded in the organization of industry—such as productivity, the profit orientation of the firm—as well as the means used to implement these goals—such as the system of rewards and punishment, the supervisory hierarchy etc.—all these are factors influencing work satisfaction in general and the incentives to work in particular. Guaranteed wages have, as the Hormel-UPWA experience has shown,¹ a direct and strong impact on work incentives while eventually modifying all the other aspects of industrial organization just mentioned.

This paper uses the Hormel-UPWA experiment as a basis for its reasoning. However, the Hormel experiment does not set the frame of reference for this paper. The latter is a general one, dealing with American industry as a whole. Nor is it assumed that the results of the Austin experiment have direct applicability to other firms and industries. Appropriate qualifications will therefore be introduced as the argument develops.

There is, indeed, a wide gap between the guaranteed wage system of the George A. Hormel & Company and any possible guarantee system to be realized in the near future in American industry. After a two weeks' probationary period no Hormel worker can be fired on less than a fifty-two weeks' notice—except for cause. Even the fraction of the labor force now covered by some form of wage or employment guarantee—and it is a fraction amounting to less than 1% of the total labor force—enjoys much smaller benefits than those of the Hormelites.²

¹ See the author's "*Toward A Democratic Work Process, The Hormel-Packinghouse Workers' Experiment*, New York, 1953, partic. Chapter 11.

² *Guaranteed Wage Plans in the United States*, A Report on the Extent and Nature of Guarantee Plans and the Experience of Selected Companies. Bulletin No. 925, United States Department of Labor, Washington, D. C., p. 9.

However, there is little doubt that guaranteed wages will eventually become the dominant wage pattern in this country. The prediction made by the *London Economist* in 1947 has already become true. *The Economist* said "as the search for security goes on, it is hard to believe that the annual wage will not become as inevitable a demand of the unions as the forty-hour week."³ Yet the problems posed by the successful institution of guaranteed wages are such that considerable time will pass until guaranteed wages in the basic industries will approximate the comprehensiveness of the Hormel plan.

The following ideas express, therefore, a rather long-run view. But any group which uses its social power to bring about as radical a change in the wage system as guaranteed wages constitute—and everybody who wants to deal with these issues intelligently—has a responsibility to examine carefully the long-run effects of the new system.

The potential long-run effects of guaranteed wages cannot be meaningfully traced without certain assumptions in regard to (1) the nature of wage guarantees and (2) the overall economic policy which will accompany guaranteed wages.

We postulate guarantees of sufficient scope to limit the use of reserves as a coverage for guarantee demands in a long protracted depression. We assume, therefore, the necessity of a full employment policy assuring that employment will be maintained at a level which will assure effectiveness of moderate-sized reserves. The justification for postulating a steadily expanding economy at a full employment level does not lie in a vague unfounded optimism but it rests on the fact that a guaranteed wage in the basic industries will create strong political pressure—from management—to carry through a full-employment policy in order to minimize financial obligations and to avoid potential losses arising out of the guarantee commitments. Under these assumptions, guaranteed wages have two major effects on work satisfaction:

- (1) They influence work incentives in such a way as to create the basis for increasing productivity. Incidentally they modify the role of the supervisory hierarchy and create the basis for more democratically functioning work groups.

³ *The Economist*, August 17, 1946, p. 256.

- (2) They bring into sharper focus the presently existing dissatisfaction with work. At the same time they will liberate potential energy—and create the economic basis—for the eventual solution of this problem.

II

First, let us turn to the question of work incentives and of eventual increases in productivity. Guaranteed wages have a direct impact on the widely prevailing fear of losing one's job. As they become more comprehensive and widespread, and as the *experience* of unemployment slowly vanishes, the values determining the attitudes of informal work groups will change. Traditionally these groups were mainly oriented toward job preservation. Under such circumstances, the application of the economic calculus by the workers meant to maximize wages and to minimize work. If job preservation becomes part of the *formal* organization of industry it will cease to be the central value of the *informal* group and under the changed circumstances the economic calculus will lead to a maximization of wages and a minimization of the hours of work necessary to perform a given work task.

This change in attitudes can be used to increase productivity if (1) stipulation of standard work loads become more and more part of collective bargaining, thus slowly eliminating what has been called the present "anomaly" of determining wages without indicating the "normal" work load corresponding to the hourly, weekly or annual wage;⁴ and (2) if proper incentives are created to encourage workers to produce above standard.

It is not possible to make any sweeping predictions about the actual effect of guaranteed wages on productivity. The situation varies from industry to industry and from plant to plant. It is only possible to indicate tendencies and potentialities. But there can be no doubt about these potentialities.

Output per man-hour is about 50% higher in the Hormel Company than in the rest of the packing industry. In 1951, for example, the average Hormel worker earned over 30% more than the average worker in the packing industry while working an average of 34.4 hours per week instead of 41.5 hours. Wage costs per unit

⁴ Ordway Tead and Henry C. Metcalf, *Personnel Administration*, 3rd ed., New York, 1933, p. 247.

of output are about the same for the Hormel company as for the other major companies in the industry.⁵ The analysis for the reasons of these achievements has been carried to sufficient depth to give it general validity. These gains are not due to any unique attributes of the Hormel situation but could—under appropriate conditions—be reproduced in other parts of American industry. We can, therefore, conclude that a guarantee of wages either achieves its purpose and brings about a gradual disappearance of the deep-seated fear of losing one's job or it is a technical device which can only in name be called a guaranteed wage. And as the fear of losing one's job disappears, the whole psychological mechanism of group belongingness shifts to new goals which can *potentially* lead to great increases in productivity. Whether this potential is tapped depends (1) upon a thorough understanding of the psychological factors determining the presently prevailing attitude toward productivity, and (2) on our ability to devise and implement a full employment economy as outlined above.

Changes in the role of the supervisory hierarchy constitute an incidental yet important effect of the modifications of the factors determining the incentives of informal groups. Those functions which gave the supervisory hierarchy its name will become less and less significant. The role of the supervisor will be more and more in the area of quality control and related tasks. A consistent application of the idea of democratic groups will shift even some of these functions—to the extent to which they do not presuppose superior technical competence—to the leader growing out of the work group.

Though a great deal more experimentation is needed to obtain more concrete insights, there is little doubt that the changes brought about by a shift in the factors determining work incentives will force us to rethink our whole approach to work groups and to reformulate the role of the leader of such groups. Application of the principles of group dynamics based on the ethics of a democratic society will eventually lead to a new conception of democratic work groups. In order to give some indication of the difficult problems to be solved in this context, I want to mention one of the most significant implications of such reformulation: the functions of the shop stewards and those of the foremen will change in such a way

⁵ Fred H. Blum, *op. cit.*, p. 158.

as to affect the whole structure of the union and of the internal organization built up by management.

Time limitations force us to open up new vistas in this respect rather than to give the proof of their validity. Yet those who have followed recent developments in human relations in industry will easily recognize familiar ground.⁶

III

Let us now turn to the second point raised, namely that guaranteed wages will have a strong tendency to reveal more and more clearly the inability of the present organization of industry to give genuine work satisfaction. Or to be more precise, they will bring to the foreground its inability to satisfy the personality needs of people who adhere to the fundamental principles of a democratic society and whose character structure is molded by the reality and the ideology of a free enterprise society.

Here is some relevant empirical evidence pertaining to the dissatisfaction with work. David Riesman's "Lonely Crowd" shows the contribution of what he calls "the cultural definition of work" to modern conformism and to the frequent absence of meaningful orientation in regard to community and society.⁷ C. Wright Mills has summarized presently prevailing work satisfactions in the following statement which applies to blue-collar as well as to white-collar workers. He said: "Each day men sell little pieces of themselves in order to try to buy them back each night and week-end in the coin of 'fun'."⁸ Whyte's articles in *Fortune* on the "Wives of Management" must also be cited as relevant empirical material showing that a problem as deep seated as work satisfaction affects workers and management in fundamentally similar ways.⁹ My own analysis of the Hormel situation has shown that the "flight from work" engulfs many workers into a vicious cycle out of which few manage to escape.¹⁰

All these are different views focusing attention on the contribution of the presently existing industrial organization to what

⁶ See in particular the publications by the *Survey Research Center*, University of Michigan.

⁷ David Riesman, *The Lonely Crowd*, New Haven, 1952, particularly chapters V and XIV.

⁸ C. Wright Mills, *White Collar*, New York, 1951, p. 237.

⁹ "The Wives of Management," *Fortune*, October and November 1951.

¹⁰ Fred H. Blum, *op. cit.* Chapter 6 and Epilogue.

Tillich called "the anxiety of meaninglessness"¹¹—the most typical characterization of our time.

It is true that these problems do not usually come to the surface in studies on work satisfaction. Partly this is due to the manner in which "work satisfaction" is defined in these studies.¹² Partly it is due to the overwhelming preoccupation of workers with other problems. The difference between the Hormel workers who do have security through guaranteed wages and a group of workers in an Eastern community which I am presently studying is significant in this respect. The Hormel workers, though not being more philosophically inclined than other workers, are interested in discussing problems connected with the meaning of work which workers in the Eastern community brushed off by saying "all we want is more money and steadier work."

This is a good illustration of a more generally valid point: by solving problems around which a great deal of energy is now constellated, namely problems of security, wage guarantees will bring to a sharper focus the fundamental problems of satisfaction with work. Speaking in technical terms, we may say, that, as the problem of security is being more and more solved, the "field structure of goals" will be modified and new values will become the focus of attention. And as soon as this happens, the problem of freedom—which is a problem of giving meaning to security—has to be dealt with more explicitly.

I do not believe that this new concern with freedom will arise out of a sudden acceptance of the principles of "self-realization" as the key principle underlying the organization of a society which deserves the name free and democratic. But a concern with deeper-lying satisfactions and dissatisfactions of work will emerge out of the struggle between management and unions for the loyalty of the workers. This struggle is likely to intensify once guaranteed wages have brought about certain changes in workers' attitudes toward management and toward unions. There is no doubt that wage guarantees open new possibilities for positive identification of workers with management or with "the company." And, though guaranteed wages may strengthen the union as an institution, they also may increase rather than solve some of the problems which unions

¹¹ Paul Tillich, *The Courage To Be*, New Haven, 1952.

¹² For a discussion of this point see, for example, Daniel Katz, *Morale and Motivation in Industry*, Survey Research Center, University of Michigan.

meet in their attempt to create a strong emotional identification of workers with their union and to increase their participation in its activities.¹³

No matter what the impact of guaranteed wages on workers' attitudes toward management and the union may be, guaranteed wages are bound to influence the attitudes of unions and of management toward each other. It is an illusion to assume that a guaranteed wage system of sufficient consistency and scope can be sustained if management and unions do not come to a rather radical re-orientation of their goals and their attitudes toward each other. A new form of labor management cooperation, based on a new conception of the enterprise, must emerge if we want to avoid a rigid, bureaucratic, government controlled society. To give just one example: if unions use their power to increase wages and management uses its power to increase prices, inflationary pressures will arise which are not compatible with a free full-employment economy. This is merely one illustration for the need of a re-orientation of labor and management.

IV

This paper is not directly concerned with the general nature of this reorientation. But it is indirectly—and vitally—concerned with the impact of such a reorientation on the meaning of work. And our main plea is to take the satisfaction of the deeper personality needs of all those attached to industry as the guide and central criterion in reconsidering the goals as well as the means used by modern corporations to implement their basic values and objectives.

Guaranteed wages may be used as an opening wedge for organizing industry around those goals and values which can give meaning to the life of those who are part of the organization of industry, be they in a managerial or in other types of operational functions. If their essence becomes fully realized, namely the re-transformation of social overhead cost into overhead cost of business enterprise, in that case they have a tendency to lead to what may be called for brevity's sake a more democratic organization of industry. However, it would be more than naive to assume that such a development is a necessity or even a likelihood unless groups

¹³ See Fred H. Blum, *op. cit.* esp. chapters 3 and 4.

with sufficient power in the industrial scene deal squarely with the deeper economic, social and human problems of work satisfaction.

A discussion of the problems raised by an attempt to solve these issues would lead us beyond the scope of this paper. Suffice it to point out before concluding that some of these problems were sketched in Clark Kerr's Swarthmore address on the "Independent Spirit" in which he warns against "total involvement in any organization."¹⁴ While I agree that a democratic society is doomed if any one organization becomes the exclusive rallying point for people in industry, a neglect of the deeper personality problems of work, under a false pretense of limited functions of the corporation and of the unions, will lead to a new totalitarianism—the totalitarianism of the robot man which industry is in danger of creating.

By pointing to these fundamental problems and by giving us a new basis for dealing with them, guaranteed wages pose a great challenge to all those concerned with industrial problems. In this challenge lies the ultimate significance of the new age of guaranteed wages which is now dawning in American industry.

¹⁴ Clark Kerr, "The Independent Spirit," *Friends Intelligencer*, Eighth Month 2, 1952.

Part X

BUSINESS REPORTS

PROGRAM OF SEVENTH ANNUAL MEETING

Detroit, Michigan, December 28-30, 1954

Detroit Leland Hotel

TUESDAY, DECEMBER 28

9:30 a.m.

THE UNION'S INFLUENCE ON MANAGEMENT DECISIONS IN THE
AUTOMOBILE INDUSTRY

Chairman: Neil W. Chamberlain, Columbia University

Papers:

- (a) *A Union Point of View*
Jack Conway, United Automobile Workers
- (b) *An Industry Point of View*
Frank Rising, Automotive and Aviation Parts Manufacturers Association
- (c) *An Outsider's Point of View*
Herbert Northrup, Ebasco Services

9:30 a.m.

THE LABOR MOVEMENTS IN THE MODERN WORLD

Chairman: F. H. Harbison, University of Chicago

Papers:

- (a) *The Labor Movement and Economic Development in Japan*
Solomon B. Levine, University of Illinois
- (b) *The Labor Movement and Economic Development in Mexico*
Adolf Sturmthal, Bard College
- (c) *Recent Research on Western European Labor Movements*
Val R. Lorwin, University of Chicago

Discussion:

John Meskimen, Foreign Operations Administration
John P. Windmuller, Cornell University
W. Campbell Balfour, University College, Cardiff, Wales

2:30 p.m.

METHODS AND OBJECTIVES IN INDUSTRIAL RELATIONS RESEARCH

Chairman: J. Douglas Brown, Princeton University

Papers:

- (a) *Methods and Objectives: An Economist's View*
John Dunlop, Harvard University
- (b) *Methods and Objectives as a Segment of Social Science*
Paul Webbink, Social Science Research Council

Discussion:

Jack Conway, United Automobile Workers
Paul H. Norgren, Industrial Relations Counselors, Inc.

2.30 p.m.

AUTOMATION, PRODUCTIVITY, AND INDUSTRIAL RELATIONS

Chairman: Howard Kaltenborn, Industrial Relations
Counselors, Inc.

Papers:

- (a) *Automation: A New Dimension to Old Problems*
George B. Baldwin and George P. Shultz,
Massachusetts Institute of Technology
- (b) *Administering Technological Change in a Large
Insurance Office—A Case Study*
Harold F. Craig, Harvard Business School

Discussion:

Gerry E. Morse, Minneapolis-Honeywell Regulator Company
Solomon Barkin, Textile Workers Union of America

9:00 p.m.

SMOKER FOR ALL MEMBERS

WEDNESDAY, DECEMBER 29

9:30 a.m.

THE IMPACT OF EMPLOYMENT SECURITY PROGRAMS

Chairman: William Haber, University of Michigan

Papers:

- (a) *The Economic Function of Unemployment Insurance*
Arthur Larson, Undersecretary of Labor

(b) *Economics of the Guaranteed Wage*

Seymour Harris, Harvard University

Discussion:

Nat Weinberg, United Automobile Workers—C.I.O.

Seymour Brandwein, American Federation of Labor

Emerson P. Schmidt, Chamber of Commerce of the
United States

9:30 a.m.

UNION GROWTH

Chairman: Vernon Jensen, Cornell University

Paper:

*Union Growth and Structural Change*Irving Bernstein, University of California (Los
Angeles)

Discussion:

Daniel Bell, *Fortune Magazine*

Lloyd Ulman, University of Minnesota

Russell Allen, International Brotherhood of Papermakers

12:15 p.m.

LUNCHEON AND PRESIDENTIAL ADDRESS

Industrial Relations and the Liberal Pluralist

Clark Kerr, University of California

2:30 p.m.

CHANGING LENGTH AND PATTERNS OF WORKING LIFE

Chairman: Arthur Larson, Undersecretary of Labor

Paper:

The Length of Working Life

Seymour L. Wolfbein, Bureau of Labor Statistics

Discussion:

Industrial Relations Implications, Nelson M. Bortz, Bureau
of Labor StatisticsExpenditure Patterns, Edgar I. Eaton, Bureau of Labor
Statistics

Manpower Implications, Charles D. Stewart, Bureau of
Labor Statistics

2:30 p.m.

HUMAN RELATIONS AND INDUSTRIAL RELATIONS

Chairman: W. Ellison Chalmers, University of Illinois

Paper:

*A Summary and Critical Analysis of Some Human
Relations*

Harold Wilensky, University of Michigan

Discussion:

James Worthy, Department of Commerce

Solomon Barkin, Textile Workers Union of America

2:30 p.m.

CONTRIBUTED PAPERS

Chairman: Edwin Witte, University of Wisconsin

Papers:

The Trade Unionism of Henry Simons

Orme W. Phelps, Claremont Men's College

*Growth of Collective Bargaining in Texas—A Newly
Industrialized Area*

Frederic Meyers, University of Texas

*Some Aspects of the Recent Longshoremen's Difficulties
in New York*

Daniel Bell, *Fortune Magazine*

Guaranteed Annual Wages and Job Satisfaction

Fred H. Blum, Howard University

4:30 p.m.

GENERAL MEMBERSHIP MEETING

THURSDAY, DECEMBER 30

9:30 a.m.

URBANIZATION AND INDUSTRIALIZATION OF THE LABOR FORCE IN A
DEVELOPING ECONOMY (AEA, IRRA)

Chairman: Lloyd G. Reynolds, Yale University

Papers:

- (a) *Labor Attitudes Toward Industrialization in Underdeveloped Countries*

Wilbert E. Moore, Princeton University

- (b) *The City, the Factory, and Economic Growth*

Bert F. Hoselitz, University of Chicago

Discussion:

George B. Baldwin, Massachusetts Institute of Technology

William Knowles, Michigan State College

Simon Rottenberg, University of Chicago

2:30 p.m.

PRICE AND WAGE FLEXIBILITY (AEA, IRRA)

Chairman: R. T. Bowman, University of Pennsylvania

Papers:

- (a) *The Price Rigidity Problem: Two Historical Experiences*

J. M. Blair, Federal Trade Commission

- (b) *Wage Flexibility in Recent Years*

Kenyon Poole, Northwestern University

Discussion:

Gideon Rosenbluth, Queens University

Frank Pierson, Swarthmore College

EXECUTIVE BOARD MEETING

Columbus, Ohio, April 23, 1954

The Executive Board convened at 5:00 p.m. on Friday, April 23, recessed at 6:00 for the official Board dinner during which some matters of business were taken up, and continued after dinner in order to eliminate the necessity for a second session on Saturday. In the absence of President Kerr, the meeting was presided over by Past President Ewan Clague. Present were: Clague, Daugherty, Fleming, Garrett, Killingsworth, Peck, Ruttenberg, Tiffin, Tripp, Young.

The minutes of the December meetings were distributed but, having previously been submitted to the members for approval, no further action was necessary.

The membership and financial reports to this date were distributed and reported on by the Secretary. Total paid memberships to April 19 were 1,105, as against 1,466 at approximately the same time in 1953, the smaller figure being attributable to the fact that bills had been sent to members with unpaid dues before this time last year. The total of paid and unpaid memberships at this time is very nearly the same as the 1953 membership, indicating that the membership seems to have leveled off at about 1,750. The Secretary reported considerable success in persuading charter or other long-time members, who had let their memberships lapse in 1953, to renew as a result of a personal letter to each from the President.

The financial report, which carried through April 15, showed a balance of \$16,834.10. The Secretary explained the items in the report, particularly the estimates necessary for the remainder of the fiscal year, bringing out the fact that heavy printing costs remain to be paid, and that the new membership directory will be considerably more costly than the regular publications.

The proposed directory was discussed briefly with regard to price and number to be printed. It was decided that a printing of 200 or 300 beyond the number required for the membership would be sufficient.

The report of the Nominating Committee was given by Mr. Killingsworth.

Use of the Association's mailing list was discussed briefly, particularly with regard to the charge for using it, and the opinion of

the Board was that no change should be made unless rising costs make it necessary.

The Editor reported on the status of the publications as follows: The *Proceedings* of the 1953 annual meeting are in the stage of galley proof being returned and should be completed within a few weeks. The Manpower volume is likewise expected shortly, with June designated as the month of issuance; while this volume will be in hard covers and not the format of previous volumes, it will carry a publication number to make it one of the series and a notation that previous volumes can be obtained through the Association. On the projected Emergency Disputes volume, Mr. Bernstein had written that eleven of the thirteen authors were already lined up and he hoped within a few weeks to have the entire work committed.

The 1956 volume on Human Relations was discussed in some detail with Mr. Chalmers, the Board members making suggestions of topics and participants.

The question of the placement service was also discussed in detail on the basis of last December's experience. It was the opinion of several members that a permanent placement service could not be handled without a full-time person in charge. The decision of the Board was to notify the membership that the Association would serve as a clearing house for information, allowing employers to file notice of openings and members to file biographical data, throwing competition open to all without direct referrals.

Discussion of the program for the Detroit meetings in December centered on the following suggestions of President Kerr: 1) employment security; 2) management and union functions; 3) governmental role in economic security; 4) wage structure; 5) human relations; 6) international labor affairs; 7) union growth; 8) productivity-technology; 9) industrial relations research.

No discussion of the Philadelphia meeting in the spring of 1955 took place since neither of the co-chairmen was present.

An IRRA news sheet for local chapters was considered but, since several of the members thought it of doubtful value, the decision of the Board was to leave this question over to the December meeting.

The Secretary raised the question of investing some of the Association's idle funds to earn interest, and while no official action was

taken, the general feeling of the Board was in favor of some such plan.

All items on the agenda having been covered, the meeting adjourned at 9:30 p.m.

EXECUTIVE BOARD MEETING

Detroit, Michigan, December 28, 1954

The Executive Board convened at 5:00 p.m. on Tuesday, December 28, 1954, presided over by President Clark Kerr. Present were: Messrs. Bernstein, Chamberlain, Clague, Davey, Kerr, Reynolds, Ross, Ruttenberg, Seidman (acting for Boris Shishkin who was ill), Seitz, Tripp, Wallen, Worthy, and Young.

The minutes of the Executive Board meeting in Columbus in April were distributed for the information of the members, but since they had previously been submitted for approval, no action was necessary.

The report of the Elections Committee was presented as follows: President, Lloyd Reynolds; Board Members, Neil Chamberlain, William Caples, Boris Shishkin, and Saul Wallen.

Membership and financial reports were distributed and elaborated on somewhat by the Secretary. Total paid memberships for 1954 were 1,728, indicating that the association is maintaining almost the same membership over the years. There was considerable discussion about the make-up of the membership and the advisability, since it is at present so heavily academic, of trying to interest more representatives of business and labor. Members of the Board will explore avenues of approach toward achieving this objective.

The financial report showed assets of \$11,734.94, \$5,000 of which is invested in a federal savings and loan association. An extra publication in 1954, which should have come out of 1953, made a considerable difference in publication expense, and the fact that three publications are now out of print has made a difference in sales. A proposed budget for 1955 was presented and approved by the Board.

Two questions concerning annual meetings were brought up by the Secretary: the possibility of meeting at some other time of the year, as is being suggested by the American Economic Association which is polling its members on this question, and the desirability or undesirability of meeting in the same hotel as the AEA. The AEA ballot showed that association committed to December meetings through 1958, and it was suggested that the IRRA might perhaps better wait to see what that association does. On the question of the hotel, the Board felt that meeting in the same hotel, if practicable, was preferable.

The location of a meeting place for the spring of 1956 was discussed at some length; the 1955 meeting is already planned for Philadelphia. The decision of the Board was to try for Milwaukee in the spring of 1956.

An outline of the forthcoming emergency disputes volume was distributed by Mr. Bernstein. The editorial board, consisting of Bernstein, Fleming, and Enarson, had revised the outline in line with suggestions received, coming up with thirteen chapters, all of which are at the present time completed. The editorial board has been meeting in the past couple of days to go over the chapters and thus feels confident of having the volume ready for the publishers by the March 1st deadline.

The Editor reported that, while the original contract with Harpers for publication of the Manpower volume was on a yearly basis, the understanding was that it could be continued if satisfactory, and a recent communication from Harpers indicated a willingness to publish future volumes on the same basis. This renewal was unanimously agreed to by the Board.

The meeting adjourned at 6:30 for the annual Board dinner.

EXECUTIVE BOARD MEETING

Detroit, Michigan, December 28-29, 1954

The Executive Board convened following the annual Board dinner on December 28, 1954, with newly-elected President Lloyd Reynolds presiding. Present were: Chamberlain, Clague, Davey, Kerr, Reynolds, Ross, Ruttenberg, Seidman (for Shishkin), Seitz, Tripp, Wallen, Worthy, and Young.

A tentative program for the spring meeting in Philadelphia was distributed and discussed. In the absence of Mr. Pierson, program chairman for the meeting, members of the Board were asked for suggestions and comments on program possibilities. Chief among the suggestions were: unemployment in critical areas, seniority problems in lay-offs, developments in social security, automation and employee attitude, and the impact of the new Fairless steel mills on the community and the economy.

There was considerable discussion of program subjects for the next annual meeting, with consideration of such innovations as round table discussion without prepared papers or a prepared panel discussion, and the relative merits of two speakers and two discussants or a single speaker with more time for discussion. There was general agreement that sessions should be balanced to provide some with strong appeal to practitioners and some to academic people.

Harold Davey reported for the Research Committee on the 1957 special volume. That committee had unanimously approved the following motion: "That the Research Committee recommend to the Executive Board that the Association undertake to prepare a review of published research in the industrial relations field. Such a review could be of either of two types. The Committee's first preference is for a survey volume, covering post-war research in industrial relations for the ten-year period 1945-1955. Published research in the various segments of the industrial relations field would be critically reviewed by one or more specialists in the field. The Committee's second preference would be for an annual or biennial review of industrial relations research." The Board favored the first suggestion, which was discussed at some length, and it was agreed that the President would aid the Committee in securing someone to act as editor for such a volume.

The Editor, Reed Tripp, requested some authorization from the Board to be firm with participants on the subject of keeping papers within reasonable bounds, which is necessary because of the high printing costs. The Board so authorized him.

The meeting adjourned at 9:30 p.m., to reconvene the following day, Wednesday, December 29, at 11:00 a.m.

The Secretary presented a request from Professor Hopkins of the University of Washington for IRRA sponsorship of a regional conference in the area of Washington, Oregon, and Idaho, includ-

ing an inquiry as to whether the Association would publish the proceedings of such a conference. He was instructed by the Board to notify Mr. Hopkins that the Association would gladly lend its name to such a conference but could not undertake any publication of proceedings.

Mr. Kerr presented an inquiry from Professor Theresa Wolfson about the possibility of an IRRA news letter similar to that of the National Academy of Arbitrators. The Board decided that this was not feasible for the Association but favored the suggestion of Mr. Ross that each local chapter might make an annual report which could be included in the *Proceedings*.

Mr. Kerr also presented a communication from Mr. Ben Stephansky, Labor Attache in Mexico City, inquiring whether the Association might undertake publication of a book written by a Mexican colleague, Mr. Salazar. The Board agreed that this was not possible.

Mr. W. E. Chalmers came into the meeting to report briefly on the 1956 special volume on human relations, of which four chapters are presently lined up and three are being presented in sessions of the current meetings. He will provide the Secretary with a summary of the results of the editorial board meeting to be held later in the day.

In connection with the Nominating Committee for 1955, there was unanimous agreement on the choice of George Taylor as chairman. It was suggested that the President consult with Mr. Taylor on membership of the committee and submit these names to the members of the Board by mail.

It was agreed to request Harold Davey to continue as chairman of the Research Committee and that the President will confer with him about membership of the committee.

The request of a recently established local chapter in Detroit for affiliation was presented and approved. The Secretary was instructed to draw up a suitable certificate for the new chapter.

The Board unanimously passed a resolution of thanks to Mr. Edward Cushman and Mrs. Ruth Barnes for the excellent arrangements for the current meetings.

There was further discussion of the 1955 annual meeting in New York, including choice of local arrangements chairman, and the Secretary was instructed to investigate possibilities.

The meeting adjourned at 12:30 p.m.

GENERAL MEMBERSHIP MEETING

Detroit, Michigan, December 29, 1954

The general membership meeting of the IRRA was held at 4:30 p.m. on Wednesday, December 29, presided over by out-going President Clark Kerr, who announced the purpose of such sessions as offering opportunity to association members to comment or make suggestions regarding this and future programs.

The incoming president, Lloyd Reynolds, was introduced and presented to the meeting the present thinking about next year's annual meeting program. Topics suggested were: union monopoly situation; the 30-hour week, internal decision-making processes on union and management side of industrial relations; trade union history of the last 20 or 30 years; the usefulness and reliability of various kinds of measurement techniques in industrial relations; training that is appropriate and useful in industrial relations preparation; health and welfare funds; the problem of longshore labor in New York; the Puerto Rican problem in New York City. Suggestions from the floor included: examination of the whole public policy in industrial relations; the effect of automation on industrial relations; right to work legislation and union security; scientific and professional manpower—recruitment and development of skills; impact of labor relations on the law and vice versa; alternative methods of paying for medical care, particularly catastrophic illness; exploration of the implications of the reduction in the work week.

Harold Davey, chairman of the Research Committee, reported on the status of the special volumes to be published. The 1955 volume on emergency disputes is completely in hand at present, will go to the publisher within the next two months, and come out in the early autumn. The 1956 volume on human relations is about at mid-point in preparation. For the 1957 volume, the Research Committee is suggesting a departure from the orthodox pattern of the special volumes to undertake a survey review of research in the industrial relations field in recent years, perhaps 1945-1955, with a chapter or two on each of the special branches of research in the field. It was suggested that perhaps at the 1955 annual meeting a session could be devoted to the direction and trends of such research.

Mr. Reynolds presented to the meeting the tentative lay-out of the spring program in Philadelphia, with suggested sessions on unemployment in critical areas; seniority problems in lay-offs; developments in social security; automation and employee attitude, and perhaps the luncheon meeting devoted to the impact of the new Fairless steel mills on the community and the economy.

Mark Kahn reported the establishment of a local chapter of the IRRA in Detroit, that it has been received enthusiastically, and seems to be having a useful influence in the Detroit area along the lines of IRRA objectives.

The Editor, Reed Tripp, reported to the membership the suggestion of the Executive Board that each local chapter submit a brief report of its activities to be included in the annual proceedings.

There was some discussion of the advisability of considering another time of year for the annual meetings, inasmuch as several other associations have already departed from the December meeting time and the American Economic Association is presently polling its members for their feeling in this matter.

The meeting adjourned at 5:30 p.m.

KELLOGG, HOUGHTON AND TAPLICK

CERTIFIED PUBLIC ACCOUNTANTS

Fred C. Kellogg, C.P.A.
Vernon F. Houghton, C.P.A.
Robert W. Taplick, C.P.A.

Insurance Building
Madison 3, Wisconsin

December 8, 1954

Executive Board
Industrial Relations Research Association
Madison, Wisconsin

Dear Sirs:

In compliance with your instructions, we have completed our audit of the records of cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1954.

Cash receipts from membership dues and other income were test checked into the records. Cancelled checks were examined in support of cash disbursements. The cash balance as at November 30, 1954, as shown by the books was reconciled to the bank statement as of November 30, 1954. Available cash in a checking account at the First National Bank totaled \$6,734.94, and an additional \$5,000.00 is invested in Certificate No. 3384 at the Home Savings and

Loan Association. Cash disbursements, including this \$5,000.00 investment purchase, totaled \$17,446.22 for the year.

In our opinion the statement of cash receipts and disbursements attached to and forming a part of this report represents correctly the cash transactions of the association as recorded for the fiscal year ended November 30, 1954.

Respectfully submitted,
KELLOGG, HOUGHTON AND TAPLICK
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
 MADISON, WISCONSIN

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 Fiscal Year Ended November 30, 1954

<i>Cash Balance</i> —December 1, 1953.....	\$10,977.36
<i>Cash Receipts:</i>	
Membership dues.....	\$9,513.85
Subscriptions.....	566.00
Sales.....	1,288.95
Mailing List.....	202.00
Miscellaneous.....	1,633.00
	<hr/>
Total Receipts 1953-54.....	13,203.80
	<hr/>
Total Cash.....	<u>\$24,181.16</u>
<i>Cash Disbursements:</i>	
Secretarial Salaries.....	\$1,986.97
Withholding Tax.....	415.22
Printing.....	469.25
Postage.....	447.43
Services.....	226.89
Publications.....	7,315.54
Supplies.....	30.35
Investment—Home Savings & Loan	
Certificate No. 3384.....	5,000.00
Travel and Conference Expenses.....	670.24
Telephone and Telegraph.....	93.21
Convention Expense.....	521.50
Advance—District Arrangement Committee.....	100.00
Refunds.....	70.25
Miscellaneous.....	99.37
	<hr/>
Total Disbursements.....	<u>17,446.22</u>
<i>Cash Balance</i> —November 30, 1954.....	<u>\$ 6,734.94</u>

OFFICERS AND COMMITTEE CHAIRMEN FOR 1955

President: Lloyd Reynolds

Executive Board: William G. Caples
Neil Chamberlain
David L. Cole
Carroll R. Daugherty
Robert Dubin
Clark Kerr
Avery Leiserson
Gladys Palmer
Gustav Peck
Arthur Ross
Stanley Ruttenberg
Peter Seitz
Boris Shishkin
Joseph Tiffin
Saul Wallen

Editor: L. Reed Tripp

Counsel: Sylvester Garrett

Secretary-Treasurer: Edwin Young

COMMITTEE CHAIRMEN

NOMINATING COMMITTEE:

George W. Taylor

ELECTIONS:

Edwin Young

COMMITTEE ON RESEARCH:

Harold Davey

LOCAL ARRANGEMENTS:

Lloyd Bailer

James Black

PROGRAM FOR 1955:

Neil Chamberlain

Lloyd Reynolds

LOCAL CHAPTER REPORTS

CORNELL CHAPTER

The membership of the Cornell Chapter of the IRRA totaled, at the end of 1954, fifty members. Of these, 27 were junior memberships, held by graduate and undergraduate students of the New York State School of Industrial and Labor Relations.

The year saw considerable activities. The Chapter found the holding of informal luncheon meetings, at which current research of the members is discussed, most useful. Among the topics so discussed were the following: the relevance of wage relationships to the supply of skilled labor; human relations training and foremen leadership; the probability approach to industrial mobility; the development of theories of the labor movement.

In addition to the research luncheons the Chapter sponsored more formal meetings to which specialists in different phases of industrial and labor relations were invited as guest speakers.

The membership of the Chapter feels that its activities are most useful in providing a channel for developing the interest of younger members in the field of labor relations, as well as in the Association. The Chapter provides also a forum in which students and practitioners in the field develop new and interesting acquaintances.

DETROIT AREA CHAPTER

The Detroit Area IRRA Chapter was organized informally early in 1954 by some members of the national IRRA who used the IRRA membership list for this vicinity as a starting point. The response at a number of successful meetings made it seem worthwhile to continue the venture, and so the inevitable institutional burdens were shouldered: we now have By-Laws, Dues (\$2.00 per year), and officers and an Advisory Board composed of Edward L. Cushman (President), Ronald W. Haughton, A. L. Zwerdling, Mark L. Kahn, Irving Bluestone, Harry Casselman, F. M. Harris, John M. Maguire, Leonard R. Sayles, and E. Marvin Sconyers. Although the national IRRA has not yet formally acknowledged its paternity, we now regard ourselves—with 85 dues-paying members—as completely legitimate.

Our unique function, we believe, is to facilitate the informal exchange of ideas on industrial relations topics among individuals

with differing orientations and associations. Thus, our present members are distributed by principal occupation as follows: academic, 18%; management, 28%; union, 14%; government, 12%; arbitrators, 10%; and others (lawyers, consultants, etc.), 18%.

We hold monthly dinner meetings. Five of the seven programs already held by the Chapter have been based upon recent or current academic research at universities in this area: (1) the "merit vs. seniority" issue, by L. Clayton Hill, University of Michigan; (2) union policies and productivity in the construction industry, by Harold M. Levinson, University of Michigan; (3) grievance arbitration in the automobile industry, by George B. Heliker, University of Detroit; (4) participation in local unions, by Robert Kahn and Arnold Tannenbaum, University of Michigan; and (5) seniority rights and job elimination, by Mark L. Kahn, Wayne University. The other two programs were discussions, respectively, of wildcat strikes and of foreman-steward relations.

Among the results we begin to observe are the following: (1) subjecting academic research to non-academic scrutiny; (2) informing the local industrial relations "community" about local research activity; (3) developing new research ideas; (4) promoting the exploration and analysis of labor topics away from the sometimes contentious atmosphere of the bargaining table; (5) providing a meeting ground for the industrial relations "community;" and (6) stimulating interest in the national IRR.A.

NEW YORK CHAPTER

The New York Chapter of the Industrial Relations Research Association held its first membership meeting on October 23, 1953. Preliminary sessions had been held in the spring of 1953 at which the possibility of forming a chapter was discussed. The initial membership of the Chapter was comprised of 25 individuals, all of whom were members of the National organization.

The Chapter's program for the year 1953-54 was devoted to a discussion of the implications of the guaranteed annual wage. Discussion leaders for the series were Jack Chernick, Director of Research, Institute of Management and Labor Relations, Rutgers University; Lloyd H. Bailer, Arbitrator; Paul Norgren, Industrial

Relations Counselors, Inc.; Matthew Radom, Standard Oil Company of New Jersey; David Lasser, Research Director, IUE-CIO, and Leo Teplow of the American Iron and Steel Institute.

In the spring of 1954 the Chapter expanded its topic to include a discussion of the subject of bulwarks against unemployment in which consideration was given to the relationship between the guaranteed annual wage and unemployment insurance and other supplementary benefits. The discussions in this phase of the program were led by Meredith Givins, Research Director of the New York State Unemployment Compensation Board together with Milton O. Loysen and Irma Rittenhouse of the Unemployment Compensation Board and Winston Dancis of the Research Division of the New York State Department of Labor.

The first annual dinner of the New York Chapter was held in April 1954 at the New York University Faculty Club with Dr. Douglas McGregor, then President of Antioch College, as the principal speaker.

The Chapter is in the midst of its second year of activity and is devoting this year's program to a discussion of the general topic of job evaluation, wage incentives and alternatives. At monthly meetings held thus far, discussions have been led by Professor William Waite, of the Department of Industrial Engineering, Columbia University; William Gomberg, Director of the Engineering Department of the International Ladies Garment Workers Union, A. F. of L.; Louis Oestreicher, Employee Relations Manager of the Sperry Gyroscope Company; Charles Wiedeman, International Association of Machinists, A. F. of L., and Solomon Barkin, Research Director for the Textile Workers Union, CIO. The Chapter is planning its second annual dinner for May 1955 at which time newly elected officers will be installed.

The officers of the Chapter for the part year and a half are: Theresa Wolfson, Professor of Economics, Brooklyn College, President; Lloyd H. Bailer, Arbitrator, Vice-President, and Benjamin B. Naumoff, Chief Examiner, National Labor Relations Board, Secretary-Treasurer. The Chapter's membership now totals 165 and monthly meetings are held from October through May.

WASHINGTON, D. C., CHAPTER

The Washington Chapter has a membership of 260, from the ranks of government, industry, labor organizations, and trade associations.

The Chapter meets monthly, in Brookings Institution, for discussion of significant developments; these meetings feature papers delivered either by guest speakers or expert panels. Attendance at these meetings ranges from 80 to 100.

The varied and significant nature of the subjects of our monthly sessions is limned in the program of our current 1954-1955 season:

1. October meeting: "Conflicting Forces within the American Labor Movement," David J. Saposs (Harvard University).

2. November meeting: "Recent Developments in Federal Wage-Hour Regulation," Harry Weiss (U. S. Department of Labor).

3. December meeting: "Some Practical Problems in Grievance Arbitration," Samuel H. Jaffee (arbitrator).

4. January meeting: "Financial Aspects of Welfare Funds," Joseph Senturia (consultant).

5. February meeting: "Where Are the Teamsters Driving—in Terms of Changing Union Structure, Organizing and Bargaining," David W. Salmon (Central States Conference of Teamsters).

6. March meeting: "American Trade Union Membership: Peak or Plateau?" Nelson Bortz, U. S. Department of Labor; Albert Epstein, International Ass'n of Machinists; Leo Troy, National Bureau of Economic Research.

7. April meeting: "Purposes and Achievements of the International Labor Organization," Arnold Zempel, U. S. Department of Labor; William Van Meter, U. S. Chamber of Commerce; George P. Delaney, American Federation of Labor.

8. May dinner meeting: Address by the Honorable James P. Mitchell, Secretary of Labor.

The officers of the chapter for the 1954-55 season are: President, Louis G. Silverberg (National Labor Relations Board); Vice President, John Herling (Editors Syndicate); Secretary, Joseph L. O'Brien (Airlines Personnel Relations Conference); Treasurer, Jean A. Wells (U. S. Department of Labor).

ACTIVITIES FOR 1955

Meetings:

1. April 29-30, University of Pennsylvania, Philadelphia, Pennsylvania. Annual Spring Meeting. A general session devoted to Area Unemployment Problems and their Solution. Discussion sessions on: (1) Seniority and Efficiency; (2) Next Steps in Social Security—Disability Insurance; (3) Labor and Community Problems in a Rapidly Expanding Area: Lower Bucks County Experience; (4) Is the NLRB Steering a Middle Course?

2. May 13 and 14, Lindenwood College, St. College, Missouri. Fourth Midwestern Conference on the Teaching of Industrial Relations.

3. December 28-30, Hotel Roosevelt, New York City. Eighth Annual Meeting.

Publications:

1. Proceedings of Seventh Annual Meeting in Detroit, Michigan.

2. Special volume on Emergency Disputes. Editorial board: Irving Bernstein, Institute of Industrial Relations, University of California; Harold L. Enarson, Executive Director, Western Interstate Commission for Higher Education; Robben W. Fleming, Institute of Labor and Industrial Relations, University of Illinois.

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I.R.R.A.

7th

ANNUAL PROCEEDINGS

1954

Reprint