

**INDUSTRIAL
RELATIONS
RESEARCH
ASSOCIATION**

**PROCEEDINGS
OF THIRD
ANNUAL
MEETING**

**CHICAGO, ILLINOIS
DECEMBER, 28-29, 1950**

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EDITED BY MILTON DERBER

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PREFACE

This volume, the third annual Proceedings of the Industrial Relations Research Association, appropriately reflects several of the main characteristics of the Association—its steady growth, its continuous concern with the dynamic industrial relations problems of the day, its interest in stimulating inter-disciplinary cooperation in the field, and its effort to combine analyses of theoretical developments with practical applications in industry, labor, and government. The Presidential address and at least six of the other papers focus on major industrial relations problems of a defense economy while several others have a significant tangential relationship to the national emergency. The papers dealing with the Commons-Perlman theory of the labor movement represent one of the few discussions of this basic subject in many years, and the interest stirred by the program has already led to a decision by the Association to devote its third special symposium (scheduled for publication in 1952) to various theories of the labor movement. The three panels on experiments in inter-disciplinary research likewise reflect a determination of the Association to pioneer in new directions.

The papers in section X entitled "Miscellaneous Papers" were selected for presentation by a committee of the Association after careful review of a number of papers submitted by the authors in response to a general invitation to the Association's membership. It is hoped that this procedure will continue to stimulate the interest of present and future members.

It is a pleasure to report that all of the main papers presented at the meetings in Chicago and all but a few of the formal remarks by discussants are included in this volume. This could be achieved only through the excellent cooperation of the participants, some of whom had spoken on the basis of notes and had to take time from other pressing concerns to prepare their contributions to the volume. As in past years, the Association is indebted to the officers of cooperating professional societies—the American Economic Association, the American Statistical Association, and the Association of American Law Schools—which co-sponsored several of the sessions.

The papers in this volume are, of course, the exclusive responsibility of the authors and do not, in any way, represent official views of the Association.

MILTON DERBER, *Editor*.

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Part I

PRESIDENTIAL ADDRESS

COLLECTIVE BARGAINING IN A DEFENSE ECONOMY

GEORGE W. TAYLOR

Professor of Industry, Wharton School, University of Pennsylvania

THE UNITED STATES is once more in a hectic midst of reordering its life and its economy to provide great and effective armed power. For this objective, our institutions have not been designed. Men must be diverted from their ordinary pursuits and productive means from their customary uses. Harder work without accompanying increases in the standard of living, and likely even with a decrease in the real standard, is in prospect. The objective of an increasing economic well-being must be supplanted for the time being by a determination to meet the challenge to our way of life.

National defense is a social undertaking and not a private business. Fear is again expressed, therefore, that the very preparation of an adequate defense for individual and group freedoms threatens the loss of those private freedoms. Our self-interest tradition gives rise in times like these to another expression of fear. Despite a full realization of national needs, guards are instinctively raised against being "imposed upon" and against the possible loss of attained status or relative position. Much has already been heard, and more will be heard, about the principle of "equality of sacrifice" as a bench-mark for planning mobilization. That could be a useful principle if it comes to mean that no one should be exempt from carrying his full share of the load. Dire could be the consequences, however, if the idea were to spark a competition to lighten the defense burdens borne by each group. Current suggestions about how somebody else could easily assume heavier loads would be more constructive if they were accomplished by some plans for self-assumption of greater duties.

Widespread concern about the possible erosion of democratic freedoms and about the allocation of sacrifices will inevitably influence the manner in which a partial but very substantial mobilization is worked out. The fullest possible degree of participation of representatives of various groups is called for in the formulation and in the execution of the defense program, especially as respects the inflation control component. Assignment of responsibilities, and acceptance of them, by those directly involved can also generate a power more

potent than that obtainable by so-called totalitarian methods. Willing cooperation symbolizes a power infinitely greater than that epitomized by the mailed fist. That's what the present world crisis is all about.

Free people can defend themselves effectively. The history of World War II shows that. The record of that conflict also makes it clear that the adaptation of our institutions for defense can be substantially made in the democratic tradition of what has come to be known as voluntarism.

This concept implies a significant degree of participation in the formulation of emergency regulations by representatives of those directly affected and contemplates a general acceptance of or a widespread acquiescence in those regulations. When this concept is put into practice, the fight for freedom can be fought with freedom. Here is the power which no totalitarian state can match.

Such general observations have particular cogency, it seems to me, in grappling with the industrial relations problems created by the present emergency. One of these problems centers around collective bargaining—an institution found only in free countries. There are doubtless some who, holding little faith in that institution, would look upon a substitution of outright government determination for collective bargaining as advantageous. The overwhelming sentiment is to the contrary even though it is realized that collective bargaining as usual cannot be practiced in a critical national emergency. The dilemma gives rise to important questions. How can the values of collective bargaining be used to further the defense effort? How best can there be a reasonable assurance that the institution will not be more or less permanently supplanted? The compelling importance of finding adequate answers to these questions is in no way diminished by the difficulty of the undertaking.

Can it be assumed that collective bargaining principles are of value not only in "normal" times but also during a national emergency? Approval of this process is grounded upon a conviction that unions and managements can be assigned the responsibility for agreeing upon the terms and conditions of employment under which they will work together. With but few exceptions—such as those made by the Fair Labor Standards Act and by the Taft-Hartley Act—these parties have been given a full latitude in working out arrangements mutually acceptable to themselves. One of the social objectives is the creation of a system of industrial democracy as a solid foundation for economic progress. Employees and management, we believe, are not only freer

but more productive when they work together under agreed terms rather than under governmentally imposed terms. The existence of a national emergency does not invalidate the belief. It does impose a responsibility upon the parties for developing mutually acceptable terms of employment so as to take an extraordinary account of national needs and a lesser account of private peacetime objectives. Standards of fairness and equity have to be revised and the methods for obtaining an agreement may have to be modified. Specifically, the emergency creates problems about the use of the strike or the lockout to secure an agreement and also calls for unusual restraints as respects the terms of employment, notably the wage provisions, specified as being acceptable. Involved are formidable tests of the strength of our industrial self-government ideal.

In collective bargaining, there is but one way—note, one way only—for determining the conditions of employment. That is by an agreement between management and organized employees. Under these circumstances, understanding of the strike and lockout cannot be secured merely by talking about them as “rights.” The strike and the lockout have definite functions to perform. They are accepted devices for resolving the most persistent differences arising in an employment relationship where differences must be resolved by agreement. A desire to avoid a work stoppage—or to have one discontinued—can be strong inducement for modification of extreme positions at least to the extent necessary to permit a meeting of minds about the terms of employment. Although the strike has its own obvious conflict characteristics, it can more fundamentally be viewed as a mechanism for resolving conflict. This requires a recognition of the fact that the critical conflict is over the terms and conditions of employment. A simple elimination of the right to strike would soon make clear the necessity for inventing some other device for resolving the underlying conflict.

Reason and persuasion are thus supplemented in the collective bargaining system by an approved form of economic coercion or of economic persuasion. Which is the more precise designation of the strike function depends upon one’s point-of-view. Approval of economic force as the ultimate arbitrament of labor disputes arises, no doubt, from the highly focused emphasis in a democracy upon the essentiality of an agreement respecting the terms of employment. Workers themselves chose to continue or to resume employment, with whatever reluctance, and employers themselves chose to use

their productive facilities, with whatever misgivings, upon mutually accepted terms.

The collective bargaining system has costs and deficiencies. They may be appraised as excessive by the public if the economic power aspect is generally not subordinated to reason and persuasion in negotiations—unless the strike is, in fact, an instrument of last resort. There is also the possibility that agreed-upon terms of employment will not reflect a reasonable regard for the broad public interest. Because of a faith in the ability and in the willingness of unions and managements to assume their basic obligations, however, democratic countries have adopted collective bargaining in preference to government specification or imposition of employment terms. The costs and the deficiencies of the totalitarian alternative have been appraised as unbearably heavy.

A complete and a workable collective bargaining structure requires a recognition by unions and by management of their social responsibility to agree upon a final arbitrament other than the strike in situations where the work stoppage cannot satisfactorily perform its function as an inducer of agreements. Such a procedure for modifying the right to strike is the only way of doing so in an emergency with an assurance that the institution of collective bargaining will be preserved.

When national defense is of paramount importance, certain uses of the strike are no longer compatible with overall necessities. At the start of World War II, no strike could safely be engaged in because of the country's inability to forego virtually any production. There was an all-inclusive no-strike pledge accompanied by the establishment of a dispute settlement board with practically unlimited jurisdiction. Today the problem centers about the expressed need for wage stabilization rather than about work stoppages. There should be no doubt, however, that the promulgation of a wage stabilization program involves a limitation on the use of the strike. For such a program to be effective, economic power cannot be used for the final arbitrament of wage disputes, at least if the result would be the specification of wages not permissible.

Creation of an effective wage stabilization program in a nation determined to preserve its democratic institutions calls for a plan which will not only assist in the control of inflation but which will be generally acquiesced in by organized labor and by management in the collective bargaining tradition. A summary im-

position of terms is symbolic of a different kind of a system than ours. Viewing the problem in these terms, one finds encouragement in the assignment of the responsibility for developing a national wage stabilization policy to the tripartite board which has been constituted under the chairmanship of Cyrus H. Ching. It seems fair to say, however, that many people are inclined to view that Board, having only the power to recommend, as a troublesome concession to the principle of collective bargaining but not as an effective mechanism. Some say: "We need a Czar," but I assume they haven't thought through the implications. The judgment and experience of organized labor and of management—as well as a reasonable regard for their necessities—have to be brought into the defense effort with a whole-heartedness that is not possible by starting on the assumption that some one has to be designated to tell them what to do. Certainly the burden of proof should be placed upon any "overseer" who has doubts about an action hammered out by the tripartite board.

Preservation of our democratic freedoms—and their mobilization in an emergency—involves an adherence to collective bargaining principles to the fullest possible extent. Some modifications of the process appear to be unavoidable. It is in the national interest, however, not to discard the criterion of mutual acceptability either thoughtlessly or unnecessarily. Modifications of collective bargaining because of the emergency, therefore, should be made by agreement between organized labor, management, and the government in which the needs of all are conserved. As noted previously, the principal concern of the moment about collective bargaining results is over the inflationary consequences of wage agreements. There should be no doubt, however, about the intimate relationship between contemplated wage control and the stability of industrial relations.

These considerations have already been brought very much to the fore by discussions about the possible modification of the wage provisions of long-term labor agreements in the automobile industry. These provisions have been described as a program for "built-in inflation" because they provide for wage rates to follow cost-of-living changes and because contemplated increases in productivity are compensated for through annual improvement wage increases. It can be argued that standards of living are due generally to decrease and that a preservation of the real hourly wage of factory workers—and even an increase of real weekly wage as overtime becomes more general—would result in extreme hardship to white-collar workers and to

those with fixed incomes. Nor can it be assumed that, with a change-over to a defense economy, there will actually be an increase of productivity.

So, it is urged that existing labor agreements of the kind described should be modified. Yet, these agreements were negotiated without strikes. Their terms were not only mutually agreed upon as a practical way to insure high production and high productivity but were widely hailed as a history-making example of industrial statesmanship. They insure against work stoppages for a five year period. Steps deliberately to unstabilize what the parties both consider to be a stabilized relationship could carry a heavy price for the gain achieved in the control of inflation. Such steps would, moreover, have to be imposed upon the parties.

Because it seems most unlikely to most of us that, under existing legislation and existing economic conditions, a price stabilization of the items entering into the cost of living can be achieved, many employers and their employees have concluded that a negotiated wage escalator clause provides a sound basis for the stabilized industrial relations that are so essential to high production. This conclusion does not arise, it seems to me, from an assumption that present real basic wage-rates should not be decreased at all during an emergency which threatens the reduction of living standards generally. At any event, during World War II, some decrease in basic real hourly wages did occur but was offset by overtime rates, higher piece-rate earnings, shifts to higher rated jobs, etc. It was not necessary to relate schedule wage rates to cost-of-living changes in order to have a fair wage stabilization program.

The outlook is different now. A rapid and substantial rise in the cost of living seems likely even if the linkage between wage-rate and cost-of-living changes were to be broken as was accomplished in 1942 by the so-called Little Steel formula. No mere spiral relationship—price increases emanating from wage increases—is now involved.

There is not much real doubt that any wage stabilization program to be developed in 1951 will be based, at least to begin with, upon a tie-in between wage rates and cost-of-living changes. It would be unwise, however, now to approve wage-rate escalation for the full duration of the emergency. If we mean business about taking effective steps to combat inflation, the Defense Production Act has to be substantially modified. Prices of food and of clothing have to be brought within the program.

Perhaps the operation of wage escalator clauses could presently be approved up to an increase of say five percentage points in the index of consumer's goods prices. If such a rise in the index occurs, the wage stabilization problem could again be evaluated in terms of the steps taken in the meantime to stabilize the cost of living. The suggestion is made on the basis that labor and management might acquiesce in it as a way of meeting the complex problems of the day. Since labor and management are being called upon to work out a wage stabilization program, maybe the organized farm groups might see merit in suggesting ways and means of reconciling their needs with the public need for stability in the cost of food items.

Two groups of key importance in our economy have taken quite effective measures to guard their membership from the current burdens of inflation. Agricultural producers have been accorded legislative protection because of their political power. Organized factory employees have secured collectively bargained protection because of their economic power. No significant attempt to deal with the problems of inflation is possible by merely stabilizing the relationship between factory wages and the prices of manufactured goods. Not only does the task involve, and properly so, a more effective use of various indirect controls but a program for slowing down prospective increases in the cost of living. The problem was effectively stated in the document issued by the Wage Stabilization Board on December 18, 1950, on the role of a wage policy in the inflation control program. Incidentally that statement was unanimously approved by the membership of that Board.

The factors above-noted are leading strongly toward the creation of a new dilemma: Subsidies to keep down the cost of living or a spiralling inflation. Avoidance of the dilemma by a direct program for limiting increases in cost-of-living items, followed by a break in the tie-in between wage-rates and the cost of living, seems to be the only feasible—though difficult—way of avoiding the dilemma.

Every discussion about the components of a national wage stabilization policy is predicated upon the assumption that collective bargaining as usual cannot be relied upon in the emergency to establish wage terms. It is no longer possible to go along with the principle that acceptability to the employees and the employer directly affected is the sole criterion for establishing the conditions of employment. Certain wage provisions may be entirely acceptable to these parties of direct interest and still interfere with the national needs as respects manpower allocation and inflation control. Utilization of democratic

precepts, however, calls for at least the acquiescence of organized labor and of management in the limitation on collective bargaining rights unless the rights of strike and of lockout are to be legislatively made. The fundamental choice lies between a form of voluntary arbitration and compulsory arbitration.

There are important differences between late 1941 and late 1950 with respect to the modification of collective bargaining that is under discussion. At the start of World War II, it was the strikes which caused primary concern. Even though wage stabilization soon became necessary, the fundamental elements of a wage policy gradually emerged as cases were decided by the War Labor Board. In 1950, the focus of concern is not so much upon strikes that threaten the national safety but upon wage provisions that are being agreed to without strikes. In the earlier emergency the wage stabilization program evolved in the settlement of labor disputes; now, introduction of a wage stabilization program would doubtless create labor disputes, particularly if it were to entail a modification of current agreements. Any wage stabilization program will result, of course, in a need for an agency or a board to decide the inevitable differences about the effect of the general policy in specific cases.

Even though there are important differences between the exact industrial relations problems encountered now and in 1941, it seems worthwhile to recall some of the earlier experience in acting upon the principles here suggested. During World War II, necessary modifications of collective bargaining were made, in large measure, by adoption of procedures set up by representatives of organized labor and of management and then operated so as to take mutual acceptability substantially but not exclusively into account in the determination of disputes over terms of employment.

The program was said to be an expression of "voluntarism." This attribute derived, it has always seemed to me, not solely or even principally from the so-called no-strike no-lockout agreement made shortly after Pearl Harbor. Much more important was the tripartite composition of the National War Labor Board. General policies had to be acceptable at least to such an extent that the representatives of labor and of management would not exercise their retained power to withdraw and thus to force policy reappraisals. Solutions of particular problems were "hammered out" by three-party collective bargaining instead of the usual two-party process. The particular public interest in the substantive terms of the labor agreement was recognized but so were the interests of management and of employees.

Collective bargaining was modified but it was not supplanted as would have been the case had an "all public board" been set up to decide all labor disputes. The unique strengths of our own democratic institutions were thus preserved to the fullest degree possible.

Current proposals for limitations on collective bargaining do not, it seems to me, require an attempt by the government to obtain a formal all-embracing no-strike no-lockout agreement. To be effective, such an agreement would require first the virtually unanimous support of those directly affected, and, second, it would have to include an understanding about the voluntary arbitration mechanism which would have to be set up to resolve *all* labor disputes. Arbitration of disputes about labor agreement terms is not usual. Resort to such arbitration is typically on an ad hoc basis and as respects a known issue. The parties have decided that arbitration of a known issue, through procedures agreed upon for that particular case, has advantages over the standard work stoppage method for resolving their differences. The kind of arbitration that must accompany an inclusive no-strike agreement is quite different. It must apply to future, unknown disputes over agreement terms which are, moreover, not subject to scope limitation. Here is "blank check" arbitration. The very availability of this method tends to impede the resolution of issues in customary two-party bargaining. Or rather, it should be said that the elimination of the strike and lockout mechanisms removes the greatest inducement for compromise and agreement. Since the jurisdiction of such an arbitral agency is necessarily broad—as broad as the right of the parties to agree—it is unthinkable that such an agency should be composed exclusively of public representatives unless all the strengths and all the values of collective bargaining are to be dissipated.

For the time being—and it may be hoped for a long time to come—the requirements of defense do not call for all-embracing no-strike policy. Plans for drawing up our defenses are simply not being impeded by strikes. Collective bargaining is producing a much better record of peacefully negotiated agreements than was the case in 1941. That should be a cause of great satisfaction. The inflation control aspects of defense preparation do call, however, for a limitation upon the latitude of organized labor and of management as respects the wage terms of their labor agreement. To do the job involved in the most effective way, the restriction of latitude should be self-imposed. The result is an implicit, but limited no-strike and no-lockout policy, established by agreement in the collective bargaining tradition. A

mechanism is also established to support a more extensive no-strike agreement should that unfortunately become necessary.

Going the rounds is a notion that the participation of organized labor and of management representatives can be strictly confined to the formulation of a master wage stabilization policy which can then be turned over to an administrative staff for application. Those suggesting this approach have not adequately perceived the nature of the problem. A general wage stabilization policy acquires its real substance in the amplification and clarification that come through dealing with real cases rather than with general ideas. The same thing is true of the labor agreement itself. What informed person would seriously suggest that the labor agreement could be turned over entirely to technical administrators to settle the day-by-day problems of running a plant under the agreement. In neither case can a sharp line be drawn between policy making and policy application. The validity of this observation is found in the fact that the inauguration of any wage stabilization policy will generate real differences about how it applies in certain circumstances which have not and could not have been anticipated. In terms of the immediate situation, this means that prompt steps should be taken to assign operating functions to the recently constituted tripartite Wage Stabilization Board. It must have policy-making functions and the administrative responsibility for applying and developing its policies. Disputes arising over matters within its jurisdiction must be decided by the Board. Conflicting policies and divided responsibilities inevitably arising from a separation of closely related functions cannot be endured.

When the wage setting function of collective bargaining is modified, the very heart of the institution is affected. One of the democratic institutions whose preservation is sought becomes at least a partial casualty. The basic principle of that institution will be preserved to a significant extent, however, if the general terms of the wage stabilization program and the manner of its administration are acceptable to or acquiesced in by labor and by management. Nor is this merely a matter of special privilege. The high productivity and the stabilized industrial relations needed as a basis for a maximum output of goods can thereby best be insured. Here lies the unique strength of a democracy which a totalitarian state has not been able to match either in times of past peace or of past wars. We should never lose sight of the need to defend freedom with freedom.

Part II

THE TAFT-HARTLEY ACT AS A BASIS
FOR WARTIME LABOR RELATIONS

TAFT-HARTLEY ACT PHILOSOPHY AS A BASIS FOR WARTIME LABOR RELATIONS

CHARLES O. GREGORY

Professor of Law, University of Virginia

THE SUBJECT stated in the title of my paper is ambiguous. Although I have written the paper, the title was handed to me. Nevertheless, I assume that my assignment is to comment on the suitability of the Taft-Hartley Act, and its general approach to current labor problems, as furnishing a policy for the handling of labor matters in war time. This is a tough one, since there is so much disagreement on what Taft-Hartley stands for. It is sort of all things to all men. While I joined others in recommending its veto in 1947, my action was certainly not based on the belief that it is a slave labor act. I still do not approve of certain provisions in the statute. At the same time, I think a good deal of it is all right. But whatever I think of the Act, I can't imagine relying on it to furnish the basic policy in the labor field for a wartime emergency. So far, I suppose, many of us are in agreement. But what we should do about our common conviction is another thing. Some, no doubt, would like to use the war as an excuse to suspend the operation of this statute. With that proposal, however, I would not agree.

During a war of any kind we should expect our civil institutions to continue functioning as they do in peacetime, insofar as they can reasonably adapt themselves to the emergency conditions. Hence, I would suppose that the NLRB would continue in business more or less as usual, to administer Title I of the Act. Certainly war should not justify a relaxation of the law so as to permit employers to engage in Section 8(a) violations; and I assume that representation issues under Section 9 would continue to arise. For I can't believe that anyone would recommend freezing the status of all bargaining units of employees into whatever state of organization or un-organization they now happen to be in, especially in view of the drastic changes that will be effected in personnel, in size of units, and in creation of new units. We can hardly suppose that these questions of representation will not be considered during a war, any more than that our ordinary political elections will be suspended.

The matter of Section 8(b) violations is another thing again. Theoretically there is no reason to suppose that the NLRB's functions

in this respect would be modified. Practically, of course, it is unlikely that striking, picketing, or boycotting of any sort would occur during a war, either in connection with collective bargaining over contract terms and grievances or over organization. The reason I say that this is unlikely is that I don't believe it will be tolerated. To that extent, therefore, the Board's job under 8(b) should be considerably lessened, and if such practices do occur, I am not convinced that they should be left to the NLRB to handle under the present law. Nevertheless, there may be instances of unfair pressures exerted by unions and their agents against individual workers, as well as offenses arising under union security arrangements. And there are other possible 8(b) offenses which might occur in wartime without affecting production, which the NLRB can adequately take care of under the present law.

Certainly the NLRB should remain in operation; and during any future war I hope that all matters which it alone is geared to handle, such as representational issues and certain 8(a) violations, will be sent to it for processing and will not be handled by any War Labor Board we may have, as too frequently happened in the last war.

Before we leave Title I of the Act, I would like to say that while I do not like parts of it, my opinion is that nobody would suffer much if it remained as it is during a war. For instance, the new proviso in 8(a)(3), dealing with union security, is too broad and unduly interferes with the closed shop in industries where it had become traditional and generally accepted. Nevertheless, I am inclined to think that matters should be left as they are during an impending war, partly because Congress will be too busy to debate any changes now and partly because the whole character of bargaining units will be changing for the duration and the normal peacetime need for union security will probably be lessened. With women and other outsiders taking the places of many of the regulars or filling new jobs, the peacetime hazards to job security will no longer exist. Certainly union authority elections under such conditions would not seem an unreasonable obstacle to a demand for the union shop. I do think, however, that Section 14(b) should be suspended during a war so that the policy prevailing on union security in plants operating in interstate commerce could be uniform and not be left up to the several states to modify.

The foregoing remarks suggest issues which invite consideration of other Titles of the Taft-Hartley Act. How are organizational and

bargaining demands and pressures going to be controlled if recourse to self-help is regarded as a peacetime luxury which we cannot afford in war time? And if controls are imposed, what should be substituted for direct action? Indeed, what types of demands should unions be left free to press at all during a war?

Nothing in the Taft-Hartley Act helps us to answer these questions. As it stands, it contains only one clear-cut prohibition of recourse to self-help—Section 305, which forbids strikes by government employees. There are no doubt plenty of people who would like to see this idea extended to all industrial employees during a war, on the analogy that we are all working for Uncle Sam. That, I suppose, was essentially what the Lewis case of 1947 amounted to under government seizure of the coal mines. But this Section 305 is a bad model, inasmuch as it is outright prohibition without any method provided for an impartial hearing on demands or any parliamentary substitute for the exertion of bargaining power. In addition to this, however, there is only the procedure set forth in Title II for the handling of national emergency strikes, which Sylvester Garrett will discuss. In passing I want to say that I think the Title II procedure would be utterly inadequate in wartime. Any strike would create a national emergency during a war if it affected the war effort adversely in any respect. And it would not seem necessary to appoint a special board of inquiry to find this out. Furthermore, an 80-day injunction, automatically ending thereafter, would be an odd sort of check in a war of indefinite duration. The most valuable part of Title II—and it will be very valuable, indeed, during a war—is that providing for mediation and conciliation.

If Congress sets up a substitute for peacetime bargaining techniques like the strike, with its associated recourses such as picketing and the boycott, it should first indicate what demands can be legitimately made by unions during a war for processing in such a forum. That would seem to indicate some sort of basic wage ceiling, which in turn suggests what in this war might be called the Big Steel formula. Then unions would raise questions as to whether or not the employees in particular bargaining units have received relatively adequate increases as measured by those already granted in certain basic industries such as steel. In addition unions will no doubt be allowed to press claims for the resolution of both interplant and internal wage inequalities, and also, possibly, for cost of living increases, especially in view of recent contract commitments to that effect. Aside from wage issues

there will probably be demands permitted for other kinds of contract concessions. Presumably these will be confined, by legislation or otherwise, to items that have become conventionally prevalent in the sense that they are now accepted as contemporaneously traditional items of bargaining. In World War II such items were things like paid vacations and arbitration in the grievance procedure. Not too many unions had these items in their contracts at the start of the war; but practically all of them secured these items from the War Labor Board for the asking. At the same time requests for such things as sickness and accident benefits and pensions were turned down. In the next war such items will no doubt be regarded as having become virtually traditional and will probably be allowed. Novel items will most likely be denied.

How about demands for union security? As I indicated above, it seems unlikely that anything more will be allowed the unions in this respect than is already permitted in Taft-Hartley, except that more strict state legislation should be suspended for the duration in the interests of uniformity. During World War II the compromise in this respect was union maintenance. In the next war, however, I suppose that unions may ask for the union shop if they first secure authority to demand it under the Taft-Hartley Act in Board-conducted elections. Of course, unions are going to argue that they should have the closed or union shop anyway, so that they will be in a position to discipline employees who do not obey the unions' commands to stay at work and not to indulge in wild-cat strikes or systematic absenteeism. But even if the unions are allowed to demand the union shop, the Taft-Hartley Act will have to be changed before they can use deprivation of membership as a means of securing disciplinary discharge for more than non-payment of initiation fees and dues.

It is certainly proper at this time to question the desirability of removing the Taft-Hartley restrictions on union security altogether during a war, in the interests of making unions powerful enough to discipline employees. But I hardly think that Congress will go so far. If it did, then practically all the unions would swamp the new War Labor Board (if that is what we are going to have), with demands for the closed shop. Since Congressional policy seems to be more in the direction of withholding such power from unions unless a majority of the employees want the unions to have it—a policy which apparently prefers to consult the interests of the employees themselves as against the interests of unions—it seems unlikely that

such a drastic change will be made. If it were made, then we would be faced with the same problem we had in the World War II concerning the extent of desirable union security; and the result would probably be union maintenance again, with the escape provisions then in vogue. No doubt, all concerned have more to gain and less trouble to face by leaving the union security controls as they now exist in the Taft-Hartley Act, with Section 14(b) knocked out to make the practice uniform in interstate industries.

Another factor leads me to believe that Congress will be loath to change the allowance of union security as it now exists. Thus, Congress will either have to set up a fairly clear description of allowable and non-allowable union demands in wartime, or will have to delegate this task to a new War Labor Board with rough guides to be furnished in the legislation creating such a board. I believe that Congress would prefer to leave this matter of union security as it now stands, since the present law gives the unions more security than union maintenance, if they can procure from the employees the authority to demand the union shop; and at the same time it leaves the entire matter up to the employees in the union authority elections. If authority is granted the union to demand the union shop, then all employees are covered if the demand is granted; and if authority is denied by a majority of the employees, then the embarrassment afforded so many employees who took advantage of the escape provisions under the union maintenance grants of World War II will be obviated.

Of course, the big issue is: what shall be done, if anything, in the way of formal legislation or otherwise, to prohibit or control recourse by unions to self-help bargaining techniques? Suppose round-the-table bargaining breaks down and the parties reach the point where the union would ordinarily strike if we were not at war. I believe we should start with the assumption that during a war, unions should not call strikes or tolerate them in any way and that employees cannot indulge in unofficial concerted walk-outs tantamount to strikes. And the same assumption should be true of allied techniques like boycotts and picketing. While I would expect everyone here to agree with this, at the same time I would expect considerable difference of opinion as to how this policy should be effected. One way would be simply in no-strike pledges by unions. Another way might be by out-right prohibitory legislation, backed up by mild, firm, or severe sanctions. Such sanctions could range from injunctions, supported

by the contempt power of courts, to criminal punishment of officials and employees participating; or offending unions might be decertified and thus deprived of their exclusive statutory bargaining position in the particular units involved, while both offending officials and employees might have their draft deferments withdrawn and the latter be deprived of further protection as employees under the labor relations acts, just as they now lose such protection for refusals to honor contracts under 8(d) of the Taft-Hartley Act. Many people would regard all of these methods of control, except leaving it to voluntary union-no-strike pledges, as consistent with the general philosophy of the Taft-Hartley Act. But that act as it now stands, of course, does not go nearly so far, except with respect to the practices of unions covered in Section 8(b)(4). Still another possible method of handling wartime labor disputes has been suggested in seizure by the government of struck properties, with appropriation by the government of all profits and union dues until the dispute is settled by the parties themselves through bargaining with the aid of federal conciliation. This technique has been proposed in various ways for national emergency and public service strikes in peacetime; but, aside from the seizure itself, and invocation of the Lewis case doctrine, it is a dubious process in wartime.

I feel sure that the unions and their supporters would vastly prefer having the whole thing left to a voluntary suspension of recourse to self-help activities during the war. But I should suppose that a great many Americans would believe that the unions could not be trusted to refrain voluntarily from striking—at least, not all of the unions. I have talked with a number of people who argue as follows: If the unions really mean that they would live up to no-strike pledges (as practically all of them did faithfully during the last war), then what have they to lose by legislation prohibiting recourse to self-help and providing sanctions to enforce such prohibition? Why take a chance, the argument runs, when we could be prepared in advance to deal with any strike interfering with the war effort? This position is taken by many veterans who were profoundly shocked by the publicity given to the few strikes that did occur during World War II and who say that since they were fighting and having to take it, then workers at home can do no less than accept and put up with what they have. While this argument may be plausible on its face, its force depends, to a large extent, on what such workers do have and how they are given it.

Certainly it would be a splendid thing, indeed, if unions were able to put across a successful program of self-control during a war, without the need of prohibitory legislation. It would go far to prove a great deal that we profess to stand for as a democratic nation. But it seems unlikely that such a program of voluntary self-control by unions would be adopted without some legislation setting up prohibitions and sanctions to apply against unions, if any, refusing to take the pledge, or to be invoked by executive order of the President against any union that might break its pledge. Even that might be regarded as an insufficient safeguard to take care of an extreme emergency such as invasion, although any emergency control invoked under such circumstances would certainly apply to every conceivable resource, both personal and property, and its application to unions and workers would then be only incidental to its general coverage.

In a way the emphasis placed on prohibitory controls over unions and workers during a war overlooks the tremendously valuable asset that existing union organization could be for administering and implementing any plan to be used for coping with a national emergency during a war. This could be particularly true in the case of an extraordinary emergency such as invasion, when the whole populace might have to be regimented into an effective military machine in the interests of survival. Conceivably unions could be deputized to handle the labor force under such circumstances in a fashion far more effective than any imposed control could work.

I have heard it suggested from several quarters that whatever scheme of control is used to prevent strikes during the next war, unions should be required to assume responsibility even for the unofficial wildcat strikes of their members. Indeed, there are apparently those who would make them answer for any acts of this sort in the bargaining units they represent, whether or not they are initiated by union members. Apparently a number of people believe that unions could prevent such uprisings if they wanted to, some even believing that these "wildcats" are either instigated or at least approved by the unions under circumstances where the unions themselves cannot very well endorse the action officially. Consider in this connection Judge Goldsborough's observations about the coal miners in 1948, as well as the current skepticism about the recent railroad strike. At any rate, this is a matter which Congress will no doubt have to face. Under the NLRA such action is unprotected activity for which employers may with impunity discharge the em-

ployees who engage in it. But during a manpower shortage employers don't wish to discharge people. They want, rather, to retain them as employees and to get the utmost cooperation from them. Possibly it is thought that if sanctions of another kind (such as heavy fines or decertification) can be exercised against unions where their members go on strike, the unions will surely find some way to prevent these wildcats. Whether or not such a course would be practicable, I couldn't say, although it would seem most unfair to make unions answer for the deeds of non-members.

This strict point of view is not inconsistent with some of the Taft-Hartley philosophy, for certain parts of that act go far to make unions answerable for the acts of its members on the old common-law agency tests. I have in mind Sections 2(13) and 301(e) of that statute. After all, the common law of agency is not so cut and dried but what it might not be manipulated to cause unions some embarrassing moments if they were sought to be held responsible for wildcats during a war, although I believe that this policy could never be effectively established without further legislation expressly imposing such responsibility on unions. Whether this extreme recourse would achieve what it set out to do seems questionable. Certainly it would be a very strict method of treating unions; and if the unions were really not responsible and did all they could to prevent trouble, without avail, then I think the results of such a measure might be needlessly disastrous for unions and futile as far as accomplishing anything was concerned.

I am sure that if Congress went so far, then it would be giving the unions the strongest possible case for demanding the closed or union shop, without the formality of resorting to union authority elections. For if the unions were called upon to assume responsibility for the acts of their members or of non-members in open shop bargaining units, they could say with considerable truth that they were not in a position to compel observance of no-strike pledges or laws unless they could effectively discipline employees that independently dishonored such obligations. And this they will contend they cannot do without some very strong form of union security—far stronger than that contemplated by the Taft-Hartley Act where discharge for non-membership can be secured under an authorized union shop contract only for non-payment of dues and initiation fees, which items do not include union fines, according to a recent NLRB decision.

It has occurred to me, after discussing with several people this

matter of sanctions against recourse to self-help, that more production might be achieved under some plan like the following: Let Congress, or a War Labor Board set up by Congress, promulgate some basic plan of self-discipline and self-control of unions during wartime. All international and local unions who submit and agree to a satisfactory plan of self-control in accordance with such standards will be free from the imposition of prohibitory controls which will be created for emergency situations and will enjoy certain advantages in the way of union security and automatic checkoff of union dues. Unions failing to submit and agree to such plans, however, can be placed directly under the emergency prohibitory controls which will be backed up by sanctions against both these unions and against employees whom they represent; and such a union will be denied the advantages of any form of union security and checkoff of dues unless these items are agreed to by the employer under the terms of the present federal laws. Furthermore, any of the first group of unions, which violates its pledge, should then be removed from the first to the second category of unions and, with the participating employees it represents, thereafter be subjected to the sanctions of the prohibitory legislation.

Whatever program is adopted to secure a suspension of recourse to economic self-help during a war, it must include some workable substitute for the normal collective bargaining process. Most of us would immediately think of something like a War Labor Board, not unlike what we had during the past war. The function of this Board would be to pass on the legitimate demands of unions and to determine when their demands were or were not legitimate under the standards evolved by Congress to govern a wartime economy. In addition this Board might be charged with administering the wartime emergency controls over recourse to self-help activities referred to above, although such a task might conceivably be relegated to the NLRB along with its present duties, the War Labor Board possibly refusing to process the demands of an offending union.

Naturally I cannot make specific suggestions of how a War Labor Board would operate, other than to suppose that it would not be much different from the Board set up in World War II, with regional offices, panels assigned to inquire into specific cases, and a staff of trouble shooters, although this latter function might well be handled by the Federal Mediation and Conciliation Service set up under Title II of the Taft-Hartley Act. I would hope, however, that the powers

of any such board would be more clearly defined than were those of the previous board, that it would act under as precise a set of standards as Congress could legislate, and that it would be under definite limitations preventing it from passing on certain matters of policy or from encroaching on the peculiar field of competence of the NLRB. While I do not much like the tripartite panel or board, I can think of nothing better as long as the labor and industry members are allowed to act only in an advisory capacity and do not vote on the issues before them, leaving the final decision only to the public members.

While a War Labor Board might be called upon to handle grievances filed under contracts, this is a task which should be left to arbitrators, with possible review in certain types of cases before the Board. As far as possible, such arbitrators should be those selected jointly by the parties, with the understanding that if they cannot expeditiously agree upon one, they must accept an arbitrator appointed by the Federal Mediation and Conciliation Service. Certainly to the extent that the awards of such arbitrators involved money in the shape of increases of rates, resolutions of alleged inequalities, or vacations and the like, they might well be reviewable by the War Labor Board or the Wage Stabilization administration.

I could go on, perhaps; but enough has been said to show how inadequate I think the Taft-Hartley Act or its philosophy is to cope with the war emergency. Maybe Sylvester Garrett will do a better job by the Act. But it must be apparent that the swing into war from peacetime involves all sorts of problems in the labor field. Unions are a recognized institution in our present civil life, performing a vitally necessary function. They are strong concentrations of power that cannot be left completely unleashed, any more than the great concentrations of capital can be left to go their own way. Each type of organization enjoys its existence under the sufferance of the people and each must realize that it holds its power subject to certain fiduciary obligations to the people at large—not just to members and stockholders respectively. All are agreed, I trust, that no person or group should be allowed to use a war emergency, with its shortages of manpower and goods, to reap profits and advantages which would not otherwise be forthcoming. At the same time we must try to understand the problems with which others are faced during such times. Thus, for instance, can unions be blamed for trying to avoid the possibility of placing the initial economic cost of conversion on the shoulders of workers who are laid off while plants are being

mobilized and re-tooled for war production? And is it surprising that they expect to have a voice not only in determining the standards for the governing of labor in wartime but in all economic matters?

Whatever people may think of the problems of unions and workers during a war emergency, they had better reflect that what we need then is a maximum of production—and if that need can be better achieved by conciliation and cooperation than by recourse to force and direct sanctions, especially if the former techniques obviate rather than create resentments that are apt to burst out into strikes, then we had better pursue the former course. And if we *are* faced with the extreme emergency of invasion, *then* it should be possible to invoke a prepared plan calling for a state of complete mobilization of all resources, with all that such a step implies.

THE EMERGENCY DISPUTE PROVISIONS OF THE TAFT-HARTLEY ACT AS A FRAMEWORK FOR WARTIME DISPUTE SETTLEMENT

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THE FACT that today we are considering the utility of the emergency dispute provisions of the Taft-Hartley Act as a framework for wartime labor dispute settlement is a tribute either to the rare foresight or extreme good fortune of those who—more than four months ago—laid out the program for this meeting.

If the international situation had cleared up in the intervening months or if, on the other hand, the rush of events already had forced establishment of wartime labor dispute machinery, our topic would scarcely be of lively interest. But as things stand, the Administration now is developing economic controls which inevitably will require important policy decisions as to the handling of labor disputes.

Defense Production Act of 1950, Title V

Many observers expect that the next few months will see establishment of federal machinery for handling substantially all labor disputes involving contract terms, as a part of necessary stabilization controls. Few, however, have yet considered the role to be played in such machinery by the emergency dispute provisions of the Taft-Hartley Act.

The question is of more than academic interest. Title V of the Defense Production Act of 1950 contemplates the establishment by the President of procedures for handling labor disputes, and specifically declares in Section 503 that no action shall be taken in this regard which is "inconsistent with the provisions" of the Taft-Hartley Act.

The broad purpose of this language is clear enough. The Congress was anxious to assure that the policies of the Taft-Hartley Act were not scuttled during the period of the emergency.

But as applied to the public emergency disputes provisions of the Taft-Hartley Act, the precise meaning of this Section is perplexing. Were it to be applied literally, one might infer that Congress intended that emergency labor disputes imperiling the national health or safety would continue to be dealt with under the procedures of the Taft-Hartley Act, even though other procedures were established by the President for dealing with labor disputes generally.

Before embracing such a literal interpretation, however, we must face two questions. First, would it produce a sound result? And second, if the expectable result is unsound, may it be avoided by any reasonable interpretation of the language of Section 503?

Needs of the Current Situation

In dealing with these matters it is necessary to evaluate the needs of the current situation. The dominant fact in this connection is that machinery for handling labor disputes in the months ahead will be required primarily as part of the over-all stabilization program. As yet, we do not have comprehensive price or wage stabilization. But the reasons for this are largely practical, in that an adequate staff for the job first must be recruited and an integrated program covering all aspects of the mobilization effort must be developed. There is little reason to believe that imposition of broad economic controls is likely to be delayed beyond the period necessary for organization purposes.

Once an effective program of price and wage stabilization is launched, it must embrace machinery for handling all labor disputes which involve significant payroll cost increases. No doubt, too, an administrative scheme for the purpose will be fashioned largely after the pattern of controls administered by the War Labor Board in World War II.

Whatever may be the precise framework of controls, it should be fashioned faithfully in conformity with our democratic institutions—institutions which already are sorely beset by the rigorous requirements of the epic responsibility which world events have thrust upon us.

Three fundamentals must be kept in mind for this purpose. We must be certain first that wage stabilization and labor dispute procedures are to the highest attainable degree democratic both in conception and in application. We are engaged in an ideological struggle, the duration of which no man can foresee. But at the least we may be sure that the effort will test to the last degree our capacity to survive as a democratic nation.

In meeting this test, the tripartite type organization of the War Labor Board seems to offer the most suitable device for wage stabilization and labor dispute purposes. No one would care to say that the operations of the Board during World War II approximated perfection. Yet all must recognize that perfection is never attained

in the organization of human affairs. Nothing yet has been suggested which we could expect with confidence to do the job better, over the long pull, than the tripartite form of organization.

A second fundamental guide in establishing wartime labor dispute machinery is the necessity that decisions be reached with all reasonable dispatch and with a high degree of finality. There must be orderly procedures which not only are efficient, but which also enjoy the confidence of management and labor to a degree which will assure widespread acceptance of decisions reached.

The third fundamental to be observed is that the program be integrated and consistent in application. This objective is likely to be realized only if responsibility for handling *all* labor disputes rests with a single organization and that organization also administers the wage stabilization program.

Inutility of Taft-Hartley Procedures

With these fundamentals in mind, what possibility exists of using the emergency dispute provisions of the Taft-Hartley Act, once machinery is established for handling the generality of labor disputes?

The long and short of the matter is that there appears to be no such possibility. But lest this conclusion appear precipitate or unwarranted to some, a brief review of the emergency dispute provisions of the Act may suffice to demonstrate their inadequacy in a wartime situation.

Initially, when the President concludes that a dispute threatens to imperil the national health or safety, he designates a Board of Inquiry to meet with the parties. The Board has no authority beyond investigating the issues and seeking to induce a settlement. It is expressly barred from making any recommendations as to settlement of the dispute. Once the Board reports, the government can obtain an injunction prohibiting the continuance of any work stoppage. During the next 60 days further efforts to induce the parties to agree are made. If these are unsuccessful, the N.L.R.B. then has 15 days in which to poll the employees as to whether they will accept the employer's last offer, even though it has been rejected by the union officials. If the employees reject this offer, which they confidently may be expected to do, then in another five days the injunction is dissolved and the matter reported to Congress by the President.

The dominant characteristic of these procedures, of course, is that they were devised only for a peacetime economy. They are not de-

signed to prevent a strike or lockout either before or after the 80-day period covered by an injunction. They rest on the assumption that disputes imperiling the national safety will be only a rarity. And a studious effort is made to avoid settlement of disputes by government decision or recommendation rather than by agreement of the parties themselves.

These basic policies, implicit in the Taft-Hartley procedures, are flatly opposed to the premises of a wartime labor dispute policy, which must assume that the strike and lockout weapons will not be used and that in lieu thereof the government will provide an adequate forum for definitive determination of disputed issues.

In the years of conflict ahead, moreover, the number of disputes which bid fair to imperil the national safety is likely to be legion. The separating of such disputes from the generality of other disputes, perhaps affecting only the stabilization program, in itself would be a formidable and fruitless task. Nor, in any event, would it be sound to permit some disputes to be handled under Taft-Hartley machinery, while others were handled by a new war labor disputes agency. Effective administration of a stabilization program requires that all cases be handled ultimately by the same agency.

In these circumstances, we can only conclude that to construe Section 503 of the Defense Production Act to require that resort be had to the emergency dispute provisions of the Taft-Hartley Act as part of a wartime labor program would be to invite a fantastically unworkable result. It might be urged, perhaps, that the Taft-Hartley procedures could be invoked before resort was had to the procedures of a new War Labor Board. Yet it is difficult to conceive what of value would flow from such a technique. Major labor disputes ordinarily will involve stabilization matters, as to which the Board alone should have authority. Preliminary proceedings under the Taft-Hartley Act would have only one sure fruit—a waste of time and effort.

Interpretive Techniques to Avoid Taft-Hartley Procedures

If it be agreed that the emergency dispute provisions of the Taft-Hartley Act cannot be applied practically to the handling of wartime disputes, there remains the question of whether it is possible to avoid resort to them without doing violence to the language of Section 503 of the Defense Production Act. Fortunately there are several ways in which this can be done.

It is apparent on the face of Section 503 that it merely declares a broad policy which must be read in the light of the major purpose of Title V of the Defense Production Act. The plain intent of that Title is to authorize the establishment of "effective procedures for the settlement of labor disputes affecting national defense." And in reporting the Act back to the House after the joint Senate-House Conference, the House Report declares that Title V would authorize the President to establish a board similar to the War Labor Board of World War II. From these facts, it is not too great a stretch of the imagination to infer that Congress did not contemplate wartime resort to the Taft-Hartley procedures.

If this interpretive technique be deemed inadequate, there remains the fact that invocation of the Taft-Hartley emergency dispute provisions in any given case rests initially in the discretion of the President. Should the President conclude that it would be unsound to invoke the Taft-Hartley procedure during the existence of a new War Labor Board, his Executive Order establishing the Board could include also a declaration that, in the exercise of his discretion, he deemed the needs of the wartime situations such as to preclude use of the Taft-Hartley provisions during existence of the new Board.

Thus, as a practical matter, it is easily possible within the framework of existing legislation and executive authority, to avoid the undoubted pitfalls of the Taft-Hartley provisions for dealing with emergency disputes.

Desirability of Amending Emergency Dispute Provisions

There remains, however, what is undoubtedly a more difficult problem posed by the emergency dispute provisions of the Act. As we move into the critical months ahead, it is a distinct possibility that the President will convene a conference of management, labor, and public representatives in the hope of their reaching agreement on policies to be recommended for establishment of wartime labor dispute machinery. Such at least is contemplated by Title V of the Defense Production Act.

Should such a conference take place, inevitably the participants will be influenced by the experience in settling disputes during the last War. And that experience at bottom rested firmly on the foundation of mutual acceptance, by management and labor alike, of the War Labor Board as a substitute for strikes and lockouts in the settlement of disputes.

Essentially the War Labor Board program was voluntary. The Board orders were not self-executing and no machinery existed for their enforcement in the courts. True it is that ultimate sanctions lay in the background in the President's powers as Commander-in-Chief, but these were invoked only in rare instances. It cannot be denied, in short, that the efficacy of the Board's program rested primarily upon its wholehearted acceptance by the overwhelming preponderance of employers and unions.

Were a new conference of labor and management representatives to achieve a similar basis for voluntary acceptance of dispute procedures, it would be an accomplishment of first magnitude. Yet there is no doubt that certain provisions of the Taft-Hartley Act have engendered an atmosphere which will add to the difficulty of enlisting wholehearted cooperation by the leaders of labor in developing a basis for voluntary acceptance of wartime controls.

To the extent that such difficulty stems from defects in the Act which provide a legitimate basis for criticism, we should not ignore the opportunity presented by the coming session of Congress for corrective action. This is not to suggest that labor should use the current emergency as a club to extort concessions from the rest of the public. Such a policy would court disaster.

It is nonetheless true, however, that the provisions of Section 503 of the Defense Production Act thrust the Taft-Hartley Act into any consideration of wartime controls, and in effect invite efforts to amend that Act. Already, moreover, some Congressional leaders have voiced an intention to press amendments to the Taft-Hartley Act in the coming Congress. And experience with earlier proposed amendments leaves little room for doubt that the emergency dispute provisions of the Act will loom large in Congressional debates.

In this situation it cannot be denied that there is ample ammunition available to sustain an assault on these provisions. While some observers appear to be satisfied with them, the available evidence does not support the conclusion that the Taft-Hartley procedures have functioned satisfactorily. It is not enough to point out that all disputes handled under the Act ultimately were settled. Every dispute is settled in the end unless one or the other party is utterly defeated.

The efficacy of the Taft-Hartley procedures could be demonstrated only if it appeared that they produced sound settlements with less friction and loss of production than would have been the case had other methods been applied. As yet, no authoritative study of this

sort has been undertaken. There is available, however, the two annual reports of the Federal Mediation and Conciliation Service which indicate that the provisions of the Act are unduly rigid, and in important instances have proven cumbersome and unworkable.

The Act mistakenly assumes that all emergency disputes arise in a comparable fashion and are susceptible to treatment by an identical formula. In practice, moreover, the formula actually may tend to impede collective bargaining. A strong union will not bargain seriously during the period of the 80-day injunction, but will prefer to await expiration of the injunction when it will be free to use its economic strength. A weak union, on the other hand, may take advantage of the machinery so as to achieve the maximum amount of public and government pressure on the employer, while taking refuge behind the injunction to avoid the test of strength implicit in a strike. And employers, looking upon the injunction and ultimate provision for an employee vote as effective limitations on the union's ability to back up its demands, may be unwilling to bargain until the Act's provisions have been exhausted and all the chips are finally out on the table.

Perhaps the critical weakness of the Taft-Hartley procedures springs from a conflict between the desire of Congress to avoid government prescription of the terms of settlement in major disputes, while at the same time seeking to bring heavy pressure to bear to force a settlement. Unfortunately, the pressure contemplated is carefully spelled out by the Act in advance and is one-sided. The injunction provisions normally will be used against unions rather than employers. In an expanding economy at least, the union normally takes the initiative in seeking concessions in collective bargaining. Maintenance of the status quo by injunction thus stays the union hand, while placing the employer under no pressure to come to an agreement. Indeed, the Act invites the employer *not* to make any serious effort to reach agreement with the union representatives. Such is the obvious effect of the provision for a secret ballot among the employees as to whether to accept the employer's last offer after it has been rejected by the union officials.

This last provision is not accompanied by any similar device for polling stockholders of corporate employers as to whether they wish to accept the union's last offer, and seems discriminatory on its face. It embodies a notion which dies hard: that labor leaders will be repudiated by the constituents, if given an opportunity. This idea first

was exploded in the administration of the Smith-Connally Act and its fallacy is further indicated by the results of union security elections under the Taft-Hartley Act. Yet it is this fallacious conception which appears to have dominated in large measure the thinking of those who drafted the emergency provisions of the Act.

In balance, it seems fair to infer that these provisions not only are highly objectionable to labor leaders, but also fail to protect or serve the public interest. Under such circumstances, it seems appropriate that the Act be amended at an early date.

It would be threshing old straw here to discuss more appropriate techniques for dealing with emergency disputes. At the first meeting of the Association in 1948, Dr. Taylor covered that subject with characteristic insight and felicity, and it has been well canvassed by others on many occasions since.

Conclusion

As we face the task of developing adequate labor dispute machinery to implement the defense effort, we cannot avoid grappling with problems growing out of the Taft-Hartley Act. The impact of Section 503 of the Defense Production Act, requiring that wartime dispute machinery should not be inconsistent with the Taft-Hartley Act, should present no serious difficulty. The impropriety of use of the Taft-Hartley emergency procedures in a wartime situation is clear. They were enacted as a peacetime measure, and based on principles utterly at variance with the urgent demands of wartime. Happily, reasonable interpretive techniques are available to avoid the disastrous results which might follow were the Defense Production Act construed to require wartime utilization of the Taft-Hartley emergency disputes formula.

A more pervasive question exists as to whether early modification of this formula would not facilitate development of a basis for cooperation between management and labor in the prosecution of our common defense effort. It seems essential to achieve voluntary acceptance of war labor dispute machinery, if our democratic institutions are to be given proper play. Any source of unnecessary irritation in the relations of labor, management, and the government which is likely to forestall voluntary acceptance of disputes procedures should be eliminated. Since amendment of the Taft-Hartley Act is likely to be considered by the next Congress in any event, and the matter is brought into critical focus by the terms of the Defense Production

Act itself, we can anticipate a heavy assault on the Taft-Hartley emergency dispute sections. These sections are rigid, cumbersome, and unfair, and more effective means are available to supplant them. No sound reason exists for their continuance. They constitute psychological sand in the gears of our industrial machine. Their early elimination will contribute importantly to the great cooperative effort which lies ahead. For the long pull, moreover, more effective techniques for dealing with emergency disputes can be devised, along lines already proposed by outstanding leaders of thought in the industrial relations field.

DISCUSSION

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I planned to base my comments upon a painstaking analysis of the principal papers by Mr. Garrett and Mr. Gregory. They obviously deserve it. Unfortunately, however, the papers reached me too late to permit such treatment. Consequently I had to choose between not showing up at all, or making some relatively independent observations. Lest my absence be misunderstood as neglect, or a certain lack of courage, I chose the latter course.

Our subject is "The Taft-Hartley Act As a Basis for Wartime Labor Relations." The Act obviously provides no adequate basis for wartime labor relations. Both of our principal speakers are agreed on that. Therefore I shall part company with the Act immediately.

In wartime the entire peacetime balance of economic forces, with which the Taft-Hartley Act is primarily concerned, is shifted. The demand for labor is enormously increased, and with it the bargaining strength of workers, organized and unorganized. As we meet here, in a sort of no man's land between part-time war and all-out war, the biggest economic fact looming on the horizon is obviously an acute shortage of manpower. As this manpower shortage materializes, the issue becomes essentially one of how much restraint organized workers choose to exercise in exploiting their bargaining position. The Taft-Hartley Act, as I understand it, is not designed to cope with any such situation.

It was my observation that in World War II organized labor exercised marked restraint in exploiting the superior bargaining position which war conferred upon it. During the war years hourly money wage rates were increased only about 30 per cent. That was somewhat less than twice as much as the cost of living increased. So, in terms of real wages, industrial workers realized a wartime increase of only 13 or 14 per cent. By going after it, they could have had much more.

In one important particular I feel that there was an absence of wise restraint. That was in the insistence of organized labor that the War Labor Board, as a general policy, order maintenance of union membership which, as you know, included the payment of dues. In effect, during the 1944 political campaign, this arrangement put the federal government in the position of ordering many unwilling workers to make campaign contributions to a party they did not favor.

As a public member of the War Labor Board I voted for such provisions. In retrospect I am ashamed of myself. It makes me feel a little bit better to confess as much in this particular company.

The theory behind the compulsory maintenance of membership was, of course, that it was part of a *quid pro quo* for a no-strike pledge. The no-strike pledge, you will recall, worked pretty well. During the war years only about 35 million man-hours were lost as a result of strikes, many of them (I regret I do not have the exact record) by unions which had avoided giving the pledge. That was fewer hours than were lost from strikes in the first six months after the war. Even so I think that, in its own interests, organized labor required the federal government to do something which no free government should do—that is order, in effect, compulsory political campaign contributions. The process involved, of course, was the transfer of union dues paid to comply with compulsory maintenance of membership, to a union political action committee.

By and large, however, I think the Board did a useful job in helping to persuade workers to be temperate in exploiting their bargaining advantage. Though it made wretched jobs for them, the presence of Labor members on the Board contributed to this end, I am sure. That is probably a good enough reason for having Labor members. To create the semblance of a balance there must thus, of course, be Employer or Industry members, even though it does seem cruel and unusual punishment to put anyone in such a wretched hole.

Substantial as was the restraint exercised by organized labor in World War II, however, if it does not exercise even greater restraint in the war now developing, organized labor will clearly precipitate an economic and social revolution. As we moved into World War II there was a great deal of slack in our national economy. As late as mid-1941 there were still approximately six million unemployed. Hence it was possible both to take on a tremendous load of war production and provide higher real wages, and perhaps even living standards, for workers without pulling our economy apart at the seams.

This time, however, we are planning to pile a tremendous load of war production onto an economy already stretched quite taut by civilian business. One immediate effect, of course, is an inflationary problem more acute than we encountered until World War II had been several years underway. Since the start of the Korean war the average of wholesale prices has increased more than 10 per cent.

This, of itself is a terrific inflation. And it has been virtually without direct benefit of a program of war production for which Congress during this fiscal year has appropriated over \$50 billion, with more in sight.

Let us make the not unreasonable assumption that over the next few years we are going to spend about \$75 billion per year (in present prices) for war production. If at the same time the real wages of workers are increased in the World War II manner, and total national production is not increased, the share of income going to owners as rent, profits, return to farmers, etc., will be largely obliterated by 1954.

Insofar as the total of national production is increased (and given the will it can be greatly increased), the possibility of increasing real wages without producing an economic revolution will be increased. But even if by 1954 we manage to increase total national production by 15 per cent, and simply maintain labor's real income, the income going to owners, landlords, and proprietors will be cut by a fifth.

The moral of all this is, of course, that in seeking economic gains organized labor, as well as employers and farmers, must now exercise far greater restraint than was exercised in World War II, when there was marked restraint, or our economy will be pulled to pieces in a truly revolutionary way. This means further, of course, that labor leaders, whose followers have been accustomed to steady increases in their real wages, are going to be placed in a far more difficult position than they were in World War II when many of their followers had extensive backgrounds of unemployment. Along with them in this extremely uncomfortable position will be all members—public, labor, and industry alike—of all war labor boards.

Many of you are potential members of what will probably soon be a burgeoning of war labor boards. Let me try to justify my participation in your meeting by giving you a bit of friendly advice. If you seek a relatively tranquil position, as compared with work on a war labor board, join the army, air force, navy, or marine corps.

JOSEPH LOFTUS

Washington Correspondent, New York Times

Both Mr. Gregory and Mr. Garrett have spoken about the desirability of amending the Taft-Hartley Act to meet wartime needs. I

think it's important to go a step farther and look at the *possibility* of getting Congress to amend the Act.

That's what I want to talk about primarily, and I want to offer a suggestion along those lines; but first let me say a few words about Mr. Garrett's interpretive techniques for avoiding Taft-Hartley procedures.

He says, first, that the President could infer that Congress did not contemplate wartime resort to Taft-Hartley procedures; or, in the alternative, that the President could say that in his discretion the wartime situation *precluded* the use of Taft-Hartley.

I hesitate to take issue with a lawyer on an interpretation of law, but I'll say this: If it's good law, it's bad politics. And from a newspaperman's point of view, you can't talk about changing the Taft-Hartley law and leave out political factors.

In the Defense Production Act, Congress clearly enjoined the executive not to take any action inconsistent with Taft-Hartley—according to usually reliable sources. If the President dared to ignore that, or interpret it into a limbo, he would be in serious trouble with Congress.

Remember, too, in connection with the Taft-Hartley emergency provision: Congress did not say merely, "Here's some machinery, try to make it work—period." Congress said, "Follow this procedure and when you have followed it to its terminal point, report to us." The executive has specific instructions to report back.

Now, as to the possibility that Congress will recognize inadequacies in Taft-Hartley and make the necessary changes, let's face a few facts. I am sorry to say that although most members of Congress have a strong feeling about Taft-Hartley, very few have a real understanding of it. That's true of members on both sides of the issue.

I have in mind the House particularly. After attending committee hearings and listening to debates on labor legislation for the last few years, I could not name more than one or two members of the House of Representatives who can discuss the complexities and subtleties of the Taft-Hartley law. Fortunately, the Senate is much better equipped.

If you don't know what standards of appraisal I am using, I would put it this way: The House has no Taft or Wayne Morse where Taft-Hartley is concerned.

We know that although both these men are politicians, they do know what is in the law. But in the House, somehow, political feeling

is an emotional block to real understanding. I have a suspicion that Senator Taft, despite labor's attacks on him, is willing to treat labor more liberally than the House is. I am not holding the House up to ridicule; I am stating a problem. Taft-Hartley is not exclusively an intellectual problem.

Let's also face the fact that Congress distrusts the executive's administration of labor laws. Congress believes the executive is too beholden to labor.

This leads back to the main point. If the situation is something like I have described it, how do you get the amendments you think are necessary? You just can't assume that certain faults that are obvious to you will be obvious to Congress and therefore something will be done.

If the administration follows the routine procedure of sending a message and amendments up to the capitol, the amendments will have small chance. The President is going to have even less influence in the new Congress than he has had in the outgoing Congress on matters involving labor. The House is going to be suspicious of anything that seems to give the unions more freedom.

What is the alternative then? It seems to me that the members of this organization have an opportunity for a real big mediation job. Right now there ought to be a commission of labor, management, and public members working on a unanimous recommendation to Congress. Section 502, Title IV, of the Defense Production Act practically invites that procedure, and the executive body of this organization might well consider proposing it.

Let it be understood that the commission is not to reopen the entire area of Taft-Hartley now, but will limit itself to the problems that stand in the way of a smoothly functioning defense effort.

On this limited agenda I would put (1) the national emergency section, (2) the need to speed up the representation election process by authorizing the N.L.R.B. to dispense with pre-election hearings, and to hold elections oftener than once a year where the Board finds that circumstances warrant this, (3) an exploration of the problem of union discipline under the union shop.

It would be fine if the scope could be still larger. Ideally, the law should be a matter of simple procedure with the sole purpose of getting optimum production.

But keeping in mind the temper of Congress, one can't expect anything but the most limited changes in the law. It might even be

necessary to stipulate that the amendments would be effective for the duration only. If the job is approached in good faith as a defense project, it is possible that the commission would arrive at a unanimous recommendation. Amendments so recommended would have an excellent chance of getting through Congress. Anything else has small chance. I can't see the new Congress passing any labor legislation that business opposes.

If, on the other hand, a tripartite emergency commission works, think of what it could lead to. If Congress once accepted the tripartite approach, we might eventually get a labor-management law that was largely acceptable to both sides. There are few more important services to the country than taking labor-management relations out of politics.

Part III

MANPOWER UTILIZATION

LABOR MOBILITY: SOME INSTITUTIONAL ASPECTS

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THE PURPOSE of this paper* is to indicate what role institutions and institutional change play in fashioning the patterns of certain types of labor mobility. Before proceeding to do so, however, it is pertinent to clarify somewhat the term "labor mobility."

Classification is in no small measure a function of the purpose it is designed to serve. And for the purpose of this paper the following classification of labor mobility is relevant. First, there is movement of labor between different plants, which we shall call *horizontal mobility*. This type of mobility can be subdivided according to whether or not it involves a change in (a) the employer unit, (b) the industrial attachment, (c) the locality, and (d) the occupational level or operation. A still further breakdown is feasible on the basis of voluntary and involuntary movement.

Secondly, *vertical mobility* encompasses changes in the socio-economic occupational levels or operations of employees (either upwards or downwards) in a given plant. And obviously vertical mobility may be either voluntary or involuntary.

Thirdly, movement into and out of the labor market will here be referred to as *labor-market-propensity mobility*.

Finally, *employment mobility* comprises all movement between employment and involuntary unemployment. This category is different from involuntary horizontal mobility in that the latter involves movement between plants with a "very brief" (if any) period of involuntary unemployment, while the category here presented assumes a period of involuntary unemployment above a certain "minimum."

Further breakdowns in each of the two last-mentioned categories are obviously feasible if necessary for the analysis—changes in industrial attachment, employer attachment, etc.

While these categories are conceptually distinct there are obviously interrelationships between them in practice. To illustrate: A worker desirous of moving rapidly up the occupational ladder in a given plant and finding that he has not moved up as fast as he had hoped

* I am indebted to my colleague, Professor Paul Sultan, for reading the manuscript and making valuable suggestions.

and expected, may quit voluntarily in order to find a better job elsewhere¹—that is, engage in horizontal mobility as a result of unsatisfactory vertical mobility. Again, a worker who has been unemployed for some time, either voluntarily or involuntarily, may, because of that, decide to leave the labor market altogether—that is, horizontal mobility or employment mobility can lead to labor-market-propensity mobility.

But despite these practical interrelationships, a separate classification is nonetheless called for since the determinants and consequences of mobility will vary with the type, or even sub-type, under consideration. Thus, for example, while seniority policy in collective bargaining is a crucial determinant of horizontal mobility, it plays little or no direct role in labor-market-propensity mobility.

In this paper we shall be concerned only with horizontal mobility—more precisely, with only certain facets of this type of mobility. We shall analyze these facets in relation to the following institutional forces: trade-unionism, the government, management, and employment opportunities.

Trade-Unionism

Trade-union policies, established through collective bargaining, have thus far had relatively little impact on the amount of involuntary horizontal mobility,² since this figure is a function mainly of variations in the level of business activity,³ as we shall see. Trade-unions have, however, influenced the incidence of involuntary mobility, through the establishment of seniority and equal-division-of-work policies in layoffs.⁴ In the absence of unions, the incidence of involuntary layoffs in the plant is a highly personalized affair. Collective bargaining institutionalizes the process.

¹ Cf. N. W. Chamberlain, *Management in Motion* (New Haven: Yale Labor and Management Center, 1950), p. 7; also a study by C. A. Myers and G. Shultz on labor mobility, soon to be published.

² In one respect unionism has, of course, influenced the level of involuntary mobility—namely, with regard to discharge cases. The union's right to challenge managerial policy in discharges, either through the grievance procedure or otherwise, has limited management's control over this aspect of mobility. This aspect is, however, a relatively negligible proportion of total involuntary mobility. For further comment on the role of unionism in involuntary mobility, see note 9.

³ The assumption made here is, of course, that union policies leave relatively little impact on the level of business activity. To demonstrate this point would require an analysis which goes far beyond the scope of this paper.

⁴ Slichter's work (*Union Policies and Industrial Management*) is, of course, the classic reference. For recent developments in this field, cf. Robert L. Aronson, *Layoff Policies and Practices* (Princeton University, Industrial Relations Section, 1950).

It should be noted, of course, that while at present the influence of unions on the amount of involuntary mobility is negligible, it does not follow that it will always continue to be thus. Changing socio-economic patterns may induce the emergence of union policies which will have a profound influence on involuntary mobility—guaranteed wage plans are a case in point.

When we turn from involuntary to voluntary horizontal mobility, we find the role of trade-unionism shifting from a negligible to a paramount influence. Seniority in promotions and layoffs has reduced the amount of voluntary mobility for reasons which have been stressed again and again so that no repetition is needed here. It is relevant to note, however, that seniority policy—notably in promotions—may increase the voluntary mobility of the “short-service” (younger) workers who find that they do not move up occupationally as quickly as they think they would in the absence of seniority policy. But the amount of such voluntary mobility which can be attributed to unionism is probably not too large, partly because some short-service workers would be quitting even in the absence of seniority policy. More important, however, is the fact that with the spread of trade-unionism the short-service workers are abutting into the seniority obstacle in most plants, so that they are discouraged from moving *on this score*.

The negotiated pension plans in many bargaining units will serve as another obstacle to voluntary mobility by organized workers. Obviously this obstacle will loom larger for the “older” workers than the “younger” ones. But even the younger group will be more reluctant to quit voluntarily than they otherwise would have been. Because of the equity they have built up in the pension plan, however small, a greater inducement will be required to make them move; *a fortiori*, if the inducement emanates from firms with no pension plans.

It has been established⁵ that job dissatisfaction is an important incentive to voluntary movement. In fact, one can even argue that the “push” of dissatisfaction is more important than the “pull” of a “good” job in generating voluntary mobility. Now, the removal of the sources of job dissatisfaction is obviously one of the prime functions, if not *the* prime function, of American unionism, which is still essentially a business unionism, political and social activity not-

⁵H. G. Heneman, Jr., H. Fox, and D. Yoder, *Minnesota Manpower Mobilities* (Industrial Relations Center, University of Minnesota Press, 1950); L. G. Reynolds and J. Shister, *Job Horizons* (New York: Harper, 1949). Also the recently completed study by C. A. Myers and G. Shultz, as yet unpublished.

withstanding.⁶ And while any given union's success in removing the sources of dissatisfaction will be determined by its "bargaining power," the fact remains that all unions remove these sources to some degree, even if in certain cases the labor organization does nothing more than bring to management's attention conditions of which it was previously unaware. Needless to add, in most instances the union does considerably more than that.

The spread of unionism means more than the removal of the sources of job dissatisfaction. It also means that job and wage standards tend to become "uniform" over the relevant area. This is true even in the absence of so-called market bargaining.⁷ But with the spread of market bargaining in recent years this tendency has become all the stronger.⁸ This does not mean that wage levels—to choose one illustration—become uniform over the relevant area even under market bargaining. But it does mean that the tendency toward uniformity in job and wage standards reduces the differentials in net advantage between the relevant plants, and this reduction discourages voluntary mobility, other things being equal.

The spread of market bargaining with its tendency toward uniform wage and job standards may have an influence on the concentration of industry over the long pull in those bargaining units where labor costs are a significant proportion of total costs. The uniformity of standards may—other things being equal—compel the weaker (marginal) firms to go out of business and enable the stronger firms, therefore, to grow.⁹ Now, since the opportunities for upward occupational mobility are greater in the "large" plant than in the "small"

⁶ Cf. J. Barbash, "Ideology and the Unions," *American Economic Review*, December, 1943; J. B. S. Hardman, "Union Objectives and Social Power," in *American Labor Dynamics* (New York: Harcourt Brace and Co., 1928); S. Perlman, *A Theory of the Labor Movement* (New York: A. Kelley, 1949).

⁷ For the definition of "market bargaining," see J. Shister, "Trade-Union Policies and Non-Market Values," *Proceedings of the Industrial Relations Research Association*, 1949.

⁸ Cf. Industry-Wide Collective Bargaining Series (George W. Taylor, editor), Labor Relations Council of the Wharton School of Finance and Commerce.

⁹ The assumption made here is, of course, that as the weaker firms go out of business the demand is "automatically" shifted to the stronger ones. This is obviously not true under all circumstances. For instance, the demand may shift to savings or to a product in a "substitute" industry. It should be noted that to the extent that union policies compel firms to go out of business or to increase layoffs either because of the methods noted in the text above or because of other considerations, they are obviously contributing to an increase in involuntary mobility—assuming that the workers laid off transfer to other plants or firms.

one,¹⁰ the concentration process would reduce that part of voluntary horizontal mobility caused by the fact that some workers are dissatisfied with their vertical mobility.¹¹

To many a worker the union organization itself is a medium for improving his socio-economic status. The various administrative offices open in a large local provide workers with the opportunity of assuming a role of importance in the eyes of their fellow workers which they would otherwise never have. A stewardship, membership on the grievance committee, membership on the executive board—these and other positions in the local union governmental hierarchy enable many a worker to attain a gratifying status which he would lose if he were to leave the plant. And mention should also be made of the fact that the path of upward administrative movement in the national union hierarchy begins at the local level, so that local political success is usually a necessary condition for anyone who sets his sights on national political office in the organization. This again acts as an obstacle to movement even to another plant of the same union, let alone another plant organized by a different national. True, the number of workers who at any one time can hold union administrative posts is relatively small. But given the turnover in these positions at the local level,¹² a far larger number of workers can look forward to holding such positions over time. These *expectations* of holding office are, in most instances, strong enough to discourage movement—other things being equal.

While the Taft-Hartley Act has outlawed the closed shop, the fact remains that in many bargaining units, notably where strong crafts are involved, the closed shop policy is still in effect. The building and printing trades are cases in point. And so long as the union bargaining power in these areas is “high,” they will continue to enforce the closed-shop policy. Now, when the closed shop is combined with a restrictive admission policy—which is actually the case in many instances—a worker desirous of moving from some other industry to these “sheltered” trades cannot easily do so; hence, an obstacle to voluntary horizontal mobility.

¹⁰ Cf. Reynolds and Shister, *op. cit.*, p. 69.

¹¹ For a fuller elaboration of this point, see below.

¹² This turnover is in no way inconsistent with the thesis that the status of office reduces voluntary mobility, for a variety of reasons—one of which will suffice at this juncture: Even *after* a worker has been in office he may still be held in high respect by the members of the union, which is gratifying to the worker and acts as an obstacle to mobility.

Trade-union practices reviewed so far cut down the amount of voluntary horizontal mobility. Are there any practices which tend to increase this type of mobility? To the extent that so-called "ignorance" is an obstacle to voluntary movement, one might argue that trade-unions mitigate or eliminate this obstacle by providing information to their members. While it is true that many (though not all) unions provide their memberships with data on wages and certain conditions in various bargaining units throughout the country through the medium of the union journal, and while oral information on these matters is picked up at the union meeting hall and the union office, the information is customarily restricted to the trade or industry with which the union is connected. This means that even if this dispelling of ignorance encourages movement—a questionable assumption¹⁸—the movement will be restricted to the trade or industry in question. Further, such movement is more likely to be of the inter-local variety rather than the intra-local type since adequate differentials in wages and conditions to induce movement are far more likely to be found between different localities than within any locality for a given organized trade or industry.

In a period of labor shortages (such as the one now prevailing) certain trade-union policies may, under specified circumstances, contribute to increased mobility. The reference here is to the fact that collective bargaining contracts are customarily signed for at least one year, and during the life of the contract the employers are not usually required to change the general wage level. Hence, if the worker can obtain a higher scale in another plant during the life of the contract, either in the same locality or elsewhere, he may decide to move. It could be argued that in the absence of trade-unionism the employer would have raised individual wage scales as the occasion warranted in order to retain his help. It is questionable whether this viewpoint is really valid. To start with, this inducement to mobility in individual cases will be more than outweighed by other aspects of union policy which reduce mobility. Furthermore—and this is the significant point—there is nothing to prevent any employer from paying particular workers above the union scale in order to retain them. In fact that is exactly what has happened in a number of industries and trades; photo-engraving and bricklaying are cases in point.

To summarize: Trade-union policies have very little influence on

¹⁸ Cf. "Work and Wage Experience of Skilled Cotton-Textile Workers," *Monthly Labor Review*, July, 1946.

the *amount* of involuntary horizontal mobility, although they affect significantly the *incidence* of this type of mobility. The union policies reduce the amount of voluntary mobility, on net balance. *A priori* one cannot determine whether the effects of this reduction are "beneficial" or "harmful" for the economy. A lot depends on the circumstances, and even more on the criteria used for judgment purposes, as we shall see at a later juncture.

The Government

Whereas the trade-union's influence on the amount of involuntary horizontal mobility is negligible, as we have seen, the government's influence is very significant. Since the amount of involuntary mobility is primarily a function of the stage of the business cycle and long-run trends in employment opportunities, as will be presently shown, and since the government can control the level of business activity (within limits) through appropriate fiscal and monetary policy, it follows that the government can control the amount of involuntary mobility to a substantial degree. Governmental policies which stimulate business activity will reduce the amount of involuntary horizontal mobility but increase the amount of voluntary mobility, other things being equal. And the opposite is true for policies which retard business activity.

Unemployment insurance probably has only a negligible impact on horizontal labor mobility. Voluntary mobility is probably not affected at all. True, a worker may quit more readily when he knows he can draw unemployment compensation, but at the time of quitting he is not certain of being able to draw his benefits since he may be unable to demonstrate that he quit for "good cause," and that may discourage him from quitting. And it should be noted that with the experience rating provisions in the various state laws most employers will make a serious effort to prove that "good cause" was not involved, so as to avoid a debit against their accounts. What unemployment insurance may accomplish, notably with regard to seasonal unemployment, is to discourage the involuntarily unemployed from looking around for work elsewhere. Our information on this point is far too scanty to warrant any definite conclusions.¹⁴ But if this should be the case, it would mean that involuntary horizontal mobility is changed into employment mobility, and the latter type of movement does not concern us in this paper.

¹⁴ Cf. E. W. Bakke, *The Unemployed Man*, (London, 1933).

Another facet of involuntary mobility relates to the experience rating provisions in the state unemployment compensation laws. The rationale of these provisions was, of course, that they would induce managements to stabilize employment to a significant degree. Had such stabilization materialized, one would be justified in concluding that unemployment compensation had cut down the amount of involuntary mobility through the merit rating provisions. Actually, however, no stabilization of any kind has emerged in most instances.¹⁵ Further, where stabilization has resulted, it has rarely meant more employment for the entire work force in the plant or firm. In most of these cases the stabilization has entailed more work for some employees and less for others during the course of the year.¹⁶ Under such circumstances, a variety of different patterns of involuntary mobility are possible depending upon a multitude of conditions, but only some of these patterns will spell a reduction in the amount of involuntary mobility.

The Federal Government policy of enabling veterans to obtain relatively large mortgages when purchasing homes through the so-called GI Bill has doubtless contributed to the increase in home ownership during the last five years or so. Since there is evidence that home ownership is a deterrent to inter-local mobility,¹⁷ and perhaps even intra-local movement, it follows that this aspect of government policy has reduced the amount of voluntary movement. This point becomes particularly evident when it is recognized that "younger" workers are more mobile than "older" employees¹⁸ and have been "younger" people.

Minimum wage legislation, to the extent that it entails layoffs, may increase involuntary mobility. But it is questionable whether legislation thus far enacted, at both state and federal levels, has caused any considerable number of involuntary separations.¹⁹ Voluntary mobility may have been affected to some degree if the

¹⁵ Cf. C. A. Myers, *Employment Stabilization and the Wisconsin Act*, (Washington: Social Security Board, 1940).

¹⁶ Cf. J. Shister, *Economics of the Labor Market* (New York: J. B. Lippincott, 1949), pp. 451 ff.

¹⁷ Cf. Heneman, Fox, and Yoder, *op. cit.*, p. 51; G. L. Palmer, *Research Planning Memorandum on Labor Mobility* (New York: Social Science Research Council, 1947), p. 15.

¹⁸ C. Kerr, *Migration to the Seattle Labor Market Area 1940-1942* (Seattle: University of Washington Press, 1942), p. 152; Heneman, Fox, and Yoder, *op. cit.*, pp. 12-13; C. R. Walker, *Steeltown* (New York: Harper, 1950), p. 171. that most of the recipients of these GI benefits for home purchases

¹⁹ Cf. J. F. Walker and H. M. Douty, "Effects of Minimum Wage in Southern Sawmills," *Monthly Labor Review*, Sept., 1950; J. Shister, *Economics of the Labor Market* (New York: J. B. Lippincott, 1949), pp. 322 ff.

minimum wage eliminated a significant source of job dissatisfaction, but the evidence on this has not yet been unearthed, if indeed it is at all available.

In the absence of old-age pensions under the Federal Government program some employers would retain the "older" workers longer than they do now.²⁰ To the extent that workers involuntarily retired remain unemployed for a "considerable" period of time they fall into a category of mobility not relevant to this discussion. But to the extent that they turn to jobs in other plants, they are indulging in horizontal mobility; and this horizontal mobility is increased by the aspect of the OASI program discussed above—other things equal.

It is undeniable that the spread of Public Employment Services throughout the country as a result of the establishment of unemployment compensation has facilitated horizontal mobility by providing informational data to both employers and workers. And this is true for both voluntary and involuntary movement. But the crucial question remains, *how much* of an increase in horizontal mobility is entailed by the existence of the Public Employment Services? No definite answer is yet available, but it is clear from studies that have been made²¹ that both employers and workers do not take full advantage of the existence of the Services. Which is another way of saying that while horizontal mobility has been increased by the Services, the maximum permissive increase has not been reached.

All in all, the main influence of government policy on horizontal labor mobility is exerted through the indirect impact of its fiscal and monetary policy on the state of business activity. The other policies in peacetime have relatively little influence on mobility. When one turns to a wartime economy the picture is obviously changed radically. For example, compulsory manpower controls which may be used in such a period leave a profound impact on the amount and direction of horizontal mobility. Again, if the armed forces are increased substantially, upward vertical mobility is increased in various plants; and an increase in vertical mobility reduces the amount of horizontal mobility, other things being equal.²²

²⁰ To illustrate: In a medium-sized manufacturing plant known to the writer, the employer has kept on the payroll several men past 65 years of age because they are not eligible for benefits under OASI.

²¹ Cf. the unpublished manuscript by Myers and Shultz, previously cited; Reynolds and Shister, *op. cit.*, pp. 41 ff.

²² Parenthetically, this point has considerable bearing on the viewpoint that Americans would not stand for any considerable drop in the standard of living in a mobilization or war economy. It is questionable, of course, whether such resistance would obtain in the first place. But assuming it would, the fact that many *individuals* are improving their standard of living through upward mobility might dwarf the fact that for the *economy as a whole* disposable real per capita income is falling, so that the resistance, if it existed, would disappear.

Management

In discussing management's influence on horizontal mobility a distinction must be drawn between unorganized and organized business units. In the unorganized plants, the volume of involuntary mobility is largely beyond the control of individual management, although the incidence is obviously not. However, with respect to one aspect of the volume of involuntary movement individual management is a determining factor—namely, discharge cases.

Voluntary mobility may be influenced by unorganized management in a variety of ways both in terms of volume and incidence. First, the pattern of wage and job conditions can be affected by managerial policy, and these conditions, as we have seen, influence voluntary mobility. Secondly, the pattern of hiring practices may either restrict or increase voluntary mobility. For example, where certain managements refuse to hire certain racial, nationalistic, or religious groups for certain jobs, the horizontal mobility will be reduced, other things being equal.²³ Again, age limits on hiring will restrict mobility among the older workers.²⁴ Anti-pirating agreements will also restrict mobility, although the potency of these agreements is greatly reduced during periods of labor shortages.²⁵ And mention should also be made of “. . . the aversion of some companies to workers who (have) been employed for a considerable time in low-wage industries. These workers (are) thought to be ‘unreliable’ or ‘not a high type of worker’.”²⁶ The extent to which any or all of these hiring practices are pursued will be a function of such factors as the geographical location of the firm, the size of operations, the state of business activity, and so on. A discussion of these various factors is beyond the scope of this paper, but it is relevant to note that a full employment economy with labor shortages will contribute much toward the mitigation or elimination of restrictive hiring practices by management; experience during World War II clearly demonstrated this point, notably with respect to hiring Negroes.

²³ W. Noland and E. W. Bakke, *Workers Wanted* (New York: Harper, 1949).

²⁴ It should be noted that the spread of private pension plans will accentuate management's desire to set age limits on hiring, other things being equal. Obviously, if the economy should expand so rapidly that serious labor shortages develop, then, of course, the age limit would be raised until shortages could be reduced, assuming they could not be reduced by any other policy.

²⁵ W. R. Maclaurin and C. A. Myers, "Wages and the Movement of Factory Labor," *Quarterly Journal of Economics*, Feb., 1943, p. 257.

²⁶ *Ibid.*, p. 258.

Thirdly, the promotion practices pursued by unorganized managements will influence the amount and incidence of horizontal mobility. Upward vertical mobility will be higher in plants which make a practice of promoting from within (wherever possible) rather than hiring from the outside for the "better" jobs. In practice, most firms are now pursuing a policy of promoting from within, particularly the "larger" concerns. Which is to argue that, particularly in the "larger" firms, the greater opportunities for upward occupational mobility will reduce the volume of horizontal mobility, other things being equal. And that, in turn, leads to this inference: if concentration should continue in industry, voluntary horizontal mobility would be reduced, other things being equal. This formulation assumes that most of the promotions in the larger firms would obtain in the form of transfers *within* the given plants of the firms in question rather than in the form of transfers *between* different plants of the same firm. Given that the individual plants of the "large" firms will also be "large," such an assumption is highly realistic. If, however, the promotional pattern should take the form of numerous transfers between plants of the same firm, the volume of horizontal mobility might not be reduced to any substantial degree, but the *pattern* of this mobility would be changed inasmuch as it would involve movement within the same employer unit rather than between different employer units.²⁷

When we shift from unorganized to organized firms, unilateral labor policies are obviously replaced by jointly determined policies in collective bargaining. And those collective bargaining policies which leave an impact on horizontal mobility have already been discussed under the rubric of trade-unionism. Two points are nonetheless relevant at this juncture. (1) Because of the spread of unionism, many a non-union firm may fashion its labor policies along the lines of those in organized firms even if only to forestall organization, let alone other considerations. (2) While some unions may accept and even encourage restrictive hiring practices of employers, others may combat them. Thus, for example, while some labor organizations will actually insist that no Negroes be hired, other unions may succeed

²⁷ One could, of course, argue that horizontal mobility might actually be increased with growing concentration because workers could shift between different plants of the same firms without loss of any private pension rights. This assumes, of course, that all (or most) of the promotions would take the form of transfers between plants rather than within plants—a highly questionable assumption.

in eliminating the barrier which the given management has built up against hiring Negroes, by enforcing (a) a closed shop, and (b) an open union to which Negroes are freely admitted. Whether any given union will succeed in the latter policy will depend on a number of considerations not the least important of which is the sociological climate in the plant with regard to accepting Negroes.

Employment Opportunities

Employment opportunities, of course, increase during the upswing of the so-called "40-month" (Kitchin) business cycle and decrease during the downswing, a point too obvious to need elaboration. Now, the increase in employment opportunities encourages voluntary mobility and a decrease obviously discourages it.²⁸ The rationale of this behavior is so obvious as to require little comment.

These short-run variations in voluntary mobility therefore come as no surprise to anyone who has given even a little thought to the problem. But less obvious is the fact that there are long-run differences in voluntary mobility. Thus, at no time since 1929 has voluntary mobility been as high as, say, in the 'twenties of this century.²⁹ The fact that during the Great Depression voluntary mobility should have dropped off is not surprising in view of what has been said about the effect of the downswing of the business cycle, although some observers would argue that the Great Depression was more than an "ordinary" downswing. But what is surprising is that even during the prosperous years which began in approximately 1940, voluntary mobility did not reach the figures of the 'twenties. True, during World War II governmental regulations restricted mobility, but even after these restrictions were lifted we find that voluntary mobility did not rise to the figures of the 'twenties. What accounts for this long-run pattern in mobility?

Undoubtedly there has been more than one force at play. The aging working population³⁰ has probably been a factor, given that

²⁸ For detailed figures see United States Bureau of Labor Statistics, *Handbook of Labor Statistics* (1947 edition, Bulletin No. 916), pp. 41 ff. Also cf. H. Makower, J. Marschak, and H. W. Robinson, "Studies in Mobility of Labor," *Oxford Economic Papers*, October, 1938, pp. 96-99.

²⁹ For the figures since 1930 see *Handbook of Labor Statistics*, 1947 edition, United States Bureau of Labor Statistics. For data relating to the 'twenties, see *Monthly Labor Review*, July, 1929, p. 64.

³⁰ C. D. Long, *The Labor Force in Wartime America* (New York: National Bureau of Economic Research, Occasional Paper No. 14, 1944), p. 27.

older workers are less mobile than younger ones. Again, the spread of unionism may have contributed to the phenomenon for reasons already discussed. And still other forces can be brought into play. But certainly a very crucial element has been the change in the workman's conception of employment opportunities and employment security. The Great Depression probably did more than any other single event to make the American workman very security conscious. The value of having a secure job with steady income became clearer than ever before. And this security consciousness was not significantly dispelled by the prosperous years beginning with the defense program of World War II for those workers who had lived through and suffered from the Great Depression. Even more: the children of these workers who entered the labor market during the prosperous 'forties had also been infused with the idea of the importance of job security.⁸¹ This led to a reluctance of many workers to move even when employment opportunities expanded during the 'forties.⁸² It goes without saying that the impact of this so-called "general insecurity" varied with different industries and different localities.⁸³

Actually, one can argue with considerable factual support that already during the 'twenties the workers were becoming more "security conscious" than they had been prior to that, as a result of their experience with so-called "technological unemployment" during the 'twenties. It may well be that the workers displaced by rapid technical change during the 'twenties were reabsorbed into different jobs,⁸⁴ although that is a debatable point.⁸⁵ The fact remains, that workers who had been displaced and were employed for a while became acutely conscious of the value of job security, and once they obtained another job were reluctant to leave even if seemingly

⁸¹ The personnel director of a large eastern concern recently told the writer: "It is amazing how security-conscious the present-day college graduates are. Why, one of the first things they want to know when applying for a job is what kind of pension program we have."

⁸² Cf. "Work and Wage Experience of Skilled Cotton-Textile Workers," *Monthly Labor Review*, July, 1946; Reynolds and Shister, *op. cit.*, p. 31.

⁸³ Cf. G. L. Palmer, *Ten Years of Work Experience of Philadelphia Weavers and Loom Fixers* (Philadelphia: WPA National Research Project on Re-employment Opportunities and Recent Changes in Industrial Techniques, 1938), p. 55.

⁸⁴ J. Schumpeter, *Business Cycles* (New York: McGraw-Hill, 1939), pp. 804-5.

⁸⁵ I. Lubin, *The Absorption of the Unemployed by American Industry* (Washington: Brookings Institution, 1929), *passim*.

“better” opportunities obtained elsewhere. Slichter seems to come to some such conclusion when he writes:⁸⁶

Until 1920, the American labor market was a market of movement, in which the behavior of men was dominated by the idea of opportunity—a market in which there was a considerable number of men ready to give up one job in the hope of getting a better one. Before the war (World War I), separations averaged about 100 per cent of the average working force per year and over two-thirds of these were resignations. . . . By 1929, the median separation rate in manufacturing industries was about 50 per cent a year.

It is to argue, therefore, that long-run changes in employment opportunities—traceable ultimately to the rate and pattern of innovation growth³⁷—are a very important force in explaining long-run variations on horizontal labor mobility.³⁸ Further, the long-run patterns of employment opportunities will affect the form taken by the short-run cyclical patterns of employment opportunities which, as we have seen, influence short-run mobility differences. It is important to emphasize, however, that these patterns of employment opportunities do not occur in isolation. They mold, and in turn are molded by, the institutional forces we examined in the preceding pages, and any adequate explanation of horizontal mobility must take account of all these elements.

Some Conclusions on Horizontal Mobility

1. It is important to distinguish between horizontal and other types of mobility. Further, as we have seen, horizontal mobility itself must be subdivided into different categories because the determinants and consequences of these different categories are not identical.

2. The patterns of horizontal mobility are influenced by a variety of institutional forces, some of the more important of which were examined above. While we have distinguished between these different forces—trade-unionism, the government, management, and employment opportunities—there are obviously interrelations between them. Thus, for example, a retardation in economic growth which would reduce employment opportunities would also—in fact, it has—contributed to the spread of trade-unionism.³⁹ Again, managerial

³⁶ *Union Policies and Industrial Management*, p. 100.

³⁷ The term “innovation” is here used in the Schumpeterian sense.

³⁸ Cf. C. Goodrich *et al*, *Migration and Economic Opportunity* (Philadelphia: University of Pennsylvania Press, 1936), pp. 503-519.

³⁹ Cf. J. T. Dunlop, “The Development of Labor Organization; A Theoretical Framework,” in *Insights into Labor Issues*, Lester and Shister, eds. (New York: Macmillan, 1948).

hiring policies—to use one facet of management as an institution—will be influenced by the state of business activity which in turn influences the availability of employment opportunities. And so on.

3. It can be demonstrated that many (if not all) of the so-called “non-institutional” forces which influence horizontal mobility can be traced back to institutional forces. Because of space limitations, illustrations will have to suffice here.

It has been shown that young, short-service workers are more mobile than old, long-service people.⁴⁰ But why should this be so? The answer must be sought in such factors as the “haphazard” fashion in which entrants to the labor market choose their jobs⁴¹ (which in turn can be traced back to the schooling system, home environment, and other institutional forces) and the relatively little security that any job offers for a short-service worker (notably where unionism and seniority prevail).

It has been contended that skilled workers are less mobile than semi-skilled or unskilled employees.⁴² Here again the reasons must be sought in such institutional conditions as, say, the fact that alternative employment opportunities for skilled workers are not as numerous as for unskilled or semi-skilled men,⁴³ granted that the skilled want to work at jobs requiring their skill.⁴⁴ Thus, for example, in writing about textile weavers, one authority states:⁴⁵

A final illustration relates to the point that mobility for some workers is reduced by the fact that several members of their family

⁴⁰ Cf. C. A. Myers and W. R. Maclaurin, *The Movement of Factory Workers* (New York: John Wiley and Sons, 1943), pp. 33 ff; Heneman, Fox, and Yoder, *op. cit.*, p. 8; Reynolds and Shister, *op. cit.*, p. 8; S. H. Slichter, *The Turnover of Factory Labor* (New York: Appleton, 1919).

⁴¹ Reynolds and Shister, *op. cit.*, ch. 4, p. 43.

⁴² G. L. Palmer, “The Mobility of Weavers in Three Textile Centers,” *Quarterly Journal of Economics*, May, 1941.

⁴³ The very emergence of large numbers of semi-skilled and unskilled workers and the relative decline of highly skilled craftsmen is itself a function of institutional forces which account for the growth of the American economy.

⁴⁴ “Work and Wage Experience of Skilled Cotton Textile Workers,” *Monthly Labor Review*, July, 1946, p. 13.

⁴⁵ G. L. Palmer, “The Mobility of Weavers in Three Textile Centers,” *Quarterly Journal of Economics*, May, 1941, p. 486.

Weavers and other textile workers like to work with fabrics, and they will endeavor to secure this kind of work as long as possible. Just as a good machinist enjoys working with metal, a good weaver knows about the construction of fabrics, wants to make a perfect product, and is interested in design. Many weavers are craftsmen in spirit. Yet their craft is not so readily transferable as that of a machinist or mechanic, and they work in an industry subject to rapid expansion, contraction, and dislocation.

are employed in the same industry and/or locality; and such family patterns must themselves be traced to particular institutional conditions indigenous to the industry or locality in question.⁴⁶

4. The preceding comments raise the fundamental problem of the role of wage differentials in determining horizontal labor mobility. To begin with, it is important to note that while the so-called neo-classical writers talk about mobility in terms of "net advantage" or "net economic advantage," many of them emphasize that the basic component of this advantage is wages. Thus, Hicks states: ". . . net economic advantages, chiefly differences in wages, are the main causes of migration."⁴⁷ Insofar, then, as these writers mean that wage differentials have been solely or primarily responsible for horizontal mobility, they are clearly wrong, for a variety of institutional forces (some of which we have examined) play a far more important role than wage differences in inducing mobility.⁴⁸ At most we can argue that wage differentials are but *one* element in a constellation of forces which explain horizontal mobility; an element, it should be added, which is frequently outweighed by other considerations.

Still another approach could be taken to the role of wage differentials in regard to horizontal labor mobility. One could set up hypothetical models showing that with sufficiently great wage differentials movement can be induced. Granting for the moment the logical consistency of such models, the question still remains, Are such large differentials *feasible* in the institutional setting of our

⁴⁶ Thus Gladys Palmer (*op. cit.*, pp. 484-5) writes: "Weavers, and other textile workers too, for that matter, are usually members of families where other workers are customarily employed in textile mills, frequently in the same mills. A weaver often looks for a job opportunity for himself in a plant where there is an opening or a good chance of an opening for his wife and/or children. Textile mill application cards usually include a comment on the available workers in the family and what they can do. Mobility thus becomes a function of the family unit rather than of the individual workers. It is the observation of some students that textile wage rates, particularly in the cotton industry, are set on the assumption that more than one member of a family will work in the mill. This, together with the fact that custom accepts the employment of married women in textile centers, undoubtedly accounts for the high proportion of married women at work in weaving mills." Also cf. Maclaurin and Myers, *op. cit.*, p. 260; H. Makower, J. Marschak, and H. W. Robinson, "Studies in Mobility of Labor," *Oxford Economic Papers*, October, 1938, p. 119.

⁴⁷ J. R. Hicks, *The Theory of Wages* (New York: Macmillan, reprinted by Peter Smith, New York, 1948), p. 76. Italics added.

⁴⁸ Cf. J. Jewkes and H. Campion, "The Mobility of Labour in the Cotton Industry," *Economic Journal*, vol. 38, especially p. 137; C. Kerr, *op. cit.*, p. 158; Maclaurin and Myers, pp. 246-247, 261-262; G. L. Palmer, *op. cit.*, p. 486; Reynolds and Shister, *op. cit.*, *passim*.

economy? And obviously if such differentials do not obtain, and cannot obtain in the absence of some clearly paramount institutional change, they are of no value in explaining the horizontal mobility that does occur. It is questionable whether such normative models are of any value even in so-called economic planning, for unless the institutional environment is altered, it is not feasible to increase wage differentials to the limits hypothesized in these models. But be that as it may, the fact remains that these models are of little value in explaining what does occur in the labor market as we know it.

The so-called neo-classicist would still have a way out of this enigma by averring that wage differentials are only one component of "net advantage," and not necessarily the principal component. And he could further aver that all the institutional forces one could mention would be consistent with this concept of net advantage, since the concept encompasses any and all factors which influence the worker's decision to move or not. While such a formulation is accurate so far as it goes, it simply does not go very far—if indeed it is a formulation and not a tautology. It tells us absolutely nothing about the relative importance of the different factors which influence the worker's decision. We are back where we started for we must still proceed to ascertain what factors influence the decision to move or not, and what weight to assign to each of these factors.

5. Granted, then, that horizontal mobility is a function mainly of institutional forces, it follows that relevant institutional change will entail changes in mobility patterns. From this proposition a number of corollaries can be derived, two of which will be noted here.

If we define the optimum pattern of horizontal mobility as that pattern which maximizes the gross national product, as measured by effective consumer choice, it is clear that because of the changing complexion of the relevant institutional forces, horizontal mobility may frequently (and for long periods) depart from the optimum, *inasmuch as institutional change is not always geared to market values*. This point can best be illustrated by reference to the development of trade-unionism which, as we have seen, significantly reduces voluntary horizontal mobility. This reduction may well contribute to a drop in the potential size of the national product, although that is not certain. But let us assume for the moment that it does. Should one necessarily conclude, therefore, that these union policies are to be condemned, outlawed if you will? The answer to this question depends on whether we want to judge all social policy by only one criterion—

namely, its impact on effective consumer choice. If we do, then perhaps the union practices in question are to be condemned. But if we want to judge social policy by this criterion as well as others which may have no market value, then we might well reach a different conclusion. When one recognizes that many of the union policies which reduce voluntary mobility are designed to protect the interests of the worker as a producer—non-market interests, if you will—it becomes clear that *in a free society such as ours* these policies must be given a positive “weight” in any evaluation of their impact on the social welfare, even if it is impossible to express this “weight” in a quantitative fashion. It may well be, of course, that even after a positive weight is given to these practices, the conclusion is still reached that these policies are a net social liability because of their impact on mobility. But that is altogether different from averring that the policies are a net liability without taking into account the positive value of non-market considerations.

A second corollary to be derived from the thesis that mobility patterns reflect institutional change is that the policies (either private or public) needed to attain a certain pattern of mobility are different over time depending upon the institutional setting. To illustrate: It may well be that in the mobilization economy we are now developing, we want to prevent movement out of certain plants in specified industries. And it may well be, therefore, that some people would advise drawing on our experience in World War II and imposing manpower controls for that purpose. Such an indiscriminate application of our experience in the last conflict would, however, be a serious mistake, not only because our current mobilization effort is not on the same scale as in World War II, but—far more important for the purposes of our analysis here—because the institutional forces which influence voluntary mobility are different today from what they were during World War II. Thus, for example, trade-unionism is more widespread and more powerful than it was during most of World War II, so that this institution will itself contribute toward the reduction of voluntary mobility in larger measure than in the last conflict, with the result that we may not need the compulsory controls to the same degree.

APPRAISAL OF CURRENT MANPOWER PROBLEMS

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I

THE ECONOMY of the United States is today operating at the highest levels in its history. Gross national production during the third quarter of the year attained an unprecedented peacetime rate. Until checked by the recent orders restricting credit on housing and durable consumer goods and the more recent curtailment on the use of strategic materials in civilian production, we were producing more steel, more houses, more automobiles, and more of nearly everything else than ever before. Our total labor force last month was 65.5 million persons—the highest November since 1944 and 1.1 million higher than in November, 1949. Within a short span of a few months we have seen unemployment cut from 4.7 million in February of 1950 to 1.9 million in October. Before the imposition of the recent restrictions, labor supplies were already becoming tight in an increasing number of areas in the country. In fact, as early as September, a third of the 150 major labor market areas had fewer than 3 per cent of the labor force unemployed. Occupational shortages in certain critical skills were already widespread, and the number of labor market areas in the country with “a tight” or “balanced” labor supply increased from 20 to 52 between July and October of 1950.

It is not without significance to observe that this increase in production and employment and in the number of labor shortage areas is not the result of the expansion in munitions production or the increase in the size of the armed forces. The defense program thus far has had mostly an indirect affect upon the labor market. The present activity reflects a thriving civilian economy, undoubtedly stimulated by expectations of a coming war-type economy. Even the statistical evidence for October and November indicates little change from normal seasonal patterns in the size of the civilian labor force or the trends in total employment. The full effect of increased defense spending lies in the future; that of the original \$31 billion appropriation after June, 1951 and the more recent authorizations later in the year.

That we face a strained manpower outlook before the end of 1951 is not subject to question. The size of our armed forces will expand to over 3.5 million. Well over 2 million workers will be engaged in war goods production. Occupational shortages are likely to spread from skilled and professional workers to semi-skilled and even to unskilled levels. In fact, the real shortages are likely to be felt in so-called "black work"—in foundries, logging, mica splitting, in the production of carbon black—in areas where working conditions, not skill requirements, are responsible for the problem. Serious labor shortages can be avoided either by a substantial enlargement of the labor force or a serious curtailment of civilian production and a transfer of the released workers to the production of goods more essential for the nation's defense effort.

The appropriations already made are substantial. In addition to the \$31 billion authorized for this fiscal year shortly after the Korean operations were begun, \$21 billion, including \$3 billion for civil defense, was approved in December, 1950. The bulk of these funds are earmarked for the purchase of materials of all kinds. These huge appropriations are being translated into contracts and delivery dates. Their effect upon the local labor markets will be felt next spring and early summer. If the military establishments should adopt a practice of negotiating contracts, the speed of defense expansion can be rapidly accelerated.

II

While our manpower resources are decidedly limited we should not anticipate serious difficulties in meeting our needs under conditions of partial mobilization. Manpower is not likely to be the limiting factor in the nation's defense effort if our objectives, in terms of armed force size and munitions production, remain at their present projections. When viewed in terms of our achievements during World War II our needs are modest, providing we take the necessary steps for orderly conversion and for contracting the non-defense segments of our economy. During the last war we created a mighty force of fighting men; starting with 800,000 in 1940 we reached a peak strength of 12.3 million in June, 1945. Actually we inducted more than 13.1 million persons into our armed forces in order to provide for replacements. In the single month of October, 1942, for example, our inductions into the armed units reached a high of 664,000 and thereafter for nearly a year inductions topped

300,000 per month, some from the labor force and some from the potential labor force. In addition we expanded our war production industries at a fast pace and produced fantastic quantities of tanks, planes, ships, and war goods of all kinds. Aircraft employment, for example, only 160,000 in 1940, was boosted to over 2,202,000 by 1943; shipbuilding employment from 168,000 to 1,778,000 in the same period; and ordnance manufacture from a mere 21,000 to nearly 1,500,000 workers. These achievements were duplicated in other metal working industries and in war supporting segments of the civilian economy.¹

To achieve these unprecedented goals, the labor force, including the armed forces, was expanded by more than 12.3 million to a total of 66.1 by 1945. While the major source of that expansion was the induction of the youth into the armed forces there were substantial additions to the labor force resulting from the increase in the number and proportion of women engaged in gainful employment and in other groups, particularly youth, the aged, and the handicapped. Our experience suggests that in terms of requirements for partial mobilization our manpower resources are reasonably adequate. Given the need and the incentives, we have the resources and the capacity to meet our requirements.

Our difficulties are likely to arise when we project our needs for the "long pull," and whenever our defense effort begins to approach total mobilization, to prepare the nation for any eventualities. No one can be sure that we can avoid such developments. It is, therefore, quite appropriate to appraise our manpower situation in terms of our capacity to prepare for total mobilization. In doing so I wish to compare our position with respect to manpower now with the circumstances which prevailed ten years ago when we were strengthening our defenses in preparation for the war which began in December, 1941. In addition, I wish to appraise our manpower experience in World War II and call attention to the more significant policy issues on which agreement must be reached soon if the errors of the earlier period are to be avoided.

III

In many respects we are better prepared to embark upon a manpower mobilization program now than we were in 1940. To begin

¹ "Manpower Potential for National Security," Special Issue of *The Labor Market and Employment Security*, U. S. Dept. of Labor, August 25, 1950.

with, our labor force is 7.5 millions larger—a real gain in productive power. It is also a better trained labor force. The decade of 1940 to 1950 was generally one of nearly full employment. In 1940 the skills of millions of our workers were rusty with disuse; their morale was low. That is not the situation today. We have substantial “know how” and relatively recent experience in dealing with the labor problems of mobilization. Every plant manager and personnel officer has had direct experience with selective service, with the problems of deferment, with the induction of women into jobs traditionally held by male workers, with dilution and upgrading, with the employment of handicapped workers, with two shift and three shift operation, with ways and means of increasing manpower utilization, with conversion and reconversion. In addition, there is a wealth of practical experience in government departments, experience in dealing with industry and labor—and with the very problems which are now to be considered. The national network of public employment offices has had over a decade of practical experience in organizing the local labor market. Its trained staff has established an effective working relationship with local industries and with labor groups in a large number of areas. These are decided advantages: a larger labor force, more skilled and better trained.

Another significant difference between our present needs and those of 1940-41 is in the types of skills required. A decade ago we were short of skilled construction workers to build our shipyards and army camps. Today our problem is one of conversion; the trained and skilled men are available.

In addition to these more or less obvious advantages in manpower, one should add that our industrial plant is larger than it has ever been. We have what we built between 1940 and 1945 and we built more to sustain an unprecedentedly high level civilian economy since 1945. Some economists have estimated that the potential capacity of American economy in 1953 is nearly 20 per cent above the present rate, even if the armed forces' strength should be increased to 6,000,000.² And we have, in addition, in “moth balls” plants, fleets, ships, planes, army camps, shipyards, and weapons of many sorts. For those who are inclined to see only the obstacles in conversion for all-out defense, the citation of these advantageous factors is reassuring.

² E. P. Larned, M. P. McNair, J. Lintner, E. C. Bursk, “Thinking Ahead—Our Economic Capacity to Meet Mobilization Needs,” *Harvard Business Review*, January, 1951, p. 18.

The differences, however, are not all on the favorable side. In some respects, the task ahead of us—should our objective be greater than partial mobilization—will require more vigorous action and much sooner than in the mobilization of 1940-41. For one thing, as was emphasized earlier, there is less slack in our economy. At that time it was possible to expand employment in defense industries by drawing upon the unemployment reserve of over 8 million workers. No such reserve exists now. Except for the student group almost every man put into uniform is taken from a useful job. And munitions industries can expand only as civilian production contracts or the labor force is enlarged.

In addition, our present labor force is probably less mobile than ten years ago. Idle workers and many who had a long period of low earnings and broken time were willing to change occupations and location and provide the manpower for the shipyards on the Pacific Coast and the areas booming with new aircraft, tank, and shell plants. A labor force fully employed at normal hours and high wages will have less economic incentive to move long distances for defense jobs.

Nor should one overlook the possible influence of the recent expansion in the coverage of collective bargaining retirement plans. Well over 4 million union workers are estimated to be covered by private plans negotiated in collective bargaining. In the absence of vesting, accumulated pension rights would be lost unless legal provision for their retention were enacted or collective bargaining plans arranged for leaves of absence with appropriate re-employment rights.

There is little evidence that collective bargaining retirement plans do actually retard labor mobility, although many have predicted that such plans could have that result.³ Such plans would obviously have no adverse effect in large industrial organizations whose operations would be converted from civilian to war goods production. That would certainly be the case in the automobile industry and in metal working establishments generally. Where pension plans exist in mercantile establishments and other employments likely to contract in a defense and war economy, the transfer problem will need special

³ Sumner Slichter, "The Pressing Problem of Old Age Security." *New York Times*, October 16, 1949; Peter Drucker, "The Mirage of Pensions," *Harper's*, February, 1950, pp. 31-38; Robert Ball, "Pension Plans Under Collective Bargaining: An Evaluation of Their Social Utility," *Proceedings*, Industrial Relations Research Association, December, 1949, and "Old Age Retirement: Social and Economic Implications," *Social Security Bulletin*, September, 1950.

study. Some form of vesting, or liquidation or "freeze," of pension rights may need to be explored, to remove such impediment to job transfer which retirement plans may have created. This is also true for seniority plans which undoubtedly affect greater numbers and are more firmly established.

Some predictions have been made that the "baby boom" of the 1940's will reduce the number of married women who can enter the labor force.⁴ Over 37 million women are classified as "non workers" and this represents our greatest source of reserves for expansion of the labor force. The low birth rate in the 1930's "facilitated" the transfer of millions of women from housekeeping duties to labor force participation. The number of women in the labor force rose from about 14.0 million in 1940, representing 27.9 per cent of the labor force, to 19.8 million at the peak of wartime employment in April, 1945, representing 37.3 per cent of the labor force. In the aircraft industry the 478,000 women workers in 1943 made up 36.5 per cent of the production force; in the shipbuilding industry, traditionally closed to women because the jobs were difficult, disagreeable, and dangerous, the 164,000 women represented nearly 10 per cent of the total force employed in the shipyards; and in the iron and steel industry, long reluctant to employ women workers, their numbers climbed to 380,000 in the fall of 1944 and constituted over 22 per cent of the total employment. Any developments which would check or complicate the conversion of home makers into production workers must receive most serious examination. The recent high birth rate is reflected in a jump of 8 million in the number of children under ten years of age. Thus about 20 per cent of the population, compared to the 16 per cent in 1940, are children in the ages most needing home care. Their mothers are least likely to enter the labor market. Whether the potential number of mothers actually available for work is reduced will depend in part on the plant and community facilities for caring for the children of working mothers.

With respect to hours of labor, there is a much smaller margin than was available in 1940-41. The average work-week already exceeds 41.5 hours. The limits of expansion are relatively well known and the factors of industrial accidents, tardiness, absenteeism, and labor turnover are often directly related to the length of the work-day and work-week. Experience suggests that weekly

⁴ "Manpower Potential and National Security," U. S. Dept. of Labor, *Op. cit.*, p. 4.

hours can be increased from 10 to 20 per cent without serious results on labor productivity or labor turnover. Since an extra hour added to the entire labor force would be equivalent to 400,000 additional workers, there is substantial reserve in a longer work-day.

The average civilian work-week of 1939 was 37.7 hours. It increased slowly to 46.6 in 1943 and did not advance beyond that point to the end of the war. This represents an increase of 23 per cent. In Great Britain the work-week averaged 50 hours during the war and the Germans in August, 1944 imposed a minimum of 60 hours per week. This is considerable evidence that a work-week beyond 50 hours is inefficient; the optimum is probably about 48 hours.⁵

The problem of production costs resulting from the higher overtime rates presents a special problem. Whether the cost factor represents a serious check on increasing the hours of labor depends upon the provisions of government contracts and particularly whether the higher costs are calculated and allowed in negotiated bids. The increased earnings in defense production resulting from a longer work-week will draw labor away from less essential activities.

A longer work-week represents only one aspect of increased labor utilization. Considerable manpower resources can also be tapped with the relaxation of hiring specifications. This would draw into productive jobs older workers, minority groups, especially colored workers, and the handicapped. The reduction of labor turnover below the levels which prevailed during 1943 and 1944 would provide substantial savings in manpower requirements in many industries. The early labor turnover rate of 37.7 per cent of 1939, increased to 87.2 per cent in 1943 and, in spite of manpower controls, remained at 81.8 per cent in 1944. Such high turnover rates represent wasted manpower resulting from poor placement and under-utilization. In the aircraft plants and shipyards on the West coast the monthly labor turnover rates during the first quarter of 1943 were between 11.2 and 14.8 per cent respectively. Hundreds of thousands of workers were needed merely to replace those who withdrew to search for jobs elsewhere.⁶

One development in the past decade is bound to complicate the problem of recruitment for the armed forces. The growth of our population has been uneven. While the total population has increased by nearly 20 million, the number in the age group of 10 to 19 has

⁵ Industrial Relations Section, Princeton University, 1944.

⁶ *Hearings* before the Committee on Military Affairs, U. S. Senate, 78th Congress, 1st Session, on S.666 (National War Service Bill), p. 915.

actually declined 2,300,000. This decline reflects the low birth rate in the 1930's. And the number in the 19 to 26 year old age group increased only slightly—by 300,000 during the ten year period. As a result, under the most optimistic assumptions, the armed forces, under present legislation, will require practically all the fit males reaching 19 years each year for some years to come. An analysis of the census data suggests that we are not likely to have enough young males until after 1960 to meet the present armed force program. Only a change in the legislation, which exempts veterans in the 19 to 26 group, and the induction of some men with dependents, is likely to provide the military manpower if the size of the armed forces is projected to 3.5 or 4.0 million men. To create an armed force as large as in World War II may require a substantial change in the age of induction as well as in the physical standards and deferment policy. We do not have enough manpower to exclude large numbers from active military duty because of minor physical ailments.

How much can the labor force be enlarged for the long pull or total mobilization? Some increase will be needed immediately and will come quite naturally. The normal growth of 500,000 can probably be stepped up to 2,000,000 within a year. The induction of students and other "non workers" will produce an immediate expansion. The civilian labor force will also be enlarged to respond to the normal incentives of higher pay and the national emergency.⁷ In June, 1950, 66.2 million persons or 59.8 per cent of the non-institutional population over 14 years of age were in the labor force. If we apply the same rate of labor force participation as prevailed at the peak of manpower mobilization in April, 1945, the labor force can be increased, according to the Bureau of the Census data, to 69.1 million. This would represent an increase of 5.6 million persons above the April, 1950 figure. It would increase to 20.7 million the number of women in the labor force, representing 36.7 per cent of the labor force—a slightly lower rate of labor force participation than in 1945. While there are definite limits to the size of the labor force (the proportion of the 110.2 million non-institutional population over 14 years of age who can be expected to be a part of the armed forces or to engage in civilian employment) it is possible to boost the U. S. labor force substantially beyond the 69 million figure—if that should become necessary.

⁷ See C. D. Long, "Measurements of Labor Supply," *Econometrica*, Vol. 8, No. 3, July, 1950 for discussion of factors which influence changes in size of labor force.

Our labor force of 66 million in 1945 contained some 7 million "additional workers." Youth of school and college age accounted for almost half of the extra workers. The World War II labor force does not, in my judgment, represent an adequate gauge of the maximum labor force participation during an emergency period. Employment in 1945 did not represent an all-out labor effort. On the civilian side it had expanded on a purely voluntary basis, in response to patriotism, high wages, and public opinion. The extent of citizen participation in the country's effort depends on the sense of national danger which prevails, as well as on the institutions established to facilitate the absorption of non-workers into the labor force. The significant factors include the availability of minimum housing, of transportation, child care centers, facilities for training, arrangement for part-time work, opportunities for the handicapped, and medical services as well as an impelling realization that full utilization of the existing labor force is already being made. Given the realization of the national need and the facilitating institutions, the labor force can probably be boosted substantially above 70 million in the next three years, if it should become necessary.

IV

One thing should be clear from this review of certain aspects of the developing manpower problem. We have no large surpluses. We cannot afford to be extravagant with our manpower resources. The policy issues must be recognized and resolved early if we are to avoid waste and build an armed force, a munitions industry, and a supporting civilian economy, adequate for our needs. Our experience in World War II and the record of manpower mobilization in other democratic nations provide some guide as to the essential policy issues which ought to be considered. It is with these issues that the balance of this discussion is concerned.

First, we must recognize that there is only one manpower pool. The labor force in the nation or in a local area or a region is not earmarked for the respective claimants upon our manpower reserve. The military claimants cannot reach in and "grab" their share. The mobilization problem should not be approached from the standpoint of estimating how many men are needed in a given military situation without reference to the numbers which can be safely mobilized without detrimental effects on the economy.⁸ The British

⁸ George A. Lincoln, W. S. Stone, and T. H. Harvey, *Economics of National Security*, (New York: Prentice-Hall, 1950), p. 52.

were forced to return soldiers from the active fronts in order to provide manpower for the coal mines. We furloughed copper miners and aircraft workers after having inducted them into their military units and trained them for combat.

No one claimant upon the manpower pool can be permitted to have a preponderant voice in the decision as to the allocation of the manpower supplies. The situation calls for an integrated program for recruitment and allocation of the appropriate priorities designed to meet the necessary requirements for the armed services, the munitions industries, agriculture, and the other essential civilian activities. A proper military-industrial balance must be maintained and designed to provide the most effective striking force while at the same time enabling the most essential civilian requirement to be met.

An overall manpower authority in a single civilian agency of the government is indispensable if inter-agency conflict is to be avoided and interests of competing claimants are to be adequately protected. It is of vital importance now to avoid a multiplicity of agencies dealing with manpower. Much of our difficulty between 1942 and 1945 stemmed from this cause.

Second, selective service deferment policy must be more sensitive to the needs of the whole economy. In World War II manpower was not a significantly limiting factor in the conduct of the war. The primary consideration in deferment was, therefore, to secure as far as possible equal sharing of the military burden. The 6,500 autonomous local draft boards gave adequate consideration to individual problems, to cases of dependency and hardship, and performed an admirable job in allocating the responsibility for military service. With respect to occupational deferment, the local board was the final judge. The releases of national selective service headquarters were "advisory" in character. General Hershey testified that the local board "need not pay any attention to 99 per cent of the things which we send out."⁹ The local board, hard-pressed to fill its local quota, was not bound to defer the individuals possessing critical occupational skills. Only in 1944 were the releases of the Selective Service headquarters on certain critical occupational deferments couched in directive terms and were so considered by the local boards. In the meantime men who may have been more important to the war effort in a copper mine or a foundry were inducted into the services.

⁹ "National Defense Migration," *Sixth Interim Report, 77th Congress, Second Session, October 20, 1942*, p. 15.

Shortages in critical skills in many areas will begin to appear before the end of 1951. The armed forces itself will have need for large numbers possessing such skills. But unless needed in the armed services, men possessing such skills should not be inducted, even if at the moment their skills are not being used in essential jobs. They will be needed later and it is easier to arrange for such transfers than to furlough such men back to civilian jobs.

The problem of deferment is especially crucial with respect to young men being trained in scientific, engineering, and professional skills. For the "long pull" or in an all-out war our chance for success would be based on our capacity to produce more and better weapons and on maintaining superiority in weapons over an extended period of time. A national deferment policy, designed to train an adequate number of persons to meet our professional and scientific requirements, must be framed early. One "assigned" to a university class or laboratory is as much a part of the national service as a soldier in the ranks.

Occupational deferment is a highly controversial subject. Congress has wisely provided that men should be deferred as individuals and not in groups by occupation. We hope Congress can resist the pressure for favoring special groups, as was done in the passage of the Tydings amendment to the Selective Service Act in 1943. Every claimant for manpower can make a strong case for special consideration and the armed forces can probably make the strongest claim. Someone must make the decision, determine the essentiality of the activity, whether the skill of the particular individual is on the "critical" list, and weigh the relative priority between the military and civilian claim. That decision cannot be made by one of the claimants; it can only be made by an over-all manpower authority responsible for meeting the manpower requirements of all the claimants, both military and civilian.

Third, manpower considerations must be given significant weight in the location of contracts by the procurement agencies. In the absence of authority to move workers and "freeze" their job status, production facilities and supply contracts should be located in areas where manpower supplies are adequate or can readily be enlarged. There are, of course, other considerations in awarding such contracts—ability to conform to procurement specifications, capacity to meet delivery schedules, and use of existing facilities are vital considerations. Nevertheless, the distribution of such contracts without respect

to their manpower implications will lay the basis for later manpower difficulties. Allocating new contracts or new plants to labor scarce areas compounds the manpower problem. That was our experience in 1942 and its duplication ought to be avoided.

Fortunately, we now have an adequate reporting program on demand and supply relationships in the local labor market areas of the country. The area classification system developed by the Bureau of Employment Security has been in effect for over a decade and provides a ready guide for this purpose.

Fourth, to a greater degree than was the case in 1942 and 1943, the civilian economy will need to be contracted if manpower is to be provided for the armed forces, for munitions production, and for the supporting civilian activities. The absence of slack in the economy makes it imperative that certain segments be contracted as existing facilities and labor supplies become necessary for defense production purposes. Such contraction will of course be facilitated by allocation of supplies and materials. These will be adequate for converting the major segments of the basic industries to essential production. They will not be effective in transferring costume jewelry and pocketbook workers to ball bearing plants. Substitute materials, not subject to controls, permit many less essential activities to hold on to scarce skills. In the absence of legislation which makes direct work assignment possible, such workers can be "released" only if these segments of the civilian economy are curtailed. Limited manpower resources will compel courageous allocation of men in accordance with a scheme of priorities. This is a problem for the future. In terms of the long pull or all-out mobilization it cannot be evaded.

Fifth, to what extent should government-planned wage differentials be permitted to be a major source of labor direction? In peacetime, we rely upon these differentials as the operating mechanism for a proper distribution of the labor supplies. In wartime, in the absence of manpower allocation by direct control, some reliance may have to be placed upon wage differentials to aid in such allocation. The labor supply problem in the copper mines and in the logging camps in 1942 and 1943 and in the foundries in 1944 was to a large extent a wage problem. In the development of wage stabilization plans, more flexibility in wage setting must be permitted if our hard and dirty jobs are to be adequately staffed. However, granting wage increases to check the flow of manpower cannot be permitted unless a positive man-

power program is already in effect—wage advances cannot be a substitute for such a program.

Sixth, governmental manpower controls restricting separations, enforcing employment ceilings, requiring centralized hiring in the local labor market, and enforcing utilization standards, if necessary at all, should be imposed only after controls have been established over critical materials. Barring compulsory labor direction, material allocation and rating the essentiality of an industry on a priority basis provide the only feasible “pressure” to use the public employment services. Our experience between 1942-45 suggests the wisdom of avoiding regulations which cannot and will not be enforced.

Seventh, to what extent should the element of force be relied upon in the organization of the labor market, in the recruitment, allocation, assignment, and retention of the civilian labor force? Public opinion supports compulsory conscription for the armed forces. It considers that method both necessary and democratic. And there is strong logic in the idea that voluntary enlistment should be prohibited, or, at least, substantially restricted. In time of national peril, individual considerations alone cannot be permitted to determine where a citizen can best serve his country. The determination of manpower requirements and priorities depend upon strategic considerations and only a central manpower authority is in a position to make such determinations. As a result, we restricted the privilege of voluntary enlistment in World War II, and we may soon reach the point where similar restrictions on that prerogative of free men will need to be imposed again. Otherwise, occupations and activities of crucial importance to the total defense effort are in danger of losing key personnel.

Should such mandatory allocation be applied to the civilian labor force? Is there need for enacting a National Service Act for assignment to civilian jobs at this time? Should a standby law be enacted now, for use later if it should become necessary?

Such legislation is not now necessary! British experience with their National Service Act between 1942 and 1945, and our own bungling with various “work or fight” improvisations suggest that the element of force is not likely to be needed or applied except for a rather very small segment of the civilian labor force. In fact, one may observe that such compulsion is not likely to work in a democratic society if generally applied.

In addition, the experience here and in Britain further suggests that such measures can be effective only if applied after and not before

the basic working conditions surrounding the job have already been corrected. Men cannot be assigned without providing minimum safeguards relating to housing, wages and working conditions, transportation costs, and financial provisions for dependents if the assignment requires separation from one's family. If these requirements are adequately met, manpower needs can perhaps be satisfied without compulsory assignment. When these are neglected, compulsory assignment is no guarantee against labor turnover or low productivity resulting from a feeling of inequity.

During the vigorous debate on such legislation in 1943 and late in 1944, organized labor was adamant in its opposition to a compulsory work law. Its spokesmen contended that such legislation was unnecessary; that force is not a desirable nor an adequate substitute for a correction of the basic conditions which accounted for the high turnover rates in the shipyards and aircraft plants; that higher wages in the foundries would provide the necessary manpower. In such opposition the labor leaders were joined by the leaders of employer and management groups who feared—and quite correctly—that the substantial safeguards which must accompany such legislation would inevitably expand government intervention and regulation of the basic terms of the labor contract. Compulsory work assignment in private industry carries with it public responsibility for the conditions of work prevailing in such jobs. Widespread control and regulation of significant terms of the job contract as well as public responsibility for housing, transportation, and community facilities will inevitably expand whenever such legislation is enacted. It was the recognition of this fact that solidified management opposition to a compulsory work law.

Such legislation was not enacted. In part this was due to the united opposition of management and labor. It was due also to the fact that the government agencies were in disagreement as to its necessity: the military departments gave it vigorous support; the chairman of the War Manpower Commission preferred to rely upon "voluntary controls." Congress apparently was not convinced that such a bold step was absolutely necessary.

As a result the manpower program developed between 1942 and 1945 lacked the direct sanctions and specific authority to control hiring and job changes. While referred to as a voluntary manpower program, it contained substantial elements of compulsion, with reliance upon indirect sanctions. With government agencies letting

contracts, and allocating oil, sugar, steel, copper, and other materials, the threat of applying such indirect sanctions (even when based purely on bluff) can go a long way in winning compliance. Quite apart from the power of enforcement, in wartime, the citizen is inclined to follow the advice and direction of government mobilization agencies.

The voluntary manpower program, based on regional and area stabilization agreements, contained standards designed to "regulate" hiring, control labor scouting, prohibit pirating, and control transfers. In general, employers were prohibited from hiring workers already engaged in war production, unless released and possessing a "statement of availability," a sort of occupational passport. As the labor market grew increasingly tight in 1943, "employment ceilings" and "priority referral" were introduced in critical areas. Employment ceilings were designed to prevent additional employment expansion by employers unless they could justify such increases on the basis of urgent production requirements. "Priority referral" was designed to give the employment service increasing influence in channelling workers to essential jobs. "By closing all new job opportunities to a worker, he can be compelled to remain in his present employment; and by limiting his job opportunities to those for which he is qualified in war work he can be channelled to work in which he can most contribute to the war effort."¹⁰

Finally, a list of non-deferrable activities and occupations was designed to use the threat of induction into the armed forces as a means of driving able-bodied males into essential jobs. The "work or fight" policy was first employed during World War I when all men of draft age engaged in "nonessential" occupations were required to take essential jobs or face induction.¹¹ In World War II it was extensively used to "induce" people to work on dairy farms, to transfer to occupations on the essential or critical list.

In the main, this system of "compulsory voluntarism" was acceptable to labor and management. With the exception of the "work or fight" sanctions, the Management-Labor Policy Committee of the War Manpower Commission participated in its formulation. It was not a striking success, and while hailed by management and labor as adequate, it was severely criticized by the armed services and by the advocates of national service legislation. Its primary weakness was

¹⁰ *Hearings* before the Committee on Military Affairs, U. S. Senate, 78th Congress, *Op. cit.*, p. 113.

¹¹ Lincoln, Stone, and Harvey, *Economics of National Security*, p. 124.

the absence of direct sanctions to enforce its regulations. These lacked a legislative basis and the manpower agency had to rely on the power of other agencies. These indirect sanctions, the power to control supplies and facilities, to cancel contracts, and to induct males of draft age into the armed forces, were difficult to apply. The production agencies were not inclined to withhold supplies from needed producers because they violated manpower directives. Nor was the selective service device a desirable or effective method of securing compliance from workers who were not acceptable to the armed forces.

I hope we can avoid the improvisations resorted to between 1942 and 1945. "Work or fight" is not an adequate basis for a positive manpower program. The selective service system which must enforce it was not designed for any purpose but the induction of men into the armed services. To rely upon it to enforce manpower policy for the civilian economy is to exclude from such sanctions those who are not eligible for military service either on account of age, sex, or physical condition.

For the present and the immediate future we can well rely upon voluntary methods: upon strengthening the local labor market organization, upon increasing the effectiveness of the local and national employment services, upon positive recruitment and training, and upon all measures which may increase the utilization of the existing labor force.

Should it be necessary to embark upon positive measures to channel workers to priority jobs, to impose employment ceilings, to control hiring, to stimulate transfers, and to control labor turnover, we should provide specific legislation authorizing such directives. Manpower laws by executive order may be adequate in an emergency. A legislative mandate provides a sounder basis for formulating a manpower program.

DISCUSSION

GLADYS L. PALMER

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The speakers have raised a number of interesting points for discussion but I am confining my remarks to their comments about labor mobility as it affects mobilization planning and operations. Both speakers expect lower rates of voluntary mobility in 1951-1952 than existed in 1941-1942. In my opinion, Professor Haber's interpretation of the reasons for that expectation are more sound than those of Professor Shister. Professor Haber attributes this condition to the fact that "a labor force fully employed at normal hours and high wages will have less incentive to move long distances to defense jobs." To elaborate this point, one might note that the average worker today has a much larger equity in his present job and residence location than he had in 1940. There is a higher percentage of home ownership in 1950 than there was in 1940 and a decade of relatively high employment opportunity has afforded workers a chance to shift jobs until they have found the ones in which they are relatively well satisfied from several points of view, including what I call "occupational career" aspects. These considerations have been strengthened by related equities, such as seniority and pension rights, and have increased the margin or modified the type of incentives needed to facilitate extensive voluntary movement.

There is one aspect of labor market behavior, with significance for understanding patterns of mobility, that tends to be overlooked in current discussion of factors in labor market behavior. It is the point that any given job transaction is one in a series of such transactions, for both the employer and the worker concerned, and that any given transaction usually bears some relationship to the sum total of previous transactions and may also be related to transactions anticipated for the future. This context explains why the hiring preferences or practices of employers are modified in the course of time to recruit a work force that shows some disposition to stay with a company. It also explains why the mobility patterns of workers tend to follow the channels by which experience is known to be gained in a particular occupation or field of work and reflect the worker's concept of improving his earning capacity.

If one views work records over a ten-year period or a lifetime, the first jobs ever held, jobs held during a severe and prolonged depres-

sion, and the last job held by older workers nearing retirement may bear little relation to the rest of the record. On the whole, however, other jobs held reflect a sense of attachment to a given occupation, industry, or type of work and such voluntary movement as occurs usually reflects a desire for improvement in the skills, experience, or earnings connected with that attachment. Among workers in a given occupational or industrial category, one will find differences in the degree of mobility of younger as compared with older workers, of single as compared with married workers, or of men as compared with women. But the latter differences may or may not outweigh the differences in degree of mobility that characterize given occupational or industrial groups, and, in any case, will tend to follow established patterns.

In this general context, the "pulls" of opportunity are equally important as the "pushes" of adversity or dissatisfaction in facilitating mobility. Moreover, the evidence suggests that union workers are no more or less mobile than nonunion workers. In other words, the degree and character of mobility of union hosiery workers resembles that of nonunion hosiery workers more closely than it does that of union coal miners, steel workers, or rubber workers, for any given age or sex group. Even in such unionized industries as apparel and textiles, where standard piece-work scales and pension or benefit plans prevail throughout an area or region, there is considerable horizontal movement between employers over a period of five or ten years. The motivation of such movement is in terms of improvement of earnings or other working conditions that relate to the individual's advancement. The union, as a bargaining and political institution, does not encourage such movement, but it occurs, nevertheless. The substitution of joint for unilateral determination of the working conditions associated with a job does not alter the nature of the job itself or the equipment and type of product on which the work is to be performed, nor does it directly influence the volume of work offered on the job. In my opinion, these considerations are still of basic importance to workers, as individuals, because one aspect of economic security that we also tend to overlook in current discussion is the knowledge that a worker has a marketable skill or experience at which he has learned a livelihood in the past and can expect to do so in the future.

This concept of the derivation of occupational and industrial patterns of mobility or immobility has significance for mobilization

planning. If, in fact, workers in the course of their experience tend to follow the channels by which job relationships and the transferability of skills are established in the economy, then our vocational training and guidance, and placement and personnel programs are operating on sound assumptions. These assumptions are valid for the recruitment and training of workers for war production as well as for peacetime pursuits.

I would agree with Professor Haber's outline of desirable policies in a manpower program but would stress one additional point. With a prolonged period of labor shortages ahead in the foreseeable future, there must be extensive training programs for inexperienced workers, retraining programs for experienced workers, and refresher courses for retired workers who will be drawn back into the labor force. Some provision will also have to be made for maintaining the supply of technical specialists and professional persons in the future, such as is implicit in various proposals for deferment of certain types of students or combining education with military service. Job dilution and the reorganization of job assignments will also take place on a large scale. At later stages, it may be necessary to facilitate extensive transfers from nonessential to essential industries, beyond the point of shifts by those individuals who voluntarily move to such industries. In such an event, the arrangements should be negotiated with the employers and unions affected, as they were in World War II. The unions offer a mechanism for establishing the conditions under which such transfers are to take place and thereby provide broader support for an organized manpower program in a democratic society.

JAMES C. WORTHY

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Mr. Shister's description of the institutional aspects of labor mobility is well-conceived and most thoroughly analyzed. He has very ably pointed up the importance of some of the broader forces in the industrial system that affect the movement of workers from one place of employment to another.

I was particularly interested in two general conclusions that he has reached. One is the greater importance he ascribes to factors other than wage differentials in reducing or stimulating worker mobility. I most certainly agree with this view. The other is the con-

clusion that the manpower controls characteristic of World War II may not be necessary in the present emergency. While I am not so sure that similar or possibly even more stringent controls may not be needed in the event of all-out mobilization, nevertheless I feel that Mr. Shister's views are insightful enough to merit further investigation and study.

I am not an economist by training and, therefore, do not pretend to argue with Mr. Shister's presentation, but there are a number of questions I would like to raise in order to clarify my own thinking:

(1) First, I am wondering what evidence Mr. Shister has that voluntary horizontal mobility is decreasing. While I am sure that there are certain forces operating to reduce mobility, is there evidence that horizontal mobility actually is decreasing? I am aware, of course, of the Department of Labor's statistics on labor turnover, but I am not entirely sure of their reliability as indices of horizontal mobility. There may very well be reliable data on this point, but if so I am not personally acquainted with them.

(2) This leads into a second question that I have on my mind—hasn't there always been a great deal of stability in the American work force even prior to the imposition of new institutional controls? I am wondering whether trade-union practices, for example, government policies, and management policies may not merely be institutional answers to demands being made by employes themselves for greater work security and stability, particularly in light of the growth of large urban centers where other social controls are not operating.

(3) My third point is not so much a question as an observation. Even though there has been a fair amount of stability in the work force, and even though this stability is being enhanced by the institutional forces described, it is clear that American workers still display a considerable degree of mobility. Perhaps the chief factor in this mobility (a factor which I do not believe was commented on by Mr. Shister) is the rapid rate of change in technologies and patterns of production, in other words, the dynamic elements in our economy. Except possibly for the war period, I know of no cases where new products or enterprises were delayed because of inability to obtain workers.

Certainly there have been many shifts in employment during the past few years. Union and government policies, management practices, etc., may significantly change the incidence of mobility. They may also serve to reduce the total volume of quantity of mobility.

But thus far, at least, they have not restricted it so greatly as to constitute a threat of any significance to the flexibility and fluidity of the American economic system. Actually, as Mr. Shister points out, a somewhat higher degree of employment stability than now obtains would bring with it many positive values to workers, management, and the economy as a whole.

Part IV

**EMPLOYMENT SECURITY
AND DEFENSE**

UNEMPLOYMENT INSURANCE FINANCING IN A DEFENSE ECONOMY ¹

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THE UNEMPLOYMENT insurance program has been in operation in the United States for some 13 years. The need for unemployment insurance is no longer a subject of general debate. It has become firmly established as a necessary and vital part of our social structure. The chief concern now is how to strengthen and improve the program so that it may be soundly financed, efficiently administered, and more effective in fulfilling its basic social objective. This objective is the provision of aid to qualified involuntarily unemployed workers through adequate benefits, paid as a matter of right, based on a general presumption of need, and without the degradation of a means test.

Industrial Relations Aspects of Unemployment Insurance

Despite its general acceptance, however, important differences of opinion exist as to the scope, methods of financing, and other basic elements of the program. The differences of opinion arise primarily from a conflict of interests between workers and employers.

Employers, on the whole, are not inclined to look with favor upon legislative changes which would result in increased benefit expenditures.

Since the unemployment insurance system is almost altogether financed by pay-roll taxes levied upon employers,² any change in the law, resulting in heavier benefit expenditures, would in the last analysis cost the employer more money. Moreover, the system of experience rating, whatever merits it may have as an employment stabilization device, and granting that it does not constitute a threat to the actuarial soundness of unemployment insurance, provides a

¹ The views expressed in this paper are entirely those of the author and not necessarily those of the Bureau of Employment Security.

² Only Alabama and New Jersey require direct contributions from workers. In Alabama the tax upon workers varies from 0.1 to 1 per cent, with the employer's rate as determined under the State experience-rating system. In New Jersey, workers pay 0.25 per cent of taxable wages for unemployment insurance and in addition 0.75 per cent for temporary disability insurance.

powerful incentive for the employer to obtain reductions in contribution rates. It is true, employer opposition to certain changes in the program may not be due entirely to cost considerations but may stem from a general philosophical attitude. Yet, basically the most important area of difference is that of cost.

Labor, on the other hand, through its organizations has been exerting pressures for legislative changes designed to liberalize benefits and the conditions under which benefits may be received. The development of the program has, consequently, been characterized by continuous pressure on the part of both employers and workers and its present status is, in a very real sense, the result of an industrial relations bargain. This is a different bargain from the one involving wage, working conditions, or unionization issues carried on on a "firm" or even an "industry-wide" basis. The negotiations are less direct and the agreements reached are not formal. But essentially the same forces are at work, in this case on a state-wide basis, through employer and labor pressure groups. The outcome depends not only upon general conditions determining the atmosphere under which the bargaining or "pressuring" is done, but as in all other industrial relations bargains, to a large extent upon the relative strength of the parties to the bargain. The legislation thus obtained seldom satisfies both management and labor groups and generally constitutes a precarious balance, the best that could be achieved at the time, and a jumping-off point for the next round of amendments.

This process of gradually shaping a more adequate unemployment insurance system is sometimes accelerated and at other times impeded, depending on the prevailing economic trends and political currents. But at all times it goes on some place in the 51 jurisdictions and the Federal Government administering the program. Each year, and particularly during the years when all state legislatures meet, numerous bills are introduced. Some are designed to improve the benefits and conditions of eligibility for workers, others to reduce costs or to give employers a more favorable rate. The process of bargaining is always at work, and the result is nearly always some form of compromise.

This bargaining process can be greatly aided and rendered more intelligent, if the discussions are carried on against the background of adequate knowledge of the effect of the various proposals upon costs, the rates required to finance the system, and the relation of these rates to accumulated reserves. Putting the unemployment insurance

system on a sound actuarial basis, and a thorough understanding of this basis by the interested parties to the bargain, should do a great deal to facilitate agreement on admittedly necessary improvements in the system.

At the present time, the financial position of most states is very strong indeed. On June 30, 1950, after the heavy volume of benefit payments caused by the 1949 recession was over and unemployment was rapidly declining, the total reserves of all the state programs were \$6.7 billion or 8.7 per cent of taxable wages. Benefit costs for the next several years to come will probably be at very low levels. In many states substantial reductions in rates may be possible even if some desirable changes are made in benefit and duration provisions. These changes cannot, of course, be made haphazardly but must be based upon thorough actuarial studies which will develop cost estimates, on the basis of the present favorable outlook, and insure a proper balance between costs, tax rates, and reserves. The situation differs greatly from state to state and such changes can only be made on the basis of careful studies of individual state programs. What may be possible and most desirable in one state may be highly inadvisable in another. States differ greatly in the average costs of their programs, the tax rates in force, and the size of accumulated reserves. Reserves, on June 30, 1950, for instance, varied from 2.7 to 14.6 per cent of taxable wages; benefit costs during 1949, from 0.5 per cent to 6.3 per cent of taxable wages; and tax rates from 0.5 to 2.7 per cent. With such a diversity only a state-by-state approach is practicable. On the whole, however, the present time, when reserves in most states are high and the outlook is for low costs, is especially opportune for a serious effort to develop a sound financial basis for unemployment insurance. The time is also most advantageous for carrying out a reasonable compromise between reduced tax rates and an improved program through the application of tested industrial relations techniques.

The Defense Economy and Unemployment Insurance Financing

Sound financing of any insurable risk, including the risk of unemployment, depends to a great extent upon the ability to estimate the limits of probable cost arising from the incidence of the risk and upon financial policies designed to assure that the costs so estimated can be met by providing sufficient revenue in the form of premiums or tax rates supplemented by accumulated reserves.

The manpower requirements of the evolving "garrison" economy indicate that for the next several years employment levels may reach new highs, and consequently unemployment and unemployment insurance benefit payments may again approach the low levels of World War II years. However, an eventual readjustment, some time in the future, is most likely, and we must be prepared to meet possible sharp increases in unemployment and unemployment benefit expenditures during such a period of readjustment. This developing pattern of low unemployment expenditures for several years, with a strong likelihood of sharp increases during a period of readjustment, will affect the unemployment insurance programs of every state in the Union in varying degrees. All states need to evaluate the probable impact of current developments upon their unemployment insurance rate structure, not only to avoid possible financial difficulties during the readjustment period but, equally important, to avoid an unnecessary and undesirable accumulation of excess reserve funds during the next few years. The experience of the last decade, especially in a few states, has demonstrated that unduly sharp rate reductions during periods of low benefit expenditures may bring financial embarrassment when the period of high employment levels is succeeded by a period of heavy benefit disbursements.

Due to high benefit expenditures in 1949 and early 1950 the experience-rating system, as it is currently constituted, will automatically result in increasing rates in many states, until the 1952 tax rate year, even though unemployment has dropped considerably during recent months and will continue to drop to even lower levels.

Although a counter-cyclical rise in tax rates in a period of increasing business activity is in general desirable from an economic standpoint, it is noteworthy that under the present system of financing an increase in average tax rates would have taken place even if the unfavorable employment conditions of 1949 had continued. In other words, the increase in tax rates which will automatically occur under the majority of current experience rating formulas is not due to purposeful counter-cyclical financing policy but rather to the fortuitous character of the present formulas. Had business conditions deteriorated, the rates would have gone up anyway. Moreover, in many states, average tax rates will probably begin to drop beginning with the 1952 tax year, even though business activity by that time may attain unprecedentedly high levels. Tax rates will probably remain at low levels until the period of readjustment sets in. At

that time, as in late 1949, 1950, and 1951, average tax rates will increase again. Unfortunately in most cases these ill-timed increases and decreases in average tax rates are not the result of purposeful planning or managerial determination based upon an actuarial analysis of anticipated needs of the program. They are, rather, automatic results of the mechanical operations of the various state experience-rating formulas. These uncontrolled fluctuations in tax rates may result in overfinancing as well as underfinancing and insolvency.

Post-World War II experience has indicated that low tax rates during the present period of decreasing unemployment insurance costs may raise serious threats of insolvency in some states early in the readjustment period. On the other hand, existing high reserves in other states may continue to grow, despite low tax rates. The problem in both instances is fundamentally the same one; how to evaluate and modify present financing techniques so that costs, reserves and tax rates are coordinated and balanced. It is especially important to modify the existing financial structure at the present time in order that unemployment reserves, tax rates and benefit costs may be closely coordinated during the uncertain period that is now developing.

Factors Affecting Unemployment Insurance Costs

Unemployment insurance costs depend primarily upon two basic factors: the level of unemployment and the legislative provisions of the unemployment insurance law. Unemployment levels vary with economic conditions and the varying economic and industrial characteristics of the states are primarily responsible for variations in long-range benefit costs among the states. Thus the incidence of unemployment, unlike the incidence of the risk insured against in life insurance or old-age insurance, does not deal with natural forces which can be measured with a relatively high degree of precision and which change so slowly that forecasts for the future can be made with a reasonable degree of reliability on the basis of past experience. The incidence of unemployment is governed primarily by economic factors, including domestic public policy and international relations, which are subject to wide and, at times, sudden change. The instability and year-to-year variations of the economic factors giving rise to unemployment result in greater irregularity in the incidence of unemployment than in the case of most other insurable risks. More

important, the instability and year-to-year variations of the economic factors result in unemployment levels which rarely duplicate past conditions and consequently past experience cannot furnish the stable cost determinants provided in other forms of insurance.

The impact of fluctuations in unemployment and business conditions upon benefit costs, however, depends upon the statutory provisions of the program. The legislative provisions of the law which materially affect benefit costs include coverage, the benefit formula, duration of benefits, qualifications and disqualifications for receipt of benefits, and provision for or lack of provision for dependents' allowances—to list but a few. Legislative changes in any one or group of factors have varying effects upon long-range benefit costs, depending upon the economic characteristics of the state as well as upon the extent of the change.

Historical Development of Benefit Financing

At the inception of the program, it was estimated that the cost of financing the level of benefits originally provided would approximate, in the long run, for the country as a whole, 2.7 per cent of taxable wages. It was then believed that a 2.7 per cent average tax rate would permit the accumulation of reserves in low-cost years to meet the heavier drains during high-cost years so that, over a period approximating a complete cycle of business activity, costs and available funds would balance. It soon became evident that because of differences in industrial patterns over which little, if any, control could be exercised, substantial variations in costs would exist among the states. Some states, with a tax rate equal to 2.7 per cent of taxable wages, would accumulate unduly high reserves in the long run, while others would just about be able to cover costs. Experience has shown that in each state a tax rate of 2.7 per cent of taxable wages would have yielded more revenue than was needed to meet benefit costs, in spite of liberalization of benefit standards, even if the war had not altered economic developments. The war and the ensuing manpower shortage resulted in an abnormally low unemployment, negligible benefit outlays, and an acceleration in the rate at which reserves were being accumulated. In 1943 and 1944, for instance, the interest earned on combined state reserve funds amounted to more than total benefit disbursements. Experience rating, which had been intended primarily as an incentive for the stabilization of employment, was the only available method under the Social Security

Act for reducing tax rates, and it was eventually adopted by all states. With the continued accumulation of funds, and the extremely low levels of unemployment, tax rates continued to decline further. In 1948, a peacetime year of high employment and minimum levels of unemployment, tax rates were so low that for the country as a whole, collections were only slightly higher than benefit disbursements. During this entire period, changes in experience-rating formulas, providing for tax reductions, were apparently made without much consideration of anticipated costs during the coming years. In many states, reserve funds, which had not as yet been tested by periods of high unemployment, were assumed to be unduly high, higher than would be needed to meet all foreseeable costs in the next several years, even though no serious attempt was made to develop actuarial estimates of anticipated costs. Experience rating was permitted to develop not as a device to improve financing by adjusting contribution rates in a manner which would provide revenues in amounts sufficient to achieve the necessary balance between costs and available funds, but as a device to bring about a general reduction in rates and to gain competitive advantages of one state over neighboring states.

As a result, when heavy unemployment loads developed in 1949, some states found that their reserves dwindled to dangerously low levels. Had the 1949 volume of unemployment insurance payments continued through 1950, several states would have found themselves on the brink of insolvency. On the other hand, in spite of rate reductions under experience rating, reserves in other states continued to grow to a huge size, encouraging simultaneous pressure for further rate reductions and liberalization of benefits. Under the circumstances, no one could tell how far it was safe to proceed in either direction.

The present system of financing, therefore, falls short in a number of important respects. It does not provide adequate safeguards against the threat of insolvency. It does not prevent a needless overaccumulation of idle reserve funds. It makes it impossible to provide rational fund protective devices in view of the vagueness as to the purpose of reserves. It results in ill-timed fluctuations in the employer's tax rate, with the consequence that employers frequently face an increase in tax rates during periods when they can least afford it, and lower rates when they can best afford it. It is clear that a new approach to unemployment insurance financing is required, an approach which would eliminate or reduce the above weaknesses. The knowledge

gained from 13 years of operations, the peak levels of current reserves in most states, the prospect of low benefit payments for several years to come, and the recognition that the program is not as costly as was formerly assumed, constitute most favorable conditions for an exploration of a new approach to unemployment insurance financing. The time is also most propitious for a number of highly desirable improvements in the benefit and duration provisions, as well as of certain other aspects of many of the state laws. These conditions augur well for the application of an intelligent industrial relations approach to the program. However, as has been said, any modification of the present rate structure must be based on careful cost estimates which take into account the likelihood of a substantial increase in benefit disbursements during the period of readjustment in the future and provide adequate safeguards against the threat of insolvency.

A New Approach to Financing Unemployment Insurance

The basic principle of sound financing of an insurance program involves the balancing of anticipated costs and available funds over a period of time. The period of time over which this balance is to be achieved depends primarily upon the stability and other characteristics of the cost determinants of the risk against which the insurance is to afford protection. Obviously the period of time over which costs and available funds are to be balanced in unemployment insurance must be short enough to permit reasonably accurate projections of business conditions. Yet this period must be long enough to avoid the undesirable sharp fluctuations in rates which may otherwise occur under the present system of financing. Since the incidence of unemployment, and therefore unemployment insurance costs, depend so greatly upon economic factors and business conditions, the choice of the period should be governed by the approximate length of a complete cycle of business activity, normally ranging from 5 to 10 years, depending primarily on prevailing conditions and the economic structure of each state. Such a period is short enough to permit, with the guidance of past experience, reasonably accurate projections of business conditions and the range of probable levels of unemployment and unemployment insurance costs. At the same time the selected period will generally be long enough to make it possible to finance the system by raising the same amount of revenue during periods of both high and low economic activity, by estimating the average annual

revenue needed to meet costs over the entire period, after allowances had been made for reserve funds on hand.

In effect, the selection of a period approximating a cycle of business activity, for the purpose of planning financial policy, makes possible the application of administrative or managerial judgment to the sound financing of unemployment insurance. The relative shortness of the selected period permits the development of a reasonably accurate range of probability within which economic developments are likely to fall. The science of economic forecasting is not developed to a degree where it would be safe to hazard a guess as to the likely course of employment and unemployment even under a period of a few years. Predictions as to what will happen are notoriously hazardous. It is, however, much safer to estimate the range of probability within which unemployment is likely to fall. The answer will depend primarily upon the structure of the state's economy. The distribution of employment as between agriculture, forestry, and other primary industries, manufacturing, construction, and the trade and service industries will to a large extent determine the probable levels of unemployment. States differ greatly in their economic characteristics and in the manner in which their economies respond to the stimulus of increased national expenditures. In some states expansion of employment is rapid and great; in other states expansion is slow and moderate. The same also holds true for contractions in employment.

Therefore, while it may be foolhardy to attempt a prediction of the exact course that economic events will follow, it is possible and proper to develop an outline of the range within which unemployment may fall, on the basis of a careful analysis of the structure and characteristics of the state's economy. The number of possible economic patterns within this range of probability is very considerable but, fortunately, for purposes of cost estimating and actuarial planning, we can limit ourselves to two points on the range of probability: one, assuming the most severe unemployment that can reasonably be expected; the second, the most favorable conditions that can reasonably be expected. These hypothetical patterns of probable economic conditions furnish the basis for the development of compensable unemployment patterns which, when related to the legislative provisions of a state program, will yield a range of probable costs in benefit expenditures under any economic conditions which are likely to occur during the projected business cycle.

Because of a number of self-limiting factors inherent in the unem-

ployment insurance system, average cost rates over alternative business-cycle patterns will not differ as greatly as might be expected at first glance. The unemployment insurance system functions most effectively in compensating wage loss due to involuntary unemployment during the initial stages of a business decline, when the bulk of laid-off workers are from covered establishments and eligible for benefits. During the more advanced stages of a set-back, job opportunities become scarcer, and beneficiaries tend to exhaust their benefit rights. At this phase of a business cycle, an ever-increasing percentage of the unemployed workers remain out of work for relatively long spells, and experience great difficulty in finding new employment. Under such conditions, therefore, compensable unemployment may be due almost entirely to seasonal and frictional factors, whereas the bulk of unemployment is comprised either of persons unemployed long enough to have exhausted their benefit rights, or of new entrants into the labor force with no wage credits in covered employment and, therefore, ineligible for benefits. Because of the eventual exhaustion of benefit rights, the rate of benefit disbursements tends to decline independently of any business pick-up, and approaches the expenditure levels experienced during peak years of business activity. The increase in the number of workers exhausting their benefit rights during unfavorable periods has the effect of limiting average costs for the cycle as a whole, and reducing the differences in costs over alternative cyclical patterns.

The availability of reasonably accurate estimates of the range of probable costs over the carefully chosen period eases the task of balancing costs and available funds by introducing several purposeful functions for reserve funds, about which many of the management or planning aspects of this type of financing center. The most important of these functions is the determination of the average annual tax rate required to yield the income which, when added to that portion of the reserve, if any, not set aside for any other contingency, will be sufficient to meet benefit costs during the period covered by the estimates.

The first of these contingencies to be considered is the possible understatement of costs. Although the recognition of unique characteristics of the risk of unemployment has permitted the development of techniques resulting in reasonably accurate cost estimates, it is recognized that these techniques may nevertheless result in possible errors that may understate or overstate the range of probable costs.

However, the improved estimating techniques make possible the calculation of estimates subject to a possible error of only about 10 per cent for any one of the assumed patterns of economic activity. A possible understatement of the cost estimates can only be financed with reserve funds. An amount equal to approximately 10 per cent of the estimated upper limit of the range of probable costs should therefore be set aside for each of the years of the period for which the estimates were prepared. Corrective action for overstatement of costs can be taken at the beginning of the succeeding period, if such overstatement results in an appreciable increase in reserves.

Consideration must also be given to two other contingencies. Sudden, unforeseeable, and unpredictable events resulting in heavier benefit costs than anticipated may occur. The collapse of an important income-producing industry, a basic change in the economy of a state, and disasters attributable to an "act of God" all may result in sudden sharp increases in costs over and above those estimated for the period. The probability of any one or any combination of these events occurring during the period may appear slight. Nevertheless, a conservative policy of benefit financing would require a reserve equal approximately to the estimated high average annual cost for the period. In addition, states with relatively high costs and low reserves may wish to allocate the anticipated interest to be earned on their reserve funds, to this purpose. On the other hand, states with relatively low anticipated costs and high reserves should take interest earnings into consideration in estimating total available revenue for the period under consideration.

Another contingency that should be recognized is the possibility that one or more high-cost years may occur at the beginning of the period. The estimates for the selected period average the costs expected in years of high benefit payments and a low volume of business activity with those in years of low benefit payments and a high volume of business activity. Reserve levels at the beginning of the period must be high enough to withstand the drain that may result should one or more high-cost years occur immediately after the beginning of the period. To what extent is it necessary under this theory of managed financing to provide for an additional reserve at the end of the period, over and above the allowances for estimating errors, unforeseen contingencies, and the assumption of a most unfavorable economic pattern? While the probability that all these contingencies will occur during a period is very slight, nevertheless

it is theoretically possible that all these things will happen. There may be an error of understatement in the cost estimates, the unpredictable contingency may have occurred, and the pattern of economic activity may have turned out to be most unfavorable. In this event, as unlikely as the combination of all these factors is, a state may find itself without a reserve at the end of the period.

Should one or more higher-than-average cost years occur at the beginning of the next period, the state would face insolvency. Therefore, carrying caution to an extreme, it may be wise to set aside a further reserve to serve as a safeguard against such a possibility. How high should a reserve be? In view of the slight probability of all these contingencies occurring simultaneously, probably an amount equal to one year's maximum estimated benefit expenditures would be quite adequate. However, in the last analysis this must be determined individually on a state-by-state basis with due regard to the peculiar economic characteristics of the state, and the general policy toward the desired degree of conservatism in financing.

It is well to remember that undue conservatism is likely to lead to a huge over-accumulation of reserves. Should this occur, it can, as stated above, be easily corrected by making the necessary adjustment in required rates for the period immediately following.

After the contingencies have been defined and the necessary reserves agreed upon, a determination can be made of the average annual tax rate required to yield the balance of the funds to meet the benefit costs during the period. It must be remembered that the cost estimates do not reflect any attempt to predict or forecast actual costs during the period. A wide range of costs is possible. The estimates merely give us two points on a line reflecting the range of probable costs during that period, the lower and the upper limits of the range, within which actual costs are likely to fall, depending on economic conditions. Actual costs may fall anywhere along the line, subject to a 10 per cent estimating error. The important thing is that the total funds for the period under consideration, derived from the tax revenue plus the available reserves, after due allowances for errors and unforeseen contingencies, must be sufficient to cover the maximum estimated costs, as reflected by the upper limit of the range of probable costs.

One of the basic features of this planned type of financing is the actuarially predetermined level income to be raised in each year of the period by current tax collections. Unfortunately existing state

experience-rating provisions in most instances cannot result in the desired predetermined level income yield. Reduced rates are granted to individual employers when available reserve funds reach certain prescribed levels. These solvency safeguards, however, appear to be arbitrarily adopted standards rather than the results of actuarial studies designed to determine the necessary reserves required to insure solvency. In most states individual employer contribution rates under existing experience-rating provisions are determined automatically and solely on the basis of the employer's experience-rating ratio. An employer knows that if his ratio falls within a specified range, he will have to pay the rate specified in the law or in the rate schedule applicable in that year. The automatic determination of individual employer contribution rates and the resulting fluctuations in tax rates might yield revenue over the course of a business cycle considerably higher or lower than needed to finance a desired level of benefits. However, fluctuations in tax rates from year to year can be eliminated and a level predetermined income in any year made possible by the incorporation into existing laws of such states of several adjustment processes. The application of such an adjustment process will increase or decrease, as desired, the total yield resulting from the automatic determination of employer contribution rates.

This proposed approach to managed financing has aroused a great deal of interest among the states. More than one-third of the states are now conducting, or have completed, studies of their economy and unemployment insurance program for the purpose of developing actuarially sound cost estimates as a first step toward improving the financing of their programs. In a large number of states these studies have been and are being conducted with the cooperation of universities. This cooperation has proved fruitful and mutually advantageous.

EMPLOYMENT SERVICES AND WAR LABOR MARKETS

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EFFECTIVE MANPOWER mobilization must be based on the principle that each person will serve in the capacity in which he can contribute most to the total national effort. This principle has to be implemented in rather specific terms as regards policies and programs before it has much significance. To work out such a principle in all its implications requires, for example, deciding what will be done with reference to allocating manpower between the armed forces and the civilian economy and among various segments of the civilian economy, with reference to limiting employers in their hiring of workers, with reference to preventing workers from leaving essential jobs without clearance by a manpower agency, and with reference to requiring persons not in the labor force to register for training and employment. It is not possible to determine in advance whether or when some of these manpower controls may be needed. It is possible, nevertheless, to outline in general terms the scope of needed policies and programs and to indicate the conditions under which they would be applied. Of much greater importance, however, is the development of adequate administrative machinery for bringing individual capacities and utilization opportunities together. It is the purpose of this paper to indicate some of the ways the employment services can help carry out this basic function.

Our first objective is probably to build up and train as large and effective a labor force as possible. Procuring persons for the armed forces adds to the total labor force only to the extent that persons outside the labor force are inducted. The process is voluntary in the case of enlistment and of commissioning of officers; it is compulsory in the case of calling up of reservists and selective service registrants. It has been demonstrated clearly in this country that an expansion in job opportunities is a very strong incentive toward expanding the civilian labor force. Women, older persons, and youth enter the labor force in large numbers when jobs with attractive pay and working conditions are available.

Providing information about jobs available; removal of unnecessary hiring specifications as to age, sex, race, religion, training, and

experience; and facilitating the recruitment efforts of employers, unions, and employment agencies will go far toward meeting the need for labor force expansion. Many programs, such as the provision of nursery schools for young children of working mothers and of adequate community facilities and transportation, facilitate the voluntary expansion of the labor force. Ultimately, however, there may be a necessity for requiring persons not in the labor force to register for training and employment. If legislation providing for such compulsory registration is enacted, it should provide for application on a selective basis as required, rather than on a mass registration basis.

One of the most important methods of maximizing the total labor force is by obtaining, to the extent possible, a geographical distribution of employment opportunities that is related to labor supply. Such factors as housing, transportation, and community facilities set rather definite limits to the extent that labor mobility can be expected to redistribute manpower resources to meet manpower requirements. It is necessary, therefore, that comparative labor market conditions be taken into account in decisions to place contracts or expand production facilities in one place rather than another. A large part of the production goals can be allocated only to particular geographical locations because of the location of production facilities, sources of raw materials or power, transportation facilities, etc. The objective should be, therefore, to determine and concentrate planning efforts on that part of the production program which is subject to variable geographical location. Production requiring the construction of new production facilities is probably most subject to variable geographical distribution.

For labor market information to be effectively used for the geographical distribution of national procurement and production goals, it is necessary to develop such data prior to the time that decisions on the geographical distribution of procurement and production goals are made. To implement such a program, it is necessary to develop geographical area forecasts of labor market conditions on a basis that is consistent from one area to another and that is also consistent with national manpower requirements and resources estimates. To provide the basis for forecasts of geographical area manpower requirements, it is necessary that national production objectives be provisionally allocated geographically. This process would involve the determination, first, of the relatively fixed requirements in various labor market areas (military inductions, requirements in

industries that will have to operate nationally at near-capacity, and requirements for producing locally needed essential goods and services that cannot be produced elsewhere). The remaining national manpower requirements would then be allocated geographically on the basis of a geographical distribution of production objectives, taking into account manpower supply, transportation, power, source of materials, etc.

National productive objectives thus provisionally distributed on one or more geographical patterns would provide the basis for comparative labor market analyses that could then be used in the planning of actual geographical distribution of production objectives. The geographical distribution of national production objectives thus planned would be used in the placing of procurement contracts, the location of new and expanded production facilities, and the issuance of production limitation orders.

In the development of labor market information for use in planning the geographical distribution of procurement and the location of new and expanded production facilities, as well as for planning housing and community facilities, interarea migration, and manpower mobilization policies and programs, it is important that the following factors be included:

a. The manpower requirements and resources information to be used should relate to the situation which would exist under conditions of full mobilization and not merely to the conditions existing in various areas at the beginning or during the early stages of a period of mobilization.

b. Decisions and programs should be based on a comparison of a number of areas rather than on a piecemeal approach. This requires that manpower requirements and resources information be developed on a comparable basis for all important local areas likely to be critically short of manpower or to be a source of manpower supply.

c. Since the geographical location of existing facilities places definite limits on the extent of choice for many classes of procurement, the manpower requirements estimates should differentiate between requirements for that production which is relatively fixed with respect to geographical location and that which is subject to choice either because new and expanded facilities are required or because existing facilities exceed production requirements.

d. Less frequent and more adequate area analyses of resources and requirements should be favored over more frequent surveys that

are based on more transitory and less adequate basic data. The ability to define and support statistically the statements included in such analyses is an important factor in their acceptance and use for planning and operating purposes.

The employment services have a large part to play in determining manpower allocations within geographical areas. Manpower allocation takes on more of the aspects of an operating function at the geographical area level, as distinct from its use almost solely as a planning function at the national level. As a matter of fact, a manpower allocation cannot truly be said to exist until an authorization exists to employ stated numbers of persons at specific places of employment.

In areas faced with potential labor shortages, it is necessary to estimate labor requirements for military production and essential civilian production and services. The estimated labor supply is then allocated to programs, activities, and specific employers through the use of employment ceilings and referrals of workers on a priority basis. For manpower allocation to be effective, it is necessary to determine the number, and in some cases the type, of workers that individual establishments will be allowed to employ. It is necessary, therefore, to develop methods for effectively determining manpower requirements for individual establishments. The key to the determination of such requirements is the development of production schedules or planned levels of operation for individual establishments.

For selected munitions and other items purchased by government contract, it is possible to determine and control production levels by means of contracting and subcontracting. For this type of procurement, it will be necessary to predetermine limits, at the establishment level, on the placing of contracts and subcontracts. For other goods and services, it is necessary to determine desired levels of production or operating levels for individual establishments and to implement such decisions, by the coordinated and consistent use of materials allocations, manpower ceilings, and production limitation orders. This does not mean that it is necessary to plan specific schedules of production for all establishments. Obviously, this would not be feasible even though desirable. What is proposed is that a determination be made for various goods and services and for various industries of what the nature, extent, location, and timing of limiting factors in wartime are likely to be, and that production levels be controlled

for those establishments for which control is most likely to be effective.

From the above, it will be clearly evident that employment services have to be coordinated very closely with production planning and materials allocations agencies. It is also apparent that far more adequate labor market information and analyses than has been available in the past will be required to make such coordination possible.

We are faced with a shortage of persons possessing certain skills and physical and mental capacities. Notwithstanding training, utilization, and other programs designed to increase the supply and decrease the requirements for workers in these categories, it will be necessary to allocate the available supply among the armed forces and various war-supporting civilian activities, by the use of deferment from military service, manpower ceilings, and other allocation tools.

The armed forces have a first claim on certain classes of manpower that can be broadly defined by age groups, sex, physical characteristics, prior military service, and reserve status. However, the manner and time phasing by which the military exercises this prior claim has far-reaching implications for quick and effective industrial mobilization. In the case of highly skilled persons, for example, the needs of the military for persons with critical skills have to be balanced against the needs of the war-supporting civilian economy.

With the rapid increase of technical and scientific methods and equipment used in war, the qualitative factor in military manpower tends to become as important as numbers. These qualitative factors are, generally speaking, occupational, physical, and mental. The manner in which our military forces are built up qualitatively therefore affects not only military efficiency but also our resources for building up a balanced war-supporting manpower force.

The time phasing of the withdrawal from the civilian economy of persons with special occupational, physical, and mental qualifications for military service is particularly important. If such persons are withdrawn too rapidly and too early, there is the risk that they will be assigned to jobs that do not fully utilize their capacities. Combing out and reassignment cannot be relied upon at a later date when their particular capacities may be in great demand. Careful planning could provide for the retention of such persons in industry for a period of time and thereby benefit both our military and industrial effectiveness.

Determining military manpower requirements, therefore, necessitates that careful consideration be given to the time phasing of both

qualitative and quantitative requirements and the capacity of the military to absorb and effectively utilize persons with special qualifications.

The employment services have a very important contribution to make in determining what the occupational and skill capacities of persons liable for military service are. The determination of occupational classification should be considered as a technical matter just as the determination of physical fitness is.

The required distribution of the civilian labor force among employing units can be obtained to a considerable extent by voluntary methods. Specific incentives and wage adjustments designed to obtain the desired distribution of key skills are probably inappropriate except as normal operations of Selective Service and the industrial, occupational, and overtime pay differentials achieve the desired result. We may expect that these normal incentives, coupled with promotional and informational activities will achieve a considerable measure of success. As a general policy, specific wage incentives beyond those normally operating should not be called into play until substantial wage stabilization has been achieved. Before such stabilization, the significant problem is not so much to organize new wage incentives as to prevent undesirable wage adjustments including the abnormal wage increases which would result from unrestrictive bidding for skilled workers.

Negotiating specific transfers may have only limited usefulness in the absence of compulsory powers, but would and should be attempted in critical situations. Despite the lack of success achieved by such efforts in the past, their usefulness in a situation in which reemployment, seniority, and pension rights are protected and wage equalization and incentives are available, may prove considerable.

Selective Service machinery, even though not designed for effecting civilian manpower distribution, could conceivably be used to cause workers to accept war work, or to stay in their jobs, as the alternative to reclassification or induction. In evaluating this proposal, we must remember that skilled workers are heavily concentrated in the higher age ranges. To be really effective, such use of the military procurement system would require the threat of induction for men up to the higher age ranges and without regard for their dependency status. It is almost certainly *not* desirable that the Selective Service Act be used in this manner; for to threaten the induction of men above the age of 35 to 40, many of whom have dependents, would be an obvious

attempt to use the Act for purposes not intended by the Congress. Furthermore, we cannot accept a policy proposal which implies that military service is a punishment or penalty.

With reference to persons deferred from military service for occupational reasons, the situation is different. The continued deferment of such persons should be dependent on their being willing to have their critical skill used where it is needed most. Even in this case, however, the cancellation of deferment should not be considered as a punitive action but rather as a failure on the part of the individual to meet the conditions of occupational deferment.

It is not possible to predict when during the mobilization period the measures heretofore discussed will prove inadequate. It is clear that their value is strictly limited in that they have little hope of reaching the heart of the problem—the extensive redistribution of key workers between employers as their need fluctuates. Additional powers and policies will clearly be needed for utmost effectiveness in the distribution of workers in shortage occupations. Even with such powers, however, many of the measures outlined above will be major elements in the over-all manpower program.

Effective rationing of the labor supply will involve continuous scrutiny of employers' requirements and the establishment of ceilings on total employment as well as ceilings on the employment of persons in specified sex, age, or skill categories. For this purpose utilization and inspection surveys and the possible use of employer staffing patterns for specified occupations may be required.

It is clear that the centralized referral approach will be necessary for specific groups of workers in such short supply that a more precise allocation must be secured than is possible through the ceiling technique. Nevertheless, the great bulk of the allocation job should be achieved without channeling each worker through the employment exchange. No precise determination of how much centralized referral is desirable can be made in advance. It is suggested, however, that the general policy should be to hold to a minimum those groups of workers for whom centralized referral is required. If too extensive use of centralized referral is attempted, the result will be to limit the size of the labor force.

DISCUSSION

EDISON L. BOWERS

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Dr. Wermel is proposing a plan of managed financing in unemployment compensation for the present hit-and-miss system. He would base unemployment compensation financing upon the plan of carefully estimating the probable limits of the average annual cost of benefit payments over a period approximating a complete business cycle, which he indicates would be from five to ten years. He believes that labor and employer groups could compromise their difficulties concerning contribution rates and benefit amounts more intelligently if the range of probability of unemployment, and hence the cost of benefits, could be determined in advance.

Anyone who is familiar with the financing of unemployment compensation in the several states, and particularly with the way the laws have been amended from time to time without reference to the facts, should look with approval upon Dr. Wermel's efforts to improve the situation. It is only through studies of the type he has been making in several of the states that any real improvement probably can be effected.

Nevertheless, Dr. Wermel's proposal raises a number of questions which may be difficult or impossible of solution. The forecasting of benefit costs and income from contributions, by estimating in advance the probable range of unemployment, seems to present, at least with our present knowledge of statistical techniques, insurmountable difficulties. Unemployment benefits payments in Ohio, for example, amounted to only 1.1 million dollars in 1944 but in 1946, only two years later, benefit payments reached 113.1 million dollars. Where is the forecaster, the statistician, or the actuary who could have anticipated this tremendous spread in benefit payments or the time period during which it would occur? Moreover, one may raise the question of what a business cycle means in the light of present-day developments. The rhythmic ups and downs of business, and hence of unemployment, which with many variations were characteristic of our economic organization during past periods, are not so discernible today. Just what the pattern of the future will be remains to be seen.

Some of the states which have had financial difficulties in the past,

and probably will have them again when the economic pendulum turns, probably have been too careless in not building up sufficiently large reserves. One of the standard methods of dealing with unpredictable situations is to allow for sizable margins of error which, in the case of unemployment compensation, means a very large reserve. Also, it is possible to write into an unemployment compensation law various provisions which will tend to protect the reserve when income declines and outgo increases at the same time. Finally, legislatures meet every two years, and if the situation becomes too bad in any state, it is possible to call a special session. Nevertheless, it must be admitted that it may be too late to make corrections after the full force of unemployment has struck.

Some of Dr. Wermel's comments on experience rating are very much to the point. While the rates as such will move up with the rise in unemployment, they do not react immediately and the higher rates, once they are in effect, will apply to a lower wage base. Moreover, the effects of experience rating may be such as to aggravate unemployment rather than to assist in curing it. There has not yet been a real test of experience rating.

The paucity of information concerning unemployment compensation financing has to some extent been overlooked because of the rather favorable conditions that have obtained since the state laws went into effect. Given a prolonged period of heavy unemployment, the need for studies of the type which Dr. Wermel is now making will become only too apparent. It may, therefore, be hoped that he can continue his studies in other states.

Mr. Welch's paper is a very able presentation of a timely and controversial subject. In the national emergency, far too little is known about the labor market. It is regrettable that many of the things that the paper discusses could not have been fully studied in the months and years behind us. Now, the manpower problems are upon us and time is running out.

Mr. Welch is concerned with the development of adequate administrative machinery for bringing individual capacities and utilization opportunities together, and particularly with how the employment services can help to carry out this basic function. He properly points out that the first objective is to build up and to train as large and effective a labor force as possible. He further states that an expansion in job opportunities is a very strong incentive toward expanding the civilian labor force because when jobs with attractive pay are

available more women, older persons, disabled persons, and youths enter the labor market. In this connection, I should like to emphasize that the rate of pay, as well as the "take-home" earnings, will have much to do with determining just how many of these "fringe" workers actually do enter the market. In the present national emergency, we should not permit wage and salary controls to stand too much in the way of obtaining these important additions to our labor force even though their employment may stimulate inflation.

I should like also to emphasize how imperative it is to obtain the services of all able-bodied women. It is hardly necessary to point out that in Russia and in other countries behind the Iron Curtain women generally work side by side with men in practically all lines of production. In any future struggle which may ensue with these countries, this factor would be of extreme importance.

Mr. Welch also points out that a very important method of maximizing the total labor force is by obtaining, to the extent possible, a geographical distribution of employment opportunities that is related to the labor supply. In this connection, he calls attention to such controlling factors in labor mobility as housing, transportation, and various other community facilities. The objective, says Mr. Welch, should be to determine and to concentrate planning efforts on that part of the production program which is subject to variable geographical location. There is no alternative but to allot a good share of the required production to those geographical locations which have such essential facilities as raw materials, power, and transportation.

I agree with Mr. Welch that to implement the program he has in mind it will be necessary to develop geographical area forecasts of labor market conditions on a basis that is consistent from one area to another. This will make possible much-needed comparisons. This forecast of area manpower requirements, however, is dependent upon the establishment of national production objectives by industry in respect to geographical locations.

Finally, I think Mr. Welch is correct in stressing the importance of developing methods for determining manpower requirements for individual establishments. This will require the close coordination of the employment services with production planning and materials allocation agencies, which is contingent upon the availability of far more labor market information and analyses than have been used heretofore.

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Mr. Wermel has presented an excellent discussion of one of the most important problems in the field of unemployment insurance administration. The problem of the long-range financing of unemployment insurance is one which needs to be thoroughly explored to the end that an intelligent approach may be developed in each state to such questions as:

- (1) What are the objectives of the program?
- (2) What are the actuarial limits of cost?
- (3) What tax rates on an average annual basis are necessary in order to achieve the maintenance of a sound financial condition through periods of good times and bad?
- (4) What should be the size of the reserve fund?

As he points out, the cost of unemployment insurance depends primarily upon two factors: the level of unemployment and the legislative provisions of the unemployment insurance laws. Past experience coupled with reasonable projections now make it fairly possible to establish the high and low points of unemployment over the period of a complete business cycle. While the pattern of insured unemployment for any particular future time cannot be described concisely, it is possible within reasonable limits to indicate the probable range of variation in unemployment caused by cyclical, seasonal, and other factors. Likewise benefit formulas, including provisions for eligibility of claimants, and administrative policy in general, have become pretty well seasoned so that abrupt and unique changes influencing cost considerations radically would not ordinarily be expected.

It is, therefore, a reasonable assumption that actuarial judgments based upon a thorough analysis of employment and unemployment trends, the benefit formula and administrative policy, together with the necessary allowances for error and contingencies which Mr. Wermel has mentioned, can provide the basis for a sound plan of unemployment insurance financing in each state. Of course, there are those who will quickly deny that unemployment insurance has any actuarial basis. In fact, some writers on this subject say that this program should not even be called unemployment insurance, that it is actually little more than a system of organized relief. Undoubtedly too, there are some who would probably like to eliminate the equity principle entirely in this program and establish it as an un-

qualified relief program. In any event, as presently constituted, this program does operate for the most part as an insurance system. It does have an actuarial basis which can be fairly well defined. As Mr. Wermel points out, what is needed is a clear-cut definition of the objectives of this program, the establishment of actuarial limits, and the determination of costs to finance these objectives within such limits.

Unemployment insurance administrators know very well what Mr. Wermel is talking about when he refers to the bargaining process and pressure groups which have been so influential in determining the decisions in the field of long-range financing. Until recently conclusions reached with respect to these issues have been largely the result of horse-trading and compromise based upon the interests of the various groups concerned. The programs in the states have lacked a well-defined set of objectives and an intelligent approach to the financing of these objectives. It is certainly high time that the hit-and-miss judgments in this field were supplanted by a rationale based upon thorough-going and careful analysis of the program and its costs. It is true that the current reserves in many states are large, some would say too large. It is certainly unwise to accumulate excessive reserves. It is just as unwise to accumulate too little reserves. There are several important advantages to be derived from Mr. Wermel's proposals in this connection. One is that they will provide a sound approach to a better system of financing the program; another is that such analysis as he recommends will result in a better understanding of the objectives and limits of this program.

Mr. Wermel deserves great credit for the work he has done in exploring and developing this new approach to the problem. His work has met with considerable support by the Interstate Conference of Employment Security Agencies and by state administrators in general. There is no doubt that he has made an important contribution to the improvement of our federal-state Unemployment Insurance System.

LOUIS LEVINE

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I find after carefully reviewing Mr. Welch's paper that much of its contents must surely receive the ready acceptance of any student of labor market problems. Indeed, no fault can be found with the

stated objectives that a manpower mobilization program in a defense economy must assure full utilization of our manpower resources and the requisite expansion of our work force to meet defense production requirements as well as military manpower needs. It is equally clear that the public employment service system must serve as a major operating instrument in carrying out the objectives of a manpower mobilization program. I must confess, however, that although according to the title of this paper the subject matter is concerned with the employment service in war labor markets, most of its content is directed to the over-all aspects of manpower mobilization with particular reference to the development of labor supply and labor demand data. As a consequence, there is relatively little appraisal of the operating activities of public employment offices and their contribution to achieving manpower program objectives.

This paper states that one of the most important methods of maximizing the total labor force is a geographical distribution of employment opportunities related to labor supply. Certainly our experience indicates that an increase in employment opportunities is quickly followed by an expansion of the work force. Consequently, I find no fault with the conclusion. I am concerned, however, about the method which Mr. Welch would use to attain this objective. He states that national procurement and production goals should be allocated geographically in advance of specific contract commitments. Obviously, such advance allocation would have to take account of manpower requirements and resources. He suggests, therefore, that forecasts of local area manpower requirements be made, based upon the industrial activity in the area. His first step would be to determine the relatively fixed requirements in each locality. In this category, he includes military inductions, requirements in industries which operate largely at near-capacity, and requirements for producing locally needed essential goods and services which cannot be produced elsewhere. It strikes me that the assumption that these requirements are relatively fixed, needs more careful examination. It is conceivable that estimates of military inductions by local area can be prepared on the basis of varying sizes of the armed forces. I question seriously, however, whether advance estimates can be prepared on a local area basis for industries operating nationally near capacity (assuming such industries can be defined). Obviously, to determine in advance the manpower requirements of such industries would necessitate a plant-by-plant inventory of facilities and equipment and a host of

other significant items having a bearing on capacity operation and manpower needs. Mr. Welch has focused his attention on the statistical elements of estimating future manpower requirements with relatively little regard to the practical realities of the specific product, quantity, production schedules, and delivery dates which frequently control manpower needs and differ from one individual establishment to another.

This paper sets up an ideal goal for advance determination, on a local area basis, of manpower requirements and resources based upon rather generalized national production goals. It is understandable that attention is concentrated on manpower estimating as an element in a defense program. It is unfortunate that the paper makes only a passing reference to such other considerations as transportation, power, and source of materials, in influencing the geographical allocation of employment opportunities. Furthermore, one can make reasonably satisfactory estimates of manpower requirements for certain industries producing military equipment and engaged exclusively on defense contracts. In this category might be found the aircraft and ship-building industries. These types of industries, however, represent only the end product. The paper makes no reference to how manpower requirements would be estimated nationally, on a local area basis, taking into account the industries in the locality producing component parts, semi-processed and raw materials. In such industries, particularly during a period of partial mobilization and perhaps even in all-out mobilization, there will be a mixture of both civilian and defense production. It is difficult for me to understand how it is possible to estimate future manpower requirements for such industries in advance and far removed from the local establishments involved. Furthermore, it should be pointed out that Mr. Welch's approach takes no account of subcontracting which is determined largely by the prime contractors and could not possibly be included in advance estimates made in Washington.

All of us, I am sure, will agree that advance planning for manpower, as well as any other phase of the defense program, is highly desirable. As a consequence, I find myself in agreement with the general objectives regarding the way in which a manpower program should be fitted into the total mobilization program. My differences arise from the fact that I have very little faith in "remote control" estimates of future manpower requirements on a local area basis, made from some central point, and based exclusively upon national

production goals and the character of the industries located in the area. Past experience has amply demonstrated that even broad-scale defense planning must undergo constant revision with the changing character of the international situation and, in case we are engaged in military activity, with changing fortunes of war.

I am inclined to accept advance estimates of manpower resources and requirements on a national basis for use in determining size and rate of growth of the armed forces, over-all national defense production goals, and even specific production goals for particular industries. When, however, it becomes necessary to deal with an individual establishment or a local area, the manpower problems involved can best be resolved by those who are most familiar with manpower resources and requirements in the local area and who can work closely with those establishments whose expanding production results in additional manpower needs. It seems to me, therefore, that the local employment offices, if they are to serve as a major operating instrument in a manpower program, must work closely with the local employing establishments and determine with them in advance the manpower requirements based upon close knowledge of the production process, production schedules, and the extent to which training programs, up-grading, job dilution, and many other manpower techniques can be used to modify estimated manpower requirements. Such information not only must be developed locally, but maintained on a current basis so that it can adequately reflect the changing production activities and schedules in the establishments in the local area. When such information is related to the available and potential labor supply estimated locally on the basis of knowledge of local labor market realities, it is possible to develop an adequate appraisal of the manpower situation, current and potential, as a guide to procurement and other government agencies whose programs have an impact on manpower.

I get the impression from Mr. Welch's paper that the employment service has a large part to play in determining manpower allocation *within* geographical areas but has relatively little responsibility in influencing programs affecting manpower as *between* geographical areas. Mr. Welch draws a distinction between manpower allocation as an operating function at the geographical area level and manpower allocation as a planning function at the national level. While there is some justification for such a distinction, it strikes me that a manpower program, to be effective, must bring together both planning

and operations. As a consequence, the operating experience and the labor market information of the employment offices used in appraising labor supply and labor requirements in each local area might well serve as the basis for manpower planning at the national level. Otherwise we may find that manpower planning takes place in a vacuum and is not realistically related to the changing character of the hundreds of local labor markets throughout the country. I am inclined to think that manpower planning based almost exclusively on statistical techniques and far removed from operating facts and experience cannot be very effective in influencing the administration of manpower programs in local areas.

I should like to repeat that I am in general agreement with Mr. Welch in his views concerning the need for flexibility in a manpower program and the adaptation of controls to changing labor market conditions. I also agree with him in regard to the occupational considerations which must be taken into account in building and maintaining the size of the armed forces. Similarly, it seems clear to me that Selective Service machinery should not be used as a device for allocating manpower or compelling individuals to transfer to essential war-supporting activities.

Although Mr. Welch's paper deals with manpower considerations in war labor markets, I believe it is important that we recognize the difficulty of determining just when a war labor market exists. Even with partial mobilization, we may well find that in some of our local labor market areas the expanded defense production requirements bring about characteristics of a war-time labor market. As a consequence, it will be necessary for us to adapt over-all manpower programs to specific local situations.

Part V

**ADJUSTMENTS TO TECHNOLOGICAL
CHANGE**

HUMAN AND SOCIAL IMPACT OF TECHNICAL CHANGES

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INDUSTRIAL CHANGE is accelerating rapidly in this country through myriad forces. Private and public undertakings dedicated to developing new ideas, techniques, and products are supplanting purely individual efforts in behalf of our agricultural and industrial arts. Research institutions and staffs are multiplying and changes are deliberately and painstakingly sought. Industrial consultants are mushrooming up to advise managements on how to use current knowledge to increase their effectiveness. Our universities are implanting in future management leaders a sense of responsibility for promoting industrial advance. Our expanding national needs are providing an environment sympathetic to the introduction of industrial advances. Backward enterprises, industries, and localities are criticized and urged in their own interest and in the interest of their employees and their communities to meet this challenge through more innovation. The world conflict adds special urgency to the search for revolutionary innovations.

In the international field, too, we are carrying forward our conviction that change in agricultural and industrial arts is the key to progress. These changes may help to bridge more quickly the vast gulf between the despair surrounding poverty and the optimism generated by wholesome progress among those whose living standards are above the minimum and are advancing. Invention may shorten the time we can so ill afford to take to meet the demands of the underdeveloped nations.

Many persons are convinced that we must share our experience, skills, and wealth with other countries. We must implant in them the spirit of enterprise and the drive toward change which played such a vital part in our own industrial advance. We must help them bury the fears of and indifference to innovation which has delayed their progress. We are therefore urging other countries to search their own ways, learn to improve their techniques, and devote themselves with vigor to advancing their techniques. They too must learn to progress through change.

Our nation organized its Point IV program for this purpose; we are supporting the United Nations' program for underdeveloped nations; and we have endorsed the British Commonwealth development program for the Asiatic countries. We hope that the program will bring benefits to the local peoples and allies to our cause.

American Opposition to Technical Change

Before we uncritically spread this gospel and our enthusiasm for change, we must take cognizance of our own history. Have our people been ready at all times to adopt new ideas, techniques, and products? Have we always enthusiastically welcomed innovation? This review may aid us in establishing conditions which will ease the acceptance of future changes. The peoples of the world must bless these aids rather than damn them.

The mere raising of the question affords its own answer. Our history is marked by tremendous resistance to change. There are abundant examples of patents and inventions which have been delayed in their application, as in the case of the sewing machine, the mechanical cotton picker, fluorescent lighting, the air brake on the railroad, the self-starter on the automobile, the subway as a substitute for the electric trolley, the automatic loom as a replacement for the manual loom, and lithography as an alternate for letterpress printing. Monopolists in the steel and aluminum industry have stifled many new technical advances. Telecasters have resorted to injunctions to prevent the introduction of CBS color television. Farmers have opposed having their lands flooded and have thereby delayed, and in some cases prevented, water power developments. The St. Lawrence waterway is still the subject of controversy, despite the many benefits it will bring. Prefabricated housing is combatted by the home construction industry.¹

No group in American society is free of opposition to changes which will affect its members adversely, though these groups are generally most generous in their endorsement of changes which benefit themselves or only affect others adversely. To protect their own modes of life, individuals and groups have devised special defenses or have developed rationalizations to win wider followings in their resistance to the innovation. In some cases the resistance may prove to be in the greatest social interest.

¹ See Bernard J Stern, "Resistance to the Adoption of Technological Innovations" in: National Resources Committee, *Technological Trends and National Policy* (Washington: U. S. Government Printing Office, 1937) pp. 39-66.

Our economic society expects property owners to assume risks. One risk is that older equities may be erased or diminished by competition from producers using new and more effective methods. Conspiracies to prevent innovation and to control the market are frowned upon by the law. Nevertheless, property owners have resorted to all kinds of devices to protect their equities against change and at times have stopped the change itself. The property owner has been expected to meet the challenge by shifting to new ventures or by greater innovation.

Workers as well as farmers and farm tenants have resisted specific innovations and have sought to relieve the impact of these changes. At times the failure to provide satisfactorily for the humans seriously dislocated by the changes has provoked complaints and disturbances. Our own history abundantly records the episodes of worker protest against changes in our agricultural and industrial arts.²

The great "Oakie Migration" described by John Steinbeck sent tremors through vast areas of our country. The "mechanical age" became the target of attack during the thirties. Proposals were piled upon one another to harness the machine which was destroying man. "Technological unemployment" became a reality in public discussion. The price of progress was labeled as too great. Man had to destroy the Frankenstein monster he had created. The attractions of a lyrical, simpler, static era were drawn so brightly that some men proposed to scrap the machine and return to the days of hand labor. William Morris, the spokesman of a handicraft society, gained a new following among some men of affairs and the literati. Such proposals were discussed during the thirties and offered to the Temporary National Economic Committee in 1940. Quotas were suggested on the application of new patents. Innovations, it was suggested, should be approved only if the social costs were smaller than the gains; a special calculus was proposed for this purpose. Taxes on labor-saving devices were suggested as a means of stopping displacement.

The New Mood of Acceptance of Industrial Change

The current mood, therefore, stands in sharp contrast to the prevailing climate of the thirties. We are living in an era which is favorable to change. The important reason is the high rate of business

² S. Slichter, *Union Policies and Industrial Management* (Washington: The Brookings Institution, 1941), pp. 207-23. For English record, see M. Baer, *Social Struggles and Thought, 1750-1860* (New York: International Press, 1929) pp. 134-71.

activity and employment and the consequent abundance of opportunities. We are not overwhelmed by mass unemployment. New tools, products, machines, and ideas have found new markets during the last ten years since, for the most part, they supplemented rather than supplanted existing productive capacity and products. The old and the new have not, by and large, competed. Both have filled a great void in the supply of goods created by unprecedented demand. The prevailing expansionist climate welcomed innovation. The shortages of labor placed a premium on labor-saving procedures. But displacement was kept at a minimum by the expanding market and tight labor market. Capital-saving devices, offering new opportunities of lowering costs, could be bought from abundant business surpluses. Productivity was rising with a minimum of human cost. Moreover, the prevailing pride in our standard of living, the benefits that workers have received, and economic development softened older suspicions and dulled the memories of our outcries against such change during the latter half of the twenties and the whole of the thirties. In this new era, full employment is accompanied by an expanding economy in which benefits of higher productivity are being more widely distributed.

But the very tenuousness of this outlook is suggested by recurrent expressions of doom and protests against change voiced during 1948-9. The nightmare of "technological displacement" appeared. The short recession accelerated the scrapping of technologically obsolete industries, products, and tools. New items held the market while the old receded quickly. Thousands of workers were left stranded. The question of whether the human and social costs of change exceeded the benefits was again posed. The trade-union movement voiced its uneasiness by returning to its demand for the thirty-hour week. Once again geographical areas were labeled "chronically depressed." The Council of Economic Advisers responded to this situation by appointing committees of experts to focus attention on these problems and find methods of rejuvenating the declining areas.

But again, the upward surge in employment immediately before and after our entry into the Korean war pushed the question of the costs of technical change into the background. They were not erased; they were only covered up. The abundance of jobs has diverted us from the problems of the individuals and communities sacrificed by industrial progress. Their plight no longer moves us. We are leaving

them unaided and the hundreds of thousands of personal victims are shouldering the price of change and progress without adequate attention and aid. Communities brought to despair by the march of industrial arts have been left to fend for themselves.

Trade-union policy is also substantially affected by the optimism of an expansionist period. When new employment opportunities are plentiful, the protective proclivities of the union continue at work, but their influence is subordinated. The habits of mind and practices of an area of under-employment are carried over, but their influence is weaker in periods of high industrial activity. The more formal the older policies, the longer they hold sway. But a prolonged period of full employment and economic expansion tends to weaken the strongest of restrictive practices. They do, however, reassert themselves as soon as the fears of unemployment appear again.

The major change in trade-union policy witnessed during the last ten years shows the effect of high or full employment and rising living standards. Present policy repeats that of an earlier and shorter period in American trade-union history extending from 1922 through 1926. At that time the trade-unions turned to the problem of sharing in the benefits of productivity. The historic resistance to many management personnel and wage techniques receded during World War II and the post-war years. Suspicions and opposition survived; unwillingness to accede to changes remained deeply rooted; the knowledge that changes were fraught with future, if not current, dangers was still there, but these were secondary to the immediate drive to advance wages and gain other economic advantages.

For all who favor changes in agricultural and industrial arts, these vacillating moods are a matter of vital concern. They suggest that real progress can be most favored by maintaining conditions which minimize the opposition to change. During eras of expanding economic activity, technical innovations and new industries are continuously launched. Some may be held back by the continuance of a market for older products, but the high rate of new invention and continued inter-product competition favors new products and industries. The human and social costs are at a minimum. Workers can adjust themselves and communities can be rehabilitated. The spectre of human suffering will not haunt the very inventors of human benefits.

Continued full employment, now an international goal, can help make human ingenuity an aid to expanding standards of living and

weaken resistance to technical change. In such an era, the distribution of the benefits of these gains must be equitable to all groups in the production process and advance a balanced expanding economy.

Human Impact of Change Must Be Dealt With Even in Eras of Full Employment

While the primary prerequisite to the continued acceptance of change in the agricultural and industrial arts is full employment, the varied human and social costs suffered in the course of change must be faced. They may create the fertile soil out of which a great social crisis can be rooted. The memories of these costs are long retained in the national conscience. They may be buried during short periods, but they are likely to provide the backdrop against which new and far-reaching social challenges may be sounded.

In our society, we prize the security and advancement of the individual too much to remain indifferent to his plight. The advantages of social progress cannot overrun all consideration of the individual. The unfortunate individual should not carry the full costs of these changes which benefit the entire society. We cannot rightfully ask him singlehandedly to find his course through the ruin into which progress has cast him. His faith in the society and his own personal acceptance of change must be preserved to the fullest extent possible. A high rate of change, even when it takes place in an era of widest alternative opportunities, will create its own frustrations, anxieties, and despairs among individuals which will be as costly and produce social instabilities of as serious a moment as unemployment itself.

The second great challenge for all who favor change is to join the planning of innovation with programs designed to reduce the human and social costs of change and to ease the adjustment for those who have to bear the costs. The primary emphasis is on reducing the personal shock and suffering. The fate of the capital itself must be judged entirely in economic terms. A great measure of personal confidence and security in the period of adjustment must be assured the individual. He must also learn a greater appreciation of the gains from technical change by sharing more fully in the benefits. The experience of the twenties when workers did not share in the benefits of technological change must not be repeated.³

³ M. Ezekiel, "Productivity, Wage Rates and Employment," *American Economic Review*, Vol. 30, No. 3 (September, 1950) pp. 512-4; L. L. Lorwin and J. M. Blair, *Technology in our Economy*, TNEC Monograph No. 22 (Washington: U. S. Government Printing Office, 1941) pp. 190-4, 234-88.

Types of Technical Change

In considering changes in the agricultural and industrial arts, four categories are discernible, according to the type of agency which can develop constructive solutions. First, there are changes which introduce new products or services and do not displace or substitute for current products. Their effect is to broaden our economic horizons without having a noticeably immediate impact upon existing employment patterns. In this classification we may list the typewriter, air conditioning, household electrical appliances, cash registers, and automatic sorting machines. These innovations may ultimately have far-reaching effects which will alter our values and activities. We can easily discern the untold ways in which radio telegraphy and telephony, radio broadcasting, and television have transformed our ways of life. These innovations do not create immediate problems but set off a train of events which may produce serious adjustment and displacement problems.

The second group of changes consists of those which result in the elimination of existing plants or the introduction of new forms of land cultivation by new owners. Old employers and owners are eliminated. Governmental agencies are our principal recourse in helping to meet the problems created by these changes. The third group consists of changes which eliminate a plant but in which the employer continues to operate other plants or the same landowner continues to control. These problems should be dealt with by law and collective bargaining. The fourth group consists of changes which eliminate functions or jobs in a plant or alter the pattern of duties, the type of worker desired, or the expected level of output on the job so that the worker on the job is seriously affected. The latter developments truly present problems for collective bargaining.

Plants Closed Where Employer Is Forced Out of Business

The type of industrial change which presents the most compelling demands for governmental planning and concern includes the closing of plants which are made obsolete or redundant by the onrush of technical change, or the farm areas where new methods of cultivation are applied by new owners. In some instances, the very concentration of the industry or activity, or the dominance of a specific enterprise in a given area, spells doom for an entire vicinity unless government intervenes to save it.

We all know of the tens of thousands of "Oakies" displaced by the

tractor. Thousands of tenants, farmers, laborers, and small towns-people are now being dislodged from the cotton fields by the mechanical cotton pickers. The construction of the hydrogen bomb parts plant in Aiken, S. C., is causing the dislodgment of 5,000 people.⁴ Ghost towns following the abandonment of mines call to mind such communities as Brazil, Ind.; Franklin, Saline, and Williamson counties, Ill.; Dawson and Broken Arrow, Okla.; Buxton, Chisholm, Youngstown, Iowa. The anthracite mining areas of Pennsylvania have been depressed since the early twenties. Even during the present era of full employment, Scranton and Wilkes Barre, Pa., still remain "E" areas. The abandoned gold mining towns of Nevada and California tell their story of former activity. Hydro-electric power stations have resulted in the flooding of many communities such as Butler, Tenn. The continuous sheet strip mill made ghost towns of such communities as Newcastle, Pa. The substitution of modern, high-speed, streamlined production methods in the woolen industry predestined the closing of woolen mills in communities such as Madison, Me., Maynard, Mass., and Bloomsburg, N. J. Older stranded textile communities include Manchester, N. H., Lowell, Mass., and the Connecticut Valley. Synthetic fibres have wrecked the silk culture industry of Japan, and upset the very logic of its international position. Thousands of Japanese farmers no longer can look upon the cultivation of silk as attractive.

In the trail of these changes came many human and social problems and frequent social conflicts. People became superfluous and migration became imperative. The aimlessness of many of the treks is typified by the human tragedies related by Steinbeck in the *Grapes of Wrath*. These people knew not which way to go; rumor and despair drew them to California. Rejection faced them on, and at the end of, the road. Now again cotton farms tenants are turning to the cities without guidance or real facilities for making choices. Entire families must move and are broken up. Habits, talents, mores, and cultures are disturbed. People are set adrift to face unaided the new ways of life and they may lack new opportunities.

The social challenge is great. How are we to aid people forced by change to move on? There must be new opportunities for them. They must be able to deal with their future confidently and carefully, for otherwise they may be overwhelmed and permanently demoralized. No more serious vacuum in social organization exists than the absence

⁴ *New York Times*, December 9-10, 1950.

of agencies dedicated to identifying these areas and moving into them to help people work out personal solutions.

In many instances people remain in the ruin forced on the community. They continue to hope that a solution will come from some source. Accustomed to a society in which enterprise furnishes jobs, they await, often futilely and forlornly, upon this occurrence, continuously sinking into greater despondency and poverty.

But there is the possibility of rehabilitating the community itself by reconstructing its economy. Until recently, such efforts were given little aid. We have had to rely on spontaneous organization of ad hoc community agencies to find solutions, unaided by expert advice. The task of organizing a community to raise itself by its own bootstraps has become a more common experience as depressed areas have learned the value of surveying their resources and attempting to fashion opportunities for new industries. But these efforts tend to be emergency enterprises; they emphasize concessions, subsidies, or gifts rather than basic local advantages. They are desperate moves to find immediate answers to a crisis. In some places, the "community fathers" undertake to guarantee no "labor troubles" or other restriction on worker freedoms. Low wages are in some cases promised to attract new business. The emphasis in such cases brings transient, irresponsible entrepreneurs who seek to exploit the advantages of the community. The hardy enterprise seeks basic indigenous advantages such as good markets, supplies of raw material, and workers. Subsidies are of secondary interest.

True developmental activities are an essential component of a program designed to make change more palatable. Technological obsolescence can be predicted. Single-industry dominance can be overcome, by a long-term program for diversification in employments. Careful surveys of locational resources and advantages are essential to this task. Adequate analysis of the expanding national activities can help define the specific lines to pursue for local advance. In this work, state developmental commissions can play a vital role, but they have concentrated on advertising and promotion. They have, by and large, neglected their planning and development activities.⁵

Distressed areas cannot usually await the elaboration of long-term plans. In such regions there tends to be a concentration of persons

⁵ A. Lepawsky, *State Planning and Economic Development in the South* (Washington: National Planning Association Committee of the South, Report No. 4, 1949) pp. 19-33, 174-182.

of advanced age, limited or special skills, restricted mobility, and other employment handicaps which slows up rehabilitation. A public works program developed by the government appears to be an essential to rehabilitation and a permanent answer.

Even where general solutions are found for the great body of people, individual human problems remain. First and foremost is the maintenance of the people during their readjustment and rehabilitation. For meeting this problem we now have the small aid offered by unemployment insurance. But the duration and amount of benefits are too limited to serve this group well, except in periods and locations of the greatest abundance of jobs. The extension of unemployment insurance benefits from 20 and 26 week maxima to one year is indispensable for distressed areas. A considerable number of firms now provide for additional severance pay to tide workers over longer periods. Unions are pressing strongly for more general and liberal severance pay clauses, keeping particularly in mind the extreme losses in job equity which develop with the closing of plants.

Second is the problem of retaining and rehabilitating displaced persons. Frequently, as in the case of the tenant farmer, the new opportunities are in urban rather than in rural areas. Training in reading and writing becomes indispensable. Preparation for the new ways of life is desirable. New skills must be acquired. The ways of life in the new communities must be learned. Experience with the reorientation of discharged veterans provides us with excellent material for such programs. Adult and vocational education is becoming a more vital part of our community. These facilities must be used to train for greater personal adaptability required in an age of increased technical change. These activities are certainly governmental responsibilities.

Third, the cost of migration is often considerable. New means must be developed for facilitating such movement. Efficient employment offices directed by a national rather than a state organization can aid in reducing the time lost in the search for work and locate employments available in the vicinity to minimize movement. Funds for migration must be available either as loans, obligations of employers, or credits on severance pay or unemployment insurance benefits.

Fourth, the introduction and acquisition of facilities for living in the new community must be organized satisfactorily.

Fifth, some persons will be comparatively unadaptable and there-

fore unable to remain active producers. The most outstanding class in this group are the aged. Surveys show that the aged are the least able to find new work. An adequate system of old-age pensions therefore is an indispensable part of every community's program to meet the problems of age. In our country, we must look to further liberalization of our federal old-age security system. An earlier date than 65 years would be desirable for persons severely dislocated by technological change. We have also urged in place of private pension systems, federal annuity bonds to be purchased by companies for their employees to overcome many of the problems created by present pension programs.⁸

Plants Eliminated Where Employers Continue in Existence

Where the employer continues to operate other plants or parts of the same plant, the techniques for handling the issues arising from technical changes will be conditioned by his responsibility to participate actively in meeting the issues. Where employers have closed individual plants of a chain of plants, both the government and unions have sought to charge the employer with the responsibility of moving employees to other sites. This type of program is critically important since large corporations are generally multi-plant operators and now provide substantial proportions of our total employment.

In the railroad industry a 1936 collective agreement, following on a 1933 law which prohibited lay-offs because of consolidation of facilities, provided for a "consideration allowance" equal to 60 per cent of the average monthly compensation for a given number of months ranging from 6 to 60 depending upon the years of service, for lump sum payment for employees who resign, and for payment of "all losses incurred because of moving to his new position, such as traveling expenses for himself, his family and personal effects and losses incurred because of an unexpired lease or sale of home or other real estate."⁷

A labor agreement with the Postal Telegraph Company before its consolidation provided for the transfer of employees between locations

⁸ S. Barkin, "What Shall We Have: Retirement Benefits or Superannuation Plans" in: Industrial Relations Research Association, *Proceedings of Second Annual Meeting*, N.Y.C., December 29-30, 1949, pp. 138-147.

⁷ U. S. Department of Labor, Bureau of Labor Statistics, "Dismissal Compensation for Railway Employees Displaced By Railroad Consolidations," *Monthly Labor Review*, Vol. 42 (June, 1936) pp. 1503-5; *Locomotive Engineers Journal*, Vol. 70 (June, 1936) pp. 405-6.

with the company paying for "travel for such employee, his wife and dependent minor children and transportation of household goods and without loss of paid time to the employee concerned." A 1945 amendment to the Communications Act provides for a four-year guarantee of employment, payment for moving (and affiliated expenses) to another community, and separation allowances of four weeks' pay for each year of service. An agreement of the Textile Workers Union of America, CIO, and the American Viscose Company required that "employees displaced by technological changes" be "placed on a preferential list for rehiring when appropriate vacancies occur in any of the plants of the corporation." As a result, over 200 employees displaced in one plant were absorbed in new plants built by the company.⁸

These types of provisions have not been widely adopted in agreements. But the principle has been observed in practice. The telephone companies have made a gesture in the direction of transfer but the preponderance of women employees and concurrent installation of dial systems have minimized its usefulness.

The current legal structure of collective bargaining, moreover, built on individual plant certification of representation, has deterred intra-company practices favoring transfer of employees and payment of costs of movement. Such a program should become an integral part of a wider program to meet technical change within a single company.

Trade-unions which control their labor markets are in a position to favor the reemployment of displaced workers by granting them priority rights in rehiring in other plants. It is a labor-market application of the practice widely favored on a plant basis of restricting new hirings until all displaced persons are absorbed.

Jobs Eliminated in Plants and Changes in Nature of Continuing Jobs

In dealing with the final and most common type of technical change, we are concerned not only with providing adequately for the persons directly affected but also with the morale and attitudes of other employees in the plant. In this group are technical changes which eliminate specific jobs or alter them to the point where the nature or pattern of duties is changed. The primary base for every program

⁸ U. S. Congress, Temporary National Economic Committee, *Investigation of Concentration of Economic Power*, Hearings on Public Resolution No. 113, Part 30, "Technology and Concentration of Economic Power," 1940, 73rd Congress, 3rd Session, p. 16860.

must be to promote understanding and assent by employees through collective bargaining agreements. Patient efforts to secure such assent will be rewarded by final acceptance and approval if the employer shows himself equally ready to perform competently and to keep abreast of the times.

American trade-unions have increasingly recognized the inevitability of technical change. Many have, moreover, accepted restraints upon their right to halt technological and routine changes. They have, however, insisted on full information about and regulation of the terms of these changes as they affect workers. In some instances, they have secured special agreements that specify that changes other than routine or technological, involving levels of work effort and job patterns, shall only be made with the union's assent or arbitrator's decision. Routine and technological changes may be made by management after notifying the union. It retains the union's right to file grievances after the change has been made.

Deliberative procedures adopted in collective bargaining help workers to accommodate themselves to change and allow for the development of techniques to minimize the impact and insure benefits to workers. Such immediate sharing in industrial progress helps workers recognize the tangible advantages flowing from technical changes. In such proceedings workers make suggestions which usually point up limitations of management proposals and which thereby speed many improvements.

Employers who do not proceed along the route of collective bargaining are paving the way for the widest social reaction. They may introduce a single change more quickly but the resentments and emotional shocks created by the change are likely to break out in later protests. The strikes and unrest provoked by such changes are legion. Our national belief in the values of collective bargaining underscores the necessity of insuring its use as the vehicle for effecting technical change in industry. Our democratic society demands that workers freely assent to change; only collective bargaining can provide the vehicle for the realization of this principle.

Negotiations on these changes, to produce sound relations, must be based upon a full presentation of data by management. We in the textile industry seek an explanation of the background of the change; a full description; listing of old and new job methods; summaries, and if necessary, copies of operating studies and time recordings; and an analysis of projections of new jobs. Supplementary data are

secured on mechanical and operating specifications; material and product descriptions; checks on material or product weighings and machine speeds; humidity; production; and ranges of variations in floor conditions. Comparative conditions, costs, and arrangements are usually developed by the union itself from its own body of knowledge. The information, comparisons, discussions, checks, criticisms, and differences prepare the grounds for the accommodation of interests and agreements.⁹

To provide a clearer insight into the types of issues arising in negotiations over this group of changes, we may divide them as follows: (a) elimination of jobs or functions; (b) alteration in the pattern of job duties, as in the case of the introduction of specialization which replaces all-around workers with specialists; (c) revision in the nature of the job duties, as in the case of a routinized procedure of production replacing workers who determine their own methods; (d) revisions of standards of production due to introduction of new materials, lay-out, tools or machines, room and operating conditions, flow of materials, workplace or product specifications, or quality standards; (e) and the substitution of measured work standards or high task incentive systems, or both, for unmeasured or day work standards. In point of frequency the last two classifications appear to be most important.

The range of issues to be negotiated is wide. Unions will seek the maximum protection for their members in the light of their own concepts of negotiable limits. Among the objectives will be the retention of the older skills and job patterns insofar as possible; guarantees against displacement of employees; reduction of new hirings until regular employment is assured displaced employees; preference for displaced employees to all new jobs; retraining for, and adequate instruction in, new jobs and special consideration in the form of lower production standards and guarantees of employee earnings during period of adjustment and training; adequate separation allowances, where release is unavoidable, and pensions in case of persons of advanced age or disability; improvements in work conditions on the job to reduce the level of work application and decrease the degree of fatigue from work; maintenance of earnings while the job is being stabilized and during trial period; sharing in benefits of higher pro-

⁹ S. Barkin, "Handling Work Assignment Changes," *Harvard Business Review*, v. 25, (Summer, 1947), pp. 473-482; "The Technical Engineering Service of an American Trade Union," *International Labour Review*, Vol. 61, No. 6, (June, 1950) pp. 609-636.

ductivity through lower levels of work application or higher earnings or both; guarantees of former earnings to employees demoted to lower paid jobs; careful job specifications which clearly define workers' responsibilities and management's obligations as to operating conditions so that deviations exceeding agreed-upon limits of tolerance automatically relieve worker of usual production responsibilities; maintenance of job rates where the job is simplified; satisfactory production standards, incentive rates, or machine assignments; administrative procedures and rules for the operation of wage incentive systems which enable unions to protect and assure favorable assignments and earnings to workers; and systems of reporting which will keep the union abreast of operating facts.

The actual terms of agreements are most varied. They differ as to the types and amounts of benefit and the effectiveness of unions in realizing their objective to minimize the human cost of technical change. But the continued drive to provide protection and secure gains for workers are conducive to the more effective reconciliation of the enterprise's interest in effecting changes, the individual's desire to be protected from them, and the union's goal to establish a democratic procedure for making changes, to keep the human costs at a minimum, and assure benefits to workers. The immediate costs are generally easily dealt with by well-managed and large business organizations. They have adapted their own management decisions to these objectives. Moreover, they have found these procedures workable and conducive to better planning and morale and more efficient management performance. The unconverted employers, whose number exceed many times the few who have substantially absorbed the preceding principles, remain constant targets in labor negotiations.

Conclusion

Industrial society progresses by change, but in its wake come great human and social costs. Failure to deal with these at times produces the sharp reactions which retard change. Invention can be a boon to society and to many individuals. We must, therefore, maintain conditions which assure its acceptance. A society in which full employment exists, in which the economy is progressive and expanding, and in which workers share in the benefits of change, provides the most favorable climate for continued industrial change. Fears are then at a minimum. Resistance and restriction are then least operative. Change may even be welcomed.

Even under the most favorable conditions, organized efforts must be made to provide relief for the individual victims of change. Governments, particularly the federal agencies, have a vital part to play, especially in the case of stranded communities and closed plants of employers who go out of business. They also must make up for the inability of collective bargaining to deal adequately with these problems.

The extension of collective bargaining and the growing power of unions assure greater acceptance of deliberate procedures in making changes, more careful planning, protection for the affected employees, and wider sharing of the benefits. These developments have tended to reduce suspicion toward industrial change and to increase its acceptance.

Comparable attention to the human impact of such changes in underdeveloped countries will help win these people over to a more favorable view of progress-through-change. They must be assisted in developing their own techniques for assuaging the victims of change and aiding them in their readjustment. By promoting and expanding a full-employment economy in which the people share the benefits, by developing techniques for winning voluntary acceptance of change, and by adequately aiding individuals affected by change, these underdeveloped lands, too, can implant a progressive spirit among their people.

THE INDUSTRIAL AND ECONOMIC IMPACT OF TECHNOLOGICAL IMPROVEMENT

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IN TALKING with you today I don't want to appear to be pontificating or handing down any great truths discovered by me or my Company. I am here—as I assume most of you are—purely on my own as an individual seeking to learn in an area where there seems to be entirely too much disagreement among us Americans.

It seems to me that the future of America depends on a strengthened Western World through (1) increased production and (2) increased economic understanding. In this hour of our greatest danger, each of us must do his best in both of these areas.

This mobilization, which we are now beginning, may last a generation. Suddenly it makes for us a much larger all-over production job to be done—perhaps with fewer people to do it. The Armed Forces may soon include some three to five million young people who otherwise would be in the productive work force.

Then we in the smaller work force left behind must turn out more goods. We must produce enough for the military needs. We must, in addition, still produce all possible of the goods needed to meet the civilian demand which heretofore has taken the full time of the larger work force.

So, through greater management ingenuity, new tools, improved methods, less waste, and more skill, care, and effort, we have got to produce a whole lot more. This greater production must come from any or all of the following three sources.

1. We will have to bring everyone available into the work force.
2. Even then, we may have to work more hours per week.
3. And, we will need increased output per man-hour.

This increased output per man-hour will come from two things:

- a) technological developments by management and
- b) greater skill, care, and effort by employees and management.

Perhaps the best way of getting to the points that would be of interest to us would be to ask a series of questions for which I should like to supply my own homely answers.

1. *First of all, what is technological improvement and how is it brought about?*

Generally speaking, technological improvements are of two types. Either old products, tools, methods, or materials are improved. Or, technical ability is called into play to meet new demands for new products, methods, tools, or materials. Sometimes, of course, technological improvements entail both improvement of the old and development of new solutions.

In my opinion, even without the current emergency, technological advance would be the principal key to our future just as it has been the key to our past. In a future war economy, greater output per man-hour would help solve the tough problems of manpower shortages—also greater production of war goods would make the war end sooner, or prevent our having a full-fledged war. Either result would be less costly to each of us. If we have a part-war and part-civilian economy, greater production will help make it possible to turn out the weapons we need plus enough consumer goods to retard inflation and possibly make fewer drastic controls necessary. In a peacetime economy, higher production would lead us again to an even higher standard of living—and a truly expanding economy.

The individual business man often has no control over when he can or should introduce improvements. Often if he does not make the improvement, his competition will force him to it. And, often new and completely unexpected forms of competition arise such as the competition between metals and plastics, between paper and glass, between cloth and paper, between synthetic fibers and natural fibers, between welding, forging, and molding, between railroads, airlines, busses, and trucks. Such competition is tough and unpredictable. But it should not be discouraged. It is this competition which distinguishes the American economy in action, makes our country great, keeps our standard of living rising, and is the challenge to the initiative of American management. It is imperative, therefore, that each new advance be adopted as soon as possible in order that business and jobs be kept at a high level thereby benefiting our economy quickly.

Some folks might say that America's greatness comes from our freedoms; others might say our industrial supremacy is due to our natural resources; others might look at our native inventiveness; still others might name the incentives which our enterprise system provides to stimulate progress; some might credit our free and inde-

pendent employee groups; and some might be kind enough to say American management played a part. I suppose that each of these observations would be right and that no one of them should have full credit for our industrial greatness. Certainly they provided the atmosphere in which to make progress. But the real expression of our economic progress has been in technological improvement itself. It has given us new products, better products, and more products, with more leisure time to enjoy them. And, it has given us increasingly larger numbers of jobs by which we make our living.

2. How are the benefits of technological improvement distributed?

Generally the benefits of technological improvement are diffused to the whole public, primarily through lower prices for products or better values or both.

3. Should the benefits of technological improvement be distributed differently?

My answer to that question is "no." Distribution of technological benefits through lowered prices or better values is in accordance with natural forces. These benefits would be wiped out or prevented if they were not distributed in this way.

Some union leaders argue that the savings from technological improvement on a machine should be given directly to the worker on that machine; and nearly all union leaders say that the benefits of technological advance in general should go to workers. However, I believe it would be unfair and uneconomic to give an employee directly the benefits of productivity which came from technological improvements to his machine. First, he isn't responsible for the improvement. Second, paying him would defeat any realization of the benefits because, if the total cost of the production is kept high, no increased saleability results and the total production volume remains the same. Third, paying more to some workers would force increases generally whether there had been improved methods or not.

Increases would be disproportionately distributed even if given to workers in those firms where their management had been smart enough to develop technological improvements. But most important of all—for purposes of being realistic about union policies—is the consideration that passing on the benefits of technological improvement directly to the workers involved would be contrary to union policy. One of the fundamentals of unionism is that there should be

“equal pay for equal work.” Yet, if lathe operators in a plant where the management had installed Carboloy tool bits were paid proportionately more than lathe operators in plants without Carboloy tools, there would be inequities. First there would be the inequity between the lathe operators in the two plants. But—most important to good employee relations—there would be inequities in the same plant where the operator with the help of his Carboloy tools might earn more than even the highly skilled tool makers—and surely more than his fellow workers on machines where Carboloy tools cannot be used to raise the productivity. Therefore, as I said earlier, general increases of pay would be forced whether methods generally had been improved or not. This would hurt our economy by causing further inflations.

It is easy to understand that the worker contributes practically nothing to the technological change. It usually is initiated by management and made possible by stockholders. The employee works no harder—and often not as hard. And, he usually finds the change helps assure him steadier employment, because it makes the product he works on more attractive to customers.

4. *Does technological improvement cause unemployment?*

Rather than cause unemployment, technological improvement actually increases employment. In many companies and cities there is no interval at all between jobs. In America—due to our high productivity and consumption—we nearly always have a shortage or seller's market in labor.

New products and new methods have benefited all. And, to only slightly varying degrees, all have made their proportionate investments in the new things. Customers sometimes make the investment in higher prices necessary while new products are being introduced. Workers have invested in change of skills, jobs, or even location. Business has invested both through the obsolescence of old equipment and in the costs of new machines, buildings, research, and marketing, and also in the high mortality of businesses which have not met competition and, therefore, have failed. And, the stockholders invest when part of their profits are withheld for development of the business instead of being paid to them or when they lose even the money they invested if the business proves unprofitable.

Much of our technological change of the past created new products and new jobs more than fast enough to absorb the work force of the

old industry or products that were being outmoded. Automobiles have multiplied jobs literally by the thousands; and the development certainly was fast enough so that any alert carriage builders could be absorbed. In fact, some carriage builders like Studebaker switched to automobile making.

The development of the electric light had to await the building of generators and the stringing of new power lines. This made new jobs, but it did not abruptly put the candle maker or kerosene oil employee out of work. In fact, the kerosene worker now makes highest gasoline for the multitude of cars on the highways.

In the special cases where technological improvement causes temporary displacement or unemployment, we already have provisions for helping in the adjustment. Unemployment compensation which pays from 20 to 26 dollars per week for as long as 26 weeks in many states helps tide over the financial emergency. State employment officers now help employees to relocate in plants or points of new employment demand. And, often there is no interval between jobs at all, due to our great product demand and the sellers' market on labor.

5. *What about guaranteeing employment?*

Guaranteed employment is a laudable objective and has been successful in a few well-established, staple line companies. However, if a company reaches a point where unemployment is a fact, the company obviously is not satisfying or creating customer demand, and a guarantee of employment during such critical periods would only add to the crisis which the company faced.

Every executive knows that steady employment promotes efficiency and lower production costs, but steady employment is not achieved merely by saying we want it. Unions cannot assure it. Government agencies cannot provide it. Laws cannot create it. All too often the controlling factors are the buying decisions made by the customer. And, those buying decisions—that is the decision of whether to buy or not, or of what item to buy—depend on many things. Sometimes mere whim influences a buying decision. However, nearly always the price, quality, style-appeal, service, or newness affect the sale.

Obviously then, if any company fails to keep up—or even to be ahead of technological improvement, its products may not have the right newness, style-appeal, price, quality, or service—the customer won't buy, or fewer sales will be made, and there will be less job stability. As you know, there was no security in the carriage business

when the automobile came along; and none in fact in any business where management is not alert to changes in consumer demands.

So, the conclusion must be that there can be no stability of employment for the employees of an employer unless the employer can compete successfully in the market place. He must be able to compete for the favor of a buying public with constantly changing needs or desires or sense of values. This is another way of saying that technological improvements in old products and methods—and the technical ability to meet new customer demands—instead of taking jobs away, actually can be an important factor in helping assure that there will be jobs.

6. *What about individual savings?*

Everyone should save for a rainy day. Every business as well as individuals has its ups-and-downs. Business should not be expected to pay maximum wages and to take care of the employee emergencies as well as its own.

7. *What about "make-work" schemes?*

Frequently it is proposed that the Government should have on tap a huge "make-work" program. But this really is not a solution to the problem. Government welfare programs—or war work itself, for that matter—are not an answer to technological improvement. They only weaken our economy further instead of curing the situation. They subtract from consumer or capital goods production, and raise taxes directly—or indirectly through inflation. And, of course, these result in a lowered standard of living for all. Many economists believe the "make-work" schemes of the 30's prolonged rather than shortened the depression.

8. *Would a short work week help?*

It has been suggested that the number of hours worked per week be reduced so as to spread employment to a maximum number of people. But this won't work. It would be a means of eliminating or offsetting the customer benefits of technological improvement by thus raising the costs of production per unit of output per man-hour. Therefore, rather than work less, we should continue our 40-hour week, produce all we can, and get prices low enough so that all of us can enjoy even more of the things we want and feel we need.

Ultimately a shorter work week may be desirable if we find we

can make for each other in a short time all the things we want and are willing to work for. But it is not the answer now owing (1) to war work, (2) to the probability of not having enough employable people to make the needed work force even at 40 hours, and (3) to the still high demand for more and more of the things we have been producing for civilian demand with all our effort which will now be curtailed by part of our production being for military purposes.

It seems certain that for many years to come our economy must be kept expanding in order to take care of a normal net gain of new people added each year to our work forces. The fact that some of these new people will go into the military only adds to the production problem of meeting their requirements in addition to the requirements of the regular civilian work force.

9. Why is there so much misunderstanding or confusion about the industrial, social, and economic influences of technological improvement?

In union negotiations we often talk about the influences which do and do not raise real wages—meaning buying power, or standard of living—and the difference between high dollar wages and what the dollar will buy. Yet I feel that all too often our union leader friends fail to tell their rank and file members about the basic economics involved. Unfortunately, most of us in management have been just as negligent. However, neither we in management nor our union leader friends can escape our obligation to give employees the correct economic facts of life and to point out factually to the employee that it is right that he should receive the benefits of technological improvements as a customer, primarily through those benefits being diffused to the whole public in lower prices or better values or both. When we fail to do this, in my opinion, we make ourselves parties to an economic untruth.

The standard of living in the United States during the past century has more than tripled while the length of the work week has been cut almost in half. Forecasts for the future are that real wages can be doubled in the United States in the next 30 years if we continue to raise output per man-hour at the same rate we have in the past. Therefore, I feel this supports my belief that the industrial and economic impact of technological improvement has been largely for the good. Any necessary adjustments have been by natural means and, therefore, quicker and with fewer apparently unfavorable tem-

porary results. No artificial remedies—other than the state employment offices and unemployment compensation plans—are called for. This minimum of artificial solution meets a minimum need—and to go further would deter technological improvement unnecessarily.

In my humble opinion there basically are only two things which we can do to save our country and our economy.

First, we must keep America strong by achieving greater and greater production through supporting continued technological advance, working more hours per week, and bringing everyone available into the work force.

Second, we must quickly get and help others to get an economic understanding so that we will handle the opportunities and the benefits of our technological advances in the right way instead of the wrong way. We must win the war—by whatever name it is called. But, at the same time, we must not let our economy be defeated by inflation, by unneeded controls, by failure to adopt technological improvements fearlessly, or by not making our adjustments quickly, sensibly, with a minimum of friction, and in keeping with sound economics.

DISCUSSION

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I want to comment first on one major point of unnecessary confusion that has appeared in the discussion today. The confusion has centered around the simple question: "Does technological change cause unemployment?" On the one hand, Mr. Gleason has said: "Far from causing unemployment, technological change increases employment." To support his statement he cited the familiar and incontestable examples of the automobile, the airplane, the electrical industries, and others. On the other hand, Mr. Barkin, addressing himself to the same question, said that technological change caused great unemployment and much concomitant suffering, and cited in support of his statement equally incontestable examples drawn from the textile and other industries.

Something has been done in our question-and-answer exchange to clear up this point which unfortunately still wastes the time of public debaters, and has just wasted our own. It is most unlikely that anyone at this IRRA session, least of all the two principal speakers, does not believe that the great technological innovations of the 19th century have "increased employment"—in the long run—many fold. It is equally unlikely that anyone would dispute the serious short-run unemployment effects of technological change.

I take it that one of our purposes here is to see what can be done about the human and social costs of "short-run" effects.

Many excellent suggestions based upon tested practice have been made by both speakers. The problem, however, is obviously not solved, that is, the problem not only of short-term unemployment due to technological change, but of a host of other disruptive social effects. Fear of these effects increases resistance to progressive change. Experience with these effects lowers national efficiency and well being.

To find the "answer," or rather answers, we need, I submit, much more systematic information, industry by industry, upon which to base reliable predictions of technological changes and to base programs to meet their impact. It is here I believe that the universities can make an important contribution. Our chairman, Professor Smith, initiated, as is well known, the first systematic work of gathering such information in the textile industry.

Not only is sheer information essential for a solution to the human and social problems of technological change, but information within some systematic framework of reference. It is the job of the universities to develop such a framework of reference as a contribution to social theory.

In the study which the Yale Institute of Human Relations has been making of a major technological revolution in the steel tubing industry and its social effects, the practical as well as the theoretical value of such a frame of reference for this problem area has, I believe, been very strongly demonstrated.

One final point. In these times of military defense and threatened world war, our most important export commodity is probably "know-how," the know-how of industrial and especially mass production methods. There is plenty of "sales resistance" to this commodity abroad—as there used to be at home—because it means very drastic *technological change*. I end with a plea, therefore, that we export not only the techniques of mass production to the rest of the world, but such knowledge as we have of the human equation relating man to method. Human relations should in such a context include all best practice on man's relation to his employer, to his fellow worker, and *to the machine*.

Part VI

THEORY OF THE LABOR MOVEMENT

A Reappraisal

COMMONS-PERLMAN THEORY: A SUMMARY

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A THEORY of labor, or for that matter a theory about anything, is valid to the extent that it is capable of revealing significant relations in its universe of reference or it can be used to forecast conduct or consequences of policies or actions. The views developed by Professors Commons and Perlman must be examined in the light of their usefulness towards reaching meaningful explanations of the conduct and attitudes of labor.

Professor Commons first began his work in the field when the position of organized labor was much weaker than it is today, and when the community was much less hospitable to union organization and less tolerant of the pressures exerted by labor upon industry through the boycott and strike. American society and its major social institutions were wedded to the view that maximum welfare is more effectively obtained by the free play of the market and that labor unions were monopolies which interfered with the optimum allocation of resources. In some quarters a belief existed that the unions represented an alien and revolutionary force, and their activities should at least be circumscribed, if not completely suppressed.

Rejecting the notion of market equilibrium resulting from the competition of atomistic units, Commons attempted to show that modern economic life can best be explained, and even promoted, by allowing large and powerful aggregates to compete, negotiate, and work out a viable relationship. His view of the market is not atomistic, but pluralistic. "Instead of the traditional equilibrium between equal individuals of economic theory, the alternatives today are between an economic government based on (a) balance of power between self-governing corporations and unions, and a suppression of both organizations, or their leaders, by military power."¹

Instead of regarding the labor union as a bearer of tyranny and monopoly, Commons viewed it as a liberating force, one that establishes constitutional government in industry and defines and limits the power of one of the parties over the other. To him, labor organization, because of its inherent democratic nature, was not antipathetic to the spirit or tradition of American democracy. Moreover, examin-

¹ John R. Commons, *The Economics of Collective Action* (New York: The Macmillan Co., 1950), p. 263.

ing the realities of American life convinced him that the market mechanism is far less perfect in protecting the individual worker against exploitation by powerful economic groups than was assumed in traditional economic and political theories. Commons knew the American industrialism of the century at first hand, and early realized that the equality of bargaining assumed by the traditional view was a theoretical mirage. He refused to turn to socialism as the answer. He was in fact suspicious of too much dependence upon government, and for him, the more desirable solution was a well-organized, independent labor force dealing on terms of equality with its employers, and assuring the worker not only a fair wage but improved status directly flowing from a more equal distribution of power. Well organized groups were not necessarily evil, as long as they recognized the right of other parties to exist. Once each side recognized the other, an equilibrium would be found that would be not only socially bearable, but would assure the greatest amount of welfare. Commons knew the actual economic world too well to have much faith in the market mechanism as a protector of the individual worker's rights or position. He himself had seen in practice that even in the small shop, where the employer operates under conditions of competition in the product market, the individual worker was exposed to favoritism and discrimination. Commons' emphasis was on the desirability of industrial government, the necessity for curbing absolute power in industry if democracy was to survive. Not only did unions fail to weaken capitalism, but they served as a new source of strength, for they helped to democratize the system.

Commons sought to demonstrate that unions were not only compatible with a system of private enterprise, but were actually essential to it. His arguments are geared in the main as replies to those who believe that the unions are interfering with the most effective operation of the economic system or that they lead to unfair or undesirable allocation of resources. Professor Commons' arguments and views were directed mainly at the traditional attitudes found among economists and among other groups. Professor Perlman's views supplement, broaden, and strengthen the foundation laid by Commons. While in the main Commons' work might be regarded as an effort to convince the holders of traditional economic views that unions were desirable institutions, Professor Perlman attempted to defend the unions from the criticism, explicit or implied, of the left.

Trade-unionism has not been too highly regarded by those who

saw the cure for social and economic injustices in the reorganization of society and its economic institutions. The Marxists, who were the largest and most influential group among the radical reformers gave the trade-unions a subordinate place in the struggle of labor for a greater share of the national product, greater protection against the losses of income, and greater security against discrimination. At best, the socialists were inclined to look upon the union as an auxiliary, an institution inferior to the political party, and one which should take direction from it.² In Germany, the trade-unions began to insist upon their independence in the 1890's, but not until 1906 did the leaders of the Social Democratic Party explicitly recognize the parity of the trade-unions. In France, the Marxist socialists took the same position, but even moderates like the Swede Hjalmar Branting,³ at the beginning underestimated the importance of trade-unions. The very facts which Commons emphasized as the most significant aspects of trade-unionism were in fact derided by these schools. The trade-unions, it was claimed, did not represent the basic and historical interests of labor. This conclusion was attractive not only to radical reformers, but to many other social reformers who sympathized with labor in general. To them the aspirations of the trade-unions seemed puny and of no great significance. The solution of the labor problem called for a more heroic program and action, and the labor movement was endowed with an historical mission which the trade-union leadership ignored.

The proponents of this view had no mandate from masses of workers, but this minor fact did not deter many of them from insisting that the trade-unions were derelict in recognizing and carrying out their mission. In the United States and in western European countries where the trade-unions could develop independent organization and leadership, the criticisms were, in the main, implied; although even in those countries, there were many who were skeptical about the usefulness of traditional trade-unionism. It was Lenin who put the case most cogently, when he argued that labor left to its devices would only achieve trade-union consciousness. This is undoubtedly true, but for Lenin this constituted a fatal defect or limitation in trade-unionism. In contrast to Commons and Professor Perlman, who see in the capacity of labor to develop its own institutions one of the

² Siegfried Nestriepke, *Die Gewerkschaftsbewegung* (Berlin: Ernst Heinrich Muritz, 1920) I, p. 413.

³ Tage Lindbohm, *Den Svenska fackföreningsrörelsens upphomst* (Stockholm: Tidens Forlag, 1938), p. 232.

significant factors for the extension of democratic and constitutional rule in industry, Lenin regards this fact as proof that labor needs the tutelage of the "intelligentsia." "The history of all countries shows that the working class, exclusively by its own effort, is able to develop only trade union consciousness, i.e., it may itself realize the necessity for combining in unions, to fight against employers and to strive to compel the government to pass necessary labor legislation, etc." ⁴

Professor Perlman approaches the problem quite differently. The union is not an institution that has been fashioned by inferior intelligence. This type of snobbery, which is by inference a justification for totalitarianism, is rejected, and the union is recognized as the result of conscious effort by workers to solve important problems. The worker is not concerned with a new society; he is interested in devising a system of economic government that will protect his status as a human being, and enable him to cope with the economic problems that besiege him. This type of institution is primarily concerned with the worker's job interests and the sharing of opportunities among the members. Professor Perlman argues that workers are conscious of scarcity of opportunity, and that their bargaining institutions are designed to make it easier for them to operate in these surroundings. The worker's primary interest is thus directed towards the job, and this is the central arena for the worker's feeling and thinking. If we examine trade-unions, which are labor's institution *par excellent*, its concentration upon job interest is almost, but not quite, its sole activity. Frequently when labor engages in political activity—repeal of the Taft-Hartley law—it is concerned primarily with the effect of legislation upon its ability to control the job. But the term, job interest, cannot be interpreted too narrowly. The worker does not operate in a social and economic vacuum. His position in the shop is influenced not only by the political climate in the community, but also by government and social policy. Nevertheless, the job interest is central to the worker's attitude, and institution-building which is the concern of other groups may or may not attract the interest of the worker, but his reaction is likely to be influenced by his job interest.

The Commons-Perlman theory has been fully developed for about a quarter of a century, and it is proper to examine its ability to aid us to understand the attitude and conduct of labor. Moreover, this period has witnessed an unprecedented growth of the labor movement,

⁴ Lenin, *What Is To Be Done?* (New York: International Publishers, 1929), p. 33.

a growth not only of existing and well-established unions, but the virtual creation of a new labor empire. Yet once we allow for differences in the structure and the problems of the organizations, their basic approach is the same. Once the new organizations, those mainly affiliated with the Congress of Industrial Organizations, secured their positions against attack and were confident of their ability to survive, they developed policies of conserving and protecting their job territory similar to those devised by the older unions. Of course, the mass production industries are different in many significant respects from the artisan trades. Yet, the aim is generally the same and the C. I. O. unions, wherever they could exclude outsiders, as in the maritime trades, were not averse to limiting entry. A policy of "narrow" job monopoly is not feasible in the mass production industries, and in this area virtue is perhaps due more to necessity than to choice. As one examines the seniority and other types of protection slowly introduced, one recognizes that despite differences in union structure and even in the experiences of workers in many branches of modern industry, the focal point of interest remains the job.

Does this view necessarily imply that the labor movement will or should pursue certain specific policies? Only in a very broad sense. The Commons-Perlman view is that the worker is mainly concerned with improving his job interest, and while the exponents of certain social doctrines have sometimes pinned the work "labor" upon their views, these ideas do not have a strong hold upon the mind of the masses of workers. If the Commons-Perlman view is correct, it means that it is possible to work out compromises and that a wide area of adjustment is available which makes possible the avoidance of catastrophic changes.

The Commons-Perlman view limits itself to the possibilities of working out a "system of harmony" in the shop; it does not go beyond that point to inquire whether there is sufficient "dynamism" in the economy to provide a high enough level of employment to make possible the steady gain in standards of life and conduct which has characterized the American economy. Trade-unionism, with its slow adaptation to change, with its emphasis upon the protection and sharing of jobs, depends upon a society which offers opportunities for employment for the great majority of the labor force. It loses its effectiveness in a society with millions idle as in pre-Nazi Germany. There the trade-unions persisted in their age-old attitudes, but the millions virtually locked out of the labor market were in no mood to listen to

such a moderate, and at the time, a meaningless gospel. It might have been better for Germany and the world that they had, but desperation is not the begetter of sweet reasonableness. One can therefore conclude that the continued acceptance by large masses of the thesis of the predominance of job interest depends upon a high-employment economy. Given these conditions, the workers are likely to pursue the limited objectives envisaged in the Commons-Perlman view. This means social compromise. At one time this would have been regarded as a form of severe criticism, and certain observers still regard social compromise as a grave error if not sin. The argument made by a recent writer who was dissatisfied with the moderateness of the program of the English government⁵ is an example of this view. He argued that the English had not solved their problems. One might add neither had the Russians, if solving problems means overcoming sloth, inefficiency, low productivity, concentration of power, and injustice. Those of us who are living one-third of a century after the October Revolution have learned the difference between the theoretically attractive program and the frequently brutal reality. Social compromise has a great deal more to recommend it than the dogmatist bewitched by his vision assumes.

This view which might be described as a theory of labor expectations casts some light upon union wage policy. It tells us that workers are likely to be predominantly influenced by short-run considerations because of the feeling of scarcity which pervades their thinking, and that a general wage policy is not easy to impose for the worker's chief aim is the effect of change upon his own immediate position. It means that sectional bargaining is likely to be the more acceptable, and that workers are likely to pursue any special advantage they possess. These conclusions are implied in the theory of job interest, and while such a policy may be open to criticism, it follows from the worker's attitude towards his job and his union.

A social theory is neither democratic nor non-democratic. It is, however, influenced by the environment in which it arises. The Commons-Perlman view arose in a democratic society where the emphasis was on independent, self-governing groups, cooperating together to eliminate conflict and find a basis for mutual survival. It calls attention to basic attitudes which, if fostered and allowed full and free development, will make society more resistant to totalitarian attack.

⁵ Robert A. Brady, *Crisis in Britain* (Berkeley: University of California Press, 1950).

FROM "JOB-CONSCIOUSNESS" TO POWER ACCUMULATION

J. B. S. HARDMAN

Editor, Labor and Nation

THE MERITS or demerits of the theory we have come together to re-appraise are not determinable by the "good work" which some of its upholders maintain it has done, i.e. helped develop popular acceptance of and friendship for organized labor in the United States. A theory is right or wrong regardless of the uses it may be put to and the consequent results. The test of the adequacy of any theory of the labor movement lies in what that theory may add to our understanding of what the labor movement is, what makes it what it is, and the nature and the operation of the interrelationship between labor and the national community. To be fruitful, our re-appraisal should rest first upon a restatement of the basic tenets of that theory, and second, upon a recitation of those American socio-economic, political, and intellectual developments in the last two decades that may clearly bear upon the theory under consideration. Alternative conclusions, then, might be: (1) that the theory stands; no revision is called for; (2) that only certain aspects of the theory need adjusting—and which aspects, and what kind of adjustment; and (3) that the theory was not tenable in the first place, and if so, why.

How valid is the Commons-Perlman theory of the labor movement today? The fact that we have come to discuss the matter is an indication that there is a growing uncertainty as to the total validity of that theory. Thus, Professor John T. Dunlop anteceded the present effort, quite competently too, when he published, in 1948, a thoughtful essay, "The Development of Labor Organization," as a chapter in *Insights into Labor Issues*, the interesting little volume edited by Richard A. Lester and Joseph Shister.

"Despite all the epoch-making developments in the field of labor organization in the past fifteen years," wrote Mr. Dunlop, "there has been virtually no contribution to the theory [of labor organization] and scarcely a reputable narrative of this period exists." (pp. 163-4)

What, in essence, is the Commons-Perlman, or Wisconsin theory? To the extent that an elaborate theoretic system is reducible to several single-paragraphed propositions, what follows represents fairly, I believe, Mr. Perlman's position.

At this point I will note that I am not at all of the opinion that the Commons-Perlman axis is really of one piece. A case in point is the oft repeated assertion by Professor John R. Commons—made by him again as late as 1932 in the *Encyclopedia of the Social Sciences*, in his carefully prepared statement on the labor movement—that “the labor movement always is a protest against capitalism,” which does not quite jibe with Professor Selig Perlman’s general position. Nor does Mr. Perlman, it seems to me, fully underwrite Mr. Commons’ position with regard to the inescapable interaction between the labor movement and the social, economic and political milieu. So I propose from this point on to refer to Mr. Perlman’s or the Wisconsin theory. I should include Professor Philip Taft, not one of the original, May-flower pilgrims, but one who later joined them on the Rock.

These, then, are the cardinal propositions in the Wisconsin theoretic orientation.

1. *Labor Not Concerned with Social Order.* “Most American wage earners do not start with any general theory of industrial society. . . . Trade unionism . . . is a conservative social force . . . The gains of trade unionism are to the worker on a par with private property to its owner . . . When his trade union has had the time and the opportunity to win for him decent wages and living conditions, a reasonable security on the job and a partial voice in shop management, he will . . . be chary to raze the existing system to the ground . . .”¹

As to this, while it is unquestionably true that American labor has at no time demonstrated such institution-wrecking intentions, as “razing the existing system to the ground,” it is not reasonable to mistake the prevailing adherence to free private enterprise for a strong devotion to capitalism as a way of carrying on the nation’s business. That particular way rated very low in 1932, and history has been known to repeat itself without advance notice to college history departments.

2. *Labor Not Interested in Management Control.* “. . . Workers will . . . submit to an almost military union discipline in their struggle against an employer . . . will be guided by the union working rules, in seeking and holding jobs; but they will mistrust and obstruct their union leaders who have become shop-bosses under whatever scheme of workers’ control . . . The typical worker

¹ *A History of Trade Unionism in the United States*, pp. 266, 303, 304.

seldom dreams of shouldering the risks of management. . . . The province of the union is to assert labor's collective mastery over job opportunities and employment bargains, leaving the ownership of the business to the employer, and creating for its members an ever-increasing sphere of economic security and opportunity."²

The sole basis for this claim is the good judgment of Mr. Perlman, and that stands rather high with me. Yet, to be considered final, the testimony of experience is wanted. If we may refer to the experience of our cousins in the United Kingdom, it is too soon to determine that a worker would rather die than work in a plant under management other than that representing stockholders. That a worker may not like, whether wisely or otherwise, to be "bossed" by his erstwhile shopmate does not prove that he would rise up in arms against any system of remote control that was not a bankers' reorganization committee or the three per cent stock control of the chairman of the board. If, on the other hand, the TVA Administration, and the management of the state-owned University of Wisconsin do not exactly represent capitalist enterprises, there is no proof that the employees of either feel unduly enslaved or pine for a return to the fleshpots of Egypt.

3. *Trade-Unionism Rooted in the Fact of Scarcity of Job Opportunity.* "The trade unionism of the American Federation of Labor . . . was a shift from an optimistic psychology, reflecting the abundance of opportunity in a partly settled continent, to the more pessimistic trade union psychology built upon the premise that the wage earner is faced by a scarcity of opportunity."³

The consideration of "scarcity of job opportunity" occupies a significant position in Mr. Perlman's theory. It is an important point. Yet what appeared to be a permanent feature of the economy when that theory was fashioned 25 years ago, on the basis of observations and considerations of the preceding 25 years or more, no longer has the old validity. The statistical record of our national production and productivity since the mid-thirties leaves little doubt that manpower shortages, rather than job scarcity, are the prospect ahead, and, with what is happening in the world, likely to continue for a good many more years. I say this not to dispose of the "job-consciousness" argument but only to indicate the changed status of the point in the prevailing unionist psychology.

² *A Theory of the Labor Movement*, pp. 246-7, 253.

³ *Ibid.*, p. 252.

4. *Politics is Labor's Undoing.* "The unionism of the A F of L was born . . . of the American branch of the International Workmen's Association . . . so hardy that it survived even depression—mainly because it knew how to resist the lure of politics."⁴

The position here expressed would have been of solidier quality if the word *wrong* had preceded the word politics. However, more than mere negation or affirmation of politics is involved in the old AFL injunction: "no politics in the union"—which no one in the AFL, beginning with Samuel Gompers himself, ever took seriously, except as a means to oppose the brand of politics they didn't choose to play. The issue of opposition to "politics" involves the problem of what Mr. Perlman wants the unionists to think of the relations between the state and the community, including labor. American workers and their organizations and leaders, having gravitated toward politics all through their years—and always with good reason, although at times in bad form and/or insufficiently prepared—are now in political activity for keeps, and for what it is worth. They seem to consider it worth a good deal when done efficiently.

5. *Tom, Dick, and Harry, the Infallible.* Basic to the *weltanschauung* of the Wisconsin theory is: beware of intellectuals, the "expert astrologers," Mr. Perlman's *bete noire*; they who seek to subvert the movement, to lead it from the straight and exclusive trade-union concern into the voids of anti-capitalism, efficiency socialism, bureaucracy, and similar iniquities and indecencies of "overpowering social mysticism." Mr. Perlman's "philosophy of organic labor" postulates the ability of workers for "solidaristic action," but any proposed "common undertaking . . . to evoke response . . . [must] be kept so close to the core substance of union aspiration that Tom, Dick, and Harry could not fail to identify it as such."⁵

There is solid wisdom in Mr. Perlman's thought that any proposal meant to be approved should be so presented as to enable those to whom it is made to identify it with what is to them the core substance of what they wish to hear, have, or see materialized. But is it written anywhere in the books that the Lord disapproves of raising the sights of the Tom-Dick-Harry trinity, of broadening their judgment and increasing their understanding, and thereby enhancing the effectiveness of their unionism? The intellectuals like to dabble in this business. The School for Workers at the University of Wisconsin

⁴ *Ibid.*, p. 219.

⁵ *Ibid.*, p. 277.

was, I gather, founded with the active guidance of Professor Perlman to help Tom, Dick, and Harry make the best possible use of their brains. I believe that the Wisconsin theory does injustice, although different in kind, to both labor and the intellectuals. It underestimates the social dynamism of the first, and overestimates the social rebel propensity of the second.

In support of his thesis of the revolutionary-radical-or-socialist immaculateness of Tom, Dick, and Harry, Professor Perlman invokes the testimony of no less an authority in matters proletarian than Lenin himself. The founding father of Bolshevism had written:

The history of all countries attests to the fact that, left to its own forces, the working class can only attain to trade union consciousness—that is, the conviction that it is necessary to unite in unions, wage the struggle against the bosses, attain from the government such or such labor reforms, etc. As to the socialist doctrines, they came from philosophic, historic and economic theories elaborated by certain educated representatives of the possessing classes, the intellectuals.⁶

That presumably clinches the Perlman point of “the strikingly plain . . . basic contradiction which exists between the mentality of organic labor and that of the revolutionary intellectual.”⁷

Assuming that solid meaning is vested in such essentially metaphysical terms as “organic labor” and “revolutionary intellectual,” the reference but proves that Lenin held labor men incapable of developing a revolutionary consciousness except when tutored by his *agit-props* and *politburists*, and that, presumably, unionists when not beguiled and seduced by intellectual meddlers just won't look and couldn't see if they tried beyond the length of their job-conscious noses. There is no gospel truth in either point.

To begin with, Lenin never excelled in the art of understanding the moods, the thinking, and the behavior of any people other than his Russians. What's more, Lenin's paramount interest was a shooting revolution. He cared nothing—if he ever understood it at all—for revolution by “due process,” one not attended by barricades, head-chopping, and terror, but such as achieves, via “such or such labor reforms,” a redistribution or relocation of power, precisely the kind of revolution that brethren Tom, Dick, and Harry helped to consummate in the United States in these two decades. In fact, Tom, Dick, and Harry's conservative advances have been more harassing to the defenders of the status quo than have been the performances

⁶ Quoted in Mr. Perlman's *A Theory of the Labor Movement*, p. 8.

⁷ *Ibid.*, p. 300.

of the "expert astrologers," at least those of the American contingent. The proselytizing efforts of the latter to achieve the revolution rarely went beyond Park Avenue cocktail parties and the divertissements immediately following. Except for the relatively few CP-deputized operatives in their midst, most intellectuals have been more ready to act as experts than as intellectuals, and to toe the line of "organic labor's" higher-ups; for my money, I would rather they would attempt greater assertiveness, and occasionally risk tenure by blending a modicum of social perspective with the prosecution of their constructive jobs.

Considering the extraordinary upsets that the events of this second quarter of the century have caused in nearly every phase of socio-political and intellectual life, it is, of course, inescapable that the major assumptions of the theory under discussion should no longer fully hold their ground. Totally new are the social power relations and the very structure of power in our power-blocs-propelled national and local communities. Let us take note of some of the elements in the altered situation.

1. *Crafts Ain't What They Used to Be.* Industrial and service mechanization has played havoc with craft practices and craft-consciousness. What we have witnessed in the expanding union areas is a rising "consciousness of kind" as the labor-cementing force, rather than craft-consciousness. This newer and inclusive consciousness is proving to be the base for ever-growing union power accumulation and utilization—which is a cadillac of another color and a greater speed than the restrictive fear of job scarcity. Power accumulation has become the overall meaning and the major urge of unionism. Consciousness of kind is not synonymous with class consciousness; it is inclusive and does not impede community integration.

2. *Yes, the People Are Workers.* The "labor people," the wage-earning and wage-dependent contingent of the labor force, have become the preponderant part of our cities and communities. The social impact of this fact of our demography upon national life goes beyond simple arithmetical significance. That not more than one-third to two-fifths of the wage-earning labor force is unionized affects the situation relatively little. We need not concern ourselves here with the wider implications of the suggestion by Professor Sumner H. Slichter that "a community in which employes are the principal

influence will have its own ways of looking at things, its own scale of values, its own ideas on public policies, and, to some extent, its own jurisprudence." The relevantly significant fact is that the unions have not hesitated to mobilize the developing consciousness of kind into a political community leverage directed toward objectives beyond the restricted perimeter of job-consciousness. They have clearly and avowedly stepped into the theoretically *verboden* realm of political commingling with the diverse social components of American society in the pursuit of aims wider than the traditional "core substance" of T, D, and H's strictly "union aspiration." Also the leaders of the unions have become sufficiently cosmopolitan to cross the lines separating the AFL from the CIO and both from the Independents, and labor from the "middle class," the intellectuals included. The workers never cease to be people.

3. *"Voluntarism" in Suspended Animation.* Mark Twain's "exaggeration" does not apply to the story of the death or "withering away" of that time-sainted "principle of voluntarism" which the late Samuel Gompers used to express so readily, so voluminously, and so reverently. That principle, interpreted as uncontrollable proletarian fear of and unflinching unionist opposition to state action in economic relations, was accepted, in the Wisconsin theory, as labor's second nature. Unionists of a vintage beyond 1933 know little of the old shining armor that used to be on view at 901 Massachusetts Ave., N.W., Washington D. C., except that on special occasions it is brought up from the basement and polished up a bit—such an occasion as was recently noted with especial solemnity. The mailing address is still the same, but the glorious symbol is now nothing more than an industrial museum relic.

4. *No Government in Business, Really.* Every so often labor leaders, labor-management experts, and professors of industrial relations, as a matter of good taste, piously declare that collective bargaining should be kept free of interference by Federal, state, or city agencies. That is as convincing and as real as that other bit of folklore about "such government being best which governs least." Just let the government try to check out of "meddling" in industry-labor relations, and Messrs. Green and Murray, yes, and even Mr. Lewis and Mr. George Harrison would make the Boston Tea Party look small and pale by comparison with what they would stage. Of course, each of the "parties at interest" want the government to do the "meddling" the right way, their way.

I suggest that the notion that workers are distrustful of the state be closely re-examined. They do not, as workers, distrust the state; they may trust or distrust those in charge of the state—and that is why they prefer that authority be vested in themselves, or in those whom they approve for office. American labor is and always has been power-minded.

That's about where we are now, regardless of what place Korea, China, and Russia may occupy in the total picture. So it is perhaps not surprising that the Commons-Perlman theory has failed to provide the student of current social history with an effective tool for the shaping of a view and for achieving an understanding of the realities of the American labor movement in these epoch-making decades. The obvious facts of the period outran the clear postulates of the theory.

I do not say this with any sense of comfort. I am keenly cognizant and fully appreciative of Mr. Perlman's scholarly attainments, and of his outstanding contribution, together with the late Professor John R. Commons, to the ordering and cohering of the scattered and confused records of American unionism. It seems to me, however, that Mr. Perlman the theorist lacked the convincing force and the clinching adequacy which Mr. Perlman the historian was able to bring to his work.

By identifying the psychological aspects of job-consciousness in labor behavior, Mr. Perlman contributed significantly toward a realistic reading of the history of the two-pronged struggle labor had been waging throughout the century and a half of its slow yet ever on-moving rise to recognized standing in the national power-structure: the war against poverty, and the battles for status. Moreover, the identification of the factor of job-consciousness in the workers' outlook deflated the then current terminology of class consciousness. The latter, in terms of American experience throughout the period, was altogether unreal: there could be no genuine class consciousness where men did not stay put in permanent, stratified classes, or at least were not convinced that they would for long; certainly they were sure their children would not be proletarians forever. With this position on the issue of class consciousness no disagreement would be tenable. That, however, would in no way justify the assumption that American workers, and their organizations, lacked in considerable social awareness, and that they would not on occasion "reach for the stars"—a statutory crime in the Wis-

consin code of exemplary labor conduct. Long ago the American people decided that they could lick the distance that separated them from the stars. They simply weren't scared of big aims. No effective and revealing reading of American history whether in the field of labor, capitalism, technology, democracy, culture, or anything else, is possible without proper cognizance of and consideration for the drive and the dynamism of the American people.

Another characteristic of this American people's dynamism is an appreciation of leadership. Throughout the nation's history and to this day, leadership has, when needed, been cast up; and in due time, for cause, thrown out. Professor Perlman rightly observes that "leaders do not make history at will," but, more often than not, it depends upon leadership whether timely and proper use is made of the material of which history could be made. Whether readily agreed to or not, it cannot be denied that in 1935-36 Messrs. Lewis, Howard, Hillman, Dubinsky, and Murray caused a basic change in direction of American labor history; indeed, saved that movement from sinking into aggressive senility. These men, and hundreds of their aides, and millions who had waited for some such urge, shock, push, or pull, responded—in the teeth of such theories as "no politics," no "mixing with the middle class," no engagement in "visionary goals."

My misgivings about the Wisconsin theory derive from its sustained effort in lecturing to death the pre-A. F. of L. half-century of militant labor unionism because it had been characterized by a consciousness of almost every problem on the American scene; in fact, the theory condemned workers' organizations for putting their hearts into that other mischievous dream: life, liberty, and the pursuit of happiness. It would seem but reasonable to assume that those who reject the factual validity of working-class-consciousness in the exceptional circumstances of American history, economy, and popular characteristics, would not urge upon labor unionism permanent tenancy in a circumscribed socio-political doghouse, in an economic "isolation ward." I wonder whether some summer night Mr. Perlman's sleep may not have been disturbed by the apparition of some laborite Patrick Henry—named Powderly, or Gompers, or Lewis, or Murray—demanding:

Is American economic life so limited, is the struggle of labor so hopeless, as to confine the union's outlook and motivation to no more and no better than a fair distribution of scarce jobs, and a life of self-containment in economic misery? As for me, give unionism the

sway of full-fledged American capacity for living, or write my movement off as dead!

I doubt whether the labor failures of the pre-A. F. of L. period prove any theoretic generalizations, except that in the course of human events some efforts are successful, others are not. If complete success be made the criterion of judgment, the verdict upon the subsequent A. F. of L. period up to 1932 should be negative: by 1932 the American labor movement was more dead than alive. Of course, attentive reading of all phases of the history of labor movement progress justifies the assertion that the earlier relative failures of the pre-A. F. of L. movements laid the groundwork for the subsequent progress of the A. F. of L. even as the failures and faults of the A. F. of L. itself went into the making of the success of unionism in the late thirties by the CIO, with the A. F. of L. joining and sharing in the end-result.

I suggest that the Wisconsin labor philosophy is, in effect, the synthesis of the experience of the A. F. of L. in the years between 1886 and 1932, largely as that experience was represented in the A. F. of L. center—and that was by no means all that there was to the American union movement of the period, or even within the A. F. of L. as a whole. There were leaders in the associated unions, and outside the Federation, with great talent, carrying on wise policies, and waging significant industrial and political contests. Yet, not they, but the fountainhead of the organization is the basis of the Wisconsin theory. The wisdom of that theory is the wisdom of the Gompers' type of generalship, that won out in the intensive, widespread contests for hegemony, and having consolidated its hold, held on to offices and power forever after—within the limitations that no mortal can evade. This leadership in all too many instances was not remarkable for great initiative or daring, nor even for a capacity for sustained union building.

How well did that leadership and its practices merit the distinction of being made the standard of excellence and the foundation of a theory? In the last paragraph of the Chapter: *Conclusions*, of the fourth and final volume of the *Labor History*, the authors, Professors Selig Perlman and Philip Taft, sum up: "If historians are empowered to render verdicts on those who are making history, the verdict is that the general plan of labor's campaign through the forty years (Volume IV deals with the years 1896-1932) shows an appreciation of realities, but that several critical defeats came from lack of mutual co-ordination of labor's fighting armies."

But a command that makes "critical defeats" possible because of failure to achieve "mutual co-ordination of [its] fighting armies" is hardly classifiable as "those who are making history." Co-ordination of fighting armies is not something that labor can dispense with. The "command" did worse than fail to co-ordinate "labor's fighting armies." It was badly deficient in "appreciating realities." It either did not know how, or it did not care enough, to link labor's forces with the vital dynamism of American life. The consequences were disastrous to the movement, as well as to the nation. The most charitable view that can be taken is that labor's inability to contribute active thinking and thoughtful action toward the solution of the crisis was a failure no greater than that of the nation's industrial captaincy.

There came a change in the mid-thirties, but it cannot be said that it came "according to plan." There was little planning, if any. The turn of the very course of national history saved the nation from the depths into which the captains of industry and a government that would follow rather than lead had plunged it. And, in consequence of the historic national shift the labor movement recovered, and has since been advancing. The leaders? "The gods led the wise ones and pushed the stubborn ones."

It is a decade-and-a-half since labor leadership, that part of it that was willing to move ahead when the road was sighted, began to fill its logical role. These leaders have been building union power, on economic, political, and social fronts, and endeavoring to reach the place labor merits as a most vital functional unit in the dynamic equilibrium of forces which is American organized society. The union leaders left behind the theory that had rationalized the movement's earlier behavior—licking its wounds. They cannot be expected to regret it. Must we continue "sitting by the waters of Babylon and weeping?"

I submit, in sum, that a realistic understanding of the labor movement can be achieved only if, first, we free ourselves of certain predispositions regarding American labor, and second, we take cognizance of the interplay of forces in American society. Ours is a power-conscious world. Groups contend for power. Within each group individuals, singly or in coalitions, contend for mastery. Social power energy, like other forms of energy, centers upon peaks, and individual leaders appear as the carriers of condensated social-power energy. But though cloaked in personalities, and emphasizing special

aims, the "core-substance" of unionism is an ever evolving contest for a satisfying share in carrying on the business of living within the reach or the outlook of the nation and the time.

Recognizing the vital place of "job consciousness" in union thinking, and the pressures of "scarcity of job opportunity," cognizance is to be taken of the fact that the thinking of union leaders, in the running of organizations and the shaping of long range policies, is primarily concerned with the building of power in industry. That power is sought in various ways: via control of manpower, and of industrial competence; through the exercise of political influence; and by the creation of a favorable public opinion.

Leadership is a major force in union building. Workers have always wanted and have readily followed strong leadership, and have more often than not been inclined to disregard generally undesirable concentration of power in their leaders if there seemed to be an adequate return. The role of leadership in American labor is paramount.

These traits of labor behavior in the United States have their roots in the undramatic yet irrefutable fact that the American workers are the American people and live in the American environment. To the extent that the earlier history of the American union and labor movements at times abounds in diversities rather than similarities of conduct, it is profitable to bear in mind that the trend toward an essential oneness of labor behavior parallels the development of a cohered American people and nation out of scattered and diffused communities; 1950 is the sequence, not the overturn, of 1850—in labor as well as in the nation.

These are propositions, I submit, which are cardinal materials for the construction of a labor movement theory.

JOB CONSCIOUS UNIONISM AS A FORM OF ECONOMIC CITIZENSHIP

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PUBLISHED IN 1928—22 years ago—Selig Perlman's *Theory of the Labor Movement* has proved itself an outstanding achievement in social philosophy. It has so accurately revealed the economic, psychological, and social forces at work in the labor movement that the book gives just as accurate an appraisal of the driving forces of the American labor movement now as it did 22 years ago. This is all the more remarkable when considering that within that span of time, the world went through its worst depression, fought its most horrible World War, saw democracies topple and free trade-unions destroyed throughout Continental Europe.

In American labor the changes, while not as cataclysmic, were extensive and profound. The disillusionment of the depression brought about a loss of prestige of the older anti-union business psychology and loosened the hold which the financial and business community had on the minds of the public. The New Deal provided a political climate in which the seeds of unionism could be nurtured and spread. The shift in the trend of decisions forced by Franklin D. Roosevelt in the Supreme Court not only made it possible to get legislation protecting and promoting the collective bargaining process, but even made it possible to legislate on matters governing wages, hours, and social security. The growth of the labor movement from 3 million to 15 million is in itself a very important change, and the revolt, secession, and civil war within the labor movement which culminated in the establishment of the C.I.O. is a departure of prime consideration. Yet Professor Perlman has conducted so acute a searching into the very soul of the labor movement that he has been able to reveal what is central and abiding, and, what is also important, pay scant attention to the transitory and fashionable no matter how popular at the time. As a result his book, born before there was a C.I.O., just as accurately describes the motivating forces determining policies of the newer C.I.O. unions as it does of those unions he studied.

Since a "Theory of the Labor Movement," so to speak, holds the mirror up to nature, I view it not only as a great achievement in

scholarship but also as a tribute to the American labor movement; and since this year is the centennial of the birth of the founder of the A. F. of L., I shall also hail it as a literary tribute to Samuel Gompers and the small group of working class pioneers that laid down the principles of survival of a labor movement operating in the American environment which Selig Perlman so skillfully portrays.

If changes have occurred in the orientation of the American labor movement, certainly these should be evident in the unions that are most recently organized or split away from the A. F. of L. Yet, when we study the aims, actions and accomplishments of the C. I. O. unions they vary not at all in purpose or in results from their counterparts in the A. F. of L. They concentrate on collective bargaining just as assiduously, and negotiate labor agreements covering terms of employment like wages, seniority, working conditions, union shop and benefits just like A. F. of L. unions. Furthermore, they have learned the importance of living up to their contracts and are becoming more and more aware of jurisdictional problems and the need to set up machinery to adjudicate jurisdictional disputes. In short, they are practicing job conscious unionism with as much zeal as the older A. F. of L. unions. They have found, as have the A. F. of L. unions, that such practice brings the highest returns to the membership and, as Selig Perlman says, best fits the American environment.

If other illustrations are necessary to disclose the inner likeness of the unions in the two labor camps, the now completed program of the C. I. O. to expel the Communist-dominated unions offers a forceful one. All the more so when it is realized that the successful Communist-dominated unions, despite the political and economic philosophy and party affiliation of their top leadership, in practice, followed most militantly a job conscious unionism no different than those of the C. I. O. union leaders which voted to expel them. In truth, these leaders were shrewd enough to realize that only through following a militant job conscious union program could they maintain their leadership. Those that still follow these leaders despite their union's expulsion from the C. I. O. do so not because they share the leadership's political or economic philosophy but rather because of the solid trade union progress made while those leaders were in office, a progress measured in higher wages, improved working conditions, and job protection.

Those who look upon government ownership of industry as the main objective of a labor movement will continue to find the American

scene most discouraging and will be actuated to consider the A. F. of L. and now also the C. I. O. hopelessly backward. Interest on the part of American Labor in government ownership of industry has waned with the years, and the end of the 2nd World War failed to produce any counterpart to the Railroad Unions' drive for the Plumb Plan to nationalize the railroads of the United States, a program for which they succeeded in getting the endorsement of whole A. F. of L. in 1920. Aside from endorsing such projects as T. V. A. (which does not entail nationalization of existing enterprises but involves government initiative in the development of water resources, soil conservation, and flood control which no private enterprise would find profitable to undertake) no labor union, A. F. of L. or C. I. O., has in recent years seriously advocated the nationalization of any industry and no major labor leader, not excluding those of socialistic background and sympathies, would now seriously consider advocating that the industry in which the membership of his union find their jobs should be brought under government ownership.

Perlman's analyses of a quarter of a century ago of Labor's attitude toward political action and a labor party still holds true in all its essentials. Neither the A. F. of L.'s League for Political Education nor the C. I. O.'s P. A. C. advocates the organization of a labor party, but instead they concentrate on the Gompers' principle of supporting friends and defeating enemies in both old parties and in acting as a pressure lobby. Though both A. F. of L., and C. I. O. have immeasurably increased their electioneering and their lobbying for legislation, these activities are aimed not at achieving political power as such, that is control over the state, but to make easier their own purpose of enhancing and enlarging the unions' economic and job control programs.

On the last page of his great book, Professor Perlman points out some of the tasks the intellectual can perform for the labor movement. I quote:

First how to bring out from its somber shell the kernel of philosophy native to labor. Secondly, how to endow that philosophy with an attractiveness which only specialists in thinking in general concepts and in inventing 'blessed' words for these concepts are capable of. And thirdly he must learn how to bring this home grown philosophy of labor into close correlation with public purpose.

In line with Professor Perlman's advice, I should like to see his disciples undertake the task of elaborating on one facet of such a home grown philosophy of a job conscious unionism, a facet which

my experience has taught me has great significance and also great appeal. When one looks beyond the particulars of labor negotiations or a drive for labor sponsored economic legislation, one finds labor constantly striving to establish a system of workers' rights, that is to say, human rights connected with the job or related to protecting him against economic hazards to which a worker is exposed. The process of obtaining these rights has sometimes been called Industrial Democracy. A doctrine describing the growth of these human rights and the process by which they are established could start with the development of a concept of economic citizenship which parallels the workers' political citizenship.

The democratic ideals of the sanctity of the individual life, the dignity and worth of humanity, and the regard for the freedoms which political democracies value so highly seem a mockery to the rank and file worker when all these can so easily be violated on the job, where he may be subjected to humiliation and forced to adopt a servile attitude to satisfy superiors who may hold his economic destiny in their hands; and these ideals may also be nullified by threats to the workers' security as a result of economic circumstances over which as an individual he has no control. Thus, job democracy or economic citizenship is just as important to the worker as political citizenship, and even more comprehensible.

The American trade-unionist knows that political democracy and job democracy must function interdependently and that job democracy depends on the survival of political democracy. It is in this conviction, deep bred into American labor, that democratic institutions in America will find a staunch defense. Just as participation in political government depends upon the right to vote, participation in job governments rests upon the right to organize and bargain collectively. Each of these basic rights was won by workers only after years of struggle and sacrifice. Through the use of these fundamental rights, the right to vote, political citizenship, the right to organize and bargain collectively, economic citizenship, workers have been able to establish a whole series of individual human rights. These rights proceed in two streams—collective bargaining and legislation.

Before seniority provisions were written into labor contracts, a worker's tenure in his job was subject to the arbitrary discretion of the employer to lay him off, fire him without cause, demote him, transfer him to more disagreeable work, and subject him willy nilly to any number of hazards and indignities inherent in a master-servant

relationship. With the establishment of seniority provisions, limits are placed on the employer's authority, and employees gain the right to job tenure as something they have earned by years of service on the job. The right to a definite wage rate which could not be changed at the discretion of the employer did not exist for the ordinary worker before these provisions were established by their unions. Limitations on hours of work, starting time, quitting time, limitation on split shifts, provision of certain tools, work clothes, certain safety and sanitary devices, protection against the elements, and numerous other provisions negotiated by unions through collective bargaining, and written into contracts, can be analyzed from the viewpoint of the creation of workers' rights which formerly did not exist.

The unions are constantly engaged in protecting these rights and creating new ones. Paid holidays, paid vacations, paid sick leave, group insurance, hospitalization benefits, and pension plans, all of which in the twenties were lures by which a welfare capitalism hoped to defeat the unions, are now part of the common demands of unions in collective bargaining negotiations, and are written into labor contracts. As a result, workers now receive these benefits, not as a gratuity from a benevolent employer, which could be bestowed or denied at the employer's discretion, but as a right to which he is entitled, because he has earned it by his labor in the same way in which he earns his wages.

Labor unions are also engaged in securing Social Security legislation which creates rights to protection for the worker against the common economic hazards. Many of these hazards are beyond the ability of any single employer-wide, industry-wide, or even union-wide group to cope with successfully and produces best results when approached on the state or nation-wide basis. Before such legislation was adopted, relief from the distress of these economic hazards was a matter of personal responsibility and private or public charity. No rights to benefits existed and no collective responsibility outside of poor laws with their humiliating means tests were recognized. Many private organizations, including workers' benefit societies were created to meet such needs.

Before labor organizations acted as bargaining agents of workers, they acted as benefit societies aiding their members in time of distress. They helped to provide relief when the worker's income was cut off through accident, sickness, unemployment, or death. Many of these functions are still carried on by labor unions. Em-

ployers, too, some out of feelings of philanthropy, others out of desires to supplant the unions and alienate the loyalty of their workers from labor organizations, set up their own relief systems. The former was a system of self help, the latter a system of paternalism. Neither was based on recognition of any industrial or social obligation. Neither changed the concept of individual responsibility, and neither developed any industrial or social right.

The first effort to transform the concepts of individual responsibility and voluntary relief into a system of industrial rights was the development of Employers' Liability Laws and Workmen's Compensation systems. Before the development of these laws the cost of industrial accidents was largely borne by the victim. The common law defences of fellow servant, assumption of risk, and contributory negligence easily enabled employers to escape responsibility for industrial accidents, and thus shift the full burden of these industrial hazards to his employees. The enactment of these laws did three outstanding things. They established a social liability for industrial accidents, they enabled the worker to present his claims as a right to which he was legally entitled, and they made the expense of Workmen's Compensation a legitimate charge against production which spread the money cost of industrial accidents among all purchasers of the product.

The alleviation of distress caused by unemployment was the next field that was transformed from a system of individual responsibility and relief into a system of social obligation and human rights through the adoption of Unemployment Compensation Acts. Through these laws part of the loss of income due to involuntary idleness is shifted from the individual, is recognized as an industrial liability the expense of which is spread among industry generally, becomes a production cost, and is passed on to all purchasers of industry's products.

What Workmen's Compensation Acts did for the victims of industrial accidents, and Unemployment Compensation Acts did for the unemployed, the Old Age Benefit provisions of the Social Security Act is doing for the aged worker who must retire from employment. Under these provisions he is entitled to an annuity as a legal right, and is not marked as the recipient of public or private charity.

Piece by piece we are developing a system of welfare based on concepts of social obligation, industrial liability, and human rights which preserve the dignity of the individual, and we are abandoning

the concept of individual responsibility for industrial and social hazards.

These rights, whether provided by collective bargaining or social security legislation, are all job connected rights. They are developed through placing limitations on the arbitrary power of economic superiors and through providing a collective responsibility for social and economic hazards which were formerly considered the sole responsibility of the individual. Through establishing that benefits are provided as part of the return for services rendered, that is, earned through the performance of work just as wages are earned, they immeasurably increase the personality stature and the feeling of dignity of the individual worker.

The identification of American unions with a developing economic citizenship has the virtue of being completely within the sights of a job conscious unionism since it is wholly within the comprehension and does not reach beyond the aspirations of Tom, Dick, and Harry, and yet provides goals lofty enough to satisfy the altruistic craving of the most self-sacrificing intellectuals. Moreover, it is perfectly in tune with American public policy and with the humanistic and anti-authoritarian trends of thought of the liberals in the western democracies. Such a philosophy could not justifiably arouse antipathy among the middle classes, because it is their own political ideals extended to the economic sphere of the job.

CONCLUDING REMARKS

SELIG PERLMAN

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AT THIS TIME when the conflict of institutional orders seems so imminent, we who studied under Professor John R. Commons, and who have tried to carry on the Wisconsin tradition, find the question of the mores of the collective institution of organized labor gaining a new importance. From the time of his early work in the field of labor history, Professor Commons emphasized the point that American labor, although it constantly sought social reform, was successful only when it limited its efforts to those changes which did not turn loose veritable hornets' nests of socio-political opposition. We at Wisconsin in our historical studies have learned that it was the shrewd pragmatism of men like Samuel Gompers who really shaped the development of key American collective institutions.

A decade ago it was frequently argued that the impact of the Roosevelt administrations had permanently modified the basic American social structure, and that the Gompersian approach had become outdated. There can be no doubt that the essential stubbornness of certain men in high places in 1935 had not benefited the American Labor Movement, but it is impossible to say whether their attitude then represented a major link in the Gompers tradition.

In any case, Mr. Kaplan this afternoon has succinctly pointed out that the recent years have shown that the CIO isn't really the revolutionary development which it was initially thought to be. And now the CIO is busy with an ideological housecleaning not dissimilar to the one effected by Samuel Gompers over fifty years ago. I do not think that the basic American social structure has changed as much as Mr. Hardman believes it has.

Nonetheless, the New Deal did effect a veritable revolution in the role of American government. Roosevelt's attack on the United States Supreme Court, followed as it was by a counter-reformation in the Court's decisions in 1937, brought together the *disjecta membra* of American government and fashioned them into a powerful instrument. Congress could then abolish regional differentials at the lowest wage level, as well as bestow other boons on the weaker groups.

For the bulk of the labor movement this spelled a new political climate, which even raised in some optimistic minds the hope that at long last American labor was coming round to conform to the

West-European model, with its political class organization. Such glowing expectations might have been checked by a knowledge of American labor history. For decades before the New Deal, unions, such as the railway unions, under conditions where government was a decisive factor in their job control activities, even if their reputation ranked them with the most conservative among their kind, have resorted to political pressures, most frequently to arrest adverse interference, without fear of departure from safe labor orthodoxy. Living under one government instead of under forty-nine, and thus finding favorable legislation more attainable, they had in essence become "politicalized" even before World War I—*not because of their defection from job consciousness, but because of their very fealty to it*. This went hand in hand with the conviction that the indirect method, amounting to collective bargaining with a major party, was the only road rather than setting up a political "shop" in competition with the old parties. The support of the independent candidacy of La Follette in 1924—indeed, not alone by the railway unions but, under Gompers' pressure, also by the A. F. of L.—was a move of despair and not labor's first choice. So, it seems, it will continue indefinitely.

With Americans' ingrained aversion to "class" parties and with the labor pattern of action still alien to the majority, especially the over-represented non-metropolitan groups, America can have a government actively favorable to the labor movement only under an exceptionally able leadership. That leadership must itself be free of any "class" label, above all of the "labor" label; it must know how to convince the underprivileged of its deep concern over their woes; and it must be skillful enough, on the one hand, to resolve the mutual antagonisms, material and sentimental, among labor and the middle classes, and on the other hand, to influence its own party managers to permit the nomination of trust-inspiring candidates—perhaps the most difficult assignment of all. And any boastful claims by labor leaders about their importance in the councils of the party or the Administration are almost certain to jeopardize their political partner's success.

On the still more cheerless side for labor is the fact that what political action has given *to* labor under a government free since 1937 of its former constitutional limitations, political action has already begun to take back *from* labor. It is, therefore, not improbable that after the latest (1950) frustrating experience with

lobbying and election campaigns, some, if not a majority, of the labor leaders, now that the gates of big industry have been opened to them, may come to hanker for the simpler days of "economism." Yet the very new powers vested in government render it unlikely that its indicator should ever again be permitted to rest on "neutral." Opponents of the Fair Deal may find these powers just as useful as had their recently defeated foes and thus compel labor to stay on for a political defensive.

Broadly speaking, then, the American labor movement has so far shown little indication of breaking away from the Gompersian moorings, if these are taken in the sense of the basic social order it favors and of the *method* it employs in its political action. Yet Gompers has been the *bête noire*, not only of intellectuals, but of practical experimenters of his own type, such as Sidney Hillman. With the pride of a member of a more recent ethnic group than the "older" Americans on the A. F. of L.'s Executive Council, upon whom Gompers' mantle had fallen, Hillman forever delighted in displaying his superior mastery in shaping new American institutions. Hillman was the anti-Gompers *par excellence*, in his own mind and in the eyes of the public; notably in his molding his own union as a union with a wider awareness than the regular A. F. of L. unions, and "industry consciousness"—in effect, forcing the employers towards a superior managerialism under the union's gracious "patronage." As labor's pioneers, however, Gompers and Hillman really did not stand much apart: both excelled in grasping the minds of labor and management and the social topography of America as well. Today, many believe that Walter P. Reuther, of the United Automobile Workers, is in that illustrious line of American labor's great experimenters. He is identified with a new broadening out of labor's horizon to include the consumer interest, having expressly spelled this out during the long General Motors strike. This latter note must have held for those who have had an upbringing like his own, a "muted" socialist appeal, while sounding perhaps as mere keen "public relations" to those not of the "faith."

For the present, the experimenter role in that great industry seems to have fallen less to Reuther than to the General Motors management, bent on bringing back the Welfare Capitalism of the twenties,¹ with the sophisticated change of a national union in the

¹ S. Perlman, *A Theory of the Labor Movement* (New York: Macmillan, 1928; Kelley, 1949) pp. 207-209.

place of a company union. In the meantime, something suspiciously akin to the old-fashioned job consciousness has revealed itself in the hot protest of the U. A. W. against the Federal Reserve Board's move to combat inflation by tightening the credit terms in the sales of automobiles.²

In the grasp of the Wisconsin School, the American labor program, indicative of its basic philosophy, has shown remarkable steadfastness through times of rapid external change. The objective, as said above, is unaltered from Gompers' day; the methods, even outside the immediate vicinity of the job, show no more change than could be accounted for by the changing environment. This steadiness of labor's self-integration into the evolving American society is of significance, not only to the labor movement itself and to its theorists, but, even more importantly, for its defense of democracy against totalitarianism. Labor in this country utterly rejects any idea of "class hegemony," and proceeds with a grass roots program instead of an intellectually designed blueprint such as Lenin's *What Is to be Done*, or a British Fabian plan to nationalize industry. This American preference for "measures to fit the need" rather than "development by an international time-table" has made American labor a bulwark for the preservation of that principle of "unity in diversity," upon which Western civilization rests.

² *The New York Times*, October 22, 1950.

DISCUSSION

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While listening to these papers I recalled Eugene Field's poem about the gingham dog and the calico cat. Properly paired, the different papers could be taken either as argument or as rebuttal. Little is left for a final discussant who can hardly be expected to hunt for any remaining pieces in the allotted time.

Running through the papers two areas of controversy are apparent. The first is one of interpretation of Professor Perlman's thesis. The opponents insist on viewing "job consciousness" in its 1928 setting and as being oriented exclusively on the work shop. In contrast the proponents, including Professor Perlman, picture job consciousness as fitting into a widening role of participation in response to a changing institutional environment.

Second, there is a wide divergency of outlook. Those most closely identified with unions appear to view the job control program as rather petty and too narrow for an expanded labor movement anxious to flex its muscles. The Wisconsin group, on the contrary, believes that the job control concept represents a philosophy which is an "ism" in its own right, capable of providing an underlying, consistent social theory on which an effective and stable labor program can be constructed which will have significant social implications.

Mr. Hardman has deftly disarmed the academic man by characterizing the Commons-Perlman theory as an article of faith in the academic dogma. This reduces any criticism of his views to an exercise of apologetics. Nevertheless a few comments may be risked.

I quite agree that the so-called Commons-Perlman theory is not all of one piece. The two analyses are more complementary than identical. What Commons was seeking, particularly in his "American Shoemaker" was a hypothesis on which to build his labor history. For this purpose he was interested in explaining changes in programs and structures. He found this in the economic sphere in the forms of widening markets and alternating periods of prosperity and depression. A subsidiary role was allotted to changing technology. Changes in these forces, particularly the widening of the market, introduced competitive menaces in the form of threats to customary standards and led to protective organizations.

It was from the study of these organizations with programs and structures designed to deal with immediate and concrete problems that Professor Perlman generalized his "Tom, Dick, and Harry" concept in opposition to a concept of labor being an abstract mass drawn to some predetermined goal by an external abstract force. Except for his article on jurisdictional disputes, I recall little in Commons explicitly developing the job conscious, job control concept which is so near the center of Professor Perlman's interpretation.

Commons developed his market theory in an historical setting and as a result it is often thought of only in terms of historical study. This narrow view is fortified by the expression of the market influence in the form of a geographical widening. Actually it has a broader significance which offers a fruitful analytical framework for study of the contemporary scene and particularly for industrial relations. Unions, perhaps even organizations with economic objectives in general, function in a product market matrix which limits their freedom of action and thus prescribes what they can accomplish and sets the direction of action as well as its form.

To me the most significant work being done currently by economists in the labor field has been the analysis of union activity or collective bargaining as a part of this product market complex. Perhaps this approach may prove an effective therapy for the inferiority complex some labor economists acquire when brought into direct contact with the work in labor being done by students from other disciplines.

To return to the Commons-Perlman theory, there is undoubtedly a relationship between Commons' "competitive menace" and Professor Perlman's job control. The response to the menace was a recognition of the need for a control of jobs. This leads to the suggestion that Commons was seeking to explain the varied forms of program and structure while Professor Perlman has sought to find their permanent common characteristics. The problems to which they addressed their efforts were different.

There are elements in Mr. Hardman's summary of the Perlman theory with which I am not in entire agreement. Chiefly the trouble lies in treating the several strands as being of equal and independent significance. The basic proposition is the idea of consciousness of scarcity of economic opportunity. From this is developed the rules which, first, establish a collective control of the limited economic opportunity, second, the rules of occupancy and tenure, and, third,

the rules to preserve or expand that opportunity. The remainder of the strands constitute adaptations to the economic, political, and social environment.

The non-political, or perhaps better the negatively political, nature of the pre-New Deal unionism was an acceptance of a governmental organization which had limited powers ill adapted to union objectives plus an unwillingness to use even those powers possessed in the interest of union objectives. This is shown by Professor Perlman's article in the *New Leader* in 1942 which bore the interesting heading, "Growing Role of Government as Creator of Jobs, Need for Political Strength, Dooms 'Pure and Simple' Unionism."

Correspondingly the line between employer "prerogatives" and union policy, if it is a line, is of an adaptive nature subject to variation as job interests clash with employer "rights." Again as the role of government as regulator and as provider of security changes, the program of the unions takes on a different character. This is well pointed out by Mr. Kaplan's paper.

Mr. Hardman suggests that ten years of prosperity and inflation have weakened labor concern with job scarcity. Similarly the Webbs in 1897 suggested that the doctrine of vested interests, which was their version of job control, was being abandoned. With its surrender, they held that the union restrictive practices which they deplored were also being discarded. I shall feel more sure that the concept of job scarcity is of diminishing importance when there are no more jurisdictional disputes, no manning rules, no limitations on a day's work, no seniority, or none of the other job preserving and work making rules.

It is still true that unions are structured along job jurisdiction lines of one kind or another. The union officers holding the reigns of power are directing these job jurisdictions. Certainly there exists some relation between structure and function. Until union structures are changed or new ones evolved with controls coordinate with those wielded by those operating in the job jurisdictions, it would seem that a job control type of program is likely to predominate. This does not mean, however, limitation to the work shop.

In conclusion, like Mr. Kaplan, I too want to see the Commons-Perlman theories tested in various situations. One of our great difficulties in trying to frame research projects is that we start with no theory, end with no theory, and hence find ourselves only with an accumulation of data which we do not know how to use.

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The historical section of Professor Perlman's *Theory of the Labor Movement*—fully two-thirds of the book—is devoted to analysis of the Russian, German, British, and American labor movements, with some rich commentary on others; the remainder of the volume is devoted to the statement of his theory, based upon this comparative study. As one who has been engaged exclusively in the sphere of international labor during the last five years, I am convinced that Professor Perlman's *Theory* is an indispensable handbook on international labor. It is not only valid and pertinent for our day, as I shall point out shortly, but it provides, beyond comparison with any other work in the field, the most illuminating and enduring insights into the factors that shape and determine the character of labor movements.

Twenty-two years ago, Professor Perlman isolated three dominant factors which were then exerting a decisive influence on the nature of labor movements. The first concerned the capacity of capitalism "to survive as a ruling group and to withstand revolutionary attack." He defined capitalism, not in terms of the Marxian calculus of "exploitor" versus "exploited," but rather as, "a social organization presided over by a class with an 'effective will to power,' and a capacity to defend its power "through having convinced the other classes that they alone, the capitalists, know how to operate the complex economic apparatus of a modern society upon which the material welfare of all depends."

The second factor identified by Professor Perlman was the role of the "intellectual" both in the labor movements and in society at large. He defined the intellectual as the "educated non-manualist who has established a contact with the labor movement either indirectly, through influence acquired over trade union bodies, or else as a leader of labor in his own right, as Lasalle was in Germany and as the leading Communists are in Russia today." These intellectuals, he classified as "ethical," "efficiency," and "determinist-revolutionary."

The third, and the "most vital factor in the labor situation (was) the trade-union movement itself." The trade-union movement was the genuine working-class movement, in which, in the words of Mr. Perlman, "given the opportunity to exist legally and to develop a leadership from its own ranks, the trade-union mentality will eventually come to dominate;" a mentality which Mr. Perlman described

as being oriented distinctively in "job-control," and motivating a particular kind of struggle both against the capitalist employer as well as against the doctrinaire intellectual.

My observations in the international labor scene lead me to the conclusion that the three factors outlined by Mr. Perlman are still very much the decisive influences in the character-formation of labor movements everywhere. Although the three factors have undergone some change—the nature of which I will indicate briefly below—since the Perlman *Theory* was published, I suggest that no understanding of international labor is possible today without an assessment of capitalism's fighting power, the role of the doctrinaire intellectual, and the outlook of the trade-union movements. And even where special factors peculiar to individual countries have emerged, Mr. Perlman's historical analysis supplies a fruitful approach by example, because of its empirical sensitivity to such endemic influences as agrarian movements, the nature of land opportunity, the degree of democratic institutional developments—political and otherwise—the extent of market development, and a host of others. I would agree with Mr. Hardman that, "the union movement is the composite result of the sum total of forces operating in our multi-dimensional social system, and the theory of that movement that does not consider that compelling, fundamental circumstance is wrong." But if Mr. Hardman's remark implies a shortcoming of the Perlman *Theory* on that account, I fail to see its validity.

A deep depression, a second world war, and the threat of a third world war have altered the nature of capitalism in the past two decades. The significant change has come from the greatly expanded use of the state as an instrument in the national and international life of most communities. The pertinent question raised by this development is: Has it altered the ideology of trade-unionism as described in the Perlman *Theory*? The British experience may suggest an answer to this question, in addition to the American experience on which other papers have commented.

The basic character of the British labor movement is to me illuminated by the following facts: The British labor government has not outlawed the right to strike; it has not outlawed collective bargaining; it has not, despite nationalization of several industries, made industry subject to direct worker control; it has retreated even from its mild program of labor direction; it has become cautious through the lack of labor enthusiasm about further nationalization of industry; it has

submitted to the recent TUC decision to abandon its policy of "wage restraint." The British labor government has, furthermore, shown no disposition to absorb the trade-union movement and convert it into a state apparatus; and in the nationalized industries it has not erected the obstacle of "sovereignty" to prevent genuine collective bargaining. Now all of these facts are to me a clear indication that the labor government recognizes the trade-union mentality of its workers, and that "socialism" is not the automatic result of labor's accession to political leadership. The British labor government is now experimenting with the device of selective nationalization in a community dominated by scarcity. How it solves the problem remains to be seen. But despite its extensive use of the state to modify capitalism, it finds that it must accept as a reality, the trade-union mentality of its workers, with its concern for concrete liberty and concrete welfare on the job.

One area of conflict in Britain deserves mention: the conflict between the trade-union sector and the doctrinaire sector of the labor party. In the good Fabian tradition, and with some flavor of Marxism, the intellectual is articulating some impatience with trade-union "restrictionism." I do not think this conflict will necessarily be resolved in favor of the blueprinters. For example, Britain's recently launched productivity drive has disclosed that the British trade-unions will be interested in increased productivity only in a context of collective bargaining that permits protection of the worker in standard setting and concrete gains in wages. In this respect the British trade-unions are reaffirming what American labor learned earlier under "efficiency capitalism." In fact, one British labor party figure of left-wing persuasion recently suggested, after analyzing the findings of a British trade-union team studying productivity practices of American labor under ECA auspices, that U. S. labor was 50 years ahead of British labor in its methods of treating the issue of productivity.

In concluding this brief comment on trade-unionism and the state, I would like to make some reference to the status of trade-unionism in the so-called "under-developed countries," where the liberal-political revolutions against feudalism never really took root, and where an interesting type of "authoritarian" state appears to have emerged. It is an "authoritarian" state with a "humanitarian" facade erected in the form of a state-dominated labor movement that advertises "broad" and "social" objectives. This, along with the communist

phenomenon, compels me to make the following observation: In our "readings" of the labor movements around the world, there emerges a distinct correlation between "authoritarian" governments and so-called labor movements that advertise the "broad" and "social" objectives. The so-called "narrower" or "job-oriented" movements seem to correlate firmly with the free and the experimental community.

As for the role of the intellectual in labor movements, I wish time permitted a full account of what Professor Perlman has identified as the divergence of the trade-union from the intellectual mentality, as in India, for example, where the "socialist" intelligentsia have been striving to awaken the working people, and where, despite this leadership, there is already a distinctly manifested trade-union mentality of the Perlman description among the working people. I will confine my comments, however, to the present communist intellectual, and then only to emphasize the trade-union response to his activity over the world.

Communism is today fully "militarized." It has always been a "politics of warfare." But its militarization is consummated by an unprecedented command over sovereign national power. This full militarization of communism has not meant a surrender of the strategy of ideological conquest; rather, it seems to have greatly intensified its zeal to penetrate labor throughout the world. It has been in response to the world-wide effort of communism to capture labor, that the free trade-union movements of the world, including the American labor movement in its entirety, have exposed their own deep-lying purposes, and have done so in a way that constitutes a significant validation of the Perlman *Theory*.

In December of 1949, 192 delegates from 43 countries, representing an estimated near-50 million workers, established in London the International Confederation of Free Trade Unions. Many of these labor movements had previously wrenched away from the WFTU, which has now become the present day version of the "Third International." But the significance of the ICFTU was not only conscious separation from communism; it was equally, that for its principle of international labor solidarity, the ICFTU adopted fundamentally the philosophy of trade-unionism. I say this because "socialist" objectives are not mentioned in either the Constitution or the Manifesto which states the aims and purposes of the new Federation. For those who have followed the history of international labor and its century-

long tie-up with socialism, it is truly noteworthy that a world-wide labor international movement, under the leadership of its mature labor organizations, feeling called upon to identify itself and to state its purpose in a world of ideological conflict, explicitly adopts the principle of free trade-unionism as the basic and unifying objective for workers all over the world. This, to use a Perlman phrase, is "labor organicism" on a world-wide scale.

For students of American labor the advent of the ICFTU is of singular significance. For its a matter of historical record that perhaps the most important moving spirit in the organization of the ICFTU, and in the adoption of its trade-union principle, was the American labor movement; the AFL *and* the CIO, as well as the bona fide independent segments. I would simply repeat my earlier quotation from Perlman's *Theory*: ". . . Given the opportunity to exist legally and to develop a leadership from its own ranks, the trade-union mentality will eventually come to dominate." And I would add, that this truth was clearly expressed by European trade-union movements with long-standing socialist traditions, as these movements accepted the international principle of free trade-unionism.

I want to conclude my remarks in the following vein: I have been meeting at regular intervals, during the past several years, with the Department of Labor's Trade Union Advisory Committee on International Affairs, composed of high officials from the AFL, CIO, and Railway Brotherhoods. To see these men address themselves to problems of international policy has been for me an emphatic verification that "job-conscious" trade-unionism is not a narrow, sectarian, and selfish phenomenon. It is, rather, as Professor Perlman has always suggested, the *nuclear* content of labor's interest (so well described by Mr. Kaplan today), a content, which I have found actually drives labor to expand, rather than narrow its horizons. The concern for liberty and dignity in practical terms on the job translates itself readily into a concern for liberty and dignity in other areas; and what is more, the nuclear concern of "job-conscious labor" supplies relevance and concrete meaning to the other issues, without which effective policies could not be formulated. And it is my own conviction that were a mature, "job-conscious" trade-unionism more widely prevalent, with its self-conscious and inseparable affinity to democratic institutions, the world today would be a far safer and a far more progressive place.

EVERETT KASSALOW

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As one of those fringe intellectuals of the labor movement, whom Dr. Perlman just about cast into limbo over twenty years ago, I have some doubt as to whether I should be on this program at all. Added to this is the fact that Mr. Kaiser has just seen fit to drive that stake even deeper into the coffin of us intellectuals who dare work with or in the labor movement. Of course, I don't know just where Mr. Kaiser himself fits so far as these categories are concerned, but I won't try to delve into that at this moment.

In the brief time allotted to me, I shall not try to cover the usual pleasantries. Let me note, however, that if I do not dwell upon the many insights on the day-to-day problems and character of trade-unionism which Dr. Perlman's work still affords us, please charge it off against the lack of time as well as my own conviction that more can be gained by highlighting the area where new concepts and new exploration are needed.

As one of those who originally proposed this program, I might add that I hoped it would unearth some new and fresh discussion on the theory or theories of the labor movement. I did not expect it to develop into a kind of ecclesiastical struggle between the proponents and opponents of a given dogma. Unfortunately, such seems to be what has been taking place here today.

In his work many years ago, Dr. Perlman successfully disposed of the idea that American trade-unionism could be identified with class conscious Marxism. It is about time that writers on this subject stop beating that dead horse. As between the white of traditional capitalism about which Dr. Perlman was writing and the black of Marxian socialism, there are many intermediate greys in the trade union picture. It is about time that students of the subject begin to distinguish these greys and bring them into sharper focus.

Getting down to the business at hand, in commenting on these papers as well as the theory itself, I should like first to consider the question of the adequacy of this theory as applied to the philosophy and actions of the labor movement today. In the second part of the paper, I shall raise some questions as to how well this theory actually explains some of the more significant trends in the contemporary union environment.

A good starting point in the discussion seems to be Mr. Hardman's concession that the job control philosophy which dominated the minds

of the American trade union leadership in the first three decades of this century was fairly well adapted to the sheltered unionism of that era. A modest and oft times sorely beleaguered movement of three million workers confined largely to protected industries and/or local markets was virtually driven to a defensive, narrowly scoped philosophy. By and large, too, these unions were able to bargain in private with little impact upon the general economy.¹

The mass unionism of today, born in great part out of the depression of the thirties, the NRA, and the Wagner Act, embracing vast new industries, obviously must and does look at society and government somewhat differently from its brother movement of 1928. In contrast to the relatively sheltered position of unions in the twenties, the very bargaining process of many of the so-called new unions has become a major shaping force in the total national economic environment. (I shall return to this new type of bargaining later in my discussion.)

Try to recall the essentially defensive and highly circumscribed picture of the movement and philosophy which Dr. Perlman described in the twenties. Compare this with the position of the trade-union movement today. It is 15 million strong and it extends into virtually every important industry. By dint of these numerical facts alone, it has been led into many areas of new responsibility and new positions. As the largest mass economic interest group, organized labor, for example, has become the power center of progressive social and economic reform in American society.

Study the record on public and cooperative housing, social security, health insurance, minimum wages, fair employment practices, to name but a handful of modern-day basic social issues, and you must conclude that organized labor has been the single most important economic voice and political support of these programs.

If anyone thinks those policies are a simple reincarnation or extension of the job control unionism of the twenties, I suggest he study organized labor's changed attitude toward social security as a case in point. I notice Mr. Kaplan takes this item neatly in stride and points out how logical it is for job conscious, job control unionism to fight for unemployment compensation benefits and the like. It may be perfectly logical but he fails to note that in the hey-day of

¹ The Railroad industry was a notable exception but here, too, we have a type of sheltered industry. Anthracite miners are another exception but were primarily notable for their atypical development.

job conscious unionism when Dr. Perlman was expounding his theory, organized labor, or at least its top leadership, in practice and in principle generally opposed such forms of government intervention in economic life.

Only recently, one of the country's leading economists, who is engaged in a foundation supported study of economic planning for full employment, complained to me that, "The labor organizations have either stolen or monopolized all of the full employment symbols." This was complicating his work and he was finding it difficult to interest non-labor organizations in his project!

I note that in his remarks Professor Taft indicates that the successful operation of the Perlman or strictly job conscious theory of the trade union movement depends upon a fairly constant, given, high level of employment. This, however, is precisely one of those areas where the trade union movement today has seen fit to grasp the challenge directly by developing positive programs and policies for full employment.

Don't misunderstand me. I am not suggesting Mr. Gompers or the trade union leadership of the twenties were opposed to full employment or that they were less noble or less altruistic than such modern disciples as Messrs. Green, Murray, and Reuther. This isn't a matter of personalities. Fundamentally, it is a response of a new and larger movement to new pressures and new needs.

Nor am I suggesting that seniority rights, union security, working conditions, and other basic day to day considerations are no longer at the heart of trade unionism; but, in many respects these very same considerations have taken on new meaning and certainly others have been added by the weight of new responsibilities.

And it simply won't do to point out that the American labor movement still isn't advocating government ownership or socialism, as Mr. Kaplan seems to suggest. Surely, there are important distinctions between the kind of enterprise system the major labor federations support and talk about and the system defended by the National Association of Manufacturers. Again there is an important distinction between the economic outlook of the leadership of the American Federation of Labor in 1929 and that of the Congress of Industrial Organizations and the American Federation of Labor today.

The real task of the student ought to be in defining these important changes and distinctions and not in mere reiteration of the fact that the American labor movement doesn't advocate government owner-

ship of the means of production. The truth of the matter is that organized labor along with other groups that were caught up in the social revolution of the thirties has been moving gingerly toward some typically American and pragmatic solution of the problem of economic planning and social and political freedom.

This unwillingness to detect significant change and evolution in American trade unionism sometimes reaches absurd lengths. Take the field of political action: One of the keenest later day exponents of Wisconsinism dismisses labor's recent political efforts as the old trade-union political action formula of 1905.² He insists on dating the current labor political activity and organization from the passage of Taft-Hartley in 1947, which, he writes, evoked labor's typical defensive reaction.³ So anxious is this writer to prove his thesis that "the more it changes the more it is the same thing," he forgets that considerably before Taft-Hartley was passed, in 1944 and 1946 the Republicans chose to make "Clear it with Sidney" a principal campaign battle cry.

Merely to cite, as Mr. Kaplan does, American labor's refusal to form a labor party as evidence that labor political action is still doing business at the old Gompers stand ignores the critical developments of the past four or five years. I am referring to labor's establishment of permanent, staffed political action arms, the raising of substantial sums of money, and the continuing political education programs of the AFL and the CIO. These just cannot be equated with the sporadic efforts of the pre-1930 era. They bespeak a significant change in policy and outlook; they certainly represent a new and positive approach to political and governmental action generally, even if labor has not followed the European star of an independent Socialist Labor Party.

I think even the few foregoing examples suggest that the basic direction and philosophy of the union movement have come a long way since 1928. What we really need is for students to pick up the work which Dr. Perlman so brilliantly began nearly a quarter of a century ago and to push out the new frontiers.

Putting aside the broad question of labor's current philosophy or philosophies, in the time remaining I should like to outline some

² Professor Taft in his remarks also seems to grade current political action as a mere revival of the old formula.

³ George W. Brooks, "The Worker and His Organizations," *Monthly Labor Review*, July, 1950, Volume 71, No. 1, p. 46.

aspects of the Perlman theory which seem outmoded or inadequate as an actual explanation of the new trade union environment:

1. Throughout his work and especially in *The Theory of The Labor Movement*, Dr. Perlman was apparently overwhelmed by the success of American capitalism. It is easy to understand this since he wrote in the twenties. However, the limits which he felt capitalism imposed on labor organization were pretty much blasted by the eruption of the early thirties. Out of that upheaval emerged a new and far more skeptical attitude toward traditional capitalism and the social order in the United States. It was this changed attitude which helped make possible the Roosevelt revolution of the middle and late thirties as well as the emergence of a mass labor movement in the United States. While the upheaval did not produce revolution, I would certainly contend that the traditional capitalism of which Dr. Perlman wrote is no longer a Sacred Cow in the minds of union leaders, among others. In its place is a new and more probing attitude which continues to color the trade-union outlook and it is a guarantee that the pressure for social reform will continue.

2. Dr. Perlman's theory will not, as I see it, stretch far enough to explain with any real precision the bonds that tie together so many millions of workers in the new unions in the industrial field. The Steelworkers, the Rubber Workers, the Electrical Workers, and others, lack that kind of occupational craft-type homogeneity which implicitly at least seems to be the foundation stone for unionism Wisconsin style. I do not mean to suggest that the union bonds in these new industrial fields partake of a strictly revolutionary class character. This would put the issue falsely. Clearly, however, these bonds are more industrial than job in character. In another sense, they are frequently corporate rather than job based, as witness the framework of relationships between sections of the Automobile Workers and General Motors, the Steelworkers and U. S. Steel, etc. I am interested in the phrase Mr. Hardman uses to describe this new labor-cementing force, namely, "consciousness of kind." Further exploration on this subject is certainly needed.

3. Collective bargaining itself is today often of a very different character from that which Dr. Perlman was describing in 1928. Where it takes place in the large industrial markets it can hardly be described as a mere extension of job control. The bargaining between the U. S. Steel Company and the United Steelworkers, to choose an example, is of the nature of an economic power struggle which

actually affects prices, employment, and production, as well as wages. From these types of bargains flow results and patterns which directly affect millions of organized workers in a number of industries, and indirectly even more millions of workers and consumers.

Frequently, bargaining in these industries must be carried on directly at the public bar. Always, at least, this is implicitly a factor, and it is constantly reflected in the arguments, strategy, and tactics of the unions in the mass production industries.⁴

By way of illustrating how far collective bargaining has come from 1928, take the drive for union pension funds as an example. When they first launched their pension drives in 1948 and 1949, the United Steelworkers and the United Automobile Workers may not have planned the actual amendment to the Federal Social Security Act which finally occurred; but certainly, as these drives moved along, the extra-collective bargaining implications were part of the strategy and the results. I dare say the lessons of leverage learned in that pension experience may again have application in some future collective bargaining demands.

The changing character of collective bargaining certainly needs more analysis, and must be incorporated into any synthesis of a revised theory of the labor movement.

4. The entrance of organized labor into a position of considerable power and responsibility in non-economic and non-political fields in many communities is another development of considerable importance which doesn't quite jibe with Dr. Perlman's analysis of some twenty years ago. I am thinking here particularly of labor's increased participation in such programs as those involving community social services. A recent writer on this subject goes so far as to say, "Perhaps the most startling aspect of labor's new status is the silent revolution in the last ten years within the Nation's communities, whereby the trade union movement has become increasingly an integral part of the community services program."⁵ This same writer goes on to point out that this past decade has stressed a change from the time when "unionism as a whole was ostracized in the community

⁴ I have written about this phase of union evolution elsewhere. See: Everett M. Kassalow, "The Old and the New in Labor Statistics," *Monthly Labor Review*, July, 1950, Volume 71, No. 1, pp. 70-74; Everett M. Kassalow, "New Patterns of Collective Bargaining," in R. A. Lester and J. Shister, Eds. *Insights into Labor Issues* (New York: Macmillan, 1948), pp. 116-133.

⁵ Daniel Bell, "The Worker and his Civic Functions," *Monthly Labor Review*, July, 1950, Volume 71, No. 1, p. 98.

to the acceptance of labor as a legitimate functional group in the social structure.”⁶

I fear this last statement may overstate the case a bit but I think the general point is a very critical one which reveals new and as yet unexplored facets of the rapidly evolving labor movement. Certainly this kind of integration and acceptance into the total community was not one of the elements present when Professor Perlman was constructing his theory and his theory hardly explains it.

5. The relation of organized labor to many governmental institutions and policies has also undergone a development which is hardly consistent with Dr. Perlman's theory. Labor's role in ECA, in the various mobilization agencies, its own direct representatives abroad, are a few examples which come readily to mind.

Other basic union institutional trends could be mentioned for which Dr. Perlman's theory simply is not a sufficient explanation. I feel my point is, however, amply defined by the preceding examples. It is over twenty years since Dr. Perlman presented us with his illuminating reflections. All of us certainly acknowledge his great services, and this very session is a tribute to him. But surely there must be more things in the trade union heaven and earth than were dreamt of even in his philosophy.

⁶ *Ibid.*

Part VII

WAGE THEORY

THE GENERAL LEVEL OF MONEY WAGES

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THE TITLE of the paper suggests its nature; it is of necessity a discussion of an intellectual construct. Obviously the general wage level is not a wage rate or set of wage rates about which individuals negotiate—at least in our economy. It is a function (usually linear) of the various individual wage rates in the economy (weighted in some manner) and purports to indicate some characteristic (indicative of central tendency) of the whole set of such wage rates. The general wage level is a matter of concern to those responsible for the over-all operation of the economy, and it is in this connection that I propose to discuss it. The general wage level I propose to consider is the money, as distinguished from the real, wage level; and, except where the contrary is indicated, I shall be assuming the existence of some given and unchanged structure of relative wage rates.

In economic theory, a variable is usually analyzed in terms of a set of functional relations into which it enters and which, under certain conditions, determines its equilibrium value. Unfortunately, economic theory has, at present, little to offer by way of such a theory concerning the general wage level; the “Keynesian Revolution” took from us what little we previously had. In the Keynesian system, the wage level is a datum and not a variable to be determined; in any case, the theory does not purport to determine the money wage level.

To retreat to a “Classical” theory, in which the wage level is determined (*inter alia*) by the condition that the supply and demand for labor are equal (with no involuntary unemployment), is not completely satisfactory. Although I shall argue that a discrepancy between the supply and demand for labor, especially if it is large, will exert a powerful influence on the wage level, I will readily admit that union and government wage policies can resist a good deal of downward (and possibly upward) pressure from purely market forces. Furthermore, there has been an institutional transformation of monetary-fiscal policy that renders traditional wage level theory obsolete. Namely, democratic governments are finding it increasingly difficult to permit large amounts of unemployment to persist for very long. Consequently any increase in the money wage level that gets

itself established will lead the government to cause increases in the money supply and/or its rate of expenditure sufficient to maintain "reasonably" full employment (at that wage level). The governmental action may be either grudging and tardy, or prompt and generous, but it will occur. Consequently, it is misleading to construct a model in which the equilibrium money wage level is determined by the relation between the supply of and demand for labor;¹ supply will not be allowed (for long) to exceed demand appreciably, whatever the wage level.

I

Nevertheless, let us begin by considering briefly what economic theory can say about the money wage level, where full employment is not guaranteed. In effect, economic theory says that if the money wage level should be "too high" for full employment, unemployment will result; conversely, "over-employment" and inflation will result if it should be "too low" (for full employment). "Too high" and "too low" refer to a situation in which there is given the following data: the stock of capital equipment and plant; the labor supply (which, for simplicity, assume to be a constant); the state of productive technique; the consumption, investment, and liquidity preference functions of the community (including those of the government—thereby determining, implicitly, monetary-fiscal policy); and the stock of money and other liquid assets in existence. In the presence of (involuntary) unemployment, the money wage level is assumed to fall (conversely for the case of over-employment), causing an increase in employment. This process is alleged to continue until equilibrium (with full employment) is reached. The theory thus purports to determine (1) the equilibrium value of the money wage level and (2) its direction of movement (but not its speed) in the event of a departure from equilibrium.

The mechanism involved is well-known and (roughly) operates in the following way: if the money wage level is "too high" for full employment, business firms will have insufficient cash balances to finance the resulting payrolls and will be compelled to reduce output and employment, thereby forcing down the level of wages; conversely,

¹ I speak of labor as though it were an homogeneous service. Obviously this is contrary to fact; however, corresponding to the general level of wages, there must be a generic kind of labor which receives the general wage level. I simply posit these abstract concepts without discussing the intricate problems involved in defining and measuring them.

if the wage level is "too low." If the fall in money wage rates goes *far enough* (assuming a roughly constant ratio of the level of product prices to that of marginal costs) and *if* the volume of cash balances (and all other relevant variables) remains unchanged, then the holders of cash (and claims thereto) will become sufficiently wealthy, in *real terms*, to expand their consumption and/or investment sufficiently to establish full employment.² (Connoisseurs of economic theory will recognize that I am arguing from the so-called "Pigou effect.")

But this argument assumes (*inter alia*) that the quantity of money is constant; in fact, it rarely is and, what is more to the point, it tends to vary in accordance with "the needs of trade." This implies that it is likely to move in the same direction as the volume of physical output and employment. Hence the demand curve for labor (as a function of the money wage level, *cet. par.*) is likely to shift rightward when employment rises and conversely, resulting in a positive association between the money wage level and employment.

However, it would not be difficult, at least in theory, to take into account the effect of shifts in the money supply. Simply substitute for the money wage level, the variable "money wage level per dollar of money supply" which would, at least partially,³ account for the effect of changes in the money supply. But the theory would still be open to (at least) two serious objections.

First, the theory depends upon the assumption that an excess supply (over demand) of labor causes the money wage level to decline, and conversely. The converse may (perhaps) be granted, but the proposition itself is open to serious question. Indeed, the money wage level has been known not only to refuse to decline in the face of serious unemployment, but even to rise substantially (as in the United States during the 1930's). Under the circumstances it is easy to sympathize with Keynes' view that the level of money wages depends upon so many variables, especially the policies of labor unions and governments, as to defy effective analysis; and therefore to follow him in treating it as a datum.

Nevertheless, I think that if we were to confine the argument to those cases where the volume of involuntary unemployment is *very large*, (say) in excess of one-third of the labor force, it would be

² In Keynesian terms, this implies inserting the quantity of liquid assets into the investment and consumption functions.

³ There is, of course, no a priori guarantee that the demand for labor will be invariant under an equi-proportional increase in the money stock and the wage level. However, it will simplify matters to assume so, and such an assumption will not affect our conclusions in any way.

possible to get substantial agreement among economists that the existence of unemployment forces down the level of money wages. This downward pressure would arise despite resistance by unions and/or governments, expressing itself, if necessary, via surreptitious undercutting of union wage scales and/or legal minimum wage standards.

The second objection to the theory is that the demand for labor depends upon too many important variables other than the money wage level (per dollar of money supply). That is, the *ceteris paribus* assumptions necessary to construct an aggregate demand curve for labor as a function of the money wage level (per dollar of money supply) are never likely to be satisfied sufficiently well to make the theory applicable. Specifically, such an aggregate demand curve will shift with every change in business prospects that leads to changes in investment undertakings; with every shift in the consumption function, etc. What is even worse, movements in the level of money wages may cause expectations of future wage and price changes thereby shifting the current demand for labor curve; i.e. a movement toward an equilibrium position will cause the position itself to shift.⁴

Despite the validity of these arguments, I think that the theory will hold if we confine it to cases where the change in the level of money wages (per dollar of money supply) is very large. For example, if the minimum hourly wage rate in the United States were at present set (by legislative fiat) at \$100 (the money supply remaining unchanged but no further legislative action taken), I think that simple inability to finance the current level of output would cause a reduction in employment, *irrespective of other events* (not merely *cet. par.*). Conversely, if the maximum level were set at one cent, there would be a tremendous rush to hire workers, if only as household servants, etc.⁵ In other words, a *sufficiently great divergence* of the actual money wage level from its equilibrium value will, very likely, outweigh the action of the other relevant forces and produce behavior consistent with the theory.

I submit, therefore, that if we start with an initial position where the amount of involuntary unemployment is "sufficiently large," the

⁴ This can, of course, be avoided by adding variables reflecting expectations, etc., to the demand function. However, I prefer to keep down the number of variables in the theory.

⁵ That is, I think that the operation of all the other variables which affect the demand for labor would (usually) be outweighed by a sufficiently large deviation of the actual from the equilibrium money wage level (per dollar of money supply). It should also be noted that I am assuming that the inevitable bankruptcies that would follow upon such a wage and price reduction would not reduce consumption plus investment expenditure (by the individuals and firms affected) beyond some minimum.

money wage level will fall and, if it falls sufficiently, this will increase the quantity of labor hired, etc., as indicated by the theory. Much as I should like to offer an empirical test of this argument (which is, after all, an empirical one) it is very difficult to do so. For such deviations from equilibrium rarely occur; this does not mean the theory is useless, rather it specifies its "range of utility." The theory explains why such large (or larger) deviations from equilibrium do not occur; i.e. the anticipation of the effective operation (for such large deviations) of the mechanism implied in the theory causes speculative behavior which prevents deviations (from equilibrium) from getting so large. The theory answers such questions as why we never find (say) 60 per cent of the labor force involuntarily unemployed; or what would happen if the maximum hourly wage were set (today) at one cent, or the minimum at \$100, etc., and, perhaps some others that are somewhat more demanding than these. Unfortunately, however, application of the theory has not always been confined to those questions which it can answer successfully.

If it is conceded that the aforementioned theory determines the general level of money wages only in the sense that it places it within a wide range (about equilibrium), then it becomes possible to adopt (consistently) both Keynes' position on the level of money wages and a (modified) "classical"⁶ one as well. That is, if we are concerned with a narrow range of wage levels, I think we should follow Keynes and treat the money wage level as a datum.⁷ But for broad ranges, we should accept the "classical" theory.⁸

Some economists would, no doubt, dispute this contention and allege that my rejection of the classical position is proper only for the "short-run;" i.e. if we were to consider a sufficiently long period of time, the (downward) resistance of wage rates to (even small amounts of) unemployment would disappear, and so would the disturbing effects of wage level changes on expected wages and prices, leaving the wage level responsive to small deviations from equilibrium, Granting the implied empirical assumptions, this argument is correct, *ceteris paribus*; however, the longer the time period considered, the

⁶ Our argument is "classical" (in Keynes' sense of the term) only in that it reaches, to some extent, "classical" conclusions.

⁷ I do not, of course, say that the "classical" theory *never* explains the behavior of the money wage level within relatively narrow limits. I merely say (with many other economists) that I have no great confidence in its ability to indicate the direction of movement of the money wage level within narrow limits.

⁸ Assuming, of course, the necessary "givens;" e.g. tastes, productive techniques, etc., including above all, the quantity of money (and other liquid assets) and their distributions.

less likely is *ceteris to be paribus*. That is, propositions that hold true only in the "long run" run the grave risk of being never applicable, because the conditions under which they apply are never satisfied. It is not possible to argue the issue here, but I submit that such propositions about the level of money wages are among the "dubiously useful" class.

In technical language, this argument amounts to saying that an aggregative (non-stochastic) model of the economic system should not possess stability for small deviations from equilibrium, but should possess it for large deviations. Obviously the argument I have given could be made more refined and elegant; however, this would lengthen the discussion greatly without contributing anything to the result. (The obvious analogy of the above theory to the theory of "supply and demand" in a single market, will not escape the reader.)

II

Let us now consider the level of money wages under conditions of guaranteed full employment. This case is becoming, to an increasing degree, the empirically relevant one. Prior to 1929, few governments indeed could be found whose monetary-fiscal policy was determined primarily by a desire to maintain full employment. To be sure, monetary authorities did allow the monetary supply to fluctuate mildly in conjunction with the "needs of trade," and drastically in conjunction with the war, and other emergency needs of government. However, preservation of the value of the currency was always a primary virtue, and the gold standard a major fetish. Despite occasional exceptions, it would be generally correct to assert that, prior to 1929, whenever there was an undue expansion (judged by gold reserves or other criteria) of the money supply, the "brakes would be applied," irrespective of the consequences for business prosperity.

However, since that time, a considerable change in attitude has taken place. At present few political leaders would, in the presence of sizable unemployment, argue that what was needed was a deflation of wage and price levels, and therefore refuse to increase aggregate expenditure. It would be an over-simplification, but an informative one, to say that, since the early 1930's, the monetary-fiscal authorities have (at least in Anglo-Saxon countries and Scandinavia) veered from a policy in which preserving the "value of the currency" was the summum bonum, to one in which the preservation of high level employment is a major objective. This does not mean that govern-

ments necessarily proclaim such a policy, or even privately accept it. All that this statement means is that the climate of political opinion in these countries is such that, whenever there is "serious" unemployment, the government will be compelled (irrespective of its wishes) to increase effective demand sufficiently (in one way or another) to eliminate it. Refusal to follow such a policy implies such grave risks of electoral defeat, that it is unlikely to occur—or, in any case, to persist.

Under conditions of guaranteed full employment, there is no economic mechanism to insure a finite upper limit to the wage (and price) level. Whatever wage level happens to be set, the government must alter the quantity of money and/or its rate of expenditure so as to provide full employment at that wage level.

The *actual* wage level is, of course, the net result of the various wage bargains struck by individual employers either with unions or with unorganized employees. However, so long as there is some upper bound to the quantity of money the monetary-fiscal authority will allow to exist, there will also be an upper bound to the wage level that can be attained with full employment (given the other determinants of the level of employment). If the wage level were pushed sufficiently far beyond this upper bound, unemployment would result (according to the argument of section I.) and bring about a reduction in the wage level. However, a commitment to maintain continuous full employment precludes the operation of this mechanism.

The removal of the upper bound upon the wage and price levels leaves the recipients of fixed money incomes at the mercy of whatever wage bargains and price policies happen to develop. This fact has caused concern to quite a few economists in the past few years, including the present writer. In this and the following section of the paper, I intend to elaborate on this theme.⁹

⁹ I think it would be well to clarify certain matters related to this theme, which seem to get easily misunderstood. In the first place, it should be clearly understood that the non-existence of an upper-bound to the general wage and price levels imposed by monetary-fiscal policy does not imply that these levels will *in fact* rise indefinitely. It may be that wage bargaining situations and competitive price relationships among individual firms will have the effect of containing the general wage and price levels, even though there is a monetary-fiscal policy of guaranteeing full employment. Second, the absence of an upper bound to the money wage level is not logically related to the presence or absence of unions; a "full employment" policy could exist even though there were no unions. Third, although my discussion will be couched in terms of union wage policy, the argument does not *imply* that unions would raise the wage level (under full employment) at a faster rate (or even as fast) than it would have risen in their absence. (Whether, in fact, a unionized labor force would compel a faster rate of wage increase than an unorganized force is an interesting question, but one that must be avoided here.)

Although a full employment commitment does remove the traditional *monetary-fiscal* barrier to indefinite increases in the wage and price levels, there are, under certain conditions, other factors which impose a ceiling upon them. As these factors are essentially political in nature, it is necessary to engage in an argument which is both political and economic.

Let us imagine a democratically chosen government which is in control of a political party allied with the "labor movement." This party (call it the "Union" party) is one of two important parties which contend for political office; the other party is essentially a pro-business "conservative" party (call it the "Conservative" party). Assume that each party has its own steadfast supporters who will vote for it come what may; but that in order to win, it is necessary for a party to capture the votes of a third group (call them "Independents") who switch from one party to the other depending upon circumstances.

The Independents (whose vote, for simplicity, is assumed to be cast en bloc) are (1) those voters who concern themselves with the "general welfare" and (2) those who receive (in any short time interval) a fixed money income and who, in consequence, have a vested interest in preventing inflation.¹⁰

The farmer class of voters tends to cast their votes on the basis of such issues as foreign policy; the prevention of inflation and unemployment; the personal integrity of public officials; the provisions made for education, general public services, etc., rather than on the basis of personal or group economic interests. For the purpose of this argument, it is assumed that the Independent vote depends only upon the issue of inflation and/or income distribution. (In reality, of course, the vote of the Independents will depend upon a number of issues.) Specifically, let us assume that the Independents will support the Union party, *ceteris paribus*, provided the general price level does not rise faster than some specified rate, but will desert to the Conservative party if it rises faster than this rate. This fact will dictate the political-economic strategy of the Union party leaders.

Their strategy, and its consequences, can be easily demonstrated with the aid of Figure 1. On the horizontal axis of Figure 1 is measured the logarithm of the per annum rate of increase of the general wage level, W , and, on the vertical axis, the logarithm of the

¹⁰ These two groups of voters very likely overlap considerably; I suspect there is a considerable tendency for the "defenders of public welfare" to come from the fixed income group (e.g. "professional" people, civil servants, etc.).

per annum rate of increase of the general price level, P . The w line ¹¹ crosses the horizontal axis to the right of the zero point, indicating that there is some positive rate of increase in W which is compatible with no increase (or even a decrease) in P ; let this increase represent that made possible by technical progress. The slope of the w line indicates the percentage increase in P that the Union party leaders think will occur within (say) one year, corresponding to a given percentage rate of current increase in W (assuming no direct controls and a given system of tax rates). (w is a function "imagined" by the Union party leaders.)

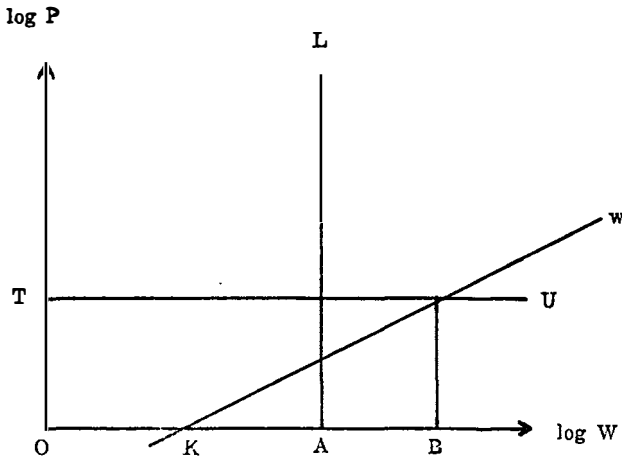


FIGURE 1.

Figure 1 should be interpreted as portraying a "short-run" relationship; P is related to W on the assumption that at least some fixed income receivers have not had an opportunity to recontract. Assuming (realistically) that the money rewards the recontractors will require for their services will vary in the same direction as their anticipations of the trend in P , the slope of w will then be steeper, the higher the value of P they anticipate, and the greater the number currently able to recontract. P is the net result of the prices set by employers, and depends upon W and the rewards to the other factors. The greater the share of the money National Income that employers

¹¹ w is drawn linear merely to simplify exposition; there is no reason for assuming it to have any specific property other than a positive slope and (perhaps) a positive horizontal intercept.

(in effect) require (as a condition of producing the full employment output) at any given value of W , the steeper will be the slope of w . (Figure 1 assumes given rates of capital accumulation and technical progress, and a given capital stock and labor force at the beginning of the period to which the figure refers.)

The height of U (i.e. the length of OT) reflects the maximum (percentage) rate of increase in the price level that the Independents will tolerate without voting the Union party out of office. OB , therefore, will be the highest value of W that the Union party can allow (if it wishes to remain in office).

The height of U depends, of course, upon developments with respect to aspects of political life (for which the incumbent is held responsible) other than inflation and/or income distribution. If the Independents are satisfied with the government's behavior on other matters, they will presumably tolerate a somewhat larger increase in $\log P$ than otherwise; and conversely, if they are dissatisfied. The greater the relative importance of inflation (and income distribution) as vote determining issues in the minds of the Independents, the more rigidly determined will be the height of U by the value of $\log P$. (I suspect that the height of U —i.e. the distance, OT —is, in fact, quite rigidly determined by $\log P$.)

If W should approach or exceed OB , the government will attempt to persuade union leaders to curb their demands for wage increases. It will succeed in this objective (with any given union leader) provided *all* of the following three conditions are satisfied: (1) there is no internal opposition to his (the union leader's) leadership; (2) he is not embarked upon any "major" organizing drive, nor is his union endangered by the encroachments of rival organizations; and (3) he has no desire to gain political influence at the expense of the government. Given these conditions, a union leader has no particular reason to refuse such a request from a political ally and may well appreciate the need for restraint. Furthermore, the hostility of powerful pro-labor political figures might injure his standing within the "labor movement," and even within his own union.

In countries where the labor movement is "mature," these conditions will usually be satisfied. Post-war developments, especially in Great Britain, would suggest that in such circumstances, this mechanism (for making the upper-bound on W effective) is more than a figment of my imagination. However, it is sufficient for there to be only a few ambitious—or perverse—union leaders to cause some (or

all) of the above conditions to be unsatisfied for most of the remainder. (In the light of American experience, it might be argued that it is sufficient for only one such leader—provided he is important enough—to exist.) For these few leaders would compete with other union leaders for the loyalty of the members (of the other leaders' unions) thereby compelling these other leaders to deliver as much as possible in the way of tangible economic gains for fear of losing prestige and (ultimately) office. It is even possible that an ambitious union leader might compete in the political arena, using his success as a "wage getter" as campaign material; this would, of course, hamper the government in attempting to curb wage demands.

OA indicates the value of $\log W$ that would result if each individual wage rate were set at the lowest value the union leader involved could be induced to accept. (For simplicity, I assume a completely unionized labor force.) If the above three conditions generally prevailed throughout the economy, OA might be quite small, reflecting principally the union leaders' sense of propriety concerning the wage gains his members should receive. (OA might also reflect the union leaders' estimates of the minimum increases that their members would accept without becoming restive; i.e. even though there were no active internal opposition, a leader might feel it necessary to deliver benefits at some minimum rate to prevent the eventual development of such opposition.) The non-satisfaction of any (or all) of the above conditions will, of course, raise OA.¹²

If A lies to the left of B, then $\log W$ will lie somewhere between A and B; if A and B should coincide, $\log W$ would be given by their common point. In either case the Union party would remain in power. But if A should lie to the right of B, there would be no value of W that the government would be able to persuade the union leaders to accept that would not lead to a value of P that would cause the Independents to vote for the Conservative party, throwing the Union party out of office.

The Conservative party would have no difficulty in keeping $\log W$ at a level less than OB. Of course, it is quite possible that they would reject a full employment guarantee, but even if they should accept it,

¹² The lengths of OT and OA are not, in general, independent. It is likely that if OT is "relatively" short, this fact may be an effective means of enabling union leaders to rationalize to their members the acceptance of a lower value of W than apparently could have been obtained; i.e. they will play upon their members' fear of getting an hostile Conservative government.

they would not experience any difficulty in curbing "exogenous"¹³ increases in W . It could enact anti-union legislation¹⁴ which would so facilitate employer resistance to union wage demands as to preclude any serious rise in the wage level (apart from competition in the labor market). There are many interesting problems that arise concerning the inter-relation of labor unions and a hostile government, but they are not relevant to our present subject.

In short, so long as the Independents control the political "balance of power" and are determined to prevent values of P which exceed some specified level, P will not (for long) assume a greater value than this. Given this condition, the minimum value of W that the union leaders can (or will) accept, determines only which party will control the government.

However, if the Independents should be politically weak, the situation would be very different. Then the Union party could not hope to gain many votes by appealing to Independents (i.e. in this case curbing W to keep down P); its electoral success would depend upon its inherent voting strength (relative to that of the Conservatives) and upon the relative abilities of the two parties to mobilize that strength at the polls (i.e. "to get out the vote"). Under these circumstances, the Union party would be primarily concerned with solidifying its own ranks and would therefore impose no obstacle to a high value of W ; indeed, it might actually find it to its advantage to encourage a high value of W in order to whip up enthusiasm valuable in "getting out the vote." Furthermore, if electoral victory were conditional upon attracting Independent support, many union leaders (and members) might feel inclined (or be prevailed upon by Union party leaders) to "go slow" for fear of antagonizing the Independent element. But if the Independent element were impotent, a more militant attitude might result, eventuating, perhaps, in a second "labor party" which would demand a higher value of W . Political competition between this second party and the Union party would tend to

¹³ "Exogenous" increases in W are those promoted by union action and not occurring as the result of employer competition in the labor market; i.e. "exogenous" increases occur with a given aggregate demand function for labor, as distinguished from those which result from a shift in this function. A conservative government is by no means a guarantee against inflation; but the inflations it might promote would not be caused by union actions which raise W .

¹⁴ It is, of course, possible that the Independents would refuse to tolerate severe anti-labor legislation (as well as resisting a large value of P). I note this possibility, but I shall not attempt to analyze it here, as it leads to a great many complications.

raise the value of W , making it difficult for a government controlled by either to avoid cumulative inflation (assuming it guarantees full employment); i.e. the upper bound on W would be removed. In this situation only a Conservative government¹⁵ could effectively limit W .

This political analysis has, of course, been highly over-simplified. Many important aspects of reality have been left out of account; we have considered situations with only two political parties; the vote was assumed to turn on one issue alone, etc. Nevertheless, I dare to hope the analysis will prove of some heuristic value and will be found worthy of extension and development for both this and other problems.

Before closing this section of the paper, let me once again emphasize that what was offered was not a discussion of the *actual* determinants of the wage level; but the determinants of its upper and lower bounds, if these bounds exist. In general, under conditions of guaranteed full employment, the lower bound of W would be some positive number, the exact size depending upon circumstances. The upper bound, in the case where the Independent wields the balance of power, would be (I think) something less than 10 per cent per annum; this is, of course, simply a guess.¹⁶

It would, at this point, be very pleasant to take the next step and expound a theory of "actual" wage level determination. But unfortunately I do not know of any such theory.¹⁷

III

There has been, in recent years, considerable discussion of whether union wage demands make it impossible to have both *continuous* full

¹⁵ An exception to this statement might exist if one of the labor parties suppressed the other (and presumably the Conservatives as well), establishing a dictatorship. This interesting case has too many implications for a brief discussion.

¹⁶ Our discussion has been concerned with the rate of change of the wage level rather than its actual level. However, this is not a serious problem; for if we know the rate of change of a variable (over a given time interval) we can determine its level at any moment in the interval, provided we are given its value at the beginning.

¹⁷ Perhaps some variant of "the key bargain" theory will one day be developed into such a theory. However, in my opinion, there is very much work yet to be done before such a development can reasonably be expected.

employment and a (more or less) constant price level.¹⁸ As one contributor to this literature, I should like briefly to re-examine the question in the light of the preceding analysis.

As Figure 1 is constructed there is some rate of increase, OK, (attributed to technical progress) of the wage level that is compatible with a constant price level (i.e. with $\log P = O$) and full employment. If it should happen that the index of unit labor costs rose relatively to the price-level, K would lie further to the right and make possible a more rapid rise in the wage level than otherwise would be compatible with $\log P = O$. But past experience suggests that the extent to which the money wage level is likely to rise relative to the price-level (given productive technique and all other factor prices) is at best very small. However, it might be argued (quite properly) that if the government used its full powers to alter the relation between W and P, it *might* be able to change it appreciably. For example, it might, by threatening either anti-trust action or punitive taxation, persuade employers to let wages rise relative to prices. Or if such threats were politically impossible, it might control the price-level directly, while permitting the wage level to rise. Judgments concerning the wisdom of such policies will obviously differ.¹⁹

¹⁸ The following list is by no means exhaustive: W. A. Morton, "Trade Unionism and Inflation," *American Economic Review*, March, 1950, pp. 13-39; discussions of this article by M. Bronfenbrenner and D. T. Lapkin in *American Economic Review*, Sept., 1950, pp. 622-27; M. Bronfenbrenner, "Post-War Political Economy: The President's Reports," *Journal of Political Economy*, Oct., 1948, pp. 373-91; M. W. Reder, "The Theoretical Problems of a National Wage-Price Policy," *Canadian Journal of Economics and Political Science*, Feb., 1948, pp. 46-61, and the consequent discussion between the author and B. H. Higgins, *Canadian Journal of Economics and Political Science*, May, 1949, pp. 203-10; S. H. Slichter, *The American Economy* (New York: Knopf, 1948), pp. 42-5; J. T. Dunlop, "Wage-Price Relations at High Level Employment," *Proceedings American Economic Review*, No. 2, May, 1947; A. P. Lerner, "Money as a Creature of the State," *Proceedings, American Economic Review*, May, 1947; O. W. Phelps, "Collective Bargaining, Keynesian Model," *American Economic Review*, September, 1948, pp. 581-97; H. W. Singer, "Wage Policy and Full Employment," *Economic Journal*, Dec., 1947, pp. 438-55; C. O. Hardy, "Prospects of Inflation in the Transition Period," in *Prices, Wages, and Employment*; (Postwar Economic Studies, No. 4; Board of Governors of the Federal Reserve System, Washington, 1946). The recent book of C. E. Lindblom, *Unions and Capitalism*, (New Haven: Yale University, 1949), and the review articles of J. T. Dunlop (*American Economics Review*, pp. 463-8, June, 1950), and Albert Rees ("Labor Unions and the Price System," *Journal of Political Economy*, June, 1950, pp. 254-63) also touch upon these issues.

¹⁹ My own opinion is that policies of badgering the employer are likely, in the long-run, to discourage investment. This would tend to shift K to the left (by slowing up the pace of technical progress) and possibly increase the slope of w as well (by reducing the rate of increase of capital per head), thereby making it more difficult to hold constant the price-level (corresponding to a given value of W) while simultaneously preserving full employment. The fall in private investment may be offset by an expansion in public investment; but it is impossible to consider this issue here.

Faute de mieux, let us beg the question of whether suitable governmental policies would make it possible for a higher value of W to co-exist with a constant price level and full employment. But even if it were granted that the slope of w would be somewhat less steep (and have a larger intercept on the W axis) than heretofore, there would still be a serious question of whether the value that would be placed upon W , under continuous full employment, would not imply a positive value for $\log P$. Opinions on this question differ,²⁰ and past experience is not too helpful as a guide, because the issue concerns wage policy under more or less continuous full employment, which has obviously not existed in the past.²¹

The above analysis would certainly not suggest that inflationary wage policies are inevitable; rather it suggests that their occurrence will depend upon the relations obtaining among political forces. However, it should be remembered that Figure 1 refers to the relation between W and P as *conceived* by the Union party leaders. In my opinion, the chief inflationary danger from union wage policies (in the U. S., British Empire, and Scandinavia) arises from possible misconceptions about this relation by both political and union leaders. Specifically, I fear that if union wage policies were to have inflationary effects, they would be observable only after a considerable delay, and would be very difficult to identify as to origin. If this view is correct, the brakes on inflationary wage policies may not be promptly applied (granting that it is politically possible to apply them) because the danger will not be perceived in time (if it is ever recognized at all).

Let me elaborate: many economists seem to feel that even though there were a slight upward trend in the price-level (irrespective of its cause) it would be nothing about which to become alarmed. But I disagree. Viewed *ex post*, an average secular rate of increase in the general price level of (say) 2 or 3 per cent per annum *might* not be "serious." However a similar secular rate of price increase anticipated with virtual certainty,²² will have a quite different effect. For

²⁰ For example, S. H. Slichter, *op. cit.*; Gottfried Haberler, "Causes and Cures of Inflation," *Review Economic Statistics*, Feb., 1948, p. 14, and C. O. Hardy, *op. cit.*, think that union policy would force $\log P$ to be positive. W. A. Morton, *op. cit.*, and Eugene Forsey, "Trade Union Policy under Full Employment," in *Insights into Labor Issues*, ed. by R. A. Lester and J. Shister, (New York: Macmillan, 1948), pp. 305-28, are good examples of the opposite position.

²¹ The behavior of unions during the short-periods of full employment in the past does not provide a good basis for generalization; usually such periods coincided with inflationary situations when union behavior was dominated by the desire to "keep up with rising living costs."

²² Or, at least, with virtual certainty that the price level will not fall, and is very likely to rise at this rate.

the willingness to hold cash and liquid assets (at given prices) will be lessened by the anticipated price rise, and the rate of aggregate expenditure (especially on durable goods) will be increased, thus raising the equilibrium price level corresponding to any given level of money wages. Furthermore, persons selling goods and services on the basis of long-term fixed money contracts will either refuse to sign such contracts at all (selling from day to day), or will require premiums for doing so. Union members will also demand higher wages than otherwise, if they expect the price-level to rise, and/or may want an automatic cost of living adjustment; both of these demands tend to lengthen OA (move A further to the right).

When a slight upward price trend first begins, it may not be extrapolated by the public, and therefore be relatively harmless. But after it has proceeded for a time, extrapolation will almost certainly begin, giving the inflationary process momentum, and causing the price-level to rise faster. Then, of course, the unions must act to "keep up with the rise in living costs"—and the mad spiral is on.²³

It is for this reason that I think union wage policies *may* be seriously inflationary. The political power of the anti-union elements in the U. S., Great Britain, Scandinavia, etc., is sufficient to prevent any outburst of obviously inflationary wage demands. Nor would there be (in these countries) many union leaders who would wish to antagonize important bodies of opinion by pushing up wages at so fast a rate as to invite inflation, provided (1) that they were aware of the inflationary consequences of their actions; and (2) they believed that these consequences would be attributed to their policies. But the inflationary consequences of their policies may not be felt until long afterward, when they appear to be due to a change in the communal liquidity preference function, propensity to save, etc. In short, there is reason to fear that the brakes to inflationary wage policies *may*²⁴ not be applied until the inflation is fairly far along—at which point the unions will be trying merely "to keep up with prices."

Like many others, I do not think we shall be led into hyper-inflation by union wage demands—or in any other way. We shall, I think

²³ Of course, if the monetary-fiscal authorities were to permit interest rates (on gilt-edge securities) to rise, the effect of expected price increases on the willingness to hold liquid assets *could* be completely offset. However, it is at least questionable that the authorities could permit the existence of such interest rates.

²⁴ I emphasize "may" so that there be no doubt that I am speaking of (what I believe to be) a dangerous possibility, but not an inevitable occurrence.

“muddle through.” But what this means, in my opinion, is that when we approach a “National Disaster” a considerable number of voters (and leaders) will leave their usual alignments and join the “Independents.” This, however, occurs only when the disaster is apparent (i.e. imminent), or has already occurred. At such times, “patriotic citizens” demand “action” and that “narrow individual and group interests be sacrificed for the good of the country.” The danger to the rights and liberties of individuals and voluntary associations inherent in such situations is, I fear, rather obvious.

In closing, I should like to make it clear that this argument does not necessarily place “blame” upon union leaders for any inflationary effects that may arise from their wage demands. To do this would be to sanctify the distributive status quo; in our analysis, *any* attempt to raise the share of wages in National Income (no matter how small an increase is sought) may touch off an inflationary spiral provided there is (1) continuous full employment and (2) that employers, fixed income receivers, and other groups collectively refuse (in effect) to accept a reduction in their combined share, and cause prices to be raised to prevent such reduction. One might equally well condemn the other claimants to the National Income for “stubbornness, greed, etc.,” as the unions. But inability to distribute moral culpability for an unpleasant situation does not make the situation either more pleasant or less in need of remedial action.²⁵

Although our discussion ostensibly refers to a peacetime economy, it obviously has serious implications for a militarized one. Shifting to a war economy has the effect (in terms of Figure 1) of causing “technical regress” in the production of civilian goods. That is, the demands of the military cause a reduction in the civilian goods produced at a given level of employment. The initial effect of this is to move K to the left of the origin. The problem of keeping $\log P = 0$ (assuming appropriate monetary-fiscal policies) then becomes one of forcing reductions in the money wage level (per hour); the difficulty of accomplishing this task (i.e. of placing A to the left of the origin) hardly requires elaboration.

²⁵ I should also like to emphasize the fact that it is by no means easy to identify the “causes” of any given inflation; e.g. to determine the part union wage demands played in producing the result.

THE ECONOMIC IMPACT OF COLLECTIVE BARGAINING IN THE STEEL AND COAL INDUSTRIES DURING THE POST-WAR PERIOD ¹

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AT THE PRESENT TIME a renewed inflation seems well under way. Under the impetus of increased military expenditure, employment has increased, raw materials have become scarce, and wages and prices are moving upward. In such circumstances, some of the most important questions which labor economists are called upon to answer concern the role of collective bargaining in the inflationary process. Is collective bargaining really, as has often been charged, itself a major cause of inflation? Or does the rise in negotiated wage rates merely mirror inflationary forces without contributing to them? Correct answers to these questions are necessary for the formulation of sound public policy in the areas of wage stabilization and the regulation of collective bargaining.

The questions raised above may be divided into two parts. First, is the level of wages determined by collective bargaining materially different from the level which would prevail in unorganized labor markets? Second, are wage increases responsible for increases in prices?

The Effects of Collective Bargaining, 1945-1948

I have recently completed a study which seeks to answer these questions for the basic steel industry for the period 1945 to 1948. Basic steel is a large industry producing an essential product; it bargains with the United Steelworkers of America, CIO, the second largest labor union in the United States. The conclusions reached for this industry are likely to hold reasonably well for a broader group of manufacturing industries which bargain largely with CIO unions; this group includes the automobile, electrical manufacturing, flat glass, rubber, and steel fabricating industries.

The study indicates that collective bargaining in the basic steel industry during the first three rounds of post-war wage increases did

¹ This paper is based on research done at the Industrial Relations Center, University of Chicago, and financed by a grant from the Rockefeller Foundation. I am indebted to Professors Frederick H. Harbison and Theodore W. Schultz for their helpful suggestions.

not significantly affect general wage levels. This conclusion really involves a comparison between the actual situation and the situation which would have existed without collective bargaining. It admittedly raises what the late President Roosevelt would have called an "iffy" question. But sometimes, when the problem is important enough, we must attempt to answer "iffy" questions as best we can.

To say that collective bargaining did not significantly affect general wage levels does not mean that steel workers did not benefit from collective bargaining during this period. Collective bargaining has other important goals. I would consider the greatest benefit of bargaining to be the increase it brings in the freedom and dignity of the individual worker.

The conclusion that the impact of bargaining on general wage levels was very slight is based on the following evidence and reasoning.

First, factors other than collective bargaining seem adequate to account for the wage increases which took place. The main factors which would have operated in the absence of collective bargaining were the tremendous increase in the demand for steel, the consequent increase in the demand for labor by the steel industry, and the shortage of labor at existing wage rates. The increase in the demand for steel was demonstrated by increased output despite rising mill prices, and by the existence of a widespread grey market where the resale of many types of steel at two to three times the mill price was common. This increased demand for steel led to increased employment despite rising wages. During 1946 and 1947, serious local labor shortages were reported by the United States Employment Service and trade magazines, especially in the important Youngstown and Chicago-Gary areas. It is particularly significant that some of these shortages were reported shortly after negotiated wage increases.

Moreover, the sharp rise in the cost of living and the substantial increase in output per man-hour in the industry might have contributed to wage increases even in the absence of the union.

A second group of reasons also supports the contention that bargaining had little effect on wage levels. These reasons relate to aspects of collective bargaining which tend to reduce the upward flexibility of wages in periods of inflation. A leading factor in this group is the effect of fixed term wage agreements, which may cause wages to lag behind changes in economic conditions. Fourteen months elapsed between the first and second rounds of post-war wage increases in basic steel; an equal time elapsed between the second and

third rounds. In certain periods of labor shortage prior to the unionization of the steel industry, substantial wage increases were given at much shorter intervals than these. The fixed term agreement is advantageous to unions in postponing wage decreases in bad times, but it may have as an unintended by-product a corresponding postponement of wage increases.

Furthermore, as Professor Walter A. Morton has pointed out, the very presence of a strong union probably somewhat restrains employers from raising wages and prices during an inflation.² In the absence of a union, steel producers might have raised prices more to take advantage of the swollen demand, and raised wages more to overcome temporary labor shortages. But such a course of action was probably checked by the fear that the union could maintain the higher level of wages after the demand for steel had declined.

A final type of evidence lends support to our conclusions. This is a comparison between the wage movements of different periods and industries. The last previous major inflation in this country took place during the First World War, when steel workers were almost completely unorganized. But the real average hourly earnings of steel workers rose about twice as much from 1914 to 1920 as they did from 1939 to 1948. During the first of these periods steel workers' average hourly earnings rose 10 per cent relative to earnings in all manufacturing; in the second period they fell 8 per cent relative to all manufacturing.

Comparisons with other groups during the periods 1939 to 1948 and 1945 to 1948 give a similar picture. Earnings data on both an hourly and an annual basis for these years show that most unorganized workers received larger percentage increases than steel workers.

These data do not necessarily mean that steel workers' wage gains during the war and post-war years were small because of the union. However, they suggest at least that the efforts of the union were not sufficient to offset other factors which operated to the relative disadvantage of steel workers during this period.

Let us turn now to the second main part of our question, which is, "To what extent were wage increases in basic steel responsible for price increases?" The evidence indicates that wage increases had little to do with the amount of price increases, although they had a great influence on their timing.

² W. A. Morton, "Trade Unionism, Full Employment and Inflation," *American Economic Review*, Vol. 40 (March, 1950), p. 517.

Unit labor costs in the basic steel industry from 1939 to 1948 rose percentagewise by about the same amount as published base prices, and by less than actual prices. Actual prices include so-called "extras," or charges for variation from base specifications in size, quantity, and chemical composition. Since labor costs in steelmaking operations were only about 30 per cent of the total cost of finished steel, the dollar amount of price increases was several times the dollar amount of increases in direct labor costs.

Steel producers, however, point to the rise in the cost of their raw materials, most of which they feel represents the indirect effect of the patterns of wage increases established through collective bargaining. The construction of an index of the prices of raw materials used by the steel industry confirms the contention that for the period 1939 to 1948, the percentage increase in raw materials costs exceeded the percentage increase in actual steel prices. However, the timing and amount of changes in the prices of particular raw materials does not support the statement that wage increases were the principal source of increases in raw materials costs. Wage increases seem to be a major factor only in the case of coal among the important raw materials which rose sharply in price. On the other hand, the tremendous increases in the prices of fuel oil, steel scrap, and non-ferrous metals seem to have been caused almost entirely by the increased demand for these materials.

Steel industry spokesmen have pointed to the way in which price increases closely followed the time of wage increases as evidence that wage increases caused prices to rise. But this overlooks the fact that the timing of price increases was fully in the control of the industry. Sharp increases in materials costs, much larger in dollar amount than wage increases, were often not reflected in the timing of price increases. Rather, the reflection of these increased materials costs in prices seems to have been postponed so that it could be included in the price increases which accompanied higher wages.

The evidence suggests that the steel industry held its prices well below the level which it could have obtained without curtailing sales, and that prices were increased roughly in proportion to increases in combined labor and materials costs. However, price increases were apparently deliberately timed to coincide with wage increases. How can such a price policy be explained? I would not regard it as necessarily or solely intended to discredit the union. Rather, it seems to be a protective response to political pressures, public opinion,

and union criticism of the industry's price policies. Thus Admiral Ben Moreell, President of the Jones and Laughlin Steel Corporation, has ascribed the industry's restrained price policy to

the cumulative coercive effect of the hue and cry which arises from government officials, columnists, commentators, editors, economists and others whenever there is a rise in steel prices, even of the most modest proportions.³

Among these factors, political pressure is probably the most potent. The best example of the nature of the political pressure on the industry is furnished by the government's response to the increase in semi-finished steel prices in February, 1948. This price increase, unlike most, was not timed to coincide with a wage increase. It was severely criticized, not only by the Council of Economic Advisers to the President, but also by Senator Robert A. Taft, who represents a leading steel producing state and is generally identified with the conservative elements of the Republican Party. In questioning President Fairless of United States Steel in a Congressional committee hearing, Senator Taft said:

If you are losing money on . . . (semi-finished steel), you must be making an awful lot of money on other things, because the total result is very favorable. Why could it not be accompanied, if you had to make this adjustment, with a reduction which would indicate clearly that there was no net increase in the price of steel? ⁴

Larger price increases made in connection with wage increases were never subject to criticism from such sources.

In summary, the evidence indicates that collective bargaining in the steel industry was not an inflationary force. Rather, it merely reflected fundamental inflationary trends generated elsewhere in the economy.

I have made a parallel study of the effects of collective bargaining on wage and price levels in the bituminous coal industry, but time does not permit a detailed discussion of it here. The conclusion reached in the case of bituminous coal was that collective bargaining had somewhat increased the level of wages between 1945 and 1948 over the level which would otherwise have prevailed. This conclusion

³ Ben Moreell, "The Prospects for American Industry," Address before the Pittsburgh Regional Technical Meeting of the American Iron and Steel Institute, October 11, 1950 (Pittsburgh: Jones and Laughlin Steel Corp., 1950), p. 20.

⁴ U. S. Congress, *Increases in Steel Prices*, Hearings Before the Joint Committee on the Economic Report, 80th Cong., 2nd Sess. (Washington: Government Printing Office, 1948), p. 15.

is supported by the very large amount of the wage increases in the industry, the disappearance of important labor shortages fairly soon after the end of the war, and the very aggressive bargaining tactics of the United Mine Workers. However, in coal even more clearly than in steel, the increase in prices which took place was much larger than can reasonably be explained on the basis of increased labor costs. These price increases were unquestionably the result of the tremendous increase in the demand for coal.

If the notion that collective bargaining is a fundamental cause of inflation is mistaken, why is it so widespread? Why is the ability of unions to increase wages so exaggerated in the mind of the public? This seems to me to be largely a result of the fact that both parties to collective bargaining, in their efforts to win the favor of the public, have a stake in exaggeration. Unions want to be considered responsible for large wage increases to get credit for improving the economic position of their members. Management seeks to hold unions responsible for large wage increases in order to justify its own price policies. These biases may not be conscious; the parties to collective bargaining may be sincerely convinced of the correctness of some of their appraisals of it. The effects of such exaggeration are not confined to the relation between collective bargaining and inflation. They may color and distort the views of the public and of economists on many aspects of the general problem of the economic impact of unions.

New Developments in Collective Wage Determination

An analysis of the effects of collective bargaining during the first three rounds of post-war wage increases cannot be applied without modification to our present situation. During the past eight months, a very significant change has taken place in collective wage determination. This change is the result of the widespread application of the escalator clause which followed the General Motors-United Auto Workers agreement of last May. An escalator clause, of course, is one which at regular intervals provides for automatic wage increases based on increases in the cost of living. Escalator clauses have been incorporated into the contracts of seven major automobile and truck producers, three large aircraft producers, and many auto parts manufacturers, as well as five large drug and chemical companies, and other large companies, including International Harvester, Allis-Chalmers, General Electric, Bendix, and Textron. They have spread out of the mass production industries to cover in some instances such

workers as retail clerks, building trades workers, brewery workers, railroad yardmasters, dairy workers, and workers in fisheries. These agreements involve more than 17 different international unions, AF of L, CIO, and unaffiliated, as well as independent local unions. The majority of these contracts are for more than one year and involve, like the General Motors agreement, an annual increase or "improvement factor" in addition to the cost of living increase.⁵

It is true, of course, that a number of major agreements have been concluded since May which do not follow the General Motors pattern. The new agreement in basic steel is the most important of these. However, if inflation continues, and unless the operation of escalator clauses is suspended by a wage stabilization program, it seems reasonable to expect that such clauses will have an important effect on the amount of fixed term wage settlements. Should wages subject to escalator clauses rise much above those subject to fixed term agreements, the fixed term agreements will probably be scrapped and renegotiated in many cases. In this connection, it is interesting to note that last August the Chrysler Corporation and the United Auto Workers renegotiated their fixed term agreement to provide for a wage increase. This agreement had been signed only four months previously after a bitter strike, and still had eleven months to run.

Furthermore, the final determination of the new wage scales in basic steel was delayed until the day of the announcement of the October level of the Consumers' Price Index, which governed the cost-of-living wage increase under many contracts. The general wage increase under the 1950 steel contract was approximately 16 cents. Of this, roughly 11 cents can be considered to reflect the past gains of other large unions whose contracts were settled earlier, including those which obtained escalator clauses. The remaining 5 cents probably anticipates the increases which will result from the operation of escalator clauses in the next few months. This is likely to be the pattern of relation between escalator and fixed term agreements during an inflation, with wages subject to fixed term agreements leading right after they are negotiated, then perhaps lagging again six or nine months later.

As pointed out earlier, the fixed term agreement was a feature of collective bargaining which limited upward wage flexibility in the

⁵ This summary of the spread of escalator clauses is based on reports of the Bureau of National Affairs, the National Industrial Conference Board, and the U. S. Bureau of Labor Statistics.

immediate post-war years. Now that this feature has been eliminated in many cases, and is likely to be modified in its operation in many others, the effects of collective bargaining will be different. The wages of organized workers and possibly prices in some organized industries will keep pace with a general inflation more quickly and to a larger extent than they did from 1945 to 1948. This can be demonstrated in part by an example. Suppose that the United Steelworkers in February, 1946, had received, in addition to their immediate wage increase, the escalator and annual improvement factor clauses of the 1950 General Motors contract. These would have been part of a three year agreement, in place of the second and third round wage increases. Under such an agreement, the average hourly earnings in the industry in August, 1948, just after the actual third round increase, would have been approximately \$1.76 an hour. This is 12 cents an hour higher than they actually were at that time. The corresponding difference for some of the months prior to the actual third round increase would have been considerably greater.

An Appraisal of New Developments

It is the increased upward flexibility permitted by escalator clauses which has led some economists to call them inflationary. For example, Dr. Edwin G. Nourse, former chairman of the Council of Economic Advisers to the President, said of the General Motors agreement:

When a multi-million dollar corporation makes a five year contract calling for annual pay raises and including an escalator clause which paves the way for further increases if inflation pushes the cost of living higher, I think it is obvious that still another inflationary force has been introduced.⁹

Before one accepts such a verdict, it is extremely important to examine its assumptions in detail. Inflation is basically the result of a level of aggregate money demand which rises faster than physical output. This affects an industry such as auto or basic steel by increasing the demand for its products, the cost of its raw materials, and the cost of living of its workers. It is to be expected that unions and employers will seek to adjust wages and prices to these conditions so as to make the largest possible gains considered safe in view of existing political pressures and the climate of public opinion.

⁹ E. G. Nourse, Address before the Tanners Council of America, May 25, 1950, as quoted in *The New York Times*, May 26, 1950, p. 39.

Dr. Nourse's statement implies that he would advocate increasing these pressures, and in itself it plays some small part in increasing them. What is the supposed benefit of holding down prices and wages in certain industries by this type of pressure? Presumably, by holding down prices in a few basic industries which are sensitive to pressure or easy to control, we can hold down the level of consumer prices to the extent that the products of these industries enter into it.

This presumption contains some truth during an all-out war when prices are held down by formal controls at all levels of production and distribution. It has little validity for such years as 1947, 1948, and 1950. Holding down wages and prices in basic steel and automobile production suppresses inflation in this area of the economy. But then excess demand creates abnormal margins for a host of fabricators, middlemen, distributors, and grey market operators who often charge the ultimate consumer, through one device or another, whatever the market will bear. Even if the low prices of steel or automobiles could successfully be passed on to consumers, this would divert consumer purchasing power into completely different areas, where prices would rise still more. The general level of prices would not necessarily be kept down at all.

On the other hand, the costs of such a policy are clear. They are a poor use of the resources of our economy. High prices will attract too much of our resources into the areas where pressures or controls are not present or at least effective, including the distribution of the products whose mill price is held down. Too little of our resources will flow into the areas where inflation is suppressed. Low prices and wages put steel and automobile producers at a disadvantage in bidding for investment, for raw materials, and for labor. We certainly cannot permit a wage policy which contributes to labor shortages in basic industries where expansion is vitally needed. Steel particularly needs wage incentives to attract workers in periods of labor shortage, since so many of its jobs are hot, heavy, or dirty.

Holding the price of a commodity such as steel below the levels which would clear the market also creates inefficiency by making necessary an arbitrary pattern of allocation. To the extent that this pattern is not set by military priorities, it must be based on such factors as past use. This discriminates against growing uses and users, and does not insure that steel goes where it is most needed. It in turn distorts the pattern of labor use in steel consuming industries. We may, for lack of a sound basic policy against inflation, be forced

into positions where these costs become the lesser of two evils. But we must at least recognize that heavy costs are involved in suppressing inflation.

Opposition to escalator clauses involves a problem of equity. Are we to advocate falling real wages for industrial workers? To be sure, if a large part of our resources are devoted to military ends, our standard of living will inevitably be reduced. But the equitable way to reduce it is by forms of taxation which treat people according to their income, and not by policies based on the sources from which income is received. We would not want industrial workers to face both falling real wages and rising taxes while some other group is able to meet rising taxes with ease out of rising real incomes.

The basic source of inflation is an excess of money demand, and basic anti-inflationary policies must be directed at preventing this excess demand from arising. To permit it to arise, and then seek to check it with an improvised system of pressures and controls will always create costly inefficiency. It gives the government and the public a false sense of security against inflation to barricade the front door against dramatic increases in basic prices and wages, while inflation sneaks in the back door with a host of ingenious tricks and ruses.

For these reasons I would oppose setting aside escalator clauses in a wage stabilization policy. To allow wages to keep up with the cost of living does not cause inflation. It simply recognizes the high cost of suppressing inflation which is being caused by more fundamental economic forces. It has the salutary effect of making it increasingly necessary to hold the cost of living down in the first place, and increasingly difficult to do so except by attacking inflation at its monetary roots. It will help to force Congress to face up to some difficult and unpopular tasks. Thus new developments in collective bargaining which are resulting in increased upward wage flexibility may help to create a new awareness of the importance of monetary and fiscal policy, and lead to sounder policy than we have previously had. This does not mean that I am optimistic about the prospects of checking inflation. We have failed too often in the past to permit any real optimism. But if we fail again, it will not be the fault of collective bargaining.

DISCUSSION

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Quite different themes are developed in the two papers just presented. Professor Rees, in reviewing recent wage-price history in two important fields, strikes a rather dulcet note. All the shrieking and shouting to the contrary, he tells us that the unions had little or nothing to do with the post-war inflation. Nor were higher wages, in his judgment, an important source of the price increases occurring at this time. Even if there had been no unions and even if there had been no wage increases, he contends that prices, at least in steel and coal, would have followed about the course which they did. This conclusion rests on a twofold proposition: First, that the price increases (and the wage increases, too, for that matter) were the product of an excess of monetary demand over physical supplies. Second, that any additions to costs or demand resulting from higher wage rates were, price-wise, of negligible importance. For those remaining unconvinced regarding these two propositions (personally, I have more serious doubts about the second than the first), he introduces the argument towards the end of his paper that a modicum of inflation is a small price to pay for avoiding direct wage-price controls. Whether this last point is wholly consistent with the other two, or whether his entire argument adds up to good economics can be debated. What is clear is that unions and employers should find Reese's words heart warming indeed. "Go to it, boys," says he, "take all you can. No questions will be asked because whatever you get will be explainable in terms of broad market forces over which you have no control." This sounds as though the fable about the miraculous pitcher was not so fanciful after all.

Professor Reder's theme, on the other hand, is anything but muted. His score is replete with dissonant chords and wild alarums. Wages and prices, he proclaims, may not just rise—they may soar towards infinity. The fixed income recipient will need more than just a stiff upper lip to survive what is ahead for him—he may wake up some morning garroted in his one-time sumptuous bed. As for our little world of free private enterprise, it confronts the possibility of being pulled apart by forces too powerful for anyone to control. Reder introduces one note of hope when he suggests that the government, in its anxiety to stay in power, may move to quell the general tumult, but this is quickly dashed. The union leader, goaded by a demagogic

opposition within his organization, is likely to stumble on until disaster comes. If he chooses to follow a more moderate course, he will lose power to a rival faction and mad men will take over. At this point, the prospect for the state of the union will be something less than cheery.

Which of the two speakers is right? The answer seems to be that they start from different assumptions and are really considering two quite different problems. As long as their discussion is kept within the conditions each posits, I have no serious quarrel with either speaker. Their assumptions, however, are highly restrictive, more so than might appear on first consideration. I may be doing our speakers an injustice, but I get the impression that each believes his findings possess much more significance than is actually the case.

Professor Rees's analysis of the inflation process is largely limited to the steel and coal industries between 1945 and 1948. His conclusions, insofar as they pertain to these two industries and this three year period, strike me on the whole as sound. Given a general inflationary situation, the main cause of higher prices in any restricted part of the economy can hardly be due to a rise in wages in the particular area involved. Especially is this true of a period such as 1945-1948 when almost all the inflationary pressures which had been piling up during the previous five years were suddenly released on a war-depleted country.

Later in his discussion, however, Professor Rees seems to be arguing that his conclusions hold for the entire economy. This completely overlooks the notion that a general rise in wage rates, through effects on both costs and demand, can exert an important influence on the price level which an analysis of a particular sector of the economy would not reveal. I have somewhat the same question, although I press it with less confidence, concerning his analysis of collective bargaining. As long as he is speaking of a particular industry, he is certainly correct in minimizing the influence of unionism on wages and on prices during this period. But does he mean to imply that wages *generally* would have followed much the same pattern if unions *generally* had not been in existence? Is he suggesting that, following the heavy restocking period after the war, the level of money wages would have followed much the same course, with or without unions? If he had taken a longer view, comparing, for example, wage trends in a predominantly non-union period like the twenties with wage changes in more recent years, the problem

might have appeared in a quite different light. In any event, the approach taken by Professor Rees provides no basis for dealing with these broader issues.

Finally, I certainly side with Rees on the desirability of avoiding direct controls over prices and wages wherever possible. Nevertheless, after the war, I feel we junked our controls too soon and too fast. We really did not give our economy a chance to regain its peacetime footing before we took away all the wartime barriers to inflation. Despite the administrative difficulties of moving more slowly, it seems to me that a more gradual decontrol program would have been desirable. Like Rees, I believe our objective should be to keep government out of wage-price matters as much as possible. In the immediate future, however, the difficulty seems to be that our Russian friends are going to give us no alternative but to take the opposite approach.

Turning to Professor Reder's paper, my questions again revolve around the nature and significance of the assumptions which are made and the inferences which are derived from them. In the main Professor Reder is clear as to what assumptions he is making at each stage of his argument, although I became quite confused as to whether the size of the national real income was assumed to be fixed at the different stages of his argument. He warns us repeatedly that his analysis is highly abstract and that his conclusions refer only to the severely limiting conditions assumed at the outset. Nevertheless, I get the definite impression that Reder feels he is dealing with an important segment of reality and that the dangers he describes are anything but imaginary. While not denying that he has done a brilliant job, especially in his treatment of the interplay of political and economic forces, I would argue that his discussion has little relation to the world we live in.

The central proposition in his paper is this: if the government, by adapting its budget to changes in the general level of wages and prices, always acts to preserve full employment, the efforts of the unions and the employers to maximize their respective shares in the national income may cause serious inflation. In other words, he argues that a conflict over the distribution of income between unions and employers can cause a substantial rise in the price level. In no prior period that I know of, and I suppose Professor Reder would agree, has this been the major source of a rise in prices or other developments of an inflationary character. During the twenties, for

example, the inflation was in no way related to circumstances he describes. During the thirties, on the other hand, the government undertook what was considered to be a very vigorous program to achieve full employment, but it fell far short of its goal. In the forties, inflation was a continuous problem, but union and employer pressures on wages and prices were at the most only aggravating influences. To date, then, the conditions he envisages contain hardly a vestige of reality.

Professor Reder would doubtless reply that the concurrence of a strong labor movement and of a government-sponsored full employment program is a wholly new situation, so that what lies ahead may have no counterpart in the past. There is no gainsaying that the dangers he envisages might possibly occur, but in my judgment they rest on a combination of circumstances that is highly unlikely to be realized in actual fact. First, his argument assumes that the government is not only determined to maintain a condition of "complete" full employment on a more or less permanent basis but also that it is able to do so. In an economy like ours, under peacetime conditions, this is a sweeping assumption indeed. Much of traditional business cycle theory may now be old hat, but I do not think we are quite ready to wave aside all that has been said about the difficulty of preventing or offsetting changes in business investment, about the long swings in the construction industry, the violent fluctuations in the sale of consumer durables, and the like. It should be noted, too, that Professor Reder's argument loses much of its force if unemployment rises above the frictional minimum of one or two million. Thus, a situation like 1949, when unemployment was somewhat above this level even though employment was "high," just does not fit into his scheme.

Second, suppose full employment were somehow or other always maintained. Who knows what the effects of this circumstance on employer and union policies might be? In full employment under peacetime conditions, a mounting flood of goods would always be pouring into the market. By definition, no serious dislocations could arise from this circumstance, full employment being in effect at all times, but the longer the full employment conditions were maintained, the greater would be the competitive rivalry among employers to cut prices and expand sales. Moreover, investment would be expanding at a rate undreamed of in modern industrial society. By the same token, output per man hour would be rising at a prodigious rate, at

least when compared to the pre-full employment era when a large portion of our resources were periodically unused. It would be a wild and bloodthirsty union leadership indeed which, faced with these circumstances, insisted on pushing up wage rates so much more rapidly than productivity as to cause a serious price inflation. Walter Reuther, who is not famous for the restraint of his collective bargaining demands, has agreed to a contract calling for cost of living increases and a productivity improvement factor. In a full employment economy, this type of agreement would surely not be inflationary. I see no reason, then, why a full employment economy could not meet the demands of the trade-unions without incurring inflation, unless the entire character of the labor movement were to change.

Third, and last, even assuming that full employment is always maintained, and that the trade-unions follow a consistent and universal policy of "rule or ruin," there is of course no reason for believing they would be left free to carry out their reckless program. Professor Reder points out that the government could take various steps towards this end, although he is fearful that in doing so, it may curb some of our essential liberties. In our kind of society, with its strong propertied-interest tradition, I share his latter concern. In fact, in times past, we have demonstrated a lively penchant for curbing unions evils that are more imaginary than real. The allegation that unions are likely to cause serious inflation in a peace time economy may well belong in this same category. It is to be hoped, therefore, that if any corrective action is taken it will rest, not on hypothetical conjecture, but on convincing evidence.

Having taken issue with Professor Rees for being too optimistic, and with Professor Reder for being too pessimistic, about the wage-price issue in a peacetime economy, I may appear to have been conducting a vigorous argument chiefly with myself. I feel, however, a position mid-way between the two papers presented today is the most defensible one to take. Considered singly, each paper gives only a limited picture. Considered together, they present a well-balanced review of the wage-price issue.

Part VIII

**COLLECTION AND USE OF
OCCUPATIONAL WAGE STATISTICS**

CONCEPTUAL PROBLEMS IN THE DEVELOPMENT OF AN ADEQUATE PROGRAM OF OCCUPATIONAL WAGE STATISTICS

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FOR MORE THAN 60 years, the Bureau of Labor Statistics has been engaged in the compilation of occupational wage data. During this period, its program has been altered from time to time to reflect changing needs and interests. In this process, governmental requirements for wage information have played an important role. The Bureau's first major wage investigation, in fact, grew out of studies of prices and wages authorized by the United States Senate in 1891 and conducted under the auspices of the Committee on Finance, headed by Senator Aldrich.¹ The report of the Committee points

The investigation into wages conducted under the supervision of Mr. (Carroll D.) Wright presents a vast amount of valuable material covering a very wide range of occupations in a number of industries. No other investigation has been made with so wide a scope, such variety of detail, and covering so extensive a period.²

The specific influence of governmental needs on the Bureau's wage program has also been marked in more recent years. Thus, many of the Bureau's wage studies between 1934 and 1940 were designed largely for administrative use under the National Recovery Act, the Public Contracts Act, and the Fair Labor Standards Act. During World War II, the Bureau undertook to supply the extensive data on wages required by the National War Labor Board in its administration of wartime wage stabilization and in the settlement of labor disputes.³

The Bureau's wage program has also been shaped by the specific needs of labor and management for reliable occupational data and, in the broadest sense, by the public interest in wages. Thus, as early as 1892, Commissioner of Labor Carroll D. Wright stated:

¹ United States Senate, Committee on Finance, *Report on Wholesale Prices, Wages, and Transportation* (Washington: Government Printing Office, 1893). out that

² *Ibid.*, part I, p. 11.

³ See Robert J. Myers and Harry Ober, "Statistics for Wage Stabilization," *Journal of the American Statistical Association*, Vol. 38 (December, 1943), pp. 425-437. Also *Activities of the Bureau of Labor Statistics in World War II* (Washington: Government Printing Office, 1947), pp. 86-94.

The Department is inquired of from time to time as to the rate of wages paid in different employments in the different States in the Union . . . for instance, for puddlers in New York or carpenters in Ohio. . . . Large collections from important establishments . . . if made substantially at the same time and exactly on the same basis, would prove the nearest approach to such information, and would be far beyond what has yet been done, and an attempt at this is in contemplation by the department.⁴

In the introduction to an important report by the Bureau on occupational wages for the period 1890-1903, note was taken of "the constant and growing demand on the part of the public for regular and adequate statistical information relating to wages and the cost of living. . . ." ⁵ The hope was expressed that the report "would serve as the basis for the regular annual collection and presentation of data concerning wages and prices." ⁶ With some interruptions, a regular program of occupational studies was inaugurated. This program consisted basically of biennial surveys in a limited number of industries, and lasted until the early 1930's.

It may be of interest to outline in general terms the major phases of the Bureau's work in the field of occupational wages. A rough classification of this nature is attempted immediately below.

1. 1891-1892. Rates of wages by occupation from 1840 to 1891 in almost 100 establishments in 22 industries. Published in report of Aldrich Committee, cited in footnote 1.

2. 1900-1903. Wages and hours of labor, 1890-1903, for more than 500 occupations in 3,475 establishments in 67 industries. Published in Nineteenth Annual Report of the Commissioner of Labor, cited in footnote 5.

3. 1904-1907. The wage studies reported in the Nineteenth Annual Report continued, but with reduction in the number of industries covered.⁷

4. 1912-1933. No wage surveys were undertaken from 1908 to 1911. Beginning in 1912, union rate surveys were undertaken in 7 industries, carried back to 1907, and, in several cases, carried forward to the present day. Studies of hours and wage rates based on payroll records were begun in 12 industries, with data in all except one of these industries carried back to 1907. With some reduction in the number of industries and other changes in industry coverage, these studies were continued, largely on a biennial basis, until about 1933. At the request of the War Industries Board, the Bureau in 1919 substantially ex-

⁴ Cited in *The Machinist* (official journal, International Association of Machinists), Vol. 4 (February, 1892).

⁵ Nineteenth Annual Report of the Commissioner of Labor, *Wages and Hours of Labor* (Washington: Government Printing Office, 1905), p. 9.

⁶ *Ibid.*

⁷ For 1904-1907, wage studies were published in annual bulletins of the Bureau. Thereafter, publication was in the form of individual bulletins, and increasingly, especially in recent years, in the form of mimeographed reports or releases. Summaries of wage studies are typically published in the *Monthly Labor Review*.

panded its occupational wage program.⁸ For this single year, therefore, the data developed in the regular program were materially augmented.

5. 1934-1940. During these years, the selection of industries for survey depended largely on administrative needs under the National Recovery Act, Public Contracts Act, and the Fair Labor Standards Act. Some industries covered in program of preceding period were studied, but at less frequent intervals. In general, emphasis was placed on relatively low-wage consumer goods industries.

6. 1940-1941. Emphasis shifted to heavy industries essential to war production, and to special studies for use in settlement of labor disputes.

7. 1942-1945. A very large program of occupational surveys by industry and labor market area was carried through for use of the National War Labor Board in the wage stabilization program. An appreciable number of special studies for dispute settlement also were conducted. Special wage rate indexes were constructed for measurement of effectiveness of stabilization.

8. 1945-1947. A comprehensive program of nation-wide industry surveys, with locality breakdowns, was conducted during this period. The scope of the program was considerably broader than the pre-war series of industry surveys.

9. 1947 to present. During this period, partly because of budget considerations, the wage program was drastically reorganized. The revised program continued to yield a substantial amount of occupational data; at the same time, experimental work looking toward the formulation of a more integrated program was undertaken. This period is discussed more fully at a later point in this paper.

The Importance of Program Continuity

The work of the Bureau has provided a rich fund of public information on the structure of wages over many decades. The uses of this information have by no means been exhausted. There is a very substantial amount of creative research yet to be done on the basis of these data—research not only of historical interest, but of relevance also for present-day problems.

The outstanding weakness of the Bureau's occupational wage program, historically, has been lack of continuity. There has been, throughout the years, no consistent core of information collected on a regularly recurring basis.⁹ Some of the reasons for this fact have been suggested in the brief discussion of the forces that have shaped and changed the contours of the Bureau's program. In summary,

⁸ Bureau of Labor Statistics, Bulletin No. 265, *Industrial Survey in Selected Industries in the United States* (Washington: Government Printing Office, 1920).

⁹ An exception is found notably in the case of the Bureau's union rate studies in construction and printing, for which annual data are available since 1907. A few industries have been surveyed quite frequently on a payroll basis throughout the period of the Bureau's work. An outstanding example is cotton textiles.

the major reasons appear to have been: (1) drastic changes in program to meet governmental administrative needs, as during 1942-1945 and at some earlier periods; (2) changes in budgetary provisions for wage studies; (3) the inherent difficulties in formulating a consistent program with multiple uses and hence commanding broad public support.

The Bureau unquestionably will continue to respond to urgent special needs for wage data. It will do so in the present emergency at the request of the Wage Stabilization Board and the Economic Stabilization Agency. However, special needs can be met more easily, and both short- and long-term uses for wage data can be more adequately served, if a limited but well-devised basic program already exists.

The essential problem is to plan a basic wage program calculated to meet as many needs for occupational rate data as can reasonably be anticipated, and then, except for improvements in coverage or changes dictated by technical considerations, to maintain this program. The program should conform to reasonable criteria of cost.

Some Elements of a Wage Program

General interest in occupational wage data is now very great. This interest is likely to persist, partly because of the spread of trade union organization and the adoption, increasingly, by management of more consistent policies with respect to wage determination and administration. Public concern with the maintenance of high level employment tends to produce wider public interest in the movement and structure of wages than may have existed in the past.

This interest is reflected in the fact that the Bureau of Labor Statistics received during 1949 more than 25,000 requests for wage information. These requests came from large and small business firms, from trade associations, from unions, from governmental organizations, including the Congress, and from individuals. It is reflected also in substantial growth in recent years in occupational wage surveys by trade associations and other private organizations. These have become sufficiently numerous and important as to warrant academic study.¹⁰

What do people want to know about wages? The questions differ

¹⁰ See forthcoming study by N. Arnold Tolles of the School of Industrial and Labor Relations, Cornell University, on "Sources of Wage Information: Employer Associations."

greatly as to their level of generality. For example, what is the rate, or the range of rates, for maintenance electricians in Chicago? What is the level of rates for pressers in the coat and suit industry, or perhaps separately for the industry in New York and St. Louis? Is there any information on the salaries of office employees in Boston? What is the present size of the North-South wage differential in cotton textiles or full-fashioned hosiery or wood furniture? Approximately what would we have to pay for unskilled labor if we opened a plant in community X or Y or Z? What has happened to skill differentials over the past decade? Within a given industry, how do the earnings of incentive workers compare with those of time workers in the same occupations? What has been the trend of wage rates in manufacturing? How does the movement of office worker salaries compare with the movement of plant wage rates since 1939 or 1945?

These are typical rather than unusual questions. They suggest some of the elements that a basic program of occupational wage statistics should possess. These elements may be summarized briefly as follows:

1. In many cases, although not in all, industry-wide information has limited usefulness. It is more important for many purposes to know what rates for tool and die makers are in the machinery industry in Detroit, Toledo, and Baltimore than to have an industry-wide average or distribution of rates.

2. Data should be developed not only for occupations on an industry basis, but also on a community or labor market basis for occupational categories that cut across industry lines. Community-wide data on office worker salaries, for example, are much more useful and meaningful than data confined to a limited number of specific industries. Moreover, this approach is necessary if light is to be thrown on the general wage structure of a community.

3. The program should relate to a sufficient number of areas to permit significant inter-area and regional wage comparisons by occupation and industry.

4. Industries selected for specific coverage should provide an adequate cross-section of the levels and structures of wages in the American economy.

5. The program should be so designed as to yield data for the construction of a variety of indexes of wage rate movement.

6. The program should yield current information. Except in unusual circumstances, annual surveys are sufficient for this purpose.

General Considerations in Program Planning

In any consideration of a basic public program of occupational wage data, certain points are clear. First, American industry is so extensive and so complex that no one type of survey can be built into an adequate and well-rounded program. Recognition of the need for flexibility in survey methods and procedures, therefore, is an essential starting point. Second, no basic program can meet all of the needs for occupational wage data, nor should it attempt to do so. Industry, occupational, and area coverage will be limited. The program should be designed, with proper regard for budget, to throw as much light as possible on the structure and movement of wages and thus to serve a wide variety of uses. However, additional requirements for wage data are bound to arise from time to time leading either (a) to supplementation of the basic program or (b) to surveys conducted by management, unions, or other private groups.

Another important consideration relates to the occupational coverage that is needed to characterize a wage structure. At first glance, the occupational structure for either the economy as a whole, or for many individual industries, appears bewilderingly complex. The *Dictionary of Occupational Titles* contains thousands of job descriptions. It is pointed out, moreover, that "the great majority of jobs are defined in broad all-inclusive terms. Consequently, not all definitions can be expected to coincide exactly with specific jobs in a particular establishment or in a particular locality."¹¹

The problem of developing meaningful occupational wage data is greatly simplified by the realization that information for a limited number of jobs ordinarily is sufficient to reveal the structure of wage rates in an industry or even in an area. There is nothing particularly new in this concept. Almost 50 years ago, the Bureau followed the procedure "of securing data for only the important and distinctive occupations which are considered representative of each industry."¹² The major reason given for this decision was lack of staff; actually, this procedure ordinarily tends to clarify rather than obscure occupational relationships. In most industries today, the range of occupational rates for production workers typically does not exceed 100 per cent. This means that rates for many occupations must cluster closely together. Bands of rates can usually be discovered into which many diverse occupations fall. This is the essential accomplishment

¹¹ *Dictionary of Occupational Titles*, Second Edition, (Washington: Government Printing Office, 1949), p. iii.

¹² Nineteenth Annual Report of the Commissioner of Labor, *loc. cit.*, p. 10.

of job evaluation. In the basic steel industry, for example, a satisfactory wage structure consisting of 32 labor grades has been developed on the basis of joint union-management job evaluation. Literally hundreds of jobs have been slotted into these labor grades.¹³ In a modern office of reasonable size, the employees below the supervisory level can probably be classified into a substantially smaller number of rate bands.

All of this means that modern wage surveys can be conducted on the basis of a small but carefully selected group of occupations in a given industry or occupational category (e.g., office clerical). Recent surveys by the Bureau in the foundry industry, for example, have been limited to eight occupations.¹⁴ In the much broader and occupationally more complex machinery manufacturing industry, data for about 25 occupations have been shown.¹⁵

The extent of urbanization needs also to be taken account of in planning. A surprising proportion of the non-agricultural labor force is found in the great urban complexes of New York, Chicago, the San Francisco Bay Area, Los Angeles, the Boston Metropolitan Area, Philadelphia, etc. Many manufacturing industries are almost entirely urban in character, in the sense of being found predominantly in relatively large cities. These cities, moreover, contain a broad representation of categories of occupations that are not associated uniquely with particular industries. It is in these areas also that representation of a wide variety of nonmanufacturing industries is of sufficient significance to permit the development of useful wage data on an occupational basis. These facts obviously suggest that a systematic wage program should be formulated, at least in part, with reference specifically to the major labor markets of the country.

There are, of course, a variety of important industries, at least some of which should be represented in a basic wage program, that fall largely outside of areas of urban concentration. Among the major industries in this category are lumber, textiles, some of the cotton garment industries, footwear to an appreciable extent, mining of all types, and a number of others. A basic program should not fail to include representation of industries of this type.

¹³ Robert Tilove, "The Wage Rationalization Program in United States Steel," *Monthly Labor Review*, Vol. 64, June, 1947, pp. 967-982. See also Willis C. Quant, "Wage Chronology No. 3: United States Steel Corporation, 1937-48," *Monthly Labor Review*, Vol. 68 (February, 1949), pp. 194-200.

¹⁴ Charles Rubenstein, "Workers' Earnings in Ferrous Foundries, 1950," *Monthly Labor Review*, Vol. 71 (December, 1950).

¹⁵ Fred W. Mohr, "Machinery Manufacture: Earnings in November, 1949," *Monthly Labor Review*, Vol. 70 (May, 1950), pp. 527-529.

Experimentation in Program Development

Over the past decade, the Bureau has done a very large amount of work by industry and local labor market.¹⁶ Much of the Bureau's work for the National War Labor Board was of this character. In the large program of nation-wide industry surveys undertaken between 1945 and 1947, locality breakdowns were presented wherever possible. In the revision of the Bureau's program that occurred in 1947, surveys largely on an annual basis were provided for in about 25 industries in about 30 cities or in other areas of major concentration for each industry. Up to this point, the area surveys were conducted strictly on an industry basis. For a given area—Chicago, for example—this group of surveys yielded an appreciable amount of occupational wage information, but only for a group of separate and distinct industries.

One consequence of this was that it was very difficult for the Bureau to say anything positive about wages in Chicago as a whole. Material from the separate surveys could be pieced together in some fashion to provide a general view, but the view, in the nature of the case, was never a very clear one. Moreover, except on a strictly industry-by-industry basis, it was not possible to make any comparison between wages in Chicago and, for example, in San Francisco.

In 1948 another type of wage study was inaugurated. In that year, office clerical worker surveys were undertaken in a number of cities.¹⁷ Information on office worker salaries had previously been collected in conjunction with data for production workers in specific industries. This information plainly had limited usefulness; it was very difficult to combine office salary data for a number of industries so as to develop some sort of picture of the general structure of office worker salaries.¹⁸ This new group of surveys was made on a cross-industry basis and resulted in a picture of the general level of office worker salaries in specific communities. Breakdowns on a broad industry basis were also provided.

¹⁶ The Bureau actually has presented wage data on a locality basis throughout most of its history. For example, see Bureau of Labor Statistics, Bulletin No. 135, *Wages and Hours of Labor in the Cigar and Clothing Industries, 1911 and 1912* (Washington: Government Printing Office, 1913).

¹⁷ For a recent example of this type of survey see Bureau of Labor Statistics, Bulletin No. 995, *Office Workers, Chicago, Illinois, February, 1950* (Washington: Government Printing Office, 1950). Other 1950 office worker surveys were conducted in Atlanta, Boston, Detroit, Indianapolis, Los Angeles, Memphis, Milwaukee, Oklahoma City, New York, and Providence.

¹⁸ See Bureau of Labor Statistics, *Wage Structure Bulletin, Series 2, No. 13, Office Workers—Metalworking, 1945* (mimeographed, 1946).

These office clerical worker surveys suggested additional steps that might be taken in the provision of wage data on the basis of labor market areas. Moreover, they provided insight and experience with respect to cross-industry sampling. In the Spring of 1949, surveys on an experimental basis were conducted in six communities with populations in the neighborhood of 100,000.¹⁹ In these surveys, information was developed on a cross-industry basis not only for selected office occupations, but also for a group of skilled maintenance occupations and for a third group of jobs, relatively unskilled in character, relating to custodial, warehousing and shipping functions. In addition, data were secured for selected processing jobs peculiar to the more important industries in each community. Finally, data on union wage scales were secured for those industries, such as building construction, for which the Bureau has long studied union rates.

These surveys clearly provided a larger body of data relating to specific communities than the Bureau had ever before been able to develop. A good deal could be said with confidence about wage structures, not only in specific industries within these areas, but with reference to each community as a whole. Information was provided not only on the general levels of rates in the occupations covered, but also on the distribution of these rates. Data on important supplementary wage practices were set forth. These pilot surveys were distributed widely for comment among union, management, government, and university people. A very substantial amount of comment was received, and the general reaction was such that the Bureau felt justified in continuing to explore the possibilities that appear to reside in this type of wage study.

Accordingly, additional experimental studies were undertaken in the year now ending. These studies were conducted in large communities—Buffalo, Denver, the San Francisco Bay Area, and Philadelphia. One of the things that we wanted to test was the operational feasibility of this type of wage study in large metropolitan areas. The final reports on all of these surveys are now available.²⁰ They were, in general, highly successful. Within a few days we shall get under way the collection of data for a second survey in the San Francisco Bay Area. The initial survey that we did a year ago was

¹⁹ Portland, Me., Trenton, N. J., Shreveport, La., Rockford, Ill., Grand Rapids, Mich., and Spokane, Wash.

²⁰ The Philadelphia survey is typical. See Bureau of Labor Statistics, Bulletin No. 1008, *Occupational Wage Survey, Philadelphia, Pa., May 1950* (Washington: Government Printing Office, 1950).

very widely used in private wage determination and in wage determination by governmental agencies for those of their employees compensated on the basis of prevailing rates. The forthcoming survey will be used even more widely for this latter purpose. In addition to the San Francisco Bay Area, we shall conduct community surveys in five other large cities this Winter.²¹

A Basic Wage Program

Now what are the program implications of this type of wage study? As we worked with the community-type survey, it occurred to us that a series of such studies on a periodic basis would yield a volume of occupational wage data on both an industry and an area basis greater than any we had been able to develop hitherto. This could be done with due regard to economy in the use of resources available for wage studies. It would involve largely the integration of the substantial amount of work we were already doing on an area basis, with some expansion to secure balanced industry and area coverage. We found that 40 communities, including all of those communities with 500,000 or more population, contain approximately half of the non-agricultural labor force. They contain almost half of the manufacturing labor force and more than half in such industry divisions as public utilities, wholesale trade, finance, insurance and real estate, and the services industries. About half of the large number of Federal employees whose wages are determined on the basis of prevailing rates by agency wage boards are employed in these areas. These 40 communities are so distributed as to give good geographic coverage. Most of the cities for which the Bureau prepares consumer price indexes are included. In terms of a basic wage program, data relating to these 40 communities on a regularly recurring basis would go a very considerable distance toward meeting the problems of coverage and program continuity with which we have to deal.²²

This type of survey has a flexibility that is important. It will undoubtedly make possible the development of more information on an industry basis than any other type of program would permit. It will make possible a somewhat more extensive use of union scale data,

²¹ Boston, Denver, New York, Chicago, and Atlanta.

²² H. M. Douty and Toivo P. Kanninen, "Community Approach to Wage Studies," *Monthly Labor Review*, Vol. 69 (October, 1949), pp. 365-370. For some indication of the uses of community wage data see H. M. Douty, *Work Force Effectiveness and Wage Policy* (San Francisco: California Personnel Management Association, 1950).

as illustrated in both the San Francisco and the Philadelphia surveys. At the same time, we will have cross-industry area data of a type that has never before been available on a systematic basis. These surveys will also yield data for a variety of index constructions. As things stand now, the major problems in connection with such a program are operational and we are confident that these can be solved.

A basic occupational wage statistics program cannot, however, be confined to the community program just outlined. As mentioned earlier, there are industries that are found predominantly outside of urban areas or which, for other reasons, need to be considered independently of a labor market approach. We would continue, therefore, periodic surveys in non-urban industries included in our present program, such as the major textile industries. We would survey less frequently such industries as lumber. There is another group of industries that can best be handled on a nation-wide basis, partly because of concentration of ownership, partly because they are too thinly represented in more than one or two communities to permit the development of data on a local area basis, and partly because of the nature of their collective bargaining. Examples are the basic steel industry and automotive assembly. In neither of these industries was it feasible, for example, to show separate data for the Philadelphia metropolitan area, although the industries were represented in the occupational data shown on a cross-industry basis.

Such, in brief, as we see it, are the essentials of a limited basic wage program. Such a program, in summary, would provide a substantial body of wage data by industry and area for a group of local labor markets containing a highly significant segment of the nation's non-agricultural labor force. These studies, conducted on a regularly recurring basis, should be supplemented by periodic surveys in a group of important industries that would not be represented in the community program. Other industries of significance to the nation's economy should be surveyed on a less frequent basis. Out of this program would come an integrated body of data on the level, structure, and trend of wages in the United States.

The fact should be reemphasized that such a program would not meet all needs for wage data. No program can. In terms of the public interest in wages, what is necessary is a basic long-term program that will throw light on the major wage problems that are likely to arise and that will lend itself to a wide variety of public and private uses. It is believed that the program outlined above would fulfill these functions.

USES AND LIMITATIONS OF OCCUPATIONAL WAGE DATA

E. C. ALLEN

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WAGE AND SALARY rates and the data used in the process of evaluating them are of great importance in our economy today, perhaps greater than at any previous time in our history. This is seen merely by considering the fact that about \$154 billion, or nearly two-thirds of the total national income, now represent wage and salary payments, and further, that about 87 per cent of those gainfully employed today are engaged in non-agricultural pursuits as compared to only 47 per cent in 1870.

Characteristics of Occupational Wage Data

Wage data are generally divided into two main classes: gross average earnings data and basic wage rate data.

Gross average earnings are determined from aggregates of total compensation (hourly, weekly, etc.) and total employment. They are usually expressed on an industry basis or otherwise for comprehensive groups of workers.

A basic wage rate is commonly defined as the amount of pay for a specific unit of time (hourly, weekly, etc.) exclusive of premium pay for overtime or other premium payments. Basic wage rates are sometimes expressed as averages of all workers in an establishment or in an industry, or for related groups of occupations in an establishment or an industry. However, they usually are quoted for specific occupations, as for example, tool maker, millwright, turret lathe operator, stenographer, etc.

These latter data are known as occupational wage rates, since they relate basic wage rates to specific occupations or jobs, as distinguished from groups of occupations.

In most cases, occupational wage rates are presented in the form of distributions of employees in an occupation according to basic wage rates. Presentations of occupational wage data also frequently include the average rate of all workers in an occupation; the range of the middle 50 per cent, i.e., the solid center of the group; the modal or most frequently occurring rate; and, in some instances, the median rate or that paid the worker in the exact numerical

center of the group. Regardless of the form of occupational wage data, the characteristic which distinguishes them from all other wage data is the association of a wage rate with a specific occupation.

Sources of Occupational Wage Data

Occupational wage data are most generally obtained by making a "wage survey" of original data for selected "key" or important occupations. Fundamental to such a survey is the development of a job description for each "key" occupation to be covered, because using job titles may produce data pertaining to work elements different from those which the surveyor had in mind. It follows then that the quality of the occupational wage data obtained in a wage survey will depend first on the accuracy of the job descriptions used, and second on the accuracy with which the classifications are made by the employers who participate in the survey. There are, of course, other factors which will affect the final data, but these two are fundamental.

Many agencies and individuals have made wage surveys at one time or another. Because of the variety of uses to which they were to be put, they necessarily have ranged all the way from some of the broad and well designed surveys made by the Bureau of Labor Statistics to spot checks of the rates paid on a single "key" occupation by a few employers in a local labor market. So that you will appreciate how extensive and varied the sources are, I shall mention the principal ones.

The occupational wage rate studies of the Bureau of Labor Statistics constitute the principal sources of occupational wage data publicly available. The Bureau has been making such studies for many years and has produced a great variety of material. The Bureau's surveys, for the most part, have been designed and made to produce data for governmental requirements which have varied frequently as to scope and content. Further, the Bureau has sometimes been forced to revise its survey program to meet budgetary requirements, and this has at times affected continuity. Under these circumstances, the Bureau has spent its money to produce the data most urgently needed at the moment.

The Bureau's work has been a substantial source of creative research on survey methodology as well as wage data. Until recently it has been the only research source in sampling techniques of the kind applicable to the problems of making a wage survey.

All of the occupational wage data collected by the Bureau of Labor

Statistics are available in one form or another to the public. For the most part, the data collected by other sources are designed for limited uses and have a correspondingly limited distribution. Because of this, such data are not in most cases available to the public. I make this statement as a general qualification of my discussion of the following sources of occupational wage data.

Other government agencies. Many other agencies of federal, state, and local government survey and in some cases publish data on occupational wage rates. Examples are the wage boards of the several government departments in the federal field, the Salary Standardization Board of the New York Department of Civil Service in the state field, and the Civil Service Commissions of the cities of New York and San Francisco in the municipal field.

The states of New York, Ohio, and Pennsylvania survey the salaries of office clerical workers in manufacturing industries, and there undoubtedly are others. Data on teachers' salaries are available from the U. S. Office of Education. No doubt investigation would develop many additional sources of occupational wage data from governmental agencies.

Universities. There is a growing trend for universities to make wage surveys to implement the study of wage rates and their behavior. The data generally do not appear publicly until some time after they have been collected and often may be of little use in the consideration of immediate wage problems. However, an increasing number of university industrial relations research departments are willing to undertake special studies if assured of the cooperation of the parties involved. Typical of such studies of recent date are *Wage and Employment Trends in Selected Industries in the Columbus Labor Market* by George Schwarcz of Ohio State and Nedra Belloc's study published as *Wages in California, War and Postwar Changes*, by the University of California press.

Trade associations and employer groups. Many trade associations regularly survey and publish wage data for the benefit of their membership. Professor Tolles and his group at Cornell are at present working on a detailed guide to the wage research work of trade associations.

Many local employer groups throughout the country make periodic wage surveys of the occupations in which their members are particularly interested. Examples in this field are the San Francisco Employers' Association, the Associated Industries of Missouri, the

Pennsylvania Manufacturers' Association, the Metal Manufacturers' Association of Philadelphia, the Commerce and Industry Association of New York, and the Employers' Association of Chicago, just to mention a few.

Also included in this group are many Chambers of Commerce. Some of these groups make local labor market surveys as often as quarterly or even monthly for the benefit of their membership.

Individual employers. Hundreds of employers make their own surveys. In 1948 the Industrial Relations Section at Princeton University published the results of a survey of company wage policies. It showed that 95 per cent of all the firms studied used private occupational wage surveys and that well over half of them made their own surveys.¹ Since each individual employer has need for occupational wage data suited to his establishment, these surveys necessarily assume many forms and vary in the number of occupations and firms surveyed.

Labor unions. The research organizations of some labor unions summarize and distribute occupational wage data to their locals. Sometimes this information is available in published form, as for example "Wages and Conditions Contracts June 10, 1948" prepared by the Research Department of the American Newspaper Guild.

Private research organizations and business services. Private research organizations such as the National Industrial Conference Board periodically survey occupational wage rates. Also, business services such as the Dartnell Corporation of Chicago frequently conduct surveys of specific phases of occupational wage problems.

It is obvious that there is an abundance of occupational wage data much of which is gathered in wage surveys (1) having limited objectives, (2) often not publicly distributed, and (3) of dissimilar timing, composition, and scope of coverage.

Uses of Occupational Wage Data

I should like to turn now to a brief discussion of the uses of occupational wage data. It seems to me that such data have five principal uses, as follows: (1) establishment of wage rates, (2) setting minimum wage rates, (3) use in arbitration and fact finding, (4) controlling or stabilizing wage rates, and (5) general economic analysis.

¹ *Company Wage Policies: A Survey of Patterns and Experience* (Industrial Relations Section, Princeton University, 1948).

I propose to discuss each of these items and point out some of the limitations of the data presently available.

Establishment of wage rates. The use of occupational wage data in wage determination is by far their most important role in industry. Reliable occupational wage data can contribute much to a better understanding of the occupational and regional wage differentials which must be considered in the establishment of wage rates.

Another factor of increasing significance is the substantial growth in the amount and extent of supplementary or fringe benefits such as vacations, shift differentials, paid holidays, sick benefits, health and welfare plans, and pensions. Some of these benefits find their way into the paycheck and some do not, but without exception they find their way into labor costs. More and more it becomes necessary to measure basic wage rates on the one hand and "fringe" costs on the other in order to deal intelligently with the problem of wage costs.

Wage data have particular use in the establishment of wage rates for many government employees. In statutes dating as far back as 1862, the principle of paying the prevailing wage rate has been recognized by Congress. As a result, almost a million day-rated federal employees in mechanical, trade, and laboring positions have their wage rates set in accordance with rates paid for similar work by private employers in the respective localities. Over 300,000 of these are in the Department of Defense. The Army-Air Force Wage Board in its first annual report described the manner of setting and administering the wages of their day-rate personnel. Much of that report is devoted to a description of the gathering and use of occupational wage data. The importance attached to such data is indicated by the following quotation from that report.

It is a policy of the Army-Air Force Wage Board that, insofar as possible wage surveys will be conducted by the Board in each locality at least once in each calendar year.²

The *Monthly Labor Review* for November, 1944, described in some detail the procedures and methods used by the various federal agencies in setting the wages of their day-rate personnel.

In addition to the federal government, many state, county, and city governments by statute or as a matter of policy follow the same procedure. To cite one example, the city charter of San Francisco

² *Wage Administration In The Army And Air Force: First Annual Report of the Army-Air Force Wage Board, 1950.*

provides that the board of supervisors is to determine the wage rates of city employees based upon recommendations of the Civil Service Commission, which in turn shall base its recommendations upon the prevailing wage rates in San Francisco and in the state of California as determined by wage surveys. It is interesting that this year the commission has arranged with the Bureau of Labor Statistics to make the survey as a part of its scheduled occupational wage survey of the San Francisco-East Bay area. In New York City substantially the same regulations apply for skilled craftsmen and employees in the operative service.

Setting minimum wage rates. When reference is made to minimum wages most of us think first of the 75 cents an hour minimum of the Fair Labor Standards Act. But there are in addition the minimum wage provisions of the Walsh-Healy Public Contracts Act, the minimum wage provisions of the Davis-Bacon Act of 1935 as applied to all federal construction contracts in excess of \$2,000, and the statutes of 15 states which in one fashion or another establish a statutory minimum wage in all or selected industries.

The importance of occupational wage data in setting minimum wage rates is indicated by the following excerpt from a recent letter from the REA Administrator in connection with the payment of prevailing wage rates on construction financed by REA :³

Bid disparities were occurring which were attributed, in some cases, to variations in minimum wage practices. REA was criticized in some quarters for having abandoned its long-established policy of requiring the inclusion of wage scales in contracts for construction financed by REA loans. *As a matter of fact REA has been forced because of a lack of a continuing source of current wage data to terminate enforcement of this policy and to leave this function to the borrowers.*⁴

Recently I have examined many notices of hearings on minimum wages in a variety of industries and in every case reference is made to the occupational wage data relied upon. Also, the request is made for interested parties to submit additional wage data at the hearings. Thus we have another important use of occupational wage data in these minimum wage settings.

Use in arbitration and fact finding. Occupational wage data play

³ Letter dated September 21, 1950, from the Administrator to all REA Borrowers, System Engineers, and Contractors on the subject "Requirement that Prevailing Wages be Paid on All Construction of Electric Facilities Financed by REA."

⁴ Emphasis supplied.

an important part in the arbitration and fact finding processes associated with the settlement of many labor disputes involving basic wages. Many state statutes provide for a variety of fact finding and arbitration proceedings mostly in the utility field. Also, about two per cent of labor contracts provide for arbitration of the terms of new agreements if the parties are unable to reach agreement.⁵

The states which provide specifically for compulsory arbitration specify standards for the guidance of the arbitrators in reaching their findings of fact and decisions. Standards of that type make it incumbent on the parties to have occupational wage data and since there are generally insufficient facts available from state or other public sources each party must develop his own.

In the federal field the Railway Labor Act provides for mediation of disputes through the offices of the National Railway Mediation Board, encourages voluntary arbitration by an ad hoc board if mediation fails, and gives the President discretionary authority to appoint emergency boards of inquiry where voluntary arbitration is refused. The Labor-Management Relations Act of 1947 provides for fact finding boards in disputes involving national emergencies. Since the end of World War II and exclusive of the railroad industry, there have been 24 fact finding boards, both under specific laws and otherwise, in almost as many industries.⁶ Most of the major disputes involve basic wages, and it would be helpful for boards to have comprehensive occupational wage data to guide their deliberations, but frequently such data are not adequately available. The most prominent of recent boards to note the lack of occupational wage data was the Steel Board of 1949.⁷

Controlling or stabilizing wage rates. Those who were involved in any way with the wage stabilization activities of World War II will scarcely need any reminder of the role played by occupational wage data during that period. It will be recalled that

the chief objective of the wage stabilization program was to stabilize wage rates, the basic price of labor per unit of time or piece. . . . The War Labor Board did not attempt to stabilize take-home pay. It determined that the price of labor had to be stabilized apart from take-home pay not only for ad-

⁵ *Monthly Labor Review*, February, 1950, p. 162.

⁶ "Federal Fact-finding Boards and Boards of Inquiry," Bureau of Labor Statistics, Division of Industrial Relations, 1950.

⁷ "Report to the President of the United States on the Labor Dispute in the Basic Steel Industry," Section IV, Paragraph c, 2, a, September 10, 1949.

ministrative reasons but because a worker was entitled to receive more money for more work under a unit price for his labor which was equitable.⁸

To implement that policy it was necessary for the Bureau of Labor Statistics to substantially increase its gathering of occupational wage data. In addition, the regional War Labor Boards were required to determine "sound and tested going rates" for their local areas.

General economic analysis. That brings me to the use of occupational wage data in the fields of economic and statistical analyses. I have had the pleasure over the years of reading many articles on wage determination, wage criteria, wage differences, etc., and I am certain the writers could not have made their analyses without occupational wage data at their disposal.

Perhaps if we had more occupational wage data available, studies in this wage field would be even more meaningful and would necessitate fewer assumptions and estimates.

Limitations of Occupational Wage Data

This group presumably has two interests in this subject. One has to do with how privately conducted surveys and privately held data might be improved. The second concerns increasing the usefulness of publicly available information.

The broader interest is probably the second one, both for its own sake and because enough betterment might reduce the need for private surveys and with it the need for participating in so many surveys.

Fewer but better surveys would appeal to everyone.

The limitations of occupational wage data presently available which are most frequently mentioned might be summarized as follows:

1. Geographical coverage varies. A degree of duplication exists in some of the largest cities; on the other hand, publicly available data are meager for many large cities and for small towns as well.

2. The varying requirements of those who gather wage data lead to differences in the content and the scope of surveys. Thus, the occupations surveyed and the kind and number of firms included may not be similar. This is not, of course, a criticism of such surveys in relation to the objectives for which they are made; and it must be

⁸ *The Termination Report of the National War Labor Board*, Vol. I, Ch. 46, pp. 536-537.

recognized that all surveys, whether private or public, will always limit themselves to satisfying particular needs.

3. Surveys are made at irregular intervals. As a result, it is impossible to count on when occupational wage data will be available.

4. Consecutive surveys made by the same organization may include different samples. Unless these differences are adequately explained, users of the data may arrive at erroneous conclusions.

5. Mail survey techniques, which are frequently used exclusively, lack adequate assurance that firms report exactly what is wanted. Every survey is improved by a personal discussion between the wage survey interviewer and the firm's representative.

6. Considerable time may elapse between the making of the interview and the publication of the tabulation. In this event, data may lose some of their timeliness before they are published.

This brings us to the consideration of how occupational wage data might be improved. It is not an easy task to specify the ways in which this could be done, and I know you do not expect me to provide a definite specification.

I submit the following questions:

1. Is it possible to reach some broad general agreement as to the nature and scope of the occupational wage data which should be made available, including such considerations as a) geographical and industrial coverage, b) definition and selection of jobs, c) frequency and timing of recurring studies, and d) form of presentation?

2. Is it practicable to achieve a greater degree of uniformity in the methods of gathering occupational wage data and, if so, how can this best be accomplished?

3. How can the Bureau of Labor Statistics contribute most effectively in studies of general interest?

4. What role should the several states play in making more data available, particularly in the smaller communities?

5. What role can our universities play in this important undertaking, particularly from the standpoint of research into the basic methods and techniques of gathering wage data?

DISCUSSION

N. ARNOLD TOLLES

Professor of Industrial and Labor Relations, Cornell University

The papers by Mr. Douty and Mr. Allen provide an admirable general review of the history and status of occupational wage statistics. Very naturally, Mr. Douty confines himself to the relevant program of the U. S. Bureau of Labor Statistics. Mr. Allen catalogues the major classes of both nongovernmental and governmental wage data. It is notable, if not surprising, that Mr. Allen gives major and favorable attention to the BLS program. His view is heartwarming to an "old BLS hand" like myself. However, in this respect as in others, the two papers seem to present an unduly comforting view of the orderliness, comprehensiveness, and acceptability of the BLS program of occupational wage statistics.

Neither the labor unions nor the employers rely on governmental wage statistics as fully as might be inferred from the Douty and Allen papers. Nor can we look forward to the use of wage statistics for wage stabilization with any degree of comfort. The comment which follows will be confined principally to the attitudes of employers, with a brief note on wage stabilization.

Mr. Allen's company itself provides a leading example of an individual firm which makes its own surveys of the wages paid by others. No one knows how many individual companies conduct wage surveys of other companies, but the number would certainly be large if one included as "surveys" the more or less informal comparisons of the wages paid by several other employers. We also know that some of the industrial giants conduct the most meticulous and expensive surveys that have been made.

As for the associated groups of employers, some 200 trade and commercial organizations have been identified as conducting wage surveys by the School of Industrial and Labor Relations at Cornell University. We have found that most of these surveys are now conducted on a recurrent basis and that many associations conduct several different wage surveys each year. As of December 1950, 80 associations, making some 150 different wage surveys, have cleared for publication the descriptions of their work as prepared by the Cornell group.

If one adds to this picture the very frequent cross-checking of individual wage rates between individual employers, one gets the impression that reliance of employers on governmental wage surveys

is the exception rather than the rule. One should also add the numerous wage decisions and wage negotiations by employers that are without benefit of any wage information outside of the confines of the individual company itself.

Why do employers make so little use of governmental wage statistics? Some of the reasons have been suggested by Mr. Douty and Mr. Allen, but none of them have been made very explicit.

1. The ordinary employer, who is unsophisticated in the field of wage statistics, wants his wage information delivered on the day when he first thinks of using it. Thus, he is likely to pick up the phone and act on whatever information he obtains. Neither the government nor any other agency can have available, for instantaneous use, all the figures that would answer any conceivable question about wages that an employer would raise. Thus a sort of Gresham's Law is always operating in the field of wage statistics. The premium is apt to be on availability, rather than on quality.

2. Most employers assume that there is an easy comparability between their own groups of jobs and those of others. The individual employer may be well aware of his own scheme of division of duties, but he may assume, without adequate information, that the job structure of other plants is the same as that of his own plant. Again, the individual employer often assumes that all the other wage rates are practically identical, so that any one rate or any small group of rates is sufficient for comparative purposes. Thus many employers feel able to get the facts for themselves, or through their associations.

3. The natural and inevitable connection between governmental wage statistics and policy guidance for governmental wage regulation has prejudiced many employers against the governmental program for providing wage information. This is a mild version of the employer emotion which often exists against governmental activity of any kind. Many employers still do not believe that the U. S. Bureau of Labor Statistics solicits only voluntary cooperation and that it abstains from identifying the cooperating employer unless it obtains his explicit permission. In this matter, the BLS has to oppose the periodic demands of both labor unions and the enforcement agencies for the release of wage information that is identified with individual plants or companies.

4. Employers, like labor unions, like to feel that the information they use is peculiarly their own. To some extent this desire arises from the aim of strategic surprise, in opposition to the other party.

However, the attitude is broader than could be related to mere wage strategy. Whether calculated or vaguely felt, this desire for "ownership" of the figures tells against the use of data prepared by any agency the employer does not control—especially if the independent findings are at odds with the preconceptions of the user.

5. Employers may still have good reasons for conducting their own wage surveys, individually or by associated effort, even though they have surmounted the mental barriers of delay, technical needs, antagonism against government, and pride of ownership. Apart from mere delay in getting the results, the employer may find that the budget of the government agency precludes any hope of securing the type of wage information he needs. This will be the case, especially, if the employer's need for wage information is highly particularistic. Employers who conduct their own wage surveys are able to set the specifications. If they rely on a government agency they must, at the least, negotiate the specifications. Usually they will need to make do with some approximation of the kind of information they desire. In a few cases, moreover, the individual employer or association may have available the services of a staff that is more highly trained in the relevant particulars than any persons in the government service—or at least the employers may believe this to be true. For example, a few companies are able to use highly trained industrial engineers to do the field work on their wage surveys.

6. Collection of wage statistics has become a growing field for the individual enterprise. Wage surveys, whether of excellent or mediocre quality, can now command a substantial market price. Hence a variety of industrial consultants and association secretaries have found it worthwhile to promote wage surveys. The government is certainly not without active competition.

The foregoing comment deliberately excludes any evaluation of the relative quality of governmental and private wage surveys. It is confined to an explanation of attitudes which may explain why the governmental programs of wage statistics have not had as broad a support from employers as the papers of Mr. Douty and Mr. Allen might suggest.

In view of the current national emergency, a concluding note of warning seems necessary as regards the use of existing wage statistics for wage stabilization. The two preceding papers have conveyed a proper sense of progress, and I would certainly endorse the view that the U. S. Bureau of Labor Statistics is far better equipped to serve

a wage stabilization agency than it was during World War II. Let no one deduce, however, that wage stabilization will be a simple, or even a satisfactory, undertaking. On the contrary, it could be contended that the wage area, of all the areas where economic stabilization might be attempted, is certain to involve the greatest inefficiency and the greatest heartaches. This is true for two reasons, among others:

(a) Detailed wage determination involves the maximum individual points of impact. Of all the forms of governmental edict, wage edicts are bound to be the most inefficient, because authority must be applied at so many points of differentiated significance.

(b) A unit of labor, in spite of all our progress in definition and survey, remains one of the most difficult of all things to define. What you cannot define, you can hardly control from the outside in any satisfactory manner over an extended period of time.

LAZARE TEPER

Research Director, International Ladies' Garment Workers Union, AFL

The two papers on wage statistics and their use, presented to us this afternoon, perform a useful service in highlighting the thinking of the governmental agency which is the most important primary producer of information about wages in this country and of a corporation with considerable experience in the use of economic statistics generally, and wage statistics in particular. Both papers have been written by competent students. I hope therefore to be excused if I do not dwell on the virtues of the two documents but, instead, center my discussion on some of their shortcomings and omissions.

That wage collection is not new has been clearly described by Mr. Douty. It is, therefore, particularly disturbing to find the continued reference to "wage rates" by Mr. Douty or to "basic wage rates" by Mr. Allen when they speak of summations of occupational straight-time hourly earnings. I respectfully urge that either description is defective and that their continued use frequently leads to error of interpretation by those consumers of the data who accept, in an uncritical fashion, the title of statistical tables without inquiry as to what lies behind the facade. A wage rate is essentially "the unit of computation by which the worker's pay is calculated." This definition was advanced by the Bureau of Labor Statistics in 1947 in one of its memoranda prepared for discussion purposes. It offers a sound concept of what is a wage rate. It echoes in a sense the definition

advanced by the War Labor Board, mentioned by Mr. Allen in the course of his paper, to the effect that the wage rate is "the basic price of labor per unit of time or piece." The wage rate, as a descriptive term, can only have a unique significance when it is applied to standards and not to end results. Only in the case of workers compensated by the hour, can wage rates and straight-time hourly earnings be synonymous. In the case of workers paid by the piece, where the straight-time hourly compensation is affected by such factors as the length of runs on individual operations as well as by differences in workers' productivity from day to day or week to week, the wage rates are no longer synonymous to straight-time hourly earnings, but to piece rates. Whenever the workers are paid in accordance with an incentive scheme, which compounds guaranteed hourly earnings with supplementary compensation dependent on additional effort in accordance with some predetermined formula, it becomes difficult to define what is the wage rate short of suggesting that it is a combination of the base rate and the standard used in determining incentive compensation. It would be better, conceptually, if wage tabulations were described precisely for what they are—averages or distributions of straight-time hourly earnings or of gross hourly earnings by occupations and industries—instead of by a term which begs the question and which is only apt to give rise to misinterpretation.

This is not to suggest that study of wage rate movements as distinguished for investigations of changes in the occupational straight-time earnings should form no part of a well-balanced statistical program concerned with wages. On the contrary. We know from experience that in industries where incentive plans prevail, earnings at different times may move quite distinctly from rates. We know that if any national program of wage stabilization is to be devised in periods of national emergency that there again it is more important for the authorities to concern themselves with stabilizing rates—i.e. standards of compensation—than with earnings influenced by a multitude of factors, and because a worker under all circumstances must be deemed "entitled to receive more money for more work."

Increasing development of wage chronologies for the major areas of economic activity is a step in the right direction in measuring wage rate changes. But by itself, this program does not go far enough to present an adequate picture of wage rate movements. It has to be supplemented by studies of the developments, on the in-plant levels,

of the standards used in the computation of incentive compensation as well as of the base rates to which these standards are equated. Many of these elements are readily determinable, even though the present programs for occupational wage studies do not seek to determine them. These would include the compilation of the time study formulae in use by different establishments, the nature and amounts of the allowances for fatigue, personal needs, leveling, etc., used in the making of time studies, the applicable wage incentive formulae, and the base rates to which these are geared (including I should add the information on the "normal" levels of the expected output in return for the base rate compensation). Techniques for combining such information into continuous statistical series would, of course, have to be developed. It is likely, however, that this task can readily be carried out, particularly when changes in the character of wage rate formulations involve changes in their numerical attributes.

Admittedly, some elements which enter into the make-up of an incentive wage rate, such as the relative tightness or looseness of the piece rate structure, may not be calculable. To the extent, however, that both tightness and looseness of an incentive rate represent deviations from a theoretical "normal" rate, due in the main to the error of observation inherent in any time study, it may be difficult to eliminate its influence. It may be assumed, for the moment, that in a series which combines the experience of several establishments, the positive and negative deviations would cancel each other out and as such would influence the final indices but to a negligible degree. Even this matter, however, may well be the subject of a searching inquiry before *a priori* judgment regarding the extent of error is taken for granted.

The same need for testing hypotheses is highly desirable when occupational wage information is gathered only for selected occupations in an industry. This is particularly important if we hope to derive meaningful time series illustrating the changing character of the earning patterns over a period of time. From the study of past experience, we know that occupational wage differentials, either within a single plant or as between plants within a geographical area or between geographical areas, do not remain static. In many cases the range is narrowed down percentage-wise or even in cents per hour. We also know that the job content of the different occupational groupings, even within a single industry, undergoes constant dynamic change. It is important, therefore, to insure, whenever studies of

wages are limited to selected occupations in an industry, that their representative character, while adequate to portray overall wage movements, is not lost. The question, as posed by Mr. Douty, i.e. whether hourly earnings in certain occupations tend to cluster together, is much oversimplified. The issue actually is whether, over a period of time, earnings in certain occupations remain clustered in the same fashion as they had *ab initio* around the selected jobs, and the nature of deviations, if any, from such clusters. Merely because it is possible to rationalize an existing wage system in a single establishment by means of job evaluation, does not insure against deviations from the rationale under the pressure of events—changing nature of production, technology, and job content, to say nothing of other influences including the changing character of social organization within the plants. For we know, for certain, that job-evaluation plans increasingly tend to break down with age and that survival can only be assured by flexibility to inevitable change.

Even within the confines of a single occupation in a single industry in a single locality, at any one time, we are confronted with the existence of a considerable scatter of hourly earnings. Investigation of the wage structure would suggest a number of additional inquiries justifying some review of the present scope of occupational wage programming. I am referring to studies of distributions of occupational averages as between the several plants, of the characteristic deviations from the average within the individual plants, and of the inter-occupational patterns of wage relations as between the individual plants within geographical divisions of the various industries. Such data would prove a valuable supplement to area-industry occupational averages and wage distributions which are now available and would be of inestimable assistance not only in the evolution of practical policies in wage determination but to economic theorists and students of industrial relations as well. Lest it be urged that publication of such data would disclose the operations of individual establishments to the public gaze, let me note at this point that tables showing groupings of individual plant wage averages have been published on occasions in the past by the U. S. Department of Labor and that data for an unidentified specific plant, presented as a part of a tabulations comprised of similar information on a number of other establishments, will not reveal the plant's identity to any one other than the persons who have furnished the information in the first place.

To the extent that wage information is frequently used in the settlement of disputed issues, the availability of an increasing volume of wage data will permit the parties to center their discussion on the interpretations of data rather than on the character of the data itself. Collection of information under impartial auspices, following a thorough review of the projected undertaking with all the interested parties prior to the initiation of the survey as to its scope, methodology, occupational and other breakdowns, serves, in the long run, not only the parties to the dispute but furthers public interest in helping to maintain peace in industry. We need fewer privately conducted wage investigations and an increasing number of surveys to be undertaken by public agencies.

However, the present day collection of wage information suffers from a major handicap—the inability of the Bureau of Labor Statistics to secure occupational wage information from certain industries or from certain establishments. Refusal by individual establishments cannot but have an adverse effect on the sampling procedures designed to insure accuracy. Refusal to take part in occupational wage surveys by the entire industries leaves us in the dark about important segments of the national economy. This situation can be resolved and should be resolved by an appropriate Congressional action to give the Bureau of Labor Statistics similar powers to those possessed by the Bureau of the Census to secure compliance with its requests for information needed for statistical purposes—despite the fact that these powers are seldom, if ever, exercised. Mandatory compliance will not only insure better sampling and permit access to data not otherwise available, but I am sure will also help to lower the costs of collecting the data.

In the preceding review I have indicated some of the limitations of the existing programs in the field of occupational wage statistics. Frankly, I had hopes that Mr. Allen, in his paper, would cover the subject of use and limitations of the existing data in much greater detail than he does. It is not altogether satisfactory to be given an enumeration of the different fields in which wage data have been found useful and not be told how that data were actually used or for that matter misused. I am sure that Mr. Allen, on the basis of his broad experience, could have told us much on the use of data, particularly in connection with wage determination. This, of course, is not a simple assignment. As Professor Balderston pointed out a

decade ago, many employers seem to pull their wage rates out of the thin air. The increasing reliance on rational approaches to wage determination has failed so far to eradicate considerable wage disparities even within the comparatively small and specialized labor markets. Occupational wage data do not, of course, answer the important question: "Why?" All they do is to expose the symptoms and to chart the course of events. Nor for that matter does the occupational wage information provide us with an answer as to what is an equitable wage standard. Even if there is a considerable similarity of wage standards in a particular local occupational category, we have no assurance that the particular rate is either fair or unfair, that it is desirable or undesirable. The final determination of this problem involves a review not only of the occupational wage statistics for the locality, but of the wage data for the industry in question for the country as a whole, of the wage information in the related industries as well as of the host of other economic data on the operations of the industry and the economy. For we cannot ignore that in our society wage practices are conditioned by a host of considerations: custom, imitation, individual attitudes, relative bargaining strength, general economic conditions, legislative policies, as well as by sheer accident. Therein lies the major limitation on the use of occupational wage information. It serves to point up the issues, but it does not provide us necessarily with the answers. For in the ultimate, all policy is a matter of judgment of the future and the present, and as such it is beyond the scope of statistical investigations.

Part IX

EXPERIMENTS IN INTER-DISCIPLINARY
RESEARCH—THREE PANEL
DISCUSSIONS

AN INTER-DISCIPLINARY APPROACH TO THE STUDY OF LABOR-MANAGEMENT RELATIONS

STAFF MEMBERS

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I. THE FRAMEWORK ¹

THE PURPOSE of this meeting is to analyze the difficulties and the contributions of inter-disciplinary cooperation by focusing upon a specific research project. The project which will be described in considerable detail later in this paper and in the papers which follow made it appropriate to adopt an inter-disciplinary approach. No one discipline, it is clear, had enough of the concepts or techniques to provide an adequate approach to the questions which were posed. Whether a combination of the disciplines could achieve this end was to be seen. It may be noted that the project is still in process and therefore a final answer is not yet possible.

Before the project is described, it may be well to present a brief explanation of what we mean by inter-disciplinary research and to examine some of the more important general problems which we have encountered.

Development of a Research Team

Our conception of an inter-disciplinary approach was to bring together a group of social scientists from diverse fields to cooperatively plan and execute the project. It was our belief that unless a substantial degree of consensus could be obtained throughout the life of the project, success would be unlikely. A related problem was that of continuity. Unless the team could be maintained substantially intact, the task of obtaining and maintaining a consensus and of carrying through the detailed data collection and analysis would be highly complicated.

The problem of achieving consensus and maintaining continuity had several aspects. First was the difficulty of integrating a considerable number of people with distinctive personalities, training, experience, and points of view. At its peak the project involved eight senior staff members—three economists, three sociologists, and two

¹ This section was written by Milton Derber. As in the case of all of the other sections, it underwent thorough criticism by the other members of the staff and was revised in accordance with these criticisms.

psychologists—devoting from about one-quarter to three-quarters time. It also involved two full-time research assistants and seven half-time graduate assistants, who did the bulk of the field work. In general the achievement of a team was successful. Seven of the eight senior staff members have continued their participation. Parenthetically, it may be noted, all of the members of the staff were compensated for their time on the project from a single budget. Thus we are free of the problem frequently found when research is conducted on the academician's "own time" in addition to a full teaching load.

The time factor was another consideration in achieving a working team. The project has been in process for roughly three years and will continue for at least one or two more years. During such a long period, with many competing interests and pressures, staff turnover is inevitable. However, all but one of the senior staff have avoided extended periods of absence. In contrast, the assistant group has had a very considerable turnover due to completion of their graduate study but replacements have been trained with comparatively minor difficulty. It seems to us that the development of the younger staff members toward inter-disciplinary understanding has been a valuable by-product of the study.

Achieving Conceptual Agreement

The major problem involved in achieving group consensus and maintaining a working team was found at the conceptual level. The definition of the overall problem did not pose a serious obstacle *from an inter-disciplinary point of view* because it was so broad in scope. Each staff member found it easy to agree that here was a problem to which his discipline could make a contribution. But the conceptual framework for the study was a different story. Each of the disciplines represented quite a different way of looking at the problem and even within disciplines our staff members differed in approach. Our economists, for example, were accustomed to studying the formal institutional structure, the interaction of organizations, the impact of market forces (particularly economic and governmental forces), and the roles of the top union and management leaders. The sociologists placed heavy stress on the culture of the community, on the one hand, and the informal group relationships within the plants, on the other hand. The psychologists tended to emphasize the individual, arguing that labor-management relations are human relations and a basic unit is therefore the individual human being. The framework which finally

evolved after months of often painful discussion represented an attempt to integrate these various points of view. It should be noted that this was not a simple additive process whereby each discipline set its concepts next to the others and the total represented only the addition of several discrete parts. On the contrary, each discipline had to modify its original position to some extent and to broaden its frame of reference. Some concepts from each discipline were accepted intact, some were modified to meet the needs of the problem, some were rejected entirely. It is perfectly clear that no one member of the staff by himself would have adopted this framework and some members of the staff still have certain reservations about it.

Achieving Methodological Agreement

Methodology presented another problem of an inter-disciplinary character. The economist was accustomed to observe the overt actions of groups and to infer attitudes and motivations from those actions. The sociologist and psychologist tended to favor various types of interviews with individuals as a means of ascertaining group attitudes and motives. The difference was chiefly one of emphasis but it was real nevertheless. There were also differences of view regarding the degree of quantification of data that was necessary or feasible. In our particular case, this was perhaps more a function of individual staff members than of the particular disciplines but it was certainly a factor in the final determination as to methodology in collecting and analyzing the data.

Language Difficulties

Another problem of the inter-disciplinary approach was that of language and definition. Although all of the senior staff members had some familiarity with the terminology of each other's disciplines, it became obvious at an early stage that a considerable period of mutual education was necessary. Many hours had to be devoted to a translation of terms and concepts so that everybody could understand them. A few examples of the words and phrases which proved to be stumbling-blocks were "goals," "informal groups," "bargaining power," "economic status." It was not possible, and was not expected, that each member of the team should become expert in each of the disciplines but it was necessary for everybody to understand the other fellow's language and to be able to react intelligently to his proposals.

Time

The problems described above inevitably meant a considerable expenditure of time. The time period devoted to formulating the conceptual framework, for example, was unquestionably longer than a single individual or a group of specialists from the same discipline would have required. A longer period of preliminary exploration in the field also ensued. And certain types of data had to be reworked as the framework was altered.

The test of the values of this venture in inter-disciplinary research will depend, in the last analysis, on the significance of the results. Since the study is not yet complete—although the data collection stage is virtually over and much analysis has been done—the test cannot yet be made. However, the material which follows may provide some clues as to a tentative evaluation.

The Purpose of the Study

The study is concerned with the interactions of two organized groups of people rooted in modern industry—managements and unions—each with certain needs, motivations, and goals that coincide in part and conflict in part. These needs and goals are dynamic and changing; they are not always completely or logically thought through; they may or may not be internally consistent. The relation between the actions of these groups and their goals is often unclear. Often they act illogically from the point of view of their goals. Actually we know relatively little about the whole process. To keep industry and society functioning, however, these two groups (together with other groups) must somehow fit their needs and goals and their need-and-goal-strivings together. The process by which the groups act to achieve their needs and goals (i.e. union-management relations) may be called “accommodation.” This process may be harmonious or conflictful but as long as the behavior of each group is modified or affected by the behavior of the other, and both groups accept the necessity of dealing with each other, accommodation takes place. This is one of the key concepts of our framework.

Groups are made of individuals who are bound together in various ways and for various reasons. We are concerned with the behaviors of workers and members of management primarily as these behaviors affect or are related to the interaction of the union and management organizations. In a broad sense all behavior may be said to affect all other behavior. Our exclusion of some types of behavior and

inclusion of others is determined primarily by our judgment (based partly on past experience, observation, and the judgments of other scholars) of what is important in explaining union-management relations.

The process of accommodation between management and union takes place at different points in our society, with considerable interaction between the various points. Our focus is the joint relationship between management and union at the local plant level. We have designated this relationship as the "establishment." However, we do not regard the local establishment as a self-contained unit—functioning in a vacuum, impervious to the outside world. On the contrary, we assume that the process of accommodation in the establishment is significantly affected by events, mores, institutions, etc., in the community in which it is located and by forces outside of the community. Where the forces outside of the community take effect upon the establishment through the community fabric, we confine our study of these forces to the community. Where the outside forces affect the establishment directly, we study the effects but do not attempt to analyze the factors operating at the source.

Our study of the process of accommodation between management and union has these general objectives:

(1) To describe, and, where possible, measure the *significant aspects* of the process of accommodation between management and union in selected establishments and industries in a selected community during the 1948-1950 period;

(2) To analyze, and, where possible, measure the *impact of the major determinants* of the process of accommodation between management and union in these establishments and industries.

To express it differently, the study is an attempt to investigate the nature of the dynamic process of accommodation between management and union at the local level and to determine the factors which are primarily responsible for the different ways in which the process evolves, functions, and changes under different conditions.

More specifically, we are concerned with the answers to such questions as:

(1) What are the areas in different establishments in which the goals of management and the goals of unions tend to harmonize or clash?

(2) Why does one establishment or industry have more cooperation or conflict than another?

(3) Why are unions more influential forces in one establishment or industry than in another?

(4) What is the effect of variance in bargaining power upon the process of accommodation?

(5) What is the relation between the economic status of workers and the process of accommodation? Or between the economic status of management and the process of accommodation?

(6) Can workers be equally loyal to both union and management? In conflicts of interest, what factors will determine the direction of loyalty?

(7) How important is community opinion in influencing changes in union-management relations?

(8) Are there any significant relationships between the extent of participation by union and management leaders in community activities and their roles in collective bargaining and union-management relations?

(9) To what extent do management and union forces outside of the community influence the course of union-management relations?

(10) How significant are labor market considerations in union-management relations?

The above questions are simply illustrations of the types of questions with which this study is concerned. Underlying the study is the premise that the process of accommodation involves certain basic uniformities or principles which are generally operative and which explain similarities and differences between different establishments.

Selection of Criteria

In order to study effectively the process of accommodation between management and union, it is important to establish certain criteria by which the empirical data may be selected and evaluated. With such a complex subject, the researcher is severely handicapped unless he has some "model" or set of criteria to guide him. We gave much thought to this question. We considered, for example, the idea of adopting a "norm" of "good" and "bad" union-management relations as defined in the literature by the various "experts" or by our own research staff or by the participants within the ranks of management and union. We considered the idea of establishing in advance certain "ideal types." We considered other models. Each member of our staff brought with him theories, models, and concepts from his particular discipline which conflicted in many respects with that of other staff members.

We were unable to develop a way of describing the accommodation process through a single standard. We decided it was undesirable to adopt a subjective "norm" of "good" and "bad" labor-management relations. We did, however, design a special study to measure the variables reflected by participants in their descriptions of establishments which they selected as representative of "good" and "bad" labor-management relationships.

Our central decision—to select certain "dimensions" or common characteristics of labor-management relations as the basis of inter-establishment comparison—was adopted by the staff for a number of reasons. For one thing, it suggested a means by which relationships in different establishments could be compared systematically, objectively, and, it was hoped, quantitatively. Secondly, it appeared to offer an effective basis for causal analysis. It was felt that if two or more establishments could be shown to differ significantly in certain key respects, it might be more easily possible to trace the causes for the differences—in the absence of experimental controls. Finally, it provided a practical way of guiding the field research.

Three dimensions were selected for special attention: conflict-cooperation attitudes; economic status; and extent of union influence. They were selected because past study and experience suggested that they were very important in describing and explaining the process of accommodation between union and management. This judgment was largely an empirical one, based upon prior investigation and to some extent on fragmentary theories, but not based on any specific overall theoretical framework. Obviously a large number of additional dimensions might have been selected for similar analysis. The list was limited only because of the magnitude of the job. If the initial studies indicate that the dimensional approach is useful, the study of additional dimensions may be required. We also planned to explore the inter-relations between these dimensions in order to determine whether significant patterns exist.

The Investigation of Determinants

By describing and comparing selected major dimensions of the process of accommodation in various establishments, we hope to be able to observe systematically important similarities and differences. But description is only a step to understanding. The more basic questions are "why" the process of accommodation is what it is at different times and under different conditions, and "why" different patterns exist—if they do exist. What are the determining factors,

i.e., the factors which determine variations along the dimensions studied and how important are they in different contexts?

We have no full-blown, integrated theory as guide for answering these questions. It is our hope that our studies can contribute to and will be used for the development of such theory. Our approach at this stage has been of a two-fold character. First, we have abstracted out of the welter of variables those factors which, on the basis of a survey of the literature or out of the staff's own experience, appear to be significantly related to each of the selected dimensions of the union-management relationship. Examples of such factors are the goals of union and management, the leadership ability of union and management officials, the condition of the labor market, the strength and activity of informal groups, and the technical nature of the industry. We plan to relate these factors to the relevant dimensional continua in order to determine the degree of association.

However, we believe that a direct one-to-one relationship between a single dimension or a group of dimensions and a single variable is of limited significance as a causal explanation. It must also be recognized that the dimensions were so selected as to be relatively independent of each other and therefore the determinants of one may have little to do with the determinants of another. We have, therefore, selected from the literature and also formulated anew more general hypotheses or theories involving multiple relationships for testing and utilized these in investigating the data.

Scope of the Study

With the foregoing as our framework, we have made intensive case studies in eight establishments in five major industries of the community—building construction, corn starch processing, garment manufacture, metal products manufacture, and trucking. In these case studies we have gathered not only the necessary "dimensional data" relating to conflict-cooperation attitudes, economic status, and union influence, but also a vast amount of data on other factors relating to the accommodation process to enable us to explain the position of each establishment on the three scales. When the data collection stage is completed, we plan to analyze the inter-relations between the three scales and the large number of other variables that have been investigated.

Because our "determinant" analysis is only partially done, the following papers are concerned almost entirely with the *descriptive* dimensional studies and with our *community* study. The full use-

fulness of the dimensional measures and the full impact of the interdisciplinary approach, of course, cannot be adequately appreciated until the "determinant" analysis is completed.

Although the three dimensions give a superficial impression of psychology, economics, and political science resting side by side, in fact the conceptualization of the accommodation process and the analysis of inter-action between variables requires a thorough-going integration of the various disciplinary approaches.

II. THE CONFLICT-COOPERATION CONTINUUM ²

One of the two main purposes of our research project has been stated as follows: "To describe, and, where possible, measure the significant aspects of the process of accommodation between management and union in selected establishments."

The description of phenomena is not necessarily a scientific procedure. In every day life we are constantly describing other people, social situations, and interactions, with little or nothing in the way of scientific control. Measurement is one mark of scientific procedure, or at least it is closely correlated with the advance of scientific method. For this reason we have suggested that the development of measures of labor-management relationships will be helpful to placing this particular type of investigation on a more scientific basis.

If we are to measure a phenomenon, such as labor-management relations, we must first select relevant dimensions along which measurements can be made. Measurements imply that we have chosen, from several instances of related phenomena, *common aspects* about which judgments can be made or objective data tabulated in such a way as to place these phenomena along a scale. It is theoretically preferable that the scale be defined operationally, and also that it have a rational zero point and equal units of measurement.

In the absence of such a measure we can develop a type of scale which does not have an absolute zero point, but which quantifies comparisons between observed events.

It early became apparent that, if our research project was not to wind up with a series of independent case studies between which significant comparisons were difficult because of the unique character of each industrial establishment, it would seem important to reduce these common features to dimensions which can be treated quantitatively. In attempting to work out a dimensional analysis of the type of event which we have called labor-management relations, it has become necessary to rely heavily upon previous examinations of these phenomena by qualitative observations. Like any other social event, a labor-management relationship is a multi-dimensional affair. We could classify our different industrial establishments along scales based on, for example, the number of employees involved, the number of strikes that have occurred in the last 10 years, the average pay rate in the different establishments, and so on. It becomes impossible

² Prepared by Ross Stagner.

to make a thorough investigation of a number of different companies if we choose too many dimensions as objectives of investigation.

As we examine the history of scientific investigation in this field, we note that observers have been concerned with a dimension which extends from the realm of strikes and overt hostilities between workers and their employers to an area characterized by harmonious relations and cooperation. The National Planning Association's series of pamphlets has aptly been entitled "The Causes of Industrial Peace Under Collective Bargaining." Other studies have focused their attention on industrial conflict. In the newspapers and in the mind of the public, "labor relations" is closely tied up with the disturbing phenomena of strikes. However, it would be of little value, particularly in the community with which we are immediately concerned, to classify these industrial establishments in terms of the number of strikes they have had during a specified period of time. It would quickly become apparent that many of these establishments would not be differentiated, that is, they have had very few strikes within the period of time in which we might reasonably make an investigation. This does not, however, prove that labor-management relations have been entirely harmonious in these establishments. Neither is it entirely satisfactory to use as a descriptive scale indices of turnover, absenteeism, number of grievances, or any other kind of objective statistic yet suggested. The reason for this is that the stated objective occurrences are influenced by a tremendous variety of factors which may have only an incidental relationship to the labor-management picture. Turnover, for example, is unquestionably an index in some contexts of the quality of labor-management relations. On the other hand, it is also a function of the availability of alternative employment opportunities. We cannot therefore consider it a satisfactory index of the relationship.

All labor-management relations, however, involve *attitudes*. The executives must and necessarily will have attitudes of some sort towards the workers and their organization. The workers (and the union officials) will have certain attitudes towards the company and its officials, and towards other workers and the union. Thus we can find a *common denominator* for all industrial establishments in the phenomenon of attitude. Specifically, such attitudes can be shown to vary between extremes of conflict and cooperation.

Conflict and cooperation represent an important dimension in terms of every-day description of a labor-management situation. The lit-

erature abounds with descriptions of specific situations which are couched in terms of the conflictful or cooperative attitudes displayed by the participants. Unfortunately these descriptions have always been expressed in qualitative terms. No one has as yet worked out a quantitative measuring device which can be used for allocating establishments to a position on a scale of attitudes.

Attitudes also function in a causal capacity in a labor-management relationship. If the prevailing attitude or the "climate of opinion," as it has sometimes been called, in a particular establishment, is one of conflict, the interpretation of specific proposals by management or by the union will involve hostility or fear of injury. We can predict, therefore, that if these conflict attitudes prevail there will be difficulty in solving concrete issues as they arise. These attitudes are an essential element in the process of accommodation, as it has been defined, and this process unquestionably is directed at times—if not all the time—by the existing attitudinal pattern.

The attitudinal climate in a given industrial establishment is here conceived as the summation of the attitudes of the individuals involved in the relationship. We have become accustomed, in thinking about physics, to the notion that gas pressure, for example, is simply the mathematical summation of the impact of an enormous number of individual molecules which may be moving at different rates and in different directions. The gas pressure is, nevertheless, a meaningful phenomenon because, in a statistical sense, when we have a large enough number of molecules, these random variations cancel out and give us a dependable quantity. In the same way it was suggested that, while the attitude of any specific individual worker or executive might be affected by many random variables, a sampling of a sufficiently large number of these individual units will cancel out these variations and give us a dependable quantitative measurement.

It was recognized, however, that the phenomenon of attitudinal climate is different from a simple event such as gas pressure in a closed chamber, in that the importance of attitudes is in part a function of the role of the individual in the establishment. Thus, for example, the attitude of a single member of top management or of the union may functionally have as much of an impact on the total phenomenon as the attitudes of a large number of rank and file employees. Further, these groups play different roles and express different needs and perceptions. It was deemed necessary, therefore, to break down the population of each establishment into functional

groupings and to sample the attitudinal climate for each of these groups separately. Four groups were considered to have sufficient significance and variance from one another to justify separate sampling.³ These four were: first, top management, including supervision above the first line; second, the first line supervisors; third, the officials of the union; and fourth, the rank and file employees themselves.

The data for assessment of the attitudes of each individual included in these four groups were collected by interview. Inasmuch as we were not primarily interested in precise placement of the individual on a continuum, we did not use a rigid approach. The interview was rather free and informal, although guided by the interviewer to be sure that each of a selected list of aspects of the relationship would be sampled. In reducing these data to quantitative estimates of frequency of cooperative or conflicting attitudes, all the interviews within a single functional group were simply lumped together; i.e., all the top management data from establishment A were treated as a single estimate of attitude. In this way we have assumed that we cancel out random variations in the attitudes of specific individuals and thus get an approximately correct picture of the "attitudinal climate" in the specified group.

Because of its relatively small size, the top management group, except in two cases, constituted a 100 per cent sample; that is to say, no selection within the group was attempted. In dealing with the attitudinal climate of the three other groups, the number of cases was too large to require a 100 per cent sample. A sampling procedure was therefore set up for dealing with union officials, foremen, and rank and file employees. With regard to only the last of these were the sampling controls very rigid inasmuch as the samples in the two other groups were rather comprehensive.

Since we have defined the labor-management relationship as a process of accommodation between management and the union, our questions were phrased accordingly. The interviewer sought to uncover such items as perception of the other party, perception of the policies of the other organization, opportunities to complain about specific details of the relationship, perception of rank-and-file workers, and of other members within the individual's own group. The last

³ There are many other functional groups which could have been studied and should be explored in future research: e.g., informal group leaders, active unionists, etc.

of these topics was included because it was assumed that either friction within management or factionalism within the union would contribute to conflict and modify the process of accommodation. Interviews with the rank-and-file workers deviated somewhat from this pattern: in this case questions were asked which were intended to elicit indications of satisfaction or dissatisfaction with management policy, management personnel, union policy, and union personnel. Top managers were generally interviewed in their offices; other interviews were conducted in the home.

After the interviewers dictated their accounts of the respondent's answers to the various questions, copies of these interviews went to staff members who coded the various answers in terms of a scale of three steps: plus, zero, or minus—representing, respectively, attitudes of cooperation, neutrality, or conflict toward management or toward the union, in terms of the specific question involved. These were summed to obtain a positive-negative ratio for the individual respondent; these ratios were then averaged to get the position of the functional group of which he was a part. At this stage attitudes toward management and toward the union were treated separately. Finally, a composite for the entire establishment was computed in an attempt to locate the establishment on the conflict-cooperation continuum. At present the four functional groups are being weighted equally, and attitudes toward union and toward management are also given equal weighting. Differential weighting will be introduced if any evidence is found to justify such a procedure.

We are thus dealing with a *relative* scale based on a comparison of the establishments in our sample. Since this sample is small, there is a possibility that chance variations will affect our results. We believe, however, that the technique is generally applicable to the study of the "attitudinal climate" as an aspect of the accommodation process.

The development of this and our other quantitative scales for precise description of union-management accommodation is only the *first step* in our research. If the results indicate that the various establishments can be distinguished adequately from each other in terms of a conflict-cooperation continuum, we shall then proceed to an *analysis* of the relationship between these data and the results of the other investigations. We shall, for example, attempt to determine the relationship between the union influence continuum and the attitudinal continuum. This is indicated by questions such as: is a high

concentration of influence in the hands of either management or the union associated with any particular locus on the conflict-cooperation scale? Does position of the establishment on the economic status scale vary with position on the attitudinal scale? Does difference between profit and wage status vary with attitudes? What relationships exist between the various "determinants" (technology, area of collective bargaining, management policies, informal work groups, labor market, etc.) and the attitudinal data?

The conflict-cooperation measures will also be used in the case studies written up on each establishment. For example, the history of the union-management relationship will be considered in terms of the present attitudinal climate. The importance of individual leaders within the company or union can also be examined in relation to the attitudinal continuum.

It is our judgment that this type of procedure will lead to quantitative statements about the nature of the labor-management relationship which can then be expanded upon by other investigators, and ultimately developed into generalized principles about the relationship. It is because of this possibility that we believe the introduction of the quantitative dimensional approach to attitudes of conflict and cooperation between union and management constitutes a real advance in the analysis of this very important phenomenon.

III. THE MEASUREMENT OF ECONOMIC STATUS ⁴

The economic dimension of labor-management relations was selected as one of the three descriptive dimensions on which we are focussing our attention for a number of reasons. In the first place, industrial establishments in our society are primarily *economic* institutions because their main function is to produce goods and services which people are willing and able to buy. Secondly, most employers and workers engage in the production of goods and services primarily to earn a livelihood and to secure the material benefits which monetary income permits. Finally, one of the major functions of the labor-management relationship is to help determine the distribution of income earned by each industrial organization. All collective bargaining contracts contain provisions relating to the economic interest of both workers and employers. A substantial proportion of disputes between workers and employers have involved questions of economic return.

Although students of labor-management relations have long been concerned with the economic aspects of such relations, there are still quite different approaches to questions like the following:

1. What are the parties—the workers and the employers—getting out of their relationship, economically speaking?
2. What is the relative economic status of different establishments (i.e. the relationships)?

And there is even less agreement among students as to the answers to such questions as:

1. Why is one establishment economically better off than another?
2. What is the relation between the economic status of workers and employers and conflict-cooperation attitudes?
3. What is the relation between the economic status of workers and employers and the extent of union influence, etc.?

In considering how best to analyze the economic dimension, we debated two main alternatives—the psychological and the monetary. The psychological approach represents an attempt to describe and evaluate the economic status of workers and employers in attitudinal terms—to investigate how satisfied the parties are with their economic position. The chief advantage of this approach is that it takes into account the fact that different groups perceive the same economic return in quite different ways. A disadvantage of the approach is

⁴ Prepared by Milton Derber.

that it deals with subjective data which may be difficult to evaluate. The monetary approach represents an attempt to measure economic status in terms of the most commonly used economic unit—the dollar. The advantage of this approach, apart from its use of the basic and accepted economic standard, is its objectivity. We recognize, of course, that the value of the dollar fluctuates with the price of goods and services but this is more serious for a longitudinal study (over time) than for a cross-sectional study (at a given point in time) and for a study covering many communities than for a single community. Moreover, if necessary, rough adjustments can be made to correct for fluctuations in the value of the dollar.

Both the psychological and monetary approaches have theoretical and practical limitations and advantages. They are not necessarily in conflict with one another but are simply different ways of dealing with the problem of describing the economic dimension of labor-management relations. We decided to follow the objective monetary approach although we have also gathered much attitudinal data on economic satisfactions of the parties in the course of our case studies.

The purpose of our study, it should be noted, is not simply to measure the economic position of workers or of employers in a particular establishment. Nor is it simply a comparison of the economic status of workers in different establishments or of employers in different establishments. Rather, we are striving for a measure which will treat establishments as single units and which will reflect the economic return to workers and to employers together in a meaningful way. As is well known, the economic status of workers and of employers in an establishment does not necessarily move in the same direction. The workers of a profitable firm may receive relatively low wages and firms paying relatively high wages may operate at low profit levels or even at a loss. Thus we are concerned with both the composite of the parties' economic achievements and the difference in extent of achievement.

By posing the problem in the above fashion, we have at least partly pre-determined the procedure to be followed. We must first work out a method of measuring the economic status of the workers, on the one hand, and the employers, on the other hand, and then, if possible, combine the two in a single measure for each establishment. We would then have a scale along which it would be possible to place different establishments and thereby be in a better position to note and explain differences and similarities.

Even the first step—the measurement of the economic status of workers and of employers separately—raises serious difficulties. Such a measure, to meet our needs, must allow us to compare establishments which vary significantly in size, ratio of labor to capital costs, composition of the labor force, ownership structure, etc. It should also reflect to the greatest extent possible the influence of the interaction of the labor and employer groups.

Measuring Worker Economic Status

Our own research, as well as the research of other students, has consistently indicated that the primary economic objectives of workers as a group are a high wage rate, continuity or stability of employment, and (especially in recent years) supplementary wage benefits covering such items as vacations, holidays, lunch periods, shift differentials, etc.

A measure which reasonably reflects all three of these worker objectives may be expressed as an average annual earnings figure. The simplest way of obtaining such a figure—dividing total worker payroll by the average number of workers employed throughout the year—unfortunately cannot ordinarily be used. The main reason is that most plants employ, in addition to their regular work force, a number of temporary employees to meet peak demands or special situations. These temporary or casual employees do not ordinarily have a significant role in the labor-management relationship and their inclusion in the average would probably distort the picture.

A more trustworthy method would seem to be the following:

1. Compute the average hourly earnings for workers in the appropriate bargaining unit. This should include supplementary wage payments as well as the basic wage rate. It can be calculated by starting with the basic rate and adding to it allowances for the supplementary wage payments or it can be achieved by dividing total annual payments by total man-hours. The inclusion of the casual or temporary workers would not ordinarily make a significant difference at this point although in cases where a substantial number of unskilled workers are employed temporarily it might create a downward bias.

2. Estimate the annual number of work hours available to the regular work force during the year. This figure would exclude the temporary or peak load worker although it would include the time put in by substitute workers filling in for a sick regular worker or for a regular worker temporarily absent.

3. Multiply the average hourly earnings figure by the average annual work hour figure to get the average annual earnings figure.

For inter-establishment comparisons, this measure has several limitations. The most important of these limitations is the failure to adjust for differences in the skill composition of the work force. On the other hand, it can be argued that a higher earnings figure reflecting a greater proportion of skilled workers is a significant descriptive element of the labor-management relationship. Another limitation arises in the case of industries like construction where workers customarily shift from one establishment to another in the course of a year. This problem may be met by treating the entire local industry as the unit for purposes of this computation.

Measuring Employer Economic Status

The primary economic objective of employers, it is agreed by most students, involves profits. The objective is not necessarily a maximization of profits but it clearly involves securing a sufficiently high level of profits to enable the company to survive and grow. The chief limitation of using a profit measure for this study is that profits are influenced by many factors external to the labor-management relationship, e.g. demand for the product, cost of raw materials, rent, government policies, etc. An alternative measure of a company's economic status, which is more closely influenced by factors relating to the labor-management relationship, is economic *efficiency* but the measurement of efficiency, especially for purpose of inter-industry comparison, offers almost insurmountable obstacles.

If we use profitability as the measure of employer economic status, it is necessary to relate profits to some common denominator. Absolute profits are affected so much by the size of the company, the amount of capital investment, etc., that they are not meaningful for our purpose. The most common ratios are profits to invested capital, to net worth, or to net revenue. The difficulty with using any one of these ratios or most other ratios (such as profits to value added) is that they provide a distorted picture when different kinds of industries are compared. For example, if profits to revenue is used, the industries with low volume but high per unit profit will show a disproportionate profit as compared to industries with high volume and low per unit return.

We have tried to avoid this difficulty by a comparison of the establishment profit ratio with the appropriate industry average.

This step also appears justified to us (although there are valid counter arguments) on the ground that managements seem generally to appraise their profit status in terms of their competitors in the industry rather than in terms of other types of firms in the community. In contrast, most employers as well as workers seem to make comparisons of worker earnings largely in terms of the local and nearby labor markets although some union leaders and employers often take a broader view for strategic reasons.

On the basis of the above reasoning, we have constructed a measure of management profit as follows:

1. Obtain the absolute profits of the firm after taxes for the given period.
2. Obtain the net revenue or net sales of the firm for the same period.
3. Calculate the ratio of profits to revenue.
4. Obtain the best available estimate of the average ratio of profits to revenue for the industry. (The industry may be defined locally, regionally, or nation-wide depending upon the competitive situation.)
5. Calculate the algebraic difference between (3) and (4).

It is possible that using a one-year period for the profit measure is unrealistic. Profits are highly variable in many industries and a one-year measure may distort the true situation. It may be that further study will suggest a two or three year basic period as more sound.

The Economic Status of the Establishment

The final step is to combine the worker earnings measure with the employer profit measure for each establishment so as to obtain a comparison of the various establishments which we have studied. Again we have tried to avoid undue refinements in technique and have adopted a comparatively simple ranking procedure.

1. Rank the establishments from highest to lowest in terms of workers earnings.
2. Rank the establishment from highest to lowest in terms of the profit measure.
3. For each establishment calculate the mean of the two ranks and then arrange the means from highest to lowest.
4. The mean of the ranks (1) and (2), like all means, conceals some important information. For example, three establishments might have the same over-all mean rank although in one case

worker earnings are very high and profits very low whereas in the second case, earnings and profits are at the same relative level, and in the third case, earnings are very low and profits very high. For purposes of analysis of labor-management relations the differences may be even more significant than the means. Two final steps are therefore planned. One is to compute the differences in profit and earnings ranks and to indicate the differences by placing a superscript above each composite rank in step (3). The superscript would be positive if the profit rank exceeded the earnings rank and negative if the reverse were true. A second step, for purposes of analysis, is to rank the establishments by size of difference between profit and earnings ranks (column 4 below).

Since our findings have not yet been completed, the following hypothetical example is given to illustrate the method.

| Rank Number | (1) Profit Ranking of Establs. | (2) Worker Earnings Ranking of Establs. | (3) Ranking of Establs. By Means of (1) and (2) | (4) Ranking of Establs. By Differences Between (1) and (2) |
|-------------|--------------------------------------|--|--|---|
| 1 | A | F | { D | D |
| 2 | D | D | { A+ ² | { E |
| 3 | C | A | F- ⁴ | G |
| 4 | E | B | E+ ¹ | H |
| 5 | F | E | C+ ⁵ | A |
| 6 | H | G | B- ⁴ | F |
| 7 | G | H | { G- ¹ | { B |
| 8 | B | C | { H+ ¹ | { C |

IV. THE EXTENT OF UNION INFLUENCE CONTINUUM⁵

A major element in the relationship between management and union is the distribution of power. It is sometimes maintained that the outcome of a dispute between management and union depends largely on the manner in which "power" is distributed in the relationship. This phase of the union-management relationship is therefore considered important enough to be employed as the third of our descriptive dimensions. It was recognized at the outset that this would be an extremely difficult dimension to define operationally. For example, statements assessing the balance of power between management and union are often present in the literature, e.g., "Management held the upper hand." "The union dictated its own terms to management." In order to make this kind of assessment of a situation more precise we must have a very clear notion of what we mean by "power" in the union-management relationship. When first considered, the dimension was designated the "locus of power" continuum. We considered defining "power" in terms of the relative strength of the two parties, as measured by the financial resources of the management and union, the number of union members, the quality of leadership in the two organizations, or the internal unity of the two organizations. However, it seemed that a measure of "power" as directly expressed through events in a given relationship would be a more effective research tool than a measure of the potentialities of power that may or may not be expressed in a given situation.

After we had determined to measure "power" as it is expressed in events in the union-management relationship, we operationally defined "power" to mean the "extent of union influence." In each situation that we were studying, after the union entered into a relationship with management, the picture of complete management control was altered to a greater or lesser degree. Essentially this was the thing we wanted to measure—the extent of the "influence" that the union exerts on the management in a given establishment. At one extreme of the scale would be the hypothetical case where the union exerts no influence on management and at the other extreme would be the hypothetical situation where the union exerts complete dominance over management. Furthermore we decided that this scale would measure what the union has gained in its relationship with management without considering the source of the gain. We treated

⁵ Prepared by Margaret Chandler.

management-given concessions as equivalent to concessions that the union gains through the demands that it submits to management. An operational definition of "extent of union influence" was then formulated. "Extent" was defined to mean both (1) the degree or intensity of union influence on characteristic issues and (2) the scope or extensiveness of the influence. "Influence" was defined as the effect the union exerts on management within the establishment, as expressed in union participation in the making of certain kinds of "decisions."

Method

The problem of how to construct scales to measure the extent of union influence in the establishment still remained to be solved. There was the possibility of getting, through interview methods, the opinions of the parties involved regarding the extent of union influence in specific area. This method was rejected because it might yield a measure of opinions *about* union influence rather than a measure of union influence itself. We wanted, if possible, to devise a manner of measuring union influence that would be independent of the way the persons involved evaluated it. It had been suggested that the research staff could act in the capacity of impartial arbitrators and compare what a union managed to get in a given situation with whatever an arbitrator would have awarded to the union. This, however, involved more of a subjective element than was considered desirable.

We decided that the data for the scales would be based on specific practices in the establishment as described in the union-management contract and observed in action by the persons doing the field work for the case studies. However, we wanted the measure of union influence to be generally applicable. In our study we were dealing with such diverse industries as trucking, garment manufacturing, construction, soy bean processing and corn starch manufacturing, and metal working. The differing conditions of employment in these industries lead to differences in the kinds of issues that appear. Despite this fact, there seem to be certain characteristic issues that are present in most union-management relationships. We included issues that appeared repetitively in different industries in our rating scale, for we desired a representative and comparable sample of issues—one that would yield essentially the same results in the measurement of union influence as if we had rated all the issues in

each situation. Twelve broad areas were selected for further investigation. These were—union security, seniority for layoff and rehiring, promotion to non-supervisory position, discipline, arbitration of grievances, time study, efficiency and technological change, apprentices and learners, safety, average straight time hourly earnings, fringe payments, and welfare and pension plans. Not all practices in these areas were selected, but rather only those which seemed to us to reflect most clearly the extent of union influence. In the case of ten of the twelve areas, a list of major alternative practices was made, and these were then ranked in order of what seemed to be increasing union influence. For example, under the heading, "Union Security,"

0. No recognition
1. Bargaining for members only
2. Sole bargaining rights for unit
3. Maintenance of membership
4. Union shop
5. Preferential hiring
6. Closed shop (open union)
7. Closed shop (restricted membership)

A different approach was used in cases where the practices under a given heading could not very well be listed in a rank order of increasing union influence. In that case one point was scored for each of the practices under the heading that was included in the agreement, e.g., under "Welfare and Pension Plans" one point was scored for each of the following provisions:

1. Retirement or pension plan
2. Life insurance
3. Sickness benefits
4. Medical or surgical fees
5. Hospitalization

We used equal weights throughout because we could find no basis for a differential weighting system. The number of practices listed under the headings range from four to eight. We could not keep the number of practices uniform, and therefore, we will arbitrarily correct for differences arising due to this factor.

In rating "union influence" in a given establishment, the union-management contract for the period under study is consulted. It is first checked for "scope" by indicating how many of the twelve areas are included in the contract. Some practices that are generally characteristic are not included in our small sample because of conditions

in the particular industry, e.g., in the local construction industry, "Promotion to Non-supervisory Position," and "Seniority for Layoff and Rehiring;" in the local trucking industry, "Apprentices and Learners," and "Time Study." A union is not rated lower in the "influence" scale if it can be shown that the lack of provisions in a certain area is due to "inapplicability" in that particular case. (We realize that this measure of "scope" is an extremely arbitrary one. It includes only certain areas that unions are concerned with rather than all of them and is further limited by the fact that only certain provisions are considered under each area.)

The second step in rating "union influence" in a given establishment involves matching the contract provision to the item on the checklist that it most closely approximates. It was not considered advisable to limit the study to the contract alone, for the contract at times may not reveal the actual state of affairs in an establishment. The data that the contract provides are checked against actual practice. The data on practice are derived from the extensive field work that was carried on in each study. Where practice deviates from the actual contract provision, the practice supersedes the contract in rating the situation. If there are no contract provisions in a certain area, but if in practice the union does have "influence" in that area, again practice supersedes the contract.

In order to check the information that we had gathered up to that point concerning the deviation of practice from the contract and the inapplicability of certain areas in a given situation, we consulted with the key union and management people in the industries we were studying. Furthermore, for each of these areas, these persons were asked how they felt about the contract provisions they now have, and if they were dissatisfied with these provisions. They were asked what provisions they would have preferred to have instead. This will provide us with some attitudinal data that can be used in checking our interpretations.

Conclusions

The examination of the data thus far indicates that the study includes no establishments that could be placed near either extreme of the extent of union influence scale. Still we have variation from the case of certain unions in one industry that exert a great deal of influence in their relationship with management to the case of a union in another industry which exerts relatively little influence over the

management in a factory that was recently unionized. Thus far four out of our five industries have been rated on the scale. There is some indication that the checklist may not be as sensitive in detecting observed variations in the "extent of union influence" as was anticipated. Therefore it will probably have to undergo further changes. For instance in one local industry, the same union is present in five factories and the same contract and approximately the same "rating scale" practices prevail in all five establishments. The ability of the union to gain favorable settlements in grievance cases seems to be the real key to the extent of union influence in a given establishment. In order to cover situations such as this one, a grievance settlement rating may have to be included in the scale. Later in order to determine the validity of our ratings on this scale, we can check them with certain key data from the case studies.

V. THE ISOLATION AND MEASUREMENT OF VARIABLES DERIVED
FROM DESCRIPTIONS OF GOOD-BAD LABOR-
MANAGEMENT RELATIONSHIPS ⁶

The Problem

This paper concerns itself with the first of our two general objectives: "To describe, and, where possible, measure the significant aspects of the process of accommodation between management and union in selected establishments . . ."

We are here concerned with but one approach in an effort to isolate and measure variables that are helpful in describing accommodation. The approach is based on an hypothesis, which is tested in the course of the investigation. The hypothesis is as follows:

The characterizations of labor-management relationships as *good* or *bad* by participants derive from significant differences between establishments in accommodation. Whatever the variables are in which the accommodations differ, the participants usually characterize their perceptions of them, and the accommodations in which they occur, in terms of degrees of good-bad labor-management relationships. Brief, simplified, hypothetical examples may help here. In establishment *A* wages are above average; duties and responsibilities are clearly described and delineated; employees are carefully selected and placed. In establishment *B*, on the other hand, wages are below average; duties and responsibilities are ill defined; and personnel are assigned to jobs more or less at random. These differences between the two establishments cause participants to characterize the accommodation in *A* as *good* and in *B* as *bad*. In two other establishments, the difference in accommodation between them may depend on other variables, but one may still be characterized as *good* and the other as *bad*. Another example may help. In establishment *C* management does everything reasonably possible to hear and give consideration to the needs of its employees. In establishment *D*, on the other hand, the attitude is, "If you don't like it here, get out." The difference between these two establishments, even though reflecting variables other than those of our first example, still result in *C* being characterized as *good* and *D* as *bad*. The good-bad labels reflect various significant variables in accommodation.

⁶ Prepared by Louis L. McQuitty.

Our approach is to start with the *good-bad* characterization and isolate the variables which give rise to them. We then attempt to measure these variables. There are at least two possible classes of variables from which the *good-bad* characterization may derive. It may help to clarify our position if we outline them at this time. They are psychological and environmental variables. We can illustrate these two kinds of variables with reference to wages. In each of two establishments *A* and *B*, the wages must be reported as above average by the respective participants. Despite this similarity of perceptions in *A* and *B*, statistical studies may find that wages are above average in *A* and below average in *B*. The reports in establishment *A*, which are in agreement with statistical findings, reflect an environmental condition of above average wages. On the other hand, the reports in establishment *B*, which are in disagreement with statistical findings, reflect a psychological condition which leads participants to misinterpret the comparative wage level of their establishment.

Our method of discriminating between these two categories of variables is obtained later in our study. Our purpose is to isolate the variables of both classes and to measure them.

Before proceeding to the details of our method, we may further clarify our approach if we contrast our method with the more usual use of the concept of *good-bad* in labor-management relations research. In the more usual approach, the investigator sets up some expert criteria of *good-bad* and applies them in determining the status of individual establishments in degree of *good-bad* relationships. The investigator discovers conditions associated with the various degrees of good-bad relationships, and thus gains greater insight into the nature of good-bad labor-management relationships.

A limiting consideration in the usual type of investigation is the fact that the more elaborate meaning given by it to the concept of good-bad relationship is rather exclusively a function of the original criteria of *good-bad*. Our method attempts to avoid this limitation to some extent in the sense that it concerns itself with an empirical investigation of the concept *good-bad* as applied by participants in an effort to determine whether or not there is any consistent meaning amongst participants in their use of the terms. Our approach is **also** applicable to research experts in the field, as well as participants.

The Method

The more technical aspects of our investigation may now be outlined. The approach combines the statistical method of factor analysis

with the forced-choice rating scale method. Both of the methods require a brief description.

Forced-Choice Descriptions. The forced-choice rating scale method was developed for the purpose of evaluating individual differences in efficiency.⁷ It can be more readily understood if we suggest a name more characteristic of the operations involved. We suggest the name of forced-choice description scales. This name is suggested because any value that the method may have over the usual rating scale methods may derive from the fact that the informant's responsibility is reduced from evaluating or rating to a forced-choice type of description. The evaluations or ratings derive exclusively from statistical treatment of the descriptions.

The construction of a forced-choice description scale for the purposes of this study requires another hypothesis, also one which is tested in the course of the investigation. The hypothesis is as follows:

If the participants select from their experiences those accommodations which they recognize as either *best* or *poorest*, and then describe all aspects of the selected accommodations, the statistically significant differences between the *best-poorest* categories of descriptions will represent worthwhile variables in the study of accommodation. For example, some such thought as "The bosses tell workers what's expected of them" might occur 25 per cent of the time when describing accommodations selected as *best* and only 2 per cent of the time when describing accommodations selected as *poorest*. This would be accepted as evidence that the type of communication from bosses to workers is one significant variable in accommodations, provided, of course, that a sufficient number of cases was included so that the reported difference in percentages is statistically significant. It should also be mentioned here that our method of investigation is such that it could reveal that this difference in communication is but one expression of an even broader variable, or variables.

The hypothesis just outlined was applied in the study of three categories of participants, as follows: 19 persons in managerial positions, 32 union officials, and 73 rank and file employees.⁸ These participants were obtained through requests first of the companies and the union representatives in the companies and then of the indi-

⁷ E. D. Sisson, "Forced-choice—The New Army Rating," *Personnel Psychology*, Volume 1, Number 3 (1948).

⁸ The present plan is to include a fourth category later of first-line supervisors.

vidual participants. There were several criteria which determined the establishments that furnished the participants for the study. They are as follows: (1) Only unionized establishments were considered. (2) Establishments to which our measuring scales will be applied later were excluded. (3) Willingness to cooperate by management, union officials, and the individual participant was prerequisite. (4) Participants must be in industries very similar to those to which our scales will later be applied. (5) The establishments must be in the same city as those to which our scales are to be applied later. These criteria left us with 12 manufacturing establishments, varying in size from 25 to 1200 employees. Approximately equal proportions of the total in the three categories were taken from the several establishments. Later in this study, when we evaluate the material here being collected, we apply a set of criteria primarily concerned with the selection of representative samples of defined populations.

Results from the three categories of informants, management personnel, union officials, and rank and file employees were treated separately because the three categories might bring out different significant variables.

The process of understanding accommodation is quite different depending on whether labor officials, management, and rank and file employees apply the same or different interpretations of *good-bad* accommodations. Different variables may be operative in causing members of different categories of participants to classify accommodations as *good* or *bad*. If this is the case, then our method will isolate different significant variables for the members of different categories, provided, of course, that our stated hypotheses are correct.

On the other hand, the same or similar variables may result in similar *good-bad* dichotomies by members of the three categories. Even though this is true, members of the three categories may describe the variables in different terms. In this case scales for measuring accommodation would have to use different terms depending on the categories of the informants, and the analogous scales would be approximately as highly correlated between categories of informants as they are valid.

In application of the method, each informant was requested to select from his experience over the past 5, 10, or 15 years the *best* example of labor-management relations known to him. Having made the selection he was then requested to describe the complete labor-management relationship, all attributes of it, irrespec-

tive of whether *good* or *bad*. After the informant had completed the description, he was then requested in the same manner to describe the *poorest* example of labor-management relationships known to him. The order for *best-poorest* was alternated for successive informants.

An intention of the instructions to the informants was to make clear to them that they were to perform two separate and independent operations. The *best-poorest* concepts were to be used to enable them to make their selection of the establishment about which they were to talk, and for no other purpose. After having made the selection, they were to describe the labor-management relationships completely and independently of any concept of *best-poorest* or *good-bad*.

There was another phase of the instructions to the informant. At the conclusion of his description of each *best* and *poorest* relationship, the informant was requested to add any omitted material that was suggested by the following words or phrases:

- | | |
|--|------------------------------------|
| 1. Working conditions | 14. The boss |
| 2. Qualifications of people for their jobs | 15. Regulations and rules |
| 3. Interests of various people | 16. Appreciations |
| 4. Abilities to get along with people | 17. Welfare of others |
| 5. Abilities to make decisions | 18. Restrictions |
| 6. Attitudes of various people | 19. Opportunities |
| 7. Cooperativeness of various people | 20. Consideration of others |
| 8. Knowledge of what is going on by various people | 21. Ambitions |
| 9. Leadership abilities | 22. Exchange of opinions and ideas |
| 10. Wages and profits | 23. Likes and dislikes |
| 11. Grievances | 24. Disagreements |
| 12. Disciplinary methods | 25. Satisfactions |
| 13. Trustfulness | 26. The employee |
| | 27. Helpfulness |

Analysis and Consolidation of the Descriptions. The running descriptions from the informants were broken down by the investigator into descriptive phrases. The effort was to make an independent phrase of any material that could be regarded as conveying a single thought. In our study, this gave 836 phrases from management, 1882 from labor officials, and 2457 from rank and file employees.

The next step was to reduce these hundreds of phrases into a much smaller number by classifying them into groups according to similarities. This was done on the basis of the subjective opinion of the investigator, with the effort to group on the basis of identities or close

similarities of meaning only. The investigator attempted to remain uninfluenced by any other preconceived system into which the material could be classified. Examples may help us here. The following two statements would be grouped together: "Wages are good." "Pay is above average." On the other hand, the following two would not be grouped together: "Pay is steady." "Pay is good." These last two statements deal with the same item, pay, but they do not appear to express the same thought about it. On the other hand, the first two statements appear to deal with the same item, even though using different words, and appear to express an identical or very similar thought.

When the grouping was finished, we had 198 groups for management, 173 for union officials, and 302 for rank and file employees. The number of groups of phrases for further study was at this point reduced by selecting the 100 largest groups from each of our three categories of informants. These groups contained 72 per cent of all the original phrases. For each group of phrases retained, a single and relatively short phrase was prepared by the investigator with the intention of making it carry a meaning composite of the group and in the language typical of the group. This gave 300 phrases, 100 from each of the three categories of informants. There appeared to be considerable overlap in meaning between phrases from the three categories. On the basis of the judgment of the investigator, very similar phrases were classified together and rewritten as a single representative phrase. This reduced the total number to 185 phrases.

We should, perhaps, here interrupt our description of the method to recognize that some of the steps just outlined, as well as some of those to follow, narrow the potential of our data. Our justification is that to have done otherwise would have been unduly expensive. Our method as applied to the present field of investigation represents an exploratory study. Our restrictions are not such that they will eliminate, completely, meaningful results where they otherwise would have occurred. Our results will indicate whether or not more elaborate studies are justified and will perhaps indicate the direction of the elaboration.

An Inventory of Phrases. The next empirical stage of our study was in some ways a repetition of the steps outlined above except for the fact that it utilized the results thus far gathered in order to be more comprehensive and more effectively controlled. The 198 composite phrases resulting from the first stage of the investigation were

combined into an inventory of phrases. This inventory was augmented by 16 phrases which were prepared by the investigator as indicative of variables which the University of Michigan Survey Research Center had found to be significantly related to production and morale.⁹ These additional phrases were included so that our results could perhaps be more meaningfully interpreted in relationship to other studies.

The inventories requested that the informant, just as before, select from his experience either the *best* or *poorest* example of labor-management relationships known to him. The informant was then requested to indicate on a five point scale the extent to which each phrase applied. Alternate inventories requested the selection of *best* and *poorest* relationships, and each informant completed but one inventory.

At the present time, inventories have been completed by a sample of rank and file employees only. It is planned that they will also be completed by samples of top management, first-line supervisors, and union officials. There are 200 informants in each sample. They are drawn at random from the 1950 directory of the city in which the study is being applied.

The Isolation of Significant Phrases and Variables. The next step was to determine which phrases differentiate between *best* and *poorest* examples of labor-management relationships. This will be done through application of the statistic, Chi-square, and only those questions which give differences significant at, at least, the 5 per cent level will be retained.

We will then isolate phrases that seem to be related to significant differences in accommodation, i.e. as used by rank and file employees. If we are to develop scales for evaluating differences in accommodation, it is helpful to know the minimum number of independent variables that are represented by responses to the phrases. An effort can then follow to construct a scale for each independent variable. It may well be that responses to several phrases are reflections of the same underlying variable; these phrases should then all be allocated to the same scale. An effective approach to this type of problem is to factor analyze the intercorrelations of the replies to the phrases retained from the inventory. The degree of intercorrelation will be

⁹ The University of Michigan material from which the phrases were prepared by the investigator was at the time of this writing unpublished. It was furnished us in letter form through the courtesy of Rensis Likert.

computed by use of the Phi over Phi maximum method, as recommended by Demaree for categorized data.¹⁰

The factor analysis enables us to determine the minimum number and kinds of variables that it is necessary to postulate in order to account for differences and similarities in descriptions of labor-management relationships in establishments commonly regarded by the personnel as *best* or *poorest*. In other words, it reveals which items behave so similarly that they may be assumed to be representative of a single postulated variable. In addition, it shows which items are representative of several postulated variables. It is of course almost always possible to postulate far fewer variables than there are phrases in the inventory. A study of the content of all the phrases that go together and justify the postulation of a variable enables us to tentatively identify, describe, and name the variable.

Our approach enables us to make eight separate determinations of the minimum number and kinds of variables necessary to postulate, two determinations for each of the four categories of informants. One determination in each category will be based on *best* labor-management relationships and the other on *poorest*. This approach allows for the possibility that variables underlying *best* and *poorest* may differ in quality as well as degree or quantity only. These eight separate determinations will have quite different implications for the understanding of accommodation, depending on whether they result in similar or different variables.

Results of Factor Analysis

The results of the eight factor analyses can be used to construct scales for the measurement of the several variables isolated. These scales can then be applied to study certain changes in accommodation, as measured by these scales, in relationship to other changes as measured by the conceptualized scales reported in the other papers and in relationship to hypotheses concerning the determinants of accommodation.

¹⁰ Robert Glenn Demaree, *An Investigation of Homogeneity in the Interpretation and Scaling of Test Results* (Ph.D. Thesis, University of Illinois Library, Urbana, Illinois, 1950).

VI. CONCEPTUAL ASPECTS OF THE COMMUNITY SETTING OF INDUSTRIAL RELATIONS ¹¹

The impact of societal and, more specifically, community factors upon the nature and development of labor-management relations has been recognized by many students of industrial relations as a significant aspect of this field of study. A number of reports are now available which give specific attention to the community setting in its various facets. Among these may be cited the studies of Warner in Yankee City, Hart in Windsor, and Walker in Steel Town. While these and other works have in common an emphasis on the community-wide aspects of industrial relations and the interrelations of the two, they vary greatly in the range of their subject matter and in their conceptual orientations. It may be said that while the community-industry relation has been approached many times, it remains one of the amorphous and conceptually confused areas of industrial relations research. This seems to be true for all of the disciplines, although the most commonly used theoretical constructs have been those of the sociologist and the social anthropologist.

Any formulation of an industry-community relationship rests on the thesis that there is a correlation between the processes of social change, social differentiation, economic and power relations in the social order, and in industry. The correspondence between industrial structure and community social adjustments is most apparent in one-industry towns. However, the city in which our project is located is characterized by great diversity of industrial and commercial enterprise. Because of this complexity the power relations and social divisions which derive from in-plant conditions are not translated immediately into a community-wide expression. It is necessary to examine these factors as they find expression through the medium of community-wide organizations which bring together groups with common interests, but at the same time cut across many different fields of industry and commerce. It is not possible to point to one management which dominates the city; it is possible to see managerial influence as it is exerted through the Association of Commerce. The diversity of immediate interests forces the expression of more general goals through the mechanism of community-based organizations rather than through the direct action of individual managements or union locals.

¹¹ Prepared by Donald E. Wray.

Our community study has never been intended to constitute a second "Middletown;" it is focussed on those aspects of the community which in our judgment were most directly and significantly related to in-plant relations. The selection of only limited areas of community life has therefore been dictated first by the subject matter of the total project, and secondarily by the limitations of staff. We have not, for example, attempted to study kinship patterns or the educational guidance available in the schools. Such problems might very well have a segmental or indirect connection with in-plant affairs, but the relationship is likely to be too remote to justify the amount of research time which would have to be diverted from other aspects of the community project. Because of the selective nature of our interest in the community setting, the research is organized upon four major elements in the structure of the city which in our opinion serve to illuminate the processes of change which are most directly influenced by, and in turn have a significant effect upon, the course of industrial relations.

The first aspect of community life which has been selected for its hypothesized relationship to industrial developments may be termed the cultural background factor. Our city population is highly homogeneous in derivation, compared to that of other industrial communities which have been studied. The people are 95 per cent native-born white, nearly all of them being of old American stock. Furthermore, the great majority of this stock has been drawn to the city from the surrounding countryside and from immediately adjacent states, particularly the border states. This produces a cultural solidarity which is not characteristic of large metropolitan centers nor of eastern industrial towns. Because of the unity of cultural background it seems reasonable to suspect that the differences in attitudes and behavior which do occur can be attributed almost completely to differences in socio-economic status. The rapid and extensive development of unionism in such a community, with its conservative social values, is a primary focus of investigation. We have developed the following hypothesis:

There has been, during the past twenty-five years, an increasing division among socio-economic groups in their opinions toward economic and political issues which has provided a cultural basis for the growth of unionism.

This hypothesis has been tested in both historical and current perspectives. The historical development has been examined through

a study of the expansion and diversification of industry and the growth of the working population. The development of conflicting economic and political beliefs among the various social and economic groups has been investigated through an examination of the correlation between socio-economic ranks and voting behavior in national elections since 1928. The current opinion has been measured through a poll conducted in 1950. This poll was designed to measure generalized attitudes toward organized labor and toward management, and to find the public appraisal of the more prominent companies and unions in the city. The purpose of these two lines of investigation has been to trace so far as possible the process through which a community with relatively high cultural unity has evolved into a city with rather clearly demarcated socio-economic class divisions; at the same time it is hoped that some assessment can be made of those values which are still held in common by most of the residents.

The homogeneity of the population in a cultural sense has an important bearing on some of the hypotheses related to the determinants in in-plant relations. Two of these are affected by the lack of sizable "minorities" in the city: A, that conflict increases with the introduction of issues based on political, religious, or other differences not directly related to industrial affairs; and B, that conflict increases if there are clashing groups in the work force. The nature of the community makes it impossible to test these ideas. A third hypothesis about cooperation-conflict is that cooperation is greater when union and management understand each other's goals. It seems likely that they will, in such a community, find many common values and referents and can sympathize with each other's points of view. The opinion poll indicates that, despite a clear division on certain economic and political issues, there is considerable agreement on general values. Interview materials indicate a recognition of this common outlook in the references to the city as an "American" town with no "foreigners."

A second major focus in this part of the study may be termed the community function of unions as social institutions. This concept is related to the cultural study to the extent that the emergence of any new institutional pattern requires a cultural definition of its functions and membership. The institutional aspects of the emerging system of trade-union organization require a consideration of the new relationships which appear between the new social structures and the older established system of community relations. Special attention has been given to points of contact between the unions and churches,

school system, political parties, etc. These contacts are being analyzed in terms of the concepts of competition for membership, power relations, and accommodation through mutual recognition and adaptation. The impact on the community of unions as new institutional forms is emphasized by the high degree of organization which has occurred. Approximately one-half of the population are either union members or belong to the families of union members. The opinion poll showed that nearly three-fourths of the adult residents have had a union affiliation in their immediate family in the present or past. Such a degree of penetration in a sample which cross cuts the entire socio-economic range indicates the breadth of contact with unionism which has occurred and serves to indicate that unions are one of the most numerically important, and potentially most influential, types of organization present in the city.

The necessity of joint action among the unions is emphasized by the diversity of local and national affiliations which results from industrial diversity. This is partly offset by the size of the major industrial union, but is still a serious matter in community-wide efforts. This lack of coherence or internal unity (on a plant basis) forces the unions as well as management to implement their community programs through intermediary organizations which unite the varied locals for common action. Joint activity is made easier by the almost complete affiliation of local unions with the A.F.L.

An hypothesis here is that the activity of union leaders and members in community affairs tends to increase as the union achieves more success in collective bargaining. It appears that this hypothesis is only partially correct; for while certain unions and leaders have increased their community-wide interests and participation, one of the most important and most successful unions, representing one-half of the local union movement, has tended to hold back from any formal commitments. There is some evidence, however, that even in this case there is increasing pressure on the leadership to take a more active part.

A third focal point is the behavior of the business man or managerial group as it is expressed at the level of community organization and action. In this city the most effective expression of community-wide managerial opinion is the Association of Commerce. Here, as in other cities, this organization has been customarily thought of as a business class mechanism. With the establishment of unions on a large scale the local association has attempted to expand its member-

ship and representation to incorporate a wider community basis for its program. The first phase of this effort was to redefine the association as an overall integrating structure for the city. To achieve this purpose the organization set up liaison with a great variety of groups such as the ministers and the women's clubs which had no direct relation to the original commercial functions of the association. A more recent phase of the integration effort has been an attempt to set up working relationships with the union officers and members. Union officials have taken part in committee work and one became a director of the association. In this effort there appear the factors of competition for mass support, conflict of power, and finally the partial evolution of an accommodative recognition by the business men of the need for enlisting popular support through the medium which organized labor could provide. The direct effort in the association to gain union support has been paralleled by the entrance of union leaders into other community organizations such as the Community Chest. These attempts to bridge the gap between business class associations and the unions have been only partly successful, particularly in the case of the largest union.

The recognition of the need for such action in accepting the unions into the established pattern of community life marks the increasing recognition of the institutional nature of the labor movement. Two of our hypotheses relate to the subject: one, that the influence of management representatives in community affairs is significantly affected by favorable community opinion towards unions and union goals; second, that as the extent of union influence in an industry increases, its acceptability in community affairs increases. The local acceptability and influence of unions is indicated in the size of the movement and in the results of the opinion poll, which showed an agreement with the basic aims of unions even among management.

A fourth aspect of the community analysis which cross cuts the others involves the concept of social prestige. This aspect of social behavior appears in various ways: the degree to which unionism is accepted as a natural and legitimate associational bond; the degree to which union leadership is accorded the same recognition as is accorded managerial leadership; the extent to which the contributions of union leaders and members to community life are recognized in the same light as the parallel interest of management; finally, the degree to which purely social placement is based upon union membership or non-membership. The prestige of unionism may be reduced

to two stages of development: first, the simple recognition of the legality and normality of trade-union organization and of the legal and economic conditions related to it; second, an acceptance of the legitimacy, in every sense of the term, of such behavior and a consequent removal of any social stigma which may have attached to union affiliation.

The prestige element in the first use of the term would seem to have been fairly well established. The general population, union members, and management all recognize the necessary presence of unions, and all, including the management group, accept the basic aims of the union movement. This community-wide recognition relates to two of our hypotheses about in-plant relations: that cooperation increases with favorable public opinion toward both union and management; and that the extent of union influence increases with favorable public opinion towards unions. In general, there is in this city no strong aversion toward either side; both are considered to represent acceptable and fairly desirable goals and purposes. The general recognition of the desirability of unionism and of its purposes gives a public support to organized labor which is probably lacking or less widespread in other cities and provides a "permissive" atmosphere in which unions can function.

The second stage of prestige growth is not so clearly established. Interviews suggest some distinctions still being assessed on the basis of the undesirability of union affiliation; the opinion poll showed that even union members felt that management took more of a genuine interest in community affairs than did union leadership. We could rephrase this to say that while the union movement and union goals are considered respectable and legitimate in this city, the unions and their leadership have yet to achieve the recognition and approval of the community to the extent that management has. Those groups in the community who are not directly involved in industrial relations, the "public," appear to be somewhat more sympathetic to the unions than they are to management. It may also be concluded that the socio-economic level which is frequently called "lower middle class" has greater affiliations with the unions than with managerial associations.

Our analysis of the industry-community relationship has thus been structured into four major aspects. The first is the examination of the cultural background of the city and the process through which there evolved socio-economic groups with somewhat differentiated

systems of economic and political values which are being expressed in industrial relations. Second is the series of readjustments in community organization arising from the rapid growth of a new institutional pattern, the trade-union. Third is the impact of the new institution upon the power relations associated with business class domination of community affairs. Fourth is the extent to which prestige factors have operated to affect the trade-unions in their relationship to the local social life of the city.

VII. DISTINCTIVE CHARACTERISTICS AND PROBLEMS ¹²

In the six preceding papers, we have summarized the problems, the concepts, and the techniques of our study. This paper will not attempt a condensed summary but rather highlight, as a basis for discussion, what appear to us to be the distinctive characteristics of our study and some of the problems involved.

I. Characteristics of this study of labor-management relations.

- A. This study focuses on the union-management relationship within the general field of labor relations. We have concentrated on the union-management relationship because we have assumed that the dynamic forces of social change lie in this area more than in individual employee-management relationships. Although it is an area in which many other students also are concentrating, our choice involves the assumption that there is still a great deal of uncertainty and confusion in the understanding of this relationship.
- B. The unit we have selected as the basis of our study is the "establishment." We are assuming both the existence of conflicts in goals and points of view between the union on the one hand and management on the other and a recognition by both parties of the necessity of a working relationship between them. We have characterized the resulting relationship as a form of accommodation. The joint bargaining relationship between management and union in the local community we have called an "establishment."

We recognize that such a relationship in a single plant is a part of a number of larger institutional patterns and that such institutional patterns and the forces that affect them are of great significance in the understanding of the plant relationship. We are assuming, however, that these wider forces, institutions, and relationships are likewise significantly conditioned by the relationship in the individual plants. Thus, international union structures and policies, comparative costs and comparative status judgments, political programs and governmental actions are significantly conditioned by the situations of local managements, local unions, and their joint

¹² Prepared by W. Ellison Chalmers.

relationships. There has been a more limited development of theoretical analysis of plant relationships as contrasted to the analyses of industry and area institutions and relationships resulting from the concentration by students on the larger units.

C. We have hypothesized that there are important differences as well as similarities within each of the organizations in the establishment. Thus, we are analyzing separately the top management and lower supervision within the organization of the company, and the union leaders and the rank and file members within the union. We believe that there probably are differences between these four groups in perceptions and motivations as well as functions and that these differences have an important effect on the process of accommodation.

D. We have sought a more precise characterization of the union-management relationship in the plant than most scholars have developed. We have abandoned the terms "peace," "constructive," "good-bad" and similar terms for characterizing the relationship. As used by some scholars we judged these terms to be inadequate as a yardstick for comparison because they are not only too vague but also are significantly affected by the value judgments of the scholars themselves.

We have not found a single concept which is sufficiently descriptive, precise, and objective to characterize the totality of the relationship. Instead, we find a number of variables that appear to be sufficiently discrete to justify their use in the description of the relationship. We have selected three of these for study. We assume there may be a number of others. We also are attempting to find the distinctive characteristics perceived by the participants to be aspects of the establishments which they judge to be "good" or "bad." We shall attempt to compare these with the three we have isolated.

E. We are attempting to make our characterizations as nearly operational and quantitative as possible. We believe that if much of the data can be reduced to quantitative measures this provides a much more precise tool for analysis and comparison than is possible with a purely qualitative description. It should be noted that we have not by any means completely succeeded in expressing our data in objective quantitative

terms. We have found it necessary to add a considerable amount of qualitative judgment in the assignment of statistical values in the application of our three descriptive continua. A quantitative approach also requires a sufficiently large number of units, with sufficiently varied characteristics to be representative of the universe about which generalizations are to be made. For some parts of our total problem these are not important limitations, but for other parts these require that our analyses be considered as suggestive rather than conclusive.

Even more significantly our analysis is not exclusively quantitative because our analysis of the determinants of the relationships we are describing are very largely in qualitative terms.

Thus we consider that a quantitative analysis contributes to understanding of the relationship, but, at least in the present state of our knowledge, it is not feasible to abandon qualitative statements concerning single variables and particularly concerning the interrelationship between factors.

- F. Our approach to the study of this problem is that of an integrative effort by social scientists of several disciplines. We believe this to be necessary because the definition of the problem made by any single discipline is too limited to be descriptive of the entire problem, and methods of analysis used by any single discipline are inadequate. In order adequately to explain behavior in as complicated a process as the union-management relationship, we believe there needs to be a general theory of social behavior. None is available that has general acceptance among scholars. In the construction and execution of this study we are attempting to develop hypotheses which can be fitted into this more general theory. Such a general theory seems to us to be the most urgent need in the study of social phenomena such as the union-management relationship.

An integrated approach to the study of this problem involves the analysis of many different factors, a significant number of which are excluded in the approach of any single discipline. We particularly are attempting to include psychological, sociological, and political as well as economic factors.

The resulting concepts used in an integrated approach are not simply an addition of the concepts used in one and another discipline but represent a modification and elaboration of those in a single discipline into an integrated framework.

We believe that our experience to date demonstrates the advantage of putting together an interdisciplinary team that concentrates upon a single problem. This team approach operates over a sufficiently long period of time to provide considerable mutual education and, more importantly, to work through the problem of the interrelationships between the disciplines.

- G. Our approach is comparative. We have found that a comparative analysis between establishments has forced us to a more precise characterization of the relationship than might otherwise have appeared necessary. Thus, each of the three continua we are using has had to be newly developed because such precise definitions are not available in the literature. A comparative analysis in addition appears to provide a better basis for identifying the factors which determine the differences between one relationship and another.

There are several ways to make comparative studies. Ours, like some others, puts a considerable emphasis on comparisons at a single period in time between establishments in different industries. This approach seems to have the advantage that a number of factors remain constant permitting us to concentrate on other variables. To a more limited degree our studies have used comparisons over time of the same situation or institution or relationship. It seems to us that this historical approach permits analyses of other variables. In this regard, as in many others, we have drawn very largely on the methods and concepts developed in historical studies.

- H. We have employed a variety of research techniques which have been selected on the basis of our general problem and the specific hypotheses that we have found in the literature dealing with the problem. Both the hypotheses and the research techniques have been drawn from several disciplines and are being used to contribute to our total analysis. Thus, the "raw data" on which our analysis is based are conditioned by the choice of techniques that we have made. We have

used various kinds of interview techniques designed to provide (1) data on attitudes, (2) the record of past events, (3) the perceptions of events by the participants, and (4) the value judgments of the participants. We have also used statistical analyses including factor analysis and the analysis of documentary material.

- I. We are attempting a formulation of the industry-community relationship to provide a basis for future comparative studies and to give us an understanding of the immediate social, economic, and political environment within which the establishments operate and the interaction between them.

II. Limitations of this study.

- A. As already indicated, we do not believe that we have available a completely integrated framework for analysis. Even within our own efforts to develop a partial framework we are limited by the fact that although we are using economists, psychologists, and sociologists, there are other approaches within these disciplines which are not fully represented and other social science disciplines not directly participating in the study.
- B. Our study is limited to a group of situations in a single local community with a primary focus on a single period of time. Obviously there are many other factors involved in the total union-management relationship that are not under direct study by us.
- C. Even within the extended time we are giving to this study we are seriously limited in the number of establishments which we are studying. Thus, there are many other kinds of industries, institutions, and community situations not included in our cases. For much of our analysis the number of cases is too small for firm conclusions. Generalizations made on the basis of this limited number of cases can only be suggestive rather than definitive.
- D. I am sure you will have noted that our study is still in process. Our analysis is by no means completed and generalizations may be significantly modified as we proceed further. This is particularly true of our efforts to analyze determinants of the characteristics we are describing.

- E. We are not yet prepared to even attempt to test a typological approach. We therefore are not prepared to conclude whether or not a typological formulation can be usefully developed from this analysis.

III. Conclusion.

What does this all add up to? Ours is only one of many studies in this field. Perhaps it has a combination of characteristics that makes it distinctive. Essentially we emphasize the inter-disciplinary approach, conceptual and methodological, which we are attempting, and the effort at more precise descriptions of the union-management relationships.

THE STRIKE AS A SOCIO-ECONOMIC INSTITUTION

STAFF MEMBERS

University of Pennsylvania

I. INTRODUCTORY STATEMENT BY THE CHAIRMAN ¹

IN HIS *The Mature Mind*, Professor Overstreet writes: "There is, in short, a time clock of science. Each science has to wait until its hour strikes. Today, at last, the time clock of science strikes the hour of psychology; and a new enlightenment begins."

We are presented with the thesis that each new stroke of the science clock is dependent upon the growth and development of other sciences which supply the systematic knowledge and research tools upon which the new science must build. To illustrate: the hour of psychology had to await the development of the science of physiology; the hour of physiology could not strike before the birth of biology; and "before biology there had to be chemistry; and before chemistry, physics; and before physics, mathematics." This concept is very intriguing.

I wonder what would happen if we raised our sights and accepted as a working hypothesis the assumption that the time clock of science has struck another new hour, the hour of the social sciences, and, acting on that assumption, supplemented research in the separate sciences with vigorous and effective use of the inter-disciplinary research approach.

The Social Sciences Defined

What are the social sciences? Professor Edwin R. A. Seligman has defined them as "those mental or cultural sciences which deal with the activities of the individual as a member of a group." He includes three classes of sciences:

1. The purely social sciences, embracing politics, economics, history, jurisprudence, anthropology, penology, sociology, and social work.
2. The semi-social sciences, which are either "social in origin and still retain in part a social content" or are "independent in origin" but "have acquired in part a social content." Under this heading he includes ethics, education, philosophy, and psychology.

¹Waldo E. Fisher, Professor of Industry, Wharton School of Finance and Commerce, University of Pennsylvania.

3. Sciences with social implications, comprising biology, geography, medicine, linguistics, and art.²

This is a broad classification. Not only does it include the purely social sciences concerned with group wants "which can be satisfied only by associated or group action," but it embraces natural and cultural sciences which have a social content or whose contents have social implications.

The Need for Inter-disciplinary Research

Why would it be desirable to adopt as a working hypothesis the assumption that the time clock of sciences has struck the hour of the social sciences? Let us examine a few of the more important reasons.

All of us are painfully aware of the fact that the social sciences have lagged behind the physical sciences. By means of fundamental analytical studies and laboratory experiments, natural scientists have evolved laws and principles and a body of basic knowledge which have enabled this nation to stand out as a monument of industrial progress far above that attained by any other civilization. Social scientists, on the other hand, have made relatively little headway in supplying us with an understanding of human nature and behavior or in developing skills for solving problems of human relations. Working with management and the engineer, the natural scientists have broken down the atom and released physical energy whose potentiality for progress (unfortunately also for destruction) is enormous. As yet the social scientists know little about the nature of motivation, participation, and leadership which unquestionably could liberate vast sources of dormant human energies and create the will to work together in a spirit of harmony and goodwill that would permit undreamed of human satisfaction and progress.

Inter-disciplinary research in the social sciences should be fruitful because most of the component sciences are concerned with *people*, either as individuals or as members of a group. They deal with their conscious or unconscious thought processes, their feelings, motivations, and behavior and their hopes, fears, passions, and loyalties. Here then is the common denominator that cuts across the social sciences.

The plea for the inter-disciplinary research approach is not intended to minimize the importance of basic research in the separate

² "What Are the Social Sciences?" in *Encyclopaedia of the Social Sciences* (New York: Macmillan, 1937), Vol. I, pp. 3-7.

sciences. Progress in the social sciences is dependent upon the development of the basic sciences that compose it. This means that each discipline must evolve its own core of established, non-controversial knowledge and adapt the scientific method to meet its own research needs. By doing so it will make an important contribution to a better understanding of human nature, behavior, needs, and goals.

But we cannot discover the laws that govern human motivation and behavior by a system of education which devotes practically all of its energy to specialized learning and research. At some point in our educational and research development we must integrate the knowledge of the social sciences, pool the insights and research tools of the various disciplines, and conduct cooperative multi-disciplinary investigation and research. The members of this panel believe that the widespread use of inter-disciplinary research in the social sciences is long overdue. Your presence here is further evidence in support of that contention. Moreover, the growing number of inter-disciplinary research agencies, notably, the Research Center for Group Dynamics at Michigan, the Institute of Human Relations at Yale, and the Tavistock Institute of Human Relations in London, constitute serious attempts to facilitate cross-disciplinary thinking and research.

What has the inter-disciplinary research approach to offer to students and practitioners in industrial relations and in other areas of the social sciences? What are its limitations? How can representatives from different disciplines conduct effective group research? These are questions which the members of this panel will consider as they discuss the strike as a socio-economic institution.

As chairman I want to emphasize the need for this type of research. It is not enough for specialists to work separately in labelling and classifying trees. They must also integrate their knowledge and skills in a study of the forest as a whole. In our investigation of social phenomena we need the historian to help us (1) to understand the origin and development of human customs and institutions, (2) to interpret social processes, and (3) to give us perspective so that our thinking will not be circumscribed by the present. We need the economist to tell us how material and human resources are allocated and how economic forces operate in both the short and the long run. But an economic interpretation of individual and group activity and institutions is not only inadequate but unrealistic, and so we must call upon the clinical psychologist and psychiatrist to interpret the conscious and unconscious feelings and attitudes of individuals, the

nature and causes of individual differences, the mechanism of mental processes as well as to throw light on the individual emotional needs and maladjustments which produce discontent, frustration, and internal conflict. We must call upon the social psychologist, the sociologist, and anthropologist to explain the nature of groups, their structure, their needs and goals, their patterns of behavior, and the processes by which we may develop constructive group action. We should also call upon the philosopher to warn us when we deviate from the requirements of logical analysis, to help us to test and evaluate concepts of right and wrong, and to assist both in our analysis and appraisal of value judgments and in our formulation of social theories and doctrines. The lawyer is needed to interpret the legal relations and institutions which are so closely tied in with many aspects of human association and to contribute his knowledge of conflict situations which characterize so large a part of human relationships. Other specialists may be required for particular explorations. Moreover, practitioners as well as theorists are essential members of the inter-disciplinary team.

Lastly, the multi-disciplinary approach is not only a method of research. If our experience at the University is typical, it has other values and leads to the formulation of other goals. These will be discussed later.

The Approach of the University of Pennsylvania Committee

Our Committee initially set out to determine the effectiveness of the cross-disciplinary approach as a research tool for solving problems in the social sciences, but especially in the field of industrial relations. Some of its members had doubts about the usefulness of cooperative multi-disciplinary research. They asked themselves these questions:

Will a pooling of the knowledge, insight, and research techniques of a group of competent persons in selected disciplines of the social sciences really bring about a better understanding and more realistic solutions of social problems than research by individual scholars or a group of qualified individuals in a single discipline?

Assuming that it will, how may the contributions and skills of such a diversified group of specialists be utilized most effectively?

What type of problems or subjects is peculiarly suited to this approach to research?

What problems arise when inter-disciplinary research is undertaken?

What are the advantages, disadvantages, and limitations of this type of research?

This Committee³ was formed to obtain the answer to these questions and to try out this method of study and research.

The Committee began its explorations with a canvass of the field of industrial relations in order to develop a list of problems or points of focal interest which might be suitable for multi-disciplinary study and research. To facilitate the selection of such subjects a topical outline of the field of industrial relations was prepared. The discussions that followed developed eleven possible problems or areas.

The Committee's next step was the formulation of criteria which would help the Committee in its choice of a problem or area of research. The criteria agreed upon were:

1. The suitability of the problem for investigation by an inter-disciplinary team.
2. The public importance of the problem or area.
3. The possibility of making a basic contribution in the area of research in the light of the limited time that the members had available for research and the restricted funds at their disposal.
4. The basic interests of the Committee members.

The Committee's First Choice Was the Strike as a Socio-Economic Institution

The representatives in the field of industrial relations were then asked to prepare a proposed outline of the research to be undertaken in this area. Several other members prepared memoranda indicating the contribution which their respective disciplines might make or suggesting specific areas of research. These memoranda were discussed at subsequent meetings.

The Committee, however, did not seem to make much progress. Its discussions were tangential until it realized that multi-disciplinary

³ Waldo E. Fisher, Department of Industry, Chairman; Elizabeth F. Flower, Department of Philosophy; A. Irving Hallowell, Department of Anthropology; Roy F. Nichols, Department of History; Otto Pollak, Department of Sociology; Malcolm G. Preston, Department of Psychology; Louis B. Schwartz, Law School; Leon J. Saul, Department of Preventive Psychiatry, School of Medicine; George W. Taylor, Department of Industry; Norma F. Waschler, Secretary.

research cannot be undertaken effectively on a problem that is peculiar to a single discipline or even on the specific manifestation of a general problem if discussion is limited to this particular manifestation. Once this principle of multi-disciplinary research was recognized, the Committee's discussions took on vitality and direction. The decision to focus our attention on conflict instead of the strike gave the Committee a problem that cut across most, if not all, of the social sciences and enabled each member to draw on the knowledge, insights, and skills bearing on conflict resolution which have been developed by his own discipline. It became clear that the various disciplines had something to contribute that had a bearing not only on strikes but other manifestations of conflict.

The Committee next asked its secretary to undertake during the summer months an investigation to ascertain (1) whether the role of the mediator or conciliator in industrial disputes may be meaningfully placed in a larger setting, (2) whether there is a general technique of "helping" or conflict resolution by an outside, non-authoritative party of which mediation is one type, and (3) whether there are any principles and methods that have been evolved by the various social sciences with respect to the resolution of conflict that may be applicable to the mediation of industrial disputes.

The findings of this tentative study exceeded the Committee's expectations in that it demonstrated the existence of a common problem concerning which various disciplines had developed a core of knowledge and a variety of techniques which had real significance to scholars in many of the social sciences. Furthermore, it clearly established the fact that this area of study was definitely suitable for co-operative research of an inter-disciplinary nature.

The Area of Research Selected for Study

Subsequent discussions led the Committee to adopt the resolution of conflict as the general area in which it would conduct research. The selection of this area needs no justification. The pervasiveness of conflict in modern life is kept before us daily by its many manifestations, common among which are wars, strikes and lockouts, ruthless competition, feuds, lawsuits, divorce, nervous breakdowns, insanity, and suicide. The impact of these forms of conflict and the incalculable waste of time, energy, income, natural and human resources, as well as opportunity to live fuller and richer lives, are apparent on every hand.

The observation of Elton Mayo in his *The Social Problems of an Industrial Civilization*⁴ points up the need for cooperative study, research, and action in this area of human behavior. In analyzing the conditions essential for the functioning of democratic government, he stresses the fact that the nation must not be "internally divided by group hostilities and hatreds." In support of his position he quotes Stanley Casson, author of *Progress and Catastrophe*, to the effect that "the inability of functional groups to cooperate and a consequent mutual hostility—has been the historic destroyer of great civilizations."

But one must hasten to add that not all conflict is avoidable or even undesirable and that, in certain instances, the alternatives to conflict are worse than the condition of conflict itself. It is possible also that harmony and constructive human relationships may evolve out of conflict and that much of the world's progress has arisen out of the struggle and discontent of man. It is apparent, therefore, that conflict resolution should place its emphasis on eliminating unnecessary conflict, especially when anti-social in nature, and holding unavoidable, unsocial conflict to the irreducible minimum or diverting it into constructive or, at least, less harmful channels.

Conflict resolution is a broad area which for research purposes must be broken down into workable units of study. The Committee's deliberations directed its research activities to a study of the goals and procedures of professional persons engaged in conflict resolution. It proposes to analyze and evaluate their aims, roles, training, techniques, and experience in resolving or reducing conflict situations whether they be intra-personal, inter-personal, or inter-group in character. Among the practitioners who engage in the helping process are the psychiatrists, marriage counsellors, clinical psychologists, arbitrators, labor mediators, and judges.

In the written statement of its proposed study, the Committee points out "that such a study would afford an opportunity for the testing of a major hypothesis, namely, that conflict of all kinds, between persons, between groups, within the individual, depends upon forces and situations having common properties. The testing of such an hypothesis will contribute to a general increase in insight into the conditions which must be fulfilled if conflict is to be brought under control and if the professional helpers are to increase their effectiveness."

⁴ Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1945.

The Committee is now in the process of analyzing the structure of conflict. It recognizes that basic research in conflict resolution requires a theoretical framework around which to organize its present knowledge and concepts, to ascertain the gaps in that knowledge, to determine the specific areas to be studied and the order in which they should be explored. It believes that an understanding of the structure of conflict is necessary to the development of a realistic theory of conflict and to the effective planning of specific research projects.

Objectives of the Committee

Its deliberations over a period of nine months have led the Committee to broaden its perspective and to adopt the following multiple-purpose goal:

To provide an AGENCY within the University which will:

- a. Serve as a dynamic force to encourage cross-discipline thinking and research in the behavior sciences and thereby supplement the present specialized learning and research which characterize the educational system of present-day institutions of learning.
- b. Pool the knowledge, insights, and research skills and methods of competent scholars in related disciplines on the problems involved in the resolution of conflict.
- c. Encourage and assist candidates for a Doctorate of Philosophy to write their theses in this area.
- d. Employ able graduate students who are interested in conflict resolution to assist Committee members and other competent scholars cooperating with the Committee and afford them an opportunity to learn research standards, skills, and tools as well as to give them practice in collecting, analyzing, and interpreting the materials of research through observation and participation.
- e. Encourage and assist financially members of the teaching staff in the various disciplines to undertake studies in this area under the general guidance of the Committee and with the help of Committee members who have particular competence in that aspect of the larger problem.
- f. Support the establishment of inter-disciplinary seminars, granting academic credit, on problems which transcend the bounds of the individual social sciences.

It is apparent, therefore, that the Committee's goal is not only to

provide its members with an opportunity to do inter-disciplinary research but also to encourage other members of the teaching staff and particularly graduate students to participate in the program. The Committee will serve as a vitalizing and integrating force for research in conflict resolution.

II.

DR. GEORGE W. TAYLOR⁵: The strike is a mechanism which has conflict characteristics, but it is also a tool for resolving a deeper conflict. I believe the strike has to be perceived not primarily as an expression of conflict but as a means for resolving conflict. The strike can be best understood if attention is directed away from the right to strike and toward the function of the strike in a system of collective bargaining.

Collective bargaining has been adopted in the United States as the method for resolving differences over terms of employment. Two essential concepts, among others, are implicit in collective bargaining:

1. Group determination, as distinct from individual determination, by employees of the conditions under which they will work.
2. Agreement between representatives of workers and employers as the *only* way by which terms of employment can be established. Even where the government secures an injunction against a strike or seizes a plant, the underlying dispute over terms of employment remains and can be removed only by agreement between the parties.

The existence of such a system implies that there is no universally accepted objective standard of fairness and that, in the absence of such a standard, a meeting of minds is the sole criterion of fairness and equity.

It is within the framework of this system that the function of the strike must be understood. What inducement is there for a union or a management to modify extreme positions to such a degree as to permit a meeting of minds? Under a collective bargaining system, in the event of failure to agree, either party may invoke a penalty in the form of loss of employment to workers and loss of production to employers. Modification of extreme positions by either or both sides is a way of avoiding the costs and risk of a work stoppage. The right of employees to strike and of employers to lockout thus essentially provides a strong motive power to negotiated agreement.

⁵ Professor of Industry, Wharton School of Finance and Commerce, University of Pennsylvania.

Once a stoppage is undertaken, its function again is to bring about a meeting of minds. Only by agreement can the risks and costs of remaining unemployed and unproductive be ended. The question is: how much is each side willing to concede in order to get a resumption of work and production. Such a coerced agreement has disadvantages, but at the conclusion of the strike, employees, with whatever misgivings, choose to return to work, and the employer, with whatever reluctance, chooses to open his plant. There is significant evidence, in the World War II experience of the War Labor Board for instance, that without the right to strike as a motive power to agreement, unions and managements are on the whole unable to reconcile their differences.

The strike, then, is the ultimate means for bringing about a meeting of minds and an agreement of the parties where differences are persistent and do not yield to persuasion or argument around the conference table. Economic pressure becomes the ultimate arbitrament to get people to recede from extreme positions to the extent necessary to permit agreement to take place.

This system involves costs of course, and the method is not necessarily the best that will ever be evolved. However, the strike must be recognized in its function as a means of resolving fundamental conflict, rather than in its more obvious form as a conflict manifestation. In this light our job becomes one, not of outlawing strikes, but of devising less costly substitutes for bringing about a meeting of minds.

From this standpoint also the strike is seen to be a special-purpose tool. The strike can not serve its proper function as an adjunct of collective bargaining in certain disputes where the public health and welfare are at stake. A strike which puts more pressure upon the public to come to its knees than it does upon management to come to terms represents an inappropriate use of a special-purpose tool. We should continue to bend our efforts to find more satisfactory substitutes in situations for which the strike is not adapted.

Looking at the strike from the standpoint of its function, it seems to me it provides a guide for moving ahead to better industrial relations. Most of my colleagues disagree with me.

III.

DR. MALCOLM G. PRESTON ⁶: Some years before the war one of the important contemporary psychologists published a theoretical

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treatise which was focused upon some of psychology's most controversial issues. As is often true with works which deal with controversial issues at the theoretical level, this work received a good deal of expert criticism from the author's colleagues, the criticisms appearing as a series of reviews and critical notices in the leading psychological journals. Towards the end of the time during which these reviews were appearing, a review was published which was more in the nature of a criticism of the critical notices than of the work itself. This last critic made a point which seems to me to be germane to my reaction to the remarks which we have just heard from Professor Taylor.

This final critic noted that anyone who had read the reviews which had been published during the previous year would probably come to the conclusion that the author of the work could be counted on to be wrong in the answer that he gave to almost every question which he raised. And on this account, he noted, the work was being widely disparaged. But, said this last reviewer, no one hitherto had noticed a very significant fact about the questions which the author had attempted to answer, namely, that they were precisely the right questions to raise. In short, said our critic, while our author may not know the answers, he knows the questions, and anyone familiar with the history of knowledge will remember that more than half the battle is won when the right questions are asked.

Professor Taylor has just discussed a problem which bristles with questions which demand answers. Among them are questions of essentially psychological interest. I shall be satisfied if my remarks leave you with the feeling that if the answers to these questions of psychological interest have not been forthcoming, at the least the right questions have been asked.

From the viewpoint of the professional psychologist, what are the questions which must be asked and answered if we are to develop insight into the mechanism and history of industrial conflict, and if, in time, we are to be able to deal constructively with all the problems which flow from it, including the strike? All of these questions seem to me to revolve around two central, focal problems: What are the real wants of the contending parties in our industrial civilization? What psychological conditions have to be satisfied if contending parties are to settle their disputes and remain satisfied with the settlement? Put in another way—how does conflict arise, and how is it resolved?

Placed in such a frame of reference, it is possible to discuss Professor Taylor's problem on the basis of knowledge and insights which come from sources which at first blush may seem to have little connection with industrial conflict. The trades unionist, the industrial manager, and the industrial mediator are not the only persons in our culture who must be concerned with the occurrence and the resolution of conflict. Psychiatrists are concerned with this problem in their efforts to understand and to mediate the war which often occurs within the personality. Child psychologists face similar problems in their professional work with children and parents. The social workers, particularly those who specialize in work with the family and in the counseling of husbands and wives who are contemplating separation or divorce, or who at the least are troubled in their marriage relationship, are highly conscious of these problems. In fact it can be said that the twin problems—what do people really want, and how are conflicting wants to be reconciled—arise in every aspect of life in which inter-personal relationships occur.

The investigation of the first of these questions (what do people really want?) has revealed a certain principle which seems to hold very generally—people are often not aware of the identity of their real wants. This statement is very easy to accept when we think of it as illustrated by the behavior of a child who is badly in need of sleep but who refuses in a tantrum to go to bed, but it is somewhat more difficult to accept when we think of adults, particularly adults in an economic frame of reference where the classical theory teaches that each of us knows his own best interests, and can be depended upon to make his choices in the light of that interest. That the classical theory has been found to be wrong in many specific instances goes without saying. But despite this fact it continues to be relied upon by many students of industrial conflict.

How has knowledge as to the identity of real wants been developed? Two classes of methods have been used. The first is the obvious method of asking specific questions about the wants by the use of some variation of the interview or the questionnaire method; the second and more difficult method consists in observing the consequences of satisfying needs and wants believed to exist. Such a method presupposes that if adequate measures, taken to satisfy a claimed need, fail to satisfy the need, a mistake has been made in the identification of the need. If we examine the extent to which methods such as these have been used in the study of industrial relations it

will be found that their application under *any degree of experimental control* has been confined largely to the worker, and that for the most part, the least effective method—the method which consists in the asking of questions—has been used. This perhaps accounts for the evident disparities in the results of investigations and between such results and the lessons of recent history noted by students of the question: What does the worker want?

It may be objected that while there is much doubt as to what the worker wants there is no doubt as to what managers want. This statement needs close scrutiny. There is certainly little doubt that managers appear to be confident as to what they want. They are, for example, often able to say with great clarity what their wants are. But so is the child who doesn't want to go to bed, and students of the problem of motivation have long since learned to preserve an open mind in the face of articulate and well-organized statements as to what is wanted. And if we examine the literature of attitude studies, to turn to the most frequently used technique in the field, we find, as I have noted before, that for the most part such studies have been confined to the wants of the worker, and that little systematic knowledge in fact exists as to the wants and needs of management. In view of the conflicting character of the conclusions which have been drawn from systematic work on the wants of the workers, who like management are often vocal, clear, and confident as to what they want when they are sitting across a table, it would not be surprising if the same results emerged from the badly needed work on what management wants.

What do we know about the technique of bringing conflicting demands into agreement? This problem is currently under investigation in a variety of fields at various levels of scientific sophistication. In family counseling, for example, it is well recognized that reconciliation of conflicting demands often depends upon the existence of a setting which makes provision for the free ventilation of feelings such as hostilities and anxieties, under conditions which channel such destructive impulses away from the negotiations. Separate consultations with aggrieved parties provide for such conditions. The counseling of intra-personal conflict has led to the formulation of principles according to which the psychotherapist or the counselor plays a relatively unauthoritarian role. The theory which leads to this definition of the counselor's role also permits the deduction that decisions which are not taken on the initiative of the individual are rarely decisions with which he can live and work.

Perhaps the most important conclusion which comes from our knowledge of techniques for bringing conflicting demands into agreement is the conclusion that the techniques seem to hold over disparate areas—the same principles being evident in the work of persons who are dealing with inter-personal conflict as those who are dealing with intra-personal conflict. It is for this reason, perhaps, that certain kinds of professionally trained people, like the psychiatrists, function very effectively as mediators in family disputes as well as in the mediation of serious intra-personal conflict. That the techniques should be broadly applicable should not be surprising in view of the similarities in the formal aspects of conflicts which differ in respect of their locus or content. The mediator working with individuals or groups who must also remember the interest of a third interested party, faces somewhat the same problem no matter whether the third interested party is the consuming public or the friends or children of the troubled spouses, or the wife or husband of the psychiatrist's patient.

In reflecting over these two broad areas of questions which Professor Taylor's remarks suggest to me, the conclusion is inescapable that not only is systematic research required but also the research must be of a special kind—cooperative inter-disciplinary research requiring the joint efforts of all of those students of the behavioral sciences who must concern themselves with inter-personal relationships and their adjustment.

IV.

DR. OTTO POLLAK ⁷: The analyses and research suggestions made by Dr. George W. Taylor and Dr. Malcolm Preston could be supplemented from the angle of sociology by the following lines of inquiry.

Structural Aspects of the Opposing Groups in a Strike Situation

Both the labor relations specialist as well as the psychologist have referred to the conflicting groups in a strike situation more or less as entities, union and management, or labor and capital. But being astute observers of reality they sometimes have found it necessary to refer to labor leaders—as Dr. Taylor did—and to management personnel as distinguished from capital owners—as Dr. Preston did. Occasionally, there appeared a need on their part to single out certain structural units from the opposing groups for refined analysis. In this

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respect sociologists could be of help because they have always been and in the recent past have become increasingly concerned with the phenomenon of group structure and the importance of specific personnel for decision-making which to outsiders may appear as the decision of a group.

Dr. Taylor talked about the rationale of strikes in terms of bringing about agreement. Dr. Preston, on the other hand, mentioned the needs which must be met if the conflict device in reaching agreement is to be avoided and lasting satisfaction with the agreement is to be achieved. Taking these statements as a start, the sociologist would still ask: "Agreement among *whom*" and "*whose* needs?" Only detailed studies of the structure of the two groups in conflict will indicate the individuals among whom the agreement will have to be achieved and whose needs seem to exercise motivating power in the bringing about of strikes. Identification of these needs, of the persons whose needs they are, and the relative power positions of these persons would seem to the sociologist a requirement for analysis of the functions of the strike as a socio-economic institution. Such research may do away with misconceptions regarding the causes and effectiveness of strikes which conceivably might result if analyses of the strike are focused only on the changes in working conditions which present the apparent issues of conflict.

Functions of the Strike

That the needs actually determining the outbreak of a strike could be different from those related to changes in working conditions is suggested by the sociological observation that group conflict serves among others also the function of increasing group cohesion. The strike therefore may be a means not of establishing an agreement so much as a means of forming a more cohesive interest group out of a number of individuals who formerly had only loose and shifting inter-personal relationships. Organizational strikes may be a thing of the past, but the threat of internal dissension may still be counteracted by strikes which ostensibly are fought over working conditions.

Furthermore, sociologists in institutional analysis have found that conflict groups make necessary a specific type of personnel, fight personnel as it were, and in the light of this observation conflicts such as lock-outs or strikes may serve at least to a degree the self-interest of such personnel. It could happen for instance that a personnel

officer may think that his position is endangered unless he puts up a fight against every demand made by the union. It could also happen that a union official believes that he has to appear belligerent in his dealing with management in order to keep his following in the union.

These sociological considerations raise among others the following two specific research problems.

(1) The development of a technique for finding out in what persons on either side of the group conflict the decision-making power is actually located.

(2) Investigation of the means by which the needs of these persons can be satisfied; whether the strike is the only means available or whether other alternatives of environmental manipulation of the bargaining situation are possible.

At any rate the function of a strike probably will be better understood and evaluated if its outcome and consequences are related to the needs of those who by their decisions determine its occurrence than by attempts of understanding and evaluating them only in terms of the issues officially in dispute.

The Social Framework

Still, needs and the strike function of satisfying them do not by themselves fully explain the occurrence of strikes. The strike as a socio-economic institution runs its course in the framework of the wider society. Factors favorable or unfavorable to the occurrence of strikes would have to be looked for not only in the needs of individuals but also in these elements of societal structure. For instance, the values predominant in a society in which the government expresses public opinion will either facilitate or present obstacles to the use of strikes as means of need satisfaction no matter what these needs may be or whose needs they may be. A study of these values would therefore be necessary for an understanding of the question why in certain societies, in certain industries within society, and at certain periods of time there is either a frequent or a rare incidence of strikes.

V.

DR. ROY F. NICHOLS⁸: I may say by way of introduction that though I am not a labor historian my field of American political history has led me to give much study to conflict and to pay some

⁸ Professor of History, University of Pennsylvania.

attention to the developing participation of labor organizations in political contests.

I have been very much impressed in our discussions by the relationship of the growing labor movement to the community, to its customs, and to its politics. As Dr. Pollak has said, the nature of the labor conflict depends so much upon the character of the community in which these conflicts occur. Some communities have histories and folkways which invite conflict; others show more sympathetic characteristic attitudes.

Research in the field of labor conflict therefore should include historical study of the evolution of communities and their attitudes, because frequently a contemporary attitude has been shaped by events long past and even forgotten.

Such studies will show the origin of long standing prejudices arising out of more than one hundred years of immigrant competition and religious antagonism. For instance, I came across the indication that a very difficult labor situation in one community was conditioned in part by the fact that one man hated "Polaks." The reason for this hatred was the belief that this man held that his father had been crippled and deprived of earning power by the brutality of a fellow workman of that nationality. However, a labor conciliator was able to find that the father had lied to his son, that the accident had occurred because of the parent's intemperance. To save face he had blamed it, to his family, on his fellow workman. The discovery of this historical fact made it possible better to comprehend this labor situation.

Facts of this nature indicate the need of the historical study of the growth of community attitudes and case histories of labor personnel, particularly leaders. To this end, at the University of Pennsylvania we have one man at work on the personnel of the budding labor movement in Philadelphia in the 1820's and 1830's. He is seeking to find as many of the individuals as possible and to discover their community status. It seems to be indicated that the status of those active in labor organization was more varied; there were, shall we say, many more "amateurs" in the early days, for a number interested in the cause belonged to the capitalistic rather than the wage worker groups.

In general in the field of labor history a great deal of work has been done, but too much of it in a vacuum, too little of it in relation to community development. It must be studied in relation to developing local politics, judicial attitudes, law enforcement, and the changing

attitudes of the community and local government towards labor organization and the strike. Much can be contributed to the understanding of labor conflict by historical research. For situations developing over a century cannot be adequately grasped by the techniques of contemporary analysis.

VI.

DR. ELIZABETH F. FLOWER⁹: Perhaps you wonder what a philosopher is doing on such a committee, for with as much modesty as Roy Nichols (and on more legitimate grounds) I disavow any more intimate knowledge of the labor situation than the common experience of the public. In the tradition of Socrates my role here is rather that of a "gadfly"; the task: to ask questions, and should I perchance ask the right question then this is as much as could be expected from a philosopher. If you think my questions are naive and lay, then surely you are right; but if you criticize them for being idealistic, perhaps the time for idealism is at hand since realism is not much help in the contemporary situation.

I was impressed by the juxtaposition of two notions in what George Taylor said: "The strike is labor's most precious possession" and, "But the tremendous cost of a strike . . ." This points up a certain ambiguity in our terms for surely a strike is not successful even though it secure a raise in wages and a decrease in work-hours if it has been so costly to labor that its future bargaining power is weakened. Hence it seems to me that we would be better advised as to the nature of the strike if we ask what are the criteria of a successful strike and of a successful mediated strike?

Now it is patent that this question has at least three discrete meanings depending upon whether it is addressed to labor, management, or the public (and possibly a fourth if the mediator replies). Thus, George, a second point; what are the elements common to all answers to this question; and of the residue, which are genuinely incompatible? For if we were to find an agreement about what is a successfully mediated strike, we might be saying something important about common interests.

George later asked "Now what about equity with respect to an equally successfully mediated strike?" Of course this is the problem Plato was concerned with in the *Republic*. Does economic power, political power, in the long run define what you mean by a just settle-

⁹ Assistant Professor of Philosophy, University of Pennsylvania.

ment? If you include equity as one of the vectors of this problem, doesn't it become precisely what I suggested—that ideally those interests must be jointly served that belong to all parties in a conflict situation?

Now all of our interests cannot be served. There is a demand for sacrifice on the part of all of us whether it be with reference to the international situation or to our own personal and intra-personal relations. And this directs us to the ultimate political and human values, and that seems to me to be your concern.

As you know the problems of value-judgments are much discussed in philosophy today, and for data and concrete issues we have much to learn from you. On the other hand we would appeal most passionately to you in your thinking for a dispassionate re-examination of the terms you use and their status. In our committee meeting the most heated discussions turned on the ambiguous use of the word *strike* as conflict and as a technique of resolving conflict; our greatest difficulties in communication came in mistaking hypotheses for dogma.

VII.

CHAIRMAN FISHER: Let me try to summarize the positions taken by the members of this panel.

Dr. Taylor looks at the strike as an essential part of the collective bargaining process, which he thinks is the only way to determine terms of employment. The strike, as he sees it, makes two contributions. First, as a threat it provides a strong incentive to the parties to arrive at a negotiated agreement. Secondly, when it actually occurs, it serves as a means of bringing about a meeting of minds because the alternative, continued loss of employment or production, is too costly. He holds that we must accept this as part of a practical working solution to industrial relations and that what we should do is find less costly substitutes, where we can, which will resolve conflicts and prevent resort to strikes.

Dr. Preston and Dr. Pollak are interested in the function of the strike in helping the parties to achieve their goals. Dr. Preston is concerned with getting a settlement which is acceptable to all parties so that it has an element of permanence about it for the life of the agreement. As he sees it, the root of the strike problem is: what are the psychological conditions that must be satisfied if persons are to be willing to accept the resulting agreement. He maintains that strict attention must be paid to the needs of all parties, not only manage-

ment but investors, and not only workers but unions. Then he suggests that we look at the various social sciences to see if there are techniques being used by such practitioners as marriage counselors and psychiatrists which may help us to do a more effective job in bringing about settlements that will meet the condition of acceptability rather than acquiescence.

Dr. Pollak is interested in areas of research. He suggests that we study the structure of the groups involved in the strike and particularly identify those who are in power positions and whose needs must be satisfied before solution is possible. Then, he says, for effective settlement we must get at the fundamental issues rather than the nominal stated reasons for the strike. Finally, we should look at the characteristics of the community and society which accentuate conflict on the one hand or make for cooperation on the other.

Dr. Nichols is also greatly interested in the influence of society, but he seems to emphasize the long-run influences which have molded the character of contemporary society, and as a historian he is interested in those forces which have produced community attitudes.

Dr. Flower raises three basic questions. What are the criteria of the successful strike; for whom was the strike successful—for labor, for the employers, or for the public? Can we find any common interests which should be stressed in dealing with these strike situations, common interests which may be utilized in a discussion of the controversial issues which are also apparent in strike situations? And lastly—does economic power bring about a fair and equitable solution of conflict?

We have agreed that we cannot outlaw the strike, and that, therefore, we should discover means of reducing its incidence. Certain means have already been developed. N.L.R.B. elections to determine who shall represent the workers are one evidence of a situation in which the strike has been set aside by a more peaceful means of resolving conflict. The use of arbitration for settling grievances and, in industries affecting public health and safety, for arriving at the terms of a new agreement, is another method for resolving conflict. The General Motors contract, inasmuch as it provides for a long-term agreement by tying the contract terms in with cost of living indices and changes in productivity, is still another example. Labor and employers should be encouraged to experiment with other devices of this type.

THE OLDER WORKER IN INDUSTRY

INTRODUCTION

EDWIN E. WITTE

Chairman, Department of Economics, University of Wisconsin

THE ROUND TABLE session on "The Older Worker in Industry" was an outgrowth of the issuance of the first volume of research studies by the Industrial Relations Research Association. This was the volume on *The Aged in Society*, which was distributed to all members of the Association a few weeks before this Annual Meeting.

The Aged in Society was an example of an attempt to deal with a problem of wide scope and national interest from the varying approaches of different academic disciplines. It included 15 chapters, each of which dealt with a special aspect of the general subject of the volume. Contributors included demographers, economists, psychologists, political scientists, sociologists, a union research director, and specialists from the Bureau of the Census, the National Health Institute, and the Nuffield Foundation of England.

In planning a round table session devoted to the aged in society, it was deemed necessary to confine the discussion to a somewhat narrower scope than the volume. It was concluded that the most appropriate topic for a round table discussion at this time was that of the older worker in industry. No less than six of the 15 chapters of the research volume dealt with aspects of this subject and several others discussed closely related problems. Nearly all of the 11 sections of the National Conference on Aging in August 1950, dealing with as many different aspects of the problems of an aging population, in their recommendations stressed the desirability of increased employment for older people. Important as this has been heretofore for many differing reasons, it has become even more important in view of the existing national emergency. The great need for increased production, coupled with an already tight labor market, operate both to make it imperative for national safety to increase the employment of older workers and to make many more jobs available to them.

By way of an experiment, this round table session was conducted as a panel discussion with fairly extensive participation from the floor. None of the scheduled participants read prepared papers or delivered set speeches. Instead, an outline of some major questions

to be dealt with was distributed both to the scheduled participants and to all others in attendance, numbering in the neighborhood of 100. The participants led the discussion on these questions, with brief informal statements. Many people in the audience also expressed their views, in part through questions addressed to the panel, and, in part, through brief contributions of their own.

The following are summaries of the major points made by the principal discussants in this round table session. Dean Brown was unable to attend the session, but his statement was read by the chairman. Professor Burns was not a scheduled discussant but presented his views in the form of an organized statement which is deemed worthy of inclusion in the proceedings. Many others also made worthwhile contributions from the floor, but as no stenographic record was kept, they cannot be reproduced.

SOME FACTS ABOUT THE OLDER WORKER

PHILIP M. HAUSER

Professor of Sociology, University of Chicago

IN APRIL 1950, almost three million persons 65 years of age and over were employed in the United States. Of these workers about one-sixth were women. These older workers were drawn from a total population of about $11\frac{1}{4}$ million persons 65 years old or older. Persons in this age class constitute, more often than any other, the population considered as "older persons." Even though it is becoming increasingly recognized that "old age" embraces much more than chronological criteria, persons 65 years old and older are focused upon for purposes of convenience in highlighting some of the factual aspects of our aging population.

Our "older" workers, as defined above, differ in many respects from the total employed. More than two of every five of them (43%) are self-employed, as contrasted with less than one in five workers 14 years old or older (18%). Slightly more than half of the older workers (55%) are "wage or salary workers," as contrasted with almost four-fifths of the total employed (79%).

The occupational distribution of older workers differs from that of the total employed—reflecting differential employment opportunity resulting from a number of factors including compulsory retirement plans, job requirements, discriminatory hiring practices, and personal choice. In broad summary it may be observed that older workers, constituting 4.7 per cent of the total employed (in April 1948), were greatly overrepresented among farmers and farm managers (13.2%); and overrepresented also among service workers (7.7%); proprietors, managers and officials (other than farm—5.9%); and laborers, both farm and non farm, (5.0 and 5.3% respectively). Older workers were greatly underrepresented among clerical, sales, and kindred workers (2.0%); and operators and kindred workers (2.3%). They also appeared in less than average proportion among craftsmen, foremen, and kindred workers (3.8%); and professional and semi-professional workers (4.2%).

The distribution of older workers by industry reveals a similar differential pattern. Constituting 4 per cent of all the employed in the non-agricultural industries, they were greatly overrepresented in the service industries (5.6%), and in construction (5.1%); and underrepresented in manufacturing (2.8%); in transportation, com-

munication and public utilities (3.7%); and in "all other" industries (2.9%) excluding wholesale and retail trade. In the latter group they appear in about their average proportion (4.1%).

Evaluation of unemployment among older workers is made difficult by a number of factors including forced withdrawal from the labor market, partial disability, differential duration of unemployment, and part-time work. In general, however, the data indicate that except for the youngest groups of workers, those under 25 years of age who in the main are new entrants to the labor force, the older workers tend to have the highest unemployment rates. Both in times of high unemployment and moderate unemployment older workers experienced higher unemployment rates than workers of intermediate age. In 1940, for example, about 15 per cent of workers 55 to 64 years were unemployed as compared with 4 per cent of men 35 to 44 years old. In 1949 about 5 per cent of the men 55 to 64 as compared with 4 per cent of men 35 to 44 were unemployed. During periods of "full employment" such as those of the war and postwar years, older workers seem to have the same low rates of unemployment as workers in the intermediate age group. It may be expected, as the data actually reveal, that during any period of rising unemployment, older workers will experience a relatively higher unemployment rate than workers of intermediate age.

Current facts about the older worker can be better understood in the perspective of general population and labor force trends. Perhaps the most important single fact about the older worker is that only 45 per cent of males 65 years of age and over, in contrast with 68 per cent in 1890, are at present in the labor force. The rapid and great decline in the labor force participation rates of males 65 and over, perhaps more than any other single statistic, highlights one of the basic problems of the older person—that of obtaining suitable remunerative employment.

The decline in the work rates of our older persons is, of course, in part a reflection of a rising standard of living permitting earlier retirement, but there is increasing evidence that it is in large measure also the result of involuntary disemployment arising from compulsory retirement plans based on age, discriminatory hiring practices, and failure on the part of our social order to utilize the human resources represented by our older population both for the benefits accruing to society at large and to our senior citizens. The magnitude of the problems of wasted human resources on the one hand, and of in-

creasing enforced personal unhappiness and dependency, on the other, is better grasped against the background of general population trends.

As a result of a long-time declining fertility and mortality, and the virtual cessation of immigration, the population of the United States has been rapidly aging. The average person in the United States was about 16 years old in 1790. In contrast the 1950 census returns will show him to be about 30 years of age. In the last half century, while the population of the United States has doubled, the number of persons 65 years of age and older has quadrupled to over 11 million persons. By 1975 this number will almost double again and total about 20 million. Despite the rapid decline in the labor force participation rate of our older workers, indicated above, the proportion of older persons in the labor force has remained about the same since 1900—ranging from 3.9 per cent (in 1920) to 4.8 per cent (in 1950). This relatively constant proportion is explained, of course, by the increasing proportion of older persons in the general population.

The changing age structure of the population of the United States is reflected in the changing rates of dependent to productive population. In 1890 there were over 90 children under 14, and about 14 persons over 55, not in the labor force to every 100 workers. By 1950 this rate had changed to under 65 children and over 22 older persons. Thus although the total dependency load decreased from 104 to 87 persons per 100 persons in the labor force, there was a considerable shift in the proportion of younger and older dependents. The increasing proportion of older dependents poses new and more burdensome problems to our society. The family at the present time, as well as traditionally, largely assumes the burden of child dependency. But the family as an institution is no longer in a position to provide, nor is it providing, adequate care for old-age dependency.

Employment opportunities for the older worker, ironically enough, were much improved by the war and post-war prosperity conditions. The present national emergency, it may be expected, will result in continued and increasing work opportunities for older persons. It is in fact imperative that our older persons be utilized as a valuable human resource to help meet a potential manpower shortage. It is clear, however, that we cannot afford to count on war and international tension as a permanent solution of the employment problem of the older worker.

The population of the United States, assuming the continuation of past trends and barring unforeseen events, will continue to age. This is a trend common to all of Western Civilization, of which the U. S. is a part. In a real sense old age is a modern problem—a concomitant of industrial society. Declining fertility and increased expectation of life have combined to increase the population of elder citizens in our society. Our inherited social institutions and new legislative enactments have not yet proved adequate to the task of dealing with the problems of the older worker. This task will continue to be a major challenge to the ingenuity of research workers and social engineers alike, for some decades to come.

SOME PROBLEMS OF THE OLDER WORKER

SOLOMON BARKIN

Director of Research, Textile Workers Union of America, CIO

THE PROBLEMS of the older worker have in the past been projected primarily during periods of recession. The concentration of unemployment among this group of persons and their particular inability to obtain new jobs awakened widespread public interest. The recession of 1948-9 acted as the initial stimulus for reawakened concern in the current cycle of interest. It has been reinforced by the increasing proportion of older workers in the community and now by the great need of tapping new reservoirs of employable persons for our war production. Our emphasis has shifted sharply from one of condemning discrimination to that of finding specific means of aiding employers in placing older persons in jobs adaptable to their qualifications.¹

To expand the proportion of employed older persons we must hurdle many problems. The experience of earlier periods of full employment and particularly the success with which they were utilized during World War I and II promise wider utilization of these persons.²

Our primary challenge, in view of the growing number of older persons in our community, is to lift the art of adjustment of jobs to older persons and these persons to the job from a state of haphazard improvisation to that of systematic, well investigated and proven principles and corroborated experiences. Unfortunately, we are at the beginning of this task and few organized research projects have been started to attain this end. The earlier research done by the writer in this field still provides a starting point for further investigations.³ The Nuffield investigations promise to provide us with basic insights on which to build constructive programs. There is great need for a number of new research organizations to probe these problems most thoroughly.

We are now faced with a number of different problems. First, there is the employer pressure for the earlier retirement of older persons under pension programs. Trade-unions have resisted

¹ For a history of earlier periods of public interest in this problem see S. Barkin, *The Older Worker In Industry* (New York: J. B. Lyon Company, 1933), pp. 55-99.

² For World War I see *Ibid.*, pp. 68-69.

³ *Ibid.*, pp. 389-392; 430-435.

this move and have promoted pension programs which allow for voluntary retirement after age 65 but which have postponed compulsory retirement to later years. This approach has been reinforced during recent months. A number of employers including the General Electric Company who have attempted to enforce early retirement have given up this move. Our need for manpower is so great that compulsory retirement is no longer appropriate for the productive work population. Nevertheless, there may be a place for this type of arbitrary rule for executive and professional personnel. The proposal suggested by Professor J. Douglas Brown may serve for this group of people. It is inappropriate for the productive work force.

We take strong exception to the proposal offered by Professor Sumner Slichter to provide additional financial incentives for the employment of older persons. Careful placement will make for a profitable employee. Parenthetically, we may add that business is now deluged by a variety of financial incentives so that each one is important only insofar as its benefits exceed those offered by other programs. The proposal would rate low in contrast to those offered by our present federal tax laws and government.

In analyzing the problems of placement, we must carefully classify the groups of older workers and their locations. Many are in non-industrial areas. Those who are widely dispersed provide a special challenge. There is a high concentration of women without previous factory experience. Many older persons have had years of self-employment and would have to be redirected to adapt them to confined employment for others. Others are individuals whose capacities for sustained work have declined and must therefore have special hour schedules. A large number are persons who have been displaced from their regular jobs by technological change or redesign of jobs. Still others have been left stranded by economic events which have resulted in the closing of the plants in which they were employed. Each group presents particular and special placement problems. In contrast to these broad groups are the older persons who have continued to be employed on the same types of jobs which they had held over a long term of years.

In developing constructive programs for the employment of older persons, we must rank highest policies which preserve the claims of older persons for their current jobs. The seniority rules must be rated high for this purpose. An area of particular importance for immediate investigation is the hiring practices and policies of new

plants. These organizations are most likely to avoid employing older persons. They can make a significant addition to the available work opportunities. To the extent that they accept a great share of older persons, they will relieve the load on older plants and industries. There are vast numbers of jobs where older persons can be profitably utilized but where younger persons are now hired with resulting dissatisfaction. In this area, federal policy can play a constructive role, as the government is directly or indirectly financing the construction of many of these plants.

The determination of the particular attributes of older persons and the development of techniques for measuring the particular degree to which individual workers have shown the effects of these aging processes are indispensable to the promotion of better placement and the redesign of jobs. Unfortunately, industrial engineers who have devoted themselves for a half century to the study of jobs and their design cannot provide us with adequate tools for job analysis to determine the mental and physical demands. Workers in the field of the placement of the handicapped have developed techniques of job analysis which are more suitable and useful. The psychologists who have recently concentrated on the human qualities needed to be taken into account in airplane design are supplying another fruitful body of material. Researchers in the field of the employment of older workers have analyzed the jobs at which older persons continue to be employed and their psychological characteristics.⁴ Much more work must still be done.

⁴ *Ibid*, pp. 306-338.

ARRANGEMENTS FOR RECALL OF RETIRED WORKERS

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THE PRESENT DRIVE for rapid industrial mobilization reinforces the necessity to encourage the employment of physically and mentally competent older workers regardless of age or retirement status. At the same time both employing corporations and workers' organizations have a stake in not losing the gains made in the orderly and adequately compensated retirement of workers who in normal times would be considered too old to maintain efficient production. The corporation needs to maintain its vigor and adaptability to change. The trade-union must look to the protection of younger workers who will need to support families in future times of reduced employment.

The issues are: how can we assure the reemployment or continued employment of workers of post-retirement ages *now* without breaking down established arrangements for orderly retirement? Is the concept of fixed retirement ages to go by the board and, if so, how can industry be protected in the future from a multitude of individual pressures and grievance cases to extend employment beyond the age of net contribution to production and progress? Does not the trade-union have a stake in orderly retirement without the multiplication of individual claims to preferential treatment or an accumulation of superannuated workers who block the employment and advancement of younger workers?

The answer seems clear that fixed retirement ages serve a useful industrial and social purpose and should be preserved even in times of industrial mobilization. They have a long-run value of fundamental importance to both industry and the wage earners of the country. At the same time, workers past the fixed retirement age should be hired, if competent, to raise production levels as rapidly as possible. But such workers should be hired or continued in an entirely distinct status from that of younger workers. They should not be included in seniority systems nor acquire service rights. Their service rights as embodied in retirement annuities should be fully respected and unchanged. They should be rehired or continued on the basis of what they *do* and *earn* at 66 or 70, year by year, not at what they were doing and earning at 50 or 60. By fully recognizing (1) the security and fixity of retirement benefits and procedures and (2) the current

capacity and worth of the older man, both the valuable institution of orderly retirement and the valuable contribution of older workers to peak production are assured. More older workers will be employed if their wage rates are adjusted to actual productivity. More workers will be interested in seeking employment if their pensions are not cancelled by return to duty.

Sound industrial relations policy must reflect sound economics, respect for valuable social institutions, and the need for both security and progress. If concern for the older worker is to be more than sentimental self-righteousness, we must make definite arrangements for the reemployment of retired persons which fit the framework of modern industrial institutions.

PRIVATE PENSION PLANS AND THE NEED FOR FURTHER IMPROVEMENTS IN THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE PROGRAM

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EXISTING PRIVATE pension plans have two serious limitations from the standpoint of the employment of older workers. The high cost of vesting of rights for older employees tends to act as an impediment to employment. The existence of compulsory retirement provisions results in the loss of productive manpower.

A nation-wide public insurance program does not have these serious defects. Moreover, even if developed to the fullest possible scope, the area of private pension plans is rather limited. It is unlikely that private pension plans will expand to cover a majority of workers because of unsuitability of many of the occupations in industry to this type of plan, their high cost, and the inability of most small employers and companies to undertake the long-range financial liabilities of such plans. It is essential, therefore, to improve the Federal old-age and survivors insurance program so that it can make a greater contribution to meeting the needs of older workers, and in assisting employers and unions in solving some of the complex problems arising out of private pension plans.

It is important that the Federal old-age and survivors insurance program be extended to cover those groups still excluded such as farmers, and those agricultural workers and domestic employees who were not covered by the 1950 amendments.

In addition, the contribution and benefit provisions of the insurance system should be changed so that the maximum wage base would be increased substantially. To keep the proportion of workers with all their earnings credited toward insurance benefits at the level of 1939, the maximum wage base would have to be about \$6000 at the present time.

A third important change which should be made is the restoration in the benefit computation of the increment of 1 per cent in the benefit formula for each year in which the worker has substantial covered employment. The benefit formula included such an increment through 1950, but the new amendments exclude it thereafter. An increment provides a higher benefit for long-term contributors as

compared with persons who draw benefits after only a short period in the program. Consideration should be given to the normal feeling of individual contributors that their benefits should increase somewhat for long years of contributions. Furthermore, an increment also helps somewhat in keeping benefits adjusted to the rising trend of wages. Although it is not by any means a perfect instrument for this purpose, the increment does raise benefit awards slightly year by year, and so, as wage levels rise, benefits awarded will be closer to recent wages than if there were no increment.

Equal in significance to the need for providing employment for able-bodied older workers is the need for returning to employment workers who have become disabled and for protecting disabled workers against part of their income loss. The need is most pressing for those who are prematurely retired because of permanent and total disability. Today, of the persons who normally would be in the labor market, one out of every 25 below retirement age has been disabled for more than 6 months; tomorrow, with a greater proportion of people in the 50-65 age group, the ratio may well be considerably higher. One-third or more of all present relief and assistance costs are attributable to disability, and the burden is increasing. It is imperative that some orderly means of meeting these costs be adopted.

Somewhat paradoxically, increasing longevity has not necessarily meant less disability. Modern medicine in its miraculous success with infectious and acute diseases has made it possible for a much larger number of persons to live to the ages which are characteristically subject to chronic disease. Medicine, however, has not yet conquered many of the disabling chronic ailments of middle age and later life. As more people live to older ages, so there are more people who suffer from high blood pressure, stroke, kidney disease, cancer, crippling arthritis, failing eyesight, and other handicaps associated with aging. There is, therefore, considerable reason to believe that the number of persons with disabilities and the total economic loss arising from disability are increasing, particularly in the age group approaching 65 where disability is in effect premature retirement—retirement which is burdened with the extra costs connected with illness.

Planning for the problem of disability is twofold. First, it is necessary to rehabilitate and secure employment for more of the disabled than in the past if we are to maintain high levels of production and high standards of living. Second, it is necessary that the insurance system provide benefits to those who cannot be rehabilitated

in the sense of being returned to productive employment, and for those who eventually do get jobs during the often long period which they cannot work.

MINNESOTA PILOT STUDIES ON UTILIZATION OF OLDER EMPLOYEES

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IT HAS BEEN SUGGESTED repeatedly that older persons might well be employed in greater numbers to augment labor supplies in the war effort, and contribute toward their own support in old age. The volume of suggestions for study far exceeds the number of actual studies. The University of Minnesota Industrial Relations Center is currently making pilot studies of post-retirement age utilization of manpower in industry. These are designed to reveal some of the employment problems of older workers attributable to factors related to aging, rather than age *per se*. In addition they seek to discover programs and devices that employers and/or unions have found effective in utilizing or providing for employees who have passed "normal" retirement age. The pilot studies have been confined largely to Minneapolis to date; it is planned to expand geographical coverage in future studies.

Among principal findings from a survey of 168 Minneapolis firms employing 56,750 people in April 1950:

1. Forty per cent of the firms had pension plans. These were more prevalent in larger firms and more common among salaried than hourly employees.
2. Fifty-six per cent of pension firms had a compulsory retirement policy; only three non-pension firms had compulsory retirement.
3. Seventeen per cent of all firms reported never having had any employee reach age 65.
4. With respect to utilization of employees who reach age 65 and are still able to handle their jobs:
 - a. Three-fourths of the firms keep on most or all *hourly* employees while one-half of the firms keep on most or all *salaried* employees.
 - b. Both hourly and salaried employees are least likely to be kept on after 65 in firms with pension plans and in firms with over 500 employees.
 - c. Principal reasons reported for not keeping on employees over 65 who can handle their usual job are compulsory retirement policy and pension plans.

5. For employees who can no longer handle their usual jobs:
 - a. One-third of the firms retain all or most *hourly* employees.
 - b. One-sixth of the firms retain all or most *salaried* employees.

Follow-up studies of firms utilizing older employees revealed that *no* firm had a written policy in this connection and two-thirds of the firms had no formal policy, written or otherwise. The principal method of *discovering* older employees having difficulty with their jobs was "day-to-day observations of supervisors." Other methods reported frequently included excessive illness and absenteeism, production and cost records, and employee complaints about difficulty of work.

The most frequently reported *method of utilizing* older employees was to "reduce duties of job with no decrease in pay." Other methods frequently given were "transfer to job he can handle with no decrease in pay," "transfer to job he can handle with decrease in pay," and "create job."

Union participation in these methods was limited. In over half of the cases the union did not participate actively in utilization methods; in about one-third of the cases the union was told of the decision. Union participation generally appeared only when pay decreases were involved. Additional pilot studies of union contacts showed that they seldom contained provisions for post-retirement utilization.

In summary, there are few research studies of utilization of older employees. Pilot studies made in Minneapolis indicate that managements and unions are generally not much concerned with such problems and have developed few policies and techniques to deal with them. There is a tendency to feel that pensions and compulsory retirement plans take care of such problems adequately. In cases where older employees are utilized, this is done on an informal person-by-person basis. When unions cooperate with managements in such problems they do so frequently on a "behind the barn" basis, i.e. not openly. In many cases, post-retirement utilization is regarded as a "pension while working." A few other firms, however, are attempting to utilize older employees more objectively. Case studies of these firms are under way to find out what techniques are being used, characteristics of employees and jobs, opportunities for more utilization through job dilution, employee training, etc. In the meantime, a vast expansion of research in this area is clearly needed.

MANAGEMENT AND THE OLDER WORKER

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MANAGEMENT IS primarily concerned with the preservation of the competitive system. This seems to have been a fundamental responsibility of a corporation up to the present time. It may well be that the future will indicate a considerable change in attitude on what the fundamental responsibilities of a corporation are, but certainly one of them will continually be opposition to socialistic encroachments. In such a scene as this, therefore, the pitfalls of generalizing about a particular problem such as that under discussion today are very dangerous. We need to be more specific in our definition of the problem, in establishment of objectives with regard to various segments of the problem, and with implementation of ideas and ideals as they have relationship to various aspects of the problem.

So many times when we, who do planning, think of people, we think of them in terms of groups and not as individuals. Problems of retirement, however, are intimately associated with and cannot be divorced from individual consideration. The desires of the individual, his attitudes and abilities, and his financial status are all intimately associated when considering the problem of retirement. When an individual is forty-five, his attitude toward retirement and continuing employment may be quite different than the attitude the same individual would exhibit at age sixty-five. All through life individuals anticipate things in the future, usually through rose-colored glasses. There is some question, however, as to what is to be anticipated when one becomes superannuated; it is likely to be very distasteful; and the individual, as a result, may resist retirement even though physiologically and psychologically he should retire.

With regard to what industrial corporations can do about the problem of the older worker, my personal feeling is that we have only scratched the surface. Management has been delinquent in the past by not having defined its objectives, purposes, and methods of operation with regard to the problem. Certainly one of the most formidable stumbling blocks in the way of continuing employment for the average industrial worker is the lack of vested right provisions in current pension plans. This, in my opinion, needs serious reconsideration by all officers and directors of corporations who are responsible for the continuation of business. In addition, companies

can devote much more time and effort and energy to the problem of research in this field. No member of management will take hazardous steps as far as policy formation is concerned without good factual information. Frankly, very little information of a factual nature which is intimately related with the corporation's existence is in evidence today. Another area in which management should do some thinking is in the field of being realistic with regard to retirement ages. It may well be that certain individuals should be retired at an earlier age simply to keep an organization youthful, aggressive, and independent while others in the same corporation, perhaps depending on their individual desires, could continue to work as long as they are physically able to do so. Again we have generalized about the problem and now find ourselves in considerable of a mess.

In closing, it seems to me that all organizations in the country today from the field of management, universities, labor, and government should be doing considerably more research than is being done. We know so little and there is so much to be known.

FACTORS IN DETERMINING RETIREMENT AGE

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THE ASSUMPTION that an arbitrary age is a good basis for retirement is invalid. Some of the bases of its inadequacy are as follows :

1. It is a unitary factor.
2. It is completely arbitrary.
3. It disregards individual differences among retirants.
4. It overlooks the psychosomatic characteristics of the worker.
5. It overlooks the moral and ethical factor of the right of an individual to continue working.
6. It disregards the potentialities of job realignment, job dilution, better worker placement, and other administrative remedies.

The real issue is what is a proper basis for determining retirement age. Some of the main factors involved in determining retirement might be classified as follows :

1. *Compensation factors.* Here there are possibilities for reducing the rate of pay with increasing age and a demonstrated lessening of ability to do the job. This might be contrasted to apprenticeship in reverse. Some companies and unions, such as the printers in the newspaper field, already have superannuated scales of pay for older aged journeymen. This has enabled journeymen to continue work on a basis equally advantageous to themselves and their employers.
2. *Performance factors.* The main problem here is to develop a procedure or technique for objectively determining the performance of people without regard to the unitary factor of age. Most merit rating plans leave much to be desired in terms of objectivity and the critical requirements of jobs. A new research approach, determining the critical requirements of the job and appraising the worker in light of these requirements, opens the way to a more objective and acceptable method of rating a man's performance on the job. This in turn can demonstrate the extent to which the individual can continue to perform the job in a satisfactory manner.

3. *Physical and psychological factors.* Most companies provide only for medical examinations at time of employment. In addition to continuing medical examinations on a systematic basis, companies could also measure such factors as strength, fatigue, and the like. Physiologists and the physical education researchers have developed and demonstrated some of the types of examinations and techniques which might be used in industry. The Physical Fitness Index developed by Rogers, for example, is one of these. Yet I have found only one company in all my experience that uses it. Very few people have ever heard of it. Such measures would help to indicate the physical capacities of an individual to continue work.
4. *Psychological factors.* This would include the extent to which the individual is ready for retirement in terms of his attitudes and opinions, the extent to which he has made adequate psychological preparation for quitting work, and based on this, adequate plans of a domiciliary and financial character. It is evident that many companies could do much more in terms of the psychological preparation of people for tapering off or quitting work entirely.
5. *Technological factors.* The march of technology tends to make jobs easier rather than harder and places a premium upon judgment and experience rather than on physical effort. This means that retirement might well be looked at in terms of the technological situation or setting in which the man might work. It may be that the job has changed due to improvements in machine technology so that an older worker would have a comparative advantage in terms of experience and judgment over the younger and more physically active worker.
6. *The moral and ethical factors.* Thus far arbitrary retirement at sixty-five has sidestepped or failed to face up to the moral right of a man to find a job or to work as long as he can adequately discharge the duties of the job. I would raise the moral question of whether industry or management has the right to say that people at sixty-five must arbitrarily give up their jobs and retire and thereby be deprived of creative employment and the income that it brings. I know of no moral sanctions that give companies, unions, or government such arbitrary and exclusive power.

Part X

MISCELLANEOUS PAPERS

THE TRADE UNIONS, FREEDOM, AND ECONOMIC PLANNING ¹

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"Do you really suppose I can . . . be Christian
in two directions at once?"

"The Lady's Not for Burning"

CHRISTOPHER FRY

THE PURPOSE of this paper is to examine some of the implications for democratic economic planning posed by the continued existence of producer freedoms in postwar Britain. These freedoms, to be specific, are: (1) free occupational choice by individual workers, (2) freedom of trade unions to bargain for wages and to strike. It is generally conceded that the economic debate, in terms of formal logic, concerning the feasibility of planning has been settled in favor of the collectivists. Thus, no less eminent a liberal than Frank Knight has written that "economic theory, as such, involves no disproof or rejection of socialism."² This debate, however, is by no means at an end. Its primary focus has shifted to the politico-ethical arena. The main problems of socialism, and thus of planning, are political, as again Professor Knight has suggested.³ This paper will therefore tend to emphasize the problems of political relationships between unions and planners. Since this paper deals with planning and not with market analysis, it is neither desirable nor possible to divorce political and economic considerations. Herein lies the justification for an essentially politically oriented paper at an economics meeting. We will attempt to delineate certain political relationships between unions and planners, and see their implications for economic analysis.

This paper proceeds in four parts. The first consists of a group of disquieting questions which have been posed in the past regarding the

¹ The author wishes to express his indebtedness to the Social Science Research Council, under whose auspices a study of manpower planning, of which this paper is a "by-product," was conducted. A word of thanks is also due to Professor Richard A. Lester and Dr. Harvey Liebenstein, of Princeton University, who obligingly helped remove some of the rougher edges. Professor Lionel Robbins and Mr. Ben Roberts of the London School of Economics were also most helpful in clarifying issues. Their aid in no way signifies substantive agreement, particularly with later inferences. Any errors of fact or judgment remain my sole responsibility.

² Frank H. Knight, "Socialism: The Nature of the Problem," *Freedom and Reform* (New York: Harper Brothers, 1947), p. 134.

³ *Ibid.*

relationship between unions, freedom, and planning. The second is a brief account of the actual postwar British experience. Part III will attempt to answer the question posed originally in the light of the British experience. Finally, part IV presents some conclusions.

The 'answers' to the questions are inferences from the model provided by the postwar planning experience of the United Kingdom. Use of the British model is at once a boon and a limitation. Since Britain provides an empirical example, which avoids the necessity of facing many hypothetical situations which could presumably arise, it is a boon. Discussions of the problem of planning in a democracy in the past have usually been hypothetical; this paper is concerned only with observed facts. The limitation lies in attempts to extend the implications of the British experience to other democratic societies. For the implications are only applicable elsewhere if substantially similar assumptions and institutions hold.

Key Questions

The questions to be answered are deceptively simple. They fall into three categories. First, are the trade unions autonomous islands of power, disruptive to orderly planning, whose continued existence no democratic collectivism can tolerate, as Henry Simons contends?⁴ Secondly, what does the English experience imply for the hypothesis that planning and freedom are incompatible? What are the definitions of freedom under planning?⁵ Finally, is advocacy of full employment and economic planning, according to the Fabian tradition, the sensible position for the unions?

Postwar British Experience

The account of recent British experience with planning is necessarily attenuated. To facilitate narration, it is desirable to state explicitly the framework of economic conditions within which postwar Britain had to operate. These conditions also constitute the assumptions of the British model. The feasibility of applying the U.K. experience

⁴ Henry C. Simons, "Some Reflections on Syndicalism," *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1947), p. 124.

⁵ The incompatibility hypothesis has been stated often, most recently in Professor Hayek's *Road to Serfdom* (Chicago: University of Chicago Press, 1944). Some coherence in the generally confused discussion of freedom and planning may be found in Barbara Wootton, *Freedom Under Planning*, esp. Ch. VI and VII, (Chapel Hill: University of North Carolina Press, 1945); and particularly in the excellent article by Donald J. Dewey, "Occupational Choice in a Collectivist Economy," *The Journal of Political Economy*, December, 1948.

to other economies hinges on the substantive similarity of assumptions in both economies. What are these assumptions?

First, a condition of over full employment existed. Thus the involuntary unemployment level of one to two per cent of the work force was below the "frictional unemployment" level necessary for occupational mobility in a non-static economy.⁶ The causes of this condition are of peripheral interest to this paper. However, they would seem to lie in the inflationary potential of high wartime savings, in continued high real earnings after the war, and in high budgetary expenditures for arms and welfare. Secondly, the economy was "mixed"; some 80 per cent of industry remained privately owned. Third, the open economy of the U.K. operated with a large negative balance of international payments on current account, consisting in the main of the familiar dollar shortage, overcome by loans and E.C.A. aid. Exchange rates of sterling were fixed at what proved to be an overvalued level, until the devaluation of 1949. Fourth, there was planning in the sense of manpower and production targets designed to increase exports and eliminate the imbalance on international account. Finally, most of the institutions of political democracy were unhampered. An unfettered trade union movement remained legally free to bargain collectively for wages. Civil liberties were intact. Free consumer expenditure and free occupational choice were altered in a manner we shall presently assess.

If we create a brief dynamic pattern from pieces of the assumptions, a contradictory picture emerges. Thus, the immediate purpose of "target" planning was not the general welfare, but singularly to increase the level of exports to an estimated 160 per cent of 1938 levels in order to redress the unfavorable balance of trade. Simultaneously, the import of "luxury" consumption goods was restricted by direct controls. The contradiction appears in the direction of flow of resources reflecting the inflated national money-income stream. Unable to consume imports, and with a relatively free internal price mechanism, the prosperous Britons diverted their purchasing power to goods and services domestically produced for the home market. Resources,

⁶ The degree of involuntary unemployment necessary for mobility is also a function of demographic structure. Thus the problem in economies with a large "pool" of underemployed agricultural labor would not be so severe as that of highly urbanized England. For the industrial labor force, a level of from three to five per cent unemployment, at the given state of labor supply, which is in turn a function of the level of real wages, is considered desirable. Cf. T. W. Schultz, *Agriculture in an Unstable Economy* (New York: McGraw-Hill, 1945), pp. 85-98.

including labor, flowed into the remunerative channels of domestic production. While this pattern conforms to the dictates of consumer sovereignty, from the point of view of the planners it was a gross maldistribution. The essential export industries, so vital to the planned targets, were unable to compete successfully for resources and consequently experienced shortages.

The labor or, to use the official jargon, the manpower shortage was particularly pressing in the postwar period in Great Britain. Manpower proved the limiting factor in the expansion of the export industries in conformity with "target" patterns. The major problem for the planners was the redistribution of labor to the target export industries and away from non-essential domestic-consumption industries.⁷

It was evident that the given structure of wages resulting from a historical constellation of bargains would not induce the desired distribution of labor. Target planning necessitated an alternative structure, capable of attracting workers to the requisite industries in the requisite numbers.⁸ The steps taken to overcome the manpower

⁷ The following comparisons of target to actual manpower in a few selected industries for 1948 will serve to illustrate the point:

| Industry | Manpower Change Target | (+ increase - decrease) Actual |
|--------------------------------------|------------------------------|--------------------------------------|
| Exports: Coal..... | + 32,000 | + 8,000 |
| Textiles..... | + 108,000 | + 32,000 |
| Domestic: Food, Drinks, Tobacco..... | - 23,000 | + 19,000 |
| Distribution..... | - 21,000 | + 55,000 |

Source: *Economic Survey for 1949*, (London: H.M.S.O., 1949).

⁸ The assumption that money wage differentials can in fact affect the distribution of labor among industries is accepted by this paper. English economists and many government planners rejected this assumption, arguing instead that the inelasticity of demand for incremental money wages in a full employment economy was so great that direct controls, rather than money inducements, were necessary to allocate labor "correctly." Their position is best presented by T. E. McKittrick, *Wages Policy?* (London: Fabian Publications, 1948), and by C. A. R. Crosland, "The Movement of Labor in 1948," *Bulletin of the Oxford University Institute of Statistics*, May, July, and August, 1949. The direct control advocates usually cited as their evidence the case of the coal industry in which wages had risen spectacularly, but which remained the most badly undermanned industry in the U.K. I feel that the disutility of work in coal is so high that no generalized inferences about motivation may be safely made from coal. A more representative industry, cotton textiles, was therefore used as a basis for a study of what actually moved people to undermanned industries, and evidence from this industry tends to support the assumption that relative wages, rather than exhortation or direct control, are in fact the effective allocator. This evidence is presented in *The Allocation of Manpower under United Kingdom Planning, 1945-1949*, an unpublished Ph.D. thesis by this writer, submitted to the Department of Economics, University of Chicago.

shortage in the "essential" industries, and to allocate manpower to these industries despite the contrary pull of relative wages, constitute the focus of this paper.

Now, since inflation was the root of the problem of maldistribution of manpower, the logical economic solution would seem to lie in disinflation. The concentration of control over the monetary-fiscal mechanism in the hands of the government would have made this a relatively simple solution to effect, even if welfare and arms expenditures had to be maintained at politically-determined high levels. The effect of disinflation would have been a reduction of demand, and hence employment, in the domestic sector. Since the demand for exports is exogenously determined, it would not have fallen. Manpower released from domestic production would have been welcome into the export industries, and the targets might have had some chance of realization.⁹

This argument, however, violates our first assumption. Since the demand for full employment, defined as "more jobs than workers," had become an article of faith in the Labour program, the deliberate creation of any degree of involuntary unemployment was initially and abruptly ruled out. The point is of considerable significance, since the demand for planning is a legacy of the great depression and equivalent to a demand for full employment. The limit of the use of monetary planning is sharply defined by the definition of "full employment" acceptable to the electorate.

Barring disinflation, and assuming the targets were to be fulfilled, two other alternative solutions to the manpower shortage were possible. First, relative wage rates might be administered to attract labor to the target industries, and thereby induce a conformity between actual and target manpower distribution. Or, alternately, labor might be forced (or persuaded) into the desired pattern of distribution.

Prior to 1945 it was widely assumed that the power to determine relative wages would be freely surrendered by the unions to the central planners, whom the unions had worked so long and hard to elect. Fortunately or not, depending on where one stands ideologically, the assumption was not shared by the trade unions. When the Labourites ascended to power and began to formulate targets, the need for a National Wages Policy became evident to the Party's

⁹ Cf. W. A. Lewis, *The Principles of Economic Planning* (London: Denis Dobson Ltd., 1949), for an excellent discussion of monetary-fiscal planning.

economists. The Trade Unions were quick to make their dissent explicit. In a 1946 statement by the General Council of the Trade Union Congress, that body asserted that "it will neither seek nor agree to the imposition of the legal restraints upon the Trade Unions to formulate their wage policies."¹⁰ In regard to the necessity to allocate labor, the statement was equally clear. ". . . As regards the distribution of work people . . . the alternative to freely negotiated collective agreements is . . . the compulsory direction of labor."¹¹ As a parting shot, the statement dismissed the discussion of a National Wages Policy as "academic and unconvincing."¹² While the statement accurately saw the compulsory direction of labor as the alternative to central wage planning, it vigorously opposed that path too as a violation of individual liberty. The planners were left with no alternatives, save exhortative appeals to individual workers which were doomed to ineffectiveness from the outset, as the consequent distribution of labor proved.

The first convertibility crisis of 1947, in large measure the result of failures to meet target export levels, precipitated action. The planners and unionists within the Labour Party came into open conflict as a result. Hugh Dalton, then Minister of the Exchequer, appealed to the T.U.C. again in 1947 for the right to control relative wages. A motion of support for Dalton's position was defeated when Arthur Deakin, of the Transport and General Workers' Union, the U.K.'s largest, emphatically declared his opposition. The people he represented were not prepared "to play second fiddle or to follow on in a scale of preferences." Further, he asserted, the unions must continue to reject the interference with liberty implicit in direct control.¹³ Again, the impasse made action impossible for the planners. Obviously either wage or direct control could no longer be forestalled. In the face of the difficult manpower shortage the T.U.C. shortly issued another statement.¹⁴ In it, the ardor for free occupational choice had cooled sufficiently for the T.U.C. to endorse direct labor controls while they retained control over wage levels.

¹⁰ "T.U.C. Statement of Policy on Problems of Production," March 6, 1946, p. 11.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Home Affairs Survey No. 2*, 1947, p. 12, report of the Labour Party Conference at Margate, May, 1947.

¹⁴ *Ibid.*, p. 19, report of the T.U.C. General Council Statement of August 6, 1947.

In the form of the Control of Engagements Order of 1947 some measure of direct control was enacted. Under the Order, Labour Ministry officials had the power to direct workers changing employment to work in an essential industry. While the statutory powers were immense, use of them was very sparing. In the two years after the Order was instituted, some 600 directions had been issued to work people. Over 400 of these were to remain within the coal industry, and only 29 were directions to industries other than coal and agriculture. Of the latter group, half were issued within the first three months of the Order, and the remainder within a year.¹⁵ The Order, in the *Economist's* phrase, proved "too unpopular to be usable,"¹⁶ which is to say usable in the magnitude necessary to effect the needed allocation. It was revoked in March, 1950. The Labour majority had by then become too slim to permit a test vote on so vexing an issue.

In conclusion, two points might be added. First, without allocative devices, the target distribution of labor was never achieved. Thus, the targets changed from plans in the full sense, to mere extrapolations from existing trends by the *Economic Survey for 1950*. Upon these little or no action could be taken. Secondly, the government did, in 1948, issue a "Wages Policy" in the form of an exhortative white paper to arbitrators.¹⁷ It contained general admonitions against granting wage increases save for allocative purposes. The policy was, however, administratively unenforceable and ineffectual. The main purpose of this "wages policy," in our opinion, was to salve the consciences of the perplexed planners. Thus our narrative ends.

Answers to the Questions Posed

Many of the inferences from the British case must remain implicit. With those inferences which may be explicitly drawn, we shall attempt to answer the questions posed above.

What about the first question, i.e., Simons' contention that trade unions are autonomous islands of power no democratic collectivist government can tolerate? The inference from the British experience would seem quite clearly to affirm this contention. Simons' argument that the trade union problem "is the rock on which democratic

¹⁵ Ministry of Labour and National Service, *Operation of the Control of Engagement Order*, Report No. 23, p. 5.

¹⁶ "Control of Engagements Dropped," *The Economist*, March 18, 1950, pp. 610-611.

¹⁷ *Statement on Personal Incomes, Costs, and Prices. Cmd. 7321* (London: H.M.S.O., 1948).

socialism would be destroyed"¹⁸ becomes indeed prophetic. Unable to subdue the power of autonomous trade unions to determine relative wages and effectively allocate manpower, British planning itself had to be forfeited. Outside of Britain as well, the conflict between planning and unionism is by no means new. Max Weber points out that the conflict represents contradictory elements in socialist thought, and that the conflict has not died down since it was started in Marx's "Poverty of Philosophy."¹⁹ In the context of another collectivism, the U.S.S.R., the issue gave rise to lively theoretical disputes between Plechanov and Lenin, which were resolved with a disregard for democratic rights characteristic of the Soviet Union. The trade unions in Russia were reduced to adjuncts of the State; they became a Labor Front, without real rights.

Since this question is so cardinal to our analysis, it deserves further exploration. Are there any economic-administrative techniques by which trade unionism and planning could theoretically be reconciled? And what does the British experience say about the political feasibility of these techniques?

If we may be permitted a purely economic digression in regard to central wage administration, it is dubious that the planners could in fact have arrived at the correct constellation of wages. To do so they would have to reconcile (1) the level of wage differentials necessary to attract labor with (2) the limit of wages imposed by differential marginal productivity considerations among industries largely privately owned. Thus, the value of marginal product in an undermanned target industry, given product prices, might be so low that it could not compete wage-wise for labor with less essential, but better paying industries. The U.K. cotton industry, for example, is in this position, and may be taken as a case in point. Since economic analysis per se is a digression for purposes of this exposition, and we are primarily interested in the political ramifications of central wage administration, we will take the path of least resistance and simply assume for the moment that it is in fact possible to plan the correct relative

¹⁸ H. C. Simons, *op. cit.*, p. 123.

¹⁹ Max Weber, *The Theory of Social and Economic Organization* (New York: Oxford University Press, 1947), p. 199. Technically, Weber is speaking of two rival types of socialist organization. The first, oriented to the problems of production, includes the various syndicalist ideas. The second, oriented to the problems of distribution and resource allocation, includes modern planning. It is perhaps in this context that Simons equated syndicalism and unionism. The similarity of interest-orientation seems sufficient to merit grouping unionist and syndicalist interest, as opposed to planning.

wage pattern. Those who actually believe that correct relative wages for allocative purposes and differential wages based on marginal productivity considerations may in fact be made compatible would argue that either a subsidy or increased productivity through a substitution of factors might be employed to this end. In a completely socialized economy, the cost calculus is on a broader basis than firm-marginal analysis, and this problem would therefore probably not arise.

To return to the political problems of central wage administration, given the British assumptions, there are theoretically three administrative agencies available for wage planning to induce the target distribution of labor, leaving occupational choice free. These are (1) the government planning agency itself, (2) the central trade union body, or (3) guided arbitration decisions made in conformity to the plan.

Use of the first agency, central government wage planning, means an irrevocable transfer of the power to establish and maintain flexible wage rates from unions to planners. It is well known that unions are political organizations which exist as protective devices in capitalism. Their stability is in direct proportion to their ability to obtain wage benefits for their members.²⁰ Deprived of the wage function, the union movement as such has little real reason to exist. The adjustment of difficulties over working conditions could not evoke for them the same degree of influence over their membership that wage bargaining does. In asking the union leaders to surrender their central function to the State then, the planners were actually advocating that, politically, the unions sign their own death warrant. For the State, and only the State, could be responsible for manipulating wages to meet changing target needs under central wage planning. It is little wonder, therefore, that the unions rejected this proposal out of hand as "academic and unconvincing." Further, the union case against government wage planning goes deeper. What if, through the vicissitudes of democratic choice, a planning elite is one day elected less favorably disposed to the interest of the workers than the original group to whom the unions were willing to surrender power? The possibility is obviously very real. The workers without unions, argue the union leaders, are then left without protection. Strikes, perhaps morally justifiable, become civil disobedience. Rather than risk antipathetic planners who might misuse their wage-

²⁰ Cf. A. M. Ross, *Trade Union Wage Policy*, esp. ch. III-V (Berkeley: University of California Press, 1948); cf. footnote 19, p. 13 for a bibliography.

determining power, it becomes tempting to think of a "temporary" abrogation of the democratic process to maintain the proven Friends in power for a "transition" period of indefinite length. The logic of the dictatorship of the proletariat flows inexorably from the possible transfer of wage determining functions. At least one Fabian, Mr. Postgate, in *How to Make a Revolution*, saw the matter through and advocated this course of action. Fortunately, the unions have never adopted it. The unions were able to dominate the planners, who derive power from the policies of the Labour Party, since the unions are the Party's majority voters, and, more important, its effective financiers.²¹ The problem illustrates the potential depth of incompatibility between planning and democracy. The British case demonstrates that the planners, unable to solve this problem within the framework of democracy, first tried to temper democracy by directing workers. Ultimately democracy proved the stronger force, and serious planning had to be forfeited to it.

Secondly, the individual unions might transfer power to the central federation, here the Trade Union Congress, which would establish a wages hierarchy.²² Mr. H. W. Singer has spelled out the economic difficulties of such a proposal.²³ Politically, this solution has certain merits. It permits continued functional separation of the unionists from the government. A divorce between the two is always possible if the incumbent officeholders disagree fundamentally. The drawback comes in the locus of political power. The autonomous union chieftains have been, to cite one of the few literary union apologists, "uncompromisingly opposed to such an extension of T.U.C. power. . . . It would probably subject the organization to more strain than it could bear."²⁴

The reasons for this difficulty are easily discernable. First, wages are a related system founded on some conception of a "just price." The justice of a union's wage level is not measurable per se, but only by comparison to the relative position of other unions. Thus, Union B feels there is justice if its workers' wages are inferior to A, but

²¹ Cf. Francis Williams, *Socialist Britain* (New York: Viking Press, 1949), pp. 37-38.

²² G. D. N. Worswick, "The Stability and Flexibility of Full Employment," *The Economics of Full Employment* (Oxford: Basil Blackwell, 1944), argues this alternative.

²³ H. W. Singer, "Wages Policy in Full Employment," *Economic Journal*, December, 1947, cf. esp. part II.

²⁴ B. Roberts, *Trade Unions in the New Era* (London: International Publishers, 1948), p. 17.

superior to C.²⁵ If the target pattern demands that the wages of C be elevated for allocative purposes, the leader of B, who fears for his individual political prestige, must attempt to rectify the injustice presumably by restoring the former relative positions.

It has been argued that this problem is not theoretically insoluble. Presumably, perfectly rational unionists, trained to take the long view, might be persuaded that their leader, as part of the Trade Union Congress planning staff, has acted wisely in elevating their inferiors. However, it might also be said that no problem is insoluble if people only acted in a more rational manner. The fact remains that the British, a comparatively rational folk, did not behave in the requisite fashion. For the American scene, where the degree of central federation control over the autonomous members is even less than in Britain, the implications are obvious.

The third possibility is guided arbitration. An ineffective program of guided arbitration was introduced in England. It was permissible precisely because it was ineffective. Were it effective, the analysis would be very much the same as that for government wage planning, our first alternative. For guided arbitration, so diligently defended by Mrs. Wootton,²⁶ is actually governmental wage control one step removed. If the form of the wage planning agency is different in the two cases, the substance and the effect are not.

Let us now turn to the second of the three questions originally posed. This question centers on the hypothesis, associated with Hayek although it is in fact much older, that planning and freedom are incompatible.

How may we define freedom in this context? There are two possible ways. First, the trade unions remain free to bargain for wages and to strike. This is the type of group freedom historically legitimated under modern, imperfectly competitive capitalism. Secondly, the worker enjoys free occupational choice of alternative occupations. Since the individual worker is one of many competing sellers (of labor power), the wage-price is temporarily fixed and beyond his control. He weighs the alternative wage-prices in the light of his peculiar doctrine of net advantage and moves to that job which places him on the highest indifference plane. This is the type of freedom

²⁵ Cf. George W. Taylor, "Wages and Industrial Progress," cited in A. M. Ross, *op. cit.*, p. 64. Taylor shows quite succinctly that the same phenomenon operates in the U. S.

²⁶ B. Wootton, *op. cit.*, ch. VI and VII.

exalted in liberal economics. If the planners rather than the market set the wage-price, the worker would remain similarly free.

It is clear from the English experience, given the assumptions, that the two could not coexist under planning. The planners failed to alter union freedom. Therefore, with the unions' consent, they had to violate free occupational choice. True, they did not replace choice with force in sufficient magnitude to meet targets effectively. Thanks to the cushion provided by ECA funds, etc., they were able to forfeit part of their planning, miss the targets by wide margins, and yet continue to import enough food and raw materials to keep going. The fact that planning, and not freedom, was forfeited, obviously does not vitiate the degree of incompatibility between the two. If ECA does end, and planning cannot be so easily dropped, the problem must be fully faced again.

The Hayek hypothesis would seem to be supported by the British experience. Effective planning and one or the other of the freedoms premised are incompatible. Even if relative wage planning were permitted by the trade unions, and the consequent allocation yet fall short of targets, individual freedom might have to be compromised as well. In this event, planning would prove incompatible with both categories of freedom. In cancelling the direct control program, the planners were astutely bowing to the stronger power of democratic tradition.

Finally, we turn very briefly to the last question. What does the British experience imply for the economic philosophy of trade unions?

It is by now apparent that effective planning entails greater institutional changes than the trade unions or democratic tradition will permit. The unions must, therefore, decide on their scale of value preferences. They cannot have both planning and freedom(s), as defined above. Historically, the conflict in the Labour Party between trade union freedom and economic planning is apparent from the very first. Sidney Webb's early Fabian blueprints recognized quite explicitly the need for wage planning, in the context of general overall planning.²⁷ It was because of this that other Fabians, notably G. D. H. Cole and the "guild socialists," or English-style syndicalists, assailed the Webbs for their alleged "bureaucratic collectivism." The Labour Party victory in 1945 simply brought to the surface this latent discord, submerged in the years of common struggle against the Tories.

²⁷ Sidney Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (London: Longmans, Green & Co., 1920), esp. ch. VI.

Since the unions have preferred their freedom to planning in the showdown, it would seem logical for them to enroll their support on the side of that social-economic organization under which they can exist unchanged. In short, that they become advocates of "capitalism," and specifically of imperfectly competitive capitalism where they may function as one side of the bilateral-monopolistic coin.

Sentiments favoring collectivist economic planning were a luxury the unions could afford only when its realization was a far-off vision. It is an ideal they can honor in the breach, but not in the observance. Since these sentiments reflect the hopes of their members beyond the scope of business unionism, it may be necessary to make some compromise with them. Thus, they can also urge social security and Keynesian spending for high level employment, but within a basically capitalistic economy.

If we are correct, and a latter-day Gompersism (or Perlman-ism) is the True Faith for the unions, many of the questions which the Labourites set out years ago to solve must be opened again. If the alleged inequities of imperfectly-competitive capitalism, even as amended by Keynes, persist, can the unions hold the allegiance of workers? Is it not possible that a political union of workers and planners will emerge, bent on solving the problems of business cycles and personal insecurity, excluding from power the union leadership, with its vested interest in the status quo? Who, if not the politically oriented unions, are to espouse the cause of the "rationally planned society" for a "better world"? Indeed, if economic considerations are weighted by the intangible, but real, values of freedom, is planning in fact the way to the "better world"?

Conclusion

At the outset, this paper sought to answer three rather basic political questions concerning the trade unions, freedom, and economic planning. The answers were to be inferences from the facts of postwar British economic planning.

We found first that free trade-unionism thwarted manpower planning when it refused to surrender its wage determining power to the central planners. Its refusal was based on a stubborn democratic logic based on unions' "rights" as they have come to be defined in Western democracies. In an effort to meet targets, the planners, with the consent of the trade unions, attempted measures designed to force labor to work in "essential" occupations. This path, too, was blocked by the intensity with which the workers at large resented

curtailment of the democratic tradition of free occupational choice. The Labourite planners, astutely recognizing this resentment, never pressed their statutory directive powers fully and eventually revoked the power.

Thus, planning and the traditional Western freedoms were shown to be incompatible. In the showdown between the two, the forces of democratic tradition proved the stronger, and planning was forfeited, for the present.

The Fabian trade-union position, which simultaneously advocates freedom and economic planning, is internally inconsistent. One or the other motif must be superseded. When the choice actually had to be faced in England, the political nature of trade unionism dictated freedom and not planning. Therefore, we suggest that trade unionism can no longer afford the luxury of espousing both positions, and ought honestly to state its preference for an imperfectly competitive entrepreneurial system.²⁸ In such a system, each union can press for "more and more," and effect transfer payments from the unorganized to the organized sectors of the populace.

This position opens as many questions as it solves. In a paper of this scope, it is not possible to face these tempting questions. The implications of the British experience for other economies similarly cannot be fully discussed. In such a discussion, we suggest that the substantive similarities of the assumptions upon which the economic model is built to the British assumptions are the crucial questions. Under different assumptions, freedom and planning may be less incompatible. The Lange model, e.g., which implicitly assumes frictional unemployment levels and consumer sovereignty rather than balance of payments (or war or heavy investment) planning as the teleological goal is a case in point.²⁹

But if the British experience has a deeper lesson to teach, one which does not change with new assumptions, it is that the great pitfall possible is to enter the age of full employment with illusions, which are in the end certain to be shattered. In this respect, the case of Britain has significance for economists and others concerned with the price we must pay for the economic security we seem so much to want.

²⁸ Subsequent to the writing of this paper (August, 1950) the schism between union and planners has in fact become fully evident, particularly in a recent Labour Party Conference at Margate. Cf. "The Economics of Margate," *The Economist*, October 14, 1950, pp. 593-594.

²⁹ O. Lange and F. Taylor, *On The Economic Theory of Socialism* (Minneapolis: University of Minnesota Press, 1938), esp. pp. 73, 83-84, and 134.

AN EXPERIMENT IN INDUSTRIAL HARMONY ¹

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WHAT ARE THE PROBABLE effects upon employee attitudes of complete emotional and cooperative acceptance of a union by management?

The Company

An attempt to answer this question was made possible when the authors were invited by management and union to study the situation existing at the S. Buchsbaum Company plants in Chicago. The remarkable history of this organization's labor-management relations was first reported by a University of Chicago research group ² in 1946. That pioneering study included critical documents obtained from both labor and management, yielding their respective accounts and interpretations of the struggle from strife to cooperation. The *Applied Anthropology* report postulated four representative potential types of management attitudes toward unions, and implications of each.

1. Management is determined not to recognize the union or to get rid of it by any available means. This, of course, means open warfare.

2. Management accepts the union for the time being, but still wants to hold open the possibility of getting rid of it at some future date. This leads to undeclared war.

3. Management accepts the union as being here to stay, but nevertheless the executives continue to function as much as possible as if the union were not present. The union, not consulted, often simply blocks action.

4. Management accepts the union, both intellectually and emotionally. Management modifies its behavior accordingly and the union reciprocates.

In its labor-management history, the Buchsbaum Company at different periods constituted a rather clear-cut example of each one, except the third, of the above four management attitudes. For this

¹ The authors extend grateful acknowledgment to Herbert Buchsbaum, Samuel Laderman, and Sidney Garfield for unselfish cooperation in this study; and to William E. Henry for critical evaluation of this paper.

² H. J. Buchsbaum, Samuel Laderman, Sidney Garfield, A. H. Whiteford, W. F. Whyte, and B. B. Gardner, "From Conflict to Cooperation," *Applied Anthropology*, 1946, Vol. 5, Special Issue, No. 4, pp. 1-31.

reason—and because each separate attitude apparently was held with sincere and determined conviction—this company's experience constitutes a crude experiment in socio-industrial psychology.

From its founding in 1888 until the late 1930's the firm was a small family business engaged in the manufacture of jewelry; today it employs approximately 700 workers engaged in the manufacture of jewelry, rainwear, belts, suspenders, ball point pens, and gift goods.

Complete Emotional Rejection of Union

A union contract was signed in 1918; that union, according to Mr. Buchsbaum's statement,³ was broken in 1919. In 1935, after a long and costly strike, another organizing attempt was thwarted. Mr. Buchsbaum reports that the company with the financial and moral support of its employers' association used the following devices to discourage unionization during those years: scanning each employee for union tendencies and "discharging them quickly if any were evidenced"; teaching trade to "new helpers"; refusing to hire "ring-leaders" in association shops; employing a "labor spy both before and during the strike." Workers responded to this attitude of management with slowdowns, breakage, stealing, and bad discipline. Mr. Herbert Buchsbaum, president of the company, remarks of this period: "I thought if I let the union in, it would ruin my business. It seemed to me that I was fighting for my business life. So, I felt that I was defending my constitutional rights."

By 1940 the workers were organizing again, and this time under the protection of the Wagner Act, which forbade managerial coercion or intimidation of personnel. Management experimented with a pay raise to convince the personnel that they could get more from the company if they remained unorganized. This failed and Mr. Buchsbaum precipitated a strike by refusing to meet with Mr. Samuel Laderman, president of the International Chemical Workers Union, Local 241, A. F. of L., on the contention that the union did not represent a majority of the employees.

In a series of critical strike incidents, Mr. Buchsbaum became impressed with the strikers' respect for property and with the apparent sincerity of some of their fundamental contentions. On the second day of the strike a meeting was arranged which shook Buchsbaum's feeling that all union organizers were racketeers. Informed previously by a fellow employer that Mr. Laderman was trustworthy, he

³ *Ibid.*

discovered during the meeting that he and Laderman shared a love of fine music and hatred of violence. This session ended with arrangements for Buchsbaum to confer with a committee of his employees on the next day. At this conference, in response to a question from one of the strikers, Mr. Buchsbaum explained his reasons for opposing unions, and he received some startling retorts. His basic objection was that he thought unions limited production. The workers gave him concrete examples of practical things that he could do that would save money or increase production. Convinced that the workers were concerned with company as well as their own welfare, he told the men to go back to work; he would sign a contract.

Complete Emotional Acceptance of Union

Unlike his own company in previous years and other employers who during this period signed contracts only because they were forced to do so—and who were awaiting impatiently the day when they could rid their plants of unions—Mr. Buchsbaum attempted from the first to manifest full emotional acceptance. In the first contract he implemented this feeling by granting to the union much more than it asked for. “Union recognition was their objective, and I gave them more than they wanted. I gave them the check-off system, virtually a union shop and job security . . . an immediate raise of 5 cents an hour . . . and an open accounting procedure so that all our figures would be laid on the table, and we chose an impartial arbitrator to decide any issues we could not settle ourselves.”

Grievance machinery was established; top management worked hard to cooperate with the union in solving mutual problems. It was difficult to convince some militant union people that management was now their friend; some supervisors and foremen had difficulty making the transition, feeling a loss in status with some power taken away from them. Some foremen who had too much difficulty working with stewards and shop chairmen either resigned or were discharged.

Mr. Buchsbaum has marshalled facts to substantiate his contention that it was “good business” to extend complete emotional acceptance of the union. “In place of one foreman to 20 workers in 1940, we now have one to 100 workers.” “In the first half of 1946 our dollar volume of sales per worker was three times what it was in 1940. I attribute much of this increase to the group spirit in the plant.” The union insisted on introducing negro workers—“One of our plants with over 90 per cent colored people received an E award from the Quartermaster for excellence in war production of a critical item.

Fine workmanship, speed, outstanding diligence . . . earned the award." In the fall of 1949, union cooperation with management made possible a 25 cents decrease in the unit cost of a raincoat over a two-month period. Since the union assumed responsibility for individual discipline, discipline problems have almost disappeared.

These representations of management are supported by similar statements made in 1946⁴ by Mr. Laderman and Mr. Garfield of the union, confirmed again to the authors in 1949. The present writers enter the scene in 1949 to conduct an evaluation of some of the probable attitudinal results of this dramatic reversal from emotional rejection to emotional acceptance of the collective bargaining organization. Tools employed include devices for measuring attitudes on diverse aspects of this total industrial situation.

The Morale Survey

Unlike previous morale surveys which generally emphasized study of attitudes of workers toward working conditions, pay, supervision, and other management-related attitude objects, this survey at the valuable suggestion of Mr. Samuel Laderman included also an appended union-related attitude object section. The union section included the following questions:

- Item 12. How does this union compare with other unions that you know of?
- Item 13. How efficient is your union machinery as compared with that of others?
- Item 14. How does your shop steward compare with other shop stewards as to leadership ability?
- Item 15. Are you satisfied with the progress your union has made since the end of the war?

The item measuring attitude toward shop stewards is constructed in a parallel manner to the usual item measuring attitude toward supervisor. Since the instrument used for measuring general job satisfaction, not mentioning the union, is *The Tear Ballot For Industry, General Opinions*, relatively comparable "norm" data from other surveys are available,⁵ enabling a reasonable interpretation of whether the Buchsbaum results differ notably from normal expectancy in central tendency. The *Tear Ballot* embraces items measuring employee attitudes toward job security, humanity of employer, super-

⁴ *Ibid.*

⁵ W. A. Kerr, *Industrial Morale Diagnosis*, 1947, mimeo., 43 pp., the author.

visor, physical working conditions, co-workers, pay, free communication, management good intent, management good sense, and company influence on personal happiness. Distributed to all personnel in the three plants during July and August, 1949, a total of 467 completed anonymous ballots were returned.

Morale Results

Morale Central Tendency. Median employee score was not significantly higher than normal expectancy as indicated by previous surveys of diverse types of companies and industries.⁶ As in the typical survey, more than three-fourths of personnel were satisfied on almost all of the specifics of job satisfaction measured. It must be remembered that personal health and family and other non-industrial problems interfere in the job adjustment of a substantial proportion of any sizable sample of personnel at any time. Nevertheless, in this limited experiment workers in an emotionally-accepted-by-management union are not notably higher in job satisfaction than are non-union workers in some previous surveys. It is possible of course that the imperfect comparability of previous surveys due to the time factor, racial-socio-economic-make-up of personnel, etc., tend to underestimate the Buchsbaum results.

Morale Structure. The significant and vitally important finding of this research comes in an unexpected but entirely plausible quarter. Apparently, *mutual emotional acceptance and cooperation between management and union tends to structure employee's satisfaction attitudes* along integrated rather than divisive lines. Evidence for this is a positive Pearsonian coefficient of correlation between the total scores on the management ballot and the union ballot of .74. Corrected for attenuation, this value increases to unity, suggesting that the workers no longer carry "either-or" exclusive loyalty attitudes. As the union and company learn to solve their mutual problems in an atmosphere of respect and cooperation, personnel tend to "take sides" less often. Their attitudes are less divided in favor of one side at the expense of the other, "fact-finding" orientation perhaps displacing "fault-finding" orientation. This apparent fusing of formerly conflicting loyalties appears also to occur, though perhaps

⁶ Median score of Buchsbaum non-office personnel was 36 which compares favorably with the median of 38 from previous surveys, in view of the facts that a recession threat existed in the summer of 1949, when the Buchsbaum survey was made, and a majority of Buchsbaum personnel are inhabitants of the negro "ghetto" area of Chicago's south side.

less intensely, at the level of interpersonal relations between worker and supervisor or shop steward. The two parallel-constructed items below, one in each survey form, illustrates the latter point by a statistically significant positive correlation of .31.

How does your immediate superior compare with other managers, foremen, or section leaders as to supervisory ability?

How does your shop steward compare with other shop stewards as to leadership ability?

In both cases the workers rated their supervisors and shop stewards on a five-point continuum: *among the best, slightly above average, average, slightly below average, and among the worst*. A significant tendency exists for workers to respond similarly rather than oppositely to supervisor and shop steward in the Buchsbaum enterprise. Employees who feel favorable toward one tend to feel favorable toward the other.

Reliabilities of instruments employed in this study have been investigated. Split-half coefficients stepped up via Spearman-Brown formula are for these data .78 for the *Tear Ballot* and .63 for the union ballot. Some evidence on the validity of the former measure was reported in a recent study.⁷

Either of two main hypotheses seems reasonable to account for the positive correlation between union orientation and management orientation of employees. (1) *Divisive rivalry affiliation attitudes decline under union-management cooperation*. This hypothesis assumes that in union-management relations in which marked conflict and emotional rejection exists, personnel attitudes toward union and management will correlate negatively, implying existence of strong exclusive preference reactions of many workers toward union or management. (2) *Any measurements of "respect for authority," even though different kinds of authority, will correlate positively* if obtained within the same general culture. This hypothesis assumes that most workers who would react unfavorably to management would also react unfavorably to the union, simply because each one represents authority.

While admitting that the present evidence is not conclusive, the authors are of the opinion that *the second hypothesis is much less tenable than the first*. A more conclusive test of the first hypothesis

⁷ W. A. Kerr, "On the Validity and Reliability of the Job Satisfaction Tear Ballot," *Journal of Applied Psychology*, 1948, Vol. 32. pp. 275-281.
Interpretation

can be made by repeating the same measurements taken in this study in a factory in which conflict and emotional rejection of the union by management are known to exist; if in this situation, management orientation and union orientation of personnel are negatively correlated, then it will appear that integrated structuring of worker's attitudes may reasonably be expected as a result of union-management mutual emotional acceptance and cooperation.

SOCIAL INSURANCE COORDINATION: SOME OBSERVATIONS BASED ON JAPANESE EXPERIENCE WITH HEALTH INSURANCE ¹

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DISREGARDING CERTAIN pension rights of government officials which date back as far as 1887, social insurance in Japan is a product of this century. 1905 marks the establishment of the first Mutual Aid Association of government employees. Of these, there are 30 in existence now with a membership of over two million primary insured and, in addition, about four million dependents. The Mutual Aid Associations provide as part of their programs prepaid medical and dental care, hospitalization, maternity care, and certain convalescence benefits.

Nineteen twenty-seven marks the beginning of the Health Insurance scheme for industrial workers now covering enterprises employing five or more in practically all lines except agriculture, and protecting in excess of six million primary insured and an additional 14 million dependents. The extent of their protection is substantially the same as under the Mutual Aid schemes.

In 1938, a new and novel program was established, complementary to those just described, to provide health insurance for persons not protected by either. These were the farmers and their help, the self-employed, and workers in small establishments with their families. Though called National Health Insurance, the program was operated by local associations for those among the residents of a given village, town or city who cared to join. During the war it became compulsory in fact if not in name and, through over 10,000 associations, covered in excess of 40 million people throughout the country. At present it rests on a local option basis; each local community may decide through its local assembly to establish a National Health Insurance plan. Once it is established, those not insured under any of the compulsory programs have to belong. In most communities, the

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program is now operated by the village, town or city government itself rather than by a National Health Insurance Association. The national government exerts general supervision and provides grants-in-aid. The present coverage is approximately 25 million, insured through any one of about 5,000 local insurance carriers.²

Finally, the year 1940 brought into operation a comprehensive social insurance program for seamen including prepaid medical and allied care along the same lines as for government and industrial workers. Broadened in 1948 to extend protection to their families as well, the program now covers over 120,000 seamen of all but the smallest vessels and about 250,000 dependents.

All programs were designed to include job-connected as well as other sickness and injuries, although there were some differences as to extent and duration of benefits. This was changed with the enforcement of two newly enacted laws on September 1, 1947: the Labor Standards Law whose minimum standards were to govern henceforth in all cases of job-connected sickness or injury of workers, and the Workmen's Accident Compensation Insurance Law carrying these provisions into effect for roughly 270,000 establishments compulsorily covered by it employing over six and one-half million workers.³

Coordination between Insurance Medical Care and Non-Insurance Medical Care, and between Complementary Insurance Programs

The very establishment of a program for prepaid medical (and allied) care poses the following problems:

(a) How to make services available to the insured outside of the necessarily limited facilities operated by, or exclusively for, the insurance carrier while protecting the membership against the extravagance of some insured.

(b) If the program is large enough to make inroads on the clientele of local doctors and hospitals, some relationship must be established between private doctors' fees and those charged for insured medical care.

² There is some duplication as dependents of persons insured under one of the other programs are nevertheless eligible for coverage under National Health Insurance. For more details see G. F. Rohrlich, "National Health Insurance in Japan," *International Labour Review*, Geneva, Vol. 61 (April, 1950), pp. 337-366.

³ For a more detailed account see G. F. Rohrlich, "Social Security Developments in Japan During and After the War," *Bulletin of the International Social Security Association*, Geneva, Vol. 3 (July, 1950), pp. 1-13.

(c) As soon as several plans of any size are in existence, means must be found—especially if they are government-sponsored programs—to achieve a maximum of dovetailing with a minimum of duplication, i.e. pyramiding of coverage and costs.⁴

Here is how these problems were met in the Japanese health insurances:

(a) *Availability of Services and Facilities.* The standard procedure of dispensing medical care is through so-called insurance doctors and facilities. The insured chooses one among the doctors so designated by the government, produces his insurance card, and obtains treatment free of charge. However, when an insurance doctor is not readily available or is not qualified to furnish the treatment needed, or in an emergency, the insured may obtain the service needed from any doctor or hospital, pay the bill, and request reimbursement from the insurance carrier. Such reimbursement is made at insurance rates often less than, but in no case exceeding the amount actually paid. Due to the limitation of facilities under some programs and in some areas, the reimbursement procedure is frequently used by dependents.

(b) *Remuneration of Purveyors of Medical (and Allied) Care.* With the exception of doctors employed at a salary in hospitals or clinics operated by or for insurance carriers, the fee-for-service method is used throughout Japan. It is based on a point system in which each different treatment or appliance counts a fixed number of points. Therefore, the main problem has been to assign a realistic yen value to the medical treatment unit (point), taking account of the general level of prices and the cost of drugs and medical supplies. One expedient has been to stagger the point value according to the type of community (metropolitan—highest, rural—lowest). Nevertheless, the difficulty of maintaining a sound equilibrium between private and insured medical care fees has constituted perhaps the greatest single obstacle to smooth functioning of the several programs, at least in the postwar period.

A special problem was created in 1948 when uniformity of point value for all health insurances was abandoned under the National Health Insurance program in favor of local contracting between an insurance carrier and its medical purveyor thenceforth appointed

⁴ This last named problem has an even more general aspect: how to avoid duplication between services offered by social insurance and under other governmental, e.g. public health, programs.

locally by each individual carrier. This move was taken for the purpose of strengthening local autonomy and the adaptability of the program to local conditions, but one of its incidental effects was the possible co-existence in one locality of two different social insurance medical treatment rates. The decision if and when to intercede so as to prevent on the one hand an undue differential between rates payable for essentially identical services and on the other hand not to stifle local initiative, rests with the prefectural governors who must approve National Health Insurance point values to make them effective.⁵

In regard to hospital facilities, the standard arrangement applied to the social insurances has been until recently to grant each program a ten per cent rebate on fees charged in all government and public hospitals. This rebate was the approximate equivalent of certain tax exemptions applied to these institutions. However, beginning with the fiscal year 1949, an attempt has been made to put government hospitals on a largely self-supporting basis and, consequently, that preferred arrangement was discontinued with all except social insurance facilities proper.

(c) *Inter-program Coordination.* The advent of National Health Insurance in 1938 introduced a new principle of coverage basing eligibility for membership not on occupational status but, as a rule, on residence. In order to complement but not unnecessarily duplicate the existing programs, persons fully protected by any other program should be exempted while those who were not eligible for coverage or were covered but not fully protected under these other programs (mainly dependents receiving only 50 per cent of medical care costs) should be eligible under this one.

The solution was found in establishing, firstly, special membership under National Health Insurance for those not fully protected by other programs; secondly, a working relationship between National Health Insurance and the other programs, making it possible for dependents to obtain complete medical care in one place, usually the

⁵ The prefectural governor is the chief executive elected by popular vote in each of Japan's 46 prefectures. To date many have shown reluctance to approve differential rates, although a precedent for differential rates had been set in 1947 when medical treatment under Workmen's Accident Compensation Insurance was divorced from social insurance point values altogether and based on the prevailing rates charged to private patients. However, the privileged position thus given to medical care furnished in occupational accidents was presumably intended as a matter of policy. A similar discriminatory effect as between one health insurance program and another would be considered deplorable.

place of residence, at no additional cost to them, with National Health Insurance acting as agent for the other programs and assuming burdens over and above its own liability.

A Special Case: Unified Workmen's Compensation Protection vs. Integration of Health Protection under Each Program

The technical questions at issue in the alternative stated in the foregoing caption can be summed up in a pair of opposite points of view:

(a) the view that legislative and administrative integration of workmen's accident compensation into one scheme is an essential part of labor standards legislation and enforcement ("vertical" integration—for want of a better term),

versus

(b) the consideration that legislative or at least administrative integration under each one of several existing programs of sickness and accident benefits, due for whatever cause, is the primary need, and that coordination can and should be achieved through over-all legislation supplying minimum standards and an effective method for inspection (across-the-board or "horizontal" coordination or, depending on its extent, integration).

Prior to 1947 the "horizontal" method held sway, except that there was very little in the way of over-all legislation concerning basic obligations and minimum standards. In remedying this deficiency, the new labor standards legislation took such pains in spelling them out as to make their enforcement almost inevitably the direct administrative concern of the labor standards agency. No attempt was made to incorporate these standards into, or implement them through, the several health insurance laws administered for the most part by the Ministry of Welfare. Instead, they were incorporated into a new law, the Workmen's Accident Compensation Insurance Law, whose administration along with that of the Labor Standards Law was entrusted to the newly created Labor Ministry.

In this way the "vertical" philosophy was realized with but two exceptions: government employment and seafaring employment. Regarding the latter, a newly enacted Mariner's Law takes the place of the Labor Standards Law and, in compliance with its stipulations, the Seamen's Insurance Law continues to provide social insurance benefits for job-connected as well as other causes. Thus seamen's accident compensation continues to follow the second method. Govern-

ment employment was regulated more recently by the National and the Local Public Service Laws whose accident compensation features will be implemented by a forthcoming government workers' accident compensation law to be administered presumably by the National Personnel Authority, another independent agency. The exceptions are explained by the fact that they were unintended and unforeseen by the drafters of the labor standards legislation.

Although not complete, therefore, the integration achieved along "vertical" lines has been far-reaching. But far-reaching too has been the unbalancing effect it has had upon the already existing social insurance programs. Since government and most industrial workers continue to be insured in one of these by virtue of their employment, all of them have become subject to at least two laws. Which of the two is to apply in a given sickness or injury depends now on the prior decision of its cause. While accident compensation benefits have been standardized down the line and administratively unified, they now differ from other health insurance benefits not only in scope and duration (as they did before) but in administration, financing, quality of medical treatment and compensation therefor, operational statistics, appeals, and in other minor respects.

Thus considered exclusively on its technical merits, the separation of like benefits for substantially identical risks (even though involving different liabilities) and their delegation to an entirely separate program would seem of doubtful value as a coordinating device. On balance, the disruption wrought outweighs its consolidating effect. This should not be construed as a judgment on the over-all desirability of this reform. Reasons other than technical entering into the decision may well have been overriding in importance.

An Experiment in Local Coordination of Payment for Social Insurance Medical (and Allied) Care

Among the problems which menaced the very existence of Japan's health insurances in the early postwar years of economic dislocation and financial crises, that of long delays in payment for professional services was second only to that of adjusting point values to changing prices. In addition to financial stringencies, varied and unnecessarily cumbersome methods of reviewing doctors' bills had their share in causing delays.

To meet the impasse, there was established in August, 1948, the Social Insurance Medical Fee Payment Fund consisting of a central

office and one branch office in each prefecture. Though founded by public law and with a small initial capital subscribed by the government, the Fund is not a government agency and its authority vis-a-vis the several insurance carriers rests on contracts with them rather than on government fiat. The purpose of the Fund is to perform in an efficient manner the audit and payment of medical, dental, and hospital bills for services rendered to persons insured with any of the insurance carriers participating. At present these include both government-managed Health Insurance and society-managed Health Insurance, Seamen's Insurance, and all but three Mutual Aid Associations.⁶ National Health Insurance and Workmen's Accident Compensation Insurance do not participate in this scheme.⁷

The working principle of the Fund consists in advance collection from each insurance carrier of amounts adequate, on the basis of past experience, to cover the bills submitted at the beginning of each month for treatment rendered in the preceding month. When received, these bills undergo a routine check by the Fund's clerical staff and thereafter are submitted to a committee of doctors for a professional audit. Upon completion thereof, the account of each doctor is credited with the proper amount (his total charges minus the amount disallowed, if any) and he is notified accordingly. An accounting is rendered to the insurance carriers who must bring their deposits up to par and pay a service charge geared to the number of bills processed for them. The entire process, including payment, is completed usually by the end of the month following that in which the bill is submitted.

⁶ Health Insurance Societies are established in the major industrial enterprises liable for coverage under the Health Insurance Law. Although subject to the provisions of this law and considered agents of the national government in carrying them into practice, they are largely autonomous both administratively and financially. They are comparable to the Mutual Aid Associations for government workers in that each society covers all the establishments of the enterprise in which it is founded. At present, there are over 750 societies accounting roughly for one-half the number of persons insured under the Health Insurance program. The remainder of that program, the so-called government-managed Health Insurance, and the Seamen's Insurance program are operated directly by the government, on the national level by the Ministry of Welfare and locally through the prefectural (Social) Insurance Section and in some prefectures its branch offices. The National Public Service Mutual Aid Associations are largely self-administering under the general supervision of the Ministry of Finance.

⁷ The reasons for the non-participation of National Health Insurance were, firstly, its financial instability in the postwar period and, secondly, its variable point values (see above, Section II). In the case of Workmen's Accident Compensation Insurance, failure to use the point-system, though probably not decisive, was undoubtedly one major reason. Both systems employ their own separate bill examination and payment apparatus and procedures.

Coordination through the Fund is being accomplished chiefly on the prefecture level, that is locally rather than nationally. The branch offices of the Fund have taken over from the local and/or national disbursement offices of the several carriers the important job common to all of paying for professional services received from other than salaried doctors and directly operated facilities. In doing so, the Fund has not only cut across several programs but different administrative domains as well.

The inter-program and inter-Ministerial coordination proved comparatively simple. In the main, it involved the standardization of doctors' bills and related forms, which had been different under each program, and the substitution of one administrative agency in each prefecture to process them in the place of several. But in the case of many societies and associations acting as carriers, this type of coordination on the local level clashed head-on with their internal organization based on centralized administration and disbursement. The conflict became acute in this way: Doctors' bills would be filed for payment usually with the Fund's branch office located in the prefecture of the patient's residence, while deposits to cover such claims had to come frequently from other prefectures where the carrier's head office was located. If transfer of the money had to be effected via both the Fund's and the insurance carrier's central offices, as it was in the beginning, long delays were well-nigh inevitable. The obvious adjustment was to make possible either direct inter-prefectural charges by the Fund branches or, preferably, persuade the carriers to authorize decentralized payment. The ensuing internal reorganization has put some insurance carriers to considerable trouble and has prompted others to refuse it for the time being, thus delaying optimum coordination of Fund operations.

To the very far-reaching extent to which the Fund has been successful in accomplishing its objective, it has brought about significant improvements in health insurance administration throughout Japan. Aside from the greater promptness in effecting payment, it has equalized payment conditions for doctors cooperating with one or more of the social insurances regardless of differences in the financial capacity of the various insurance carriers. In standardizing reports and procedures for filing claims, it has greatly reduced the waste of time and the inconvenience to the doctors. Finally, though not least important, unification in one place of the examination and audit of doctors' bills which had been dispersed before and subject to varied

procedures has closed the door to unwarranted differences in certifying doctors' claims and in the rate of disallowance.

On the debit side are to be counted the inconveniences caused to some insurance carriers, as well as to some doctors, who had been in a privileged position before due to their affiliation with a particularly solvent insurance carrier.

On balance, it is beyond doubt that the beneficial effects to all parties concerned outweigh any and all of its disadvantages, as attested to by the growing number of participants.⁸

Conclusion: Coordination as Partial Synthesis

Judging from the evidence presented above, coordination might be characterized as being typically a device for achieving limited syntheses. Virtually always this achievement is attained at the expense of disturbing an existing administrative pattern and hence some state of equilibrium already established, albeit in a different context or respect. In this sense, the process of coordination may be viewed as "dialectical," meaning a course of advance by stages, zigzag and upward as it were, in which each succeeding stage both consolidating and superseding existing features also partly undoes earlier accomplishments.

Coordination would seem to be a typical and necessary process wherever there is reliance on gradual development and growth rather than integral central planning. Applied to the social insurances, particularly health insurance, the gradualist approach implies, among other things, selective coverage and in time, more likely than not, a multiplicity of programs, each of them aiming at achieving greater perfection within its own orbit and gradual extension thereof. Concretely, this means a gradual broadening of the scope of each program and of its coverage, e.g. to dependents or to marginal classes, such as seasonal or day laborers. At one point in this development, proceeding from different ends, there is likely to be at least partial clash, conflict, duplication, overlapping. At the same time, there are likely to be gaps. A decision will have to be made on whether to seek vertical integration, in one new scheme, of functions scattered over a variety of programs or a reconciliation along horizontal lines. (The latter might be achieved either through continued yet coordinated

⁸ In addition to serving the health insurances, the Fund has concluded, since June, 1950, contracts with several prefectural governors for the review (not the payment) of medical bills for treatment given to recipients of public assistance.

delegation of these functions to the several programs entrusted therewith or through integration of existing programs devoted to meeting comparable risks.) The justification for either method depends on the net gain in coordination.

By this criterion, the Japanese health insurance reforms of 1947 and 1948, though very similar in approach—as both followed the former of the two alternatives—must be judged very differently in the light of their total results.

The establishment of the Social Insurance Medical Fee Payment Fund constitutes in essence the creation of a national service agency operating through local branches and typically on the local level by standardizing and centralizing on that level certain functions which are characteristic of all health insurance programs and by nature sufficiently uniform to permit of joint management. In contrast thereto, the establishment of a separate and, at least in intent, all-inclusive workmen's accident compensation program aims not at the joint management of a service function but at consolidation of all insurance against occupational hazards to health and life. To the extent that the risks protected against are risks to health, they differ from other health risks in cause but not in the treatment required or necessarily in effect.

On sober evaluation of the coordination gained and that lost, the more limited coordination of service functions can be judged a success without question, whereas the administrative disruption of substantially identical procedures in meeting basically the same risks might be considered—at least on technical grounds—a strong indication against a workmen's accident compensation scheme which is reasonably unified but at the same time disconnected from other health insurances. Hence, an attempt to achieve coordination across-the-board, through over-all legislation designed to strengthen the workmen's compensation features of the several health insurance programs but leaving each in charge of meeting the occupational as well as the non-occupational hazards arising thereunder, might have assured, in this case, the desired goal of coordination at a lesser price.

BUSINESS REPORTS

PROGRAM
OF
THIRD ANNUAL MEETING—1950
INDUSTRIAL RELATIONS RESEARCH
ASSOCIATION

LaSalle Hotel, Chicago, Illinois

THURSDAY, DECEMBER 28

10:30 A.M.

MANPOWER UTILIZATION

Chairman: William M. Leiserson, Washington, D. C.

Papers:

Labor Mobility: Some Institutional Aspects

Joseph Shister, University of Buffalo

Appraisal of Current Manpower Problems

William Haber, University of Michigan

Commentators:

Gladys Palmer, University of Pennsylvania

James C. Worthy, Sears, Roebuck and Company

David Kaplan, International Brotherhood of Teamsters, AFL

ADJUSTMENTS TO TECHNOLOGICAL CHANGE

Chairman: Elliot Dunlap Smith, Carnegie Institute of Technology

Papers:

Human and Social Impact of Technical Change

Solomon Barkin, Textile Workers Union of America, CIO

The Industrial and Economic Impact of Technological Improvement

Richard Gleason, General Electric Company

Commentators:

Charles R. Walker, Yale University

William G. Caples, President, Inland Container Corporation

David Dolnick, Amalgamated Meat Cutters and Butcher

Workmen of North America, AFL

2:00 P.M.

THEORY OF THE LABOR MOVEMENT—A REAPPRAISAL (Joint session with the American Economic Association)

Chairman: Richard Lester, Princeton University

Introduction:

Commons-Perlman Theory: A Summary

Philip Taft, Brown University

Papers:

From "Job-Consciousness" to Power Accumulation

J. B. S. Hardman, Editor, *Labor and Nation*

Job Conscious Unionism as a Form of Economic Citizenship

David Kaplan, International Brotherhood of Teamsters, AFL

Concluding Remarks:

Selig Perlman, University of Wisconsin

Commentators:

Everett Kassalow, Advisor to National Security Resources Board

Russell Bauder, University of Missouri

Philip M. Kaiser, Assistant Secretary of Labor

COLLECTION AND USE OF WAGE STATISTICS (Joint session with the American Statistical Association)

Chairman: Isadore Lubin, President, Confidential Reports

Papers:

Conceptual Problems in the Development of an Adequate Program of Occupational Wage Statistics

Harry M. Douty, U. S. Bureau of Labor Statistics

Uses and Limitations of Occupational Wage Data

E. C. Allen, American Telephone and Telegraph Company

Commentators:

N. Arnold Tolles, Cornell University

Lazare Teper, International Ladies' Garment Workers' Union, AFL

4:00 P.M.

EXPERIMENTS IN INTER-DISCIPLINARY RESEARCH—THREE PANEL DISCUSSIONS

AN INTER-DISCIPLINARY APPROACH TO THE STUDY OF LABOR-MANAGEMENT RELATIONS (University of Illinois)

Chairman: W. Ellison Chalmers

Panel Participants:

Margaret Chandler, Milton Derber, L. McQuitty, R. Stagner, D. Wray

THE STRIKE AS A SOCIO-ECONOMIC INSTITUTION (University of Pennsylvania)

Chairman: Waldo E. Fisher

Panel Participants:

Elizabeth F. Flower, Roy F. Nichols, Otto Pollak, Malcolm G. Preston, George W. Taylor

THE OLDER WORKER IN INDUSTRY (An IRRA Symposium)

Chairman: Edwin E. Witte, University of Wisconsin

Panel Participants:

Solomon Barkin, Textile Workers Union of America, CIO
 J. C. Sweeten, Socony-Vacuum Oil Company, Inc.
 Wilbur J. Cohen, Federal Security Agency
 J. Douglas Brown, Princeton University
 Philip Hauser, University of Chicago
 Herbert G. Heneman, Jr., University of Minnesota

PAPERS SUBMITTED IN COMPETITION

Chairman: Dale Yoder, University of Minnesota

Papers:

The Trade Unions, Freedom and Economic Planning
 S. E. Rolfe, Princeton University

An Experiment in Industrial Harmony
 Willard Kerr and Bertram Gottlieb, Illinois Institute of Technology

Social Insurance Coordination: Some Observations Based on Japanese Experience with Health Insurance

George F. Rohrllich, Public Health and Welfare Section,
GHQ, S.C.A.P.

9:00 P.M.

SMOKER FOR ALL IRRA MEMBERS

FRIDAY, DECEMBER 29

10:30 A.M.

WAGE THEORY

Chairman: Ewan Clague, Commissioner of Labor Statistics, U.
S. Bureau of Labor Statistics

Papers:

The General Level of Money Wages

Melvin W. Reder, Stanford University

The Economic Impact of Collective Bargaining in the Coal and Steel Industries During the Postwar Period

Albert Rees, University of Chicago

Commentators:

Frank Pierson, Swarthmore College

Henry Arthur, Swift and Company

EMPLOYMENT SECURITY AND DEFENSE

Chairman: Meredith B. Givens, New York State Department of Labor, Division of Placement and Unemployment Insurance

Papers:

Unemployment Insurance Financing in a Defense Economy

Michael T. Wermel, Bureau of Employment Security,
Washington, D. C.

Employment Services and War Labor Markets

Emmett Welch, National Security Resources Board

Commentators:

E. J. Eberling, Tennessee Department of Employment Security

Louis Levine, Bureau of Employment Security, Washington,
D. C.

Edison L. Bowers, Ohio State University

12:30 P.M.

I.R.R.A. LUNCHEON AND MEMBERSHIP BUSINESS MEETING

Presidential Address:

Collective Bargaining in a Defense Economy

George W. Taylor, University of Pennsylvania

2:30 P.M.

THE TAFT-HARTLEY ACT AS A BASIS FOR WARTIME LABOR RELATIONS
(Joint session with the Association of American Law Schools)

Chairman: William M. Leiserson, Washington, D. C.

Papers:

*Taft-Hartley Act Philosophy as a Basis for Wartime Labor
Policy*

Charles O. Gregory, University of Virginia

The Emergency Dispute Provisions of the Taft-Hartley Act
Sylvester Garrett, Stanford University

Commentators:

Isadore Katz, Textile Workers Union of America, CIO

Joseph Loftus, Washington Correspondent, New York Times

Dexter Keezer, McGraw-Hill Company

REPORT OF THE SECRETARY-TREASURER FOR 1950

The following minutes contain the record of all official actions of the Executive Board and the annual membership business meeting for 1950.

FEBRUARY ACTION OF THE EXECUTIVE BOARD

The Executive Board, by mail ballot on return postcards, in response to a letter from the secretary of February 15, 1950, took the following actions:

1. It was unanimously decided to establish a Committee on Local Chapters.
2. It was unanimously decided that IRRA should participate in a joint conference on labor arbitration in the autumn of 1950 in Philadelphia, being planned by the Labor Relations Council at the University of Pennsylvania, in conjunction with The National Academy of Arbitrators and the American Arbitration Association.
3. It was unanimously decided that a \$1 registration fee should be charged for the May 1950 conference in Chicago.

EXECUTIVE BOARD MEETING

Chicago—May 12, 1950

The meeting convened at 4:30 P.M. at the LaSalle Hotel. Present: Taylor, Barkin, Bladen, Derber, French, Harbison, Kornhauser, Lester, MacDonald, McPherson, Warren, Yoder.

The secretary reported the enrollment of 297 new members since the first of the year. It was decided that he should ask each of the Executive Board members and committee chairmen to submit a list of persons to be invited to join the Association. It was also decided to ask the industrial relations centers to include IRRA membership invitations in one of their general mailings.

In view of the prospective financial position of the Association, it was decided not to add to its current publication schedule. It was agreed that some report on the September meeting should be published in the proceedings of the 1950 annual meeting. The president and editor were authorized to determine whether this report should be in full or summary form.

Plans for the future meetings of the Association were discussed.

It was decided that the annual meeting in December 1951 will be held at the Hotel Somerset in Boston.

It was decided that a spring conference of roundtable discussions should be held again in 1951. This conference will be held on May 11-12 in Cincinnati, if satisfactory hotel accommodations can be obtained. (These dates were subsequently changed to May 18-19 at the Hotel Gibson.)

General authorization was granted for the setting of a registration fee of not more than \$2 for persons attending any conference of the Association. A higher registration fee may be set only upon special authorization.

After extensive discussion, the question of modification of the practice of the Association regarding the use of the union label was tabled.

The treasurer was authorized to reimburse the executive assistant for her expenses incident to her attendance at the Chicago spring conference.

The Executive Board, meeting jointly with the Nominating Committee to constitute an electoral college, selected William M. Leiserson as the nominee for president of the Association in 1951.

The meeting adjourned at 9:00 P.M.

REPORT OF THE COMMITTEE ON NOMINATIONS

The Committee on Nominations submitted to the secretary-treasurer the following final report:

We hereby nominate for office in 1950 the following persons:

For President: William M. Leiserson

For the Executive Board:

Three-year term: Ewan Clague, Oscar S. Smith;
Nathan P. Feinsinger, Whitley P. McCoy;
Phillips Bradley, Herman M. Somers;
E. Wight Bakke, Benjamin M. Selekman.

Respectfully submitted,

E. WIGHT BAKKE
GEORGE W. BROOKS

F. W. CLIMER

WILLIAM HABER

ROSS S. SHEARER

ROSS STAGNER

DOUGLASS V. BROWN, *Chairman*

EXECUTIVE BOARD MEETING

Chicago—December 27, 1950

The meeting was called to order by President Taylor at 3:00 o'clock. Present: Taylor, Bladen, Burns, Chalmers, Derber, Fleming, Harbison, Kerr, Killingsworth, Kornhauser, Leiserson, Lester, MacDonald, McPherson, Peterson, Reynolds, Tolles, Whyte, and Yoder.

President Taylor noted the financial status of the Association as reported by Chalmers, who served as acting secretary-treasurer since McPherson's departure for Germany in September. It indicated a significant decline in the reserve balance and a significant increase in expenses for 1950 as compared to 1949. It was suggested that the Board needed to consider various alternatives for assuring the financial soundness of the Association in the future. After extensive consideration of this whole problem, it was decided that the publication program of the Association for 1951 would be limited to two basic documents: the Proceedings of the Annual Meeting in December 1950 and a symposium somewhat similar to that just published by the Association on *The Aged and Society*. In addition the Board decided that there would be no formal proceedings for the May 1951 conference at Cincinnati, but that a brief summary of those discussions would be prepared and distributed to the membership. The format of such a summary, including the question of printing versus an alternative form of reproduction, shall be determined by the secretary and editor.

The Board decided to establish a Membership Committee, whose personnel would be appointed by the new president and be representative of the various groups in the Association. It was noted that part of the effort of this Committee would be to extend not only the total membership but also the number of contributing members.

Despite these possible sources of increased revenue, the Board considered it necessary to protect the solvency of the Association. For that purpose, it unanimously decided to recommend to the membership business meeting the adoption of an amendment adding the following sentence to Article I, Section 2, of the By-laws: "The Executive Board shall have authority to increase the dues for regular membership to not more than \$6.00 if it appears that additional funds will be necessary to maintain the program of the Association." In the discussion of this item, it was made clear that the earliest possible application of this measure would be the dues for 1952.

The Board accepted the resignation of William H. McPherson with appreciation to the Institute of Labor and Industrial Relations of the University of Illinois for making possible his services in the development of the Association. Robben W. Fleming, of the University of Wisconsin, was then unanimously elected for a three-year term as secretary-treasurer of the Association, beginning in January 1951. He was authorized to pay—in an amount to be approved by the president—the costs of moving the Association's offices from Campaign to Madison, including the cost of a trip to Madison by the former executive assistant to help in establishing the new office. The Board authorized the bonding of the new secretary-treasurer for \$5000. It authorized the secretary-treasurer and the president to determine whether or not to bond the new executive assistant. The Board authorized the secretary-treasurer to establish an appropriate salary and working standards for the new executive assistant.

The Board authorized the president, in consultation with the secretary-treasurer, to authorize expenditures up to \$100 per item for any exceptional costs not authorized by past Board action and past practice, any such authorizations to be reported to the Board at its next meeting. The Board authorized the payment of the expenses of the retiring assistant, Mrs. Huber, in attending the Chicago meetings. The Board authorized payment of the travel costs of the secretary-treasurer to future annual meetings.

The Board recommended to the Program Committee that the next annual meeting include some topics of particular interest to members working in the area of employment security.

The Board considered at length the schedule of future meetings. It ratified the arrangements for the meetings in Cincinnati on May 18-19 at the Hotel Gibson and in Boston on December 28-29 at the Hotel Somerset. It completed arrangements with the American Economic Association for joint use of the Hotel Stevens in Chicago for the December 1952 meetings. After extended discussion, the Board decided to relinquish to the American Economic Association its option on the Hotel Statler in Washington for December 1953, on the understanding that the Mayflower would be available for IRRA use at that time. It instructed Fleming to seek an option on the Mayflower and to report to the Executive Board in May concerning the possible Washington arrangements for 1953.

The Board concluded that it is desirable to meet at some time with professional associations other than the Economists for the regular

annual meeting, provided that several others are meeting at the same time and place. It therefore instructed Fleming to determine the plans of the Psychologists, Political Scientists, and Sociologists and learn whether such a combination with other associations might be possible in 1953 or 1954. The Board also instructed Fleming to seek an option on a New York hotel for December 1955, and particularly to make an effort to secure arrangements for a hotel separate from other associations that will be meeting there at that time.

The Board instructed Kerr, in collaboration with Fleming, to work out with the Political Scientists arrangements for some common sessions during their annual meeting in San Francisco in August 1951. It also instructed Kornhauser, in collaboration with Leiserson, to explore the possibilities of joint sessions with the Psychologists in Chicago in September 1951, such sessions to be planned only if it is possible to make more satisfactory arrangements than in 1950. Whyte was asked to confer with Leiserson regarding the possibility of joint sessions with the Sociologists.

On the basis of an extensive preliminary report by Killingsworth, the Board entered into a general discussion of the Cincinnati meetings next May. After making a number of specific suggestions, the Board gave Killingsworth full authority to complete the program. The appointment of Freeman F. Suagee as chairman of the Cincinnati Arrangements Committee was announced. It was decided to recommend to Leiserson that the program chairman for the May 1952 meeting be appointed before May 1951, so that he may observe carefully the conduct of the Cincinnati meeting.

Harbison, as chairman of the Arrangements Committee for the 1950 meetings, reported that all arrangements had been completed except the final distribution of the proceeds between the participating associations. It was agreed that McPherson would collaborate with Harbison in the negotiations with the other associations on this matter.

Tolles, chairman of the Teaching Committee, reported the successful conclusion of three regional teaching conferences during the past summer and the substantial interest of various members in the south and west for the development of similar sessions next year. He mentioned the uncertainty, resulting from the current national emergency, of attendance at regional conferences on teaching next summer. Board members emphasized the value of these regional conferences and recommended that the conferences be continued on

an annual or biennial basis. It was recommended that the Committee devote special attention in 1951 to developing regional conferences in the south and west. Several Board members also suggested to Tolles that he check with the Committee on Economic Development, and explore the possibility of Association collaboration in programs on the teaching of industrial relations in the secondary schools.

On the basis of a report by Reynolds, as chairman of the Research Committee, the Board decided that the Committee should immediately draft recommendations for a symposium volume to be published in 1951. It was recommended that plans be made promptly for a similar volume to be published in 1952.

On the basis of a report from Burns, on behalf of the Publications Committee, the Board decided to recommend to the new president that the chairman of this committee be made a member both of the Membership Committee and of the Research Committee. It directed the Publications Committee, in collaboration with the Membership Committee, to develop a program for the disposal of the remaining volumes of the past publications of the Association including, with the approval of the new president, the repricing of the first four volumes.

After a report from the Committee on Local Chapters by chairman Gambatese, recognition was granted to new Student Chapters at Pennsylvania State College and the University of Illinois. The secretary-treasurer was authorized to accept dues of Junior Members on the basis of the academic year, rather than the calendar year, if he finds that such an arrangement is feasible.

Previous policy permitting the sale of our membership list at the discretion of the president and secretary-treasurer was continued, with the proviso that copies of the material to be mailed must be submitted in advance by the purchaser.

It was decided that the Association shall pay half of the cost of any reprints up to 100 ordered by authors of papers published in the *Proceedings of the Annual Meeting*.

The meeting adjourned at 11:00 P.M.

ANNUAL MEMBERSHIP BUSINESS MEETING

Chicago—December 29, 1950

The annual membership business meeting was held following a luncheon at the LaSalle Hotel in Chicago on December 29. President George W. Taylor presided. The meeting was attended by about 225 members.

President Taylor announced the resignation of W. H. McPherson and the appointment of Robben W. Fleming, of the University of Wisconsin, as the new secretary-treasurer.

Acting Secretary-Treasurer W. Ellison Chalmers presented a preliminary report for 1950 on the membership and financial status of the Association. (A final report on these matters for the entire year will be found at the end of this volume.) Chalmers then summarized the recent actions of the Executive Board, as set forth in detail in the preceding pages.

Two revisions of the by-laws, recommended by the Executive Board, were unanimously approved by the members present.

The first revision removes the requirement that all committee members of local chapters be members of the Association. The purpose of the change was to facilitate the development of student chapters. As amended, Article IV, Section 1, now reads. "The Association will recognize as affiliated local chapters, by means of a certificate of recognition, a local organization formed to advance the purposes of the Association, provided the by-laws of the local group are consistent with those of the Association and require the officers of the local chapter to be members of the Association, and provided further that no financial obligation of the local chapter shall be a contingent obligation of the Association. Student chapters must have a faculty advisor who must be a member of the Association."

The purpose of the second revision was to assure the financial strength of IRRA. The following sentence was added to Article I, Section 2: "The Executive Board shall have the authority to increase the dues for regular membership to not more than \$6.00, if it appears that additional funds will be necessary to maintain the program of the Association." Such a change could first apply to the dues for 1952.

Plans were announced for future IRRA meetings including the roundtable conference in Cincinnati on May 18-19, regional summer conferences on the teaching of industrial relations, joint sessions with the American Political Science Association in San Francisco at the end of August, the annual meeting in Boston on December 28-29, and the roundtable conference in New York in May 1952.

President Taylor announced the results of the annual election of officers. E. Wight Bakke, Phillips Bradley, Ewan Clague, and Nathan P. Feinsinger begin three-year terms on the Executive Board, replacing Vincent W. Bladen, Florence Peterson, Edgar L. Warren, and Dale Yoder.

President Taylor presented to the members their new president, William M. Leiserson, who discussed briefly the future functions and activities of the Association.

The members then heard the Presidential Address of George W. Taylor on the subject of "Collective Bargaining in a Defense Economy." A full text of this address is presented in the front of this volume.

EXECUTIVE BOARD MEETING

Chicago—December 29, 1950

The meeting convened at 3:30 P.M. Present: Leiserson, Bakke, Barkin, Burns, Chalmers, Clague, Fleming, Harbison, Killingsworth, Kornhauser, Lester, MacDonald, McPherson, Taylor, and Whyte.

The following were elected to the Nominating Committee: Dale Yoder (chairman), Joseph Sweeten, Peter Henle, Philip Hauser, Harry Douty, Florence Peterson, and Forrest Kirkpatrick.

Killingsworth reported on behalf of the Research Committee for Chairman Lloyd Reynolds. He stated that the committee had considered the problem of the subject for the annual volume to be issued by the Association in 1951, and that it recommended "Productivity." Following a general discussion of the matter the subject was approved and it was voted that the following be asked to serve on the editorial board: William Whyte, Ben Saurino, Sol Barkin, and Hiram Davis.

The resignation of Milton Derber as editor, following the publication of the 1950 *Proceedings*, was accepted with regret and with an expression of sincere appreciation for his past services. It was then voted to ask L. Reed Tripp, of the University of Wisconsin, to be the new editor.

The desirability of choosing the title of the annual volume a year in advance was discussed and agreed upon. The suggestion was made by Taylor, and adopted by the Board, that the Research Committee be instructed to bring in proposals at the May 1951 meeting, for a volume in 1952 dealing with the theory of the labor movement. The committee was to be further instructed that in making plans for such a volume an inter-disciplinary approach should be considered.

The appointment of Harbison as Vice-Chairman of the Program Committee for the annual meeting to be held in Boston in 1951 was approved. The other members of the committee are to be reported to, and confirmed by, the Executive Board at the next meeting.

It was agreed that the May meeting of the Executive Board would

be held on Friday evening, May 18, 1951, in Cincinnati with the exact arrangements to be announced later.

Clague reported some criticism of the 1950 annual program on the ground that there were too many speeches and not enough time for discussion. Other members of the Board confirmed this criticism. It was pointed out that the spring meeting deliberately followed a different pattern, with the emphasis upon discussion. Nevertheless, the Board voted to direct the Program Committee for 1951 to consider these criticisms and to experiment with various ideas for meeting them.

President Leiserson announced that he was asking Charles Myers to be Chairman of the Arrangements Committee for the 1951 annual meeting in Boston; and Ed Cushman to be Chairman of the newly established Membership Committee.

The Board directed the Secretary-Treasurer to express its deep appreciation to Harbison, Anrod, Cooper, Gillespie, and McCallister for the splendid arrangements for the 1950 annual meeting.

The meeting adjourned at 5:00 P.M.

REPORT ON MEMBERSHIP AND FINANCES

At the end of 1950 the Association had 1619 members and 81 subscribers. This constitutes a net increase of 178 members during the year. The membership is classified as follows:

| <i>Classification</i> | <i>1950</i> | <i>1949</i> |
|--------------------------------|-------------|-------------|
| Life members | 12 | 8 |
| Contributing members | 19 | 8 |
| Regular members | 1414 | 1346 |
| Junior members | 167 | 73 |
| Family members | 7 | 6 |
| | 1619 | 1441 |

The financial position of the Association is set forth in the following report of the Certified Public Accountant who audited the IRRA accounts and records:

January 13, 1951.

To the Executive Board
 Industrial Relations Research Association
 Champaign, Illinois
 Dear Sirs:

In accordance with instructions we have audited the records of cash receipts and disbursements of the Industrial Relations Research Association as maintained in the offices at Champaign, Illinois, for the year ending December 31, 1950.

Cash receipts from member dues and other sources were test checked into the records and cash disbursements, as evidenced by the cancelled checks, were examined and appear to have been in order. The cash balance December 31, 1950, as shown by the books, was satisfactorily reconciled with the amount as certified directly to us by the depository.

As a result of our examination it is our opinion that the summary attached to and forming a part of this report correctly reflects the cash transactions of the Association as recorded for the period covered by our review.

Respectfully submitted,
(Signed) NELSON D. WAKEFIELD
Certified Public Accountant

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1950

Cash Receipts

| | |
|------------------------------------|-------------|
| Member Dues and Contributions..... | \$11,994.00 |
| Subscriptions..... | 585.00 |
| Other..... | 1,236.47 |
| | \$13,815.47 |

Cash Disbursements

| | |
|---|-------------|
| Secretarial Salaries | \$ 2,079.00 |
| Taxes Withheld and Subsequently Paid..... | 133.70 |
| Other Personal Services..... | 480.01 |
| Printing..... | 824.40 |
| Postage..... | 1,065.78 |
| Publications..... | 11,490.83 |
| Supplies and Equipment..... | 136.23 |
| Miscellaneous..... | 530.32 |

| | |
|--|-------------|
| Total Disbursements | \$16,740.27 |
| Excess of Disbursements Over Receipts..... | \$ 2,924.80 |
| Cash Balance January 1, 1950..... | 8,432.74 |
| | \$ 5,507.94 |

Some interpretation of these figures may be helpful. The publications cost of \$11,490.83 covers all of the first four volumes issued by the Association. The first two of these, costing about \$5,500.00, would have been paid for during the previous year if the bills had been received promptly. Thus publication costs normally attributable to 1950 amounted to only about \$6,000.00. On the other hand, dues

bills for 1951 were sent out with the ballots in November of 1950, whereas previously they had been issued in the spring. Therefore the 1950 receipts of \$13,815.47 include \$1,846.00 that had been paid for 1951 dues. If this amount were excluded, our year-end cash balance would be \$3,661.94.

Bills that relate to 1950 activities, but become payable only in 1951, will amount to about \$2,700 (including the printing and mailing of *The Aged and Society*). When these have been paid out of 1950 dues, nearly \$1,000.00 will remain for future activities. This is almost exactly the same situation that existed a year earlier, as described in my last annual report.

Although it can accurately be said that the 1950 income of the Association just about covered the cost of our activities during that year, the reserve is so small as to warrant real concern. The action of the membership annual meeting in authorizing the Executive Board to increase the 1952 regular dues by not more than one dollar if necessary (as stated earlier in this report) may need to be invoked unless the members continue to introduce new members to the Association and the increase in the number of Contributing Memberships continues.

I wish to express special appreciation to W. Ellison Chalmers for his willingness to assume the duties of secretary-treasurer during my stay in Germany the latter part of the year. It is clear that the office of the Association has functioned effectively and efficiently under his administration.

It is not without regret that I have decided to resign as secretary-treasurer so that I may devote more time to research. The selection by the Executive Board of Robben W. Fleming for this office assures that IRRA will continue its development with renewed vigor. During my three years in office, it has been a real pleasure to see the Association take shape and gain vitality. I have especially appreciated the enthusiasm expressed by so many of the members regarding the high quality of our programs and publications, and their readiness to participate actively as members of the various committees and the Executive Board. I shall certainly miss the many personal notes included in the correspondence received from the members.

Respectfully submitted,

WILLIAM H. MCPHERSON,
Secretary-Treasurer.

OFFICERS AND COMMITTEES FOR 1951

OFFICERS

President: William M. Leiserson

Executive Board: E. Wight Bakke
Solomon Barkin
Phillips Bradley
Ewan Clague
Nathan P. Feinsinger
Carroll E. French
Frederick H. Harbison
Clark Kerr
Arthur Kornhauser
Richard A. Lester
Lois MacDonald
George W. Taylor
William F. Whyte

Editor: L. Reed Tripp

Counsel: Alexander Hamilton Frey

Secretary-Treasurer: Robben W. Fleming

COMMITTEES

Nominating Committee:

Dale Yoder, *Chm.*
Harry M. Douty
Philip Hauser
Peter Henle
Forrest Kirkpatrick
Florence Peterson
Joseph Sweeten

Committee on Teaching:

N. Arnold Tolles, *Chm.*
W. Ellison Chalmers
Frank T. de Vyver
Alma Herbst
Charles A. Myers
John P. Troxell

Committee on Publications:

Robert K. Burns, *Chm.*
J. B. S. Hardman
Fred H. Joiner

Committee on Research:

Lloyd G. Reynolds, *Chm.*
Russell Bauder
Robert K. Burns
Ewan Clague
Charles Hook, Jr.
Clark Kerr
Charles Killingsworth
Avery Leiserson
William Rafsky
William Whyte
Paul Webbink

Committee on Local Chapters:
 Joseph M. Gambatese, *Chm.*
 Thomas Kennedy
 Maurice F. Neufeld

**Program Committee
 (Annual Meeting):**
 William M. Leiserson, *Chm.*
 Frederick Harbison, *Vice-
 Chm.*

**Program Committee:
 (May Meeting):**
 Charles Killingsworth, *Chm.*

**Committee on Arrangements
 (May Meeting):**
 Freeman Suagee

Membership Committee:
 Edward Cushman, *Chm.*

**Committee on Arrangements
 (Annual Meeting):**
 Charles Myers, *Chm.*
 Andrew C. Kuhn
 A. Howard Myers
 Robert M. Segal
 George P. Shultz

Committee on Elections:
 Robben W. Fleming, *Chm.*



REGIONAL CONFERENCES ON TEACHING

MIDWEST: *Chairman:* Professor W. Ellison Chalmers, University of Illinois

NEW ENGLAND: *Chairman:* Professor Charles A. Myers, M. I. T.

MID-ATLANTIC: *Chairman:* Professor N. Arnold Tolles, Cornell University

SOUTHEAST: *Chairman:* Professor Frank T. de Vyver, Duke University

SOUTHWEST: *Chairman:* Professor Frederic Meyers, University of Texas

PACIFIC COAST: *Chairman:* Professor John P. Troxell, Stanford University

ACTIVITIES FOR 1951

PUBLICATIONS

IRRA Publication No. 6: *Proceedings of the Third Annual Meeting*

Editor: Milton Derber

IRRA Publication No. 7: *Productivity*

Board of Editors: William F. Whyte, Ben Sarino, Solomon Barkin, and Hiram Davis

MEETINGS

1. May 18-19, Cincinnati. A series of roundtable discussions on the following topics:

Industrial Relations Problems In a Defense Economy

Revision of the Taft-Hartley Act

Problems of Wage Stabilization

Research in Comparative Labor Movements

Problems of Manpower and Labor Market Management

Settlement of Labor Disputes in a Defense Economy

The Substance of Industrial Jurisprudence

Government Regulation of Internal Union Affairs.

2. August, San Francisco. A joint meeting with the American Political Science Association.

3. December 28-29, Boston. IRRA's fourth regular annual meeting. All members are invited to submit original papers for selection by the Program Committee.

I.R.R.A.

ANNUAL PROCEEDINGS

1950