INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

PAPERS PRESENTED AT
WASHINGTON, D. C.

December 28–29, 1959

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PROCEEDINGS OF TWELFTH ANNUAL MEETING OF INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

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RESEARCH ASSOCIATION

WASHINGTON, D. C.
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EDITED BY DAVID B. JOHNSON

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Preface

This volume presents the Twelfth Annual Proceedings of the Industrial Relations Research Association. It consists of papers given at Washington, D.C. on December 28 and 29, 1959.

Included in the Proceedings are three papers presented at a memorial session honoring two distinguished members of IRRA who died during 1959, Selig Perlman and Sumner Slichter. It was Association President William Haber's wish that this session should take the place of the usual Presidential Address.

One session included in the Program does not appear in the Proceedings. Because of commitments in connection with his chairmanship of the Board of Inquiry in the steel strike, it was necessary to cancel the session on *The National Labor Relations Board* in which George W. Taylor was to have given the paper entitled *Collective Bargaining under Government Auspices.*

This year's Proceedings contain the usual business reports except that local chapter notes have been eliminated. During the past year news of local chapters has been included in the IRRA Newsletter.

David B. Johnson, *Editor*

CONTENTS

Part IV

IMPROVING THE UNEMPLOYMENT INSURANCE SYSTEM

Part V

THE ECONOMICS OF THE MINIMUM WAGE

Part VI

CHANGING PATTERNS OF INDUSTRIAL CONFLICT

Part VII

UNION POLICIES AND INDUSTRIAL MANAGEMENT

Part VIII

BUSINESS REPORTS

Part I

MEMORIAL SESSION TO THE LATE SELIG PERLMAN AND SUMNER SLICHTER

SUMNER SLICHTER: THE MAN, THE SCHOLAR, AND THE CRITIC OF HIS TIMES

JOHN T. DUNLOP
Harvard University

In the papers of Sumner Slichter was found the following four or five pages under the intriguing title, *Some Things That I Think and How I Got That Way.* From internal evidence, this autobiographical sketch must have been written about 1952.

"I grew up in a university community and come from a family with a university background. My father was professor of mathematics at the University of Wisconsin, and later dean of the Graduate School there. He was a man of tremendous erudition and imagination. He carried his knowledge lightly, but was ready at a moment's notice to discuss the latest developments of science in a wide variety of fields. Although I am the only social scientist in a family of men interested in the natural sciences, I do not know much science. One of my brothers is director of the Geophysical Institute at the University of California. One studied chemical engineering but went into business and became vice president of the Northwestern Mutual Life Insurance Company; another studied geology and also went into business. He now owns his own steel foundry in Milwaukee. My wife's father was a civil engineer and a member of the engineering board that conducted the valuation of the railroads for the Interstate Commerce Commission. My two sons are both in the natural sciences—one a chemical physicist at the Bell Laboratories in New Jersey, and the other assistant professor of Physics at the University of Illinois. Although my association with natural scientists and engineers has taught me little science, it has helped me appreciate the great economic significance of science and industrial research.

I began my university work more or less accidentally at the University of Munich when the family was abroad. I think that growing up in the Middle West where the future is more important than the past, and particularly at Wisconsin in the days of the LaFollette reform movement, were important influences in my outlook. I do not know how I happened to become interested in economics. Certainly my interest in the subject, and particularly in labor problems, was greatly stimulated by John R. Commons, one of the pioneers in developing labor economics. But I was interested in these matters before I got into college.

Commons placed strong emphasis on field work and fact-gathering. My interest in labor problems was stimulated by C. W. Price, Safety Manager of the International Harvester Company, who came to Madison to head the accident prevention work of the Wisconsin Industrial Commission. Largely through the influence of Price, I spent a summer as a machine hand in the Deering Works of the International Harvester Company in Chicago, and began a study of the then-new subject of the turnover of factory labor. This summer was 1912. The piece on the turnover of factory labor was published in 1919.

My first job was with the Federal Commission on Industrial Relations established early in the Wilson Administration to take a look at labor problems. Along with a good many other members of the staff, I was fired in the spring of 1915 because the Commission was divided over how to spend its money. The majority favored spending the money on public hearings rather than on more research. I had become interested in law and was undecided for about two years whether to go into economics or to go into law. During this period of indecision I took about two-thirds of a law course at the Law School of the University of Wisconsin, the University of Chicago, and New York University.

I finally decided in favor of economics. After a year of teaching at Princeton in 1919–1920, during which time I was the assistant to Professor David A. McCabe, I went to Cornell. There I soon got started on an extensive study of the shop rules and policies of trade unions. This study was sponsored by the Brookings Institution at Washington, and I spent three alternate years, 1925–26, 1927–28, 1929–30, in Washington and in the field gathering material on union shop rules and policies. I was particularly interested in the experiments in union-management cooperation in the shops of the Baltimore and Ohio and the Canadian National, and in the men's clothing industry, and in the Cleveland market of the women's garment industry. Material for this work was gathered by visits to shop and by field work in the several clothing markets, particularly Chicago, Cincinnati, and Cleveland. The work was published in 1940 by the Brookings Institution under the title *Union Policies and Industrial Management.*

The problems of the economy during the great depression following 1929 led me to become interested in the problems of business enterprise. I became one of the early critics of the policies of the

Roosevelt Administration. It seemed quite plain to me that the attack of the Roosevelt Administration on the great depression was unduly narrow and based in considerable measure on false premises. The depression indicated, above everything else, the need for encouraging business enterprise and particularly for developing sources of venture capital. The Roosevelt Administration never adequately understood these needs. In particular, I dissented vigorously from the New Deal view that the economy had become mature and was threatened with stagnation. Although I did not know much science, my association with natural scientists had been sufficiently close to make it clear to me that the industrial revolution had a long way to go. The assumptions of economic maturity accepted by the New Deal economists and politicians reflected their unfamiliarity with the potentialities of science and technology, and their inability to envisage the capacity of technological discovery to develop great new investment and employment opportunities. My views on these issues were expressed in several articles in the *Atlantic Monthly* during the depression period and particularly in my presidential address before the American Economic Association in December, 1941, under the title "Conditions of Expansion."

When the Committee for Economic Development was formed in 1942 by a group of forward-looking businessmen who believed that economic expansion could be successfully encouraged and that the encouragement of economic expansion was the best way to meet the post-war economic problems, I was glad to join the Research Advisory Board and to become its chairman. I ceased to be chairman of the Research Advisory Board about a year ago, but I am still a member of the Board.

During the war I challenged the widely prevalent view that the immediate aftermath of the war would be a great economic depression accompanied by severe unemployment. The country was still so depression-minded that it accepted as inevitable a severe depression following the great drop in military expendiutres. My view that the war would be followed by a boom rather than a depression is embodied in a book entitled, "Present Savings and Post-War Markets", published by the McGraw Hill Company. This book consists of articles appearing in the Harvard Business Review--during the war.

During my first five years at Harvard I was almost exclusively associated with the Harvard Business School. Thereafter my work became divided between the Business School and the Department of Economics and the newly-formed School of Public Administration.

About 1940 I became interested in the Trade Union Fellowship Project—a plan for giving work in economics and administration to experienced trade union leaders on absence from their unions. This plan was originally suggested by trade union leaders themselves and is still in operation. During the last eleven years about one hundred and fifty trade unionists have been sent to this course, and some of them now occupy important places in the trade union movement. The Trade Union program at Harvard gives real education. It does not attempt to indoctrinate; it attempts to develop independent thinkers—the kind of men who can make difficult policy decisions when they have to do it on their own.

The great rise of the trade unions made it clear to me that the policy of encouraging unions would have to be supplemented by the policy of regulating some aspects of trade union activity. In 1947, I served as chairman of a tripartite committee appointed by the Governor of Massachusetts to recommend changes in the labor laws of Massachusetts. Most of the unanimous recommendations of this committee were adopted by the Legislature in a law which is now somewhat misleadingly referred to as "The Slichter Act." The recommendations are particularly important in protecting the rights of individual members within trade unions and in giving the government of the Commonwealth ways and means for dealing with strikes or lockouts that would imperil the public health or safety.

In 1947 and 1948, I served as associate chairman of the Advisory Council on Social Security of the Finance Committee of the Eightieth Congress. This committee reached unanimous recommendations on various changes in the Old Age and Survivors Insurance Act. The substance of most of these changes has recently been enacted into law. Work on this committee led me to challenge the prevalent view that the solution of the problem of old age security is to be found mainly in pensions or old age assistance. During the last several years I have been challenging the practice of automatically retiring employees at the age of sixty-five."

This is the end of the quotation written by Sumner Slichter under the title, *Some Things I Think and How I Got That Way.*

On this occasion, I wish to add three groups of ideas to Sumner Slichter's own words. I think of him as a remarkable and original scholar; as a shrewd observer and fearless critic of his times and its institutions; and as a complex and most generous person.

First, Sumner Slichter was a scholar. He did not have great command of the literature. He did not have a great personal library.

He did not approach problems with an explicit general framework and analytical system. He was often critical of sociology and psychology and related social disciplines. He was not an administrator and not an administrator of research.

But, he was a most original and distinguished scholar because he had an insatiable curiosity. He was never satisfied. He could ask questions endlessly. He spent his time digging, redigging, and digging again. He was never superficial. He always went for depth. As a scholar, he was a great believer in inductive methods. He believed that ideas should grow out of facts. He was deeply opposed to someone starting an article or a book with an analytical framework and then looking for the facts. He believed in short chains of reasoning. He treated ideas as scaffolds, as they should arise naturally from continual digging. As a scholar, he had a great preoccupation with diversity. He was much more interested in why things were different than why they were the same. Why did some companies have a lot of wildcat strikes and not other ones? Why did some industries have seniority arrangements and others had other ways of making layoffs? Diversity and explanations for diversity were his major preoccupation. He was also a great and original scholar because he had a keen insight into the processes of institutional adjustment. He had an uncanny and shrewd way of taking a situation or an institution and finding what were the strategic factors which were producing change. It was this uncanny faculty that led him to predict, I believe, more accurately and imaginatively than any scholar of our time the processes of economic fluctuation and the course of social and economic change. He saw more clearly than the rest of us what was coming. And finally, he was most willing to change his own ideas, perhaps because he was not committed to any large, analytical system. I think most recently of the change in his position with respect to the role of wages in a depression and the stimulating effects which wage rigidity and even wage increases may have upon the level of output and expenditures.

Second, Sumner Slichter was a shrewd observer and fearless critic of his times and its institutions. In many ways he will be most missed in this role. He should not be thought of, of course, as a publicist, but where in the academic world will you find a man who maintained a reprints list of close to 3,000, who sent each month or six weeks 400 copies of an analysis of current economic conditions to the leading bankers, businessmen, government officers, trade union leaders of this country and abroad? He should not be thought of, of course, as one who sought publicity and popularity, but he was clearly the most widely known economist of our time in this country. He did not have a single message or a sense of mission. I remember him telling me one day that he had a fixed rule in all public addresses to the numerous associations of businessmen, community groups and labor leaders to whom he spoke: "Be sure and tell them one thing that they want to hear. And be sure and tell them one thing they don't want to hear." He had an objectivity and a dispassionate consideration of problems that it is hard to portray. He was intolerant of economic nonsense. One thinks of the critical remarks he has had to say recently about the agricultural policy of the United States and its enormous waste; of his scathing criticism of the Eisenhower Administration and its handling of the 1957 recession; of the automobile companies for their crazy tailfins and their failure to pay attention to the size of cars; and of labor and management for various practices or of the New Deal policies on private investment and employment. In the capacity of an objective observer of the times and a fearless critic of policies and institutions he had no peer. And in this respect, the country has suffered a great loss and is particularly now deficient.

Third, Sumner Slichter was a complex and generous person. There were not many who knew him well. He was kindly, but not always did he show it on the exterior. He was very tolerant of intellectual views which differed with his own, provided they could be supported and argued fearlessly. He drove himself unmercifully in work. He worked night and day. I shall never forget going to his bedside the day before he died and talking with him about the seminar for the term just begun, about how soon he expected to get out of the hospital, and about the things he wanted to know concerning the San Francisco AFL-CIO Convention. There were in front of him notes on a new article he was working. He worked literally until the last. I say it only because it gives insight into the kind of person he was.

Sumner Slichter was a remarkable and original scholar; he was a shrewd observer and fearless critic of his times; and he was a complex and generous person.

PROFESSOR PERLMAN'S IDEAS AND ACTIVITIES

PHILIP TAFT
Brown University

It is an honor and a privilege to be asked to talk here today. May I say first that Professor Perlman's influence was not based exclusively upon his writings. In some respects the latter played a subordinate role in molding the views of his immediate students and others interested in labor and social reform. Those of us who had been at the University of Wisconsin have long recognized that the continuing influence of Selig Perlman was based upon his constant sifting of problems, of his sharp and cogent comments upon the contemporary scene and past events rather than exclusively upon his writings.

Those who were his students, no matter how far our views may have changed, regardless of our criticism or differences from him, will always be grateful for the patient understanding, the good humor and the real enjoyment and excitement which were an inseparable part of the labor seminars in Madison. Nor should we overlook the training and the attitude toward data and the universe in question we acquired. The labor student, at least in my own time and certainly long before, was inclined to be sentimental, anxious for rapid solutions, and not always able to accept the harsh realities of the world. Many of us acquired imperceptibly in Professor Perlman's seminars and classes the needed hardening, a respect for facts and a keener realization of the kind of world in which we were living and in which we were to pursue our studies and our work. It is in a sense a minor irony that Professor Perlman, who was not in many respects a very worldly person, should in his chosen field have shown greater appreciation for facts and actual situations than many of the more sophisticated members of the profession.

Professor Perlman usually cut through a problem quickly and without elaborate analysis. Like Alfred Marshall, he distrusted "long trains of deductive reasoning," and he was inclined to look at actual experience for guidance. He arrived at his conclusions at one leap in somewhat intuitive fashion. It would, however, be incorrect to believe that Professor Perlman was a mere empiricist. On the contrary, he had a fine mind for theorizing and generalization. He never disguised his lack of interest in theoretical economics, but it is not because the ideas and the subject matter were beyond his range; he was not interested in the theory of the firm or in discovering the forces which made for economic equilibrium or growth. I think, however, it is fair to say that Professor Perlman would have made a first rate economic theorist had he turned his attention to the field. His love of generalization and his abilities to see the relation of particulars to the whole would have stood him in good stead, but he chose to follow other directions.

In most respects he was the gentle type of teacher who allowed his students to find their own level. Only on rare occasions would he show irritation at the failure of students to prepare or master the subject in hand. He was more concerned with the eager student who came to learn, and the latter was amply rewarded. The good student had the guidance of a clear and discerning mind, one who was able to give order to masses of data, and could carve out meaning from loads of seemingly unrelated facts. Outsiders will never completely understand Professor Perlman's capacity for the ordering and arranging of diffuse and contradictory data into meaningful patterns.

This ability which was exhibited at its best to students in his classes was based upon an extensive acquaintance with history. He had a wide and deep knowledge of virtually every European country and an even better one of Russia. Nor could many people use their knowledge as effectively. It was to me always a matter of continuing wonder at Professor Perlman's intellectual efficiency. The knowledge he had acquired over time seemed to be always on tap to be used when necessary in relating a new situation to the past, or placing some novel event in a context in which it could be better understood and examined, although he sometimes overweighed his discourse with historical allusions. It always appeared to me that unlike many other practitioners in his chosen field, he did not always need a large volume of examples for understanding the current scene. His command of history, both general and labor, enabled him to fit particular facts into some more general framework. Although he frequently was contemptuous of hasty generalization, he usually enjoyed classifying institutions under some common rubric, in order to ilustrate a pervasive trend in human conduct or experience.

Professor Perlman also possessed great powers for pithy and epigrammatic expression. His humor was seldom astringent and never too harsh, but it was sharp and rapier-like which he sometimes employed to deflate the pretentious and pedantic, usually without malice. He reserved his better quips for the classroom, and it was this medium in which he was most at home and in which he appeared to find the greatest pleasure. Professor Perlman was an excellent teacher for those who came to learn. He did not think of himself as a disciplinarian and students who sought to loaf in his classes were not seriously molested. But to the student interested in the topics in hand, he gave of himself freely and uncomplainingly. His door was always open, and he enjoyed talking about classroom problems brought before him. He also showed considerable curiosity about the private lives of his students, and he perhaps knew more about them than most teachers on the campus. But there was solid basis to his reputation. Professor Perlman was an investigator of talent, and he brought with him a capacity for understanding and an unsurpassed ability to give meaning to the scattered activities of labor over time.

Professor Perlman's abilities as an interpreter of the labor movement, his respect for evidence, and his capacity to organize disparate events can best be appreciated when we recall a fact or two about his background. Selig Perlman was born in Russia and came to the United States as a young man. He had already acquired the Marxist convictions which were part of the ideological trappings of many of the Russian intellectual youths of the time. He arrived in this country under the sponsorship of William English Walling, a practicing journalist who had become a socialist. Walling was not too happy in his ideological surroundings, and left the movement because of the anti-war position of the Socialist Party of the United States. His interest in the labor movement continued after his departure, and he became a loyal collaborator of the American Federation of Labor and its leaders. After arriving in the United States, Selig Perlman came to the University of Wisconsin, and soon became associated with Professor John R. Commons, who was then directing the work on the *Documentary History of American Industrial Society,* and the writing of the first two volumes of the *History of Labor in the United States.*

Professor Commons regarded the labor movement not only as a subject of study, but as necessary balance or as one might say today, a countervailing power to the corporation. The concept of countervailing power under another name was one that John R. Commons not only understood but emphasized before it became a journalistic cliche and a verbal plaything of sociologists. Commons was not unfavorable to the modern corporation; he regarded it as a necessary and even desirable instrument in industrial society. But he also recognized that the worker, unless he belonged to a union, was helpless before the might of industrial giants he believed were an inevitable concomitant of economic change. Consequently, Commons from his study of economic trends came to the conclusion that labor organizations were a necessary offset to corporate enterprise. This conclusion reinforced his experiences as a union printer. Commons believed it necessary for labor to exercise a voice over the terms of employment. To him, it represented an extension of individual freedom analogous to the kind achieved by capitalists over property and business in their struggle against feudal absolutism. Instead of regarding organized labor as an undesirable restraint upon competition or as a means of training labor cadres for taking over industry, Professor Commons saw unionism as a means of freeing the worker from the arbitrary rule of the employer through gaining a voice in the setting of the terms of the labor bargain. He was also convinced that joint setting of the terms of unemployment promoted both justice and economic stability.

These views, based upon an extensive knowledge of the history of the United States and its institutions, had great influence upon Selig Perlman. It was under Commons' guidance that the intellectual approach we associate with the name of Selig Perlman developed and expanded. No one would of course believe that a man with Professor Perlman's tenacious views would be a mere imitator. Perlman came to his intellectual conclusions slowly, but once having reached certain views, he was not easily persuaded to change his mind. In considering the relationship between Professors Commons and Perlman, we must recognize that the latter was no mere imitator of the senior partner. Under Professor Commons' tutelage, and exposure to men such as E. A. Ross and Frederick Jackson Turner on the Wisconsin campus, Perlman acquired a new view of the function of trade unionism in the modern world.

In the collaboration on the first two volumes of the *History of Labor in the United States,* Professor Perlman was given a most difficult assignment. Covering the period from the middle 1870's to the end of the century, he was called upon to deal in detail with the various groups of radicals—the socialists, syndicalists and anarchists—who had sought to mold the American labor movement. At the same time, the period also covered the years in which the Knights of Labor and the American Federation of Labor fought for mastery. Even a cursory examination of this section will convince one that despite any doubts entertained by Professor Perlman about the desirability of radical ideas and movements, the activities of the organizations promoting such doctrines were treated generously and fairly in his work. There is nowhere any attempt to denigrate the significance of radical activities, and many pages were devoted to minute descriptions of the programs and philosophic views of the sponsors. In fact, one might in fairness claim that the importance of the radical sects was considerably overstated. It is, however, significant that Professor Perlman, even though he no longer held his former radical views, had no desire to minimize their influence upon American labor.

One of the major contributions of Professor Perlman in the Commons' history was the sympathetic treatment of the origin and growth of the American Federation of Labor. Outside of Wisconsin, the Federation was not always highly regarded by students and writers in the field. As a rule, the A. F. of L.'s policies came under criticism for their narrowness, their lack of adaptability and their failure to organize the large masses of workers outside of the union fold. In Professor Perlman, the A. F. of L. met a sympathetic and astute historian, one who understood its purposes and sympathized with its aim.

Whatever criticism one might direct against specific views in the second volume of the Commons' history, it was a work on a grand scale, which knitted innumerable facts into a meaningful mosaic and it has remained unraveled by time. It has stood the test of almost one half of a century of critical examination and its main lineaments have remained untouched. Like the work of other men, it has been found lacking in some minor points, but it stands as a monument of industry and scholarship which few of this and past generations have been able to build and leave after them. His work showed the difficulties faced by workers in trying to maintain their unions and to build viable organizations in a hostile environment.

Even if Professor Perlman had never landed in Madison, it is very likely that his views would have developed in the same direction. While one should not minimize the influence of Professor Commons in shaping the outlook of his student, we must also recognize that Professor Perlman's great respect for the individual, his opposition to centralized power, his belief in the dignity and worth of men as individuals, and not as parts of a collective, would have led him to the espousal of trade unionism and limited reform. He was highly suspicious of broad schemes propagated in the name of humanity which can also become the means by which ruthless men rise to place and power. He had little faith in the goodness of zealots or the remakers of man and his world. From direct experience and study, he was aware of the limitations of vast schemes of social transformation and the effect that they might have upon the individual. He was sceptical of the good intentions of those who asked for large grants of power, and was inclined to favor reforms which could be tested and reversed if found wanting.

Based on the larger work of Commons and his students, Professor Perlman gave us his *History of Trade Unionism,* which was for many years the best short study of the subject. Unknown to him, the edition was pirated by the Soviet publishers, an introduction by Earl Browder, who had not yet discovered that the United States represented an exception to the general rule of the evolution of capitalist nations, was attached, and the last chapter which contained some cogent criticism of the left-wing movement eliminated. David Riazonoff, the founder of the Marx-Engles-Lenin Institute, was kind enough to send Professor Perlman a copy of his work with a letter of appreciation. Riazanoff was an old Bolshevik, but a civilized man who paid dearly for publicly questioning Stalin's theoretical competence, and it pleased Professor Perlman to get both the pirated volume and the letter of appreciation, which he liked to show to his classes.

In the late 1920's he published his classic, *A Theory of the Labor Movement,* a work which has not aroused a great deal of controversy but has been a potent influence for more than thirty years. The work is divided into two sections: a part dealing in summary fashion with the history and formative influences of a number of foreign labor movements, and a section in which a general theory of the labor movement is presented. One part does not depend upon the other. One cannot help admire the knowledge and insight of the section on foreign movements. The theory section directs a sharp attack upon those who through time had sought to direct labor's interest toward programs of fundamental change. These are described as intellectuals who Professor Perlman claims misconceived the attitudes of the ordinary or average worker. On the other hand, the worker was, in contrast, not concerned with programs for the regenerating of man-kind or the reorganization of society, but with building viable organizations able to defend his interest at the place of employment.

My general observations do not begin to convey the liveliness of the style, the richness of the knowledge, the challenge these conclusions presented. While the views embodied in the "Theory" have been under attack, the basic proposition, that the worker will direct his major attention to improving his position on the job remains an unchallenged axiom. Of course, there are parts of this 30-year-old classic which require amendment, but its basic propositions have stood the test of time, although the labor movement has grown in numbers and influence.

Now, in conclusion I am going to ask the indulgence of John Dunlop, because what I'm going to say applies not only to Professor Perlman, but also applies in the same measure to Sumner Slichter. These men were part of a small company who defended the trade union movement when such advocacy was dangerous. Labor today has grown in power and influence. It has many jobs and has inevitably attracted many well-wishers. Selig Perlman and Sumner Slichter belong to that small group which educated the American public to the importance of the trade union in a democratic society; they were the ones who long ago recognized, and made known, the truth that a free world must be founded upon a diffusion of power among a number of groups and centers. They were the advocates of the movement when it lived in more humble surroundings, at a time when friends were few and the opposition great. It can be truly said that not only their writings and students but the labor movement are the monuments they left behind.

SELIG PERLMAN ON THE ROLE OF LABOR IN A LESS DEVELOPED SOCIETY

BEN S. STEPHANSKY
U. S. Dept. of State

The text for this comment is Selig Perlman's chapter on Russia, in his *A Theory of the Labor Movement.* But first, a note about the *Theory* itself.

The *Theory,* written over thirty years ago, is dated. But it is dated as any classic work is dated, which addresses itself to the momentous issues of its day, and which, because of the special gift of the author, grasps and discloses something of the universe to which that day belongs.

The background of the *Theory,* or, more precisely, the social laboratory conditions of its creation, were, as Perlman stated in the first chapter, the strict account the labor movement had to give to the world and to itself, as to what its deep-lying purposes really were, in the context of Communism's triumph in Russia and its first major assault upon the Western World.

If, as Perlman put it, when he wrote the *Theory,* "At no other time in modern history has society shown itself so nearly 'with the lid off' as since the Russian Revolution," then the lid never got put on again. For we are witnessing today, depending on how one counts them, Communism's third or fourth major assault upon the world, perhaps now the decisive one. The circumstances and the terms of the battle have altered so greatly since the first that Perlman can scarcely be regarded as having said the last word on the matter.

Yet, among the altered circumstances of today is the one which has brought a vast area of less developed countries into the battle, and these, with their labor movements, have become decisive battlegrounds. Many of these new countries, as it happens, resemble the Russia in which Communism first triumphed; and thus Perlman's analysis of the Russian Revolution again becomes a relevant document. It may not have been the last word; but it certainly was among the first. And it is good to go back to beginnings; for it has been said wisely that if one returns to "Genesis" with a modest spirit, he may find there some "Revelations."

Perlman's chapter on the Russian Revolution in the *Theory* presents almost a model analysis of a less developed society. He focused first on the feudal-dynastic "ruling class" of Russia, tracing its development to Peter the Great's momentous decision to industrialize, in order to fulfill the vision, which was first his father's, of Russia as a modern military state.

Next, Perlman outlined the process of Russia's industrialism under Tsars Peter and his successors. For those who are interested in the sources for what in the current vocabulary is termed the "web of rules" of industrialism in the less developed countries, this part of Perlman's essay is indeed enlightening, and should be a delight. Perlman identified the authoritarian instrument of mercentilist policy with which industrialization was undertaken; he noted the invitations to foreign capital, which entered abundantly on very favorable terms; and he appraised the rapid rate of growth and the physical achievement, which by the end of the nineteenth century had advanced Russia to where she loomed as one of the world's great industrial powers. Perlman further illuminated the Tsarist "rules of industrialization" by noting that they produced only a parasitic class of "industrial courtiers" dependent on the state, but did not permit the emergence of a vigorous and independent class of industrialists; that, except for a belated land reform which was overtaken by the Revolution, they retained a stagnant peasantry in the ancient village communes oppressed by the hardships of a rapid population growth, and imposed upon it an inordinate share of the burden of industrialization; that they subordinated a once-powerful Church to the State, and muted its Reformation; and, that they did not permit a trade union movement to develop, despite the appearance of a free wage earning class as early as 1840 in Russia's factory industries, and despite an obvious will to organize and bargain collectively, as evidenced explosively at various times by such key worker groups as printers, oil workers, textile workers and metal workers. The Tsarist "rules of industrialization," Perlman concluded, were those of a classical feudal dynasty, and they created a dangerous socio-political vacuum.

Finally, Perlman turned his attention to the "intellectuals and their political parties." He traced the history of the new elite from its "Populist" and Marxist origins with their several ideological subdivisions, to the emergence of the Bolshevik "will to revolution" under the leadership of Lenin, which welded a revolutionary party. He described the skill of the party leadership in creating a revolutionary force by alliance with peasants and factory workers. And he ended by depicting the opportunity for revolution created by

Russia's wartime misfortunes; for when the army crumbled there was nothing left to resist the new elite's driving will to power.

From this less than adequate summary of Perlman's chapter on Russia in the *Theory,* it is apparent that Perlman's deeply sensitive understanding of the pre-Revolutionary Russian scene has yielded a rich variety of insights on the less developed society. I have selected two for comment.

The first is Perlman's insight on labor in a less developed society. Those who have narrowly equated Perlman with the term he invented, "job-conscious unionism," tend to forget that he understood and interpreted non-job-consciuos labor ideologies as well. It is true that Perlman isolated the pure strain of labor's ideology, characterized it as a rule-making propensity for the control and administration of job-opportunity, and related it to a whole class of economic rule-making groups, past and present. However, Perlman, in isolating this pure strain of labor's ideology, carefully formulated the conditions under which the pure species could flourish. And by the same token, he formulated the conditions under which the species was mutable. It can be conceded that Perlman may have stated the conditions for the viability and for the mutability of labor's ideology with excessive formalism. That is less important, however, than the fact that Perlman saw the environment of the less developed society as one in which the labor ideology mutated. His chapter on Russia was a brilliantly portrayed example of how labor was transformed into a revolutionary force, made more vivid by contrast with the other chapters of the *Theory* where trade unionism was shown to evolve into a durable, conservative and stabilizing force in the community.

Perlman always taught that labor movements were the inseparable expressions of the societal molds of their origins and development. His original finding, that in a less developed society labor's ideology becomes highly mutable, is an immediate clue, therefore, to the mutability of other institutions in a less developed society. Perlman's finding thus instructs one to search for the conditions that create new institutional species in the environment of a less developed society.

This brings me to the second Perlman insight I have selected for comment. It concerns the nature of the industrializing elite in a less developed society. The vast effort to industrialize in the world's less developed areas has naturally aroused an acute interest in the problem of industrialization. It is of course an important problem of our day. Yet, as one reads the literature on the new industrialization one can be impressed by the almost hypnotic tendency to judge the capacity of the leadership of new societies by their capacity to industrialize and to put into operation an industrial scheme of production.

For those who focus too narrowly on this attribute of leadership, Perlman's Russian chapter contains a healthy admonition. The admonition is that the Tsars industrialized Russia, not casually, but massively; yet the Tsarist elite did not survive. It follows—and we have already seen this in all too many places—that the capacity to industrialize alone will not assure an elite's survival.

It is interesting to note that Perlman located the Tsarist Elite's capacity to industrialize rather low in his scale of judgment about the Tsars' capacity for leadership. Above it, he placed the capacity for institution-building. Thus, in diagnosing the Tsarist elite, he focused on such questions as its historical origin, its ideology, its purpose for industrializing, its instruments of policy, its institutional system, and its effective will to power. Perlman was less interested in the technical "web of rules" for industrial production. He was more interested in the *prior,* viable "web of institutions," the source of the whole society's rules. It was in these terms that he judged the Tsarist elite, and found it deficient.

It may be that Perlman underemphasized an elite's capacity to industrialize. Yet in our world in which the issue is not only the capacity of an elite to industrialize, but is equally, which elite will win the contest for the power to industrialize, Perlman's emphasis on an elite's capacity to lead, to govern, to create institutions, and by virtue of these talents, to survive—this emphasis assumes a fresh relevance.

In closing, I should like to suggest that Perlman's insights on the elites of modern society may very well derive from the natural international perspective of his threefold cultural heritage. Perlman was born into the tradition of Judaism; he was educated until early manhood in Russia, and he came to maturity in America. In referring to the triple blend of his cultural background, Perlman always derived pleasure in noting that it provided him with what he called his "privileged box seat" from which to observe three of the world's most interesting social laboratories: Those of Israel, Soviet Russia and the United States.

For a long time the elite of Israel was high in leadership, and low on capacity to industrialize; the Tsarist elite of Perlman's youth was high on the capacity to industrialize, and low on capacity for leadership. The elite of the United States was high on both. I think Perlman would have liked the suggestion that his insights on social leadership were the product of his own rich cultural heritage.

Part II

THE INCIDENCE OF PERSISTENT UNEMPLOYMENT

THE INCIDENCE OF PERSISTENT UNEMPLOYMENT

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The over-all performance of the American economy since the end of World War II has been impressive. Industrial production, personal income, and employment have registered good gains. Our Gross National Product has surged upward with only moderate dips during the three post-war recessions. But in spite of a good record of growth, and a formal commitment to a full employment policy, the level of unemployment in recent years has been distressingly high.

Since 1954, for example, the annual rate of unemployment has not dropped below 4.2 per cent of the civilian labor force, and in recent years there has been an increase in the number of long-term unemployed.[1] Despite the increase in persistent unemployment, however, and the drag which this imposes upon economic growth, there is still greater concern in most official quarters with the threat of inflation. As William Haber has pointed out "there is a serious possibility that we may accommodate ourselves to the condition where unemployment of 5 per cent of the labor force is considered normal . . . our national policymakers appear to fear inflation much more than the present levels of unemployment." [2]

This view is not restricted to spokesmen for some segments of the business community, or to many of those in public office. It appears to have considerable support among academic economists. In a recent survey conducted by the Joint Economic Committee, 60 per cent of a sample of economists indicated that they would be prepared to accept a level of unemployment amounting to *more than* 5 per cent of the labor force, if necessary, as a condition for achieving a high degree of price stability. More than 13 per cent

* The author wishes to acknowledge helpful comments on an earlier draft by Professor Morris A. Horowitz, and the research assistance of Mr. Robert MacCallum.

[1] See *Employment, Growth, and Price Levels,* Hearings before the Joint Economic Committee, 86th Congress, 1st Session (April 25-28, 1959), Part III, *Historical and Comparative Rates of Labor Force,* Employment and Unemployment, p. 492.

[2] William Haber, "The Persistence of Unemployment," Proceedings of the Spring Meeting of the Industrial Relations Research Association, *Labor Law Journal* (July 1959), p. 453.

of the respondents who answered this question, indicated that they were prepared to accept an unemployment level of seven per cent or more in order to achieve stable prices![3] There is no way of knowing how representative this sample is. But these returns cannot be disregarded. They are indicative, at least, of the degree to which rising prices have led to erosion in the concept of "full employment" in this country.

Fortunately, some members of Congress are deeply concerned with the high level of unemployment which persists even during periods of rising employment and expanding production. Various committees in both the House and the Senate have conducted extensive investigations of unemployment with particular emphasis on the problem of chronic, localized unemployment. More recently, a Special Committee on Unemployment Problems was appointed by the Senate to make a thorough investigation of all aspects of unemployment. This Committee, headed by Senator Eugene J. McCarthy, is now in the midst of its investigation. It is to be hoped that its study will show ways by which the level of unemployment can be reduced.

DATA, AND PROBLEMS OF MEASUREMENT

Students of the American labor force have often commented on its complexity and its fluidity.[4] Each month thousands of workers move into the labor force on a continuing or temporary basis; others move out either temporarily or permanently. Some of the unemployed return to work; others withdraw from the active labor force. Out of this mass of movement, estimates of employment and unemployment are distilled based on a sample survey of 35,000 households. This survey also provides data on the characteristics of the

[3] *Economic Policy Questionnaire,* Tabulation of Replies Submitted to the Subcommittee on Economic Stabilization of the Joint Economic Committee, Joint Committee Print, 85th Congress, 2d Session, (December 1958), p. 3. It is worth noting that seasonally-adjusted unemployment, has reached or passed the seven per cent mark in only eight months since the end of World War II, all but one of these in 1958. See *Labor Force, Employment and Unemployment,* U. S. Department of Labor, Bureau of Labor Statistics, June 30, 1959.

[4] See, for example, Gertrude Bancroft, *The American Labor Force—Its Growth and Changing Composition* (New York: John Wiley and Sons, 1958), p. 1; A. J. Jaffe and Charles D. Stewart, *Manpower Resources and Utilization* (New York: John Wiley and Sons, 1951), pp. 62-74; W. S. Woytinsky, "The Labor Force" in *Employment and Wages in the United States* (New York: The Twentieth Century Fund, 1953), pp. 313-316, and Clarence D. Long, *The Labor Force Under Changing Income and Employment,* A Report of the National Bureau of Economic Research (Princeton: Princeton University Press, 1958), *passim.*

unemployed such as age, sex, color, and marital status. By definition, the unemployed are those who are totally without work. But there is also a great deal of underemployment in our economy. Haber has pointed out, for example, that while the level of unemployment in 1957 averaged only 2.9 million, more than 11 million different persons suffered some degree of unemployment during the year.[5]

The Department of Labor has been concerned for some time with the anatomy of unemployment. Each month it publishes much useful data on the characteristics of the unemployed.[6] But unfortunately, from the published data one cannot make all of the cross-comparisons that would be required to provide a complete picture of the incidence of persistent unemployment.[7]

Unemployment is not distributed uniformly—or randomly—over the labor force. It bears more heavily on some groups than others. And unemployment is not distributed evenly on a geographical basis; it is more heavily concentrated in some areas than others. We can show which groups and which areas have unemployment rates consistently above the average for the labor force as a whole. And we can show separately the duration of unemployment. The difficulty comes from our inability to cross-classify unemployment by duration and the characteristics of the unemployed. The best we can do, therefore, in our efforts to measure the "incidence of persistent unemployment" is to identify those groups in the labor force —and those areas—which have above-average unemployment rates in good times and bad. To do this—and to compress in summary form a vast amount of data—averages have been computed for the period 1955 through August, 1959.[8]

[5] *Op. cit.*, p. 453. Clarence D. Long has urged that the Department of Labor compute and publish measures of equivalent full-time employment, unemployment and labor force to supplement present statistics which only count heads. Senator Paul H. Douglas has indicated his strong support of this proposal. See *Employment, Growth, and Price Levels, op. cit.*, p. 545.

[6] For the past two years it has also published reports in the spring of each year with data on unemployment and the characteristics of the unemployed summarized in a very useful fashion. See *Who Are the Unemployed?* (June 1958), and *The Unemployed, Spring 1959* (May 1959), U. S. Department of Labor, Bureau of Labor Statistics.

[7] After this paper had been written, a report prepared by the Bureau of Labor Statistics, and issued by the Joint Economic Committee, was publishd showing the duration of unemployment in 1957 by age, sex, color and broad industrial and occupational classifications. The letter of transmittal states that it was based on "data which have not been previously exploited in the same way." See *The Extent and Nature of Frictional Unemployment*, Study Paper No. 6, 86th Cong. 1st Sess. Joint Economic Committee (November 19, 1959).

[8] In the case of unemployment by marital status, the averages cover the period January 1957 through August 1959 only.

THE DURATION OF UNEMPLOYMENT

Since 1955, between 70 and 81 per cent of the unemployed were out of work for 15 weeks or less. And between 41 and 51 per cent were jobless for periods of five weeks or less. This group, especially those out of work five weeks or less, includes a great many workers who have left their jobs voluntarily in seach of other employment, as well as many who are seasonally unemployed. It also no doubt includes many workers who move into and out of the labor force on a voluntary basis as labor market conditions and their personal lives permit.[9] Our major concern is not with this group, but with those who are out of work for periods of 15 weeks or more.

The Department of Labor considers those who have been out of work 15 weeks or longer as the "long-term unemployed." [10] It is this group in which we are particularly interested, since it will include those who are persistently unemployed. A further subdivision of the long-term unemployed may be made between those who are out of work from 15 to 26 weeks, and those who are out of work for 27 weeks or more (see table 1).

Between January 1955 and August 1959, the annual average of those unemployed more than 15 but less than 27 weeks ranged from 10.7 to 16.1 percent of total unemployment. In July, 1957—just before the start of the last recession—the proportion of unemployed workers falling in this category reached its low point of 7.8 per cent. The peak percentage (25.4 per cent) was reached in April 1958 as recovery from the recession got under way. Thus one may infer that a substantial number of workers in this group were cyclically unemployed. Many would have received unemployment compensation—and in some cases supplementary unemployment benefit payments—during the entire period they were out of work. This is not an attempt to minimize their hardships—the loss of savings coupled with uncertainty about future employment prospects. But it does indicate that we cannot include all of those out of work for 15 weeks or more among the persistently unemployed.

Since 1955, however, the annual average of extremely long-term unemployment (27 weeks or more) has ranged from 8.2 per cent

[9] The latter class of workers comprise what Wilcock has called the "secondary labor force." See Richard C. Wilcock, "The Secondary Labor Force and the Measurement of Unemployment," *The Measurement and Behavior of Unemployment*. A Report of the National Bureau of Economic Research (Princeton: Princeton University Press, 1957), pp. 167-210.

[10] Obviously the dividing line is arbitrary, but some distinction must be made between the short-term and the long-term unemployed.

to 16.1 per cent of total unemployment. While some persons in this category might also have been cyclically unemployed, many of them no doubt had been permanently displaced from their jobs by the re-location or liquidation of their former places of employment, technological change, employment cutbacks due to shifts in demand, or other changes in our economy which create persistent unemployment.

The low point of this extremely long-term unemployment, expressed as a percentage of total unemployment, was reached in January 1957, when 5.8 per cent of the unemployed had been out of work for 27 weeks or more. This was several months before the beginning of the latest recession. The high point—when more than 21 per cent of the unemployed had been out of work for six months or more—was reached in September 1958, almost six months after recovery from the latest recession got under way.

In terms of numbers, an average of more than 408,000 workers were unemployed for 27 weeks or more between January 1955 and August of this year. The high point, when more than 972,000 workers had been away from their jobs for more than six months, was reached in August 1958. At the lowest point, in June of 1956,

TABLE 1

Long-Term Unemployment, 1955-1959

Weeks Unemployed	Per Cent of Unemployed [a]	Range of Monthly Rates	
1959[b]		*Low*	*High*
15 to 26 weeks	12.5	8.1	18.6
27 weeks and over	16.1	13.6	19.9
1958			
15 to 26 weeks	16.1	12.4	25.4
27 weeks and over	13.5	6.8	21.6
1957			
15 to 26 weeks	10.7	7.8	16.3
27 weeks and over	8.2	5.8	10.2
1956			
15 to 26 weeks	11.6	9.5	16.3
27 weeks and over	9.1	6.0	11.1
1955			
15 to 26 weeks	12.7	8.1	22.4
27 weeks and over	12.3	9.5	16.4

[a] Geometric means of monthly rates.
[b] Based on January-August data.
Sources: *Annual Report on the Labor Force*, Series P-50 (1956-1958), and *Monthly Report on the Labor Force*, Series P-57 (January 1957-January 1959), U. S. Bureau of the Census; *Employment and Earnings*, U. S. Department of Labor, Bureau of Labor Statistics (July-September 1959).

175,000 of the unemployed had been out of work for 27 weeks or more. This represents the minimum number, during the period under review, of the persistently unemployed.[11] While there has been some improvement over the past year, long-term unemployment has been much more persistent during the current recovery than was true during recovery from the two earlier postwar recessions.[12] In September of this year, more than 396,000 of the unemployed had not worked for six months or longer.

CHARACTERISTICS OF THE UNEMPLOYED

Unemployment by Age and Sex. Over the past five years, male workers have accounted for about 68 per cent of the civilian labor force and about 67 per cent of unemployment. Thus the unemployment rate for male workers has been slightly below the average for all members of the labor force, and the rate for female workers has been slightly above average—the differences in unemployment rates by sex are not large, however.

But there are important differences in the distribution of unemployment among various age groups (table 2). For example, male workers under 24 comprise about 9.4 per cent of the civilian labor force, but account for more than 18 per cent of all unemployment. Similarly, female workers under 24 comprise slightly more than 6 per cent of the civilian labor force, but account for more than 10 per cent of total unemployment. Thus the incidence of unemployment is particularly heavy on younger workers, especially younger male workers. The age group which appears to present a particular problem is that between 16 and 18. In many metropolitan areas thousands of youngsters leave school each year at age 16 (the legal minimum), and enter the labor force. But they often have difficulty in finding steady employment. In New York, which may or may not be typical of other major cities, youngsters in the labor force between 16 and 18 are unemployed more than they are at work.[13]

For female workers, the unemployment rate in the 25-34 age group is also slightly above average. For all other age groups—

[11] It must be stressed that this is the absolute minimum of persistent unemployment during this period. Many workers become discouraged about job prospects after lengthy unemployment and, while able and willing to work, no longer actively seek employment.

[12] Clague, *op. cit.*, pp. 476-477.

[13] This was pointed out in an address by Marguerite Coleman, of the New York State Employment Service, at a recent Conference on Our Changing Society: Problems and Opportunities for Labor and Management, held at Cornell University, October 25-30, 1959.

TABLE 2

Labor Force Participation, Nonagricultural Employment, and Unemployment, by Age and Sex, April Average, 1955-1959 (in thousands)

Age and Sex	Civilian Labor Force		Non-Agricultural Employment		Unemployed		Unemployment Rates
	Number	Per Cent	Number	Per Cent	Number	Per Cent	
Both Sexes	66,964	100.0	57,618	100.0	3,393	100.0	5.1
Male	45,434	67.8	38,141	66.2	2,271	66.9	5.0
14–19 years	2,786	4.2	1,869	3.2	311	9.2	11.2
20–24 years	3,496	5.2	2,852	4.9	321	9.5	9.2
25–34 years	10,600	15.8	9,387	16.3	477	14.1	4.5
35–44 years	10,726	16.0	9,427	16.4	395	11.6	3.7
45–54 years	9,127	13.6	7,794	13.5	374	11.0	4.1
55–64 years	6,222	9.3	5,104	8.9	290	8.5	4.7
65 years and over	2,478	3.7	1,708	3.0	101	3.0	4.1
Female	21,530	32.2	19,477	33.8	1,122	33.1	5.2
14–19 years	1,836	2.7	1,576	2.7	201	5.9	10.9
20–24 years	2,383	3.6	2,183	3.8	162	4.8	6.8
25–34 years	4,186	6.3	3,818	6.6	226	6.7	5.4
35–44 years	5,032	7.5	4,583	8.0	229	6.7	4.6
45–54 years	4,572	6.8	4,164	7.2	184	5.4	4.0
55–64 years	2,681	4.0	2,416	4.2	99	2.9	3.7
65 years and over	839	1.3	736	1.3	21	.6	2.5

Sources: *Annual Report on the Labor Force,* Series P-50 (1956-1957); *Monthly Report on the Labor Force,* Series P-57 (May issue, 1957-1959), U. S. Bureau of the Census.

male and female—the unemployment rate is below average. The statistical picture, viewed uncritically, may be misleading, however. There is an extremely high rate of unemployment in the 14 to 19 year age group, both male and female. We do not know to what extent individual workers in this group remain unemployed for long periods of time. In general, the turnover rate is very high for younger workers. But a number of studies either strongly suggest or clearly indicate that when workers past 45 are displaced it is exeremely difficult for them to find new employment, and workers in this age group without doubt constitute a significant proportion of the persistently unemployed.[14]

[14] See Richard C. Wilcock, "Employment Effects of a Plant Shutdown in a Depressed Area," *Monthly Labor Review* (September 1957), Table 2, p. 1049; Vincent F. Gegan and Samuel H. Thompson, "Worker Mobility in a Labor Surplus Area," *Monthly Labor Review* (December 1957), p. 1453; Gerald Somers, "Labor Recruitment in a Depressed Rural Area," *Monthly Labor Review* (October 1958), pp. 1113-1114; William H. Miernyk, *Inter-Industry Labor Mobility* (Northeastern University, Bureau of Business and Economic Research, 1955), pp. 17-18; *Experience of Claimants Exhausting Benefit Rights,* U. S. Department of Labor, Bureau of Employment Security, BES No. U-178, December 1958, pp. 11-12.

Unemployment by Marital Status. The lowest rates of unemployment are found among married men living with their spouses (table 3). Since 1957, the rate for this group has averaged 3.7 per cent compared with an overall rate of 5.5 per cent. The highest rates of unemployment among male workers are those for married men not living with their wives, and single male workers. Male workers who are widowed or divorced also have above-average unemployment rates. Among female workers, the highest unemployment rate is that for married women not living with their husbands. The unemployment rate for single female workers was also above average during the period under review. Women who are widowed or divorced have an unemployment rate slightly below average while those married and living with their spouses also have a rate below average.

The unemployment rate by martial status is undoubtedly intercorrelated with age. Thus it should come as no surprise that among the highest unemployment rates are those for unmarried workers—male and female. Most of these are no doubt in the younger age groups. Because of widespread seniority provisions, they are the first to be unemployed at the beginning of a recession, and the last to be recalled when conditions improve. Some young workers are displaced by the movement or liquidation of business establishments. But their age is no barrier to re-employment. The older worker thus affected will find it more difficult to obtain a new job since many concerns fill their manpower needs through "hiring jobs" and prefer

TABLE 3

Unemployment Rates, by Marital Status, 1957–1959[a]

Marital Status and Sex	Average Unemployment Rates[b]	Range of Monthly Rates	
		Low	High
Male	5.3	3.4	8.2
Married, Spouse Present	3.7	2.3	6.5
Married, Spouse Absent	10.2	5.3	17.7
Widowed or Divorced	8.0	3.9	13.0
Single	11.3	7.4	15.8
Female	5.7	4.0	8.3
Married, Spouse Present	5.3	3.7	7.5
Married, Spouse Absent	7.8	5.3	13.9
Widowed or Divorced	5.0	3.3	6.7
Single	6.4	4.1	12.7
Both Sexes	5.5	3.7	7.7

[a] 1959 data, January through August.
[b] Geometric means of monthly rates.
Sources: *Monthly Report on the Labor Force,* Series P-57 (January 1957-June 1959), U. S. Bureau of the Census; *Employment and Earnings* (August-September, 1959), U. S. Department of Labor, Bureau of Labor Statistics.

TABLE 4

Labor Force Participation, Nonagricultural Employment, and Unemployment, by Color, 1955–1959 Average[a] *(in thousands)*

	Civilian Labor Force		Non-Agricultural Employment		Unemployment		Unemployment Rate[b]
	Number	Per Cent	Number	Per Cent	Number	Per Cent	
Total	67,885	100.0	58,239	100.0	3,364	100.0	4.99
White—							
both sexes	60,540	89.2	52,563	90.3	2,667	79.3	4.40
Male	41,438	61.1	35,261	60.5	1,758	52.3	4.33
Female	19,102	28.2	17,302	29.7	910	27.0	4.75
Nonwhite—							
both sexes	7,315	10.8	5,676	9.7	697	20.7	9.50
Male	4,464	6.6	3,351	5.8	446	13.3	10.00
Female	2,852	4.2	2,325	4.0	251	7.5	8.80

[a] 1959 data, January through August.
[b] As per cent of civilian labor force.
Source: *Annual Report on the Labor Force*, Series P-50, 1955-1958, and *Monthly Report on the Labor Force*, Series P-57, February-June, 1959, U. S. Bureau of the Census; *Employment and Earnings*, U. S. Department of Labor, Bureau of Labor Statistics, September 1959.

younger to older workers when filling these jobs at the bottom of the seniority ladder.[15]

Unemployment by Color. In recent years, about 89 per cent of the civilian labor force has been made up of white workers, but they have accounted for only 79 per cent of unemployment. Only one out of 11 members of the civilian labor force is non-white, but about one out of five of the unemployed fall in this category (table 4). It is very clear that the incidence of unemployment is much greater among non-white than white workers. As Clague has pointed out, non-white workers are "heavily concentrated in unskilled jobs which always have high rates of unemployment for both white and non-white workers . . . [and] many non-whites are low on the seniority ladder because they got jobs in industrial areas in recent years." [16]

White, male workers comprise 61 per cent of the labor force, but account for only 52 per cent of unemployment. The difference in the case of white female workers is somewhat less. They constitute 28 per cent of the labor force, and account for 27 per cent of the unemployed. Non-white, male workers make up only 6.6 per cent of the labor force, but account for more than 13 per cent of unemployment. Female non-white workers, accounting for 4.2 per cent of the labor force, account for 7.5 per cent of the unemployed. Thus the heaviest incidence of unemployment is on non-white, male workers.

[15] See the statement by Ewan Clague before the Joint Economic Committee in *Employment, Growth and Price Levels*, *op. cit.*, p. 476.
[16] *Employment, Growth, and Price Levels*, *op. cit.*, p. 476.

Unemployment by Industry.[17] Unemployment rates since 1957 have been high in mining and construction. The rates for manufacturing workers are more volatile especially in the durable goods sector. For example, in 1957 the rate of unemployment in durables was below average, but it reached a peak of 11.6 per cent in 1958 when unemployment in the nation was at the rate of 7.7 per cent. In March of this year, the rate in the durable goods sector had dropped to 7.4 per cent compared with a national average of 6.4 per cent. Meanwhile in non-durables, there was less fluctuation during the recession. The 1957 rate was slightly above average, it rose to a peak of eight per cent in 1958 and dropped to 6.2 per cent in March, 1959 when the national rate was 6.4 per cent. As a broad generalization, the incidence of unemployment is greater on the secondary sector of our economy (mining, construction and manufacturing) than on the tertiary sector. Blue collar workers (laborers, operatives and craftsmen) in construction, manufacturing and mining have had above-average unemployment rates in recent years.

TABLE 5

Covered Employment and Insured Unemployment, by Region, April Average, 1955–1959 (in thousands)

Region	Employed		Unemployed		Unemployment Rate [a]
	Number	Per Cent	Number	Per Cent	
Continental United States	50,519	100.0	1,896	100.0	3.7
New England	3,500	6.9	153	8.1	4.4
Middle Atlantic	11,532	22.8	561	29.6	4.9
East North Central	11,259	22.3	387	20.4	3.4
West North Central	3,925	7.8	109	5.8	2.8
South Atlantic	6,597	13.1	192	10.1	2.9
East South Central	2,544	5.0	130	6.9	5.1
West South Central	4,026	8.0	101	5.3	2.5
Intermountain	1,121	2.2	29	1.5	2.5
Pacific Northwest	1,366	2.7	61	3.2	4.5
Pacific Southwest	4,649	9.2	174	9.1	3.7

[a] *Insured* unemployment as per cent of *covered* employment.

Region: New England (Conn., Me., Mass., N.H., R.I., Vt.); Middle Atlantic (N.Y., N.J., Pa.); East North Central (Ohio, Ill., Ind., Mich., Wis.); West North Central (Minn., Iowa., Mo., N.D., S.D., Nebr., Kan.); South Atlantic (Del., Md., D.C., Va., W.Va., N.C., S.C., Ga., Fla.); East South Central (Ken., Tenn., Ala., Miss.); West South Central (Ark., La., Okla., Texas); Intermountain (Colo., Mont., N.M., Utah, Wyo.); Pacific Northwest (Idaho, Ore., Wash.); Pacific Southwest (Ariz., Calif., Nev.).

Sources: *Employment and Earnings*, U. S. Department of Labor, Bureau of Labor Statistics (1956-1959); *Monthly Report on the Characteristics of the Unemployed*, U. S. Department of Labor, Report U-25, May 1958; *The Labor Market and Employment Security*, U. S. Department of Labor, Bureau of Employment Security (1955-1959).

[17] This section is largely based upon material presented by Ewan Clague in his testimony before The Joint Economic Committee, *Employment, Growth, and Price Levels, op. cit.*, p. 480.

THE GEOGRAPHICAL INCIDENCE OF UNEMPLOYMENT

The Regional Distirbution of Unemployment. During the past five years, four regions have consistently had above-average rates of unemployment (table 5). These are: New England, the Middle Atlantic States, the South Central region, and the Pacific Northwest. On the average, these four regions accounted for 37.4 per cent ot covered employment, but they contained 47.8 per cent of the insured unemployed. It is important to point out, however, that there is at least as much diversity within regional economies as there is among regions. Within each of these regions, unemployment is highly localized. The persistence of chronic, localized unemployment has been recognized for some time as one of the most intractable aspects of the overall unemployment problem, and it has been the subject of numerous Congressional inquiries.[18]

Unemployment in Local Labor Market Areas. It is extremely difficult to summarize the vast amount of information we have about unemployment in local labor market areas. The Department of Labor reports data on unemployment in 149 major labor market areas on a bimonthly basis, and at somewhat more irregular intervals provides us with similar information for so-called smaller labor market areas. Unemployment data for these labor market areas are prepared by the state Employment Security agencies and published in *The Labor Market and Employment Security,* issued monthly by the Bureau of Employment Security of the U. S. Department of Labor.[19]

[18] See *Causes of Unemployment in the Coal and Other Domestic Industries,* Hearings before the Subcommittee to Invstigate Unemployment, Committee on Labor and Public Welfare, U. S. Senate, 84th Cong. 1st Sess. (March-April, 1955); *Low-Income Families,* Hearings before the Subcommittee on Low-Income Families, Joint Committee on the Economic Report, 84th Cong. 1st Sess. (November, 1955); *Area Redevelopment,* Hearings before the Subcommitee on Labor, Committe on Labor and Public Welfare, U. S. Senate, 84th Cong. 2nd Sess. Pt. I (January-February, 1956), Pt. II (February-April, 1956); *Area Redevelopment,* Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, 85th Cong. 1st Sess. (March-May, 1957); *Area Redevelopment Act,* Hearings before a Subcommitee of the Committee on Banking and Currency, U. S. Senate, 86th Cong. 1st. Sess. Pt. I (February, 1959), Pt. II (March, 1959); *Legislation to Relieve Unemployment,* Hearings before the Committee on Banking and Currency, U. S. House of Representatives, 85th Cong. 2nd Sess. (April-May, 1958); *Area Redevelopment Act,* Hearings before Subcommittee No. 3, Committee on Banking and Currency, U. S. House of Representatives, 86th Cong. 1st Sess. (March, 1959). See also, Gerald G. Somers, "The Role of Unemployment Compensation in Depressed Areas," *Proceedings of the 11th Annual Meeting of the Industrial Relations Research Association,* and the footnote references cited therein.

[19] These estimates are not based on sample surveys. A complete count is made of the insured unemployed, and to this are added estimates of the unemployed in non-covered occupations and those in covered occupations who have exhausted benefit rights.

Twenty-seven major labor market areas, located in 11 states, have been classified as areas of substantial labor surplus more than half the time since January 1955 (table 6). Eighteen of them have been in this classification more than two-thirds of the time during this period. Eight major areas located in Indiana, Massachusetts, Pennsylvania, Rhode Island and West Virginia, have been in this category continuously since September 1951.[20] Four major labor market areas in Michigan are relative newcomers to the list. But since early 1957 two of them have been on the list all but a few months, and the other two—Detroit and Muskegon—have been on it continuously.

In most of these areas, the high level of localized unemployment persists through good times and bad. During the peak phase of the business cycle—such as in 1957—unemployment in some of these communities ranges between six and nine per cent, and in a few of them the rate drops below six per cent. But starting from this high base of unemployment, the rate climbs rapidly during recessions. In 1958, 19 of these centers of hard-core unemployment had unemployment rates in excess of 12 per cent at some time during the year. Almost half of them were in this category in January of this year, after ten months of recovery, and five of these areas still had unemployment rates in excess of 12 per cent in July.

In addition to the major areas, there were 69 smaller labor market areas of substantial labor surplus in the fall of 1958. Sixty-five of these, where this condition has persisted much of the time since 1955, are listed in Table 7. Sixty-one of the smaller areas (or 94 per cent of those listed in the table) had unemployment rates of nine per cent or more, and 41 (or 63 per cent) had 12 per cent or more unemployed. One community—Beckley, West Virginia—reported one out of four members of the local labor force out of work in August 1958. Since data on smaller labor market areas are not published on a regular basis, it is not as easy to observe cyclical variations in unemployment in these communities as in the major labor market areas. But from the evidence available, it is clear that in many of them unemployment remains high throughout the business cycle.

It is impossible, without going into lengthy detail, to indicate the causes of high-level unemployment in these local labor market areas. Some of the broad outlines are well known. In New England, high

[20] See William H. Miernyk, *Depressed Industrial Areas—A National Problem* (Washington: National Planning Association, 1957), pp. 10-11.

TABLE 6

Selected Major Labor Market Areas of Substantial Labor Surplus, 1955–1959[a]

	1955	1956	1957	1958	1959
INDIANA					
Evansville	E D X X X X	D E D D E D	D X X X E D	E E E E E D	E E E E
South Bend	D D D D D D	X D D D E X	X X X X X X	E F F F F D	D D D X
Terre Haute*	F F F E E E	F F F E E E	D D D E D D	E E D D D D	E D D D
MASSACHUSETTS					
Fall River*	D D D D D X	X X D D D X	E E F F D D	E F F F D D	E D D D
Lawrence*	F F F F F F	F F E E D D	E E E E D D	E E E E E E	E E D D
Lowell*	F E D E D D	D D D D D D	E D D D X D	E F E E D E	E E E D
New Bedford	E E E E D X	D D D D X X	D D X D X X	E F F F E E	F E E D
MICHIGAN					
Detroit	X X X X X X	X D D E F X	X D D D E D	F F F F F F	F F F E
Flint	X X X X X X	X X D E E X	X X E F F X	X F F F F D	D D F F
Grand Rapids	X X X X X X	X X X X X X	X D D D D D	E F F F E E	E E D D
Muskegon	D X X X X X	X X X D D D	D D D E E E	E F F F F F	E F D D
MINNESOTA					
Duluth-Superior*	F F D D D D	D D X X X X	D X X X X X	E F F E D E	F E D D
NEW JERSEY					
Atlantic City*	F F D D D D	F F D X X E	F F D X X E	F F E D D F	F E D D
Trenton	D D X X X X	D X X D X X	D D X X X X	E E E E D D	D D D X
NEW YORK					
Utica-Rome*	E E D D D X	D D X X X X	D D X X X D	E F E E D E	E E E D
NORTH CAROLINA					
Asheville*	E D D D D D	D D D D D X	D D X D D D	D E D D D D	D D D D
Durham*	D D D D D D	D D D D X X	D D D D X D	D E E E D X	D D D D
PENNSYLVANIA					
Altoona*	F F F F E D	D D D F E D	E E E E E E	F F F F F F	F F E D
Erie	E E D E E D	D D X X X X	D D X X X D	F F F F F F	F F F F
Johnstown*	F F E F F E	D D D F D D	D D D D D D	E F F F F F	F F F F
Scranton*	F F F F F F	F F E E E E	E E E E E F	F F F F F F	F F F F
Wilkes-Barre-Hazleton	F F F F F F	F F F F F E	E E E E E F	F F F F F F	F F F F
RHODE ISLAND					
Providence*	E E E D D D	D D E D D D	E E E E D E	F F F F E E	F E E D
TENNESSEE					
Chattanooga	D D X D D X	X X X X X X	D D X D D D	D D D D D D	D D D D
Knoxville*	D D D D D X	D D D D X X	X D D D D D	E E E E D D	D D D X
WEST VIRGINIA					
Charleston*	F F E F E E	E E D D D D	D D D D D D	E E F F E E	E E E E
Huntington-Ashland*	E D D D X X	D D D D X X	X D X D X D	E F F F F F	F F F E

[a] Data are for January, March, May, July, September and November of each year. Latest month shown is July, 1959. Symbols: X = less than 6%; D = 6–8.9%; E = 9—11.9%; F = 12% or more of the local labor force unemplo ed.

Note: Asterisk indicates areas continuously classified as areas of labor surplus or substantial labor surplus, except as shown in table, since September 1951. See *Depressed Industrial Areas—A National Problem,* Planning Pamphlet No. 98, National Planning Association (1957), pp. 10–11.

Source: *Area Redevelopment Act,* U. S. Senate, 86th Congress, 1st Session (February, 1959); *The Labor Market and Employment Security,* U. S. Department of Labor, Bureau of Employment Securit (August 1955–August 1959).

level unemployment is a result of the decline in textiles; in Pennsylvania, Illinois, Kentucky and West Virginia it is due to the drop in coal production, among other things; Michigan has joined the states with high level unemployment as a result of recent job displacements in the auto and other durable goods industries. All of the communities with high levels of persistent unemployment have been affected in one way or another by structural changes such as the migration of industry, shifts in demand, technological change, rising imports and declining exports, and in a few cases the depletion of resources.

It is clear that the incidence of unemployment is extremely high in these local labor market areas. We cannot tell, on the basis of published data, to what extent the same individuals remain in the ranks of the unemployed over time. The few studies which have been made, however, reveal clearly that a substantial proportion of the long-term unemployed in these areas are workers past 45. Despite the fact that workers in this age group do not constitute a disproportionate share of total unemployment nationally, they do represent the hard-core of unemployment in many local areas. As indicated earlier, this problem has been of concern to at least some of our policymakers. Thus far, however, we have no national policy to deal with this serious, and intractable problem. Other countries—notably Great Britain—have been confronted with the same problem, but have taken positive steps to ameliorate conditions in depressed areas.[21]

SUMMARY AND CONCLUSIONS

The results of this survey of the incidence of persistent unemployment may be summarized as follows:

1. Long-term unemployment has accounted for between 20 and 30 per cent of total unemployment since 1955. There was considerably more long-term unemployment during the recent recession than in the two earlier post-war recessions.
2. Unemployment rates among younger workers are disproportionately high; this is especially true of single, male workers under 25.
3. Unemployment among non-white workers is about twice their proportion in the labor force, and the incidence is particularly heavy on male, non-white workers.

[21] See William H. Miernyk, "British and American Approaches to Structural Unemployment," *Industrial and Labor Relations Review* (October 1958), pp. 3-19.

4. Blue collar workers (laborers, operators, and craftsmen) in mining, construction and manufacturing have had high rates of unemployment in recent years.
5. There is a heavy concentration of persistent unemployment in 27 major labor market areas and in 65 smaller areas.

Unfortunately, the available data on unemployment raise as well as answer questions. They tell us among what groups—and in what areas—unemployment is concentrated. But we are unable as yet to combine the data on the duration of unemployment with the characteristics of the unemployed. Post-exhaustion studies—and the few surveys that have been made of unemployment in depressed areas—reveal that many individuals are unemployed for long periods of time. Indeed, some of those past middle age become discouraged after months—or even years—of fruitless job-searching, and withdraw from the labor market. Such withdrawals cannot be considered voluntary, and lead to understatement of the true level of unemployment in our economy.

One conclusion is clear. We need to know much more than we do at present about unemployment, especially persistent unemployment. As Senator Douglas has recently said, we must be able to "distinguish between forces which affect the total amount of unemployment, aside from seasonal and transitional difficulties, and the forces which determine the particular persons who are unemployed, namely, the incidence of unemployment." [22]

Steps are now being taken within the Department of Labor to make a start in this direction. A new program is about to be launched on a continuing basis by the Bureau of Employment Security which will add much to our knowledge about the incidence of persistent unemployment. Next month, the BES will begin to collect data—based on sample surveys to be conducted in each state by the State Divisions of Employment Security—which will permit the cross-classification of unemployment by duration with certain characteristics of the *insured* unemployed. These characteristics are: (1) industry of attachment, (2) occupational group, (3) age, i.e. those under and those over 45, and (d) sex. An independent sample will be taken in each state which will permit state-to-state comparisons to be made.

This program will still leave some gaps in our knowledge about unemployment, since it will be limited to the insured unemployed.

[22] *Employment, Growth, and Price Levels, op. cit.*, p. 553.

TABLE 7

Selected Smaller Areas of Substantial Labor Surplus, 1955-1958

	1955		1956		1957		1958	
	Spring	Fall	Spring	Fall	Spring	Fall	Spring	Fall
ALABAMA								
Jasper	F	D	D	X	D	X	F	F
CONNECTICUT								
Bristol	D	X	X	X	D	E	F	F
Danielson	E	D	X	X	D	E	F	E
Torrington	D	X	X	X	X	D	F	E
ILLINOIS								
Harrisburg	F	F	F	E	F	E	F	F
Herrin-Murphysboro-West Frankfort	F	F	F	F	F	F	F	F
Litchfield	E	D	E	X	E	D	F	E
Mount Vernon	E	D	E	D	E	D	F	E
INDIANA								
Connersville	X	X	X	X	X	E	E	D
Michigan City-La Porte	F	D	E	D	D	X	E	E
Muncie	D	X	D	F	E	D	F	F
Vincennes	F	F	F	E	E	E	F	E
KENTUCKY								
Corbin	F	D	F	E	F	E	F	F
Hazard	F	F	E	E	E	E	F	F
Madisonville	F	E	E	D	E	E	F	F
Middlesboro-Harlan	F	E	F	E	F	F	F	F
Morehead-Grayson	F	E	E	D	F	E	F	F
Owensboro	E	D	D	D	D	D	F	E
Paintsville-Prestonburg	F	E	E	D	E	E	F	F
Pikeville-Williamson	F	F	F	E	E	F	F	F
MAINE								
Biddeford-Sanford	F	E	F	D	D	E	F	F
MARYLAND								
Cumberland	F	F	F	F	F	E	F	F
MASSACHUSETTS								
Milford	D	X	X	X	D	D	F	E
North Adams	X	X	X	X	D	D	F	F
Southbridge-Webster	E	D	X	X	X	E	E	E
MICHIGAN								
Adrian	X	X	X	X	X	E	F	F
Bay City	D	X	X	D	D	D	F	F
Benton Harbor	D	X	X	X	X	E	E	D

TABLE 7 (continued)

Selected Smaller Areas of Substantial Labor Surplus, 1955-1958

	1955		1956		1957		1958	
	Spring	Fall	Spring	Fall	Spring	Fall	Spring	Fall
Escanaba	E	X	D	X	E	E	E	F
Ionia-Belding-Greenville	X	X	X	X	X	D	E	F
Iron Mountain	F	D	D	D	D	D	E	F
Marquette	D	X	D	D	D	D	F	F
Monroe	D	X	D	D	E	D	F	E
Owosso	X	X	X	X	X	E	F	F
Port Huron	E	X	D	D	D	D	F	F
MISSOURI								
Joplin	E	X	X	X	X	D	F	D
NEW YORK								
Amsterdam	E	D	E	X	E	F	F	F
Auburn	E	X	X	X	X	D	F	F
Gloversville	F	X	X	X	X	D	F	F
OHIO								
Athens-Logan-Nelsonville	E	D	X	X	X	X	F	E
Cambridge	E	X	X	X	D	X	F	D
Springfield	D	X	X	X	E	D	E	E
OKLAHOMA								
McAlester	D	D	D	D	E	D	E	E
PENNSYLVANIA								
Berwick-Bloomsburg	D	E	E	D	D	E	F	F
Clearfield-DuBois	F	E	D	X	D	D	F	F
Lock Haven	E	D	X	D	D	E	F	E
New Castle	F	X	X	X	X	X	F	F
Oil City-Franklin-Titusville	E	X	X	X	X	X	F	E
Pottsville	F	F	F	F	F	E	F	F
Sunbury-Shamokin-Mt. Carmel	F	E	E	D	E	X	F	E
Uniontown-Connelsville	F	F	F	F	F	F	F	F
TENNESSEE								
LaFollette-Jellico-Tazewell	F	F	F	F	F	E	F	F
TEXAS								
Texarkana	E	D	D	D	E	D	E	D
VIRGINIA								
Big Stone Gap-Appalachia	F	F	E	D	D	E	F	E

TABLE 7 (continued)

Selected Smaller Areas of Substantial Labor Surplus, 1955-1958

	1955		1956		1957		1958	
	Spring	Fall	Spring	Fall	Spring	Fall	Spring	Fall
Radford-Pulaski	E	D	D	D	D	D	E	E
WEST VIRGINIA								
Beckley	F	F	E	E	D	D	F	F
Bluefield	E	D	D	X	D	X	F	F
Clarksburg	D	X	X	X	X	D	F	F
Fairmont	E	E	D	D	D	D	F	F
Logan	F	E	D	D	D	D	F	F
Morgantown	E	X	X	X	X	D	F	F
Parkersburg	D	X	X	X	X	X	E	D
Point Pleasant-Gallipolis	E	D	D	D	D	X	E	F
Ronceverte-White Sulphur Springs	F	D	E	D	D	D	F	F
Welch	F	D	D	D	E	F	F	F

Symbols: X = less than 6%; D = 6–8.9%; E = 9–11.9%; F = 12% or more of local labor force unemployed.

Source: *Area-Redevelopment Act*, U. S. Senate, 86th Congress, 1st Session (February 1959).

And the latter will be classified by only a few broad characteristics. As a contribution to the steadily improving body of labor statistics we have in this country, however, its importance cannot be overstated. Hopefully, the results will prove sufficiently rewarding to lead to broader coverage, and to the collection of more detailed data, in the future. If we are to have a sound public policy designed to eliminate—or at least to minimize—persistent unemployment we cannot learn too much about the causes of unemployment, the reasons why it persists in some cases, and the characteristics of those who find it most difficult to obtain work once they have been forced into the ranks of the unemployed.

DISCUSSION

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There is little question that long-term unemployment has been increasing in recent years. Measures other than those used by Professor Miernyk confirm the trend.[1] Moreover, if account is taken of the turnover among the unemployed, the measure used in the paper under consideration may understate the absolute magnitude of long-term unemployment. In 1957, for example, of the nearly 11 million different persons who experienced unemployment in that year, about one-third experienced 15 weeks or more of unemployment; 14 per cent were unemployed for 27 weeks or more, though not continuously.[2]

My assignment is to comment on Professor Miehnyk's discussion of the characteristics of the long-term unemployed. In this respect, Professor Miernyk's excellent discussion invites comment on four points: (1) the adequacy of the measure used to describe the pattern of incidence of long-term unemployment; (2) the coverage of significant variables affecting the incidence; (3) the complexity of the pattern; and (4) the influence of labor force dynamics on the incidence and rate of long-term unemployment.

1. Because of the lack of a continuous series on the characteristics of the unemployed cross-classified by duration of unemployment, Professor Miernyk has used the *average* rate of unemployment to identify those groups in the labor force which probably account for the bulk of long-term unemployment. Is the pattern revealed by this measure consistent with that revealed by such data as are available on the characteristics of the long-term unemployed? In general, the answer must be in the affirmative. With one exception, Census data on the characteristics of workers continuously unemployed for 15 weeks or more in 1954, 1955, and 1958 reveal much

[1] Between 1952 and 1956 the proportion of persons who cumulatively experienced 15 weeks or more of unemployment in each of those years increased by 50 percent, and those who experienced more than 6 months or more of unemployment increased by 82 percent. In each of those years, it may not be noted, the average rate of unemployment was below 4 percent. See *The Extent and Nature of Frictional Unemployment,* Study Paper No. 6, Joint Economic Committee, 86th Cong., 1st Sess. (November 12, 1959), Table V-2, p. 62.
[2] *Ibid.*, p. 14.

the same pattern of incidence.[3] The major exception that emerges from these data is a definitely higher incidence of long-term unemployment among men than among women.[4] This appears to be a change in the secular pattern of long-term unemployment, and may be due to changes in the age-distributions of the male and female labor forces.

Generally, however, one of the puzzling features of the pattern of incidence of long-term unemployment is its apparent stability through time and, to a lesser extent, from place to place.[5] Most puzzling is the apparent stability of the pattern of incidence despite secular changes in the composition of the labor force and such institutional changes as the spread of higher education, the growth of the public employment services, fair employment practices legislation, and various collective bargaining practices affecting patterns of labor turnover and worker mobility. The apparent failure of these and other significant labor market developments to change very much the social structure of unemployment clearly invites further research and analysis of how unemployment gets distributed.

2. The level of educational attainment is one significant characteristic which ought to be included in any study of the incidence of long-term unemployment. Most labor market and mobility studies have shown that the level of education has a substantial differential effect on the incidence of labor turnover, mobility, and duration of unemployment. For example, a study of older workers in seven major labor markets, completed three years ago by the Bureau of Employment Security (BES), shows that the duration of unemployment tends to vary inversely with the level of educational attain-

[3] The 1954 and 1955 data, which are based on April-September averages, are in "Illustrative Statistics on Labor Force, Employment and Unemployment, from the Current Population Survey of the Bureau of the Census," *Current Population Reports; Labor Force,* Series P-50, No. 61 (December 1955), Tables 29–31, pp. 22–23; 1958 data are annual averages published in *Annual Report on the Labor Force, 1958,* Series P-50, No. 89 (June 1959), Table 32, p. 60.

[4] In 1955 the male-female spread among those unemployed for 15 weeks or more was 5.3 percentage points; in 1958, this spread was 7.5 percentage points. The same general pattern of incidence, including a higher incidence among male workers, occurs when the measure used is the *cumulative* weeks of unemployment during a given year. See Joint Economic Committee, *op. cit.,* Table I–12, p. 29, for such data for 1957.

[5] For example, see Joseph W. Garbarino, "The Unemployed Worker During a Period of 'Full' Employment," in *A Sourcebook on Unemployment Insurance in California* (Sacramento: California Department of Employment, September 1953), esp. pp. 353-364.

ment, regardless of age differences among the workers studied.[6] The level of education is probably closely related to age, occupational, and ethnic differences in the incidence of "hard-core" unemployment.

3. My third point is an extension of the observation just made, namely, that long-term unemployment is an extremely complex phenomenon. For example, in the BES study of the older worker, inter-occupational differences in the incidence of long-term unemployment were larger in each age group than the differences between older and younger workers, even though in every occupation the proportion of workers unemployed for 6 months or more was greater among workers age 45 and over than among workers under 45 years of age.[7] Professor Miernyk's analysis of the geographic incidence of chronic unemployment suggests that the social and occupational incidence of persistent unemployment may vary from locality to locality, probably as the result of interstate and regional differences in the industrial and occupational composition of the labor force and employment. The new BES program to which he refers is a welcome addition to our resources for analyzing the pattern of incidence by region and locality.

4. There are two general possibilities with respect to the factors underlying an increase in the rate of long-term unemployment, given the apparent stability in the pattern of incidence. One is that the rate of long-term unemployment has risen for every group in the labor force, leaving the pattern of differential unemployment undisturbed. However unlikely this possibility may seem, it should not be ruled out. Hauser's study suggests that the pattern of differential unemployment has been quite stable, despite marked fluctuations in employment and output.[8] The other possibility is that the structure of differential unemployment has remained unchanged, but that secular changes in the composition of the labor force and employment have increased the weight of those groups which typically experience higher-than-average rates of long-term unemployment.[9] Although

[6] Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices: An Analysis of Experience in Seven Major Labor Markets*, BES No. R151 (September 1956), p. 24.

[7] *Ibid.*, Table 6, p. 23.

[8] Philip M. Hauser, "Differential Unemployment and Characteristics of the Unemployed in the United States, 1940-1954," in National Bureau of Economic Research, *The Measurement and Behavior of Unemployment* (Princeton: Princeton University Press, 1957), pp. 246-264.

[9] A partial analysis of this possibility is provided in Joint Economic Committee, *op. cit.*, pp. 62-69.

data sufficient for a full test of this possibility are lacking, labor force and employment trends of the last couple of decades cast substantial doubt on its validity. Generally, the groups whose respective shares of the labor force and employment have been expanding most rapidly in recent years are those which typically experience either low rates of unemployment or high turnover in their labor force status, such as young male workers, female "secondary" workers, and those employed in the white-collar occupations and nonmanufacturing employment outside of agriculture. Labor force participation rates, on the other hand, have been declining among those groups which typically experience relatively high rates of long-term unemployment, notably among nonwhite males and older workers.

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In this paper Professor Miernyk early points out that besides those without jobs because of cyclical factors, "many of the long-term unemployed were permanently displaced from their jobs by relocation, or liquidation of their former places of employment, technological change, employment cutbacks due to shifts in demand, or other changes in our economy which create persistent unemployment."

It is important that this explanation of some of the demand factors causing persistent unemployment be underlined so that the frequent discussion of the characteristics of the long-term unemployed doesn't create the false notion that these personal characteristics are responsible for the level of unemployment. What these latter data do tell us is "who" will be laid off, or who will have a longer period of unemployment, etc., when employers cutback their work force, or are not hiring.

In a U. S. Department of Labor pamphlet entitled "The Unemployed—Spring 1959," the following appears (page 38):

> "Lack of skill is also an important factor in long-term unemployment. Half the long-term unemployed are semi-skilled operatives and unskilled laborers. Only 16 per cent of the long-term unemployed are in all of the white collar occupations."

To start with merely showing the proportion of total long-term unemployment which each occupational group comprises, without the rates of unemployment for each of these groups, is meaningless and misleading. Moreover it ignores the basic economic factors which are discussed below.

Though the same pamphlet and other statements of the Department of Labor do examine other aspects of unemployment, the focusing on the personal characteristics of the unemployed diverts attention from much-needed government action to reach the economic roots of persistent unemployment.

Moreover, the concentration on skills, education, color, age, and other characteristics of the long-term unemployed is based on an implicit theory of how our economic system works which has little relation to reality. The employer in this model, (which assumes a perfectly mobile labor market) begins by hiring the most productive workers, and continues hiring until the marginal product added by the last worker just equals the marginal profit. How this ability to gauge the relative productivity of each worker is reconciled with the machine mass production techniques of American industry is never made clear. And from this model, flows the idea that the employer would continue to hire if only the skills and productivity of the marginal worker were greater.

The information on the long-term unemployed does show that laid-off non-white and older workers have a much harder time gaining *reemployment* as discrimination against such groups is widely practiced by employers who can pick and choose in a labor market where there are far more workers than job opportunities.

Professor Miernyk, in his paper, points out the impact of discrimination against these two groups by citing unemployment rates twice as high for non-white workers compared to white workers, and referring to special studies analyzing job finding problems for workers 45 and over. Many of the published nationwide data conceal the difficulties experienced by older workers because of the offsetting factor of union contracts which require that workers be recalled on the basis of service.

A special tabulation by the Michigan Employment Security Commission (MESC) made of Flint, Michigan workers in May 1959, underlines how such clauses aid older workers. In Flint, an auto center, a large percentage of the men are covered by union contracts. While male workers 45 years of age and over comprise one-third of the total work force, less than one-fifth of the male unemployed were in the 45 and over age group.

Among women—most of whom would not be working in establishments covered by union contracts—a different pattern prevails. The 45 and over age group make up one-fourth of the female work force. During May 1959 they comprised one-fourth of the female unemployed. In the subgroup of 55 and over the unemployed percentage is somewhat higher that the labor force participation figure.

Statistics of duration of unemployment underscore the extent of discrimination against non-white workers. Almost one out of two unemployed from this group had more than 15 weeks without a job during 1957, in contrast to one of three whites with that much employment.

Though the rate of long-term unemployment among professional groups was only a fraction of the comparable rate among laborers, (March 1959), the conclusion that there is a close correlation between skills and job holding is unwarranted. For a further look at the occupational distribution of the long-term unemployed [1] reveals many examples of workers with lesser skills having lower rates of unemployment than workers with greater skills. Only 4.1 per cent of clerical workers had been unemployed for 15 weeks or more, while 7.3 per cent of craftsmen (e.g. skilled toolmaker) had been unemployed for a like period. Among domestics, about one of twenty were suffering long-term unemployment, while among operatives (e.g. a lathe operator) a much higher proportion—one of twelve—had been unemployed for 15 weeks or more.

What these data reflect are the economic factors affecting the demand for labor of various occupational groups. Research and development work and much of the office administrative, overhead of modern management continue even during recessions and consequently layoffs for persons in those activities are relatively small. Domestic workers, employed for the most part by higher income groups—many of whom are in the more secure occupations—likewise experienced a steady demand for their services.

Improvement of Statistics of the Unemployed

As Professor Miernyk concludes, it is essential for the development of sound public policy that our information on the unemployed be expanded, and look for significant data to be developed through

[1] *Employment, Growth and Price Levels,* Hearings before the Joint Economic Committee, 86th Congress, 1st Session (April 25-28, 1959), page

the new series on unemployment inaugurated by the Bureau of Employment Security (BES). But since the new more detailed analysis of duration of the unemployment of the BES covers only the insured unemployed, it might reflect far more such inadequacies of unemployment compensation laws, as duration of benefits and unreasonably restrictive, disqualifying provisions, than provide new insights into persistent unemployment.

Far more valuable would be further expansion of the monthly labor force reports to include a regular sampling of households in areas which have had surplus designation for long periods. Current data reveal only rate of unemployment in those areas, and the number only where the state agency publishes it. Information on duration of unemployment on those who succeed in finding jobs, those who drop out of the labor market because of discouragement and other pertinent facts on the composition of the unemployed groups are lacking.

As a suggestion, it would be well to separate the regular survey into two distinct sample groups—one from distressed areas and one from other areas. In addition, special surveys of selected distressed areas might be conducted once or twice a year to gain new knowledge of structural unemployment.

Two other features of the unemployment statistics should be noted: The first is the failure to make a specific attempt to count all persons who are not seeking a job because of heavy unemployment in their area. Unless an unemployed person volunteers such information he is not counted in the ranks of the unemployed. The second is the need to publish projections of the labor force based on the assumption of a healthy economy. During the recent period of retarded economic expansion the rate of growth of the labor force has been slowed, resulting in an understatement of the number unemployed.

To meet the problems posed by persistent unemployment, spokesmen for the labor movement have urged a series of programs.[2] Basic is the need for the administration to gear its policies so that a growth rate of five per cent a year in our national product can be attained. A slower rate of expansion in the face of an approximate four per cent annual productivity gain and a one per cent rise in the civilian labor force will mean further increases in the number of

[2] For a fuller discussion of the details of such programs see, for example, testimony of Walter P. Reuther before the Special Senate Committee on Unemployment Problems, Detroit, Michigan, November 12, 1959.

unemployed. Specifically, labor has urged the adoption of an area redevelopment bill, which can bring economic aid to chronic labor surplus areas; assistance to displaced workers in the form of vocational retaining, moving expenses to other areas, etc.; minimum federal standards for the amount and duration of unemployment compensation; and modifying current government procurement practices to channel more contracts into distressed areas. Also, advocated have been a Federal fair employment practices act and the exploration of the feasibility of retirement at earlier ages under social security for displaced older workers.

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In discussing "The Incidence of Persistent Unemployment," Professor Miernyk has attempted to measure, identify, and describe what he calls "persistent" unemployment and what others call "chronic" unemployment.

One of the most significant points raised in the paper is that we are developing an "erosion in the concept of 'full employment' in this country." I would like to comment briefly on this point. If some economists are willing to accept a level of unemployment of from five to seven per cent at a national level in order to avoid inflation it would mean that we would have to accept levels of unemployment of probably 10 to 14 per cent in areas of chronic unemployment. What is disturbing is that we are permitting a national average of unemployment to hide a level of unemployment in certain areas of the country which, if this level existed for the nation as a whole, would be considered calamitous. It has always seemed to me that we have permitted averages to guide our national economic thinking without paying any attention to the variation around those averages.

For example, during the more recent recession when the level of unemployment rose to a point where it was at least subject to public debate with respect to its severity, there was a great deal of concern over the problem of not only cyclical unemployment but also chronic unemployment. As soon as the cyclical element of the unemployment was reduced we found that discussions of chronic unemployment were also curtailed.

A second point that I would like to comment upon is the question of identifying and describing persistent or chronic unemployment.

In a recent study which we conducted at The Pennsylvania State University on the areas of chronic unemployment in the Commonwealth of Pennsylvania there was little difficulty in identifying the areas which have had a long history of high levels of unemployment, levels which were significantly higher than those that prevailed either in other areas of the state or in the rest of the country. All this means however is that the levels have remained high, but we were unable to obtain adequate information about the "inflow" and "outflow" into this pool of unemployment. In other words the "net" unemployment level was known but the "gross" problem was quite unclear. We would have liked to know what was going into this pool of unemployment—age, sex, industry origin, etc.—and what was going out—age, sex, area to which they moved, etc. It seems to me that there will have to be a considerable amount of work done in this area. To put the issue another way I would like to see a study made of people and not of numbers.

Professor Miernyk in his paper did not raise any questions of what might be done about this problem of persistent unemployment, except for his statement of the need for a national policy. But those of us who have been reading his other works on this subject know quite clearly that he favors a strong national policy in order to meet this problem. In connection with this question of public policy I would like to make two comments, both of which are designed to provoke some discussion. I must confess that both of these comments are being made on the condition that they are subject to change without notice.

The question of retraining the chronic unemployed has been raised frequently as one device for eliminating, or at least easing, these pockets of unemployment which exist throughout the country. It seems to me that there are two approaches to this question: one is to retrain people so that they can be employed in jobs created in their own community by industrial devleopment activities. The other approach is to retrain workers so that they can raise their sights and migrate either to other areas of the state where jobs exist or to other parts of the country where there is greater economic development. To put the issue another way it is a question of bringing either jobs to people or people to jobs. In the course of our study of the problem in Pennsylvania we found that we were able to arouse a great deal of discussion on this point. There is one group that states that the jobs must be created in the areas in which the unemployed reside. This would require a large industrial development program as well as substantial federal assistance. Another group has argued that we should allocate our resources to growth areas and therefore whatever assistance is offered to depressed areas should be of the type which would facilitate the movement of workers. I shall not at this point argue either case. At least there is some agreement that retraining is desirable. But what I shall argue is that these two opposing positions are being taken, not on the basis of research and knowledge, but on the basis of logic. I take no exception to this type of approach, but I would like to urge that we carry on some experimental programs, with adequate controls, in order to determine whether or not we can be succesful in retraining workers for jobs in other areas or other states.

In this connection I would like to point out that a group of us at The Pennsylvania State University, in cooperation with representatives of the United States Department of Labor, have been carrying on a series of discussions which are designed to develop certain research projects along these lines. I think that it would be extremely useful if other university personnel became interested in this type of problem in their respective states. In fact, it would even be desirable to have these several universities coordinate their research activities so that with a limited amount of funds we could investigate different questions in different areas and avoid duplication of effort.

My final comment is on the question of federal legislation in the matter of area redevelopment. There is a group which thinks that this problem of chronic unemployment must be solved at the local and state levels. To my mind this is wrong for essentially two reasons: first, the basic causes of chronic unemployment stem from national economic factors and not local. Second, whatever efforts are made by local and state bodies have certain multiplier effects on the rest of the country. It seems to me that it is wrong to ask a local community to bear the entire expense of industrial development if it is not to obtain all of the benefits from that expense. Congress and others have examined this question with some care. We have heard a good deal about the Administration Bill and the Douglas Bill. We have seen attempts to compromise the differences between the two bills. To date we have no federal legislation. It seems to me that there are many areas of agreement with respect to these two bills. There is agreement that something should be done about it. There is disagreement as to how much should be done, how the program should be administered, etc. I am fully appreciative of the fact that each side thinks that if the other bill is enacted it might result in the failure of the program and therefore it would be better to have no bill at all.

To my mind there is little we know about this type of program and its success or failure is unknown. It might be desirable, therefore, to develop a compromise program so that we can get started and see what could be done, even if on a more limited basis. This failure to compromise during the recent recession may well have been unfortunate, because with the high national levels of unemployment everyone was interested in the problem. The problem of chronic unemployment was considered the number one problem facing the country. Today it is a forgotten issue.

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Professor Miernyk in his paper has skillfully squeezed out and wrung dry the available statistics on unemployment to reveal that there are a number of identifiable special characteristics of persistent unemployment.

In these comments, I will try to discuss two of the special groups he has highlighted as having higher incidence of long term joblessness:

1. The younger group 18–24 years.
2. The nonwhite group.

Along with discussing these two groups I will attempt to raise the question of what we might do to improve the unemployment picture in each of these groups.

Finally, I will explore what might be done to promote the growth of the economy as a whole to aid in minimizing unemployment, both in special groups and in total.

UNEMPLOYMENT IN 18–24 GROUP

First, let us consider the younger group 18 to 24 years.

To quote from Professor Miernyk's analysis:

"Male workers under twenty-four comprise about 9.4% of the civilian labor force, but account for eighteen per cent of all unemployment."

We find additional statistical information on this group in the recent Study Paper No 6 issued by the U. S. Bureau of Labor Statistics entitled, "Extent and Nature of Frictional Unemployment." Figures were given from the Annual Work Experience Survey for 1957. Chart 2 of that Study Paper shows that 4.3% of all experienced workers had unemployment totalling 15 weeks or longer. For male workers 18 to 24, the corresponding percentage to total workers in that age was about double, or 8.5%.

The age group of 18-24 has special importance because it is scheduled to increase sharply in numbers.

Projections by the U.S. Census Bureau give the following forecast: "There will be about 25 million persons in the 18-24 age group in 1970 or about 10 million (67%) more than in 1957. During the 10 or 15 years after 1957 this age group will grow relatively fast, with the growth averaging close to one half million annually in the early part of the 1960's and about 1 million per year in the second half of the decade."

Now that we know that one of the areas of unemployment concentration is in this young group, and that the numbers of this 18–24 group are going to increase sharply, what can we do to meet this picture?

Can we not use our advance knowledge to prepare a course of action?

During World War II, I had the opportunity to take part in an advanced preparation connected with the expected increase in a particular age group. The draft age was about to be lowered to include the 18 and 19 year olds. An advance study was made by the Quartermaster Corps to determine what sizes of uniform items were likely to be required by the youths about to be added. Size schedules were adjusted ahead of time and as a result supplies were available to meet the increased number of young draftees.

We are now forewarned of a sharp increase in this group who are vulnerable to unemployment. What can we do to be prepared?

Individual companies in the business community can do well to make plans now to prepare for the increased numbers in the 18–24 group to help orient them and to help them in their search for jobs.

This advance planning should be of special interest to the retail industry because it draws upon this age group. In my own work I plan to alert my company to this picture ahead.

UNEMPLOYMENT AMONG NON-WHITES

Now let us consider a second group with high incidence of unemployment, the non-white group. We can quote Professor Miernyk:

"Only one out of eleven members of the civilian labor force is non-white but about one of five of the unemployed fall in this category."

The Study Paper Number Six gives us further information on those who during 1957 had fifteen or more weeks of unemployment during the year.

3.7% of the total number of whites with work experience were in the 15 week or over group and 9.2% of the total number of non-whites with work experience were in the 15 week or over group of unemployed.

The figures of unemployment of any duration for the same year 1957 were 11.2% of the total whites and 21% of total non-whites. For the white males it was 12.3% of total whites with work experience, and 24.3% of total non-white males had some unemployment during the year.

Professor Miernyk quotes Ewan Clague who pointed out that non-white workers "are heavily concentrated in unskilled jobs which always have high rates of unemployment for both white and non-white workers and many non-whites are low on the seniority ladder because they got jobs in industrial areas in recent years."

What can we do to meet this problem?

How can we expand the employment opportunity for non-whites?

I have had the opportunity to observe the work of the President's Committee on Government Contracts in the efforts to extend equal job opportunity to white and non-white.

Equal job opportunity is the real American way but there are also many benefits for the companies who will follow such a program. Here is a group of almost 10% of our whole population who given an equal opportunity for earning power could furnish a substantial increase to the market for all our products, thereby extending opportunities for employment for everyone.

NEED FOR FASTER GROWTH FOR WHOLE ECONOMY TO MINIMIZE UNEMPLOYMENT BOTH IN SPECIFIC PROBLEM GROUPS AND IN TOTAL

Professor Miernyk's paper demonstrates that unemployment often arises from specific problem groups and specific geographical areas.

Each specific problem and each specific geographical area will need specific cures.

Along with these specific solutions for special groups of unemployed and even specific cities, there is a need for encouraging a faster growth of the economy as a whole. Otherwise, we might be curing the problems of one group by increasing the problems in another.

There are many sound ways to stimulate growth without stimulating inflation. I am sure that both of our political parties favor growth that would reduce total unemployment and would avoid inflation.

May I mention one way in which the brainpower of our learned societies might be tapped for sound methods of developing growth with stability?

This Industrial Relations Research Association and perhaps the other allied Social Science Associations might invite their members to prepare written suggestions on ways of encouraging economic growth and stability. The suggestions could be screened and the promising ones forwarded to the Cabinet Committee on Growth and Stability. An appropriate scroll would be awarded for all meritorious suggestions—a fitting reward for the idea given.

In any event it is important that the community develop its best ideas to supplement the complex workings of our society to achieve added growth with price stability.

Part III

HEALTH PLANS IN COLLECTIVE BARGAINING: RESPONSIBILITIES OF MANAGEMENT AND LABOR FOR MEDICAL CARE

A FORMULATION OF LABOR'S VIEWS

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1. INTRODUCTION

Though long concerned with the provision of medical care, my attention has been focused on community-wide and national interests. Accordingly I had not thought of myself as qualified to appear as a spokesman for "labor" on health plans under collective bargaining. However, in the past year in which I have been retained as a consultant on health services by a large labor union I have found no incompatibility between my accustomed views and those expected from me in this specific relationship. On the contrary, I have found myself in congenial company. Nor is the reason hard to find: The hopes and aspirations of labor leaders with respect to medical care for their members coincide in all major respects with those which many of us have come to regard as the sound objectives for society as a whole. Indeed, it is no exaggeration to say that labor has spoken with more vision and with broader perspective for the community-wide interest in medical care than many others—like public officials—from whom we had reason to expect leadership for the general welfare.

In another sense, too, mine is any easy role in this conference. I have long held there need not be, and indeed should not be, any basic differences between labor and management toward achieving the best medical care that is feasible for employees and their dependents; and that if there are differences on important details, it should be possible to resolve them by constructive negotiation.

Somewhat similar views have been well expressed by the Foundation on Employee Health, Medical Care and Welfare, Inc. Referring to labor and management's unity of interest in health insurance programs, the Foundation recently said:[1]

". . . health and welfare plans represent a unique area of labor-management cooperation. In no other field do employers and unions have a comparable identity of interest. Once they have agreed on how much money is to be available to provide employee health

[1] A. J. Hayes and John I. Snyder, Jr., Co-Chairmen, *A Report on the Plans and Progress of the Foundation on Employee Health, Medical Care and Welfare, Inc.* (undated), p. 2.

benefits, the dividing line between them evaporates. They are united in a single, common objective: how to obtain the best benefits in quantity and quality at the lowest possible cost."

And since the spokesman for management on our program today is a Co-Chairman of that Foundation's Board of Directors, you are apparently not promised a very sharp or lively debate on some aspects of our subject—at least not from the primary speakers.

Though I refer at the outset to agreement on objectives, I am not unmindful this is only a net or on balance agreement because neither labor nor management speaks with one voice. There are many differences of opinion within each group and many conflicts between the two groups on the general patterns of health plans, on service *versus* cash or indemnity benefits, on deductibles and co-insurance, on selection of insurance carriers, on relations to open panel and group practice plans, on finances, etc. Indeed, disagreements on the specifications for health plans often loom so large as to seem to challenge whether there is really agreement on objectives. I am inclined to believe, however, there is much more agreement than disagreement, and that the areas of agreement grow broader—certainly within labor and probably between labor and management.

One further reservation. In presenting a formulation of labor views I do not offer it as an authorized statement from labor unions generally. I only attempt to give you my understanding of what most of labor has said or indicated, and what progressive labor leaders are trying to achieve—and why.

2. PRINCIPLES OF RESPONSIBILITY FOR MEDICAL CARE

We have been asked to focus our discussion on responsibilities for medical care. Let us therefore first be clear that we are not confined by any historic fixed, immutable or universally accepted principles of responsibility applicable to this necessity of life. We cannot afford the time to review the long history of medical care and its place in society. It may be sufficient to recall that in the course of social evolution the responsibilities for having medical resources available, obtaining medical care and paying for it have been shared in various and changing proportions among the individual, the family, the tribe and the whole society, between the master and his servant, between the employer and his employee;

and within any society, among diverse religious and secular institutions. Also, the diverse and changing patterns of responsibility which have prevailed in the course of time are matched by diversity and change throughout the world, and indeed within the United States, today.

When the need for medical care arises from a work-connected cause, the responsibilities of the employer are generally fixed by custom and statute, though even in this area there are important variations in the implementing patterns; and changes occur as institutions like social insurance emerge and evolve. When the need is not work-connected in origin, the patterns of responsibility have been and they are whatever each society chooses them to be at any particular time. A complex of principles concerned with social responsibility, equity, convenience and necessity have dictated the practices in the past. The patterns are likely to be determined similarly in the future.

3. THE RECENT DEVELOPMENT OF EMPLOYEE BENEFIT PLANS

Management and labor have long had common as well as separate interests in the health and well-being of employees and their families. Medical care plans associated with the employer-employee relation have a long history, but until recently their development in the United States was relatively slow in numbers, and highly limited in benefits provided. In 1930 only about 1.2 million employed persons (about 2 percent of the labor force) and 1-2 million dependents were receiving personal health services through group payment plans sponsored by employers, employee groups or both.[2] But now, 30 years later, about 40 million wage and salary workers (about two-thirds of the total in the labor force) and about 60 million dependents[3] have some health insurance coverage under employee benefit plans.

It is well to recall that this massive development of health plans paralleled the rapid growth of private plans providing pensions or life insurance but that it had a somewhat different objective. In the last 25 years, the demand for pension and life insurance under collective bargaining agreements aimed at supplements to the basic

[2] Pierce Williams, *The Purchase of Medical Care through Fixed Periodic Payments*, (New York, 1932); I. S. Falk, C. Rufus Rorem and Martha D. Ring, *The Costs of Medical Care* (Chicago, 1933).

[3] Estimated from: Alfred M. Skolnik and Joseph Zisman, "Growth of Employee-Benefit Plans, 1954-57," *Social Security Bulletin* (March 1959), table 2.

social security benefits; but the corresponding demand for health benefits has been focused on basic or comprehensive protection because—with minor exceptions—no personal health service benefits were included in the public program for the self-supporting members of the labor force. The spokesmen for business had joined the medical profession and the insurance companies in defeating the proposals first for a Federal-State health service program and later for national health insurance. Management could not then plead surprise that it found itself confronted at the bargaining table with demands for the comprehensive health service benefits it had helped to deny labor through legislation.

When organized labor saw at best only a dim outlook for winning comprehensive health insurance through social security legislation, its only practical alternative was mass group insurance through the payrolls of commerce and industry. While continuing to ask for improvements in the Social Security coverage and benefits, and expressing willingness to pay their share of the costs, major labor groups undertook to get as much improved protection as they could from and through employers. They were assisted during and directly after World War II by strong anti-inflationary restraints on wages but not on employer expenditures toward pension and insurance fringes, by normal and excess-profits taxes which made such expenditures largely costless to employers, and by statutory provisions, administrative rulings and court decisions which placed pensions and insurance within the scope of collective bargaining.

Rapid growth of employee benefit plans in wartime was further accelerated between 1945 and 1950 by—

1. The extensive program achievements of the United Mine Workers under the Krug-Lewis Agreement of May 1946 after the coal strike and Government possession of the coal mines;
2. The Report of the President's Steel Industry Board in July 1949, recommending inclusion of non-contributory social insurance (as well as pensions) in the collective bargaining agreements of the basic steel industry;
3. The broad insurance provisions of the 1949 UAW contracts with the automobile manufacturers and the USW contracts with the basic steel industry; and
4. The continued defeat of health insurance proposals under the Social Security Act.

In 1948, about 3.0 million workers had some health insurance under collective bargaining agreements; but by mid-1950 nearly every major union had negotiated some health benefits, with about 7.7 million workers covered under specific agreements; and by the end of 1954, the number had grown to 12 million workers and 17 million dependents.[4]

The post-war expansion of coverage for health benefits under specific collective bargaining agreements is, as you know, only a part of the picture because these developments affect, and are affected by, provisions for the labor force generally. For example, at the end of 1954 there were 31 million workers and 44 million dependents—a total of 75 million persons—with some health benefits under all private employee benefit plans.[5] By the end of 1957, the total had grown to 94 million—37 million employees and 57 million dependents, involving about $3 billion a year in contributions or 1.3 percent of aggregate wages and salaries, with about 60 percent of the coverage non-contributory.[6] The number under such private plans is probably in excess of 100 million now, and the annual private contributions are probably about $3.5 billion. It is therefore no exaggeration to say that health insurance benefits are now widely established elements in collective bargaining and in the employer-employee relationship.

Coverage of large numbers, however, is not of itself a measure of the effectiveness or the value of the insurance protection. What matters much more is the extent to which the insurance actually covers the costs of personal health care. Since most of the insurance extends to limited types of services (mainly hospitalization and surgery) and to limited amounts of charges incurred for such services, the effectiveness of the insurance is shockingly low. For example, in basic steel, where the standard health insurance contracts are broader than in industry generally, the benefits cover something *less than* 40 percent of average total private costs of medical care, leaving *more than* 60 percent to be met by the families through other insurance or by out-of-pocket expenditures. In most

[4] *The American Workers' Fact Book,* U. S. Department of Labor (1956), pp. 372ff.

[5] Welfare and Pension Plans Investigation, Final Report of the Committee on Labor and Public Welfare, Subcommittee on Welfare and Pension Funds, U.S. Senate, 84th Congress, Report No. 1734 (April 1956), p. 81.

[6] Skolnik and Zisman, *op. cit.,* pp. 7-10.

employee benefit plans the effectiveness index is probably less than 33 percent.

The scope of benefits provided by the health plans has been broadening, slowly. But the costs have been increasing, rapidly—at the rate of something between 5 and 10 percent a year for the same limited benefits. Part of the increase is justified, by the need to meet deficiencies in hospital services, wage rates, etc. and to provide expansion of services which are below an adequacy level; but part is not, reflecting unwarranted frequency and duration of in-patient hospital care, and almost inexplicable volumes of surgical and other medical attendance, laboratory and related services, etc. This mixed situation appears very clearly when utilization rates and costs are compared for (a) the typical Blue Cross, Blue Shield and commercial contracts and (b) well organized group practice plans which provide comprehensive benefits on a service basis through practitioners who are not paid on a fee-for-service basis. Nor are rapid increases in the insurance premiums surprising since most of the group health insurance contracts are of such patterns that they are in effect signed blank checks to physicians and hospitals.

Labor is proud of the insurance coverage which has been achieved and is appreciative of the substantial contribution which the insurance has made to the health, welfare and economic security of its members. Nevertheless, labor is greatly dissatisfied with persisting gaps in insurance coverage and in its continuity, the limited scope of benefits in most of the plans, the large and burdensome non-insured charges, the steeply rising costs of the insurance, and the uneven quality of the care that is available to the insured. More and more labor leaders, aware of dissatisfactions among their members, have therefore been giving increasingly close attention to experience under the health insurance programs and have been reformulating their goals and objectives.

4. LABOR'S GOALS FOR ITS MEMBERS AND FOR SOCIETY

In the recent period of rapid growth, even more than in the prior decades, management and labor "bought" such health insurance as was available to them in the market place. The insurance carriers determined the patterns, largely if not mainly according to their own interests and their competitive needs. About one-half of the coverage under employee benefit plans is underwritten by commercial insurance carriers, somewhat less by Blue Cross and Blue Shield, and the remainder by all other carriers and arrangements.[7] Management, with some notable exceptions, has been complacent, agreeable or favorable to this situation; it has been primarily interested in buying insurance on the easiest available basis—often shopping around for the greatest uniformity of benefits, at the lowest possible price and the least involvement with organized medicine. Labor, also with many exceptions, has been increasingly interested in having health insurance—not merely insurance against sickness costs; it has become deeply interested in the kind and the quality of care that is available, as well as in the insurance against the costs, and has actively supported many groups and agencies that are trying to effect improvements in the services as well as in the insurance. In these respects, labor—far more than management—has been concerned with its responsibility for medical care, and not merely for its own membership but for the whole of our society.

Labor's goals have been variously expressed. I venture to summarize them in the following five points:

1. Comprehensive health care—preventive, diagnostic, therapeutic and rehabilitative;
2. Of high quality, with adequate continuing professional controls;
3. Well organized for availability, continuity and economy in the health services, preferably through group practice whereever practical;
4. Fully covered by insurance, to the maximum extent practical; and
5. Services and insurance for active, laid-off, disabled and retired employees and for their dependents.

Labor is not asking for more money with which individuals may try to pay for more or better health services, because no reasonably conceivable increase in wages will serve. Labor is asking for the assured availability of the care that is needed and that can be had as a result of group action. The goal is comprehensive service benefits under the insurance arrangements, not limited cash indemnity benefits—however ingeniously designed. The need is for care available without financial barriers or burdens, including ready access to preventive services and encouragement

[7] *Op. cit.* p. 3, Skolnik and Zisman, table 1.

to early discovery and diagnosis of disease—the essence of modern preventive medicine. To achieve these goals the insurance arrangements must take account not only of kinds, duration and amounts of benefits but also of organization of the services, quality and controls. Labor realizes that this is not a program that can become generally available immediately; rather, it is a target for the decade ahead.

Labor leaders hope that their goals have been made more rapidly realizable now that the American Medical Association has accepted group practice as capable of providing good medical care even when linked with group payment, and has enunciated the policy that free choice of medical care benefits under collective bargaining agreements extends to free choice of group practice as well as of open panel plans. The desired developments will be accelerated if they are aided by organized medicine. But I have the impression that labor will strive to achieve them even if some medical associations resist or obstruct.

It should be expected that, while working toward the long-range goals, labor will seek improvements in the current insurance programs as the opportunities arise. The prevalent insurance plans now probably do not cover, on the average, more than one-third of the family medical care costs for those who are in employee-benefit plans,[8] though about 80 percent of the total costs have to be covered if the family is to be protected against uncertain and potentially burdensome costs. There is therefore much room for improvement by increasing the comprehensiveness of the benefits, shifting from limited indemnity to full service benefits, increasing the continuity of coverage as employment status changes, etc. In addition, progress toward the longer range goals will require introduction into current contracts of provisions for steps that may be taken toward the achievement of improved future programs, especially with respect to development of better organized and more economical patterns for the services—whether through open panel or group practice plans. And labor will presumably increasingly demand that, where

[8] Illustrative estimate for 1957: Total U.S. private expenditures for health and medical services (direct payments and insurance benefits, only), $14.7 billion, or $87 per capita; total benefits under employee-benefit plans for 94 million persons, $2.7 billion, or $29 per capita—33 percent of total per capita private expenditures. (Ida C. Merriam, "Social Welfare Expenditures, 1957-58," *Social Security Bulletin* (March 1959), table 6; and Skolnik and Zisman, *op. cit.*)

group practice prepayment or related programs are or become available, the contracts should permit free choice of plan by the insured as far as this may be practical.

I would not want to give the impression that I think the indicated goals can be approached or attained altogether amicably and without conflicts. But I think the conflicts will be minimized if management understands labor's goals; and if management represents its own interest disassociated from the separate—coinciding or conflicting—interests of insurance carriers or of those who provide health services. I believe that in insurance as in other fields, when alternatives are available, management should respect the right of employees to have their interest judged by representatives of their own choosing rather than by management alone or by others.

5. Planning, Organization and Administration

As you know, there is large diversity among the characteristics of employment-related medical care plans. If they are subject to collective bargaining, they vary as to single or multiple employer coverage, how and to what extent their characteristics are negotiated, whether adminstered by the employer, the union or through a joint employer-union machinery, and who determines or selects the insurance carrier, the scope of the benefits and the manner in which they are provided. If the plans are not directly subject to collective bargaining, they are generally more or less wholly controlled by the employer but they are affected by what happens among negotiated plans. It would take us too far afield today even to attempt to summarize the patterns and their variations. It may suffice, with respect to plans that are under collective bargaining, to refer to some prevalent practices which most labor organizations do not like and to changes which more and more labor leaders want to see effected.

Recalling the summary picture I gave you of what appear to be labor's long range health goals, I would place *first* emphasis on the desire for joint management-labor agreement on the goals and on the planning of long range programs. *Second,* labor leaders increasingly want a much larger share in the process of making decisions about the characteristics of current plans within the framework of negotiated finances. *Third,* more and more labor organizations want completely joint participation in the continuing oversight of operations, in the receipt of adequate reports on operating experience and in periodic evaluations. *Fourth,* labor people—particularly in some of the largest unions—want a more adequate role and the cooperation of management in ensuring that the current resources of the plans are utilized toward the organization of those medical services and the development of those insurance practices which will eventually give employees the kinds of plans they want. Nor are these four changes in collective bargaining for health plans academic or only long range: For example, all four have been vigorously pursued in the basic steel negotiations of this year.

If such demands on the part of labor seem large to employers—and disturbing to insurance carriers or the health professions, they should be reminded of labor's basic justifications: (1) The health plans are intended for the benefit of labor—they are *employee* benefit plans, to serve employees and their families—and they are not primarily for the benefit of insurance carriers, hospitals or the health professions; (2) The money used to finance the plans is primarily labor's money, most or all of which labor would have in wages if it were not being used to pay for insurance; and (3) Labor increasingly wants not merely limited insurance protection, patterned to the convenience or preference of others, but comprehensive health insurance to meet family health needs, with care of high quality, well organized and economically provided.

For these reasons I believe labor's expressed or emerging demands are not extravagant. There is sound logic in labor's position when it insists on an equal role with management in the planning and design of its health insurance and in the policy control of its administration. There is constructive foresight in labor's demands that current expenditure for health insurance shall contribute to health progress and to relatively lower costs later.

6. COSTS: PAST, PRESENT AND PROSPECTIVE

Any realistic consideration of what I have presented as labor's health insurance goals must of course face the costs. Thirty years ago, total private expenditures for personal health services[9] were about 3.5 percent of disposable personal income,[10] and (except in

[9] Excluding philanthropy, industrial in-plant services and construction of hospitals and other medical facilities; including hospital, physician, dentist and other professional services, medicines and appliances, and nursing homes.

[10] Private expenditures for medical care, 1929: $2.9 billion (Falk, Rorem and Ring, *op. cit.,* p. 4); total disposable personal income: $83.1 billion (*Statistical Abstract of the United States, 1959,* GPO, table 395).

the deep depression years of the 1930's) they stayed at this level for some time. More recently they have risen faster than income, and they are now somewhat more than 5 percent,[11] divided between insurance premiums and out-of-pocket expenditures. If eventually employee benefit plans are to provide comprehensive personal health services, the aggregate cost may be expected to average about 4.5 percent of net wage and salary payments—somewhat less if they do not cover all potentially insurable costs,[12] more if health service costs continue to rise faster than net earnings. Total contributions from employers and employees to benefit plans throughout the United States are probably now (late 1959) about 1.5 percent of aggregate private wages and salaries;[13] they are about 2¼–2½ percent in the steel industry,[14] and they are as high as 5 percent in some fields of employment.[15]

The rapid rise of health costs reflects in part the technological revolution in medicine and a justifiable expansion of needed personal health services in response to effective demand; but in part it also reflects extravagances and even wastes that are encouraged by the current patterns of the most prevalent voluntary health insurance programs. If demand continues to grow, if unit costs of services continue to rise, and if insurance practices continue to encourage rising volumes of care—all without reasonable controls, we must be prepared to see total private costs reach 6 percent of disposable personal income or of wages and salaries in the near future. The total costs and the costs of insured benefits can be held down, but only by strong and directed measures (a) to develop well organized and economical comprehensive service arrangements and (b) to discourage excessive services and the extravagant use of expensive hospital facilities.

[11] Private expenditures for health and medical services, including the expenses for prepayment, 1957-58: $15.9 billion (Merriam, *op cit.*, table 6); total disposable personal income: $312.2 billion (*Economic Indicators,* October 1959, GPO).

[12] Expenditures for the services of hospitals, physicians, dentists, nurses, and technical personnel and one-third of the expenditures for medicines and appliances. See: Agnes W. Brewster, "Voluntary Health Insurance and Medical Care Expenditures: A Ten-Year Review," *Social Security Bulletin* (December 1958), table 6.

[13] Estimated from: Skolnik and Zisman, *op cit.*, table 3.

[14] Preliminary finding from a current survey.

[15] For example, payments of this magnitude are made by employers to the Labor Health Institute (Teamsters), St. Louis, Mo.

When national health insurance was proposed some years ago, labor endorsed the program and declared its willingness to pay its share of the costs. When spokesmen for management joined others in opposing that program they argued a public program was neither necessary nor desirable, and that the needs could and would be met by voluntary insurance. Upon taking that position, employers assumed a moral obligation to aid the development of voluntary insurance, and to support or provide a substitute for comprehensive health benefits under social security. In large part, management has discharged those responsibilities—though not without persistent urging. Presumably it anticipated an impact on employment costs. And if these are moving up from about 50 percent toward 100 percent of the total insurance premiums—because of evolving patterns in collective bargaining—the change merely reflects that they are becoming an integral part of the wage and salary structure.

Responsible labor leaders are not indifferent to the rising costs of health services. On the contrary, they are acutely aware of the amounts paid for insurance by employees in contributory plans; and they are equally aware that the amounts paid by employers increasingly come out of the "package" actually or potentially available to labor—in wages if not in fringe benefits. They believe that in this sense labor is more and more paying the total costs, directly and indirectly. For reasons of economy (especially in relation to taxes) as well as of efficiency, labor is asking for non-contributory financing by the employer, as is already done in many plans variously for active and retired workers and for their dependents.[16] If a larger share of total costs is paid through insurance premiums, the share to be met by non-insurance out-of-pocket expenditures will be smaller. Thus, though the total costs to labor will still be substantially the same, the burden will be reduced for labor by the expansion of budgeted group payment.

As to the prospective burden on management, I think labor appreciates that there will be considerable differences in the capacity of the employer to absorb or pass along to consumers increase in total employment cost on account of a rising cost for health benefits. But I see no generally critical problem here because the magnitude

[16] See, for example, Dorothy Kittner Greene and Harry E. Davis, "Changes in Selected Health and Insurance Plans, 1954 to 1958," *Monthly Labor Review* (November 1958), pp. 1243-1249; and *Digest of One Hundred Selected Health and Insurance Plans under Collective Bargaining, Early 1958*, Bureau of Labor Statistics, Bulletin No. 1236 (October 1958).

of the prospective increase in health cost over a period of years, measured as a percent of total employment cost, would be well within the range of what may be absorbed by productivity increase. And I would add that management's concern on this score should serve to stimulate as large an interest by employers as is already displayed by labor in achieving improved and more economical organization of health services as well as better controlled and more economical patterns of insurance.

Recently, our colleague Professor Glenn W. Miller of Ohio State University, when appraising collectively bargained and governmental programs for employee security, said "it is likely that opposition to legislative security measures will decline as the cost of private programs rise."[17] Something of this kind has happened before with respect to old age and survivors benefits and the introduction of disability benefits. And he may be right that it may happen with respect to health benefits. Perhaps rising employer costs for health benefits through employee benefit plans will lead employers to reverse their position and advocate health insurance under OASI. If they should be tempted to move in that direction, they should be reminded that labor has continued to reiterate its advocacy of national health insurance and to regard current patterns of voluntary health insurance only as its second choice—a second choice of practical necessity.

A specific constructive step available to management is to support the Forand Bill (HR 4700) now before Congress, proposing health benefits for the aged and other pensioners of OASDI.

7. Summary and Conclusion

Labor leaders have a large and abiding interest in health insurance for the members of organized labor and their families, and for the whole communities of which they are part. Labor is justly proud of the major role it has played in many of the most notable advances in the organization of medical services and in the group payment of the costs, advances which have directly as well as indirectly served and benefited the whole community.

Labor has achieved many of its first goals for health insurance, especially the widespread development of employee benefit plans and their incorporation within the framework of collective bargaining.

[17] *New Dimensions in Collective Bargaining*, IRRA, Publication No. 21 (New York, 1959), p. 128.

But since the insurance plans are still grossly inadequate, labor leaders have been re-examining them closely, seeking beter ways to discharge their responsibilities toward workers and their families, confident that further achievements for labor would also mean better health care and better insurance for the whole population.

A long range health program needs much more detailed study than has been accorded it, but the general goals are clear: comprehensive health care of high quality, economically provided and substantially fully prepaid. To achieve these goals, labor now asks for sympathetic understanding of them by management, and for joint labor-management participation in more specific formulation of the program and in achieving within the current plans improvements which will contribute toward the desired ends.

The costs of health plans under collective bargaining have been increasing rapidly and they must be expected to increase further, considerably, as inadequacies are met in certain present services, in the volume of health care and in the scope of the insurance benefits. Higher insurance premiums for more adequate benefits will reflect, in the main, not higher over-all costs (except for the cost of insurance administration) but the transfer of a larger share of total costs from individual expenditure to group payment. But the expected total costs should not continue to be inflated by unnecessary or unnecessarily expensive services, or by uncontrolled levels of payment to professional personnel. More and more, as labor agrees to employer payments for fringes in lieu of higher wages, the whole cost of these plans is paid by labor. Conscious of this impact of the costs, labor's increased participation with management in the planning, design and oversight of the insurance program can give the best assurance for continuing pressure to hold costs at reasonable and manageable levels.

Labor believes that the health insurance plans under collective bargaining need extensive improvements—in the organization of the health services, in the comprehensiveness of the benefits and in the design of the insurance patterns. Labor hopes that management will be of the same opinion, and that both will work together toward the common objectives, to discharge a joint responsibility for the availability of medical care.

A MANAGEMENT VIEW

John I Snyder, Jr.
President, U. S. Industries, Inc.

The costs of medical and hospital care continue to rise at an alarming rate. This is a matter of grave concern to me as an employer, but not solely because this affects my company's pocket book. Obviously that is also a factor, especially since hospital and medical costs have jumped higher than our costs of labor and most supplies.

Fifteen years ago my company, which is typical of most other manufacturing concerns, was spending practically nothing on health insurance. Today it is a significant part of our budget, as well as that of most other companies, and it continues to grow at an accelerating rate. Indeed, 80 percent of all persons having health insurance protection obtain their coverage through employee benefit plans, and the cost of this insurance is now twice as high as it was ten years ago.

Again, this is not my main concern, since, as a matter of fact, I heartily approve of health insurance for employees and their dependents. And I think we have only begun to realize what it can mean for employers in greater productivity because of better employee health, less fear and anxiety of sickness and injury, reduced absenteeism, and greater efficiency.

Precisely because health insurance through employee benefit plans is so important to employers and workers alike, I view with alarm the continued rising cost and what this means in terms of the quality and quantity of medical and hospital care that employees and their families receive.

Unfortunately, our interest as employers to date has mainly been confined to the amount we are asked and persuaded by labor to pay out for health insurance. We quarrel at the bargaining table about keeping expenses down. Then, after a settlement, we treat the expenditure as just that much extra cost of doing business—without trying to find out if we are getting our money's worth in the benefits health insurance can bring our employees. And we view labor as our antagonist in a constant effort to run health costs up as we strive to keep them down.

Actually we have a far greater unity of interest with labor in the cost and quality of medical care than the battles of the bargaining table reveal.

In fact, once the amount we are to spend during a contract term has been settled, we are shortsighted not to recognize that management and labor are united in interest as the purchasers and representatives of the consumers, our employees. Not only have we a common interest but a mutual responsibility to obtain the best in quality for the lowest cost in exchange for the amount we finally agree to spend. Thus viewed, health and welfare plans represent a unique area of labor-management cooperation.

Apparently it is as difficult for employers and labor as the public generally to understand that management can have a duality of relationships with the trade unions that represent our employees: that we can sit on opposite sides of the table when bargaining on wages and hours and contributions to employee health programs, but act as partners in getting the best deal for what we agree to spend for such programs. Unless we do understand this, however, and do something about it, we are cheating ourselves and failing likewise to discharge our responsibilities in employee health programs.

Initially, because of the speed with which many employee health plans were put into operation and because of the absence of any substantial body of previous experience, union and company officials who entered the market to purchase health and welfare benefits found themselves ill equipped in the highly technical field of insurance. As amateurs in a world of technicians, many of us took the easy way out and bought what was most readily available. And the result was often poor economy and financial waste. It is impossible to estimate how many hundreds of millions of dollars have been lost through careless placement of insurance contracts or insufficient attention to the specifications of coverage. A recent newspaper report quotes Dr. Falk to the effect that some $30–$50 million a year "is being used ineffectively and wastefully" in the United Steelworkers health insurance programs alone.

The development of mutual responsibilities of management and labor through this kind of dual relationship is a basic concept of the Foundation on Employee Health, Medical Care, and Welfare, Inc. Established in 1956 by our company and the International Association of Machinists (IAM), the union representing the majority of our employees, to explore common interests through research and reports that would be useful to us and, we hoped, to other employers and unions, the Foundation was an experimental venture, the first of its kind. I might add that we were especially pleased to enter into this joint venture with the Machinists' union and with Al Hayes and Elmer Walker. They are men of foresight and vision. As a matter of fact, *Fortune* magazine described Mr. Hayes as America's most respected labor leader. And the union he heads also belongs in the same category.

The enthusiastic reception of the Foundation's initial publication, Study No. 1, *Problems and Solutions of Health and Welfare Programs,* Part A, underscored a need for impartial information on intelligent purchasing and administration of employee health and welfare plans. Thus far, we have distributed more than 22,000 copies of Part A of Study No. 1 on "Improving Value and Reducing Costs" of indemnity benefits from insurance carriers. And more than 19,500 copies of Study No. 1, Parts B and C, "Service Benefits—and How to Compare Service vs. Indemnity Benefits," have been furnished interested persons throughout the country. We were pleased with the many favorable comments we received from employers, unionists, Senators, university professors, and others in the insurance and prepayment field on the value of these reports. Of particular interest to me has been the discovery by various employer groups that a labor-management sponsored organization can and does produce, as one association official wrote, "thorough technical work of considerable merit without bias or propaganda." It has been gratifying that a number of employer associations and unions have sent out special letters to their membership or locals recommending these reports. In addition, permission to reprint portions of the booklets has been given to several publications, including *Management Methods* and a handbook on employee benefits issued by the American Management Association.

The Foundation's most ambitious undertaking to date is a household survey of 3,000 unionized employees to determine the pattern of family medical care under several major types of negotiated health insurance plans. Market research is commonly used by industry to get consumer reaction to new products. But, notwithstanding all the controversy in the field of health insurance, little research has been done on how persons fare under different types of health insurance—and none on the scale of this survey being conducted for the Foundation by the School of Public Health and Administrative Medicine of Columbia University.

This survey is part of the Foundation's interest in the investigation of another critical aspect of collectively bargained health benefits. It is our belief that far too little attention has been directed to fundamental questions regarding total medical care expenditures, amounts of services and goods utilized, quality of care received, and attitudes of employees and their dependents protected by various kinds of health insurance.

Yet significant decisions on health benefits are being made over the bargaining table very day, decisions which affect the development and future form of medical and hospital care for the community generally as well as the employees directly involved.

Therefore, soon after the Foundation was organized, Columbia University was commissioned to design a consumer research project on employee health benefits. Over-all direction was assumed by Ray E. Trussell, M.D., chairman of the School and associate dean of the Faculty of Medicine. Dr. Josephine J. Williams, formerly a study director at the National Opinion Research Center of the University of Chicago, was selected as full-time project administrator. It was agreed that the long-range aim was to develop impartial and statistically sound information which would be useful to employers and unions in evaluating their negotiated health programs.

As a beginning, a pilot study was conducted in the New York area in which 286 union members were personally interviewed in their homes on their own and their dependents' medical care. Altogether the study covered 829 persons. The sample was scientifically drawn from more than 20,000 members of District 15 of the IAM. This group was selected for study because of the wide variety of health plan coverage including "dual choice" between two plans providing comprehensive physicians' services. The questions dealt with all kinds of medical care except dentistry, including in-hospital care for a year's time and all other services and goods for a three-month period.

Certain outstanding observations among those reported to the Foundation by the Columbia University research team deserve attention by employers and unions. I will mention them only briefly:

First: of particular interest were the findings concerning quality of care received as measured by the professional status of the hospitals used and the professional standing of the physicians consulted.

One-quarter of the hospitals used were unaccredited—meaning, of course, that they did not meet the minimal standards for safety and quality of medical service required by the Joint Commission on Accreditation of Hospitals, the organization set up for this purpose by the American Medical Association, the American Hospital Association, the American College of Surgeons, and the American College of Physicians.

One-third of all physicians consulted had no staff appointment at an accredited hospital—meaning that they could not admit and care for their patients in such hospitals.

One out of five doctors called "specialists" by the families actually did not even limit their practice to a specialty, much less qualify as diplomates of a specialty board—indicating a failure to appreciate levels of professional medical competence.

Second: 38 percent of the average family health bill was covered by health insurance.

It was not surprising perhaps in itself that there was better coverage of hospital bills than of doctors' fees for medical care in the hospital, but the degree of discrepancy was remarkable: 86 percent of the hospital bills—but only 53 percent of the doctors' fees during hospitalization—were covered by insurance. For families actually incurring some hospitalization and in-hospital medical expenses, 70 percent of total out-of-pocket expenditures were for doctors' fees and 30 percent for hospital bills not covered by insurance.

Only one-quarter of the total bill for home and office doctors' visits was covered by health insurance—despite the fact that about one-third of the sample was covered by comprehensive physicians' service plans.

One-quarter of total expenses for all medical and hospital care (including those covered by insurance) was for drugs. And drugs accounted for $2 out of every $5 spent out of pocket—reflecting, of course, the fact that medicines are rarely covered by health insurance except for drugs administered in the hospital.

Third: the pilot study showed that a very few families bore an enormous share of the total out-of-pocket expenditures. Even though insurance coverage for all *in-hospital* care was relatively good for the group as a whole, 3 percent of the families bore 44 percent of the out-of-pocket cost of such care—spending $200 or more over and above benefits during the year's time. For all types of medical care, 5 percent of all families spent $150 or more, or about one-third of all out-of-pocket expenditures reported during the preceding three-month period.

The pilot study results stimulated the Foundation to continue further research on the patterns of family medical care under several alternative types of health insurance plans. Columbia University designed a consumer survey of 3,000 unionized employees (or about 9,000 persons including dependents) to produce comparative data on the use of medical care, its cost and quality, under four important health insurance plans. The four plans were selected because they cover large numbers of workers and exemplify the major current trends in collective bargaining approaches to health insurance planning.

Some of you may already be familiar with this project, but I think it bears further comment. Both Mr. Hayes and I firmly believe in supporting research of this kind and letting the facts speak for themselves. Only in this way can we arrive at sensible solutions to our mutual problems.

The four plans under study are the New Jersey Blue Cross-Blue Shield, the comprehensive medical expense plan for employees of General Electric Company, the Kaiser Foundation Health Plan, and the Non-Operating Railroad Employees program.

As you probably know, the New Jersey Blue Cross-Blue Shield plan provides service benefits in semi-private accommodations for 120 days in the hospital and paid-in-full surgical and in-hospital medical care by participating physicians for a family with an annual income of less than $7,500 or an individual with less than $5,000 a year. The comprehensive medical expense plan for employees of General Electric Company and their dependents pays for both the so-called basic benefits as well as the catastrophic expenses. There is a $25 deductible for hospital charges and surgical fees and a $50 deductible for all other physicians' services, private duty nursing, and most other out-of-hospital services and goods. For the $25 deductible group of surgical and hospital expenses, the plan pays the next $225 in full and 85 percent of the excess; for the $50 deductible group, the co-insurance feature of 75-25 percent is always effective. The Kaiser Foundation Health Plan provides comprehensive medical and hospital care in its own hospitals and medical centers which are organized on a group practice basis. Benefits vary, with some co-pay features present, according to the type of health coverage purchased; for instance, there may be a flat charge of $60 for maternity care or a $15 charge for the removal of tonsils and adenoids. The Non-Operating Railroad Employees program was selected as a control plan since it operates in the areas of the other programs under study. It includes a basic semi-private room hospitalization plan for both employees and dependents plus indemnities for extra hospital charges and a major medical coverage for employees only.

In this survey certain estimates of the quality of hospital and medical care received by families covered by these health insurance plans will be compared for the first time—and in a much more comprehensive, detailed way than attempted in the exploratory pilot study. Analysis of the comparative data should provide a reliable basis for decisions by management and labor on which kinds of health benefits can be most beneficial for employees.

I think that the most valuable contribution this survey can offer is information about the interrelations of health insurance, cost of medical care, quality of care, and consumer satisfaction.

Another important phase of Foundation activity starts next March with a conference at Arden House co-sponsored by the Foundation and the School of Public Health and Administrative Medicine of Columbia University.

Within the past year or so most employee benefit plans have been hard-pressed to keep pace with the rising costs of medical and hospital care—particularly since benefits and contributions are set in negotiations for the period of the collective bargaining agreement. Since it now appears that we shall have to spend substantially more each year to provide the *same* medical and hospital benefits—without even talking about broadening coverages—we feel that management and labor are entitled to know why the cost of such care is rising so sharply and what, if anything, can be done to restrict costs.

Because the answers to these vital questions are so important to management and labor to help them plan intelligently for the future, the Foundation and Columbia University are conducting a three-day conference of experts to give a key group of management and labor leaders an opportunity to explore with knowledgeable persons from the medical profession, hospitals, insurance carriers, prepayment plans of various types, and pharmaceutical concerns the reasons for rising costs, what measures can or should be undertaken to prevent further increases, and how to spend the available funds most wisely. It is our desire to have this expert group seek answers to common problems, not to provoke theoretical debate on the merits and demerits of different types of health insurance. Rising costs affect us all in one way or another. Discussion at the conference will be focused on the following kinds of questions which labor and management should have answered if they are to discharge their responsibilities in this critical area. Preliminary findings from the nationwide survey will provide a basis for some of the discussion.

1. What are the projections for medical and hospital care costs in the next ten years? What can be done to keep such costs down without impairing quality or curbing necessary care?
2. Does the availability of benefits through various forms of health insurance stimulate excessive utilization of medical and hospital care?
3. Are we using existing medical and hospital facilities and professional services in the most effective and efficient ways?
4. What responsibilities do management and labor have in regard to the organizational arrangements through which medical and hospital care are provided? From the community standpoint, should they support community-rated plans? What responsibilities do they have in community planning for medical and hospital care?
5. How far should management and labor go in continuing protection for the unemployed and the retired?
6. In view of the crisis that many employee benefit plans face, what—and how—should management and labor plan for the years ahead?

The conference itself will be off the record without members of the press present. It is our plan, however, to publish the proceedings at a later date as part of the educational activities of the Foundation and the University. They will be given widespread distribution in order to share with other employers and unionists the exchange of information and the forecast for the future.

I repeat that it is only through thoughtful examination of such questions that management and labor can plan intelligently for the future. It is time for deliberation. It is time also for joint action by management and labor in this important field, irrespective of what might be our differences at the bargaining table. We have identical interests here in dealing with the suppliers and purveyors of hospital and medical services and goods, and we owe it to our employees to get for them the best available for what we agree to spend. Working as a team, management and labor can achieve for employees the full values of health benefits, not only on a dollar basis but in terms of better health and better care as well. In so doing, and this should not be underestimated, management and labor will serve to improve their own relationships as well.

DISCUSSION

HARRY BECKER
Blue Cross Association

After about ten years of experience with collective bargaining for employee health benefits, major segments of labor and management have arrived at an informal agreement on some areas of mutual interest around which there is no major conflict of goals. One of these areas is that of securing the maximum in protection from the money allocations made in negotiations. But we must not lose sight of the fact that agreement on this goal does not necessarily mean agreement on how the goal will be attained.

Very soon after employee health benefits were established as a "condition of employment" and, therefore, made a part of labor-management agreements, it became apparent that some of the most important problems surrounding the employee health protection programs could not be fully resolved within the framework of collective bargaining. For this reason many persons professionally concerned with health benefit programs have tended to shift their primary emphasis from the bargaining process itself to the broader problems for which answers must be found through other means.

Some of these problems are: minimizing the impact of rising costs of protection, providing non-inflationary benefit programs, and establishing feasible patterns of protection to cover all those health care costs which should be brought within prepayment financing. Another problem is that of encouraging the provision and use of those types of health services which will lead to the detection, diagnosis and treatment of disease early in the course of development in the hope of reducing the incidence, severity and duration of illness.

To meet these problems it is necessary to undertake the vast task of organizing and coordinating community services, facilities and health resources in such a manner that needed care of high quality and broad scope is available within financial reach of prepayment beneficiaries. One example of this kind of activity is the gearing of hospital facilities to carefully determined community requirements, achieving a balance between in-patient and out-patient and clinic facilities, and placing more emphasis on special provisions for long-term illnesses and home nursing care to whatever extent is needed to reduce longer than necessary stays in acute hospital facilities.

Getting relatively more in health services for relatively less cost requires year-in and year-out cooperative study and planning, involving not only labor and management but also the providers of services. The agency at the matrix from which these activities must be generated should be a community prepayment agency equally responsible to all interest groups for meeting their health protection needs in the most economical and satisfactory manner possible. Labor and management, and other segments of the community, quite properly expect from their prepayment agency not only leadership in health care financing, but opportunity to participate actively in the study, planning and program development processes of administration.

To resolve the vast majority of issues that have emerged in employee health benefit programs, much more in the way of cooperative efforts on behalf of all community groups is required.

But first, a few central questions must be answered in collective bargaining. These are:

1. Will labor and management rely primarily on working jointly with the community prepayment agencies and other health organizations to develop a pattern of service benefits with satisfactory agreements with the providers of service—the approach to controls consisting of high level of prepayment plan administration and effective community organization?
2. Or, will labor and management continue to experiment with restrictive types of dollar benefits and ignore the demonstration that "controls" through benefit restrictions and limitations are not a substitute for community prepayment plan performance in the public interest?

Many current questions developing from employee health benefits programs are posed by those types of care for which traditional comprehensive "service benefits" are not everywhere available. Some of these stem from the issue of how doctor services are organized and how doctors are paid, but in many cases this is not a matter that can be resolved in collective bargaining between labor and management because the provider of services is not a party to these negotiations—unless a prepayment agency having satisfactory agreements with providers of services is designated in the labor-management contract. Another alternative, often difficult to work out, is for labor and management to agree to work together toward the type of program which will affect a desired organization and arrangement for the provision of services.

Unless the prepayment agency has agreements with the providers of services on the amounts to be paid for services rendered—whether these be hospital or individual services—"service benefits" for the full range of coverage needed is financially impractical.

Because this tenet is a fundamental and unavoidable consideration, the real question, it seems to me, is to find and support the agency or agencies in the community primarily concerned with building a structure for financing health services in the most economical manner consistent with constantly rising standards of care. Even though such agencies, where they exist, have not always fulfilled their promise they offer a mechanism for all segments of the community to build upon and to strengthen. If such agencies do not exist in a given community, they should be established.

The administration of such a community prepayment mechanism is a task requiring unique professional skills and dedication to public service. With the exercise of labor and management influence, as buyers of health care, this task can be made much easier and the troublesome problems can be solved. When existing agencies are not sufficiently responsive to public influence, the reason is usually because community opinion has not been sufficiently articulated—an explanation which does not, however, absolve a prepayment agency from seeking that community opinion and helping to shape it.

I feel convinced that the key to the solution of many of the employee health benefit problems is to be found in those community-wide prepayment agencies which can bring together all segments of the community to find the most economically practical means of meeting common problems. These types of agencies offer an existing framework for labor and management to work together, either within collective bargaining or outside it, toward the attainment of mutually desired goals. Around the mechanism available under such community-wide prepayment agencies is to be found the means for cooperative action between the buyers of protection on one hand, and the providers of service on the other. Exploitation of this opportunity will bring many of the employee health benefit improvements that are necessary.

TED ELLSWORTH
University of California, Los Angeles

Although I find myself in agreement with most of the remarks of Dr. Falk and Mr. Snyder and certainly concur in their hopes for the future, I would like to take issue with one statement on which they seem to agree.

It was said that once the parties have agreed in collective bargaining on the money to be spent for medical care, then the dividing line between labor and management evaporates and there comes an identity of interest in securing the best benefits for the employee. I trust that they were referring to goals and not to actual results.

Many of the problems created by the lack of this identity of interest have led to frequent compromises with the responsibility of the parties. These compromises have in turn led to waste, inefficiency, poor administration, and in some cases to higher costs and possibly a poor quality of care. In the time available I can only briefly mention a few items:

(1) Management has often insisted on poorly conceived major-medical plans for protection of executives primarily. Labor has wanted first dollar coverage.

(2) In single employer plans management has often insisted on complete control of the selection and administration, sometimes in the mistaken assumption that it thus can control costs; sometimes to hold power in its hands or to take care of a friendly broker or insurance company, or to build an administrative job for a friend or relative. This has more often than not led to poor administration and in some cases to open warfare. This is the case with one large aircraft company which now is undergoing a bitter fight with two unions, its insurance carrier, and the medical profession—all to the detriment of the employee and the public generally.

(3) In industry-wide plans unions have often been able to wrest control of the selection and administration of health plans from the employers despite the Taft-Hartley restrictions. Congressional investigations have revealed the abuses in this type of approach.

(4) The desire of some labor leaders to build up the health plan beyond any reasonable recognition for self-glorification has led to a lack of education as to what the plan is and how it should operate, with the results indicated in the report mentioned by Mr. Snyder.

(5) Labor also has sometimes insisted upon spending every cent available so that the plan in most cases would be operating at a loss when negotiation time arrives. On the other hand management in some cases has insisted on more than the necessary reserves, thereby depriving the employee of a portion of his negotiated benefits.

(6) Both management and labor have often lacked the courage to make changes in benefits even though they may recognize the need for them. I point to one California case wherein employees were able to profit substantially on hospitalization because of that state's supplementary Unemployment Compensation Disability hospital benefits. For several years the parties were aware that this was causing unnecessary hospitalization and they finally did correct this situation. Many other plans with a similar situation either do not know about it or fail to take corrective action.

Now as to the future and labor-management responsibility. I am in full accord with the fine study and research being done by the U. S. Industries Inc. and the Machinists Union. I am sure that its results will help the parties realize the necessity for facing their responsibilities if they are to best protect the interests of their employees and members as well as those of the entire community.

As pointed out by Mr. Snyder, as amateurs we all made many mistakes. We do not need to make them again, but I am afraid that many will continue to offer poorly conceived benefit programs because of pressure; that many will buy programs recommended by some brokers who know nothing of health problems but are primarily interested in the amount of their commissions; and that too few will put into practical use the research being done by the Foundation mentioned by Mr. Snyder or make real use of medical and other impartial health plan consultants.

Most of us recognize the abuses and unnecessarily inflated costs that resulted from our earlier amateurish approach to medical care problems. We are now faced with some critical problems, however, that can become even more disastrous if not faced realistically.

(1) *Medical benefits for retirees.* Pressure from employees and members and continuation of the old follow-the-leader game in negotiations are resulting in some plans that have been agreed to without any knowledge of the actuarial problems or without thought as to how to avoid inflated costs in this respect. As the continually mounting expenses of some of these programs grow in the next ten years, they could well be a major contributing factor in the failure of some

small companies and marginal industries. I agree with Dr. Falk that some legislation such as the Forand Bill is needed if we are to avoid chaos.

(2) *Prepaid drugs.* It would seem that inclusion of this benefit at a time when we should be trying to stabilize our present programs is unwise. However, those who do not agree with this principle should be leery of this benefit in view of the recent investigations on both a state and federal level.

(3) *Medical care organization.* I am sure that there may be sharp disagreement in this regard but I am sure that Management would not buy bolts that are made in one factory, threaded in another, and distributed from a third location, with the nuts being made at still another site. Nor would they have ten expensive machines where one would do the job. Obviously the cost would be too inflated. Yet this is just the way in which we buy health care.

Many doctors, particularly specialists, maintain offices with duplicating rent, and overhead in two, three, or even more locations, and often practice in four to seven hospitals in widely scattered areas. Patients often must go to three or four different sites to get complete diagnosis and treatment. Obviously some one is charged for all this portal to portal pay. Obviously some one pays when there are ten X-ray machines in a building that can utilize only one or two at the most. Group practice with close hospital co-ordination can solve some of these problems.

(4) The very nature of our methods of medical payment, which makes it necessary to find an illness to treat or a cause for hospitalization, leads to abuse and we must find a way to put the stress on keeping people well.

(5) *Hospital planning.* In many of our cities poor hospital planning has led to inflated costs and unnecessary surgery and treatment. The growth of the proprietary hospital is serious, and more communities, especially expanding communities, must face this problem. This is a labor-management as well as a community responsibility, I believe.

A recent survey indicated that an unoccupied bed costs about as much as an occupied bed to maintain, yet there is no income from it. This leads inevitably in the profit-making hospital to an unhealthy competition for both patients and staff doctors. This situation has become so bad in California, where we now have the highest hospital cost and the lowest percentage of accredited hospitals in the country, that I believe that only through some type of government control, regulation, or ownership can it be resolved.

(6) *Administration and organization of our health plans.* The many small health plan offices with separate insurance contracts and overlapping administrative costs have contributed to high cost and inefficiency and in some cases to abuse by all parties.

Too little attention has been given to results that can be gained through enlightened administration. Too often we have turned this important function over to some flunky who knows little of insurance principles, claims administration, and nothing about medical care or the medical profession. Too often we talk of the amount of claims paid and the speed with which they were paid and not often enough of claims paid properly and intelligently. But when through good administration these short-comings are recognized, will prompt action be taken?

In this regard consider a case in Los Angeles under an optional Kaiser-indemnity program in which many abuses were pointed out to the Trustees, including payment of over $2400.00 to one claimant in hospital bills at Kaiser even though it cost the claimant not one cent. Despite knowledge that this provision was costing the fund a very substantial amount of money needlessly, nothing was done, partly because of political reasons and lack of courage, and also because two large plans in the area would not make any effort to co-ordinate their programs.

The Trustees must be willing to face their responsibility in this regard and must take prompt and sure action against those that abuse a medical program whether they be doctors, the insured, hospitals, or the insurance program itself, and they must be willing to pay enough to qualified administrators to assure that the truth about their programs may be known. Otherwise the problems that we have discussed today will grow rather than diminish.

SANDER W. WIRPEL
Inland Steel Company

We have heard two excellent papers, in my judgment. Dr. Falk and Mr. Snyder both accept on behalf of industry and labor responsibility for medical care of employees and dependents and face directly into the question as to the form of medical care in the future. Both speakers have recognized the positive role both labor and management have played in developing the extensive prepaid insurance programs generally found in industry today. They have not totally ignored the role of the insurance carrier and the medical profession.

The gaps and shortcomings of coverages have been delineated and the goal of reducing and substantially eliminating them has been underscored. In short, then, there is no essential difference between Dr. Falk and Mr. Snyder as to the responsibilities of management and labor for medical care. The difference is on the "how" of meeting these responsibilities and this boils down largely to a question of costs and willingness to sacrifice money wages to pay for the desired level of medical care.

I detect an expression of an attitude in Dr. Falk's paper which seems to imply that the union is responsible for making sure that a benefit is available and that the employer is responsible for paying for it. As he well knows, many group insurance programs (such as the one at Inland Steel which began in 1930 with life insurance and by 1940 had both accident and sickness weekly benefits and hospital and surgical insurance) antedated the appearance of the union as the respresentative of the employee. Inland's first agreement with the steelworkers was not signed until 1942. The first bargaining of group insurances and pensions did not occur at Inland, for example, until 1949, 19 years after the inception of this coverage.

Further, Dr. Falk says that even when the company pays for the group insurance it is really the employee paying for it himself since the employee consequently receives a lower wage than would be the case in the absence of the group insurance program. The company insurance contribution is a deferred wage payment in lieu of a direct wage payment (or some other benefit). He, in effect, accuses the employer of misdirecting the program and consequently the "employees' wages" into indemnity rather than service type plans in order to minimize its contributions as it tries to buy the least costly coverage possible. I submit, however, that this result is bargained and jointly agreed to by both the union and management. Therefore both the union and the employer must share the credits for the good parts of the programs and the responsibility for the shortcomings of what they agree to provide. After all, the union is reluctant to divert too much from direct wages into deferred wage programs of insurances, pensions and SUB. It, too, wants lower cost indemnity plans with experience rating in order to enlarge the direct wage component as much as possible (even though it may act to the detriment of other groups for which it does not bargain and for which it frequently assumes little responsibility). Even the traditional service approach of the Blue Cross Plans is moving toward experience rating and co-insurance with consequent higher rates for groups with poorer experience and much higher rates for individual enrollments. By pursuing this route have we not possibly lost our sense of community responsibility in a selfish approach to this program?

Let me turn briefly to Dr. Falk's discussion of labor's goals in regard to medical care. First he wants joint agreement on the goals and the planning to achieve them. I agree with this approach if it does not mean only "giving" by management and "taking" on the union side. It should be a mutual expression of willingness to share both costs and responsibilities. It should involve agreement not to use the program as a bargaining weapon. (This last may be a most difficult thing on which to agree.) Clearly Mr. Snyder in his role at U. S. Industries has demonstrated a sound approach to this problem in cooperating with the International Association of Machinists in exploring basic matters relating to the proper formulation of programs of adequate medical care at the lowest possible cost. But it is important to note that the research program they are supporting is not one narrowly directed to their own interests. Rather it is a basic research program directed to the heart of the problem all of us face. They have properly assumed a responsibility to develop needed answers (as to how to provide adequate medical care) for the companies, unions, the medical professions, the governmental agencies and legislators and the general public to evaluate and consider. They have aimed their program at the problem of the community—in its broadest sense.

The most significant thing, in my judgment, is the role of the community. Responsibility for medical care is not one limited to management and labor or even substantially one which should be considered its private preserve. Both management and labor must gear their programs to meet the needs of the community. Medical care is a community problem. It affects not only the worker, but his family, the self-employed, the retired, those laid off—for short times as well as those permanently displaced from their regular job for almost any reason.

As to the second goal Dr. Falk outlined, labor, he said, wants a share in the decision making process. I believe that comprehensive medical care plans should have not only union participation but that of management, the medical profession and the community at large. The boards of directors of such plans should be broadly representative. Even a program jointly set up by a union and a company should include medical and public representation on their board.

The third goal of reports on operations of the plan to aid in effectively evaluating the program and providing a basis for guiding the program is important. Here again, the labor union is not alone to be served. All groups concerned need certain reports—and the design of such reports and the collection of data should be worked out in conferences with management of the medical program. Such reports must be useful, inexpensively compiled and not set up as a weapon to be used in collective bargaining.

As to the fourth goal, Dr. Falk says the unions want to negotiate plans utilizing existing resources better than present plans now do. Mr. Snyder's paper reporting on their series of studies seeks to explore and carefully measure quantitatively and qualitatively the effectiveness of the various present major approaches to medical care. Presumably when their studies are completed, we will be in a far better position than we are today to evaluate existing plans and approaches. The steelworkers, Dr. Falk implies, already have made up their minds that something like the Kaiser Foundation Health Plan with its prepaid comprehensive service is *the* answer. I don't believe we know enough at this point to reach a conclusion. Perhaps after the Foundation on Employee Health, Medical Care, and Welfare, Inc. has completed its study we can intelligently plan and move ahead.

Certainly the United Steelworkers of America need not lag behind the United Auto Workers, the Teamsters, the Building Service Employees Unions, the unions in the clothing industry (and many others) which have, one way or another, set up, on their own, various prepaid comprehensive plans—or are working on this as is the UAW in Detroit currently. The start for such a program can be made outside the collective bargaining table.

Across the bargaining table we find labor's demands (let's face it) are extravagant when they suggest that the employer fully pay for a comprehensive medical care program and in addition meet (or beat) existing levels of wage increases and other benefits—all greatly in excess of the rise in productivity. While it may be true that group-practice plans may be more efficient than traditional approaches to medical care protection, despite the cost savings, these programs with expanded services nevertheless result in approximately doubling the present average costs of Blue Cross-Blue Shield levels of most participants.[1]

The answer, it seems to me is in a community approach to prepaid comprehensive medical care with a plan open to groups and individuals on essentially the same terms and conditions. Whether it be free-choice plan like the one at Windsor, Ontario or a group practice plan such as H.I.P. in New York City, should depend on local needs and attitudes in each community. But a community approach is needed, not a nation-wide union-management plan limited to that union or industry.

It would now appear that for about $200 per employee per year (or about ten cents or tweive cents per hour worked) a limited group-practice or open panel plan could operate in today's market. Presently in most industries about $100 per employee per year is available. To take the bold approach, let a bold and daring company and a fearless union come forth and agree to contribute an amount in lieu of the next wage increase to a fund for a period of one, two or three years—until sufficient capital is available to begin to acquire the facilities needed. Their present program should be continued until the situation is ready for the expanded comprehensive service. Meanwhile, working jointly and with community groups an attempt should be made to develop a framework for a community plan open to all groups and individuals in the community. Permit an annual choice of participation or non-participation, of group practice or open panel or a limited traditional type of hospital-surgical insurance. Select a lay board, have them study the results of the IAM-U.S. Industries, Foundation studies (and other useful studies) and work out the details of whatever route seems best—leaving as much free choice as possible. They should establish monthly charges for single employees and families, establish rules for joining and participating—and all other countless details necessary for a program to function successfully.

[1]Herman N. Somers and Anne R. Somers, "Private Health Insurance—Part II, Problems, Pressures, and Prospects," *California Law Review*, Vol. 46, October 1958, No. 4, P. 535.

I believe all of us are basically agreed that there is no question as to the *desirability* of comprehensive medical care. The question we face is how to finance it. This question requires soul-searching and sacrifice. Labor and management have this responsibility, but, I submit it is not theirs alone but that of the whole community. Labor and management have, however a responsibility, in my judgment, to lead in achieving our mutual goals.

Part IV

IMPROVING THE UNEMPLOYMENT INSURANCE SYSTEM

SOME ISSUES IN THE IMPROVEMENT OF THE FEDERAL-STATE UNEMPLOYMENT INSURANCE PROGRAM

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Dean Brown has wisely planned this session as a genuine panel for discussion of some practical problems, omitting the customary formal paper. He assigned me the task of preparing a series of questions on the issues as a springboard for discussion by this distinguished panel of experts. The questions were distributed to the panel several weeks in advance and copies have been made available to the audience this morning. I have also been asked to open the general discussion by elaborating briefly on a few of these questions.

As background, it may be worth observing the irony that one of the main causes of the ailments afflicting unemployment insurance is that during the first twenty years of its development this program did not have to meet a major test of adversity. While framed in an environment when periodic deep depression was a frightening reality, its first two decades of operation were in a period of unprecedented continuous prosperity with relatively few and brief recessions. As a consequence, the program has been operated at a cost considerably less than half that originally contemplated. While originally framed in frankly experimental terms, it has in fact never been forced to face up to the policy adjustments which passage of time and changing conditions ordinarily dictate.

The 1958 recession was the largest test the system has yet had to meet, although it was hardly a full-scale depression. In this first test of any magnitude, the system was found seriously wanting. It required emergency federal action, through the Temporary Unemployment Compensation program, to keep the system from dramatic failure. This resulted in an impressive burst of state legislative activity in 1958-59, in large part spurred by fear—not unfounded—of further federal action.

Consequently, while unemployment insurance has been generally characterized in the past by extraordinary inertia we appear for the moment to have a wider opening for needed reform than at any time since the beginning of the program although, characteristically, the economic upswing may already have caused a partial closing of that opportunity. This lends a particular appropriateness to this meeting. To open the discussion I will raise orally three of the six major issues posed in the sheets you have before you. The first is: Can and should unemployment insurance be prepared to meet the problem of "longer-term" unemployment, a type not assigned to it in its original mandate?

I

This problem was dramatized by the federal TUC legislation—a major departure from existing patterns—under which more than two million workers received over $600 million in additional benefits during fiscal year 1957, after they had exhausted their regular benefits under state unemployment insurance laws. Whatever else may be said of TUC, its timing was crucial. Exhaustion rates had been at record levels throughout 1958. When TUC went into effect in June 1958, only half of the 5.4 million unemployed were receiving unemployment benefits. About 1.5 million non-recipients had attachment to the labor force, but were not insured. About 40 percent of these—600,000—were exhaustees.

During June and July, 1958, nearly one million initial claims were filed under the temporary programs. More than 500,000 persons exhausted benefits during those months alone. The program fortunately went into operation at the very peak of the problem. It produced its greatest impact when it was most needed, at a time when the economy was just at what proved to be the bottom and turning point of the recession.

During the spring of 1958, before the emergency program, when unemployment was at its peak, benefits were being distributed at an annual rate of $4.5 billion. These fell off sharply during August, September and October to annual rates of $3.7 billion. But the supplementation by the temporary benefits, at an annual rate of about $1 billion, raised the total to a rate of $4.5 to $5 billion during these crucial early months of recovery.

This should have been a sobering experience. If the regular programs had been left untouched, the results and the recession's history might have been quite different. It has become clear that even a so-called "short-term" program may be too short; that one of the basic objectives of the program, to serve as a counter-cyclical force, may be achieved or defeated largely in terms of the duration provisions.

The duration problem soon called attention to a key fact of the recent recession: a high proportion of the unemployment was of a long-term and persistent character. Pennsylvania represents an extreme case, but its data serve to dramatize the general problem. In November 1958, the median length of continuous unemployment in that state was 52.5 weeks; only 9.8 percent of the unemployed had been out of work for less than 46 weeks.

This relatively new experience has caused a new type of criticism to be directed at unemployment insurance. It is alleged that its resources have been excessively concentrated on relief of short layoff periods, and insufficiently directed at the more serious unemployment problems.

The characteristic pattern of unemployment in the recent recession was one of concentration rather than being fairly widespread as in previous periods. It was concentrated geographically and for relatively long periods within the same groups. An unusually high proportion consisted of severances rather than lay-offs. The effects of rapid technological advance and automation, which might otherwise have been absorbed gradually, were given considerable impetus by the recession.

Unemployment insurance was not designed for and did not prove adequate for this type of unemployment. There is considerable doubt as to whether an unemployment insurance program can ever be made suitable for long-term unemployment, but there is a widespread sentiment among the experts that it can and should do better than it has. Many proposals have been made to strengthen the programs for the next recession. It has been proposed that the federal TUC program be placed upon a permanent legislative base, that when unemployment reaches a previously specified proportion of the labor force, a program of extended benefits through federal loans would automatically be triggered. Some federal legislators have been critical of the loan aspects of the program and feel that after a certain level and duration of general unemployment have continued, federal grants would be more justified.

Father Joseph Becker has proposed a similar program for the states, with or without federal participation. Each state would have a regular and an emergency fund. The emergency fund, to be used for extended benefits, would automatically go into effect at a given point of unemployment within the state—say, 6 or 9 percent of the labor force. The regular fund would continue to be financed in the customary way; the emergency fund would not be subjected to experience rating. A few states have in fact already adopted varying versions of this proposal.

Several other states have responded to the problem, without reference to a two-layer design of benefits, by simply increasing potential duration within the basic program. They have pointed out that two-layer programs not only involve excessive administrative complexity but also fail to recognize the need for more adequate duration of benefits for certain groups of workers in periods other than general unemployment as well as the fact that problems of unemployment are not equal throughout an entire state. A ten percent level of unemployment may be reached in one part of the state while four percent is being maintained elsewhere; a single "trigger-point" for the nation or for a state as a whole is not realistic, it is claimed.

At the same time there is proposed legislation before Congress to establish minimum state standards for unemployment insurance which would make available at least 39 weeks of benefits. Recent experience suggests that we are rapidly moving towards some form of benefit extension which will make a period of 39 weeks not uncommon, and even a potential of 52 weeks can no longer be regarded as out of the question. The implications of these changes are fundamental to the design of unemployment insurance. Generally speaking, eligibility requirements, in terms of previous work history, have been very moderate in most states. As few as 8 weeks of employment or earnings of $400 during the base year might be sufficient to qualify an unemployed man for benefits. If, however, duration is to move up towards 39 weeks or more, is this compatible with such low eligibility requirements?

The new trend towards providing for longer periods of unemployment appears to require greater attention to the principle that unemployment benefits are intended for persons with regular attachment to the labor force. Thus far our state systems have found the problem of designing satisfactory tests of such attachment elusive. Administrative difficulties have caused them to confine the work history test to a single base year. Is this enough? The relatively short period of benefit availability has served to justify relatively short periods of qualifying work history. If unemployment insurance is to avoid the danger of taking on the characteristics of a general unemployment relief program, and if it is to meet satisfactorily the needs of *bona fide* workers, it must meet the difficult challenge of developing better tests of normal attachment to the labor force and to distinguish those who might normally be expected to be at work from those for whom employment is a "sometime thing." Do we have the technical knowledge to devise and apply such a test?

Attention is also directed to another trend of recent years—the institution of uniform duration of benefits as opposed to variable duration depending upon employment or earnings during the base year. When duration was set at very modest levels the case for uniformity was indeed strong. If potential duration is moved to 39 weeks and even a year, uniformity might be justified only by more rigorous eligibility requirements than most people appear ready to accept as desirable. Must we now, therefore, reverse the development of the past decade during which states were persuaded that uniformity of duration was an important principle for unemployment insurance?

Some additional issues are raised by liberalizing the duration of benefits, either by the "trigger point" principle or across the board. When benefits continue for an exceptional period of time, does it not become necessary to raise the question as to the beneficiary's prospects for re-employment? Must we not begin to distinguish between those who are merely unemployed and those who have begun to cross into the zone of the unemployable? It has, therefore, been proposed that after a given number of weeks of benefit payments, say 26, it should be the obligation of the Employment Service to make some determination regarding the beneficiary's re-employment prospects. If the agency determines that prospects for re-employment are poor and that they would be significantly improved by retraining and occupational redirection of the beneficiary, rights to extended benefits of an additional 13 or 26 weeks might be made conditional upon acceptance by the beneficiary of such retraining. Similar proposals have also been tied to a program of relocation of beneficiaries with no re-employment prospects in their present labor market. In short, the question is whether substantially increased duration of benefits does not oblige the program to attach more constructive and remedial elements to the benefits program.

However, it must be recognized that no practical extension of duration will be sufficient to meet all forms of unemployment. The insurance program alone can hardly be expected to prove adequate to the entire problem of unemployment and the needs created by it. In part, the need and demand for extended benefits is related to lack of alternative avenues of assistance. As long as unemployment insurance is the only program available to meet the needs of the unemployed there will be tremendous pressures upon it to extend itself, even beyond the boundaries permissible for an insurance program, to meet the needs.

The crisis in unemployment insurance is not unrelated to the shameful inadequacy or total unavailability of general unemployment relief in most states. About half have no organized program of general relief. In some communities general relief is specifically unavailable to the employable. In other areas it is restricted in duration or deliberately cut off at certain seasons, such as the summer months. In only a small minority of states is general relief offered at the same levels as the four federal-state assistance programs. There is no present or planned program of public works to take up the slack during periods of heavy and protracted unemployment. Therefore, when unemployment insurance is exhausted there is no provision for another and more suitable type of aid to pick up the former beneficiary.

Under such conditions it is not at all surprising that pressure mounts to transform unemployment insurance into an all-purpose relief operation. Therefore, the student of unemployment insurance must be concerned with the development of related unemployment programs. What is available to unemployment insurance beneficiaries after exhaustion of benefits will prove vital to the integrity of unemployment insurance in its character as an insurance program. In the long run it cannot stand up alone. There is, in fact, ample evidence that had the recession been deeper or even lasted a longer time, the so-called insurance principle might have been undermined. Bills had been introduced in Congress for direct grants for further extension of benefits and to blanket into eligibility even unemployed workers who had not previously qualified for benefits or been covered by unemployment insurance. That such proposals must ultimately lead to a means test of eligibility seems highly likely. The upturn of the cycle terminated serious discussion of such proposals before they had gained much momentum.

The panel may wish to give its attention to the question whether, given the current fact of unemployment insurance as the only instrument for meeting the needs of the unemployed, the insurance principle could withstand a more extended recession. And, since the insurance principle itself is controversial, does it matter?

II

The second broad issue is whether the present financial structure of federal-state unemployment insurance is adequate or whether there is need for some equalization devices. When the federal government passed the Temporary Unemployment Compensation Act early in 1958, the cumulated state reserves were over $8 billion. But most of the money was not available to states experiencing heavy unemployment. At the beginning of this year, 1959, there was still almost $7 billion in these reserves. But during the last half of 1958, the federal government had to advance to states over $300 million from the general treasury to meet the needs of increased duration. These advances were interest-free while the reserves in the Treasury were drawing interest from the federal government.

Moreover, six states had so depleted their reserves in the course of the recession as to become eligible for Reed Act loans. By April 1959, the federal loan fund was completely depleted although two of the eligible states had not actually requested loans.

Had the recession been more prolonged many other state reserves would have toppled. At the end of the first quarter of this year, even with the unequal incidence of unemployment, total state reserves had declined to substantially less than twice the benefits paid in the preceding 12 months. Before too much is attributed to the uncommonly heavy unemployment suffered by the states whose reserves became so depleted as to qualify them for loans, we should look at their cost and tax rate experience.

An analysis made by the Committee on Benefit Financing of the Interstate Conference of Employment Security Agencies shows that each of the states has consistently levied employer taxes at an average rate far below its average benefit costs, whether measured on a ten-year basis, 1949-58, or a five-year basis, 1954-58. Delaware collected only 50 percent of its costs in the five-year period, averaging only .6 percent of taxable payroll. The other five states did only slightly better proportionately. In the country as a whole, during both prosperity and recession, the average employer contribution rate has been steadily declining and reserves have been going down accordingly. The drains on reserves during the recessions of 1946, 1949, 1950 and 1954 were not replaced by raising taxes later. In no year since the end of the war have taxes averaged even as much as 1.6 percent of taxable payroll. The report states:

"The growth of reserves in these States and others has not kept pace with the growth of potential liability against them. The record shows that a number of states have not allowed reserves to grow in proper relation to the growth of the insured work force . . . rising wage levels and liberalization of the benefit formula.

"There have been also serious leakages from the funds of many States, such as the non-charging of benefits and other items with the result that such States have a 'paper' reserve (sum of employers' credit balances) which is considerably greater than the actual cash reserve.

"Tax rates have been lowered in the face of steadily rising benefit liability; . . . . Actually, the recession has highlighted a process of erosion in a number of State funds which has been in progress throughout the postwar period.

"It may be argued that 34 States have provisions for suspension of reduced rates when the reserves reach a certain low point. It is evident, however, that in many such cases these safeguards cannot be relied upon. Some are obsolete (use a dollar balance as a safe reserve level), tax rates are geared to fictitious reserves and hence bring into being tax rate schedules which fail to produce sufficient yield, safeguards are often circumvented or disregarded, and frequently there is bad timing in respect to their operation.

"In addition to reserve depletion, 17 states are confronted with the problem of repayment of funds advanced under the TUC program. Likewise, States which have borrowed from Reed Act funds will have to make repayment."

The Reed loan fund and the TUC Act were predicated on the theory that the states could be relied upon to adhere to prudent financial policies which would assure solvency in all but the atypical and unforseeable instances. Has the evidence supported this premise?

The Interstate Conference's Committee also pointed out, "In the absence of appropriate State or Federal action the next recession which might start, say, in the year 1961 or 1962, is likely to cause critical fund shortages in 1/5 to 1/4 of the states with presently low reserves and with an established practice of levying employer taxes at low average rates relative to their benefit costs." These include several of our largest industrial states, such as Illinois, Michigan, Ohio and Pennsylvania.

In the light of this and similar experience, the question is raised as to the likelihood that the individual states can or will take adequate remedial measures. If this is not a realistic expectation, is some form of federal action indicated? If so, what?

Is an enlargement of the present federal loan program, which the Administration has requested from Congress, a correct or sufficient approach to the difficulty? Very common now are proposals for a federal reinsurance program. These proposals take many forms but in general they would provide grants from a central fund to meet extraordinary obligations of states which cannot be met by them except at unreasonable tax rates. Unlike the loan programs this type of device introduces two new principles, for which it is both praised and condemned, 1) it partially spreads the cost of benefit risks among the states; and 2) it introduces the federal government as a grantor of benefit funds. It also opens the way for some central or national planning in unemployment insurance. Less frequently, this type of proposal is accompanied by the view that such special funds should derive from general taxation rather than from the designated unemployment payroll tax.

A central question regarding either of these devices, larger loans or grants, particularly the latter, is whether they can be operated successfully without recourse to some federal solvency standards for the states. Moreover, is it possible to have meaningful or equitable solvency standards without also establishing federal minimum benefit standards?

Virtually the only federal financial standard which is, in effect, mandatory upon the states is experience rating. It is alleged in some quarters that the solvency problem is in large measure a product of the pressures of competition for tax reductions created by experience rating. Others allege that interstate competition for tax reduction, and pressure for tax reduction within states irrespective of competitive factors, might be just as strong and effective without experience rating. The question is increasingly raised as to whether the individual States have evidenced capacity to operate systems of differential tax rates consistent with demands of solvency. In any case, it is now asked, is it not time to allow individual states a choice between experience rating and the uniform rate adjustment methods? Proposed legislation is now before the Congress to provide each state such an option.

One can approve heartily of the principle of experience rating and yet deplore the extravagant extremes now operating in some states. Is there, for example, any justification for zero contributions? Last year 92 per cent of all accounts in Colorado paid no tax, 50 per cent in Iowa, 78 per cent in South Dakota, 46 per cent in Wisconsin. The Interstate Conference's Committee on Benefit Financing, certainly not among the opponents of experience rating, has recommended establishment of a minimum rate in all states to assure at least that employers at the lowest cost end "contribute to the common cost." Similarly, the Committee points out:

> "The sharing by all employers of the costs above the established legal maximum is insurance against any one employer being hit too hard. With taxable wages becoming a smaller part of total wages, a fixed maximum rate gradually represents a lower rate on high cost employers' labor bill. If the maximum rate is to have the same meaning over a period of time, it should either be expressed as a percentage of total wages, or as an increasing percentage of taxable wages."

This leads us to the vital question of the tax base, still predominantly the first $3000 of wages. The original rationale for imposing this restriction in 1939, when the $3000 line included 95 per cent of total wages, has disappeared. In logic there does not seem to be any sound reason for making the base anything other than total covered payroll. To place the line firmly at an apparently immovable dollar point representing a progressively smaller proportion of total wages—now 67 per cent—will result in the eventual absurdity of having an apparently astronomical tax rate. The publicized tax rate, applying only to taxable payroll, is already misleading to the general public.

Other objections to the present low tax base include: 1) discrimination against relatively low wage industries; the higher wage industries pay a proportionately lower tax; 2) the general tendency to calculate reserves as a ratio of taxable wages is dangerous and misleading in giving a limited impression of the liability of the reserves; 3) tax rate adjustments are far less responsive to cyclical requirements when confined to a low tax base.

The Administration has this year recommended to the Congress that the federal unemployment tax base be lifted to $4200, a proposal which appears likely to meet successful resistance.

III

The third broad issue facing us is whether experience with the Federal-State system indicates that minimum federal benefit standards are necessary or desirable.

I have already suggested the inter-relationship among the proposals for federal reinsurance or grants, solvency standards, and benefit standards. Federal monies in the form of reinsurance or grants would seem to require some criteria of eligibility for state fiscal practices related to solvency; solvency standards to be meaningful require some criteria of minimum benefit standards. But benefit standards also deserve to be considered on their own merits. This is a question with some imminent practical aspects; it is a matter of common knowledge that a bill providing for federal minimum benefit standards failed to be reported out of the Ways and Means Committee this year by a margin of one vote.

There are no generally accepted criteria of benefit adequacy. Several different types of measures have, however, been widely discussed. The Bureau of Employment Security has over the past few years sponsored studies in several communities to determine the degree to which present benefit levels provide for the essential needs of beneficiaries. In general these studies indicated that single men could meet non-deferrable costs of living. Family heads fell on average about 40 percent short of the amount needed to meet non-deferrable costs. Yet, on average, family heads had earned wages about 50 percent higher than single men. Their benefits were, however, so curtailed by the operation of benefit ceilings that proportionately their benefits were less than those of single men.

Another criterion of adequacy is often employed. If one may judge by the voluminous testimony before Congressional committees, a rather large number of people take the benefits of the year 1939 as representing an ideal level of adequacy. Why this is so, they don't say. Such testimony usually proceeds to show that average weekly benefit amounts have since 1939 increased somewhat more than the Consumer Price Index, which presumably demonstrates both improvement and adequacy. This test appears to deny that benefits ought to be either wage related (a principle often regarded as basic to the insurance program) or reflect rising *standards* of living as well as *cost* of living. Moreover, it should be clear that if cost of living is used as a benefit criterion, and wages continue to rise more rapidly than the CPI, as has been the case, unemployment insurance will replace a continuously declining proportion of payroll during economic downswings and thus reduce the program's counter-cyclical value.

The unemployment insurance programs started with the rule of thumb standard that benefits should replace approximately 50 percent of wages for all but exceptionally highly paid workers. This is approximately the standard this Administration has been urging on the states since 1954. In fact, as is well known, there is no state in which a substantial majority receives this much compensation. In most states only a minority of workers reach the stated standard of 50 percent, due primarily to the sluggish movement of the firm dollar ceilings.

The evidence appears to indicate that these ceilings operate with inequitable and socially regressive results. Together with other factors they cause a weighting of benefits in favor of those in least need. In Ohio, for example, the part-time and "pin-money" workers received benefits averaging 73 percent of pay last year, while family heads earning the average weekly wage in that state were paid 41 percent of wages. Similarly, nearly nine out of ten men who received benefits in Ohio last year were held down by the $33 weekly ceiling, but only two out of five women were so affected. If ceilings were raised to a point where they permitted a benefit of 50 percent of wages for a substantial majority of workers, if would be family men, those most firmly attached to the labor force, who would profit most and it would reduce the present senseless discrimination against steady workers with heaviest family responsibilities.

The Karsten-Kennedy bills before Congress would set a federal requirement upon states that ceilings not be allowed to fall below a dollar figure equal to 66⅔ percent of average wages in the state. A few states have already adopted some version of an automatically adjusted ceiling in accordance with changes in average wages.

Professors Brown and Lester of Princeton have proposed another method to induce states to maintain more adequate benefit levels. They would tie reinsurance fund privileges to maintenance of benefit standards by conditioning state eligibility for reinsurance funds on tax and outflow ratios in the state. Eligibility for membership in the fund would depend upon a state maintaining an average tax rate of, say, 1.2 percent at all times. Then, for any quarter when benefit payments reached an established level of taxable payroll, say 2.7 percent, the fund would pay half of all additional benefit costs beyond that point. When payments reached a still higher level, say 3.2 percent, the fund would begin to pay three-quarters of the remainder.

Other devices have been proposed and others will suggest themselves to you. The question before the panel is whether the record indicates that some federal action is needed and, if so, what techniques would prove economically and administratively most effective?

DISCUSSION

R. L. HIBBARD
Director of Unemployment and Workmen's Compensation
General Motors Corporation

MR. CHAIRMAN AND MEMBERS OF THE CONFERENCE:

Because of time restrictions, I must limit my discussion to one of the five issues presented relating to the financing of unemployment compensation, — namely, the question: "Is mandatory experience rating an unreasonable federal standard in addition to being inconsistent with congressional intent?"

Before taking up this question, I should say that I disagree with the stated assumption that mandatory experience rating is inconsistent with congressional intent. The 1935 report of the Committee on Economic Security recommended that provision be made for experience rating. Congress expressly provided that the states may not reduce unemployment taxes except on the basis of experience rating. If Congress had not so intended, it would not have so provided. If Congress had since revised its opinion it has had the power to change the law. Aside from that, for reasons which I do not have time to develop, experience rating is not so likely to create problems with interstate unemployment tax differentials as would flat rate adjustments of unemployment taxes.

Contrary to what is probably the prevailing view here today, I sincerely believe that experience rating is absolutely essential to contain the harmful potentialities of unemployment compensation. It is not only reasonable, but necessary, that experience rating should be the only acceptable method of reducing unemployment taxes. The general public has an interest in the cost of unemployment compensation. The money paid out to those who are not working comes out of the production of those who are. The interest of employers justified by cost differentials under experience rating is a conserving force, essential to balance the pressure from beneficiaries for more and easier benefits.

Unemployment compensation has unavoidable effects on incentives, both for employes and for employers. Whether these effects are constructive or destructive depends on the policies followed in designing the law.

The effect of the law on employe incentives derives from the fact that the availability of income maintenance payments during unemployment enables the employe to be more selective (subject to statutory eligibility rules) about the work which he will seek and accept. Such payments make it financially possible for the employe to exclude from consideration some employment opportunities which he might otherwise feel impelled to accept.

Thus the benefit formula and eligibility rules of an unemployment compensation law are inextricably involved with incentive problems. In legislating on this subject, any legislature—state or federal—must balance the advantages and disadvantages of expanding the area of work opportunities which the beneficiaries of the program may reject at public expense.

Incentive reactions to unemployment compensation are by no means limited to employes. Business managers also react rationally to legislation changing the financial impact of various courses of action; and legislatures must also weigh the impact of unemployment compensation taxing policies on business decisions.

In the absence of experience rating—in other words under a system of uniform, flat-rate taxes—the incentives for employers would be neutral at best and, at worst, negative and destructive. There are many cases illustrative of this point, arising in situations where the individual employer's experience is so good or so bad that changes in it do not affect his tax rate under the experience rating formula.

In these situations there is an inducement for the employer to utilize unemployment compensation benefits as a wage subsidy, thereby putting burdens on the unemployment fund that properly should be borne by the individual employer. One example of this, brought to light recently by a legislative committee in Michigan, involved the use of unemployment benefits to discharge part of an employer's obligation to finance paid vacations for his employes. Other examples might involve resort owners who promise unemployment benefits in the off-season in recruiting employes, and employers who provide elective unemployment compensation coverage for their employes and then proceed to drain the state fund up to cumulative amounts equalling 25, 50 or even 100% of the employers' annual taxable payroll. Still other examples are to be found in the so-called staggered-work or skipped-week plans under which employers can maintain a surplus labor reserve without expense to themselves.

There should not be much argument about the proposition that the taxing formula of unemployment compensation should create incentives for employers to conserve the fund, not to dissipate it. Experience rating does create such positive incentives. This fact is implicitly recognized in the criticism which is levelled against experience rating by the representatives of the beneficiaries, when they blame experience rating for what they regard as unsatisfactory progress in increasing benefits and for what they contend is excessive litigation and delay of legitimate claims.

Management does not criticize the employment security program because it creates an incentive for representatives of employes to favor higher benefits or looser eligibility rules, or because the program creates an incentive for individual employes to contest the denial of their claims and to try to gain favorable interpretations of the law. It recognizes these as inevitable and natural corollaries of the existence of such a program. In view of this, the logic of the opposition to a mechanism which contributes to corresponding interest and activity on the part of employers is quite baffling and unacceptable.

In the absence of experience rating, the pressure for increased spending would be concentrated while the pressure for conserving would be diffuse. The result, as in physical bodies, would be movement in one direction at a constantly accelerating pace.

I have not so far referred directly to experience rating as an incentive for employers to stabilize employment. While there is a common tendency to discount this as a minor one of many factors, I should like to point out that some of the greatest deprecators of this objective have espoused it as an argument for supplemental unemployment benefit proposals.

The fact of the matter is that the long term trend of benefit increases has caused unemployment compensation to emerge as a dominant cost factor associated with irregular employment; and the cold logic of accounting analysis indicates that it is now financially practical to use some stabilization techniques which might not be justified were it not for unemployment compensation costs. Just as one example, under the Ohio law as recently amended, a temporary employe can, when laid off, draw benefits at his employer's expense equivalent to 100% premium pay for his straight time hours of work.

On balance, I believe there is little room for doubt that experience rating is essential to a constructive unemployment compensation program. There have doubtless been and will probably be some employers—as there have been some employes—who have abused their rights or neglected their obligations under the law. Abuse should be handled under the law by appropriate safeguarding and penalty provisions; but experience rating should no more be repealed because of instances of employer abuse than the benefits should be repealed because of employe abuse. On the whole, the record shows that employers appeal substantially fewer cases than claimants do, and that employers tend to prevail in their appeals more often than claimants. This does not support the taking away from employers generally of the fundamental right of appeal or of the source of their interest in the disposition of disputed cases.

Those of us who recognize experience rating as an essential balancing and conserving force in the program are disturbed by the lag in adjusting the revenue-producing capacity of the rating system to reflect the increasing liability resulting from increases in the scale of benefits. This results in a concentration of employers at the maximum tax rate, where added benefits have no impact on the employers' costs. At the same time, the resulting decline in the balance of the fund usually forces an automatic increase in the minimum tax rate, so that the experience rating incentive becomes inoperative at both ends of the scale.

Because of the importance which I attach to experience rating as an element of a sound and constructive unemployment compensation program, I would urge the many of you present who are interested in the program as a social mechanism, and not primarily from the standpoint of beneficiaries or taxpayers, to cease your attacks on experience rating and devote your efforts to strengthening it so as to preserve its incentives and better assure the solvency of unemployment funds.

RICHARD A. LESTER
Princeton University

Operating under the chairman's 7-minute rule, I must be brief and a bit dogmatic. For the most part I shall simply state conclusions without their factual support.

1. Unemployment compensation could be significantly more effective as an automatic stabilizer than it has been during the past dozen years.

   a. In the trough of post-war recessions, unemployment compensation met no more than one-fifth of the total wage and salary loss due to unemployment in this country.

b. The ratio of wage-loss compensation did not vary greatly with business conditions. The proportion of the Nation's wage loss from unemployment that was compensated by unemployment benefits appears to have been only a little higher in recessions than in good times, and has been low in the second year of a recession, due largely to exhaustion of benefit rights. In fact, the percentage of wage-loss replacement varied much as did the ratio of insured unemployment to total unemployment.

2. Within the principles and framework of our present program, unemployment compensation could be made perhaps 50 percent more effective as a countercyclical measure. That could be done by such means as (1) raising benefit ceilings at least to three-fifths or two-thirds of average weekly wages in covered employment, (2) improving benefit formulas so that most beneficiaries would have weekly benefits equal to 60 to 65 per cent of gross wage loss, and (3) extending the duration of benefits, with perhaps extra credit for longer employment records.

3. It must be recognized that there are definite limits to the countercyclical effectiveness of unemployment compensation as long as our basic social insurance principles are retained. They involve benefits directly geared to prior wage records or contributions.

a. Cyclical variation in benefits relative to normal wages, with a considerably higher percentage replacement of individual wage loss when unemployment is substantial and a smaller percentage in times of high-level employment (as proposed by Professor J. K. Galbraith) certainly would undermine the "insurance" character of the program. Also, to switch back and forth between two or more different benefit standards and different basic philosophies of compensation would be almost as upsetting and incomprehensible to the individual recipient as a similar program of countercyclical variation in old-age benefits or in wage scales.

b. Temporary extension of benefit duration according to the severity of unemployment (as now embodied in six state laws and as practiced in 1958-59 under the Temporary Unemployment Compensation program of extended benefits) is less incomprehensible but nevertheless does some violence to the "insurance" concept. As a countercyclical measure, variation of benefit duration is much less effective than more adequate benefit levels, or Galbraith's variation in benefit standards, would be.

4. Countercyclical variation in employer tax rates would, at best, have only slight stabilizing effects on the economy and would be most difficult to operate successfully under our present Federal-State arrangements. Therefore, a fairly stable average tax rate over a cycle seems a more practical, if not a more desirable, objective, even from a cyclical viewpoint.

a. For most states, average unemployment tax rates in the post-war period have tended to vary cyclically, with a lag of a year or two, because (1) experience rating for the most part is related to individual reserve ratios which go down in recessions, (2) employer tax rates in many states vary inversely with the size of the state's reserve fund, and (3) many industrial states, especially recently, have tended to disregard long-run solvency considerations (they have raised benefits, lowered taxes, and declined to build up a significant reserve to repay their TUC expenditures to the Federal Government and to meet drains during the next recession).

b. Countercyclical variation of the tax (with the same total intake over a complete cycle) would seem to involve too small a fraction of total costs to make much difference in the cyclical variation of business. On $3,000 a year of wages (which is about $1.50 an hour), a one percent increase or decrease in a state's average unemployment tax rate (a really significant change) would mean a difference of only 1.5 cents per hour on the wage bill. Presumably such a countercyclical variation would have little effect on firms' decisions with respect to the timing of investment in plant and inventory or other expenditures over a cyclical swing.

5. The general conclusion is that, through improved benefits, an additional, if somewhat modest, contribution could be made to stability of the economy.

WILBUR J. COHEN
The University of Michigan

Unemployment insurance is a controversial area of economic and social policy. There is undoubtedly more difference of opinion about the objectives and the specifics of unemployment insurance policy today than there was twenty-five years ago when the program was first established.

Despite these differences, no responsible group wishes to abolish or modify the "basic principles" underlying the insurance concept. Employers, unions, and the general public—despite their dissatisfaction with specific provisions of the program—all recognize the necessity of providing unemployment insurance if a free market economy is to be preserved in a democratic society.

It is not difficult to understand the reasons why there are sharp differences of opinion on unemployment insurance policies. The program affects individuals, enterprises and the economy in many sensitive ways. It not only affects incomes and taxes but it has a relationship also to motivation, incentives, and concepts of income adequacy. It touches, therefore, on the basic value judgments people have on many subjective factors. Some of these judgmental-subjective factors are not settled in any final sense by either collective bargaining or by the legislative process. They are opened to re-examination from time to time as dramatic changes in experience in the economy occur, such as during a recession, war, continued periods of high employment, or as a result of persistent long-term unemployment, or the existence of surplus labor market areas.

In the twenty-five years of unemployment insurance experience, the recession of 1957-58 was the first time that the system really was subjected to basic modification. The recessions of 1938–39, 1949–59, 1953–54 and the post-war reconversion problems of 1945–46 produced a number of legislative proposals but no major lines of new policy were adopted. The threats of Federalization and Federal minimum benefit standards produced some improvements in State benefit levels over the years. But many benefit and financing problems remained unsolved. The recession of 1957–58 pointed up the glaring inadequacies in the system.

The result was that it became incumbent upon the Eisenhower Administration in 1958 to take the first decisive step in the history of the program to superimpose a kind of Federal benefit standard upon the State programs. The Temporary Unemployment Compensation Act (TUC) despite its permissive and loan aspects clearly admitted a failure of the State-by-State system. It admitted the necessity and validity of some Federal action and some Federal financing in making unemployment insurance play a more effective role in the recession. And, in addition, it changed the entire discussion on the appropriate duration of benefits. TUC has now died a natural death.

But many questions still remain centered about how the present unemployment insurance system will fare in the next recession and, at the same time, in a period of economic growth; the probable lines of State and Federal action in the interim; and alternative lines of policy to meet the various kinds of unemployment which might occur.

The complexity and confusion of the public policy questions involved in dealing with the issues just noted is due to the continual intermixing of several interrelated—but separable—issues:

(1) The question as to the *objectives* of unemployment insurance;

(2) The extent of its *role* in meeting different kinds of unemployment, i.e., seasonal, structural, cyclical, voluntary, etc.;

(3) The definition of *adequacy* in the program and the extent to which the individual should meet part, all, or none of the burden of his unemployment;

(4) the *role* of the Federal and the State governments in establishing objectives, the standards of adequacy and administration; and

(5) The *financing* of the program: employer, employee, and governmental general revenues contributions, and their share and amount; and the operation of "experience rating."

As matters stand, therefore, at the beginning of 1960, some 30 years after the outbreak of the depression of 1929, the following "facts" emerge:

1. *Unemployment insurance is here to stay, but in what form or extent does not seem quite clear.* There is no general agreement as to what should be its primary objective. There is no general agreement as to its role in dealing with short-term, long-term or persistent unemployment, or to the role of the States or the Federal government in the program. Finally, there is sharp and conflicting criticism of the program from labor, management and the community. Unemployment insurance thus differs significantly from the situation in which the OASDI program currently finds itself.

2. *Supplemental unemployment compensation plans have not evolved as a significantly widespread private program.* In this respect, the relationship of private supplemental unemployment benefit plans to unemployment insurance differ from the relationship of private pension plans to OASDI. Private pension plans

are more widespread in the number affected than SUB plans. Based upon present trends, it is not likely that SUB (or dismissal or severance pay plans) will become a significant factor in the near future in meeting a major share of recession unemployment for the nation as a whole.

3. *General assistance programs are in a sorry state.* In a number of States employable persons are not eligible for assistance. In others, the locality must bear the entire cost of assistance; hence, any aid is very limited and inadequate. Of particular importance is the fact that local financing makes it difficult, if not impossible, to expand the program when unemployment occurs and local tax income is even more limited than in other times. It is shocking, but it is true, that the nation had a more comprehensive and more adequate general assistance program in 1934 than it has today!

4. *Public works programs directed to meeting the needs of unemployed persons have not emerged.* In a few communities there are work-for-relief programs. But a public works program of productive investment organized to be accelerated when unemployment occurs or to utilize the skills of the unemployed, has not seemed to have had much appeal to the localities, States or to the Federal government. It still appears that the prevailing attitude is to try to make unemployment insurance handle a larger part of any unemployment problem before initiating any kind of widespread works program.

5. *Significant developments have occurred in unemployment insurance recently particularly as a result of the 1958 recession. These developments are likely to have important long-run effects on benefits and financing and on the role of unemployment insurance.* The most significant developments in the entire 25 years of the program probably have occurred in the last couple of years. These developments are (as of October 1959):

A. Four States for the first time have a maximum duration of regular, *permanent* benefits longer than 30 weeks. They are:

Colorado	32.5 weeks
Wisconsin	34 weeks
Utah	36 weeks
Oklahoma	39 weeks

Five additional States have a duration of over 26 weeks and up to and including 30 weeks. They are:

Louisiana	28 weeks
New Mexico	30 weeks
Pennsylvania	30 weeks
Massachusetts	30 weeks
Washington	30 weeks

B. Six States for the first time have a *permanent* provision in their laws to extend the duration of benefits for the period of time when high unemployment occurs. These States—and the maximum additional benefits provided:

California	13 weeks – to 39 weeks
Connecticut	13 weeks – to 39 weeks
Idaho	13 weeks – to 39 weeks
Illinois	13 weeks – to 39 weeks
North Carolina	8 weeks – to 34 weeks
Vermont	13 weeks – to 39 weeks

Thus, under present provisions of law, ten States in a recession period might be paying benefits over 30 weeks—six as long as 39 weeks.

C. Five States now provide by law that the maximum weekly benefit amount is to be set *automatically* by the application of a specified percent in the law to average weekly wages at periodic intervals. These States and the percents are:

Wyoming	55%
Wisconsin	52½%
Kansas	50%
Utah	50%
Vermont	50%

D. The Federal Government, for the first time, took emergency action to encourage the improvement of benefits in a recession period. By encouraging States to extend the duration of benefits to 39 weeks, a new "standard" for duration was established. Moreover, the situation indicated more clearly than ever before the importance, necessity and feasibility of the Federal Government taking a more affirmative role in unemployment insurance.

It would hardly be wise to wait for another recession before we again tackle the problems arising from unemployment. Some further changes in the unemployment insurance program are overdue. The amount and duration of benefits provided for insured workers are inadequate in many States. Many workers are entirely excluded from the protection of unemployment insurance. General assistance is not available in all communities to unemployed persons nor is it financed in such a way to meet their needs.

Now that our economy is once more expanding, we are in a position to proceed deliberately and to carry out permanent improvements in these two programs, not only with a view to mitigating individual hardships but also with the objective of aiding our economy to better meet the many problems arising during a recession.

Once we succeeded in devising a system of unemployment insurance that is more comprehensive in coverage and better suited in its benefit provisions to the needs of the unemployed, and establishing a more comprehensive and flexible general assistance program, we should then be able to more calmly appraise the necessity for other programs, or modifications in existing policies or programs. It would not be realistic to assume that unemployment insurance and general assistance could handle satisfactorily any and all unemployment episodes we might experience in the coming decade or two. But we do have the structure of these two programs in effect today. They are staffed and in operation. They can be vastly improved in 1960 and ready to do a better job in 1961 and 1962. This is their great virtue. We should always be willing to discuss whether the house needs a new roof or we should move to a new house. But let us not wait any longer to fix the roof before it rains again.

Part V

THE ECONOMICS OF THE MINIMUM WAGE

AMERICAN MINIMUM WAGE LAWS: THEIR PURPOSES AND RESULTS

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We in the United States are now approaching the half-century mark of experience with the legal regulation of minimum wages. There is still an active controversy as to whether governments should regulate the wages paid by private industry and, if so, at what level and determined by what method. Meanwhile, we have accumulated some very considerable knowledge as to the actual and probable results of the operation of minimum wage laws, and, of course, we still have much to learn.

This paper will begin with a broad historical review of social attitudes toward wage regulation. Next, we shall remind ourselves of the checkered history of minimum wage laws in this country. Against this background, the shifting arguments about minimum wage laws will be examined.

In a broad sense, regulation of wages by the community is nothing new. The remuneration for human effort has been regulated throughout most of man's history—either by custom or by some type of explicit law. However, the purposes of wage regulation have changed greatly over the centuries.

Prior to 1800, wage regulation was used primarily to keep every person in his established economic place. No equalitarian or progressive aim was involved in those earlier days. It was generally agreed that a goldsmith should earn more than a weaver, although not even Adam Smith could explain just why this should be. Wage regulation, and the related regulations of product prices, quality and apprenticeship did, however, aim to give each class of workers an assurance of security in what was considered to be the appropriate economic status of each group.

After about 1300 A.D. these wage laws and orders were progressively undermined by the commercial, the agricultural, and the industrial revolutions in Western Europe. New products, new processes, new occupations, drastic changes in the value of money, and the uprooting of peoples (as by the enclosures in Britain) gradually made impossible the maintenance of the former legal and accustomed standards of reward.

Toward the close of the eighteenth century in Britain, the absurdity and ineffectiveness of the remnants of governmental wage regulation became especially apparent. Thereupon the accepted social policy took a 180-degree turn. Adam Smith became the great popularizer—although, of course, not the originator—of the new doctrine of laissez-faire. The free market, rather than guild or government regulation, was now supposed to be the best regulator of wages, as of all prices. Smith himself was a humanitarian reformer. If the minimum wage regulations of his time were abolished, Smith believed that the lowest-paid of the workers could and would improve their economic position. Some twenty years after Smith died, his doctrines had become generally accepted in Britain—not, however, as a reform but as a defense against any proposal to improve the lot of the common laborers.

The most congenial soil for the application of the laissez-faire doctrine turned out to be in North America. Here, prior to 1850, labor was in relatively short supply. Consequently, a free market for labor provided wages which were fabulously high as compared to those in Europe at that time. Here, there were few traditional occupations and there was no established social hierarchy. The laissez-faire views of men like Jefferson were intended—as were those of Adam Smith—to keep the dirty hands of government from interfering with the desired improvement in the economic conditions of the common man.

After 1870 free labor markets came to have a different practical effect in America. The great factual change consisted of the flood of new immigrants who came, increasingly, from the least-fortunate parts of Europe. Around the year 1907 the annual immigration to the U.S.A. had reached a volume of more than a million persons a year. For these new immigrants, a wage of a dollar a day represented a great improvement. That same wage seemed scandalously low to the workers who were already established in the U.S.A. Free labor markets now meant that the new immigrants, including their wives and daughters, could be paid the lowest wages they would accept. This low-wage competition threatened, in turn, the wages of everyone else.

A spiritual change also took place. This change was rooted in a religious revival which had begun in the 1840's. The chief exponents of the new attitude were clergymen and social workers. After 1890, social settlements began to spring up in the most distressed districts of all the large American cities. Gradually, the social workers came to demand that governments should require the payment of some minimum wage, whether or not the worker was willing to accept a lower wage. This second about-face in social policy—away from laissez-faire and back to collective responsibility—could be translated into action only gradually. Between 1912 and 1923, however, minimum wage statutes were enacted in 15 states, the District of Columbia and Puerto Rico.

This early minimum-wage was brought to a halt by the 5-to-4 decision of the U. S. Supreme Court in the Adkins case of 1923.[1] A bare majority of that court decided that the minimum wage law of the District of Columbia was unconstitutional because it sought to prevent a person like Willy Adkins, an elevator operator, from exercising that freedom of contract which had been guaranteed her by the 14th Amendment to the Federal constitution.[2] As long as the Adkins decision was controlling, all the minimum wage laws and orders of the various States were equally unenforceable. Thus a provision of the Constitution which had been designed to protect the liberated Negroes came to be used, in fact, to demolish the government's attempted protection of the wages of working women.

During the ebullient 1920's, the protests of socially-responsible people against laissez-faire were feeble indeed. There were relatively few new immigrants now and there was a common impression that everyone was getting rich by buying common stocks. Social workers tried to remind the public that there were millions of poorly-paid, unemployed and disabled citizens, still dependent on relief but the private-market concept prevailed. After that came the Great Depression and, as a result, a revival of the minimum-wage movement in the curious form of the National Industrial Recovery Act of 1933.

N.I.R.A. combined the social-welfare purpose of the old minimum-wage laws with a new idea that increased minimum wage rates would revive total employment by increasing total purchasing power. The Act was nation wide in application and under it the Federal government sought to support both employers and employees in raising prices, fixing quality standards and raising money wages under the so-called industry "codes of fair competition." The mini-

[1] *Adkins vs Childrens Hospital* 261 U.S. 525, 43 Sup. ct.

[2] An excellent criticism of the Adkins decision appears in Harry A. Millis and Royal E. Montgomery: *Labor's Progress and Some Basic Economic Problems* (New York, 1938, McGraw-Hill), pp. 328-342.

mum wages, thus arranged, applied to men as well as to women and children for the first time in American legislative history.

The N.I.R.A. died on May 27, 1935, after only operating for about two years. As soon as the Supreme Court got a chance to review a case which challenged the delegation of law-making powers, the Court decided that N.I.R.A. was invalid because it, like the earlier minimum wage laws, violated the individual freedoms which had been guaranteed by the Federal Constitution. The famous "sick chicken case"[3] did not explicitly involve minimum wages, but the Court's decision in this case made unenforceable the whole structure of NRA regulations, including the minimum-wage provisions. Actually, it is probable that by 1935 the NRA had outlived its usefulness as an economic stimulant. President Roosevelt assailed the "nine old men" on the Supreme Court for striking down N.I.R.A. and other New Deal measures. He tried, and failed, to "pack" the Court. He pushed through a National Labor Relations Act and a Fair Labor Standards Act. But, significantly, President Roosevelt never tried to revive anything like the N.I.R.A. Looking backward, the reason appears to me to have been fairly clear. The theory that government-sponsored increases in both product prices and wages would produce "full employment" seemed to have been working temporarily, in 1933 and 1934, but not in 1935. In 1933, the creation of a belief that wages would not continue to *fall,* as they had since 1929, probably would have released the delayed investment expenditures of private business enterprise, whether wage rates had been raised or not. But *increased* money wages meant not only increased money costs. By 1935, the cost effects of N.R.A. had caught up with the spending effects.

After the demise of the N.R.A., the government appeared, for the time, to have only a very minor power to influence the wages paid by a private employer. This remaining power consisted of the government's right as a purchaser. As far back as 1931, the Bacon-Davis Act had required the payment of so-called "prevailing wages" on construction projects under contract with the Federal government. In 1936, the Walsh-Healy Act extended the "prevailing wage" requirement to Federal procurement contracts, generally. The purpose and method of operation under the Bacon-Davis and Walsh-Healy Acts have been somewhat different from those of the main

[3] *Schechter Poultry Corp. vs U.S.* 295 U.S. 495.

body of minimum wage regulations. In actual practice, the phrase, "prevailing wages" has often been interpreted to mean the wage scales of union-management agreements.[4] The operational effect has been to prevent employers who paid less than "prevailing wages" from becoming successful low bidders for government contractors. No one seems to have analyzed adequately the actual effects of these two public-contracts laws—or the similar ones in the various States and local communities.

What mainly survived, with respect to Federal regulation of minimum wages was the Fair Labor Standards Act of 1938. Under F.L.S.A., the constitutional Federal power to control commerce between the States was used as a basis for governmental stipulations of minimum wages. No collective price-fixing was involved this time. The minimum scales of wages—in contrast to those of the earlier State laws, but similar to those of the N.R.A. codes—applied to male employees as well as to women and children.

The first actual standards under the F.L.S.A. regulations were modest, taking the country as a whole. For the first year, the minimum wage was set at 25 cents an hour; for the second year at 30 cents and from then on the wage minima were to be recommended by tri-partite "industry committees" in the range between 30 cents and 40 cents an hour, subject to a universal minimum of 40 cents by 1945, i.e., after seven years. Many of these industry committees were set up, and between 1938 and 1941 they struggled with problems as to whether the minimum wage in a particular industry, should be 32½ cents, or 35 cents, or 37 cents, or 40 cents. After the outbreak of World War II, this struggle almost ceased and by 1944 all the minimum rates for interstate operations in the continental U.S. had moved up to 40 cents. In 1950, Congress amended the Fair Labor Standards Act to provide a universal minimum (for mainland workers involved in interstate commerce) of 75 cents an hour and simultaneously Congress abolished the mainland "industry committees." Since 1956, the Federal minimum for the continental U.S. has been $1.00 an hour. The present controversies, as we all know, are whether this $1.00 Federal minimum should be raised further and whether

[4] For adverse criticism of the union-scale interpretation of "prevailing wages," see: Joseph M. Stone and John R. Brunozzi, *The Construction Worker Under Federal Wage Laws* (Washington, D.C. Livingston Press 1959), and John F. Van Sickle, *The Walsh-Healy Public Contracts Act* (New York, American Enterprise Assn., Inc. 1952).

the coverage of the Federal law should be extended to cover more than the 24 million employees who are now covered.

Even before the Federal government enacted the Fair Labor Standards Act, the various States had begun to revive and to extend their own minimum wage laws. Actually, it was the Supreme Court decision on the Washington State law [5] which encouraged Congress to pass the Fair Labor Standards Act of 1938. In 1937, the U.S. Supreme Court explicitely reversed the decision of the old Adkins case and decided that a government stipulation of minimum wages might be a proper executive exercise of the power of government under the Constitution. That West Coast Hotel decision was probably the most important event in the history of American minimum wages laws. At present 34 States, the District of Columbia and Puerto Rico now have minimum wage laws of their own. These State laws apply to a total of some 4 million workers—most of them workers in intrastate employment who, for that reason, are not the most part covered by the Federal law.

When we come to assess the results of these minimum wage laws and regulations, we need to remind ourselves, once more, of their very special objectives. In the United States (and in Great Britain), legal minimum-wage regulation has, by and large, been devoted to the limited purpose of raising the wages of the lowest-paid workers, who constitute a small minority of the whole body of employees. For example, just before the present Federal $1.00 minimum was put into effect, only about 10 per cent of the covered workers were receiving less than $1.00 an hour.[6] (It is true, however, that nearly 30 percent of the covered workers in the South had been receiving less than that amount.) With the exception of a brief period in the 1930's Americans have not sought to use minimum-wage laws as a substitute for the free labor market or for collective bargaining as a means of regulating wages generally. And, of course, *minimum*-wage regulation—as distinct from war-time wage control—has not had the medieval purpose of keeping each worker in any pre-determined, static economic position. Have American minimum-wage laws achieved this limited purpose of raising the wages of the minority of the lowest-paid workers?

[5] *West Coast Hotel Co. vs Parrish.* 300 U.S. 379.

[6] U.S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1179, *Factory Workers' Earnings, April 1954* (Washington: Government Printing Office, 1955).

Half a century ago, when minimum wage laws were being proposed in the United States, many leading economists were predicting that such governmental regulations could not improve the economic position of the lowest-paid workers. The logic behind this position was best expounded in America by John Bates Clark.[7] Real wages, said Clark, were determined by the "specific product of labor"—we now call it the marginal product. Any so-called "arbitrary" action to require an employer to raise a wage would merely result in the disemployment of the workers who had previously earned less than the stipulated minimum.

We now know, from experience, that it is indeed possible to raise the wages of the lowest-paid workers by governmental action. It has happened, again and again, during the last 40 years in the United States. What, then, was wrong with the predictions of the orthodox economists of 50 years ago? What was wrong, I suggest, was simply a confusion between the large and the small, that is, a failure to distinguish sufficiently the macro and micro aspects of economic problems. J. B. Clark, and other economists around the beginning of the twentieth century worked out a good general answer to Karl Marx as regards the overall share of wages in the total economic product of a society. The marginal theory has, indeed, proven to be a reasonably good instrument of prediction of the shares of the factors of production in any given total national product, as, I believe, Paul H. Douglas demonstrated 25 years ago.[8] Quite different, however, is the extreme micro proposition that every employer is always already paying to each worker as much as that individual worker contributes to the employer's marginal revenue. In individual cases and in the short run, the employer doesn't even know what the marginal contribution of an employee may be. Furthermore, as Professor Richard Lester [9] has been saying for many years, the actual situation is nearly always a dynamic one. Require an employer to pay more than he did before and all kinds of changes may occur, of which

[7] *The Distribution of Wealth* (New York, Macmillan, 1899, 1927), especially Chap. VII. For an account of the use of Clark's reasoning by opponents of minimum-wage regulations, see Jean Alice Wells, "Effects of Minimum Wage Laws in the United States" (unpublished M.S. thesis, Ithaca, N.Y., Cornell University, 1953), pp. 12-22. An influential American example of orthodox views, not mentioned by Miss Wells, was Frank W. Taussig, "Minimum Wages for Women," *Quarterly Journal of Economics,* 30, May 1916.

[8] *The Theory of Wages* (New York: Macmillan, 1934).

[9] e.g., *Economics of Labor* (New York, Macmillan, 1945) Chap. 12 (pp. 304-342) and *Labor and Industrial Relations* (New York, Macmillan, 1951 Chap. 19 (pp. 361-379).

only *one* is that the employer may choose to reduce the quantity of labor employed rather than to pay the increased money wages to the previous number of units of labor.

Another of the early objections to minimum wage laws was that the legal minimum wage would become the actual maximum wage. This prediction used to make the skilled male workers very fearful of proposals to raise the wages of women and children. The implication of this second argument was that the employer had some fixed total wage bill and was already paying all he could afford to his employees as a group. The employer might not know precisely what was the individual marginal product of Sally or of John but he was supposed to be paying the maximum possible to his whole group of employees, taken together. Raise the wage of Sally, it was contended, and you would automatically force a reduction in the wages of John. Raise all the Sallys enough and no one would be able to earn more than the stipulated minimum wage. One might characterize such a thesis as one based on a wages-fund theory and a subsistence theory rolled into one. Actual experience has never, to my knowledge, supported any such prediction. There is, after all, something like a structure of wages—loose and changeable as it may be.

An exact reversal of the theory that the minimum would become the maximum has had a great vogue among employers especially, as I remember, in the 1938-to-1940 period of the F.L.S.A. industry committees. This opposite objection was that the wages of every employee would have to be raised as much as the law required the wages of the lowest-paid employee to be raised. Today it is incredible to remember to what extremes this argument was pushed—not simply in terms of cents-per-hour but in terms of percentages. Thus, it used to be said that if there were a single employee to be raised from 25 to 35 cents an hour, which would be a 40 percent increase in his particular wage, then all the other employees would have to get a wage increase—not merely of 10 cents but of 40 percent! We are now all accustomed to the historic narrowing of percentage skill-differentials, and I presume that accounts for the fact that even the most extreme opponents of increased minimum wages no longer try to scare us with predictions of increased cost such as those which might be projected from an across-the-board percentage increase, based on the percentage increase to the lowest-paid worker.

We still have much to learn about predicting the impact of a given minimum on the employer's payroll costs, but we have learned a good deal in this regard during the past 20 years. Analysts all begin, these days, not with a mere wage average, but with the preminimum distribution of actual wages. From such a distribution it is easy to calculate the so-called "direct impact"—taking into account the number of workers at each wage below the contemplated minimum and the amount of increase for each of these numerical groups that would be needed to bring them up to that minimum. Up to this point we are assuming, tentatively, that employers will take no action except to comply with whatever minimum wage is being proposed.

To predict the entire effect of a new minimum, we need, additionally, to make some estimate of the indirect or "bumping" effect on wages above the minimum. Here, no such mechanical computation suffices and so in the past, the field has been open to extremely prejudiced contentions. However, we are gradually learning something about the probable indirect impacts.

The first generalization as to indirect impact, now supported by the results of study after study, is that this indirect impact will be small in relation to the direct impact, during the first few months after a minimum is raised. This seems to be the case whether the *direct* impact by itself is a large or small one. I recall one extreme case of the piece workers in the Southern cotton garment industry who had been earning between 10 cents and 40 cents an hour before the 25-cent minimum was first imposed. The first reaction of the employers in this situation was simply to "make up" all the earnings to the 25-cent minimum. For the time being, there was no indirect impact at all. The employer's adjustment in this case largely destroyed the effect of their piece-rate system, but it was—for the moment—the cheapest thing the employers could do to comply with the law. Of course some of the former differentials in individual earnings were gradually restored. But, in economic life, there is a world of difference between "now" and "eventually." *Eventually,* all kinds of events impinge on an industry. *Eventually,* a wide variety of adjustments can be made. But the specific effects of a former minimum-wage order become more and more difficult to discern as time goes on. It is the immediate effect of a wage order—the effect within the first few months after it is applied—that lends itself best to useful analysis. Hence, I have always found studies of immediate effects to be much more meaningful than those which tried to canvass the situation after some considerable time had elapsed.

Parenthetically, I remember with some amusement the attitude of a very intransigent employer-member of the New York State Minimum Wage Board for the dry-cleaning industry whose chairman I happened to be in 1956. In an effort to minimize the employer-union antagonism within that board, I arranged to invite the board members to meet in Ithaca, at the School of Industrial and Labor Relations. This employer member had thought this to be an excellent idea. "In that academic atmosphere," he told me, "we may be able to agree better." Then what did he do? He amazed our college students by stopping them in the corridors to complain to them about how he was being abused by the rest of the Board members. When it came to the deadline for decision by the Board, this same intransigent member threatened not only to dissent from the majority recommendation but also to issue a public blast which might have undermined the moral authority of the minimum wage which was about to be recommended. It was at this point, that the skillful diplomacy and the economic perception of Professor Lubin came to the rescue. It turned out that our employer friend was mostly upset about that part of the proposed wage order which would eventually abolish the learner exemption from the general minimum and thus might force him to raise some 5 percent of his employees' wages by 5 cents an hour—not at that time but two years following the effective date of the new order! Professor Lubin, at that time the New York State Industrial Commissioner, made that employer member of the board a memorable "promise": If the cost of abolishing the learner clause threatened to put him out of business, two years thereafter, he, the Industrial Commissioner, would have authority to reconvene a board to reconsider that clause. The Commissioner had that authority in any case, of course, but the reiteration of this obvious statement of fact satisfied the employer and resulted in a unanimous board recommendation. Two years later, when the "learners" had to be paid the standard minimum wage, there was no protest at all from the employer in question. The point of this anecdote is that the objecting employer was finally led to see that a problematic item of increased cost which might occur two years later was very different from a cost which would occur next month.

The extent of the indirect impact on wages of an increased minimum depends on many complex factors. But, if we have no simple formula, we are, at least, accumulating a better factual basis for judgment than before—thanks to the improving character of the statistical studies. Most of the studies of early State laws, as Jean Wells [10] has shown, were based on very crude data, and, moreover, they generally failed to distinguish between a situation where the wage order had little or no effect on actual wages from those where it had had a substantial effect. More penetrating were the later analyses by A. Ford Hinrichs, Harry Douty and associated economists of the Federal Bureau of Labor Statistics of the various impacts of the Federal minima on cotton textiles,[11] seamless hosiery,[12] cotton garments,[13] fertilizer manufacturing,[14] wood furniture manufacturing[15] and southern lumber.[16] Still more illuminating have been the later studies of the effects of the Federal $1.00 minimum which have been made jointly by the Wage and Hour and Public Contracts Division and the Bureau of Labor Statistics.[17] The general results of these studies of the $1.00 Federal minimum are about to be summarized and interpreted by Harry Douty in a forthcoming article in the British professional journal *Economica.* The older studies have been critically reanalyzed by John M. Peterson in the *Journal of Political Economy* [18] and in the *Industrial and Labor Relations Review.*[19]

[10] *op. cit.*, Chap. II.

[11] A. F. Hinrichs, "Wage Rates and Weekly Earnings in the Cotton Textile Industry, 1933-1934," *Monthly Labor Review:* 40, No. 3, March 1935, p. 612-625.

[12] A. F. Hinrichs, "Effects of the 25-cent Minimum Wage on Employment in the Seamless Hosiery Industry," *Journal of the American Statistical Association:* 35, No. 209, Part 1, March 1940; U.S. Department of Labor, Bureau of Labor Statistics: *Earnings in the Seamless Hosiery Industry under the 32.5-Cent Minimum* (Serial No. R.1325), 1941, 22 pp.: H. M. Douty, "Minimum Wage Regulation in the Seamless Hosiery Industry," *Southern Economic Journal:* 8, No. 2, October 1941, pp. 176-190; U.S. Department of Labor, Wage and Hour Division: *Minimum Wages in the Seamless Hosiery Industry* (Washington: Government Printing Office, March 1941), 138 pp., processed; "Effects of the 75-Cent Minimum: Men's Seamless Hosiery," *Monthly Labor Review,* 72, No. 6, June 1951, pp. 674-676.

[13] U.S. Department of Labor, Bureau of Labor Statistics: *Effects of a Minimum Wage in the Cotton-Garment Industry* (Serial No. R.1415), 1942, 29 pp.; *Idem: Earnings and Hours in Men's Cotton Garment Industries,* 1939 and 1941 (Bulletin No. 719), 1942, 25 pp.

[14] U.S. Department of Labor, Bureau of Labor Statistics: *Fertilizer 1949 and 1950* (Wage Structure Bulletin, Series 2, No. 77), 1951, 35 pp. processed.

[15] "Effects of 75-Cent Minimum: Wood Furniture Industry," *Monthly Labor Review,* 72, No. 6, June 1951, pp. 672-674.

[16] U.S. Department of Labor, Bureau of Labor Statistics: *Lumber in the South* (Wage Structure Series, No. 76), 1950, 34 pp., processed.

[17] For summaries of these numerous studies, see U.S. Department of Labor, Wage and Hour and Public Contracts Division, *Studies of the Economic Effects of the $1.00 Minimum Wage* (March 1957) and *idem, Annual Report of the U.S. Department of Labor,* Fiscal Year 1958 (January 1959), pp. 203-252.

[18] October, 1957, LXV, No. 5, pp. 412-430.

[19] April, 1959, 12, No. 3, pp. 406-422.

The conflicting interpretations of Peterson and of Richard Lester are about to be published in the forthcoming January 1960 issue of the latter journal.[20]

Rather than commenting directly on the material which has been published or is about to be published, I should like to refer to some findings of the new impact studies in the State of New York which are still in process. These results may not become generally available for some time to come. These are studies of the effects on the retail trades of the $1.00 minimum of New York State. They go somewhat beyond the mere attempt to disprove what is false and attempt to discover somewhat more than we have known about what is likely to happen when a higher minimum wage is established, in what circumstances, and why it happens that way. In addition to a current Statewide survey by the New York State Department of Labor, several researchers at Cornell University have probed smaller, local subsamples of retail trade so that the interviewing and case analysis might be made more detailed than is usually practicable in the case of a large-scaled investigation. I am particularly familiar with the unpublished work of Marian Stever[21] and have her permission to mention some of her preliminary findings as part of my present remarks.

Miss Stever deliberately avoided a characteristic sample and, instead, picked 42 retail stores in Syracuse and Auburn, N.Y.—every one of which had had at least one employee whose wages had

[20] See also, Paul A. Brinker, "The $1 Minimum Wage Impact on 15 Oklahoma Industries," *Monthly Labor Review;* 80, No. 9, pp. 1092–1095 and "Plant Adjustments to the $1 Minimum Wage," *Monthly Labor Review:* 81, No. 10, pp. 1137–1142.

[21] Marian A. Stever, Manuscript of Ph.D. thesis, Ithaca, N.Y., School of Industrial and Labor Relations Cornell University. Miss Stever's findings appear to be generally consistent with those of a somewhat more extensive study of the effects of the recent retail trade order as conducted by a group of interviewers and analysts under the direction of Professor Robert F. Risley and Antonia Nell of the New York State School of Industrial and Labor Relations at Cornell. This study was made possible through the assistance of the U.S. Department of Agriculture, Bureau of Agricultural Economics, Imogene Bright, economist. The Risley-Nell-Bright study has been based on repeated periodic visits to 50 retail food stores in the central section of New York State. In the latter study, average store margins, as computed on the basis of 31 items, increased during the course of the study; however, the increase in stores affected by the minimum was not significantly different from the increase in margins in unaffected stores. Few of these stores improved their utilization of labor and few reduced their services to customers. Most of these stores absorbed most of the cost of the higher minimum wage through a reduction of what would have been, otherwise, their operating profits.

been below the new retail-trade minimum. This procedure provided a sample of employers who faced more than the average, overall impact of the new minimum wage than in New York State as a whole. One-quarter of these stores would have had to increase payrolls by an average of 16 percent, other things being equal, merely to comply with the stated terms of the new minimum-wage order. The store-average of this direct impact for these 42 stores amounted to a 7.7 percent increase in payrolls. Measured as a percentage of aggregate payrolls the average direct impact was considerably less than the store-average simply because the larger stores had a less-than-average direct impact.

How large was the indirect impact in this situation, that is the increase in payrolls resulting from wage increases to levels above the new minimum? After four months, the store-average of indirect impacts was 2.7 percent. In fact, in half the stores, no wages were raised above the required $1.00, within the 4-month period. I would have supposed that direct and indirect impacts would have to be added together making, in this situation, an average total payroll increase attributable to the order of 10.4 percent. Curiously, this was not the case. The total impact averaged, per store, only 7.8 percent, hardly more than the direct impact by itself. This was because those employers who faced the largest costs in raising wages up to $1.00 were not those who faced the largest costs of raising wages to various amounts of more than $1.00. It is important to recall that these results applied only to the first few months following the wage order. Undoubtedly, more workers will get wage increases after a longer period of time.

Given these dimensions of the potential wage increases in this selected sample, an even more interesting question is what the employers did about it. This question of the probable adjustments to an increased legal minimum wage has been a truly controversial issue and it is a vital one if we are to exercise good judgment in setting future minimum-wage levels. Will employers simply absorb the cost of complying with the order, or lay off workers, or improve the efficiency of their operations, or raise prices? Every wage board and legislative committee concerned with the minimum wage standards debates this question and often the language used in these sessions has been acrimonious.

In one respect Miss Stever's findings support the longstanding contentions of such friends of minimum wage laws as Blum, Lester, Reynolds, Shister and Weiss.[22] Miss Stever's employers certainly did react to the wage order in a variety of ways. But such knowledge is not good enough by itself. We need to know the probability of one result or another and be able to relate these probabilities to circumstances which might be discovered in advance of a decision on a future minimum wage.

By far the most important immediate effect on the employers in Miss Stever's sample was an outright absorption of 60 percent of the increased payroll costs of the new minimum wage rates. Those employers found a variety of ways to offset the other 40 percent. Obviously, this is no general law and much more would have to be said to interpret this finding in relation to this time and circumstance, as compared with others in the future ones. However, the possibility that as much as 60 percent of an 8 percent payroll increase can be absorbed by a very competitive industry during the four months after a new wage order is some kind of an answer to those who have often predicted that it could not be done. In arguing against increased minimum wages, employers have been substantially correct in predicting that they probably would, in fact, have to bear the major part of the immediate increase in cost.

What, then, were the other employer actions which accounted for offsetting of 40 percent of the increased costs? In this case, the most important method consisted of adjusting employee hours. Retail stores may be untypical in this respect because they use comparatively large amounts of part-time labor. There were weekly-earning guarantees as well as overtime premiums in this retail trade order, in addition to the required hourly minimum. By extending the worker's hours in some cases and by curtailing them in others, employers minimized the cost of compliance with the wage order. It should be noticed incidentally, that these adjustments of hours had the effect of minimizing the increased earnings of the workers which one might have expected to result from the wage order.

The next most important type of offset confirmed, up to a point, the predictions of orthodox opponents of minimum wages. Some workers were, indeed, laid off, and they were just the kinds of workers which one might have predicted: the relatively inefficient, the elderly, the part-time and the handicapped, including those

[22] Cf. Industrial Relations Research Association, *Proceedings of Ninth Annual Meeting,* December 28-29, 1956. pp. 154-195.

who presented a relatively poor appearance to the customers. Those were the workers whom the employers considered were not worth \$1.00 an hour, although they might have been worth, say, 80 cents an hour. But how many were laid off? Only 1 percent of the total of the 4300 employees and only 4½ percent of those who had previously earned less than \$1.00 per hour. In this case, then, there is evidence that the demand for labor was, indeed, inversely related to the wage rate, but also there was evidence that the short-run demand function was inelastic. An 8 percent increase in the price of labor resulted in a 4½ percent rate of layoff among the workers who had previously been paid less than the new minimum.

Besides adjusting hours and laying off a few workers, Miss Stever's employers adopted a wide variety of operational changes to increase efficiency. Some curtailed store hours. Others revised work assignments. Still others improved their system of selecting employees. Some gave more attention than before to employee training. Others revised their wage payment plan. By these and other methods the employers sought, and succeeded to a considerable extent, in getting more net revenue per dollar of payroll cost than before. These are illustrations of what has been called the "shock effect" of an increased wage. However, it does not follow that the greater the shock the greater the effect. A small dose of medicine may cure, while a large dose may kill. None of the 42 stores went out of business but those who faced the greatest payroll increase were, on the whole, the least successful in compensating for this by increasing their efficiency. Furthermore, the small stores were much less successful than the larger stores in offsetting the cost of the minimum by increasing efficiency. A gradual and modest raising of legal minimum wages, it would seem, is likely to have a healthy economic effect, but there are good grounds for being cautious in trying to apply the remedy suddenly and drastically.

One result of wage increases which had often been predicted failed to materialize to any significant extent. Only 5 of the 42 store managers even claimed that prices to customers had been raised because of the wage order, although all of them were specifically asked about this possibility. This negative finding is significant, but it needs to be interpreted carefully. It is true that in the months following this particular wage order, retail trade was buoyant for nearly all the stores surveyed and one might have supposed, consequently, that price increases would be the most probable result of a required wage increase. Still, in this situation, at least, there was no evidence that the wage increase contributed to price inflation. However, one should not generalize too broadly. Retail trade—at least in the areas studied in this case—was quite highly competitive. Under such conditions, an increased payroll cost cannot be automatically passed on to the buyers. Regardless of costs, the seller has, chiefly, to estimate how many buyers will pay the higher prices. It might be different under conditions of oligopoly. Also, it must be remembered that the cost of complying with the wage order was not a uniform increase in cost, for all employers. Those who faced the greatest increases in cost did not, by that fact, gain any special power to increase their prices as compared with competitors who had little or no increase in payroll costs.

In New York State as a whole the average impact of the retail-trade order was, undoubtedly, somewhat less than in the particular group of stores which Miss Stever studied. It is important not to confuse studies which show overall average effects with those which present groups of extreme cases. Yet it is from analysis of the results in the extreme cases—cases like those represented by the industry and community studies of the $1.00 Federal minimum and like those recently examined by Dr. Peterson—that we can obtain the most guidance in selecting future minimum wage rates. What we need to know about most are the consequences when and where a new minimum may require a really substantial increase in wages. We can obtain but little guidance for prediction if we mix into our samples the establishments which were already paying nearly all their employees as much as the new regulation required.

When we do concentrate our attention on the extreme cases, some broad probabilities seem to emerge from the studies of past experience:

1. The earnings of the lowest paid workers can, in fact, be raised, provided the required wage-rate increases are not too large and are not imposed too suddenly.
2. The higher-paid workers will not suffer wage reductions as a result of the increases for the lower-paid. After a time, indeed, the higher-paid workers will obtain wage increases, as the former internal wage structures are partially restored.
3. During the periods immediately following the new wage orders, the cost of raising wages above the required minima probably

will not amount to more than a small fraction of the direct cost of complying with the wage orders.

4. The major share of the cost, direct and indirect, will probably be borne by the employers, at least in the period immediately following the imposition of the new minima.

5. One of the important results of an increased minimum wage probably will be an improvement in the efficiency of labor utilization. The particular methods used by employers will be varied and are likely to include changes in employee hours, improvements in operating efficiency, stricter standards of recruitment and improved training of employees. The capacities of individual employers to effect these improvements in labor utilization are likely to differ very greatly. Those establishments which are faced with the greatest costs of complying with the new legal minimum will not, necessarily, be able to increase labor-utilization efficiency the most.

6. The prices charged by employers to buyers will not, in most cases, be influenced by the increased legal minimum wage. Exceptional cases will be those where the increased cost of complying with the minimum is large and fairly uniform for the product-market competitors or where the sellers are able to take concerted price action.

7. A required increase in minimum wage rates will, in general, decrease somewhat the employment of those affected, compared to what the volume of employment might otherwise have been. No absolute reduction of employment or of hours of work will occur if the product demand, as estimated by the employers, increases sufficiently. The percentage curtailment in employment, compared with what it might have been, is not likely to be as great as the percentage increase in the minimum wage rates. That is, of course, the reason why increased legal minimum wage rates can improve the total earnings of the lowest paid workers.

8. These individual workers whom their employers believe to be least efficient will be the ones whose employment opportunities will be most restricted, as the result of an increased minimum wage. This effect of an increased legal minimum wage poses problems with regard to the employment of the members of the labor force who are comparatively less acceptable to employers, such as youths, elderly people, Negroes.

The foregoing statements of probabilities are vague and qualified to an exasperating degree. That is because they have been framed to cover a very wide variety of minimum-wage incidence, of technical development, of industrial organization, of demand elasticity, and of economic climate at the time a new minimum may be ordered. In any given situation, it is now possible to make much more precise predictions of the effects of a proposed specific minimum wage. At best, however, the selection of a new minimum wage rate must always involve some elements of judgment about the uncertain future.

In closing, I should like to report two of my personal opinions which are not necessarily supported by the substance of this paper. The first personal opinion is that the wage-board method of arriving as specific minimum wage rates is much better than that of legislation. In spite of my personal suffering through many wage board wrangles, I feel that the issues were better developed by tripartite wage boards than they could have been in a congressional or legislative hearing. Because the predictions must be different, industry-by-industry, it follows that a detailed examination of the probabilities is superior to a general legislative edict as to specific cents-per-hour rates. Not only will the adjustment be better considered in advance, industry-by-industry, but the actual improvement in the earnings of the lowest paid employees can proceed more vigorously if each situation is examined by itself.

My final observation is that minimum-wage regulations have one very valuable result which was not in fact originally intended by their proponents. Legal minimum-wages are, indeed, one of the so-called "built-in stabilizers" of our economy. When aggregate money demand falls, for whatever reason, employers of labor have to figure whether it is worth their while to expand or even to maintain their real capital investments. One of the important reasons for postponing present investment commitments for future use may be that the money labor cost may be expected to be lower at some future time. Thus a fixed minimum money wage helps us to prevent a recession, like these of 1953-54 or 1957-58, from degenerating into a great depression like that of the 1930's. The basic aim of American minimum wage laws has been a humanitarian one—devoted to raising the wages of the lowest paid workers. But even if minimum wage regulations did not raise any wages they would still be important as one of the "built-in stabilizers" of our economy.

DISCUSSION

PETER HENLE
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The minimum wage provides a durable topic for the Industrial Relations Research Association, and for all economists. Unlike the old soldiers, this issue not only refuses to die, it doesn't even fade away. Perhaps the public attention that is involved in periodic Congressional action to bring up-to-date the Fair Labor Standards Act may be responsible for this continuing interest. Or maybe it is simply the fascination for economists of examining one aspect of legislative interference with the supposedly free market.

In any event, Professor Tolles has given us an illuminating birds-eye view of the historic developments in this field, and then has discussed at greater length some of the more specific economic issues involved. Let me say at the start, that I don't find myself in active disagreement with his eight points summarizing the results that flow from studies analyzing the economic effects of the statutory minimum wage.

What I would like to do in this discussion is first to offer a few comments regarding the economic impact of the minimum wage, and then to raise as new points two broader observations on the trend that the minimum wage question has taken in recent years.

I think it can be said that not only is the minimum wage a durable issue, but the arguments over its economic impact seem to have equal durability. Professor Tolles seems to feel that some of the arguments used by the opponents of minimum wage have been so thoroughly discredited they are no longer utilized. Hoewver, judging by the cross-fire of debate in and out of Congress when proposals are made for increasing the minimum, I think it is safe to say that these ancient arguments have not been completely entombed.

Most of today's arguments still revolve around the question of cost. It does seem generally agreed that through minimum wage legislation, the earnings of certain low-wage employees can be increased. To this extent, the argument of the opponents does not deny the effectiveness of minimum wage legislation. Instead, the opposition concentrates on the costs involved to the employer in raising this minimum both in terms of higher wages to workers earning below and above the minimum, and the loss in employment which, it is argued, such an increase may cause.

Most opponents do not rely heavily on findings of studies of past minimum wage adjustments since, by and large, the studies show a high degree of ready adjustment to the new minimum. Some of the debate, however, does involve the interpretation of case studies by government or academic authorities on the impact of minimum wages in specific situations. The extensive studies conducted by the Department of Labor on the effects of the $1 minimum wage were interpreted one way by the Secretary of Labor and quite another by the AFL-CIO. The documents are available for those who wish to examine the viewpoint of each.[1]

Instead of discussing these specific studies, I would rather confine myself to making two points:

1. *The usual arguments over the impact of a minimum wage fails to give adequate consideration to the more positive value of the higher minimum wage to the workers concerned.*

It is easy to forget in today's relatively prosperous, contented economy that there is still much poverty in America. Perhaps there is not as much as there used tc be, but the poverty that exists is still of serious dimensions. Moreover, according to a recent study,[2] half the low-income families are headed by able-bodied white males under 65 years of age, whose low income cannot be ascribed to age or discrimination. In many cases, the poverty is simply the result of low wages. These are the people whom the minimum wage is designed to help. While the value of bringing higher earnings to this group is difficult to measure, at the very least it would seem worth some extra cost to some employers and, although I doubt this would be necessary, even to the economy as a whole. Humanitarian considerations are so readily agreed on and so noncontroversial that they unfortunately therefore get brushed aside in the final accounting instead of carrying the persuasive weight they should.

2. *Humanitarian considerations aside, the problem of measuring the economic impact of minimum wages is not simply the prob-*

[1] Report submitted to the Congress in accordance with the requirements of Section 4 (d) of the Fair Labor Standards Act, 1958, January 31, 1959. See letter from Secretary of Labor Mitchell to Vice President Nixon. For the AFL-CIO viewpoint, Hearings before the Subcommittee on Labor of the Committee on Labor and Public Welfare, U.S. Senate, 86th Congress, on S.25, 141, 1046, 1116, 1470, 1874 and 1967, May 7-June 4, 1959, pps. 63–71.

[2] Lampman, Robert S. "The Low Income Population and Economic Growth," Study Paper No. 12, Joint Economic Committee, December 16, 1959, p. 12.

lem of measuring the added cost for those employers directly affected.

It is true that in any study of the minimum wage impact, the easiest procedure is to gather statistics about those firms that have to pay the higher minimum. It is possible in this way to find the impact of the higher minimum on workers' earnings, payrolls, costs, and prices. One can measure the direct impact of raising those workers whose wages were below the minimum, and the indirect impact of any increased earnings to those previously receiving above the minimum rates. After studying the immediate effects of the minimum wage, the firms can be resurveyed for more delayed effects six months or a year later.

All this provides valuable information, and I think that Professor Tolles has done an excellent job of summarizing the findings from these studies. At the same time, however, it is very clear that such an intensified study of the affected firms deals only with one aspect of minimum wage. It is not concerned, for example, about those firms who may be the recipients of increased expenditures by the workers who have had their earnings increased. Should not, for example, the prosperity that comes to the retail store in a low-wage town be measured against any adversity that may affect the low-wage sawmill or fertilizer plant?

There is one series of studies which has attempted to measure community-wide reaction to the minimum wage. The Labor Department, in addition to its studies of particular firms, also sent field investigators into seven low-wage cities, six of them in the South, where the impact of the $1 minimum was particularly high. The study dealt with the effect of the higher minimum on wage rates in the community as a whole, not merely on the affected firms.

All of these cities were ones in which a high proportion of workers were receiving less than $1 an hour. In industries covered by the law, the proportion of workers affected by the $1 minimum varied from a low of 17 percent in Dalton, Ga., to a high of 45 percent in Dothan, Ala. The Department of Labor surveys disclosed quite naturally the heavy impact of the $1 minimum. For three of the seven cities there was a 10 percent or 11 percent increase in the hourly earnings of workers covered by the law. While the impact in the other four cities was not as heavy, it was nonetheless quite marked.

The Department's investigations showed that in the majority of cases, employers merely raised the wages of low-paid workers up to the new minimum, thereby compressing their wage structure. In the year following, there was some restoration of wage differentials and some transfer of wage increases to firms not covered by the Act.

What was the effect on employment of such a sharp increase in minimum wages? The report shows that employment in these localities increased or held its own after the increases in the minimum.

In the month immediately following the increase in the minimum, employment in industries covered by the minimum declined in four localities and rose in three. To confound the traditional economic theory, however, it develops that the rises in employment occurred where the largest increases in the minimum wage were required. At the same time, employment increased in industries not covered by the law.

Over the year following adoption of the new minimum, April 1956 to April 1957, covered employment increased in four of the localities, was stable in two, and declined in one. In that one locality, the decline was more than offset by increases in uncovered employment. In all localities, total employment increased, along with disposable income and retail sales.

What do all these various studies show? Here the question of objectives becomes important.

Even the most ardent proponents of the minimum wage have never contended that the setting of a new minimum or the raising of the old one can be accomplished without producing any adverse effects whatever on specific workers or employers. In certain instances individual workers may lose their jobs because of the higher minimum, and some marginal firms may find that a higher minimum wage causes real difficulties.

The question is a relative one of weighing beneficial and adverse effects. The available evidence, reinforced by the recent extensive studies regarding the impact of the $1 minimum, points clearly to the fact that such adverse effects are minimal in character and are insignificant beside the more positive contribution that the minimum wage makes to the living standards of low-paid workers.

In conclusion, I would like to point up two issues which, it seems to me, deserve increasing attention, even though they were not specifically discussed in Professor Tolles' paper.

The first of these concerns the question of coverage. There has been an increasing recognition that not only the level but also the coverage of minimum wage legislation, is important. Organized labor specifically has pointed to the danger that the effectiveness of a higher and higher minimum wage could be nullified by legislative actions restricting the law to a limited number of workers. The emphasis in the current drive to up-date the Fair Labor Standards Act is as much on extending its benefits to currently uncovered workers as it is to raising the statutory minimum.

Obviously, extension of the law to some new groups of workers raises important economic questions. Thus, in the specific case of the unprotected agricultural workers, extension of coverage under the federal law would have to be modified by providing gradual steps for raising the wages of this group to the federal minimum. Here is an instance where some adaptation of Tolles' proposal for a greater role of industry committees, may prove workable.

Other groups, however, can more easily be brought within the law. The most glaring exclusions are workers in department stores, hotels, laundries, and other large-scale retail and service establishments. Adjustments that may be required to bring these workers within the scope of the law are relatively minor.

My second point is that more thought needs to be given to the process of keeping the minimum wage up-to-date. The year 1960 will see the Federal minimum wage as a major Congressional issue. It has been five years since Congress last considered this legislation. The passage of such a long time without adjustment has generated a need, not merely for an adjustment but for a substantial one, and it is the very size of the needed adjustment which accounts for much of the heat in the debate.

Would it not be possible to develop a procedure that would permit more frequent changes in the minimum wage? Changes in the minimum once a year perhaps would involve almost a continuous debate, and therefore might not prove practical. But certainly it should be possible to develop a mechanism for considering the minimum wage level once every two years.

Could arrangements be made for Congress to act more frequently on the minimum wage? This seems doubtful because the tendency has been for Congress to delay action until the accumulated needs develop into a more dramatic public issue. Therefore, thought needs to be given to an arrangement which would give the Executive arm of the government a greater role in the determination of the minimum wage level. Perhaps the Secretary of Labor could hold hearings once every two years regarding the level of the minimum wage, following which he could make a finding regarding a proposed new level. This would of course require new legislation with appropriate standards to guide the Secretary's action. Furthermore, it would seem wise to link Executive and Legislative action by providing that the Secretary's finding could be subject to Congressional veto or modification. This procedure would be somewhat similar to the one now being followed with regard to Executive reorganization plans.

This proposal is not being advanced as the final answer to this problem. Rather, I suggest that it is the type of procedure which needs further consideration and analysis. In any event, it seems to me that this issue of the frequency of minimum wage determinations should interest all those concerned with the minimum wage.

JOHN M. PETERSON
University of Arkansas

Professor Arnold Tolles' interpretive remarks on some historical attitudes and results of minimum wages were stimulating but did little to sharpen the issues for our research. I was disappointed that he did not discuss more the purposes of minimum wage regulation and the basic economic issues rather than just the extreme political arguments. I shall try to direct my brief remarks to sharpen some of these issues.

In regard to purposes, Tolles said the first aim was humanitarianism—to combat poverty. Yet Stigler has argued that minimums are not an efficient device for relieving poverty.[1] In the South, for example, many below-minimum manufacturing jobs paid better than most nonfarm jobs and were a supplement to family incomes from farming and other sources. Also, as Tolles admits, handicapped and discriminated-against workers are most likely to be discharged under a minimum. In this respect, minimums are not suited to a humanitarian purpose. Tolles puts stabilization as the second aim. While he shies from advocating the purchasing power argument, with its tenuous chain of assumptions beginning with an inelastic demand for labor, he says that the wage floor had a psychological effect that "worked in 1933 and 1934 but not 1935." For this he presents no evidence. In view of the small wage effects of low minimums, other

[1] George J. Stigler, "The Economics of Minimum Wage Legislation," *American Economic Review*, XXXVI, No. 3 (June 1946), pp. 358-365.

existing wage rigidities, and the powerful stabilizing tools now available, this purpose probably is unimportant. He could have mentioned a third frequently cited aim, the correction of monopsony. Company towns usually are given as an example, but a recent thesis by Robert Bunting shows little evidence of county-wide concentration of employment in few firms.[2] Nor are minimum wages or wage boards suited to correcting the widely varying conditions of monopsony. Tolles touched on a fourth and indirect aim, that of dealing with labor surplus. But here again minimums are suited only to treating the symptom, downward pressure on wage rates, but not to solving the labor surplus problem. Foreign immigrants can be barred and tariffs can be raised against goods produced with foreign surplus labor. But within our borders, the South merely struggles to attract more industry while the North and West strive to prevent this with minimum wage laws. Neither will solve the problem of insufficient geographic mobility of our labor force.

Professor Tolles missed the most important and most successful of minimum wage purposes: the favoring of special interests, the economic protection of groups of both employers and workers against the competition of others. Is it any wonder that with textiles and apparel shifting to the South, New England textile manufacturers and national garment unions have been in the forefront of political supporters of minimum wages? The historical increase in female employment in jobs formerly held by men undoubtedly had much to do with the so-called "humanitarian" movement toward state regulation of wages for women. Today, union difficulties in organizing and raising wages in trade and service industries is not unrelated to the move to broaden the coverage of federal minimums. While there is nothing surprising in groups seeking their own interests, it is a wonder that industrial relations research workers have not recognized it openly and frankly. On this purpose, we can agree: minimum wages have succeeded in raising, at least temporarily, the wages and incomes of some of the affected workers—those who get wage raises and stay employed and those who compete with much higher wages. In terms of this purpose, also, Tolles is correct in advocating the wage board device: it certainly can get more benefits for more of the high-wage groups within more industries!

[2] Robert L. Bunting, "Employer Concentration in Local Labor Markets," Ph.D. Thesis, University of Chicago, March 1958.

As political economists, we should be interested in the effects on all groups and on the net social product; and as objective social scientists we should be interested in the predictable results throughout industries generally, or the predictable results prevalent in a particular industry under specified conditions. Of course, we all know that individuals are unpredictable and firm reactions are varied. Economic principles also seem like truisms when applied to business administration. Yet we need theories for making general predictions and for recommending public policies.

Turning now to predicted results, Tolles has succeeded in demolishing straw-men arguments of political extremists without grappling with the basic issue in economic theory. The traditional view, using chiefly a competitive model of the micro-economic theory of the firm, predicts that the obvious gains of some workers will be offset by losses for other workers and for society generally through misallocation of resources. Some writers merely criticize marginal analysis and argue that this prediction is uncertain—"all kinds of changes may occur," they say. This is a weak basis for advocacy of a minimum wage policy, because it cannot be assumed that uncertain effects will be favorable or small! An alternative view, using monopsony or shock models, predicts that for some undefined "moderate" range of wage increases, positive effects will occur which will offset losses to other workers or misallocation of resources—thus assuring a net social benefit.

Tolles has perpetuated a confusion over this issue by referring to disemployment of workers as only one of the possible adjustments to a minimum wage. The orthodox view taken as a whole, however, does not predict solely changes in the employment of labor. It predicts, regardless of individual peculiarities and varied methods, that one or more of the following short-run changes may result: cost increases, price increases, reduced output, reduced employment of labor resources, and a relative increase in use of other factors—including more mechanization and more management services used to save labor.

Of course, employment changes may play a key role in testing the two sets of theories. Employment data are more readily obtained and interpreted than cost-accounting data. And, the two theories predict clearly opposite directions of employment effects.

Tolles also has perpetuated some confusions over the measurement of disemployment effects. It is essential to measure employment of labor in terms of manhours. Thus, a reduced number of workers is not necessarily predicted by orthodox theory if average weekly hours fall. Short run reductions in numbers of workers also can take place in a short time by not replacing workers separated for other reasons; so, "discharges" obviously related to minimums are not essential to the orthodox prediction. And, while the lowest quality of workers, if identifiable, will be discharged first, knowledge of marginal product of individuals is not essential to the predicted reduction in total labor use.

Turning, then, to Tolles' presentation of empirical findings on minimum wage results, I was disappointed that he did not emphasize the difficulties of isolating these effects, as he has done in previous meetings. While he notes that separating other influences becomes more difficult the longer the period under study, he unfortunately leaves the impression that difficult-to-determine long run effects are unimportant. Here, I would like particularly to cite an example of excellent analysis of other variables in the southern pine industry shown in a recent Indiana University thesis by Philip Sawaya.[3]

Tolles fails to recognize that *ceteris paribus* difficulties also apply to measuring wage effects. While short period wage increases above the minimum have been smaller statistically than below minimum increases computed from wage distributions, this does not automatically make them "indirect wage effects" caused by the minimum. There has been too long a history of rising wage trends, almost continuous and nearly universal, for the asumption to be made without further empirical analysis that all wage increases in any short period are either direct or indirect effects of a minimum. In the study which Tolles cites, for example, wage increases above the minimum were found predominantly in the firms with few below-minimum workers.

Professor Tolles has made a special point of presenting these and other findings from Miss Stever's study of a state minimum for retail stores. His main point seems to be that a variety of adjustments were made. I cannot find, however, a single one of these varied adjustments which in any way contradicts the changes predicted by orthodox theory. I also cannot see why Tolles is surprised to find

[3] Philip Sawaya, "The Employment Effect of Minimum Wage Regulation in the Southern Pine Lumber Industry," Ph.D. Thesis, Indiana University, June 1958.

employers absorbing the bulk of the cost. Some cost increase, of course, is predicted by orthodox theory without predicting the magnitude for industries generally.

Some of the particular summary conclusions which Tolles draws from these findings are based on shaky inferences. Regarding costs and prices, he over-generalizes from this retail store study. He fails to link changes in hours with changes in manhours. Likewise, his deduction that labor demand is inelastic is erroneously based upon changes solely in numbers of workers.

The most shaky inference, perhaps, is that all improvements in efficiency represent shock effects. He fails to note the distinction between substitution effects and shock effects and to present any evidence to support the latter. We cannot asume that all these changes are costless or that management time was worthless in other profit-making activities.

Nevertheless, I am most gratified that Professor Tolles has concluded from this study, as have Mr. Douty and the Labor Department from their studies, that some adverse employment effects do result from minimum wages. I, myself, have endeavored to establish this point by reviewing past studies of minimum wages, and now the weight of empirical evidence is becoming predominant.

Thus, it behooves users of alternative models to show where and under what specified conditions any favorable employment effects can be demonstrated. Advocates of minimum wage policy also must assume some of the burden of proof rather than simply assuming net social benefits result. Finally, since even the alternative view is limited to moderate wage increases, we all should caution legislatures and minimum wage boards not to expect any amount of wage increases to be harmless.

Part VI

CHANGING PATTERNS OF INDUSTRIAL CONFLICT

CHANGING PATTERNS OF INDUSTRIAL CONFLICT

Arthur M. Ross
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I. Introduction

The strike has been a classic feature of industrial relations since the early days of the labor movement. Like other institutions, however, the strike is going through evolutionary changes and assuming new forms. The time has come, particularly for us in the United States, to review our assumptions about this phenomenon and take cognizance of what has been happening to it in other parts of the world.

Examining the existing literature on strikes, we find it narrowly based on American experience. While most writers do not profess to offer a general theory of industrial conflict, nevertheless the conventional analysis does create misleading impressions: that the strike is an integral aspect of free unionism; that it is generally an incident of the collective bargaining process; and that it constitutes a trial of economic strength, or a contest of staying power, initiated to bring pressure on the opposing party in order to secure more favorable terms of employment.

The conventional treatment still fits well enough in the United States; but looking around the world, we find it lacking in historical and international perspective.

There has been a pronounced decline in strike activity throughout the world. Man-days of idleness in the late 1950's are fewer than in the late 1940's or the late 1930's, despite the increases in population and union membership. (Be it noted that I am speaking of countries with free labor movements. The Communist nations have not been included in this study.)

The decline is most drastic when described in comparative terms. The ratio between the number of strikers and the number of union members—one of the significant measures of industrial conflict—has been falling off in most of the countries. Throughout Northern Europe the ratio has been only one-third to one-seventieth, during the past decade, of what it was during the first three decades of this century.

Those strikes which do occur have been growing much shorter. The ratio between man-days of idleness and the number of strikers, which I use as a measure of duration, has fallen greatly in every country studied. In about half the countries, the average strike has been lasting less than five days during recent years.

As a result of these developments, loss of working time in relation to union membership is generally only a small fraction of what it was a few decades ago. During the 1900–29 period, there were from two to nine days of idleness per union member during the average year, in every country studied. Since 1947, however, the annual loss of time has been as much as two days per member only in the United States, India and Finland.

Diversified national patterns of industrial conflict have emerged. We find a number of countries, particularly in Northern Europe, where strikes occur so infrequently that they no longer play a significant role in the conduct of industrial relations. The right to strike survives and is accorded its customary veneration but is seldom utilized in practice.

Other nations have the opposite pattern. Workers frequently go on strike, but generally only for one, two or a few days at a time. Australia furnishes a notable example: more than sixty per cent of recent strikes have lasted no more than one day, while ninety per cent have been terminated in less than a week. These brief stoppages may serve as political demonstrations, rank-and-file protests against unfavorable working conditions, gestures of dissent aimed at conservative leaders, or expressions of discontent with compulsory arbitration awards. But they do not constitute real trials of staying power between employers and workers.

The fact is that the textbook or dictionary definition of the strike is fully applicable only in the United States and Canada, which really comprise a single system of industrial relations. Only here is the strike still an essential element in a private collective bargaining system, sufficiently frequent as to constitute a significant method of determining conditions of employment, and sufficiently long as to test the staying power of workers and employers.[1]

II. INTERNATIONAL COMPARISONS OF STRIKES

Today I am reporting on a study which I have conducted with Paul T. Hartman of the Institute of Industrial Relations and which

[1] Strike statistics for India and Finland have some resemblance to those for the United States, but the explanations are different.

is being published this spring. When a full-length book is reduced to a few thousand words, most of the interpretation and practically all of the evidence must be omitted. Sources of information cannot be listed and evaluated. Innumerable qualifications, modifications, provisos, exceptions, anticipatory rebuttals and other protective devices have to be excluded. About all one can do is recite the principal conclusions and suggest the main lines of argument. If the presentation is considered unscientific, dogmatic and incomplete, one can only reply, "Read the book."

The study includes all countries of any substantial size for which adequate statistics are available or reasonably good estimates can be developed. The fifteen countries are scattered throughout the world—two in North America, nine in Europe, two in Asia, one in Africa, and finally Australia. The period covered is 1900 through 1956.

The raw material for the study consists of annual data on workers involved in industrial disputes, man-days of idleness, union membership and non-agricultural employment for each of the fifteen countries studied. We attempted to compile figures on union membership and strike activity from 1900 forward, although there are numerous gaps in the record. It was not practical to make estimates of non-agricultural employment prior to 1927.

In the full-length study we have used six comparative measures:

1. *Intensity of organization,* 1927–56. This measure does not relate directly to industrial conflict but is useful for analytical purposes. It shows union membership as a percentage of non-agricultural employment.

2. *Membership involvement ratio,* 1900–56: the number of workers involved in strikes as a percentage of union membership. This is roughly equivalent to the proportion of union members going on strike, although it overstates this proportion insofar as some workers may strike more than once in a year and some non-unionists may participate.

3. *Employee involvement ratio,* 1927–56. This is the ratio between the number of workers involved in strikes and the number of non-agricultural employees. It is equivalent to the percentage of wage and salary earners going on strike, except that agricultural workers occasionally strike and, as mentioned above, some employees may strike more than once a year.

4. *Duration of strikes,* 1900–56. This measure is constructed by dividing the number of workers involved into the number of working days lost for the particular year. It shows lost time per striker, and is equivalent to the average duration of the individual strikes, each weighted in accordance with its size.

5. *Membership loss ratio,* 1900–56. This ratio between the number of union members (in hundreds) and the number of working

TABLE I

"Membership Involvement Ratio"
Workers Involved in Strikes as a Percentage of Union Membership 1900-1956, Annual Averages for Three Year Periods

	1900-1902	1903-1905	1906-1908	1909-1911	1912-1914	1915-1917	1918-1920	1921-1923	1924-1926	1927-1929	1930-1932
Denmark	5.0	3.6	5.9	8.8	3.8	4.3	6.4	10.5	12.1	0.3	1.4
Netherlands	....	....	....	....	9.4	6.9	10.4	8.0	4.7	3.3	3.4
United Kingdom	....	....	....	30.3	23.2	10.7	24.3	14.8	13.7	5.3	8.5
Germany	10.6	17.6	11.3	10.9	9.3	19.1	20.9	18.6	15.8	9.5	3.7
Norway	....	21.4	21.0	33.5	13.0	16.4	15.5	64.2	45.9	11.7	16.2
Sweden	....	25.2	13.2	75.3	8.5	11.2	25.6	19.8	18.8	6.6	6.2
France	32.9	26.6	28.3	23.0	20.8	....	83.3	33.9	19.6	13.3	15.5
Italy	....	....	....	....	....	....	....	....	....	....	....
Japan	....	....	....	....	....	....	....	38.5	34.6	17.8	18.3
India	....	....	....	....	....	....	....	....	....	398.9	76.0
United States	55.3	28.0	....	....	....	48.9	55.2	28.0	13.4	8.9	8.6
Canada	....	....	....	22.6	17.7	14.4	26.1	11.3	10.3	5.9	5.3
Australia	....	....	....	....	11.9	25.8	19.2	17.0	18.8	14.7	5.2
Finland	....	....	....	29.2	32.4	87.0	22.5	16.4	9.6	17.1	4.5
South Africa	....	....	....	4.3	184.0	8.7	34.1	14.9	1.5	3.3	4.7

	1933-1935	1936-1938	1939-1941	1942-1944	1945-1947	1948-1950	1951-1953	1954-1956	1900-1929	1930-1947	1948-1956
Denmark	1.0	7.4	0.1	1.0	3.7	0.4	0.2	3.6	6.3	2.4	1.4
Netherlands	1.4	1.0	0.6	....	7.6	1.5	0.6	1.6	7.0	2.6	1.3
United Kingdom	3.9	6.9	5.0	7.6	6.5	4.2	7.6	5.8	16.1	6.4	5.9
Germany	....	....	....	....	....	1.3	1.6	5.5	14.2	3.7	2.6
Norway	3.1	7.3	4.5	....	1.4	1.4	1.0	1.2	27.0	6.8	1.2
Sweden	3.2	2.5	0.3	0.5	5.6	0.3	1.1	0.3	22.7	3.0	0.3
France	7.6	68.1	....	....	22.8	83.9	48.8	50.5	27.1	29.0	62.4
Italy	....	....	....	....	....	42.7	38.3	27.1	....	....	35.2
Japan	11.6	8.3	189.0	....	7.2	21.1	23.9	15.5	30.3	39.0	21.5
India	71.9	13.9	82.6	93.9	149.8	46.2	33.1	22.6	....	102.2	37.2
United States	36.8	19.4	16.5	14.4	26.0	17.4	16.9	10.1	33.2	20.3	15.4
Canada	12.5	11.6	15.7	21.0	13.9	4.8	8.4	4.8	14.7	13.3	6.3
Australia	5.6	11.6	20.0	20.5	26.1	22.2	28.2	....	18.2	14.8	25.2
Finland	11.7	7.4	4.1	....	17.4	24.3	4.9	11.7	24.5	9.0	13.9
South Africa	1.7	1.7	1.5	3.1	10.6	1.2	1.8	....	24.4	3.9	1.4

TABLE II

"Membership-Loss Ratio"
Working Days Lost per Hundred Union Members
1900-1956, Annual Averages for Three Year Periods

	1900-1902	1903-1905	1906-1908	1909-1911	1912-1914	1915-1917	1918-1920	1921-1923	1924-1926	1927-1929	1930-1932
Denmark	152.0	222.5	123.0	201.4	107.0	79.8	226.6	386.8	464.9	8.0	45.2
Netherlands	....	....	....	....	236.5	97.8	174.4	354.5	291.7	115.9	132.7
United Kingdom	....	....	....	323.5	557.5	74.4	283.1	614.8	1039.1	74.4	129.3
Germany	....	284.5	210.0	239.4	173.3	51.4	251.9	225.3	350.3	190.6	54.2
Norway	....	721.6	684.1	972.7	385.2	477.5	482.6	1590.5	2510.4	651.3	1891.7
Sweden	....	1170.7	451.6	2837.3	302.6	253.7	1105.8	1050.6	455.7	417.5	371.7
France	613.6	426.8	569.9	423.0	215.8	....	1461.9	540.5	224.5	240.1	235.1
Italy	....	....	....	....	....	....	....	....	....	....	....
Japan	....	....	....	....	....	....	....	....	....	247.4	245.2
India	....	....	....	....	....	....	....	....	....	19088.2	949.2
United States	....	....	....	....	....	....	....	....	....	419.3	212.4
Canada	....	....	....	1537.7	559.3	252.9	528.9	431.9	477.0	58.3	61.5
Australia	....	....	....	....	166.8	410.8	424.5	140.7	140.5	256.1	79.1
Finland	....	....	....	1300.2	1381.9	930.0	577.2	438.0	317.9	893.1	31.1
South Africa	....	....	....	110.9	1345.4	28.0	378.1	580.1	6.2	6.8	26.7

	1933-1935	1936-1938	1939-1941	1942-1944	1945-1947	1948-1950	1951-1953	1954-1956	1900-1929	1930-1957	1948-1956
Denmark	14.1	220.7	1.5	6.9	101.3	1.1	0.4	49.8	203.7	64.9	17.1
Netherlands	37.9	12.2	9.1	....	53.0	17.6	2.5	7.7	212.6	51.7	10.4
United Kingdom	28.5	38.3	17.0	29.1	29.0	18.5	19.9	32.5	434.4	45.2	22.5
Germany	....	....	....	....	....	6.2	18.5	18.7	221.3	....	15.1
Norway	148.6	211.8	243.9	....	16.0	17.0	13.0	19.7	941.8	542.2	16.2
Sweden	257.0	101.1	11.3	11.8	345.2	5.7	29.8	4.5	893.9	183.0	13.3
France	122.8	....	....	....	164.9	228.5	162.1	98.8	415.7	175.5	171.2
Italy	....	....	....	....	....	136.8	64.2	73.3	....	....	85.8
Japan	96.2	46.3	421.0	....	107.9	88.0	147.5	64.1	....	170.8	110.1
India	1183.4	2242.7	1127.1	597.0	1057.1	505.3	177.0	159.5	....	1192.8	315.2
United States	510.9	304.9	193.5	77.6	479.2	290.6	228.8	163.4	....	296.4	235.6
Canada	138.8	118.6	76.7	100.7	336.9	98.2	149.2	132.1	445.4	138.9	129.7
Australia	42.1	92.4	99.8	63.0	143.6	111.0	61.8	....	261.9	86.7	86.4
Finland	185.9	173.9	138.7	....	99.0	762.8	57.8	91.9	810.4	125.7	579.8
South Africa	23.1	5.3	1.6	12.6	134.8	5.5	4.2	....	315.2	38.1	5.0

TABLE III

"Duration of Strikes"
Working Days Lost per Striker
1900-1956, Annual Averages for Three Year Periods

	1900-1902	1903-1905	1906-1908	1909-1911	1912-1914	1915-1917	1918-1920	1921-1923	1924-1926	1927-1929	1930-1932
Denmark	33.5	43.8	20.0	23.7	22.7	18.3	35.0	28.2	27.1	34.7	36.2
Netherlands	......	......	......	......	24.6	13.8	22.3	40.9	58.4	33.7	36.9
United Kingdom	......	......	......	10.7	21.6	7.3	10.8	36.7	53.1	12.5	15.2
Germany	17.5	17.2	18.1	20.9	16.4	2.8	10.9	13.4	20.2	19.1	12.5
Norway	......	18.9	32.4	39.2	28.5	27.3	29.3	32.2	44.8	49.2	80.1
Sweden	......	43.5	31.0	25.7	34.6	21.0	38.7	52.0	33.4	54.1	58.4
France	18.5	16.6	19.1	18.7	10.8	5.5	12.2	14.5	11.3	17.0	20.4
Italy	......	......	......	......	......	......	......	......	......	......	......
Japan	......	......	......	......	......	......	......	......	......	15.1	13.3
India	......	......	......	......	......	......	......	12.5	37.2	33.5	12.8
United States	......	......	......	......	......	......	......	......	......	46.1	23.6
Canada	16.2	18.0	19.6	50.7	36.4	15.0	18.8	37.8	44.8	10.5	12.2
Australia	......	......	......	......	13.9	14.5	19.4	9.4	8.0	19.8	13.6
Finland	......	......	33.5	51.2	40.3	10.7	22.5	26.4	31.1	54.6	5.3
South Africa	......	......	48.5	22.1	5.9	3.2	14.2	23.8	3.2	1.8	5.2

	1933-1935	1936-1938	1939-1941	1942-1944	1945-1947	1948-1950	1951-1953	1954-1956	1900-1929	1930-1957	1948-1956
Denmark	22.1	23.2	26.2	6.2	31.9	2.7	3.1	6.9	28.7	24.3	4.3
Netherlands	24.9	12.9	16.4	......	5.2	12.3	5.2	5.1	32.7	21.3	7.5
United Kingdom	7.4	5.5	3.4	3.7	4.5	4.5	3.5	5.1	23.0	6.6	4.3
Germany	......	......	......	......	......	4.7	14.6	8.5	15.6	12.5	9.9
Norway	47.5	28.2	53.7	......	12.6	12.3	12.0	21.3	33.6	43.0	15.2
Sweden	69.7	65.8	47.2	29.0	26.0	20.8	31.6	15.5	37.1	51.0	22.6
France	16.1	......	......	......	4.9	3.8	3.0	1.8	14.4	14.9	2.9
Italy	......	......	......	......	......	3.4	1.9	2.9	......	......	2.7
Japan	8.3	4.9	2.0	......	17.6	5.0	5.9	3.9	......	9.1	4.9
India	14.4	16.9	13.4	6.1	7.0	11.6	5.6	9.2	26.6	11.8	8.8
United States	13.9	15.4	12.2	5.3	17.4	16.7	12.9	14.3	......	14.6	14.6
Canada	11.0	9.2	5.0	5.1	23.5	16.2	18.8	23.0	27.1	11.0	19.3
Australia	7.2	7.8	4.9	3.0	5.5	5.0	2.2	2.4	14.2	7.0	3.2
Finland	16.3	22.8	21.7	......	6.7	24.9	12.8	9.9	36.0	14.5	15.8
South Africa	13.3	2.5	8.8	4.2	24.9	4.4	2.0	1.8	15.8	9.4	2.6

days lost can be described with only slight inaccuracy as showing the average loss of time per hundred union members.

6. *Employee loss ratio,* 1927–56. Similarly this measure can be characterized as showing the loss of time per hundred non-agricultural wage and salary earners.

Each measure serves a different purpose. For example, the employee involvement ratio (percentage of wage and salary earners going on strike) and the employee loss ratio (working days lost per hundred wage and salary earners) come closest to indicating the relative impact of strikes on the economy. We have found, however, that distinctive patterns of industrial conflict can be described most intelligibly in terms of the membership involvement ratio (percentage of union members going on strike) and the duration of strikes (days lost per striker). The membership loss ratio (working days lost per hundred union members) is helpful in showing the combined effect of changes in involvement and in duration. Accordingly the abbreviated presentation which I am making today will be limited to the latter three measures.

III. TRENDS IN STRIKE ACTIVITY

A. *Membership involvement.* The first point to be noted is the gradual decline in the proportion of union members going on strike. Compare the 1900-29 averages with those for 1930-47 and 1948-56. (See page 149.)

	1900-29	1930-47	1948-56
Denmark	6.3%	2.4%	1.4%
Netherlands	7.0	2.6	1.3
United Kingdom	16.1	6.4	5.9
Germany	14.2	3.7	2.6
Norway	27.0	6.8	1.2
Sweden	22.7	3.0	0.3
France	27.1	29.0	62.4
Italy	—	—	35.2
Japan	30.3	39.0	21.5
India	—	102.2	37.2
United States	33.2	20.3	15.4
Canada	14.7	13.3	6.3
Australia	18.2	14.8	25.2
Finland	24.5	9.0	13.9
South Africa	24.4	3.9	1.4

(Source: Table I)

Participation by union members has declined everywhere except in France and Australia. In some cases the reduction has been dramatic indeed—from 14.2 per cent to 2.6 per cent in Germany, from 22.7 per cent to 0.3 per cent in Sweden, etc.

Notwithstanding this general decline, there are still some crucial differences. We have defined as "nominal" a ratio averaging less than three per cent annually subsequent to 1947. Using this test, we can say that the strike no longer plays a significant role in Denmark, The Netherlands, Germany, Norway, Sweden and South Africa. We define a "moderate" ratio as more than three but less than twenty per cent. The United Kingdom, Finland, the United States and Canada fall in this class. Finally there are five nations with a "high" propensity to strike (more than twenty per cent): France, Italy, Japan, India and Australia.

During the first three decades of the century, union members were more prone to strike in the United States than anywhere else. About one-third of all unionists on the average, went on strike each year. After World War II, however, there was a sharp and steady decline, from 26 per cent in 1945-47 to about ten per cent in 1954-56.

B. *Duration.* The diversity in the meaning of the strike shows up most dramatically in variations of length. The average striker

Average Duration of Strikes (days)

	1900-29	1930-47	1948-56	1948-56 as per cent of 1900-29
Denmark	28.7	24.3	4.3	15.0%
Netherlands	32.7	21.3	7.5	22.9
United Kingdom	23.0	6.6	4.3	18.7
Germany	15.6	12.5	9.9	63.5
Norway	33.6	43.0	15.2	45.2
Sweden	37.1	51.0	22.6	60.9
France	14.4	14.9	2.9	20.1
Italy	—	—	2.7	—
Japan	—	9.1	4.9	—
India	26.6	11.8	8.8	30.1
United States	—	14.6	14.6	—
Canada	27.1	11.0	19.3	71.2
Australia	14.2	7.0	3.2	22.6
Finland	36.0	14.5	15.8	43.9
South Africa	15.8	9.4	2.6	16.5

(Source: Table II)

use the same word for such different phenomena. It is most unlikely that a strike of eighty days could have the same causes and consequences as a strike of two days. To consider all strikes as homogeneous occurrences stands in the way of enlightenment.

Before noting these differences we should note the remarkable abbreviation of strikes as a whole during the twentieth century. (See page 151.) The decline has not come about quickly or spasmodically, but steadily and gradually. In the majority of countries in Norway remained off the job about eighty working days during 1930-32. Compare this with two or three days in Australia, France, Italy, and South Africa during 1954-56. Really it is misleading to the average duration in 1930-47 was less than in 1900-29 and greater than in 1948-56. Only in Finland and Canada did strikes grow longer after World War II, and even there postwar strikes have remained shorter than those which occurred in the early years of the century.

Turning now to differences in the length of strikes, we have again classified the countries into three groups according to average duration in the 1948-56 period. The "low" category (less than five days) includes Denmark, the United Kingdom, France, Italy, Japan, Australia and South Africa. The Netherlands, Germany and India fall into an intermediate group with more than five but less than ten days. At the other extreme are Norway, Sweden, Finland, the United States and Canada, each having an average duration in excess of fourteen days.

The relationship between participation rates and duration of strikes during the postwar period serves to define several distinctive patterns of industrial conflict. We call these the Northern European Pattern—First Variant; Northern European Pattern—Second Variant; Mediterranean-Asian Pattern and North American Pattern.

The Northern European Pattern—First Variant is characterized by a nominal propensity to strike and a low or moderate duration. Denmark, The Netherlands and Germany are clearly included. The United Kingdom is on the borderline, having participation rates somewhat higher than the other countries, but can be admitted without stretching the definition very much.

The Northern European Pattern—Second Variant is defined by nominal participation and high duration. In other words there are few stoppages, but those which do occur are long. Norway and Sweden are in this category.

Exactly the opposite situation is found where the Mediterranean-Asian Pattern applies. Strikes are very frequent and at the same time very brief. France, Italy and Japan undoubtedly belong in this classification. India, with a somewhat longer duration of strikes, has much in common.

The North American Pattern of strike activity (United States and Canada) denotes high or medium participation rates as well as unusually long duration of strikes.

There remain three countries—South Africa, Australia and Finland—which we have not placed in any category. From a purely behavioral standpoint, it would not have been difficult to classify them. Work stoppages seldom take place in South Africa, and are very brief when they do occur. The same is true in Denmark, Germany and other countries of the Northern European Pattern—First Variant. Australia's frequent, short strikes are characteristic of the Mediterranean-Asian Pattern. Strike activity in Finland is similar to that in the United States: propensity to strike is moderately high and duration of strikes rather long. In both countries some fourteen or fifteen per cent of union members have gone on strike annually during the most recent decade, while stoppages have averaged fifteen or sixteen days.

But while the South African, Australian and Finnish strike statistics "fit" well enough, the explanations do not. As I shall indicate presently, the four Patterns are associated with characteristic configurations of labor-management relations, political practices and government policy. Countries in the Mediterranean-Asian group, for example, have weak and unstable labor movements, bitter leadership conflicts, flimsy collective bargaining systems and ineffective labor political action. None of these conditions prevail in Australia. There are good explanations for the Australian pattern of strike activity, but some of them are special explanations. The same is true of the South African and Finnish patterns. While every classification is something of a Procrustean bed, too much stretching and straining would have been needed to squeeze these countries into our regular categories; and we prefer to regard them as special cases.

C. *Membership loss ratio.* This measure shows the combined effect of changes in propensity to strike and in duration of stoppages. (See page 150.) The decline in man-days of idleness in proportion to union membership is remarkable. During the 1900–29 period more than two days a year were lost per union member in each country studied, and more than eight days in the Scandinavian countries. In 1948–56 there were two days of idleness annually per union member only in India, the United States and Finland. At the other extreme are seven countries with losses averaging less than one-quarter day per member, including Denmark, The Netherlands, United Kingdom, Germany, Norway and Sweden, as well as South Africa. Truly the strike has withered away in Northern Europe.

	1900-29	1930-47	1948-56	1948-56 as per cent of 1900-29
Denmark	203.7	64.9	17.1	8.4%
Netherlands	212.6	51.7	10.4	4.9
United Kingdom	434.4	45.2	22.5	5.2
Germany	221.3	—	15.1	6.8
Norway	941.8	542.2	16.2	1.7
Sweden	893.9	183.0	13.0	1.5
France	415.7	175.5	171.2	41.2
Italy	—	—	85.8	—
Japan	—	170.8	110.1	—
India	—	1192.8	315.2	—
United States	—	296.4	235.6	—
Canada	445.4	138.9	129.7	29.1
Australia	261.9	86.7	86.4	33.0
Finland	810.4	125.7	579.8	71.5
South Africa	315.2	38.1	5.0	0.2

(Source: Table III)

IV. The Withering Away of the Strike

As we have seen, both membership involvement and duration of strikes have markedly diminished in Northern Europe. Involvement has declined also in the United States and Canada, although there is no clear tendency for stoppages to become shorter. Since my time is limited, I can only mention the primary explanations in a very general way.

First, employers have developed more sophisticated policies and more effective organizations. The profound changes in managerial attitudes toward workers and unions are so well understood that it would not be necessary to dwell on them at any length, even if time were available. Employer policies would not have changed if unions had not adjusted themselves to the values and customs of the business community. In this process of accommodation numerous supposedly irreconcilable conflicts of principle, which were fruitful sources of industrial warfare at one time, have been reconciled.

Second, the state has become more prominent as employer of labor, economic planner, provider of benefits and supervisor of industrial relations. The amount of socialized industry in Western countries, although not very great, is still large enough to affect the incidence of strikes. When government plays an active role in economic planning, it has a strong motive to ensure that its plans are not frustrated. Through protective legislation and social-security programs, the state disposes of issues which otherwise might be the focus of labor-management conflict. Finally, there are the various dispute-settlement techniques including compulsory arbitration, compulsory mediation, enforcement of collective agreements through labor courts, enactment of mediation proposals into law. The effect of such procedures on the frequency and duration of strikes depends on the relationship with the collective bargaining system. If the procedures obstruct and impede collective bargaining, the net result may well be to increase industrial conflict. But if they support the bargaining system or provide a workable substitute, they can reduce strike activity.

Third, the labor movement in many countries (although not in the United States) has been forsaking the strike in favor of broad political endeavors. Strikes are expensive to unions and their members. Moreover, the outcome of work stoppages has not been generally favorable to the unions; various studies show that longer strikes have been less successful than shorter, larger strikes have been less successful than smaller, and the trend over time has been adverse to the unions. The unfavorable after-effects of strike waves and general strikes in several countries, including repressive legislation and rapid loss of membership, have inhibited major reliance on the strike weapon. On the positive side, labor parties and labor governments have helped pave the way towards relinquishment of the strike. I shall discuss this point further in the next section.

What Knowles calls "the shifting of the strategical field from that of mere wages and working conditions to include the most comprehensive political objectives" could not have occurred without the necessary theoretical basis in twentieth-century economics and the corresponding development of governmental techniques. Nineteenth century Socialism presented a detailed indictment of the capitalist economy but was vague as to remedies. In the post-Keynesian era this condition no longer prevails.

It is also possible, although I am not prepared to announce it as an established fact, that rank-and-file union members are less inclined to strike than formerly. Poverty, inequality, snobbery and bitterness have abated in Northern Europe and North America. Extended interruptions of income are not compatible with the new style of life; strange as it may seem, the pressure to meet installment payments and support an elevated consumption level is greater than the pressure to maintain cash income at the margin of subsistence. Finally, one can point to the growing prominence of females, white-collar workers and professional employees in the labor force and the labor unions. It will generally be agreed that these groups are not predisposed to strike.

Thus, changes in worker attitudes, employer policies, dispute-settlement techniques, governmental functions and union programs have combined, in a context of relatively stable union membership, to reduce the intensity of industrial conflict in Northern Europe and North America. There are countervailing pressures, to be sure: "shop steward revolts," unofficial strikes and other forms of insurgency within the ranks of labor; corresponding movements in the employer community such as "Boulwareism;" disturbances of power relations between management and labor resulting from economic and political changes, and so on. But in the long run these unsettling influences have been weaker than the tranquilizing forces.

V. Influences on Relative Strike Activity

In Section III several distinctive patterns of strike activity were identified. How are these differences to be explained? The principal features of the industrial relations system which are amenable to comparison between one country and another appear to be the following:

1. *Organizational stability*
   a) Age of the labor movement
   b) Stability of membership in recent years.
2. *Leadership conflicts in the labor movement*
   a) Factionalism, rival unionism and rival federations

   b) Strength of communism in labor unions.
3. *Status of union-management relations*
   a) Degree of acceptance by employers
   b) Consolidation of bargaining structure.
4. *Labor political activity*
   a) Existence of labor party as a leading political party
   b) Labor-party governments.
5. *Role of the state*
   a) Extent of government activity in defining terms of employment
   b) Dispute-settlement policies and procedures.

Not all the influences on strikes in these fifteen countries have been included. Every country is unique, like every individual, but we must concentrate on those features which are subject to comparison rather than those which are singular. If each country had been analyzed in its own terms, no generalizations could have been made. Furthermore, two or three possible influences could not be investigated because the data were not available. It is possible, for example, that differences in the "industry mix" have a bearing on relative strike activity.

When a certain factor is described as being conducive to industrial peace or to industrial conflict, what is meant is that it has this effect as part of a larger configuration of causes which are characteristically conjoined. By "configuration" I mean a whole that is more than the sum of its parts. A country's industrial relations system cannot be thought of as the product of various independent "causes," but can only be comprehended as a whole. The context of any particular practice or institution is crucially important. For example, disunity and factionalism in the labor movements quite evidently increase the propensity to strike in the Mediterranean-Asian countries, but they work in combination with other influences such as the weakness of collective bargaining. In The Netherlands the labor movement is divided into Socialist, Protestant and Catholic federations; but in a context of centralized bargaining, labor political activity, etc., divisive tendencies have been held in check. Government techniques of disputes settlement have contributed to the elimination of strikes where they support the collective bargaining system or provide a workable substitute. Where they obstruct and impede collective bargaining, as in Finland and Canada, they probably increase the amount of conflict. In most of the Northern European countries, a successful labor party is part of the total context in which strike activity has been reduced almost to the vanishing point. Here Australia stands as the exceptional case. The Labor Party has been a major factor in politics since 1890, but some of the other elements of the Northern European pattern are missing; so that the membership involvement rate is among the highest in the world.

It is probably unnecessary to say that the purpose of this paper is scientific, not programmatic. I am not necessarily endorsing the institutions and practices which are conducive to industrial peace. In fact we should not asume that a country is better off, the more industrial peace it enjoys.

1. *Organizational Stability.*

Students of economic development, scrutinizing the emerging labor institutions in the new countries of Asia and Africa, recognize that there is no such thing as a universal cycle of union growth. Nevertheless there has been a common cycle of growth in most of the older countries which are dealt with in this paper. The early years have been marked by friction, hostility and confusion. With the passage of time, organizations have become more solid and secure, control over the rank and file has been cemented, and accommodative relations with employers have been established.

Thus the chronological age of a labor movement may have an important influence on the incidence of industrial conflict. Older movements are more likely to have completed their struggles for existence, for recognition and for security, and to have become integrated into their national economies. Once this point has been reached, bargaining machinery can be developed to handle economic issues without frequent work stoppages.

But age alone does not tell the full story. Rapid changes in membership can initiate new struggles for worker allegiance and for recognition and acceptance. "Organizing periods" are not always limited to the early years of a labor movement; membership fluctuations may take place at any time. Pronounced fluctuations are generally conducive to industrial conflict as the unions strive to organize and absorb new members and to settle the most pressing grievances, or struggle to limit their losses and recapture their territory.

2. *Leadership Conflicts.*

Factionalism encourages the prosecution of issues because the vested officials must protect their position against upstarts lower down in the ranks, while the upstarts must demonstrate that the members are being sold down the river by a tired, indifferent or corrupt Old Guard. In contrast, the only threat to the established officials in a one-party union lies in "shop steward revolts" at the bottom of the pyramid. Such revolts, which take the form of outlaw strikes, can be choked off quickly if internal discipline is sufficiently effective and relations with employers are good.

Rival unionism is a potent cause of strikes where rivalry is pursued on the basis of comparative militancy in pressing grievances and comparative gains in collective bargaining. A labor organization must attempt to match the achievements of its rival and must secure even greater benefits, if possible, regardless of the amount of resistance to be overcome. In the absence of competition for members, the pressure to use bargaining gains as economic weapons is not so great.

In many countries the concepts of bargaining unit and exclusive bargaining agent do not apply. Several organizations may be operating inside what we in the United States would consider a single bargaining unit. Moreover these organizations may be affiliated with rival federations or trade union centers. Under these circumstances the unions strive to outdo their competitors not only from one contract negotiation to the next, but from day to day in the plant as well. Stable union-management relations are obviously difficult to construct under these circumstances.

The union structure most conducive to the elimination of industrial conflict is a unified national movement with strongly centralized control. Under these conditions the central leadership can consciously substitute other tactics for the strike and restrain the exercise of power by subordinate unions.

Finally, where the Communist faction has substantial strength in the labor movement, strike activity is usually stimulated—particularly the use of massive demonstration strikes. In the Communist view, the worker's grievances are not to be settled conclusively within the framework of capitalism. Strikes have an agitational purpose; for while the eventual seizure of power is to be accomplished by military or political means, the "inherent revolutionary potential of the workers" must be developed and their awareness of class differences sharpened in the meantime. Economic gains resulting from strikes are useful to prove the effectiveness of leadership but cannot be allowed to underwrite any lasting reconciliation. When Communists operate as a minority group within unions, and have failed to achieve top leadership, settlements by the established officials must be denounced as sellouts. It follows that strikes are unlikely to wither away in any democratic country so long as Communists have majority control or strong minority influence within important unions.

I am not saying that Communist leadership will inevitably employ the strike for agitational purposes. Much depends on the Party strategy at the time; much depends also on the membership base. The bargaining policies of Communist-led unions in the United States have generally been indistinguishable from those of other unions. Disinterested in ideological unionism, the members have expected a bread-and-butter approach and their expectations have been rewarded. Those left-wing leaders who have survived for any substantial period have practiced the same business unionism which is condemned so heartily in Marxist literature. The same can be said of left-wing union leaders in the United Kingdom.

3. *Status of Union-Management Relations.*

There are two main types of industrial conflict. The first is basically organizational even though wages and other economic issues may ostensibly be involved. It has dominated the early states of labor-management relations in many countries, where the unions have struggled to win their place in economic society and employers have striven to retain their traditional authority. This phase has come to an end where employers and unions have attained an acceptable balance of power and prerogatives. The usual description is that employers have "accepted unionism and collective bargaining" although the process is actually more complicated than that.

The second type of industrial conflict is essentially economic and persists after the parties have found ways and means of living together. But even this kind of conflict has virtually disappeared in some countries where the collective bargaining system has become tightly organized and controlled.

There are also two degrees of centralization in the structure of collective bargaining. Industry-wide bargaining between industrial unions and employer associations constitutes the first degree.

It is not necessary that master negotiations cover the entire industry; the resulting agreement can be "extended" by force of law or by voluntary action. Nor is it necessary that there be a formal industry association with power of attorney. Unless the number of firms is large, informal employer committees can accomplish the same result.

There are several reasons why multi-employer bargaining is conducive to industrial peace. Professional leadership eliminates reckless and emotional behavior; the costliness of large strikes serves as a deterrent to both sides; employers are less inclined to resist because they are not in danger of being "whipsawed" and will not suffer a competitive disadvantage within the industry; unions are less aggressive because intra-union competition is eliminated.

The second degree of centralization is economy-wide rather than merely industry-wide. The labor market is regulated and disciplined as a whole. It is then that the strike is most likely to wither away. In some of the newer countries, governments are moving to organize and discipline the labor market through an alliance with the unions, under the banner of nationalism and anti-colonialism. In some of the older countries of Northern Europe a thoroughly consolidated bargaining structure has been created under private auspices. "Peak associations" or federations of management and labor have been the means of integration. The officers of such federations represent the broadest possible constituencies and are the farthest removed from parochial pressures. Of course, this fully centralized system will not work without the highest degree of subordination and discipline within the federations.

4. *Labor Political Activity.*

I have already noted that labor parties and labor governments have contributed toward relinquishment of the strike by providing a political alternative. It remains to point out that the existence of a labor party with close trade union affiliations is perhaps the greatest deterrent to the use of the strike. This is not true of just any labor party, however, but rather of one which is capable of imbuing the unions with a feeling of political responsibility. The party must have tasted political power, or at least must be seen as a serious contender for power. Also there must be a reasonable prospect of achieving labor objectives through government action. The last point is emphasized because the strong labor parties have not eliminated industrial conflict in postwar Finland and in Australia. In

Finland the economic environment has been too hostile for successful reliance on the political mechanism, and in Australia the constitutional powers of the federal government are too weak. The federal form of government in the United States and Canada, with much jurisdiction reserved to the states and provinces, has inhibited successful political action and helps to explain why unions have relied so heavily on industrial action.

Why is labor political action a deterrent to strikes? First, strikes are injurious to the political fortunes of the labor party. Middle-class votes must be attracted if the party is to be successful; but the middle-class voter is antagonized by strikes and tends to blame them on the unions. Second, worker unrest is channeled off into the political sphere. Demands that would otherwise be made upon the employer are directed against the government instead. If the labor party comes into power, the deterrent effect is even stronger. The trade union officials, having invested heavily in the party, are disinclined to obstruct its program. Moreover, large-scale strikes are always embarrassing to the administration in power; and if industrial paralysis seems to be threatened, unpleasant repressive measures may become inevitable. All of this means that the trade union leader who wishes to cooperate with party officials, or is himself such an official, will show maximum restraint in the use of the strike.

5. *Role of the State.*

I indicated above that greater participation by government as entrepreneur, economic planner, guardian of labor and supervisor of union-management relations has been partly responsible for the declining frequency of strikes.

All governments have not assumed these new functions to an equal extent, however. The amount of socialized industry in the United Kingdom, for example, is greater than in Canada. The Scandinavian countries have implemented programs of central economic planning to an unusual extent during recent years, generally under the leadership of labor-party governments. France, Italy and Japan rely on legislation to define many conditions of employment which are determined by collective bargaining elsewhere. Australia has an elaborate system of compulsory arbitration, while the government of the United States remains aloof from most industrial disputes except for offering mediation services.

6. *Influences on Strike Activity and the Four "Patterns".*

A significant association can be shown between national patterns of strike activity (described in section III) and the condition of the labor movement, union-management relations and political institutions (discussed in section V). In the nature of the case only a broad and general association can be expected, however. So many unique and special causes are at work in particular countries that a perfect correlation is out of the question. In fact, if a simple and mechanical relationship could be established, there would be reason to suspect that we were dealing with shallow and verbal categories rather than real distinctions.

The Northern European Pattern—First Variant (Denmark, The Netherlands, the United Kingdom and Germany) is characterized by a nominal propensity to strike and a low or moderate duration of strikes. These countries have mature labor movements with firm and stable memberships. (The postwar German labor movement is a revival of the pre-Hitler movement with remarkably little change.) Leadership conflicts are subdued. There is one dominant central federation in Denmark, the United Kingdom and Germany. Although three federations have coexisted in The Netherlands for upwards of four decades, their competition has not been so vigorous as to provoke industrial conflict. The Communist faction has been notably weak in all four countries.

By virtue of industry-wide negotiations and the influence of central federations, collective bargaining structures have become highly centralized, although the degree of consolidation varies from one country to another. Industrial unions and industry associations do the negotiating in the United Kingdom, for example, while much power is concentrated in the Dutch and Danish central federations. Strong labor or social-democratic parties have organized or at least participated in governments except in postwar Germany.

There is a fair amount of public enterprise in the United Kingdom, but not a great deal in the other nations. Neither is there much reliance on the state for defining important conditions of employment. On the other hand all four governments have had active programs of intervention in bargaining disputes. Compulsory arbitration was practiced in the United Kingdom until 1950, and the machinery was retained on a voluntary basis in a number of key industries. In Denmark the legislature has frequently intervened, generally by enacting mediation proposals into law. An official

Board of Mediation in The Netherlands has authority to approve, modify or disapprove collective agreements; extend their provisions to employers and workers not directly covered; and set wages directly in some cases. The "extension" system is also used in Germany.

The Northern European Pattern—Second Variant is defined by infrequent but long stoppages. The labor movement, bargaining system and political context in Norway and Sweden are similar in most pertinent respects to those in Denmark, The Netherlands, the United Kingdom and Germany. The only significant difference we have identified is that Norway and Sweden generally maintain a hands-off policy in labor-management controversies, whereas more active intervention has been practiced in the other countries. This is not a very convincing explanation of the remarkable disparity in average duration of strikes. Differences in the "industry mix" may be significant, and doubtless additional causes are at work.

The Mediterranean-Asian Pattern includes France, Italy, Japan and India. Participation in strikes is very great but duration is short. Labor movements entered the phase of mass organization, or re-organization from scratch, subsequent to World War II. Union membership does not involve an important personal or financial commitment and has often been an ephemeral phenomenon. Rival unionism and internal leadership conflicts have been endemic; a powerful Communist faction has made chronic use of the massive demonstrative stoppage as an agitational tool in each of these countries.

Labor-management relations, like the labor movements themselves, are weak and unstable. The unions have not really been accepted by employers and are not in a position to negotiate on an equal basis. While the forms of multi-employer bargaining are frequently used, the subject-matter of bargaining is insubstantial. The significant conditions of work, for the most part, are either set by the government or remain within the employer's control. The unions are normally too poor to undertake long strikes.

All these countries have two or more left-wing parties affiliated with different branches of the labor movement. They are bitterly divided, however, a far cry from the unified labor or social democratic parties of Northern Europe. As a consequence conservative governments have occupied the stage during the past decade. No single labor party has come sufficiently close to political power that the strike policy of its affiliated unions has been affected. (In recent years, however, collaboration between the Congress Party and the largest group of Indian unions has had a definite influence on strike activity.)

There is a surprising amount of public enterprise in France, Italy, Japan and India. Moreover, as noted above, many important terms of employment are defined by the state rather than through collective bargaining; unionism is so weak in the industrial sphere that unrest is focused on the political process. Thus labor protest is frequently directed against the government, a further reason for the popularity of brief demonstration strikes.

The North American Pattern, found in the United States and Canada, is characterized by a moderately high propensity to strike as well as a relatively long duration. Insofar as large-scale organization is concerned, the labor movements are younger than those in Northern Europe but older than those in the Mediterranean-Asian group. There were wide swings in union membership until the 1940's, but the intensity of organization has become more stable in recent years.

The status of union leadership is likewise in transition. Historically rival unionism, jurisdictional conflict and internal leadership struggles have been prevalent in the United States and Canada. Communist influence was significant in numerous unions between 1935 and 1950. But with the expulsion and atrophy of the Communist unions, the development of no-raid agreements, and the merger between AFL and CIO, there has been a notable tendency for jurisdictional lines to stabilize. Furthermore political rivalry inside unions has diminished as the organizations have become more stable and the leaders have grown older. It is possible, however, that technological changes will revive the conflict between craft and industrial unionism and encourage competition over the growing army of white-collar workers.

The major employers in the United States and Canada generally resisted unionism until the latter part of the 1930's. In subsequent years labor organizations have increasingly been accepted and incorporated into the industrial system. Here again the situation is midway between the Northern European countries, where collective bargaining became "institutionalized" early in the present century, and the Mediterranean-Asiatic group, where collective bargaining is still weak and undeveloped.

Bargaining structure in the United States and Canada is more decentralized than in any other country studied, however. About five-sixths of all labor contracts in the United States are negotiated in single-employer units, and most of the multi-employer contracts cover local areas only. Canada's collective bargaining system is similar.

Political processes are also consistent with frequent and prolonged industrial disputes. The important conditions of employment are determined privately rather than by government: minimum wages are not very significant from a practical standpoint; paid vacations, holidays, etc., are not covered by legislation; and even a private system of social security has developed. A successful labor party has not emerged in either country, and the central orientation of the labor movement is industrial rather than political. Finally, although compulsory mediation is practiced in Canada, the United States maintains a laissez-faire policy towards most types of industrial disputes. [Note: In the full-length study we have included sections on Australia, Finland and South Africa, under the rubric of "Special Cases and Mixed Situations." It is not practical to summarize these sections here.]

7. Industrial Conflict and Economic Development.

Because of deficiencies in data, we were not able to cover the newer nations of Asia and Africa which have undertaken to industrialize under forced draft. A brief comment might be offered however.

It is important to note that different countries have begun the process of industrialization and unionization at widely separated points of time. There is real danger of taking it for granted that history will repeat itself. Some students of economic development have erroneously assumed, for example, that the newer countries should rely on the same sources of capital, government policies, etc., as the countries utilized in the nineteenth century. It would be equally wrong to assume that the "underdeveloped nations" of Asia and Africa will necessarily pass through the same cycles of industrial conflict as the European and North American countries have done. There are almost 275,000 union members in Egypt, for example, but strikes have virtually disappeared under the Nasser regime. Israel has perhaps 350,000 unionists; from 1948 through 1955 the number of strikers averaged only about 9,000 and man-days of idleness only 50,000. Strike activity has been relatively high in India, but has declined sharply since independence was gained. In some of the newer countries which have not undertaken ambitious programs of economic development, such as Ceylon and Vietnam, industrial conflict has not been so muted.

If the data for these countries were not so fragmentary, we might have identified a fifth pattern of strike activity known as the Economic Development Pattern. The membership involvement and loss ratios are as low as in the Northern European group. This has come to pass not after a century of collective bargaining but at the very threshhold of industrial growth and organized employment relations.

Several years ago Clark Kerr, *et al.*, pointed out that whereas labor protest always emerges in the course of industrialization, protest can take different forms and can be handled in different ways. "A crucial factor is the locus of the control of 'management' of protest," they said. ". . . There are rival contenders in the struggle to direct, control, suppress or manage labour protest. Among these contenders are employers, union officials, political leaders, government administrators, military cliques and the leaders of religious sects." Furthermore there are various "relationships between labour protest and other social and political forces such as anti-colonialism, communism, anti-clericalism and nationalism." [2]

It seems evident that in such nations as Israel, India and Egypt, labor protest has been "managed" in different ways from those of the older countries. Capitalism as such has been less often the object of protest; foreign capital and influence have been more frequently censured. Once national independence has been gained, labor movements have been either successfully enlisted in programs of economic planning, or brought under government domination, or suppressed. In contrast to the laissez-faire policies of an earlier period, the new governments have moved in aggressively to settle disputes and terminate stoppages. Thus, anti-imperialism, nationalism and government intervention have combined to obviate the familiar cycle of industrial conflict.

It may be that the effect is only temporary. Perhaps the new countries eventually will move into the well-trodden path taken by England, Sweden, the United States, etc. So far, however, there is little evidence that they will.

[2] Clark Kerr, F. H. Harbison, J. D. Dunlop and C. A. Myers, "The Labour Problem in Economic Development," *International Labour Review*, 72 (March 1955), pp. 13-14.

DISCUSSION

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My appearance here this morning as a substitute for Arthur Goldberg is in part at least a refutation of Art Ross' thesis that the strike is tending to wither away in the western world! It seems to me that on at least one and possibly two previous occasions a serious dispute between steel labor and steel management caused Arthur Goldberg to seek a substitute on an IRRA program.

It is, however, a pleasure to do this even on short notice since it led me to read Art Ross' paper and, as usual, this was a richly rewarding experience. Incidentally, the general form of the paper convinces me of something I have been reflecting on for some time, namely, that many of the freshest and deepest insights into industrial relations and trade unionism which can come to a student today will arise from genuinely comparative studies of which this is a good example.

My comments will really be, then, by way of elaboration and extension on some of Art Ross' points with only a very modest criticism or two thrown in. I might add that I have not had time enough to evaluate in detail the tabular material he presents, but this can probably be best done when the volume he refers to is finally published. I shall assume that by and large his statistical material is correct. I would call attention to the fact, however, that the strike has a different character in different countries. In France and in some of the underdeveloped countries, for example, I think the strike is generally of the nature of a one-day demonstration affair. The same is true to some extent even in some of the western European countries where strikes among unionized public employees are very frequently of the purely demonstrative character and, therefore, necessarily very short. For this reason it is somewhat difficult to compare strike statistics between countries.

So far as the lessons which Art Ross' research may hold for the U. S., the message may not be as clear as the paper suggests. For a number of reasons it will at least be a long time before unionism and industrial relations in the U. S. more closely approximates the stable western European patterns. There are a number of factors here. In the first place the lack of a clearly defined labor political party necessarily will continue to throw heavy burdens on the collective bargaining process in the U. S. Many of the issues which fall into the political-legislative arena in western Europe remain collective bargaining issues in the U. S. and tend to keep the parties in industrial relations more sharply divided. I am thinking of pensions, supplementary unemployment benefits, paid vacations, and so forth. There is, also, so far as I can see, as yet no real sign that the greater part of big business management in the U. S. has really accepted trade unionism. At best there is some degree of tolerance in some industries, even more a strong general feeling persists that management could do a better all-around job without the unions.

Perhaps there is a relationship between the foregoing facts, that is, the wide scope of collective bargaining and management's continued resistance to unionism, philosophically, almost everywhere in the U. S. In any case, these factors will continue to color industrial relations in the U. S. and prevent any "withering away" of the strike.

I am not entirely satisfied with Art Ross' analysis of Communist tactics in the labor movement either in the U. S. or abroad. Here it would seem to me is one area where a more general kind of theory could be developed. I am inclined to think that we often attribute more pragmatism to Communist labor unions than really exists.

Finally and most seriously, I am not in agreement with the methodological implications of Art Ross' typology of industrial relations and strike patterns. Here I have a feeling that Art Ross has tended to follow too closely the methodology of the interuniversity project on the study of labor in economic development.* A kind of artificial structuring of unions and labor relations systems results. Under this method social scientists seem to hover over countries and study labor relations systems and unionism from above, primarily in terms of their current structural manifestations. This is a long and difficult subject but I illustrate my point by calling attention to the way in which Ross comments on how "labor protest has been 'managed' in different" new countries such as Israel, India and Egypt. I contend that neither labor relations nor trade unionism can seriously be understood or interpreted in most countries of the world in this framework. The labor movement or labor protest in

* Clark Kerr, Frederick H. Harbison, John T. Dunlop and Charles A. Myers, "The Labour Problem in Economic Development," *International Labour Review,* March 1955, pp. 223-235; also John Dunlop "Industrial Relations Systems" 1958.

Israel, for example, is just not "managed" in any way Ross implies for actually, of course, the labor movement has been a pivot force of Israel's economic and social development. In the same way I suspect that in India, too, in the long run the labor movement will have its own life, shaped by social, economic and political forces, and the way in which "labor protest is managed" won't be a terribly relevant factor. This leaves Egypt, and I suppose Ross' formulation of the problem isn't far off here; but this reflects the fact that Egypt is an authoritarian nation and the labor movement has no possibility of any independent existence and labor is, and always will be "managed" under authoritarianism or totalitarianism. I quickly wish to note that there are other intermediate possibilities between the relatively democratic structures of Israel and India as opposed to Egypt. In countries like Mexico, Morocco and elsewhere where labor doesn't take the usual western democratic form we are accustomed to, it nevertheless plays a role in the nationalist revolution which precludes any characterization of being simply a form of "managed protest." For a student of industrial management the Ross and the interuniversity project's approach is probably an appealing concept, but it really isn't too helpful for the social scientist.

The kind of approach which is suggested in Ross' work, following Dunlop, Kerr, Harbison and Myers seems to view labor relations and unionism from the vantage point of the state economic planner or manager whose prime reference is technology. Actually a study of the social, economic and political substructure is far more critical for an understanding of unionism and labor relations. Moreover in the case of labor relations systems I believe it is misleading to attribute to them the kind of independent institutional status which the interuniversity approach seems to do.

It is this looking-down-from-the-top approach which can lead Ross, for example, to set forth a so-called Mediterranean-Asian pattern (France, Italy, Japan and India) in contrast with two sets of northern European labor-relations patterns (one grouping Denmark, Netherlands, United Kingdom, and Germany, the other comprising Norway and Sweden). Even if the strike statistics covering these four countries look the same, and I am not quite prepared to concede that without many historical period, war, and other qualifications, my own little knowledge of these countries would lead me to doubt the significance or consistence of such a so-called pattern. When one considers, for example, the totally different philosophical (near-religious) and national backgrounds of trade unionism in India as distinguished for example, from that of France, any such grouping as Ross suggests cannot be a meaningful tool for the social scientists. Again, the same thing goes for Japan where the peculiar nature of industrial development and the absolute primacy of the enterprise has produced a unionism which is again quite different from that of France or India. To repeat, even if Ross' statistics have been accurate to date, I would be willing to predict there will be no serious comparability 20 years hence.

Similarly, I feel that with a few of his other patterns the lack of nuance limits their meaning. It misses a great deal not to see that the character of the labor union-Socialist Party relationship is quite different both postwar and prewar in a country like the United Kingdom as compared to Germany. At best, however, one would have to group five or six movements such as Denmark, Netherlands, United Kingdom, Germany, Sweden and Norway into one broad type class. The interesting problem then becomes to explain the more "mutant" type of movements such as one finds in France and Italy—with Belgium forming a possible bridge between the types. Before we start developing a typology which groups France, Italy, Japan and India, we need some better insights into the western movements alone.

In spite of the foregoing criticism, let me again congratulate Art Ross on a very stimulating and provocative paper.

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Professor Ross has pointed out that his paper is a condensation of a full-length book which will be published this spring. In relation to this he states:

> If the presentation is considered unscientific, dogmatic, and incomplete, one can only reply, "Read the book."

I have not been able to read the book. When I do read it, perhaps none of the comments I am about to make will seem pertinent. They all deal with matters which Mr. Ross has already alluded to or mentioned briefly. There is reason to believe, therefore, that in the full-text these matters will be explored in more detail. The commentator is thus in the interesting position of hoping that all he is doing is anticipating what will be in the full text. The author, of course, is in the position of being able to make the commentator's hopes come true next spring, if he cares to do so.

There are three areas which I should like to see Professor Ross explore in greater detail. The first area concerns the breaking down of his over-all strike statistics according to type of strike. Professor Ross makes reference in his analysis to organizational strikes, economic strikes, jurisdictional strikes, wild-cat strikes, and political strikes. It is true that all of these types of strikes have certain things in common. They all have an immediate effect on production and on employee earnings. In many other respects, however, they are quite different. The causes, the goals to be achieved, the alternative methods of achieving the goals, the effects on the parties, the effects on the economy and the government, the methods by which they may be decreased—all these differ greatly among the types of strikes mentioned. Thus we are not dealing with a homogeneous product. Especially when we look at these statistics in terms of cause we should be continually aware of this differentiation.

In the United States some of these types of strikes have decreased in importance much more than others. *Organization strikes,* for example, are much less prevalent than they were several decades ago. N.L.R.B. elections have largely replaced them. If a further decrease in this type is deemed desirable, it can probably be accomplished within a framework consistent with free collective bargaining. Penalties stronger than cease and desist orders against management for unfair labor practices during organizing campaigns would be one step in this direction. With adequate protection for unions and employees against such illegal employer activities we might then insist that unions limit themselves to the democratic and non-coercive methods provided by the N.L.R.B. elections.

We have also seen a great decrease in *jurisdictional strikes* in recent years. Impelled by the provisions of the Taft-Hartley Act, the labor movement has made great strides in the establishment of alternative means of settling these difficult problems. This type of strike is on the way to being eliminated.

Wildcat strikes also have become less and less important as our collective bargaining relationships have matured and machinery for effective handling of grievances has been developed. Now well over 90% of unionized labor in this country works under contracts providing for the arbitration of disputes occurring during the life of the contract. The voluntary development and the acceptance by both management and labor of this alternative method to grievance strikes is one of the brightest chapters in our labor management history.

Although, as Professor Ross points out, *political strikes* are significant in such countries as France and Japan, they have not been important in recent decades in this country.

It is *the legal economic strike* over new contract terms which is our real concern at the present time in this country. How does the trend in strikes of this particular type compare with the trends in other countries? If there is a difference what factors may be suggested as causes? Have other countries developed more satisfactory alternatives in this specific area? A comparison of statistics and methods in this more limited area might be quite suggestive.

In making this comment I am not unaware of the difficulties of securing such statistics. It is not always easy to classify a strike into one of the categories suggested above. Even where classification is not difficult, government agencies may not have collected the information required for classification. I hope however, that in the full text the authors will go as far as is feasible in this direction.

My second area of comment concerns the effect of strikes on the economy. On pages 148-152 Professor Ross sets forth six comparative measures. Two of these measures are ratios of union membership—the *membership* involvement ratio and the *membership* loss ratio. Two are ratios of not just members but of all employees—the *employee* involvement ratio and the *employee* loss ratio. Professor Ross points out that each of these measures serves a different purpose and that of the six, the two *employee* ratios "come closest to indicating the relative impact of strikes on the economy." However, neither of the employee ratios are used in the statistical tables or the analysis in this paper. (It appears that they will be used in the full text.) The employee ratios are not used, because as Professor Ross states, he has found that distinctive patterns of industrial conflict can be described most intelligibly in terms of the membership ratios. It is with these distinctive patterns rather than with the effect on the economy that Professor Ross is concerned in this paper.

If the full text does concern itself with the problem of the effect of strikes on the economy I would suggest that none of the six ratios mentioned on pages 148-152 is a very good measure of either the breadth or intensity of the effect of strikes on the economy. I would agree with Professor Ross that employee involvement and employee loss are better measures than the others. As I understand his definitions, however, these employees ratios measure the involvement and the losses only of those employees actually on strike. On page 152 he states that employee involvement ratio is equivalent to the percentage of wage and salary employees "going on strike." Thus even if the employee loss ratio is used a strike of 400,000 barbers for three months would have the same effect on the statistics as a strike of 400,000 steel workers for the same period. The breadth of the effect on the economy, however, would be quite different. Likewise the strike of 400,000 window washers in our major cities would have the same effect as the strike of 400,000 policemen in the same cities but the intensity of the effect on the economy again would be quite different.

It is doubtful if any ratio could be refined to the point where it could be meaningful in showing the comparable effect of strikes on the economy of various countries. Too many factors such as degree of industrialization, dependence on foreign trade, and the amount of slack in the economy would have to be taken into account. For example, the first month of the recent steel strike had much less effect on the economy of this country than would have been the case some years ago when the supply of steel on hand and the steel capacity relative to the steel demand were much less than they were at the beginning of the recent steel strike.

The hope of this commentator, therefore, is not that the authors in the full text will develop a meaningful ratio in this area, but that they will place more emphasis on the fact that the statistics set forth do *not* measure the effects on the various economies. In a period when such statistics may be cited to support legislative programs it is important to make amply clear to the layman what they do *not* measure as well as what they *do* measure.

Finally I should hope that in the full text the authors will greatly expand the following sentence which appears on the bottom of page 160 of Professor Ross' paper: "We should not assume that a country is better off, the more industrial peace it enjoys."

The effective operation of our free collective bargaining system rests on a number of assumptions. One of these is a reasonable balance of power between management and labor. It is for this reason that we have "collective" rather than "individual" employee bargaining. The individual employee is seldom in a position to have sufficient power to bargain effectively with the employer. Where there is a reasonable balance of power both the employees and the management are protected. On the other hand if management has much more power, as appears to be the case with some of the large textile combines compared to the Textile Workers Union, then employees are not in a position to secure equitable treatment. Likewise if labor has much more power than management, as in the case of the Teamsters Union bargaining with the owner of half a dozen trucks, then the management may not be in a position to secure equitable treatment. Under either of these conditions one of the parties may avoid strikes because they do not have the power to hope for success in their use. The TWUA engages in few strikes with the large textile combines and few small truck owners are willing to take on the Teamsters. It is very doubtful if a decrease in strikes brought about by such conditions is in the public interest. Let me hasten to add that a nearly perfect balance of power, if the parties recognize it, may also result in a lack of strikes. The point remains, however, that a decrease in strikes may result from an undesirable shift in the balance of power.

A second assumption of our free collective bargaining system is that there will be sufficient competitive pressure on the employer so that he will be forced to fight unreasonable demands on the part of the union. We assume that the consumer will be protected by such action on the part of the employer. However, when an entire industry has been organized by a single union and the employers unite for industry-wide bargaining, then as Professor Ross points out on page 163, employers are less inclined to resist because "they will not suffer a competitive disadvantage within the industry." This is especially true in an industry where prices are administered and inter-industry competition is not severe. A decrease in strikes under such conditions may mean that the public is not being protected from unreasonably high wages, high profits and high prices.

A third assumption of our free collective bargaining system is that there will be no collusion between the representatives of labor and the representatives of management. I shall not dwell on this aspect except to say that in the few instances where gangsters have taken the control of unions from legitimate trade unionists and have worked out sweetheart contracts with corrupt managements, strikes have been decreased, but the result is hardly to be desired.

A fourth assumption is that when the parties do use the strike weapon the pressure upon one or both of them will be greater than the pressure upon the public. As interdependence grows in our economic system, however, this assumption becomes less clear. The result may lead to a violation of a fifth assumption which is that government interference with collective bargaining shall be kept to a minimum. There are few strikes in Spain and those which do occur are of short duration. The same may be said of the countries behind the iron curtain. Yet I am sure that most of us would prefer our record of strikes to the alternatives which have caused their elimination in Spain and Russia.

One need not go so far as Spain and Russia, however, to question whether the decrease in strikes has been bought at too great a price in government regulation and control. Our experience between 1948 and 1956 as shown in Table II indicates that we have had a membership loss ratio almost 20 times that of Sweden and almost three times that of Australia. Perhaps our strikes could be decreased materially by the governmental actions employed in Sweden or Australia. To the extent that we would be successful, however, we would no longer have free collective bargaining as we now know it. Again a decrease in strikes may not be desirable. It may simply mean that free collective bargaining is no longer permitted to function.

Of course a decrease in strikes may occur for reasons that strengthen rather than weaken our free collective bargaining system. The point is that the statistics in themselves do not tell us which is happening.

These comments are not intended to be critical of this paper. Professor Ross has stated clearly that his purpose at this time has been to be scientific and not programmatic. In this respect he had made a very valuable contribution to our knowledge in this field. It would be this commentator's hope, however, that in the full text, having gathered all of these statistics, he will not entirely avoid the programmatic.

Part VII

UNION POLICIES AND INDUSTRIAL MANAGEMENT

BROOKINGS RESEARCH PROJECT ON THE INFLUENCE OF UNIONS UPON MANAGEMENT: A REAPPRAISAL OF UNION POLICIES AND INDUSTRIAL MANAGEMENT

E. R. Livernash
Harvard University

Discussing the Brookings Research Project on the influence of unions and collective bargaining upon management gives rise to various personal emotional reactions. There is the pleasant hope that four years of research, including the effort of completing the manuscript, will prove helpful in adding to our understanding of union-management relations. There is also a related feeling of discontent arising from the recognition that additional work would have improved the book. Clearly it is impossible to finish a manuscript; the time simply arrives when it must be abandoned.

There is, finally, the feeling of sadness. Working closely with Sumner Slichter over these years, with deepening appreciation of his character and intellectual capacity, necessarily meant that his death gave to all of us associated with the project a feeling of tragic loss. However, if I may be excused a personal word, his continued ability to maintain his intellectual drive substantially to the day of his death set an example of courage which might be equalled but not surpassed.

My remarks have been divided into two parts: (1) the nature of the study, and (2) the general conclusions. Discussion has been limited to two of the general conclusions. In this connection some comments will be made on three substantive topics: (a) the functioning of the grievance procedure, (b) wage incentives and measured daywork, and (c) layoff systems. These particular substantive topics have been selected partially because of personal interest in them, but primarily because they serve to illustrate and amplify some aspects of the general conclusions.

I

The project began with a request in 1955 from Brookings to Sumner Slichter to revise *Union Policies and Industrial Management.* He replied that developments had been so extensive since 1940 that revision was impossible. An entirely new research project was required. Since Slichter did not wish to do the research alone, James J. Healy and I joined him in the undertaking. We had the able research assistance of Erwin Herrnstadt, now at West Virginia University, Thayne Robson, now at the University of California at Los Angeles, Benson Soffer, now at the University of Pittsburgh, and, for a brief period, of Garth Mangum, now completing doctoral work at Harvard.

The book has been called *The Impact of Collective Bargaining upon Management*. This title represents the loose way in which we referred to the project, but is not one which we had the opportunity to work out together, nor is it an entirely happy choice. The title is too broad since the book does not deal with the total impact of collective bargaining. No attempt was made to study nor appraise the effects of collective bargaining upon the inter-industry wage structure nor the general wage level. An entirely different type of book would have been required to analyze the broad economic effects of unions.

In fact, the book follows *Union Policies* with modifications. It contains thirty-one chapters which cover hiring, layoff, promotion, work scheduling, work assignment, subcontracting, make-work practices, pension plans, welfare plans, employment security programs, other employee benefits, wage incentives, measured daywork, evaluated rate structures, other wage structure considerations, discipline, wildcat strikes and pressure tactics, grievances, arbitration, high-cost plants, union-management cooperation, line and staff cooperation, and the negotiation of contracts. Even with respect to these topics, the title implies, perhaps, an overstatement of union influence. The results of collective bargaining are, of course, decidedly dependent upon policies and practices developed through management initiative or neglect as well as in response to union policies and practices.

The most realistic statement of our purpose is that we wished to review selected aspects of labor relations since about 1940 by visiting a significant number of companies and discussing the results of collective bargaining in specific situations with company and union officials. Working in teams to maintain balance we had interviews with individuals in about 150 companies, 25 industry associations, and 40 unions. Altogether we had one or more discussions with approximately 650 individuals and prepared almost 800 memoranda in connection with our field work. While the book is not based exclusively on this field work, these interviews created the heart of the material for most of the chapters.

It would be wrong to say that we studied adequately union-management relations in 150 or more companies. In many cases we had only one or two interviews with a few individuals in a company. On the other hand, in some companies we had extensive interviews. In all companies we attempted to avoid interviewing only top officials. We were usually successful in this attempt. In a limited number of companies many hours were spent in the plants and with lower labor relations representatives. Without doubt, and while recognizing the difficulties of the interviewing method, a large quantity of rich background information was obtained.

The companies were not selected on any sampling basis. We attempted to get elements of diversification: manufacturing and non-manufacturing, various industries, large companies and small companies, and companies in various sections of the country. In retrospect we probably over-emphasized large manufacturing companies. However, what we were after was a significant sample of experience, and in this effort we were successful.

We are no doubt open to criticism for not having developed a more systematic approach to our study. We had no intention of doing a quantitative type of study, but the painful process of appraising and digesting what we had discovered would have been facilitated by a somewhat more orderly approach to our field work. In all honesty, however, much of what ultimately seemed significant would not have been within any framework we originally might have developed. And, regardless of methodology, the book is an outgrowth of a very substantial effort to discover what was actually happening in a meaningfully large number of unionized companies.

II

The general conclusions of the study have been grouped under five headings: (1) the narrowing of the scope of managerial discretion, (2) the development of management by policy, (3) the introduction of important changes in management structure, (4) diversity in the character and results of collective bargaining, and (5) the growth of adjustment in contract administration. These general conclusions are not spectacular. They acquire significance only to the extent that they have in fact been substantiated and enlarged in meaning by the analysis of the various substantive issues and areas examined in the chapters. The research project stands or falls primarily upon the description and analysis of the various chapter topics rather than upon the general conclusions.

For this paper a few comments will be made only with respect to the fourth and fifth conclusions, the diversity in the results of collective bargaining and the growth of adjustment in contract administration. Diversity in the results of collective bargaining has many dimensions and facets. The three substantive areas chosen for duscussion, (a) the functioning of the grievance procedure, (b) wage incentives and measured day-work, and (c) layoff systems, each emphasizes various dimensions of diversity. Comment on these areas can only be very brief.

As the operation of grievance procedures is examined, wide variation in grievance rates becomes obvious. Putting together figures on grievance rates from various plants in which grievances are written at the first step will reveal rates of five or less grievances per hundred employees per year and grievance rates of 50 grievances per 100 employees per year. Plant grievance rates which fall either above or below a range of something like 10–20 grievances per hundred employees per year are likely to indicate particularly interesting labor relations environments.

After having introduced figures on grievance rates to bring out the bold fact of diversity in experience it is necessary immediately to back away from them. No simple nor easy conclusions can be drawn from any particular rate. Perhaps the danger of preoccupation with numbers should have been made a general conclusion of the study. In a true sense there is no such thing as a normal grievance rate applicable at all times and in all labor relations environments. Quick reflection will indicate many reasons for variation in grievance experience.

In dealing with the problem of the reasons for variation, nine considerations, which are called determinants of grievance rates, are discussed: (1) the state of relations between the union and the employer, (2) the experience or inexperience of the parties, (3) the personalities of key individuals, (4) methods of plant operation, (5) changes in methods of operation, (6) union policies and practices, (7) union government and politics, (8) the grievance procedure, and (9) management policies, procedures, and practices.

Out of these many variables what becomes clear is that neither a high nor low grievance rate is necessarily "good" nor "bad", and that both high and low rates can mean different things. For example, a low rate can mean: (1) very good union-management relations, (2) a weak union whipped in a long strike, (3) management giving the plant away, and (4) settling grievances by direct action without resort to the grievance machinery. A high grievance rate can mean (1) factionalism within a local, (2) inconsistent management policies, (3) aggressive union leadership, and so forth. Consider this interesting single example of a high rate: (a) factionalism within the local union, (b) a very small proportion of all employees participating in grievance activity, (c) good plant efficiency, and (d) good employee relations. Such a high grievance rate has a very particular meaning. The point of major emphasis, however, is that important determinants of grievance activity are decidedly removed from any estimation of the degree of justice or injustice with which employees are being treated. No simple theory of justice and injustice, nor any other simple theory, will explain diversity in grievance experience.

In a manner somewhat comparable to superficial appraisal of the significance of grievance activity, wage incentive plans too often are assumed to operate on purely industrial engineering assumptions. Employees are expected to respond to the opportunity to earn additional money. But this simple notion becomes submerged in a more complicated reality. Particular incentive plans, over the years, can become quite demoralized and can lose almost all vestiges of the incentive concept. The term demoralized incentive plan is more than a term of art to be applied to a poorly operating plan. It has these characteristics: (1) a gradually rising incentive yield, (2) a gradually declining average effort level, (3) growing inequities in earnings and effort among jobs, and (4) an increasing proportion of "off standard" time. Incentive plans, under the constant challenge to loosen production standards, can and have, but only in particular situations, become so demoralized that worker efficiency increased upon the removal of the incentive prior to the introduction of any measured daywork policies by management.

This subject cannot be explored at all adequately in brief illustration, but what is obvious is that under both wage incentive and measured daywork employee efficiency varies over a wide range. In one extreme case the substitution of measured daywork for a wage incentive plan produced in one brief period an increase in worker efficiency in excess of 200 per cent. A number of instances were discovered in which either the removal of an incentive plan or its revision brought increases in employee efficiency in the order of magnitude of 50 per cent. The level of worker efficiency is an important competitive variable among plants with the same method of compensation, and it is not valid to assume that an incentive effort level will always be superior to a measured daywork effort level.

One reason for selecting employee efficiency as an illustration of diversity is because of its important competitive significance. The competitive position of large companies in important industries has been and is influenced by the level of employee performnace. A second reason is to contrast short-run and long-run consequences, a point which also might have been elevated to the status of a general conclusion. In the short-run the path of least resistance is to yield a bit on a disputed production standard, but a process of yielding practiced over five or ten years can produce a decidedly high-cost plant. Finally, diversity in employee efficiency again must be related, among other things, to both union and management policies and practices. Diversity cannot be explained without reference to the collective bargaining environment.

Layoff systems will not be discussed in any detail. But with respect to layoff systems, while differences reflect the degree of statesmanship of the parties, the wage structure, the job structure, and the economic and technological environments are very important in shaping the character of the system which is likely to be developed by the parties. Some examples can be found of layoff systems which impose unnecessary and excessive costs on the employer. The trend, however, has been toward constructive compromise in working out tailor-made systems which tend to fall into one of several types. The most interesting layoff systems are those that depart from the organizational units of department, division, and plant to group jobs in various ways to meet to a considerable extent both management and union objectives by their method of operation. Over the years layoff systems have been perfected to such a degree that administration is almost mechanical in many applications.

A major challenge in the study of labor relations is to develop more satisfactory explanations for diversities and similarities in collective bargaining experiences. Much of this present study is an attempt to describe more adequately the facts of diversity. Hopefully some guides as to the reasons for diversity have been provided. As Dunlop has emphasized in Industrial Relations Systems,[1] labor rela-

[1] John T. Dunlop, *Industrial Relations Systems,* Henry Holt and Company, New York, 1958.

tions must develop its own framework for analysis. The many facets of diversity portrayed in this present research project confirm that point of view. And as can be seen from this brief review, the results and characteristics of procedures, such as grievance procedures and layoff systems, and of techniques, such as wage incentives and measured daywork, are significantly dependent upon determinants stemming from labor relations policies and practices.

The final general conclusion of the book is that there has been considerable growth of adjustment in contract administration. This conclusion is not inconsistent with continuing diversity. In retrospect it is possible to distinguish over the last 25 years three overlapping and merging stages: an organizing stage, a contract-development stage, and a stage of adjustment in contract administration. These stages of development are associated with the large growth of collective bargaining during that period. Clearly the decade 1935 to 1945 was a unique period in the history of labor relations in the United States. It was unique because it was during this period that the heart of American industry began to operate within the framework of collective bargaining.

It is not necessary to review the organizational struggles and conflicts of the 1930's. It is necessary only briefly to mention the fact of contract development. Almost any historical set of union-management contracts will illustrate the change from simple documents to complex and quite fully developed contracts. What is necessary is to elaborate somewhat on the notion or question of adjustment in contract administration.

Looking back from 1958 or 1959 in a large number of union-management relationships substantial segments of the contracts are seen to have remained unchanged, and a close meeting of minds to have developed in the administration of these contract provisions. With this stabilization of contract clauses and their interpretation more orderly contract administration has developed. There has been a reduction in conflict in contract administration. Associated with this process has been a decline in wildcat strikes and pressure tactics. Increasingly unions have accepted discipline for wildcats.

Adjustment of the goals and policies of managements and of unions has gone farther in the case of some issues than others. It has gone farthest in the following areas: (1) work sharing and layoff systems, (2) formal or informal evaluation of particular job rates, (3) administration of the wide range of employee benefit plans and provisions, (4) systems of employee discipline including the control of wildcats, (5) scheduling of work, (6) the development and operation of the grievance procedure, and (7) the acceptance of arbitration. Adjustment is less well developed in the following areas: (1) production standards and wage incentives, (2) promotion principles, (3) work assignment, and (4) subcontracting.

The process of adjustment is neither complete nor uniform. As certain conflict areas have tended to become quite generally resolved, conflict has intensified in other areas. Conflict over employee performance and subcontracting has intensified in recent years. Changes in business conditions and political considerations also have their influences upon union-management relations.

Adjustment in particular bargaining relationships implies more than reduction of conflict. It is unquestionably true that managements can take advantage of weak unions and unions can take advantage of weak managements. Such situations may be peaceful, but they are not conducive to lasting peace. The term "good labor relations" must include within its meaning more than absence of conflict. The selfish interests and points of view of each party must not override the reasonable interests of the other party nor the common interests of both parties. A relationship which maintains balance is, in fact, not likely to be characterized by super-peace. To go further, at least some strikes have contributed to the process of adjustment.

To take a position that there has been on balance growing adjustment in contract administration must recognize the degree of conflict which presently exists with respect to manning, loose production standards, costly seniority extensions, and other rules and practices which unduly handicap efficiency. Management in many plants and for a period of some years has been regaining and restoring plant efficiency. It has been stated that this is a substantive area of low adjustment. But removing the results of excessive past concessions is quite consistent with the process of adjustment. Nor should the degree of conflict be exaggerated. Many union leaders have recognized the need for particular plants and companies to restore efficiency and have assisted in the process.

Some strikes have been required to eliminate or move toward the elimination of costly practices. In these cases year by year management went to the bargaining table with proposals to improve efficiency, but persuasion was not effective. Management was required ultimately to take a strike. For strikes of this character in which it is now possible to look back with a few years of perspective, it is frequently possible to conclude (to reverse a common expression) that both sides won the strike. It proved to be a meaningful part of a process of adjustment. Strikes frequently have brought significant management concessions to employees and unions. Strikes resulting from the failure of persuasion to achieve union and employee concessions do not signal the failure of collective bargaining.

Nothing has been said on the question of conflict in negotiation over wages and the economic package. No conclusion is intended concerning the degree of adjustment with respect to the negotiation of economic demands, but one could argue that there have been some indications of a more realistic facing up to the problems involved. The conclusion is only that day-to-day contract administration reflects growing accommodation. This accommodation and adjustment in contract administration represents substantial progress compared with the state of affairs in 1940 or 1950.

III

A research project covering many aspects of union-management relations can not be summarized in a very meaningful manner. This is especially true when much of the effort has been to describe as adequately as possible the varied results of collective bargaining. These results, of course, have been related, in so far as possible, to union and management policies and practices. But the factors involved in industrial relations are so numerous and occur in so many combinations and permutations that generalized explanations of results are difficult to construct.

For this paper only two general conclusions have been discussed, the diversity in the results of collective bargaining and the growth of adjustment in contract administration. But no attempt was made to relate these conclusions to particular union-management relationships. In fact, however, neither diversity nor degree of adjustment or accommodation are capricious in their incidence.

Of all of the variables of significance in particular union-management relationships, management policy stands out as being of crucial importance. Companies which had achieved relative success in labor relations gave clear evidence of (1) management by policy, (2) effective administration at the worker level, and (3) management initiative in labor relations. Basic policies in such companies were not empty slogans but were made effective at the worker level by adequate implementing and procedural policies. Companies with well developed policies gave evidence that labor relations were of vital concern to top management. Both policy formulation and administration were dynamic and open and frank communication existed within management.

On the other hand, stress upon the importance of management policy does not imply that unions are uniform in their attitudes and actions nor that they always respond in some simple fashion to management guidance. In other words, management does not always get the kind of unionism it deserves. A plant of one multiplant company comes to mind in which a strong local union leader outlasted sixteen plant managers and the plant was finally closed in no small part because of the results of collective bargaining. A plant of a second multiplant company was dominated by a local union leader who unquestionably enjoyed fighting management. His bitterness toward management was only exceeded by his bitterness toward the international union. High costs in this plant may well doom its continued operation. The slowdown of all slowdowns in a plant of a third company gave to that company no benefits but only disruption for a period of five years from a forty million dollar investment program. The policies and practices of unions are by no means unimportant.

On balance, however, management concessions to union points of view and union concessions to the requirement of effective management, show an encouraging degree of adjustment. Free collective bargaining has no easily defined par for the course, but there has unquestionably been significant social progress over the last 25 years.

DISCUSSION

RALPH H. BERGMANN
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I am pleased to have this opportunity to comment on Professor Livernash's brief condensation of a lengthy and detailed volume. It is clear from his paper that the book represents an important contribution to the understanding of labor-management relations. This is, of course, what might be expected from the work of the late Sumner Slichter and the other capable investigators who worked with him on this updating of his pathbreaking "Union Policies and Industrial Management".

Just as it has been difficult to condense 31 chapters into a short paper, there are difficulties in commenting on a brief paper which summarizes such a work. My comments are of two sorts:

1. Directed to some specific parts of the paper and
2. Directed at the over-all scope and approach of the volume.

In his paper, Professor Livernash refers twice to "good labor-management relations," and on another occasion he speaks of companies which have achieved "success" in labor-management relations. Certainly these two concepts are not the same. While recognizing that formal definitions frequently tend to be sterile and pedantic, I would nevertheless argue for a further clarification of what the authors have in mind in using such terms.

The issue becomes even more complex when Livernash writes: "The term 'good labor relations' must include within its meaning more than absence of conflict. The selfish interests and points of view of each party must not override the reasonable interests of the other party nor the common interests of both parties."

Without any guide to such maters as the "reasonable interests" of the individual parties, we are indeed in an area of obscurity.

Professor Livernash indicates, perhaps with some regret, that "No simple theory of justice and injustice . . . will explain diversity in grievance experience." Labor-management relations under a collective bargaining agreement are regulated by that agreement. The agreement introduces far more justice than could be expected without the contract. But just as in all areas of jurisprudence the outcome of a legal contest may not result in "justice," so too is it possible that a settlement under the grievance procedure does not provide the full measure of "justice" which might be considered desirable. The basic point here however is that we move far closer to providing justice on the industrial scene when a collective bargaining agreement establishes a law regulating the parties than we might possibly achieve without such a contract.

I find it worth commenting also on the section which indicates that layoff systems can be devised "to meet both management and union objectives. . . ." While I know Professor Livernash would agree that he is not specifically claiming that all objectives of the two parties can be met, I think it is worth keeping in mind that management and union objectives in this area—as in so many other areas—are really mutually exclusive. Through the collective bargaining process, the parties adapt to a compromise arrangement. Even after conflict, it is seldom that either party can claim to have achieved their full objective.

In this connection, it is worth noting that managements which some few years ago argued that they could not grant any additional concessions in areas of "management prerogatives," now find that they *are* managing their businesses at handsome profits after having yielded on one issue after another. This is not to say that management would not like to regain various functions and once again enjoy unlimited rights which it has bargained away. But this supposed loss of the "right to manage" has not meant economic hardship by any means.

This brings me to a comment on the general scope of the volume itself.

It has been clear to most of us in the labor movement that attitudes of many managements in recent years have become tougher, more sophisticated, more virulent and frequently more vindictive. It is hard to generalize as to whether the underlying reasons are economic or emotional or even psychological. But the collective bargaining of recent months, with the notable example of the steel conflict so well publicized to all of us, shows quite clearly the nature of this anti-union trend.

Among the five general conclusions, I see no reference to this recent trend in labor-management relations. The attempt to "turn back the clock" can be seen not only in the steel negotiations but also in the conflicts in the meatpacking industry and the railroad industry. It can be seen in the Henderson strike of the Textile

Workers and the Kohler and O'Sullivan situations, and others too numerous to mention.

Another point was noticeable as I examined the five general conclusions. Four of these show a direction or trend which I take to represent the authors' evaluation of changes which have occurred since Professor Slichter's first volume was published. The fifth conclusion, however, speaks merely of the "diversity in the character and results of collective bargaining." I am puzzled. Did the authors not find any change in the extent of such diversity? If not, isn't that significant in itself?

The Brookings Project description of what is happening in the field of labor-management relations is indeed an important contribution. We can look forward to its publication and the aid it will provide for any serious student seeking understanding in this field. But with this volume, some "outside reading" will still be necessary.

LELAND HAZARD
Pittsburgh Plate Glass Company

I had the good fortune to touch quite early "The Impact of Collective Bargaining upon Management" concerning which Profesor E. R. Livernash has reported so well today. In 1955 a foundation with headquarters in Pittsburgh asked me about the project for remaking Sumner Slichter's classic "Union Policies and Industrial Management." It was easy to testify in support of a grant for the work, now completed. Later I served as an impactee in one of the interviews which the courageous and indefatigable Sumner Slichter conducted in preparation for the work soon to be posthumously published. We shall miss Sumner Slichter far beyond my ability adequately to express.

The empirical method has served studies of labor-management problems well. The forthcoming work will test the continuing validity of that method. Perhaps the issue is not one of validity entirely but rather a question of what more is needed to weld labor and management into effective organizations for the work of our times.

We have cause for concern. It is not only that communist countries are showing great capacity for economic growth but also that the free peoples of Western Europe—committed to our own religious beliefs and political philosophies—are passing America in rate of economic development.

Take a snatch of the evidence. In ten years the United States has suffered three recessions: 1948-49; 1953-54; 1957-58. But Western Europe during that period has moved forward, consolidating its gains with relatively slight interruptions in growth. The economic strength of Europe can be measured partly by the relative decline in our position. We are still the world's largest trading nation, but since 1948 our percentage of world exports has declined from twenty-four to sixteen and one-half. See GATT, International Trade 1957-58, in which the editors say, "The fact that Western Europe's imports of finished goods from North America declined at the same time that its exports to this area increased—and this during a period when North America was hit more strongly by a recession than Western Europe—suggests *inter alia* an increase in the competitive position of European industry." What an irony if America—symbolized for so long by the bathtub—should now fall behind in ability to carry materialism around the globe.

It seems to me that while we must continue to hold ourselves to high standards in the study and improvement of industrial techniques, we must also seek with equal devotion for those beliefs which will renew our confidence in ourselves and enhance our spiritual vigor. A society cannot be great by techniques alone. Nor is it healthy that we so constantly dissect our living social body for evidence of illness and in search of cures for maladies. The need for greater belief in ourselves and in our system was forcibly driven home to me recently. A union argued for the continuation of certain cases of substantial overmanning on the ground that correction would give the company a competitive advantage. Such misunderstanding of our system is cause for alarm.

All societies have been fallible, but none seems to have been more hypochondriac than ours. The Greek of the half millennium B.C. developed an extensive mercantilism. Their ships, traders, and colonists were ubiquitous on the Mediterranean shores. Athena, whose spear, driven, as legend has it, into the rock of the Acropolis, had given Attica the olive tree (agriculture), vied for Greek allegiance with Poseidon whose trident, struck into the same rock, had raised the seas for commerce. The remains of a beautiful temple to Poseidon may be seen today at Sounion, a short drive from

Athena's Parthenon at Athens. Trade, commerce, industry were important to the Greeks but not all. One may search Socrates, Plato, and Aristotle or the plays of Aeschylus, Sophocles, Euripides and find little if anything on the problems of trade and commerce. Twenty-five centuries hence—the time which separates us from the Greeks—will students find in our writings on labor-management relations the search for the goals and meaning of life, for the duties of man to man, and for the definition of man's relationship to the gods and law which so deeply concerned the Greeks? Will students in the distant future, if they find anything of our 20th Century at all, be surprised at our preoccupation with "how-to-do-it" and at our lack of conviction about the worth of our efforts?

Take another illustration: the medieval society, say of the 12th, 13th, and 14th Centuries. There were trade and commerce aplenty. The Crusades had opened up the Mediterranean, blocked for so long by the Saracens. The towns and cities, guilds and leagues—for production and for trade—were vigorous. But the arts and poetry of the time, the enduring monuments in the cathedrals speak not in terms of the methods of mercantilism or the techniques of trade but rather in terms of adoration and love of the Virgin. My terms import social rather than religious significance—the Blessed Lady gave a meaning to life that no 20th Century incentive plan can hope to equal.

The oft-told tale of Our Lady's juggler makes the point. As told by Anatole France, Barnaby, a poor juggler, found refuge in a monastery where his embarrassment at lack of skills to render works in honor of the Virgin drove him to the depths of melancholy. Then his confreres of the monastery began to notice daily absences and found that it was his wont to frequent the chapel at hours when it was occupied with no service.

One day when Barnaby was shut up in the chapel, after his custom, the prior, accompanied by two of the older monks, went to discover through the chinks in the door what was going on within. They saw Barnaby before the altar of the Blessed Virgin, head downward, with his feet in the air, juggling six balls of copper and a dozen knives. In honor of the Holy Mother of God he was performing those feats which afore time had won him most renown. Not recognizing that the simple fellow was thus placing at the service of the Blessed Virgin his knowledge and skill, the two old monks exclaimed against the sacrilege.

The prior was aware how stainless was Barnaby's soul, but he concluded that he had been seized with madness. They were all three preparing to lead him swiftly from the chapel when they saw the Blessed Virgin descend the steps of the altar and advance to wipe away with a fold of her azure robe the sweat which was dropping from her juggler's forehead.

Then the prior, falling upon his face, uttered these words:

"Blessed are the simple-hearted, for they shall see God."

"Amen!" responded the older brethren, and kissed the ground. Our society lacks the pervasive influence out of which the invention of such a tale could come.

There is no way to force our 20th Century society toward an integrating spirituality. We can but wait, perhaps without reward in our time. But it is important to know what we lack and to realize that techniques are not substitutes for the power of belief.

Part VIII

REPORTS

MEETING OF THE EXECUTIVE BOARD

Somerset Hotel, Boston, Mass., May 1, 1959

Present: President William Haber, Secretary-Treasurer Edwin Young, Editor Gerald G. Somers, Board Members, E. Wight Bakke, Milton Derber, Peter Henle, Herman Somers.

The first order of business was the location of the next spring meeting. Young gave the background of the negotiations with the Sociological Society and the decision to go to Washington for the December meeting. Since Washington was originally planned for the next spring meeting, a change is necessary. The Association has been invited to the West Coast; Detroit and Buffalo have also issued invitations. Bakke moved to accept the Detroit invitation; seconded by Henle and passed. On the question of a date, Young raised the question of whether this is a little late in the spring; however, an earlier date runs into spring vacations at various schools and also the meetings of the Midwest Economics Association which are held in mid-April. Haber suggested that Young correspond with the Detroit local chapter to work out a time avoiding as much conflict as possible. Haber suggested a local arrangements committee of perhaps Ross Stagner, Ronald Haughton and Mark Kahn, with whom he will consult on enlarging the committee. Derber raised the question of length of meetings, some members feeling that a meeting lasting only one day is not worth the time and trouble of attending. No suggestions were made as to enlarging the sessions. The responsibility for the spring meeting is that of the hold-over president, who can arrange the program himself or delegate it to others.

President Haber read the report of the Nominating Committee, Robben Fleming, chairman, Jules Backman, Earl Cheit, Frank de-Vyver, Leonard Adams, James Brindle. Young read the section of the constitution relating to nominations. It was the opinion that over the years a pattern has emerged of the Nominating Committee and Board cooperating on nominations. Bakke moved that the present Nominating Committee be appointed by the Board to continue to serve; the motion was seconded by Derber and adopted.

Editor Gerald Somers asked the Board's pleasure on what to do with the Newsletter, reporting the nominal cost of $111.50 for printing the first issue. The Board felt strongly that it should be continued and that if it is to be worthwhile should be issued quarterly. The question of items of news was discussed at some length, and Bakke suggested that if the Board decides that this will be a permanent feature (for at least a year) such notification to local chapters might urge them to appoint a corresponding secretary to furnish news items; members of the Executive Board are probably the best source of news and will be urged to supply items. Young asked whether the reports of local chapters might not be included in the Newsletter instead of the Annual Proceedings, and the Board agreed that they might. Derber questioned the section "Research in Progress," feeling that this is the sort of thing that appears in other publications. It was generally agreed that there is not sufficient basis upon which to do anything except say that the Newsletter shall be continued, and try to find items of interest to keep it going. Herman Somers reported that there is a need for approaching organizations such as the 20th Century Fund for industrial relations research as no place presently publishes this sort of thing; the Board agreed that this is something to be investigated. Young reported the award of a Guggenheim fellowship to Gerald Somers for research in Britain and France for next year and thus the need for an alternate editor. Haber asked that the record show that the Board notes with pleasure the Guggenheim award to Somers. Young gave assurance that local arrangements in Madison would carry on the Newsletter and other responsibilities of the editor until Somers' return.

President Haber gave members of the Board his program suggestions for the annual meeting in Washington and asked for comments and suggestions. His recommendations were set up on the basis of four meeting times, two mornings and two afternoons, with two sessions each time, plus the luncheon. Bakke reported having heard a number of favorable comments on the idea of one large meeting for the last session rather than two smaller ones; since some people are trying to leave on the last afternoon, one meeting is generally preferable. The Board agreed. It was also generally agreed that the choice of topics would dictate whether a central theme was possible and that it was probably too difficult to work out a program within a central theme; the central theme fits more easily into a spring meeting than the annual meeting since the latter brings in more people and more disciplines.

The Board meeting adjourned at noon, to resume again on Saturday morning, May 2nd.

The first matter of business was the reelection of Ed Young as Secretary-Treasurer. The Board's appreciation of his services was expressed by Bakke, and he was unanimously invited to continue in his position.

There was discussion of where, how often, and with whom the Association should meet in 1960 and 1961. Spring of 1960 is set for Detroit, and December 1960 in St. Louis. In 1961 the American Economic Association will have its annual meeting in New York. Haber asked whether there was any objection to having the Secretary-Treasurer plan the 1961 December meeting in New York, and there was none. Derber asked about planning a joint session with some other group such as political scientists, or sociologists, not only with the economics group. It was decided that a decision on this will be deferred until December. Derber asked whether it might not be possible to have the spring meeting on a college campus and thus make it less expensive, and the Board authorized investigation of this possibility and also of what other organizations meet in the spring.

Young asked authorization by the Board to raise the price of the use of the IRRA mailing list from $20 to $30; the Board authorized him to charge whatever price might be necessary without discrimination.

Gerald Somers asked the Board's decision on whether the "Directory of Research in Progress" is worth continuing, whether it serves a sufficient function, and if so, how often it should be done. The cost of 400 copies was $216.35; so far about 60 copies have been sold. It was the opinion of the Board that there is not sufficient change in people's interests to warrant doing this every year but it might be considered for every two or three years.

Haber asked what suggestions the Board had for the Detroit group as to the number of sessions for the spring meeting. Henle wondered whether there shouldn't be more time left for discussion since spring meetings are supposedly more informal. The preceding day's meetings pointed up the need for a chairman responsible for starting and stopping sessions on time; this is difficult when the chairman is also a participant. It was suggested that perhaps instead of two sessions in an afternoon, there should be only one following a luncheon. There was some discussion also about the possibility of considering Wayne University, or perhaps Ann Arbor or East Lansing as sites for the spring 1960 meeting as well as a hotel location in Detroit.

The President asked to set aside for later consideration two items of business, namely the 1961 volume and the essay contest, and the Board members agreed to this. Henle asked the current status of the essay contest. Bakke reported that the decision in December was to approve the contest in principle and explore the possibilities for financing. The Iron and Steel Institute offered to put up half of the approximately $1,000 needed; since this organization was contributing, the thought was that perhaps the labor groups might also, and two labor members of the Board were asked to explore possibilities. Haber reported that Leo Teplow of the Iron and Steel Institute had told him the organization had allocated half of the amount needed, specifically $750. Henle expressed himself as being in favor of any local chapter's having an essay contest but he did not think a national contest with a national prize was needed.

Program consideration for the December meeting was resumed, and the meeting adjourned at 9:30 a.m.

IRRA EXECUTIVE BOARD MEETING

Mayflower Hotel, Washington, D. C.
December 27, 1959

The Executive Board of the Industrial Relations Research Association met on Sunday, December 27, at 5:00 P. M. at the Mayflower Hotel, Washington, D. C. Present were: William Haber (presiding), E. Wight Bakke, Edward L. Cushman, Milton Derber, Harry Douty, John Dunlop, Ronald Haughton, Peter Henle, James C. Hill, David Johnson, Joseph A. Loftus, Joseph Shister, Nat Weinberg, Harry Weiss, H. D. Woods, and Edwin Young. Guests were Sar Levitan and Seymour Brandwein of the local arrangements committee.

Copies of the minutes of the meeting of the Executive Board held on May 1, 1959, were distributed to the new members of the Board, who had not previously received them. The minutes were approved by tacit consent. Copies of the Auditor's report were distributed. The Secretary-Treasurer pointed out that the available cash resources were committed for three volumes, printing bills for which would fall due within the coming year.

Copies of the membership report were distributed. President Haber remarked that there had been very little fluctuation over the past few years. He inquired whether it would be desirable to make a concerted effort to gain new members. The matter of how the membership is distributed in the various fields was discussed. The last classification of this sort was the 1954 Membership Directory. Geographical and occupational classifications will be carried again in the 1960 directory. Various ways of increasing membership were discussed, and President Haber stated that he is sure a concerted membership drive will result in adding 500 new members. Ways and means were discussed of reaching various groups—labor and management, economics and other fields, potential members in foreign countries. Mr. Woods asked about the Canadian membership. (It now totals about 60.)

It was moved to accept the financial reports. The President stated that unless we heard an objection, acceptance of the financial reports would be entered in the minutes. No objection. So entered.

There was discussion of the various publications under way: membership directory, 1959 Proceedings, and the Heneman volume (in process at Harpers), all of which are due for publication this spring. There is still a supply of 1959 Research Catalogs on hand, available to members at fifty cents a copy, nonmembers one dollar.

The matter of the Newsletter next came up for discussion. The Secretary-Treasurer stated that the Board would have to decide today whether or not to continue publishing it. The cost is approximately $600 a year—about $400 more than the cost of merely printing and mailing preliminary programs for the two meetings. Board opinion favors continuing the Newsletter. Previous correspondence with Cornell regarding a journal, and the report of the Publications Committee (George England, chairman) were reviewed.

It was moved, seconded and unanimously agreed to continue the arrangement whereby the Labor Law Journal prints the papers from the Spring Meetings.

The next topic discussed was that of research and subjects for future volumes. Young named as possibilities international labor developments, and health insurance. Weiss reminded that a subcommittee of the Board had earlier been suggested as the editorial committee, instead of an independent editorial board. Haber stated that the Executive Board should be heavily represented on such an editorial board. He mentioned that the Emergency Disputes volume was a very good book in the field.

There was discussion of costs and sales of the Harper-published volumes. *Manpower in the United States* is out of print, and *Research in Industrial Human Relations* has gone through a second printing. Of the pre-Harper special volumes, all are out of print except *Psychology of Labor-Management Relations,* of which there was a larger original printing than the succeeding ones.

After lengthy discussion, the Board voted to narrow the topics for the next research volumes to "Public Policy and Collective Bargaining" and "Technological Change."

The Secretary-Treasurer, asked by Haber for comment, requested the Board's authorization to continue the arrangement with Harpers on publishing the special volumes. The Board agreed that the arrangement should be continued.

The next matter of business was the program for the Spring Meeting to be held in Detroit at the Sheraton-Cadillac Hotel May 6 and 7. Copies of the program were distributed to Board members. The program chairman, Ross Stagner, could not be present but had asked Mr. Haber to call for comments and advice on the program.

Saturday noon (12 o'clock) May 7 was set as the time of the meeting of the Executive Board. This will be a luncheon meeting, place to be announced at the IRRA registration desk in the Sheraton-Cadillac Hotel.

The next item of business was the 1960 Annual Meeting, to be held in St. Louis at the Ambassador-Kingsway Hotel December 28 and 29. Suggestions were requested for local arrangements chairman. Father Leo Brown was named. The Executive Board meeting was scheduled for Tuesday, December 27, at 3:00 p.m.

The next item of business was the Annual Meeting in 1961. Haber inquired whether there was any objection to the idea of meeting with the AEA. The consensus was in favor of meeting with the AEA in New York in 1961.

The next item of business was the Spring Meeting in 1961. Henle suggested trying something new as to meeting place. How about the South? How about a campus meeting place? Tennessee (Knoxville), Louisville, Purdue, Columbus were mentioned. Dunlop was authorized to make the decision. He suggested that the Secretary-Treasurer explore the feasibility, as to dates and other details, of holding the meeting at Louisville, Nashville, or Columbus.

The Secretary-Treasurer reported that the nominating committee had been unable to bring in a report at this time, but would report at the Spring Meeting.

Dunlop inquired about the status of the essay contest. The Secretary-Treasurer reported that the American Iron and Steel Institute's proposal still stands, but has not been matched. Hill reported that the New York Chapter was continuing its own essay contest, and had awarded another $100 bond this year. Dunlop stated that he wishes to consider the matter further and bring a proposal to the Spring Meeting. Bakke commented that it is important that the research submitted be original—"the man's first piece of work."

Program for the 1960 Annual Meeting was the next order of business. Dunlop called for suggestions. The Secretary-Treasurer commented that the office always gets pleas to put new people on the program. He urged that since the meeting is in St. Louis, we try to get Midwest and Southern people on the program.

Various suggestions were made: the topic of inflation; a single unified theme for the whole program; organizing it around one or two forthcoming volumes; alternatively, using one topic (such as the public interest in collective bargaining) as the theme of the special volume, then using the program to give a platform to new ideas on some subject. Dunlop called for suggestions of people, and the Board authorized him to work out a program.

Weinberg proposed that a single slate of candidates be presented by the nominating committee, instead of requiring two names for each vacancy as is now the constitutional provision. Dunlop said that anything such as this requiring an amendment to the constitution should be brought to the May Board meeting for presentation to the annual business meeting in St. Louis. It was suggested that comment on this matter be invited in the next Newsletter.

Dunlop made the following committee appointments and assignments for 1960:

Committee	*Personnel*	*Duties*
Newsletter	Ronald Haughton, ch. Joseph Loftus David Johnson	to report on the present Newsletter and policy for the future
Membership	Ross Stagner Milton Derber, ch. Edwin Young	to consider ways of expanding membership, using lists from AEA, Sociol. Assn., etc., reporting at May meeting
Vol. on Public Policy and Collective Bargaining	Joseph Shister, ch. H. D. Woods James Hill Peter Henle Leo Teplow	to report on Chapters and chapter assignments, etc., in May
Vol. on Technical Change	William Haber, ch. Nat Weinberg Edward Cushman	to report on Chapters and chapter assignments, etc., in May

Meeting adjourned 9 p. m.

KELLOGG, HOUGHTON AND TAPLICK

CERTIFIED PUBLIC ACCOUNTANTS

Insurance Building
Madison 3, Wisconsin

December 24, 1959

Executive Board
Industrial Relations Research Association
Madison, Wisconsin

Gentlemen:

We have audited the cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1959 and submit herewith our report consisting of this letter and the following exhibits:

Exhibit "A"—Statement of Cash Receipts and Disbursements for the Fiscal Year Ended November 30, 1959

Exhibit "B"—Comparative Statement of Cash Receipts and Disbursements for the Fiscal Years Ended November 30, 1958 and November 30, 1959

Exhibit "C"—Bank Reconciliation, November 30, 1959

The available cash resources of the Industrial Relations Research Association on November 30, 1959 totaled $15,907.23, consisting of $10,907.23 on deposit in the First National Bank and $5,000.00 invested in the Home Savings and Loan Association. These balances were confirmed directly to us by the banks.

As is set forth in Exhibit "A" and "B", the cash receipts for the fiscal year totaled $15,448.63 and the disbursements totaled $15,016.35. The receipts exceeded the disbursements by $432.28. The cash receipts in the 1957-58 fiscal year exceeded the receipts of the 1958-59 fiscal year by $1,151.87. The disbursements for the 1958-59 fiscal year exceeded the prior years' disbursements by $681.21.

The cash receipts journals for the various classifications of income were footed by us. The cash deposited in the bank or used for cash disbursements was short of the recorded receipts by $140.03, and we were not able to identify the reason for this shortage. The cash shortage is shown as a separate item of disbursement in Exhibits "A" and "B". All cancelled checks returned by the bank during the year were examined by us and traced to the disbursement records.

In our opinion the accompanying statement of cash receipts and disbursements fairly present the cash transactions of the Industrial Relations Research Association for the fiscal year ended November 30, 1959.

Respectfully submitted,
KELLOGG, HOUGHTON AND TAPLICK
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Fiscal Year Ended November 30, 1959

Cash Balance, December 1, 1958		$10,474.95
Cash Receipts:		
Membership Dues	$10,771.00	
Subscriptions	672.00	
Sales	1,422.07	
Mailing List	300.00	
I. R. R. A. Conference	1,497.25	
Interest	175.00	
Miscellaneous	16.10	
Royalties	450.01	
"My Fair Lady" Tickets	145.20 (*)	
Total Receipts		15,448.63
Total Cash		$25,923.58
Cash Disbursements:		
Secretarial Salaries	$ 1,985.24	
Social Security Taxes	43.43	
Printing	419.50	
Postage	805.00	
Services	234.18	
Publications	8,668.23	
Supplies	132.00	
Travel, Conference and Meeting Expenses	2,036.18	
Telephone and Telegraph	215.34	
Cash Short	140.03	
Audit Expense	70.00	
"My Fair Lady" Tickets	194.60	
Miscellaneous	72.62	
Total Disbursements		15,016.35
Cash Balance, November 30, 1959		$10,907.23

(*) In addition to receipts for tickets in Dec. 1959.

TWELFTH ANNUAL MEETING

Washington, D. C.—December 28-29

PROGRAM

Mayflower Hotel

MONDAY, DECEMBER 28

9:00 a.m.-5:00 p.m.—Registration (Promenade)

SESSION I—9:30 a.m.-12:00 noon (East Room)

THE INCIDENCE OF PERSISTENT UNEMPLOYMENT

Chairman: Eveline Burns, New York School of Social Work, Columbia

Paper: William H. Miernyk, Director, Bureau of Business and Economic Research, Northeastern University, *The Incidence of Persistent Unemployment*

Discussants: Robert L. Aronson, Cornell University
Jacob J. Kaufman, Pennsylvania State University
Myron S. Silbert, Federated Dept. Stores, Cincinnati
W. L. Ginsburg, Dir. Res. & Eng. Dept., Int. UAW, Detroit

SESSION II—9:30 a.m.-12:00 noon (Williamsburg Room)

HEALTH PLANS IN COLLECTIVE BARGAINING: RESPONSIBILITIES OF MANAGEMENT AND LABOR FOR MEDICAL CARE

Chairman: Anne Somers, Haverford College

Papers: I. S. Falk, Consultant on Helath Services, United Steel Workers of America, "*—a Labor View*"
John I Snyder, Jr., President and Chairman of the Board, U. S. Industries, Inc. (and Co-Chairman of Education of Employee Health, Medical Care, Welfare, Inc.), "*— a Management View*"

Discussants: Harry Becker, Blue Cross Association
Sander Wirpel, Inland Steel Corporation
Theodore Ellsworth, Institute of Industrial Relations, UCLA

SESSION III—2:00 p.m.-4:30 p.m. (East Room)

IMPROVING THE FEDERAL-STATE UNEMPLOYMENT INSURANCE PROGRAM

(Joint Session with the American Economic Association)

Chairman: J. Douglas Brown, Princeton University

Paper: Herman M. Somers, Haverford College, *The Issues in the Improvement of the Federal-State Unemployment Insurance Program*

Discussants: Wilbur J. Cohen, University of Michigan
Nelson Cruikshank, AFL-CIO
Russell Hibbard, Director, Unemployment Compensation, General Motors Corp., Detroit
Clark Kerr, University of California
Richard Lester, Princeton University

SESSION IV—2:00 p.m.-4:30 p.m. (Williamsburg Room)
THE ECONOMICS OF THE MINIMUM WAGE

Chairman: Isador Lubin, New York

Paper: Arnold Tolles, Cornell University, *American Minimum Wage Laws—Their Purposes and Results*

Discussants: Peter Henle, AFL-CIO
John M. Peterson, University of Arkansas
Harry Weiss, Office of the Secretary, U.S. Department of Labor

SMOKER—9:30 p.m.

TUESDAY, DECEMBER 29

SESSION V—9:30 a.m.-12:00 noon (Williamsburg Room)
CHANGING PATTERNS OF INDUSTRIAL CONFLICT

Chairman: E. Wight Bakke, Yale University

Paper: Arthur Ross, University of California, *Changing Patterns of Industrial Conflict*

Discussants: Arthur Goldberg, AFL-CIO
Thomas Kennedy, Harvard Graduate School of Business
Ross Stagner, Wayne State University

SESSION VI—9:30 a.m.-12:00 noon (East Room)
THE NATIONAL LABOR RELATIONS BOARD

Chairman: Martin Wagner, Institute of Labor and Industrial Relations, University of Illinois

Paper: George Taylor, University of Pennsylvania, *Collective Bargaining Under Government Auspices*

Discussants: Guy Farmer, Washington, Former Chairman, NLRB
Morris Glushien, General Counsel, ILGWU

LUNCHEON—12:00 noon—Memorial to Selig Perlman and Sumner Slichter (State Room)

Presiding: William Haber

Tributes: Philip Taft and Ben Stephansky (Perlman) John Dunlop (Slichter)

SESSION VII—2:00 p.m.-4:00 p.m. (Williamsburg Room)
UNION POLICIES AND INDUSTRIAL MANAGEMENT

Chairman: John Dunlop, Harvard University

Paper: E. R. Livernash, Harvard University, *Brookings Research Project on the Influence of Unions Upon Management: A Reappraisal of Union Policies and Industrial Management*

Discussants: Ralph H. Bergmann, United Rubber Workers
Leland Hazard, Pittsburgh Plate Glass Co. and University of Pittsburgh
George P. Shultz, University of Chicago

I.R.R.A. ANNUAL PROCEEDINGS 1959