

INDUSTRIAL
RELATIONS
RESEARCH
ASSOCIATION

PROCEEDINGS
OF FIRST
ANNUAL
MEETING

CLEVELAND, OHIO
DECEMBER 29-30, 1948

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EDITED BY MILTON DERBER

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

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PREFACE

THIS VOLUME of papers presented at the first annual meeting of the Industrial Relations Research Association marks a significant step toward accomplishing the purposes of the Association:

1. the encouragement of research in all aspects of the field of labor—social, political, legal, economic, and psychological relations, personnel administration, social security, and labor legislation;
2. the promotion of full discussion and exchange of ideas regarding the planning and conduct of research in this field;
3. the dissemination of the significant results of such research; and
4. the improvement of the materials and methods of instruction in the field of labor.

Completion of these proceedings was possible only because of the fine cooperation of many individuals. Special thanks are due to the officers of the American Economic Association, who readily agreed to the publication in this volume of the papers presented at two sessions which were jointly sponsored by their Association and IRRA. The main speakers and discussants at the several sessions were extremely helpful in the manner in which they submitted their papers for publication. Many of the discussants had spoken either extemporaneously or from notes and were obliged to spend additional time to write up their remarks for this volume. Much of the hard work required in arranging for publication was performed by the secretary-treasurer of the Association, William H. McPherson. Valuable assistance and advice were also given by Wilbur Schramm and Miodrag Muntyan, Director and Editor respectively of the University of Illinois Press.

As noted in its constitution, the Association "will take no partisan attitude on questions of policy in the field of labor, nor will it commit its members to any position on such questions." These papers are, therefore, the exclusive responsibility of the writers and do not, in any way, represent the official view of the Association.

MILTON DERBER, *Editor*

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Chapter 1

THE FORMATION AND DEVELOPMENT OF IRRA

THE FORMATION AND DEVELOPMENT OF IRRA ¹

THE NEED for a learned society or professional association in the field of industrial relations has long been suggested by the large number of students—in the universities, in government, and in the ranks of industry and unions—concerned with the field. This need in the past was at least partially met by the American Economic Association, the American Association for Labor Legislation, and the American Association for Social Security. But with the discontinuance of the last two of these Associations and the rapid growth of interest in industrial relations problems on the part of sociologists, psychologists, and other non-economists, the lack of a society became more noticeable.

At the annual meeting of the American Economic Association in Cleveland, Ohio, in January, 1946, a statement suggesting the need for a learned society in the industrial relations field was circulated by J. Douglas Brown and Richard A. Lester of Princeton University. This proposal evoked extensive enthusiasm, but efforts to obtain financial support from the foundations proved fruitless.

At the annual meeting of the American Economic Association in Atlantic City in January, 1947, Lester and William H. McPherson of the University of Illinois called together all of the persons interested in the field whom they could find in attendance. The meeting was attended by approximately 30 labor economists. The discussion centered on the question of the need for a learned society in the field of industrial relations and the feasibility of creating such an organization. It was decided to establish an Organizing Committee to investigate all aspects of the problem and to set up an association if the idea appeared practicable. Lester, McPherson, and Francis Tyson of the University of Pittsburgh were selected as members of the Committee and were empowered to expand the Committee's membership at their discretion in order that it might be fully representative of the various disciplines interested in the field of industrial relations. McPherson was named chairman.

During the spring of 1947 the Committee was expanded to include the following twenty persons:

¹ Prepared by William H. McPherson and Milton Derber.

VINCENT BLADEN, University of Toronto	DONALD G. PATERSON, University of Minnesota
EVELINE M. BURNS, Columbia University	SUMNER H. SLICHTER, Harvard University
EWAN CLAGUE, U. S. Department of Labor	STERLING D. SPERO, New York University
WILLIAM HABER, University of Michigan	GEORGE W. TAYLOR, University of Pennsylvania
FREDERICK H. HARBISON, University of Chicago	FRANCIS TYSON, University of Pittsburgh
VERNON H. JENSEN, Cornell University	WILLIAM F. WHYTE, University of Chicago
CLARK KERR, University of California (Berkeley)	W. WILLARD WIRTZ, Northwestern University
RICHARD A. LESTER, Princeton University	EDWIN E. WITTE, University of Wisconsin
WILLIAM H. MCPHERSON, University of Illinois	HARRY D. WOLF, University of North Carolina
C. WRIGHT MILLS, Columbia University	DALE YODER, University of Minnesota

After extensive interchange of views among Committee members by correspondence, a meeting of the Committee was held in New York City on October 25, 1947. Those present included Bladen, Clague, Haber, Jensen, Lester, McPherson, Mills, Spero, Taylor, and Wolf. Since it had been impossible to obtain financial support from foundations, it was essential that the new association be financially self-sustaining from the outset. It was decided to test the extent of interest in such an association by soliciting membership for a year prior to the development of a definite program of activities. At this meeting a constitution and bylaws were drafted and adopted, and the following officers of the organization for 1948 were elected:

President	Executive Committee
EDWIN E. WITTE	WILLIAM HABER
Vice-Presidents	CLARK KERR
C. WRIGHT MILLS	DOUGLAS MCGREGOR
W. WILLARD WIRTZ	SUMNER H. SLICHTER
Secretary-Treasurer	GEORGE W. TAYLOR
WILLIAM H. MCPHERSON	HARRY D. WOLF.

Since the Association was established so late in 1947, it was decided that there was not sufficient time to prepare for a program in Decem-

ber of that year. However, a meeting was called during the sessions of the American Economic Association in Chicago on December 30 to explain the purposes of the Association and to solicit suggestions for its development. An enthusiastic meeting of over one hundred persons was held, indicating the widespread interest in the organization.

At a meeting of the Executive Committee at this time, the organization was named Industrial Relations Research Association. As President Witte noted, the word "Research" in the title was "not intended to differentiate the Association from other learned societies, but to emphasize the impartial character of the organization and the purposes it serves." He also stressed the purpose of the Association "to bring together the people from all academic disciplines concerned with labor problems, labor-management relations, and social security, and research workers and professional practitioners in these fields."

During 1948 the officers of the Association directed their main efforts toward expanding the membership and arranging for the first annual program. By the end of that year, 1025 persons had joined the Association. They included individuals from "the academic disciplines of economics, law, political science, psychology, and sociology; the directors and staff members of the industrial relations institutes; government employees; union officials and research workers; business executives and personnel directors; arbitrators; attorneys; and labor relations consultants."

The first annual program was held in Cleveland on December 29 and 30. Two of the five sessions were sponsored jointly with the American Economic Association. The papers which follow comprise the proceedings of this program.

Chapter 2

PRESIDENTIAL ADDRESS¹

¹ The chairman of this session was Dr. Ewan Clague, Commissioner, U. S. Bureau of Labor Statistics.

WHERE WE ARE IN INDUSTRIAL RELATIONS

EDWIN E. WITTE

Chairman, Department of Economics, University of Wisconsin

INDUSTRIAL RELATIONS have been in the headlines very frequently in the last fifteen years. In the first part of this period, marked progress was made in protective labor legislation, climaxed by the passage of the Social Security Act and the Fair Labor Standards Act. Since then both social security and protective labor legislation have lagged, but there has occurred a great increase in legislation dealing with labor-management relations.

Unions have increased their membership from about 3 million to about 15 million. The mass production industries, which were considered unorganizable, are now nearly all operating under union contracts. The conditions of employment of one half of all production workers in what might be called industrial employments are now determined by collective bargaining.

Management is giving greatly increased attention to industrial relations. Successively, scientific management, personnel management, labor relations, and human relations have been acclaimed in management circles as the key to improved industrial relations and reduced production costs. Most sizable establishments now have industrial relations departments and there is also widespread use of outside specialists. Top management increasingly regards labor-management relations as one of its major responsibilities.

Progress Made in the Last Two Decades

When it comes to results, there can be no question that conditions of employment and labor-management relations have definitely been improved in the last two decades. Labor's share of the total product has not changed very greatly, viewing industry as a whole, but the workers, the managements, and the stockholders have all benefited from the near full employment we have enjoyed since the outbreak of World War II. Great progress has been made in the development of orderly wage rate structures. "Fringe benefits" in such matters as overtime, vacations, holidays, and shift premiums have become well-

nigh universal for production workers. Turnover has been reduced and a high degree of stabilization of employment has been attained, without much need for conscious attention to the problem. At the same time there has been some growth and greatly increased interest in guarantees of annual wages or employment and in profit-sharing plans.

Very important has been the improvement in the treatment accorded workers within industrial plants. Most such plants now have orderly grievance procedures and workers can get redress when not treated fairly or in accord with human dignity. Arbitrary discharges are far less common than formerly and can no longer be resorted to with impunity as a method of fighting the unions. In lay-offs, and to some extent even in transfers and promotions, seniority rules prevail.

In some respects, also, labor disputes have become less serious difficulties. In all the many strikes we have had since the close of World War II, there has been little violence compared with earlier periods. Industrial espionage seems all but to have disappeared, as have professional strikebreakers. Goon squads and racketeering have become much less common than formerly. No less important has been the great progress made in the arbitration of unresolved disputes between labor and management.

Unsolved Problems

But it is very evident that the millennium has not been attained in industrial relations. While there are plants in which the existing relations are acclaimed by both labor and management, and also by neutral observers, as highly satisfactory, there is much evidence of mutual distrust and continuing strife in a large part of American industry. Unions feel that many managements, if not management generally, are still bent upon destroying unionism. Managements are much concerned about unsatisfactory production and inclined to blame the unions for this situation. The public is jittery about strikes and blames both labor and industry for prevailing high prices.

At this time, the principal interest lies in what sort of legislation the 81st Congress is going to enact to replace the Taft-Hartley Act. I believe that I was the first person from academic ranks to write an article about the Taft-Hartley Act. Later, I discussed this law at a dinner meeting of the American Economic Association and in numerous addresses in different parts of the country. From the beginning, I took the position that, while the Taft-Hartley Act was not a slave

labor law, it was unfair to organized labor and would complicate the development and maintenance of sound labor-management relations in this country. But, just as I said then that where managements and unions so desired and had developed sound procedures there was no reason why existing good relations could not be continued despite the Taft-Hartley Act, so I say today that the development and maintenance of sound labor-management relations will not be brought about by any new law, regardless of what may be its content.

Free Collective Bargaining

Both labor and management have professed and still profess that they want the government to keep hands off and let them settle their own difficulties. Long before the Wagner Act, encouragement of collective bargaining was declared to be our national labor policy. This declaration is repeated in the Taft-Hartley Act. "Free collective bargaining" is acclaimed by labor and management alike as the best way for determining labor-management relations.

When the present American scene is examined, however, doubt is cast upon the sincerity of these professions. In half of American industry—particularly in the small establishments and the less industrialized areas—conditions of employment are still determined by individual bargaining. There also is much evidence that many managements which are dealing with unions have not really accepted unionism. But few of them resort to discrimination, company unionism, and similar tactics, which were widely employed in fighting unions but little more than a decade ago. Contests over the recognition of unions are now resolved through NLRB elections, in which employers generally align themselves against the unions but usually accept the results when the elections go for the unions. Many managements, however, which have recognized and made contracts with unions representing a majority of their employees, are engaged in vast propaganda campaigns to win the loyalty of these employees away from the unions. They also seek to confine the collective bargaining to narrowly defined limits, which place beyond the pale as "management rights," never to be questioned or even discussed, many matters about which other unions have long bargained.

Many unions, on their part, similarly act as though the employers with whom they deal were their mortal enemies. Such an attitude is understandable toward employers who seek to undermine their unions ;

but, unfortunately, it is manifested also toward other employers. The last vestiges of the former Communist control of quite a few unions are rapidly disappearing, but savage attacks upon the integrity and motives of management are not confined to the Communists within labor's ranks. Provoking hatred of management and making unreasonable demands is often the surest way to win and retain union office. Genuine cooperation with management to improve production, I fear, is the exception, rather than the rule.

Free collective bargaining should result in the joint determination of conditions of employment through a meeting of minds. It is a process of give and take, carried on in the realization of common interests, despite differences. In such an atmosphere, the possibility of a strike, and even an actual strike, may serve the useful purpose of making the parties more willing to compromise. It is not occasional strikes which menace collective bargaining, but the unwillingness often manifested by the contending parties to accept its implications.

To make collective bargaining work both sides must recognize that they have more matters of common interest than points of difference. Clearly, management must wholeheartedly accept unionism and recognize that workers can be loyal at one and the same time to the company and the union, just as it is possible to be loyal simultaneously to parents, spouse, and children, to the church, community, and nation. Unions must cease berating management, cooperate in trying to secure maximum production, and leave no doubt of their acceptance of our system of free enterprise. A state of armed truce is not a satisfactory industrial relations situation, any more than it leads to peace and good will internationally. Satisfactory collective bargaining is very largely a matter of day-by-day living together and learning to cooperate. Further, it involves more than good intent. It requires also the development of sound procedures for the practical solution of many troublesome problems.

Viewing the total American scene, it seems to me that collective bargaining, as it exists today, still falls far short of not only of the ideal, but of the attainable. But we have made great progress toward truly satisfactory collective bargaining in many industries and in literally thousands of establishments. For the better functioning of collective bargaining, these successes merit at least equal attention with the failures.

Government Intervention in Labor-Management Relations

As I view the present scene, perhaps the greatest of all dangers to free collective bargaining is the proneness of both sides to seek the aid of government to give them the victory in their contests with each other. Until fifteen years ago, labor felt that employers, through injunctions and otherwise, utilized government to defeat and destroy unionism. Since passage of the Norris-La Guardia and the Wagner Acts and the decisions of the United States Supreme Court sustaining this legislation, management has felt that the government was on the side of labor.

While the Wagner Act was in effect, the unions greatly increased their strength, although no one can ever be certain how much of this growth was due to this law and how much was a consequence of increasing and finally full employment. Because the unions had been mainly responsible for its enactment, although it was passed practically unanimously, management from the outset sought repeal or drastic amendment of the Wagner Act. In the 80th Congress, it was successful in getting rid of this Act. But it did not stop with the mere repeal of the law to which it objected. It insisted upon and won numerous restrictions upon the unions. The Wagner Act limited the government's interference to the organizational stage, stopping at the bargaining table. The Taft-Hartley Act continued the government intervention in the organizational stage and, in addition, prescribed the procedures to be followed in collective bargaining and, in numerous respects, regulated what the parties might agree upon.

The Taft-Hartley Act seems destined to be replaced by a radically different law. Quite likely there will be some reduction in the extent of governmental interference in labor-management relations. But this is by no means certain, and there is still greater doubt whether the trend will continue in that direction. The truth seems to be that not only do both labor and management want to get the government on their side but the general public calls on the government "to do something" whenever there is a wave of great strikes or there is any threat to the uninterrupted flow of vital necessities.

Some economists have been very much worried about the danger that employers and employees may gang together to hold up the public. The public, more realistically, has been concerned, not with the possible injury to society which conceivably may result from agreement, but with the consequences of the failure of labor and man-

agement to agree. In large segments of American industry, the strike today cannot effectuate its valuable results in facilitating a meeting of minds because the public insists upon an immediate settlement. In such industries the choice seems rapidly to be becoming voluntary arbitration or compulsory arbitration, but with machinery such as that which has long existed on the railroads worthy of consideration.

Social Security and Protective Labor Legislation

As I size up the present situation, the prospects for the years immediately ahead are that there will be increased governmental intervention in labor-management relations. I do not like the trend toward increased governmental intervention, but, like about everybody else, want to see government action extended in some directions.

I strongly believe that improvement of our social security and protective labor legislation is long overdue. Prospects seem good for the adoption of the amendments to the federal old age and survivors' insurance law proposed by the Advisory Council on Social Security (which, while falling short of what I would like to see, will be all to the good). Some improvements may be expected in the benefits under workmen's compensation and unemployment compensation in many states, although these will probably not be as great as required by the changes in the cost of living. There is every prospect also that there will be laws in many states this winter for cash sickness compensation, with the real battle coming over the extent to which private insurance companies shall administer this new form of social insurance. I wish that I could also say that I expect a national health insurance law to be enacted, but reporting truthfully how I see the present situation, I cannot do so. Although organized medicine bet on the wrong horse in the election, I fear that its influence is sufficiently great to make anything unlikely in the coming session beyond the first real consideration that Congress has ever given to health insurance. Instead of health insurance, we will probably get increased public medical care, as we have been getting for quite some time, while the A. M. A. continues to denounce a contributory insurance system as "socialized medicine" but offers few objections to increased medical care provided at public expense. It is a safe forecast, also, that union demands for employer contributions to pension, health, and welfare funds and employer costs for these purposes will increase, so long as we do not have an all-inclusive and adequate social insurance system.

I view these developments affecting social security with mixed feelings. I am happy that there is greatly increased interest in social security and that the prospects are good for additional social security protection for many people. But I am concerned because we still lack anything like a common approach to social security problems. Social security involves both benefits and costs. These are the two sides of the same shield. The difficulty is that labor is inclined to look at only the benefits, while industry looks only at the costs. Since 1938, industry's point of view has been largely controlling, with results which now are proving to industry's disadvantage. Today, some representatives of labor are going to the opposite extreme. I believe that such a policy will also have results which its proponents do not expect.

I have been impressed by the fact that both extremes recently have been advocating much the same type of social security legislation—a universal flat pension system financed from general taxes—"a baby Townsend Plan." Mr. Meriam of Brookings Institution and the Hoover Commission advocates such a program, expecting that its end result will be that only people in need will receive benefits. Labor advocates of universal pensions favor such a system of social security because they think it will result in large benefits toward whose costs employees will contribute very little. In view of the support which the idea enjoys in both camps, I see a considerable likelihood that some type of baby Townsend Plan will some time be adopted in this country.

It is my view that if we ever come to such a plan, we will witness a great battle between the two groups of advocates. The radicals will strive ever to get these pensions increased. The conservatives, on the other hand, pointing to the impossible costs, will then press for limiting the benefits to people who are in need. Which group will prevail I would not hazard a guess, but it is a certainty that under such a system social security would be a political football. On my part, I greatly prefer a contributory social insurance system. Such a system has the official support of both organized labor and organized business, but will be replaced ere long by something very different unless we soon get an all-inclusive, comprehensive, contributory social insurance system, in which equal consideration is given to benefits and costs.

Regarding protective labor legislation, the prospects for some long-overdue improvements seem fairly good, but it must be reported that interest in this aspect of industrial relations continues to be much less than its importance warrants. The 81st Congress seems likely to

reverse, in part, the action of the 80th Congress in greatly weakening the Fair Labor Standards Act. Almost certainly, it will materially increase the very inadequate minimum wage rate of 40 cents per hour. Something also will be done about returning to the United States Department of labor some of its lost functions. But the bulk of our protective labor legislation is state legislation, and we are still in the mood of overlooking the states.

I would also expand governmental industrial relations activities in the informational and educational fields. For the best functioning of collective bargaining, the parties should have available to them all information which is material and likely to be helpful in bringing about a meeting of minds. An impartial governmental agency is the best possible clearing house for such information. It will never do that the only sources for basic statistical information are partisan private agencies. Government also should undertake research of such dimensions and expense as to be feasible only for very large organizations. Further, I see nothing wrong with government aid for industrial relations research any more than with government aid for research in the medical and natural sciences. Workers' education has such potentialities for improved labor-management relations that federal aid is clearly called for.

Safeguards Against Harmful Governmental Action in Industrial Relations

Many of you will think that I am very illogical in advocating an extension of governmental activities along the lines suggested while wishing to restrict governmental intervention in labor-management relations. Perhaps I am, but, as I see it, both free collective bargaining and governmental action have their proper place in industrial relations. What I have advocated is a far cry from the complete domination of industrial relations by the government, which seems to me to be the only real alternative to free collective bargaining and its extension and improved functioning.

Let me add some thoughts about principles and procedures in relation of the government's role in industrial relations. In the establishment of standards governing conditions of employment, the government should outlaw only conduct deemed unsocial, not only by employees and the public, but also by most employers. Labor legislation should set only minimum standards, designed to bring the laggards (Theodore Roosevelt's "dirty tenth employer") up somewhere close

to the average. It should leave for bargaining between managements and unions the determination of the actual conditions which will prevail in the great majority of plants, in all respects customarily dealt with in collective bargaining. On matters not dealt with in collective bargaining, it should stimulate forward-looking employers to exceed the legal minimums.

For the development of sound labor legislation, I strongly believe in the desirability of the conference method, which is really collective bargaining in the legislative field. Under the initial leadership of John R. Commons, the Industrial Commission of Wisconsin for more than thirty years has successfully used advisory committees to draft industrial safety codes, minimum wage orders, apprenticeship rules, workmen's compensation amendments, and, more recently, changes in the unemployment compensation law. It has always followed the principle of giving representation to all major interested organizations and of appointing to membership the persons designated by them as their representatives. What these committees have agreed upon—and almost invariably they have come to an agreement, often after wide differences to begin with—the Commission and the Legislature have accepted without question. It is this procedure, rather than the detail of the legislation, which accounts for the fact that Wisconsin's labor legislation, including its much-debated unemployment compensation law, has had the support of employers and employees alike and has never become the subject of bitter animosities and knock-down-and-drag-out fights in the legislative halls or on the political hustings.

In Wisconsin, collective bargaining of this type has been applied to labor relations legislation only to a very limited degree. I believe it was worth trying even in that sphere. This was, in substance, President Truman's suggestion in 1946. Neither labor nor management supported the suggestion, and Congress went ahead with the enactment of labor relations legislation in the old political method, with the result that this legislation aroused bitter resentment on the losing side and must be rewritten. The National Association of Manufacturers now has called for labor relations legislation to be arrived at by labor-management agreement, but it wants the Taft-Hartley Act to be continued in the meantime. As this is, naturally, unacceptable to labor, this belated proposal is not likely to get very far. The best that can be hoped for is that the politicians this time will give more consideration to the minority's views than they did in 1947. But the principle is sound that not only must labor legislation be impar-

tially administered but that it must be of such character that labor and management are willing to live with it.

It is also my view that the national labor-management conference method has promise of being useful on many other aspects of industrial relations. It has had demonstrated value in railroad labor legislation. Something akin has been followed in social security legislation. Within the last few days, the Council of Economic Advisers has suggested a labor-management conference on wage-price policies. I agree with Dr. George W. Taylor that this is one of the most difficult problems on which to get agreement. But it seems to me that a labor-management conference is more likely to result in the development of principles taking account of the effects of wage-price policies upon the whole economy than we get under the present system of inter-union competition in demands for wage increases and the follow-the-leader policy which is so widely pursued by management. The Labor-Management Conference of 1945 is usually said to have been a failure. Its unanimous and since widely followed recommendation that all union contracts should include a provision for the arbitration of all unresolved disputes over the interpretation and application of contracts, however, alone made a greater contribution to improved labor-management relations in this country than all of the politically enacted labor-relations legislation we have had since the close of the War.

Other Aspects of the Current Industrial Relations Situation

I could go on much longer, giving you my ideas on other current industrial relations problems. But limitations of time compel me to deal only with collective bargaining and the role of the government in industrial relations. I am aware also that I have not touched upon the broader implications of these aspects of industrial relations. How collective bargaining functions and what the government does in this field have important bearing upon the maintenance of a stable, high-level, and progressive economy and the preservation of democracy and individual freedom, upon which depends all else that is worth while. But I must leave this subject to others who are better qualified to deal with it than I am.

I am also not oblivious to the fact that collective bargaining is by no means all there is to industrial relations on the industry and plant level. In no industry have all conditions of employment become a matter of collective bargaining. While opposed to rigid definition of management rights, all but Communist-controlled unions concede

that there are management rights and functions of management which they do not wish to usurp or even share. In any consideration of industrial relations, the existence of management rights must be recognized. But in our democracy, all rights carry with them duties. I believe that we will make greater progress, if management stresses less what are its rights than what it should do so that these rights will be exercised to benefit, not merely the management and the stockholders, but the workers and the consumers as well. Conversely, unions, in this day and age, in which they are assuming an importance comparable with that of corporations, need to recognize that they have a high degree of responsibility for the prosperity of industry and the general public welfare.

Industrial Relations Teaching

Supplementing the observations I have made about the present industrial relations situation, a few remarks would seem appropriate regarding the present status and the prospects for research and academic teaching in industrial relations.

There is today vastly more instruction in industrial relations than ever before. Everywhere courses in industrial relations are among the most popular of college courses. In 1942, when the last classification of members was issued, more members of the American Economic Association listed "labor" as their first interest than any other field within economics, including even "economic theory." Courses in industrial relations, moreover, now are given in many academic departments besides economics. At Wisconsin, such courses are offered in seven departments of the liberal arts college and in five other colleges and also the extension division; and much the same situation exists in all other large universities. Whereas only Cornell has an independent college of industrial relations, more than thirty colleges and universities now have industrial relations centers, with differing titles and somewhat different activities and objectives, but invariably seeking to coordinate and improve the campus instruction in industrial relations. Most of them also do a good deal of extension instruction of many types—organized classes, short courses, institutes, and conferences—serving labor, management, and to some extent labor and management together and also the general public. A number of other universities which have not established industrial relations centers are doing quite as extensive and effective teaching in industrial relations, on and off the campus. Only the smallest institutions of higher

learning now lack any special courses in labor economics or industrial relations, and some instruction in those subjects is even getting into the curricula of secondary schools in industrial centers.

All this instruction in industrial relations seems to me to be to the good, if impartially and competently presented. Considerable danger exists, however, in that we may be getting too many college graduates who prepare themselves narrowly for careers in industrial relations. While employment opportunities for such specialists are increasing, they are far less numerous than the students now in the colleges who would like to go into such work. Important as is the training of qualified specialists in industrial relations (and most such training, I believe, must be done on the job), the greater responsibility of the universities is to give all students some acquaintance with industrial relations problems, the points of view of both labor and management, and the possibilities for the reconciliation of differences. This is particularly important for students, like those in engineering, business administration and law, who are almost certain to have to deal with some aspect of industrial relations in their careers. But it is valuable also for all other college graduates, as training for the responsibilities of leadership and citizenship in our present-day American society, in which industrial relations have come to occupy such a very important place. Equally great is the responsibility of the universities in meeting the ever increasing demand for off-campus instruction in industrial relations which comes from unions, management, and the general public.

Research in Industrial Relations

Growth in the amount of attention given to research in industrial relations has kept pace with the increase in teaching in this field. Nearly all the industrial relations centers emphasize research, even more than instruction. Much important research is being done in universities independently of the industrial relations centers and, also, outside of the colleges. Government agencies, like the United States Bureau of Labor Statistics, do some of the most important research in this field. Research is also receiving increasing attention from both industry and labor.

It is almost literally true that some new book dealing with industrial relations has been published in every week of the past year. Articles and pamphlets have been even more numerous. So extensive has been the outpouring that it has become quite difficult for the academic

student, to say nothing about the practical industrial relations man, to keep up with this flood of literature.

Much of the research has been done by newcomers in this field. These include many younger economists whose training was mainly in economic theory and who have been surprised that what they have found to exist is difficult to reconcile with the theory they were taught. Others have come from the academic disciplines which have only recently become interested in industrial relations. In-plant and other field studies, questionnaire and interview techniques have been extensively utilized in this recent research. Documentary sources have been pretty much neglected and but little attention has been given to earlier studies.

While I am an old-timer who has made little use of the techniques relied upon by the newcomers in the field, I recognize that they have made very important contributions to an understanding of many industrial relations problems. But I protest against the use made of some of the recent studies by people who have an axe to grind.

The most discussed research studies of recent years in the industrial relations field are the Hawthorne Studies of Elton Mayo and his associates. I recognize these studies to be of great importance, if for no other reason than that they made such a great impression upon management and upon many of the younger men who are doing most of the research in the industrial relations field today. Mayo utilized experimental methods, which, while limited in scope and conducted under conditions which made the test group very conscious of being "guinea pigs," were in many respects comparable to those of the early days of natural science when many of the most important basic discoveries were made. In discovering the informal groups among the workers in industrial plants and emphasizing that the production of individual workers depends upon group thinking and action, Mayo laid the basis for what is now called "human relations in industry." Important as were Mayo's contributions, he was not the first to discover that there are group limitations to production even in unorganized plants. John R. Commons noted this fact in his report on *Regulation and Restriction of Output by Employers and Unions*, which was published by the United States Bureau of Labor in 1904, and Stanley Mathewson reported the same phenomenon in his *Restriction of Output Among Unorganized Workers* in 1931. Still less was Mayo the first to make in-plant studies in industrial relations or to conduct controlled experiments in this field.

Mayo did not discover the importance of unions in industrial relations, no doubt, because there was no union in the Hawthorne Works when the studies were made. On the basis of the Mayo and similar studies, some managements have drawn the conclusion that unions have very little to do with satisfactory labor relations and even dream of getting rid of the unions by building up the informal groups within plants—precisely how, has never been clear. It is to the credit of other industrial sociologists that they have discovered the unions and their great influence. But I feel that their work, too, would have been enriched had they known more about the unions before they made their in-plant studies and had made greater use of published sources. I feel that the greatest contribution can, perhaps, be made by the sociologists if they will carry further the study of the unions as institutions, which was begun many years ago by the institutional economists who were called, derisively, “labor economists” by many of their professional colleagues. The community and membership activities of unions, I believe to be a most fertile field for study, heretofore almost wholly neglected.

In singling out the industrial sociologists for special comment, I do not detract from their very real contributions to a better understanding of industrial relations. I like their approach much better than that of economists who ignore all but what they call “economic factors” in accounting for the behavior of employers and employees. I recognize that there is value in reaching the same results through different approaches and for learning through direct observations, even when they are repetitive. Nor do I begrudge investigators the thrill and acclaim they get when through original research they discover what they could have learned from published sources. And, of course, we need to know much more about industrial relations than can be gotten from prior studies and documents. I, also, am very happy that there are so many newcomers in the study of industrial relations. They bring to their studies fresh enthusiasms and new approaches and they have a distinct advantage because they have not been labelled, as all who honestly express themselves in this surcharged field are certain to be in the course of time.

There is plenty to do for all who seriously want to study industrial relations. No aspect has been exhausted or is in danger of being exhausted soon. There is need for field studies and for library research; for large projects, requiring much manpower, and for smaller studies which are quite manageable for an individual scholar or suit-

able for an independent Ph.D. thesis. We need original investigations, but also compilations, analyses, and interpretations and work of a conceptual character.

There is need in the study of industrial relations for the approaches of all academic disciplines represented in this Association and those of practical-minded people who must deal daily with these problems. But it is highly desirable that there should be cross-fertilization between these workers in their differing approaches and points of view and that all people who undertake research in industrial relations should have ready access to what has been done by others. Improvement of the situation in these respects is one of the major objectives of the Industrial Relations Research Association.

Conclusion

In conclusion, industrial relations still present many pressing problems. The way these problems are resolved will have much to do with the future of our economy, our government, and our entire way of life. The development of more satisfactory industrial relations is primarily a responsibility of labor and management, but will be powerfully affected by what the public wants and the government does. To the members of this Association who are mainly academic teachers and research workers or practical practitioners in the industrial relations field, the present industrial relations situation presents both an opportunity and a challenge. We must measure up to this opportunity and meet this challenge. Principally, through the discovery and dissemination of truth, we can make our contribution to improved industrial relations.

Chapter 3

COLLECTIVE BARGAINING, WAGES, AND THE PRICE LEVEL¹

¹ The chairman of this session was Dale Yoder, Professor of Economics, University of Minnesota.

SOME REFLECTIONS ON THE WAGE-PRICE PROBLEM

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THE PHENOMENA embraced by the phrase "wage-price problem" have chiefly to do with the influence exerted on wages or prices by large firms and by economic groups. Although the influence of economic interest groups in western democratic countries has been on the increase for many decades, their impact on the American economy multiplied in importance during the 1930's. Workers organized in trade unions grew in number from approximately 3 million in 1932 to about 15 million at the present time. Farm groups not only solidified their strength but managed to push through a scheme of agricultural support prices which is apparently here to stay. Business firms and associations perfected their defenses against price cutting and other "undesirable" forms of competition. Group influence on wages and prices is exerted not only through the market but also through political channels. It appears, moreover, to be a permanent feature of the American economy.

"Structural" versus Short-run Considerations

A consideration of the effect of group action on wages and prices might distinguish the persistent "structural" effects from the short-run cyclical effects. The latter which relate to the problem of economic stability will chiefly concern us here. In order to isolate this range of questions, however, it is necessary to say a word about the possible effects of group action on the long-run structure of wages and prices. It is possible to distinguish between the "vertical" effects on relative prices and wages in different industries and areas and the "horizontal" effects on the relationship between the general level of wages and the general level of prices. The effect of group action on relative wages and prices embraces a long series of traditional monopoly problems although the familiar techniques of monopoly analysis frequently do not seem to be very well adapted to deal with them. The introduction, for example, of industry-wide bargaining may lead to collusion between worker and employer groups with a resulting

sizable increase in wages and prices in the industry in question. This is obviously a "vertical" effect on the structure of relative wages and prices.

Group action may also influence the relation between the level of wages and the level of prices in the economy as a whole. Since the end of the war, average real hourly wages in Great Britain have increased. During the same period in the United States average real hourly wages have slightly declined. Any explanation of this divergence will have to lean heavily on differences in the group structure of the British and American economies. In Britain trade-union influence in the market and in government has been strong enough to control prices while permitting wage rates to increase. In the United States, despite three rounds of wage-rate increases, with a fourth already under way, the upward movement of prices has produced a slight decline in real wages.

The possibility of manipulating the long-run relationship between the level of wages and the level of prices raises a series of important questions. How is the distribution of income affected and the relationship between savings and consumption? What happens to output and investment incentives? Is the Keynesian problem of chronic over-saving amenable to a solution via public wage-price policy? Will a wage-price policy dominated by trade-union influence dry up the sources of private investment and necessitate a public investment program? These and other questions, however, involving the influence of group action on the "structure" of wages and prices will have to be put aside. Here attention is directed primarily toward the short-run stabilization aspects of the wage-price problem.

Approach of Council of Economic Advisers

Specifically, we are concerned with the question whether wage-price policy can or should be expected to contribute to offsetting the effects on output and employment of fluctuations in the volume of private investment. In this connection, it is a matter of some interest to inquire into the stabilization objectives of the Employment Act of 1946, various pronouncements on wages and prices under authority of the Act by the Council of Economic Advisers, and, in particular, the wage-price policy advocated by the Council and various other authorities early in 1947. It must be stated at the outset, however, that it is not clear from the reports thus far published by the Council whether its wage and price recommendations are directed toward the

stabilization objective or toward the attainment of a "proper" structural relationship of wages and prices.

The maintenance of economic stability with a high and increasing volume of output and employment is a declared purpose of the Employment Act of 1946.¹ The Act, furthermore, invites the cooperation of economic groups—"industry, agriculture, labor"—as well as state and local governments in promoting the objective. If these groups are to cooperate, ways must be found of informing them concerning appropriate action and of persuading these groups to take such action. In other words, there are the old questions of standards and compliance. Here we are primarily concerned with the question of standards.

The Council has frequently taken note of the influence of economic groups on wages and prices and of the importance of appropriate wage and price policies. In the President's Economic Report of January, 1948, not only is this interest reiterated, but the President directs the Council to continue its study of the ways and means of making wage and price policies effective. This passage deserves quotation.

The greatest opportunity for bringing about economic betterment lies in achieving and maintaining a proper balance among prices, wages, and profits. One of the purposes of the Employment Act is to provide a new climate for pricing policies. The Act contemplates that the combined resources of business, labor, agriculture, and the Government will be used to do away with business fluctuations of the violence known in the past. To determine what price and wage policies and practices are appropriate to this objective, a re-examination of the problem is necessary.

Therefore I have instructed the Council of Economic Advisers to continue its work on this problem with the assistance of representatives of all groups concerned. The results of such a study should contribute to the development of sound legislative proposals. But its most important outcome should be a wider and deeper understanding on the part of the Government, business, labor, and consumer groups as to the price, wage and production policies and practices which will contribute most fully to the maintenance of high levels of consumption and investment.²

¹ Section 2 of the Act reads, in part, as follows: "The Congress declares that it is the continuing policy and responsibility of the Federal Government . . . with the assistance and cooperation of industry, agriculture, labor, and state and local governments . . . (and) in a manner calculated to foster and promote free competitive enterprise . . . (to assure) useful employment opportunities . . . and maximum employment, production, and purchasing power."

² P. 78. The staff of the Congressional Committee on the Joint Report comments on this directive in the following somewhat skeptical fashion: (cf. *Report*

The key phrase in this long quotation is "a proper balance among prices, wages, and profits." What kind of a relationship among prices, wages, and profits is conducive to "the maintenance of high levels of consumption and investment" and can this relationship be properly described as balanced? The first paragraph of the passage quoted above suggests that the moderation of economic fluctuations is at issue. May it not be that if wage-price policy is to contribute to economic stability a relation between wages and prices that changes over the cycle should be the objective? Or does the word "balance" mean that wage-price policy is aimed at long-run structural relationships in the economy, leaving the maintenance of economic stability to monetary and fiscal policy?

Certainly a wage-price policy oriented toward short-run stabilization objectives would at times involve recommendations different than might be expected from a policy concerned with the long-run structural relationships. A couple of examples may serve to clarify the distinction between the short- and long-run problem. It is asserted in some quarters that present capacity in the steel industry is inadequate to meet the requirements of the American economy under conditions of high-level employment and output. The results of this deficiency, it is said, are to be seen currently in the inability of the automobile industry and other users of steel to obtain deliveries sufficient to sustain output at levels that could be attained by present production facilities and that should be attained by present production facilities in view of the current demand. If this is so, lack of steel capacity constitutes a serious bottleneck to the expansion of output in the economy as a whole to full production levels.

Admitting that this may be so, does it follow that steel-making capacity should be expanded here and now? The answer to this question depends in part at least on one's analysis of the current situation and its associated short-run expectations. The American economy is certainly operating at full employment and we seem to be facing a condition of active inflation. Under these circumstances it is by no means clear that a large program of expansion in the steel industry is what is called for. The short-run repercussions of such a program

of Congressional Joint Committee, 1948, p. 35.) "We wish to underscore this recognition of the undeveloped state of economic science, especially as to what policies will ensure full productive activity in a free enterprise system. We are not certain that there are any such policies, but we hope that the studies referred to will be carried forward diligently and persistently, and that they will yield progressively more satisfactory answers to the questions which crop up when we try to promote economic stabilization without sacrificing freedom."

would be definitely inflationary. Since it takes steel to build steel plants, supplies available to other users of steel would be temporarily diminished, increasing the severity of the current bottleneck situation. The program would also increase the already high volume of business investment which is one of the currently important inflationary factors.

At this point I am taking a position neither for nor against expansion of capacity in steel. All I intend to convey is that considerations having to do with a stabilization program might well lead to a different decision than considerations focused exclusively on the question of desirable investment regardless of the timing of the investment.

So also with wage-price relationships. It has been plausibly argued—at least in the period before current high levels of Government expenditure—that a high-wage-low-profit relationship was necessary in the American economy to avoid chronic oversavings and underemployment. Assuming that this is so, what is involved is a definite trend in wage and price levels over time. A stabilization program, on the other hand, aimed at counteracting the effects of fluctuations in the volume of investment would, so far as it relies on wage-price policy, seek a variable relationship between the wage and price level. There is, in other words, a long-run problem concerning proper cost-price-profits relations, and a short-run problem the answer to which depends on an analysis of the economic situation with its attendant short-run expectations at a given moment of time.

To what objective is the principle of “a proper balance among prices, wages, and profits” relevant? The January, 1947 report of the Council included the price and wage recommendations in its so-called short-range program and pronounced as follows:

If price and wage adjustments are not made—and made soon enough—there is danger that consumer buying will falter, orders to manufacturers will decline, production will drop, and unemployment will grow—unless consumers resort to large additional borrowing and use of past savings to buy the increased supply of goods. These temporary expedients are limited in power and even if available would merely postpone the day of reckoning.³

The adjustments required were selective price reductions and wage-rate increases. The purpose was to increase consumer purchasing power; i.e., by a change in the relation between total wage payments and profits to bring about a change in the relation of consumption to

³ P. 19.

savings. Without this change it was feared that the volume of effective demand would be insufficient to take off the market total expected output.

This projected use of wage-price policy, expounded in tentative and cautious fashion by the Council in the 1947 Report, was stated in extreme fashion by Robert Nathan early in 1947. The Nathan Report maintained that unless wages, on the average, were increased by 25 per cent—prices on the average remaining at the same level—the volume of effective demand would be insufficient to sustain production and employment at existing levels.⁴

The Committee on Economic Stability of the Americans for Democratic Action, composed in the main of former O.P.A. executives, espoused the same argument, though in a more moderate form than the Nathan Report. Since the argument is here clearly put, it is worth quoting from the Committee's Report.

The total purchasing power of our people has failed to keep pace with prices. Disposable income for the nation as a whole; that is, the income left to consumers after taxes, has risen from an annual rate of \$142 billion in the second quarter of 1946 to an estimated annual rate of \$158 billion in the first quarter of 1947—an increase of only 11 per cent as against the 17 per cent increase in consumer prices for the same period.

Under these circumstances, if employment and output were to be sustained, what was needed, according to the Committee, was "a prompt average reduction of 10 per cent in prices" and a spread of the pattern of wage-rate increases already foreshadowed in the 15 per cent an hour gains resulting from the steel, automobile, and electrical negotiations. For price reductions the Committee would rely on Government leadership and publicity.

The recommendations of the Council of Economic Advisers in 1947 were, as indicated, more cautious than those of the sources just cited, and its analysis much more circumspect. It is, moreover, impossible to tell from the context of the Council's statement whether what is aimed at is the establishment of a continuing and persistent relationship between wages and prices or a short-run adjustment designed to counteract the effect of an approaching change in the volume of investment. In his statement on "Inflation Control" before the Senate Banking and Currency Committee, Leon H. Keyserling, Vice Chairman of the

⁴ Robert R. Nathan Associates, "A National Wage Policy for 1947."

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Council of Economic Advisers, spoke at length on the question of a proper wage-price balance but without clarifying this issue.⁵

Mr. Keyserling notes that "the most significant changes in the composition of demand since the last pre-war year have been the sharp downturn in the relative size of consumer expenditures, compensated for mainly by the sharp upturn in the relative size of business investment. This reflects industry's postwar reconversion boom and does not in itself reveal anything undesirable."⁶

However, the present composition of expenditures or demand cannot be expected to maintain (itself) as we move to a more characteristically peacetime economy. To preserve a workable balance between productive capacity and ultimate consumption, consumer expenditures or demand will need to assume a relatively larger role, not only because business will be through the reconversion and re-equipment period but also because the relative role exerted by Government expenditures and not foreign investment must be expected to decline with the advent of a more normal international situation.

It would appear that what is aimed at here is a "structural" wage-price adjustment designed to meet the Keynesian problem of chronic oversavings, though one may permit himself to question how soon the return to a "normal international situation" will permit the suggested reduction in Government expenditures. On the other hand, Mr. Keyserling also envisages a necessary cyclical variation in wage-price-profits relations.

There are periods when profits should increase faster than wages, because the profit structure is more volatile. When the economy is going downhill, when it is running into a period of large-scale unemployment, profits sometimes fall below the zero point, and manifestly we couldn't allow wages to fall below the zero point. And likewise profits have to increase faster than wages at times to make up for the times when they have decreased faster.⁷

⁵ Eightieth Congress, Second Session, August 4, 1948.

⁶ P. 328. But when does it become undesirable? The Council, in January, 1947, was recommending downward price and upward wage adjustments to reverse these trends of consumer and business expenditures. Mr. Keyserling repeats these recommendations in the summer of 1948. This is the question of timing so vital in any stabilization program.

⁷ P. 341. This statement, however, is followed by two confusing sentences: "At other times wages should increase faster than profits. I think this second formula is closer to the correct formula for a well-balanced, healthy, maximum employment and maximum production economy." The short-run problem of counteracting variations in investment and the long-run problem of "proper wage-price balance" here seem inextricably mixed.

Assumptions Underlying Current Thinking

Whether wage-price policy aims at a counter-cyclical variation of consumption and investment expenditures or whether it aims at a "structural" balance between these aggregates, certain assumptions are involved regarding the behavior of firms and economic groups, the relation of this behavior to changes in various aggregates in the economy, and the ability of Government, without coercion, to induce certain kinds of action. It may be worthwhile to attempt to spell out these assumptions. They would appear to be embraced within something like the following set of propositions:

1. Large firms, economic groups and associations have the ability to influence particular prices and wages.
2. These firms and groups are not exclusively motivated by considerations of short-run advantage.
3. The long-run interest of these firms and groups lies in the maintenance of economic stability at a high level of output and employment.
4. It may be possible, by indicating to firms and groups what type of behavior is appropriate, to induce action toward this end.
5. The maintenance of high-level stability requires a variation in the relation of consumption and saving to counteract the variation in the volume of investment. The longer-run trend in consumption and savings should reflect the trend of investment requirements.
6. An increase in wage rates or reduction in prices will tend to increase the ratio of total wage payments to total profits and hence the ratio of consumption to savings.⁸

⁸ As a generalization this is, of course, a highly dubious proposition. Under what circumstances a narrowing of the wage-price margin might be expected to bring about an increased ratio of total wage payments to total profits without diminution of aggregate income, and how the change in this ratio may be expected to affect the relation between consumption and investment have never, so far as I know, been spelled out. Nevertheless, something like this proposition seems to be implied by the argument.

Cf. Leon H. Keyserling, "The Economic Test: Will We Act in Time," *New York Times*, June 13, 1948: "In this context of economic balance, profits affect the amount of money available for business undertakings. Wages are the largest item in consumer incomes. Prices determine the real amount of goods that wages can buy and the real amount of capital equipment that businessmen can purchase with their profits."

This article is a plea for a "national prosperity budget" the main function of which would be to project a balanced relation among wages, profits, and prices.

"By broad delineation of the capital needs for stable growth it would provide realistic standards for profit policy; by projecting the farm-production needs for a well-fed people and a well-supplied industry it would shed light upon workable levels of farm prices and income; by striking a balance between resources to be consumed now and resources needed for further production it would provide a guide to wage policy."

7. Appropriate changes in wages and prices can perhaps be brought about by a process of advice and consultation between Government and interested groups.

Nowhere in the reports of the Council nor, so far as I know, in any other literature is this thesis set out in this bald fashion. Nevertheless, something like this conception would seem to be involved in a good deal of current discussion of wage-price policy, including the contributions of the Council of Economic Advisers. Certain of these propositions relate to the behavior of firms and economic groups; others concern the relationship between price and wage changes and various broad aggregates such as total wages and total profits, consumption and investment; still others involve the role of Government in economic forecasting, in devising wage and price standards in the light of these forecasts, and in securing the compliance of firms and economic groups with these standards. It is impossible in the time at my disposal to do more than to indicate some of the implications involved in these propositions.

Problems Involved in Wage-Price Policy Determination

With respect to the behavior of large firms and economic groups, it would probably be agreed that these firms and groups not only have the ability to influence particular prices but are frequently motivated by considerations other than the maximization of short-run advantage. Whether or not the trade union is an advantage-maximizing agency, it is certainly difficult to determine what magnitude is being maximized and within what time period. As for large firms, there is clearly much truth to the contention that managements are primarily concerned with the continued existence of the enterprise rather than with exploiting all possible short-run profit opportunities. It could probably also be agreed that it is to the long-run advantage of firms and economic groups that the economy maintain stability of operation at a high level of output and employment. When one comes, however, to the question of translating this interest of all into a course of action for each, difficulties arise. If others can be expected to behave in such a way as to promote high-level stability, it may well be in the interest of a particular firm or group to act otherwise.

Can firms or groups be expected to take account of the repercussions of their actions on the functioning of the economy as a whole? This is something different from maximizing the long- as contrasted with the short-run advantage of the group. To judge the prospects of

various possible courses of action with respect to their probable effects on profits in the long run is still to act within a context that is much narrower than the whole economy. The broader view would be inevitable only if the firm's operations were so large and all-pervasive that the interests of the economy were identified with its own interests.

Some people, faced with this problem in the field of trade unionism, take the position that the disadvantages of what they call sectional bargaining might be avoided if wage policy for unionized workers as a whole could be determined by a central trade-union administration conscious of the workers' stake in the effective functioning of the economy. The unionized workers, however, are only a fraction of all wage receivers and all wage receivers are only a fraction of the total labor force. Moreover, even if society were organized into agencies representing, let us say, the whole of labor, the whole of business and the whole of agriculture, assuming this to be possible, it is to be feared that these agencies would behave in the way theory suggests that bilateral or, in this case, trilateral monopolists do behave. It is unlikely that any group organization of the economy can be devised such that the interests of each particular group are identified by its members with the interests of the whole.

It does not, I think, follow from what has been said that no reliance can be placed on a public policy which attempts to induce rather than to coerce large firms and economic groups to undertake price or wage action deemed favorable to economic stability. What is asserted is that a recognition by such firms and groups of a common interest in the maintenance of high-level stability in the economy is not enough to insure action on the part of each directed toward this objective even if the appropriate line of action is known.

A second group of problems concerns the relationship between changes in particular prices and wages and changes in aggregate wage payments and profits on the one hand and consumption and savings on the other. This relationship is obviously very complex and it has not been effectively explored. A few highly abstract studies have considered the possible effects of a general change in money wage rates on employment in the economy as a whole; others have experimented with various lead and lag hypotheses. The route from changes in particular prices and wages to aggregate wage payments and aggregate profits involves questions of incentives as well as of income distribution. When the Council of Economic Advisers advocated early in 1947 selective price reductions and wage-rate increases, the expectation was

that these changes would produce an increase in aggregate real wages. Perhaps they would, but what changes and by how much? Furthermore, even if these magnitudes are known, how does one pass from changes in aggregate real wages to changes in aggregate consumption and savings? What concerns us here, moreover, is not the average propensity to consume but the marginal. And this static concept has to be quantified under highly dynamic conditions. This whole problem of moving from the aggregative relationships involved in a stabilization program to the standards with respect to particular wages and prices which it would presumably be necessary to formulate, in order to bring a systematic wage-price policy into the program, is one of the most obvious difficulties.

Thirdly, if Government is to advise business and labor on wage and price behavior appropriate to the stabilization objective, it must do so in the light of an analysis of the current situation. One distinction between a short-run stabilization program and the formulation of what the Congressional Joint Committee on the Economic Report calls "Basic Principles" is that the stabilization program requires action as of a given moment of time in the light of a forecast of an expected course of events. The recommendations of early 1947 were apparently based on the expectation that unless the gap between the level of wages and the level of prices were narrowed, consumption expenditures would be inadequate to remove from the market the anticipated volume of goods. The gap was not narrowed; prices moved up with wages; nevertheless, the goods *were* removed from the market by an adequate flow of consumer expenditures.

This is not an argument against forecasting since any public or private policy, whether of action or inaction, must be based on some kind of a forward estimate. It is, however, an argument against putting too much in the way of recommended action on the back of a forecast. There are strong doubts, whether, in the present stage of our knowledge, recommendations with respect to particular wages and prices can be made an effective part of a stabilization program.

Finally, there is the question whether, assuming appropriate behavior of wages and prices could be determined, large firms and economic groups can be induced by measures short of wage and price control, to pursue the desired course of action. The preachments of the Council of Economic Advisers concerning prices and wages do not seem to have been remarkably effective. Prices have continued to rise at least as fast as wages. Is this the result, however, of an unwillingness on the

part of firms and groups to act in the public interest or simply of an inability to see where the public interest lies? Certainly the latter is an important part of the difficulty. If standards of particular price and wage behavior appropriate to the maintenance of economic stability could be devised, I would hazard the guess that the pressure of public opinion would be extremely effective in inducing firms and groups to adhere to this behavior. The formulation of such standards, however, would appear to be excessively difficult.

Conclusion

The pessimism of the preceding argument does not lead, necessarily, to the conclusion that wage-price policy has no role to play in a stabilization program. But perhaps at the present juncture that role will have to be a simple, negative one. If, for example, public expenditures designed to increase employment lead instead, under the impact of group pressures, to a rapid increase in wages and prices, the public expenditures may have to be curtailed.⁹ Perhaps the most important problem for wage-price policy in a stabilization program is the decision as to what degree of inflation can be tolerated.

The argument of this paper has been that if a stabilization program is to rely on a comprehensive wage-price policy to offset, in part at least, fluctuations in the volume of investment, this policy would have to concern itself with variations in wage-price relationships over the cycle. If these variations are going to be appropriate to the stabilization objective, some very difficult problems of economic forecasting and of translating aggregative relationships into standards applicable to particular industries and areas will have to be overcome. In the author's view, economic analysis is not competent to deal with these problems.

There remains the question as to what meaning, if any, to assign to the phrase "a proper balance among prices, wages, and profits," so

⁹ In his *Monetary Policies and Full Employment*, William Fellner draws a distinction between an "unconditional full employment guarantee" which he thinks would inevitably lead to inflation, unless prevented by strict wage and price controls, and a counter cyclical spending policy which, if accompanied by a proper wage-price policy, would not necessarily turn out to be inflationary. The wage-price policy seems to consist of a cessation of public spending.

XIII. "In early stages of recessions it should be possible to adapt effective expansionary monetary and fiscal policies and to make their timing dependent on price and wage trends and on the behavior of economic power groups in general. . . . They should . . . be discontinued if dangerous price and wage tendencies manifest themselves, regardless of the level of activity at which these tendencies develop."

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avored in the reports of the Council of Economic Advisers. It has been pointed out that in the wage-price structure there are continuing and persistent "vertical" relationships among wages, prices, and profits in different industries and areas and "horizontal" relationships between the trend of the wage and price level. Perhaps certain vertical and horizontal relationships are more entitled to be called "balanced" than others. But in any case it would appear to be the beginning of wisdom, in dealing with the wage-price problem, to distinguish between wage-price relationships as they affect economic stability on the one hand and as they affect trends in the volume and direction of employment of resources on the other.

WAGE BARGAINING, PRICE CHANGES, AND EMPLOYMENT

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THE BROAD WORDING of our title compels a decision whether to dig intensively into a small corner of the subject or to make a more superficial exploration of the subject as a whole. The latter course is adopted in this paper. I am more interested in assembling a complete roster of theoretical and statistical problems than in reaching conclusions about any particular problem.

I want to direct attention toward three major issues: (1) What is the growth of collective bargaining doing to the process of wage determination? How does the new mechanism of wage determination differ from that which existed in pre-union days? (2) How is the new mechanism likely to affect the national wage *structure*, and particularly the relative wage levels of different industries? (3) How is it likely to affect the behavior of the general wage *level*, and what may be the cyclical and secular consequences?

Wage Determination: the Firm

The broad tendency of collective bargaining is to reduce the influence of labor supply on wage determination. The wage level of a particular plant is geared primarily to the wage levels of other plants in the same industry, rather than to labor supply conditions in the locality. The general wage level moves rather independently of the general level of employment. Trade unions do not regulate wages via control of labor supply on the pattern of a commodity monopolist. They regulate wages in essentially the same way as a minimum wage board or any other governmental body—by direct control of the employer.¹ Labor supply, for the most part, adapts itself to the legislated wage structure.²

¹ This point is argued effectively by Arthur Ross, *Trade Union Wage Policy* (University of California Press, 1948), and by C. E. Lindblom, "The Union as a Monopoly," *Quarterly Journal of Economics*, November, 1948, especially pp. 674-679.

² Labor supply will always, of course, retain a negative or limiting influence on the wage structure. It is conceivable that the bargained wage level for a plant or a particular job in the plant might be so low that the employer could not recruit workers, in which case the bargained wage would be ineffective. It seems likely, however, that such cases would be very rare in practice.

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We know very little about how wage increases occurred in the days before trade unionism became a major factor in the situation. Individual employers presumably took the initiative in raising wages. When and why did they do so? Did they raise wages only when unemployment in their area had fallen so low that they were having difficulty in hiring new workers? Or, as seems more likely, did they begin to raise wages well in advance of this point? If the latter, what was their motive—embarrassment at the rapid increase in their profits during cyclical upswings, a sense of justice, worker complaints about living costs, a desire to stand well in the community as regards wages, or something else? In any event, it is reasonably certain that employers took their cue mainly from developments in their own area—changes in the average wage level of the area, wage changes by some leading firm or employers' association, changes in the level of employment in the area, and so on.

A major effect of collective bargaining is to strengthen the ties binding the firm to its industry and to weaken the influence of the local labor market. Even where there is not industry-wide bargaining, the union uses an industry-wide strategy designed to achieve a substantially uniform rate of wage increase throughout the industry. The geographical scope of this strategy, as is well-known, varies with the extent of the product market. Pressure for adherence to an industry "pattern" may be limited to one area, or may extend to a region or to the country as a whole. Where a single union embraces a variety of industries, as does the Steel Workers, the Automobile Workers, or the United Electrical Workers, there may be an attempt to apply a "union-wide" pattern to all of these industries.

The extent of the shift produced by collective bargaining should, of course, not be overstated. On the one hand, wage leadership on an industry basis existed long before the development of collective bargaining, the outstanding example being the tendency of steel fabricators and of heavy industry generally to follow wage changes by the United States Steel Corporation. On the other hand, adherence to industry wage patterns today is not nearly so uniform as one might judge from the widespread use of such terms as "second round" and "third round." I suggest as a hypothesis that the unions have succeeded in winning uniform wage increases mainly within oligopoly groups whose competitive relations are of the "considerate" or "co-operative" type. It may be too strong to say that the union has been taken into the family in these cases, but the habit of making uniform

price adjustments certainly makes uniform wage adjustments seem natural and easy to handle.

Beyond the boundaries of such groups, conformity to the alleged "pattern" tends to fade out. This appears from an examination of wage statistics, which reveal great diversity in the rate of wage increase in different industries since 1945.³ It appears also from a study of developments in particular localities. In New Haven, for example, many of the unionized firms have settled for less each year than the supposed "pattern" for their respective industries. This was true even in 1946, and the discrepancies have become wider with each successive "round." Special characteristics of a locality—the level of unemployment, the mobility or inertness of the labor force, the quality of local union leadership, the size and efficiency of firms—are still able to damp down or reinforce the impulses toward wage change which emanate from the power-centers of the economy.

When all this has been said, however, it remains true that collective bargaining has greatly strengthened industry influences as compared with area influences in wage determination. The concept of a supply-curve of labor to the firm, whatever its normative value, seems to have little descriptive usefulness in a unionized situation. One can almost say that unionism has abolished the local labor market; for what sort of market is it which has no price-determining functions? One has instead two separate processes: a process of wage determination, and a process of labor mobility which, while it takes some account of the existing wage structure, has little power to influence this structure. Labor mobility is doubtless important in its own right; but it can no longer be regarded as a subsidiary branch of the study of wages.

Wage Determination: the Economy

Turning from the firm to the economy, we must note that collective bargaining alters the prospective behavior of the general wage level. Even in pre-union days, the money wage level began to rise during recovery well in advance of any approach to full employment. This tendency is accentuated under collective bargaining. We should expect that in the future the general wage level will begin to rise very soon after the beginning of a recovery, and that it will rise more rapidly during the recovery than it would in the absence of trade unionism.

³ For a description of wage changes between September, 1945 and February, 1947 see Jules Backman, "Hourly Wage Dispersion," *American Economic Review*, December, 1947. The increase in the average hourly earnings of different industries over this period varied from a low of 5.8 cents to a high of 29.7 cents.

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Nor is this a superficial tendency which can be corrected by teaching a different brand of economics to trade union leaders. It is deeply-rooted in the structure of the economy, the attitudes of manual workers, and the political dynamics of the labor movement.

Wage demands are usually formulated by the top leadership of the union. Since the union is a representative democracy, however, the program must impress the membership as reasonable under the circumstances. How do union members decide what is reasonable? During an upswing, the most prominent element in their thinking is the movement of retail prices, and particularly of food prices.⁴ When the wives come home from the grocery store each week and complain to their husbands that the money doesn't go 'round any more, there is labor trouble in the plant.

Because of the supply and demand conditions for farm products, food prices rise rather rapidly in the early stages of a recovery movement. So also do clothing prices, which are geared to the prices of raw cotton, wool, hides, and other agricultural products. Food and clothing make up the bulk of the average wage-earner's budget. One must therefore expect union wage demands at the beginning of a recovery, regardless of any developments in the industrial sector of the economy and regardless of the level of unemployment. Since food supply is relatively fixed in the short run, the increase in workers' money incomes tends to accelerate the rise in food prices, leading necessarily to another round of wage increases next year, and so on throughout the upswing. The rate of increase in the money wage level is geared to the upward flexibility of food and clothing prices. It seems certain, therefore, to outstrip any practicable rate of increase in productivity.

Another element in the situation is competition among unions in the size of their wage demands. One of Keynes' most acute insights was the observation that what unions are really bargaining about is the share of the national wage-bill which shall go to each occupational group. The leader who can win an increase which is larger than the average wage increase throughout the economy has made a real gain for his members. When one adds to this the personal rivalry of union leaders for influence and prestige, it seems clear that an atomistic labor movement such as our own must necessarily generate a rapid rate of wage increase. This could be averted only by getting all union

⁴ For some evidence on this point see L. G. Reynolds and Joseph Shister, *Job Horizons* (Harper Brothers, 1949), Chapter 2.

leaders to agree to a "code of fair competition," under which no one would demand more than a specified amount in a particular year. The present structure of our labor movement makes such a comprehensive agreement impossible.

Another reason why widespread collective bargaining tends to generate a rapid rate of wage increase is that the risks attached to particular wage increases are greatly reduced. An isolated union might have reason to fear the consequences on employment of pushing up its own wage level with no assurance that the general wage level would rise correspondingly. An individual firm, or even a unionized industry in a predominantly non-union economy, might have reason to oppose wage increases which would raise the prices of its products relative to those of other products. When collective bargaining is general, however, each industry can reasonably expect that its wage and price increases will be approximately offset by similar adjustments in other industries, and that its output and profits need not suffer. This means that employer resistance to money wage increases is greatly weakened. Indeed, under simple and quasi-static assumptions, the employer would have no economic incentive to resist so long as his wage increase did not exceed his expectation of the average economy-wide increase for the year.⁵

For all these reasons, collective bargaining accelerates the rate of wage increase during a cyclical upswing. The tendency of collective bargaining to rigidify wages on the downswing is well known and is also inherent in structural features of the labor movement: the "money illusion" which causes workers to feel worse off when their money income falls, even though living costs may have declined even more; the consequent fact that acceptance of a wage cut by a union is always considered a defeat, and is apt to endanger the solidarity and leadership of the union; and the further fact that a wage cut taken by one

⁵ This assumes that the economy-wide increase is immediately and fully reflected in the cost of materials and other non-labor services purchased by each firm. To the extent that this is not true, because of price rigidities and time-lags of various sorts, firms with a relatively high ratio of direct labor costs may have a stronger incentive to resist wage increases than firms in which labor costs are a small proportion of total costs. Moreover, under dynamic conditions, firms in expanding and technically progressive industries will have less incentive to oppose wage increases than firms in declining and technically stagnant industries. In this event, the *average* rate of wage increase throughout the economy may be significantly affected by the characteristics of the firms which serve as wage leaders for the economy. See on this point John T. Dunlop, "Productivity and the Wage Structure," in *Income, Employment and Public Policy* (W. W. Norton, 1948).

union is a loss if other unions are able to maintain their rates unchanged.

The fact that unions must necessarily try to maintain wages unchanged during a depression does not mean that all will be able to do so. Dunlop has pointed out that, during the depression of 1929-33, wages fell farthest in highly competitive industries which suffered a severe price deflation; they fell considerably less in oligopolistic industries with a sheltered price structure.⁶ It would be surprising if this tendency had been entirely removed by the development of unionism. I would expect that, during the next depression, the severity of price competition will overbear union resistance to wage cuts in such industries as textiles and clothing. I would expect, on the other hand, to see little or no reduction in wage levels in oil refining, basic steel, automobiles, heavy electrical equipment, and heavy industry generally.

Trade unionism develops within a matrix provided by the existing competitive organization of industry, and one must look to the structure of product markets as the source of major differences in wage-price behavior. In industries whose price structure fluctuates markedly over the cycle, this is likely to be reflected in a sympathetic, though less marked, fluctuation in the bargained wage level. There is likely to be a greater-than-average increase in wage rates on the upswing, followed by a moderate decline in rates on the downswing. When the price structure of the industry is under firm control, on the other hand, wages are likely to advance more moderately during prosperity and to remain unchanged during depression. In both cases one is likely to get a *secular* rate of wage increase which is considerably greater than the rate of increase in productivity, and which therefore exerts a continuing upward pressure on the general level of prices.

The Structure of Relative Wages

What consequences may this new mechanism of wage determination be expected to produce over the decades ahead? What will be the effects on *relative* wages and prices and therefore on resource allocation? How will a secular rise in the *general* level of wages and prices affect cyclical fluctuations in employment? While the cycle problem seems at the moment more intriguing and important, I cannot forebear a few remarks first on the structural problem—the vexed issue of “union monopoly.”

⁶ See his *Wage Determination Under Trade Unions* (Macmillan, 1944), Chapter 7.

Discussion of this problem usually starts from the concept of a perfectly competitive wage structure, a concept which has changed remarkably little since its first clear definition by Adam Smith. It is generally held that this (hypothetical) wage structure has a special claim to be regarded as a norm for economic policy, though this claim could doubtless be contested on broader political grounds. The American wage structure of pre-union days did not look very much like the competitive pattern. Occupational wage differentials ran in the wrong direction, inter-plant and inter-regional differences in earnings for similar work were much larger than they should have been, and so on. Neither is there any reason to suppose that the bargained wage structure toward which we are heading will be cut on the competitive pattern.

This raises the question of which kind of wage structure—one formulated by employers or one formulated through collective bargaining—is likely to come closer to the competitive pattern. A priori, there is no reason to answer this question one way rather than the other. The tendency of some economists to resolve the issue against collective bargaining from the outset is simply a bad habit arising from prolonged concentration on economic theory. Theoretical speculation, uninterrupted by observation of reality, tends to blunt the power of practical judgment. Assumptions are transmuted into facts, and we become the prisoners of our own abstractions. Thus some people come to identify "non-union" with "perfectly competitive," which scarcely seems justified by the available evidence.

There are at least three ways in which collective bargaining may be bringing the national wage structure closer to the competitive pattern than it would be under non-union conditions. While adequate evidence is not yet available on these points, I suggest them as hypotheses which will repay further thought and investigation.

First, collective bargaining is tending—at least in manufacturing—to reduce the percentage differential between the earnings of skilled and unskilled workers.⁷ It is tending also to raise the average earnings of all manual workers relative to those of clerical, professional, and management employees. The result would appear to be a closer approach to a competitive or Adam Smithian system of occupational differentials.

Second, collective bargaining is reducing the dispersion of wage

⁷ For a recent study of trends in occupational differentials in manufacturing see Harry Ober, *Monthly Labor Review*, August, 1948, pp. 127-134.

levels among firms in the same industry. This is happening within particular localities and regions, and it is happening between regions. In most of the unionized industries the North-South differential is shrinking, and in some it has virtually disappeared. This is also the kind of result which might be expected to occur in a competitive labor market.⁸

Third, collective bargaining probably tends to produce a better balance between reward and effort, and also between wage and non-wage types of reward. To the extent that competition operates at all in the non-union labor market, it operates mainly on the structure of wage rates. It does not insure that workers will work at the "right" speed or under the "right" conditions in return for these wage rates. Nor does it insure that their total compensation—including wage rates, holiday and vacation pay, pension and insurance benefits, and other supplements to wages—will be divided into the kind of "package" which most of them would prefer. In both these respects, there is greater likelihood of approaching an optimum balance through the mechanism of the trade union than through the mechanism of the market.

What about the possibility that collective bargaining may distort the relative wage and price levels of different industries? It is this possibility which the critics of "trade union monopoly" seem mainly to have in mind. The argument runs somewhat as follows. When an industry is completely unionized, and when entrance is closed to non-union firms, there is no longer any effective resistance to union wage-raising. Within rather broad limits, the union is free to "write the ticket" for the industry. If each union behaves like a monopolistic seller of a commodity, and tries to maximize the wage-bill of its industry or some similar total, it is clear that wage distortion will result. Suppose on the other hand that each union simply demands "more" on an opportunistic basis. It will be easier for the union to get more in some industries than in others. In industries where wage increases come rather easily—because of an inelastic demand curve for labor, a secular increase in demand for the product, an unusually rapid

⁸ It should be noted that trade union efforts have been powerfully reinforced over the past decade by the longest period of full employment in our economic history. The high demand for labor would by itself have made for a reduction of wage differentials between occupational levels, firms in the same industry, and different regions of the country. This does not alter the fact that the net tendency of collective bargaining is in the same direction, and that this tendency will continue after the present high level of labor demand has receded.

rate of technical progress, or some combination of these circumstances—the wage level will be set “too high” relative to wage levels in industries less fortunately situated. It follows by a familiar chain of reasoning that there will be distortion in relative price levels and in the allocation of economic resources, leading to a reduction of economic welfare.

There are two reasons why it is very difficult to subject this argument to any empirical test. First, we have no base from which to start our measurements. Suppose we find that between 1929 and 1949 wages in certain unionized industries rose faster than in other unionized industries, or that union wage rates in general rose faster than non-union rates. How do we know whether this represents a fresh distortion of the wage structure or a correction of distortions which already existed in 1929? How do we know that inter-industry differentials in 1929 were “right” on a competitive basis? The answer is that we don’t know—for 1929, or for any other year one may choose.

The other difficulty is that collective bargaining is only one of many factors affecting the movement of inter-industry wage differentials. We live in a cyclical world. If one studies what has happened to the wage structure since 1933, one may be studying mainly the effects of a prolonged rise in employment. All kinds of secular influences—changes in productivity, raw material costs, demand levels, and profit levels in particular industries—have an effect on wage differentials. While one might isolate some of these factors by the technique of multiple correlation, one could still not feel very confident that the residuals represented the “pure” effect of collective bargaining on the wage structure.

One is forced, then, to try to deduce the “pure” effect of collective bargaining by speculative reasoning. One possibility is that each union may be content to achieve about the same rate of wage increase as other unions. This kind of behavior would tend to perpetuate the inter-industry differentials which existed in pre-union times and, if it did not improve the wage structure, would at least not make it any worse.⁹ At the other extreme, union leaders in industries with an inelastic and rising labor demand curve might try to exploit their

⁹ This assumes that the kinds of labor used in each industry remain unchanged, and that consequently no changes in inter-industry differentials are dictated by the competitive norm. Where the types of labor employed, and therefore the competitive wage pattern itself, are changing over the course of time, a freezing of inter-industry differentials would mean that the wage structure would grow progressively worse with the passage of time.

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strategic advantage by obtaining disproportionately large wage increases. Diligent pursuit of this policy would clearly have undesirable effects on the wage-price structure.

Which of these things is likely to happen? Are union leaders apt to behave like aggressive monopolists or like the "sleepy monopolists" of J. R. Hicks, who "do not strain after every gnat of profit but prefer a quiet life." I suggest that the politics of collective bargaining makes for the latter result, i.e., a substantially uniform rate of wage increase among different industries rather than the "pulling apart" of the wage structure which would result from aggressively monopolistic policies. This follows directly from the mechanism described in the previous section. Cost-of-living changes, which seem to be the main stimulus to union wage demands, affect all unions similarly at the same time. Inter-union competition, while it may force up the *average* size of wage increases, makes also for conformity by individual unions to the average. There is considerable pressure on a union leader to come up to the average increase being won by other unions at the time; but there is little pressure to do more than this. The membership can be kept satisfied, the organization running smoothly, the leadership in firm control, just by conforming to the average pace. There are doubtless a few union leaders who assert a divine right to win larger wage increases than anyone else. For the great majority, however, I should think that the general law of political inertia, of doing no more than seems needful at the moment, would probably prevail.

Another element in the situation is the resistance which employers offer to union wage demands, a subject about which we admittedly know very little. It was noted earlier that employers in an industry have little incentive to resist a wage increase which simply conforms to the expected average increase in wages throughout the economy. It seems likely, however, that they will resist a greater-than-average increase, and that their resistance (i.e., the length of the shutdown they are willing to stand) will increase directly with the size of the disparity. This provides an additional reason why union leaders may prefer to settle for about the average increase which other unions are getting. It is true that employer resistance can be overborne by shutting down the industry for a long enough period. But why should the leaders of a union go to this trouble and expense when they are not compelled to?

If this line of reasoning is correct, the problem of monopolistic

distortion of the wage structure under collective bargaining may be much less serious than is sometimes alleged. The problem calls for much additional study, and in the meantime we may well suspend any final judgment.

The General Wage Level, Prices, and Employment

Let us turn now to the behavior of the general wage level under collective bargaining, and the prospective consequences for prices and employment. It was suggested previously that we may expect the money wage level to rise continuously and rather steeply during recovery periods and to fall only slightly during depression. The result will probably be that the wholesale price level will fluctuate about a rising trend line, while the money wage level will fluctuate about a trend line of somewhat steeper slope. I assume, as seems reasonable, that this process encounters no serious resistance from the side of money supply.

What will determine the rate of this secular increase in wages and prices? One factor, mentioned earlier, is the cyclical behavior of agricultural prices. The larger the *cyclical* fluctuation of farm prices, the more rapid the *secular* increase in wage rates and industrial prices. A sharp rise in farm prices from depression to prosperity will pull wages up rather steeply because of the cost-of-living element in union wage demands. A subsequent decline in farm prices, however, will not pull wages down again. The elevator relationship operates in only one direction—up. Greater cyclical stability of farm prices would probably do more than anything else to moderate the secular rise in wage and price levels.

A second factor is the behavior of labor productivity in industry and agriculture. A third factor is the structure of the labor movement and the nature of bargaining arrangements. I suggest as hypotheses that stable leadership within individual internationals, closer collaboration among internationals in a more nearly unified labor movement, and combination of employers for group bargaining with the union are likely to make for a slower rise in the wage level. One might count as a fourth factor the relative length of recovery and recession periods. The more aggressively government pursues a full-employment policy, the more rapid the rise in wage and price levels.

It would be interesting to inquire into some of the long-term effects of a secular rise in wages and prices. Will continuous upward pressure on the wage level produce greater managerial efficiency or more fre-

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quent nervous breakdowns? Will a secular increase in wage rates relative to salaries result in rapid unionization of white-collared people? If people generally come to anticipate a long-term increase in prices, what will be the effects on willingness to save and invest, and on the structure of interest rates?

It is not possible within the limits of this paper to do anything with such questions except to underline their long-run significance. I want instead to raise two shorter-range questions. First, if wages are raised when under-employment exists, does this tend to increase employment or does it only raise the price-level? Second, how does the rate of increase in the wage-price level affect the duration and height of a cyclical upswing?

One cannot learn much about these questions by statistical observation; nor do we yet have a theoretical apparatus capable of yielding definite answers. All one can observe statistically is that some wages and prices begin to rise at the beginning of recovery, and that wage and price increases are inter-twined throughout the upswing. We are confronted with a complicated, continuous, and mutually reinforcing process, in which it does not seem helpful to assign either wages or prices a causal role. We have no technique for analyzing such a process of continuous change—at least, if the mathematicians have developed such a technique, it has not been passed down to the lower plane on which most of us live. We are forced, therefore, to fall back on the clumsy device of comparative statics. Starting from a position of stability with under-employment, we introduce one change—an increase in money wage rates—and ask what will happen. Specifically, we ask whether there will be any effect on employment, or whether the wage increase will expend itself entirely in pushing up prices.

One reason why there has been little progress on this problem is that the Keynesian system is not well-adapted to dealing with it. The Keynesian functions are constructed in real terms, and the level of real wages is made to depend solely on the volume of employment. One is thus forced, or at least very strongly tempted, to assume that money wage changes cannot alter real wages, i.e., that there must be an offsetting rise in the price level. This is equivalent to a shrinkage in the money supply, and any effects on employment must work themselves out through the dubious channels of liquidity preference and the rate of interest. It is possible, as Tobin has shown,¹⁰ to obtain a

¹⁰ James Tobin, "Money Wage Rates and Employment," in *The New Economics*, edited by Seymour E. Harris (Knopf, 1947).

more direct effect on employment by altering some of Keynes' assumptions—by assuming, for example, that consumers as well as wage-earners are subject to a "money illusion," and that an increase in money incomes with no change in real incomes may shift the consumption function.

What one really needs, however, is a model which is constructed in money terms rather than real terms, which contains a more detailed breakdown of income flows than one finds in the Keynesian system, and which takes explicit account of time after the Swedish fashion. Even a little tinkering with such models reveals that out of an increase in money wage rates one can readily get either an increase or a decrease in employment. The outcome will depend, among other things, on the following factors: (1) The scope of the wage increase—whether comprehensive or limited to one sector of the economy; (2) how the increase is financed by individual employers, and what one assumes about the behavior of the monetary authorities; (3) how much of the increased income will be spent by wage-earners, and *how fast*; (4) what adjustments will occur in different segments of the price structure—farm prices, manufacturers' prices, retail prices, and so on—and *how fast* they will occur; (5) the effect of these price movements on the expectations of business men and consumers about future prices, and consequently on *ex ante* saving and investment for the next time-period.

Two of these factors—the method of financing wage increases and the nature of price adjustments—are worth an additional word. Employers might conceivably finance a larger wage bill by reducing inventories and plant and equipment expenditures, by reducing dividend payments, by drawing on their holdings of cash and securities, or by short-term borrowing.¹¹ These different methods will clearly have different effects on employment. We need to know more about the adjustments which firms actually make, and what monetary changes accompany a wage-price expansion. If wage increases change the price-level, they must do so via an increase in *MV*, and it is important to know just how this comes about.

The process by which prices are adjusted to a new wage level is greatly over-simplified in most discussions. It is usually assumed that there is *a* price-level, that production is carried on in one stage, that

¹¹ Some would add the possibility that employers may try to hold down their wage bill by laying off workers as wages rise. I have argued elsewhere that this type of adjustment is likely to be of little practical importance. See "Toward a Short-Run Theory of Wages," *American Economic Review*, June, 1948.

producing units sell directly to consumers, and that perfect competition exists (which means that the effects of the wage increase are mediated entirely via consumer demand). This is a caricature of reality. As a minimum, one should distinguish between agricultural and industrial prices, between prices of capital goods and consumer goods, and between manufacturers' prices and retail prices for consumer goods. In view of the imperfectly competitive character of most industries, one has to consider that price increases may be transmitted forward from the earlier stages of production, as well as backward from retailers. Whether prices rise first in producing units because of increased costs and later at the retail level, or whether they rise first at retail in response to increased demand and later at earlier stages of production, is clearly very important. It will affect both the size and the timing of the price increases, hence the extent to which greater money demand will be "choked off" before it can stimulate production.

By a proper combination of assumptions—wage increases financed entirely from idle balances or bank credit, sluggish price responses, elastic price expectations among consumers and business men, and so on—it is easy to construct a case in which general wage increases will produce a substantial increase in employment. It is equally easy, however, to make a case in the opposite direction. I would hazard a judgment that a general increase in money wage rates will usually have only a minor effect on employment, one way or the other. The rate of increase in employment during a cyclical upswing is geared mainly to investment activity. Inflation of the wage-price structure rides along, as it were, "on the back" of this underlying movement.

This does not mean that money wage rates should not rise during an upswing. Given our price-making arrangements, particularly the volatility of agricultural prices, a considerable rise in price levels during recovery is unavoidable. Wages must keep pace, both with this price rise and with productivity increases and other secular changes in the economy. There is thus an "appropriate" rate of increase in money wage rates at any time, though I do not think anyone has yet defined very clearly what this rate is in a dynamic and cyclical economy. What I have been saying is that any attempt to push wages up faster than the appropriate rate will for the most part accelerate the price rise instead of raising employment. It will not transfer more real income to wage-earners, nor will it prevent the profit inflation which characterises a cyclical upswing in our type of economy. This conclusion, while it cannot be demonstrated statistically, seems at

least to be in accordance with experience during the years 1933-35 and 1945-48. In both periods an unusually rapid increase in money wage rates failed to produce any increase in real wage rates and had no perceptible effect on employment.

Our second question is how an acceleration of the wage-price increase will affect the subsequent course of a business expansion. Will it bring the upswing to an end sooner, hence at a lower level of employment? Will it mean a more violent "detonation" of the boom, and a more severe relapse in prices and employment? Much of the popular writing on this subject implies that each rise in the wage and price indexes somehow renders the system more vulnerable, brings recession nearer, or makes the statistical probability of recession greater. The reasons for holding this opinion, however, are never given in any detail. In some cases it seems to rest on little more than vague analogies from physics, a feeling that "whatever goes up must come down," or "the higher we go, the farther we fall." In other cases it rests on an invalid generalization of concepts, such as "pricing oneself out of the market," which have meaning for individual firms or industries but no meaning for the economy as a whole. Another possibility, of course, is that the increase in *MV* might exhaust the credit resources of the system, compelling a levelling-off which could scarcely be achieved without a drop in prices and employment. The resources of a modern monetary system are so elastic, however, that an end of the boom for this reason can scarcely be taken as "natural." It would mean that the monetary authorities had deliberately chosen recession in preference to further inflation.

It seems, therefore, to be an open question whether a more rapid wage-price inflation tends to prolong or shorten cyclical upswings. The answer doubtless depends partly on how the increased stream of money income is divided among different economic groups. Suppose, for example, that a "round" of wage and price increases adds more to the net incomes of business units than to total wage and salary payments. This will certainly alter both *ex ante* saving and investment, and the net result may be either stimulating or depressing to employment.

Another important factor is the elasticity of price expectations. If business managers cling to the memory of an earlier and lower price level, and expect an eventual return to this level, each increase in current prices will cause postponement of more and more investment plans. If the inflation is expected to continue, on the other hand, there may be an acceleration of investment plans which provides a stimulus

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to employment. Similar considerations will influence consumer purchases of durable and semi-durable goods. The fact that a continuing rise in the price level means a shrinkage in the real value of accumulated savings may also affect consumers' decisions about current savings. This consideration should lead to greater saving, while the desire to purchase goods to "beat the inflation" will lead to less saving, and the net effect might be in either direction.

Within reasonable limits, I would judge that the rate of price increase does not have much effect on the length of the upswing, the level of employment reached at the peak, or the depth of the subsequent decline. The rapidity with which the price level can fall during recession is limited by such structural features of the economy as the prevalence of collective bargaining, the extent of price agreement and price leadership in industry, and the nature of the farm price support program. While it may be that in physics whatever goes up comes down, in our type of economy whatever goes up is likely to stay up. The main effect of a greater wage-price increase during one upswing, then, is that the next upswing will start from a higher price base than it would otherwise have done.

The analysis in this section has not been as complete and rigorous as might be wished. One comes out, however, with the general impression that the money wage level has less cyclical importance than would appear from the arguments of union and management spokesmen, newspaper columnists, and public officials. It is not an effective instrument for re-distributing income from profits to wages or for ironing out cyclical fluctuations of employment. No conceivable behavior of wages over the past few years could have prevented the coming recession, nor will wage behavior have much to do with the timing and severity of the recession.

This conclusion will seem discouraging, even subversive, to most trade union leaders. The wage level is the only instrument of broad economic strategy which is more or less within their control. Being free enterprisers at heart, they would like to find a way of maintaining high employment by wage manipulation, thus reducing their dependence on governmental action. It becomes increasingly apparent, however, that individual trade unions are in no better position than individual business concerns to under-write the general level of employment. Reliance on government action is unavoidable, and a shift in union thinking from emphasis on wage levels to emphasis on fiscal policy would be a major step toward economic statesmanship.

DISCUSSION

JOHN T. DUNLOP

Associate Professor of Economics, Harvard University

Professor Mason has wisely cautioned that there are serious problems concealed in the popular phrase—"a proper balance among prices, wages, and profits." Professor Reynolds was concerned with a wide range of implications of collective bargaining for wage-price relations. In the time allotted to this discussion, attention is directed briefly to five fundamentals which seem to be involved in discussion of the appropriate public policy toward wage-price relationships.

1. Money wage rates under conditions of collective bargaining are set with a fairly long time horizon in mind. Under conditions of rapid inflation, the longer-run viewpoint is sacrificed to keep pace with the immediate rise in the cost of living. Under more ordinary circumstances, however, both unions and managements tend to seek wages which reflect their views of the indefinite future. Neither side customarily exploits its full short-term bargaining power. There are important cases where immediate "political" considerations compel greater weight to be given to the short run, but in the main the generalization is valid.

Similarly, the great bulk of manufactured prices are set with a longer-run time horizon. In some competitive markets, however, such as agriculture and textiles, short-run forces tend to be more important.

The recognition of the time orientation of wage and price setting has at least three important implications:

a. Where prices are set on short-run views, it is exceedingly difficult to set wages on longer-run views. Thus, wage rates in agriculture, textiles, hosiery, and boots and shoes, for instance, tend to show considerably more cyclical flexibility than wages in other areas. The competitive conditions in the product market are reflected back into and are decisive for the labor market.

b. Where both wages and prices are set on longer-run views, the cyclical adjustment of wages and prices cannot be significant. The margin between wages and prices reflects longer-run adjustments. In terms of break-even charts, the long-run break-even point is de-

terminated by the rules of thumb which reflect the experience in the industry or firm. Wages and prices are adjusted to maintain approximately the same break-even point regardless of the immediate outlook.

c. The long-run setting of most wages and prices does not lead to the conclusion that the structure of wages and prices remains invariant over long periods of time. The structure of wages and prices is adapted slowly to different rates of technical change. In the most progressive sectors, wage rates rise a little more rapidly than the average, while most of the benefits take the form of lower prices. In the retrogressive sectors of the economy, wage rates rise somewhat less rapidly than the average and prices must necessarily rise.

2. Where prices and wage rates are set by attention to longer-run horizons, a change in wage-price relations requires a revision in the long-run expectations of labor leaders and managements in wage setting or a revision in traditional break-even points in price decisions. If the business community should become convinced that during the next generation the system would more nearly approximate full employment than in the past, there would be a real possibility of narrowing profit margins. The average break-even point in heavy industry might well be 70 per cent rather than 50 per cent of capacity. Under such expectations, it would be possible for wages to be raised relative to prices. Since revision of expectations is required, preachment may have an important role to play.

If business expectations for the next generation are that conditions will continue as in the past, the previous break-even points must be maintained. Increases in wages must be reflected in prices despite any current high level of profits. In the absence of government price controls, it is doubtful that the margin between wages and prices can be narrowed save with a revision of these long-run expectations. A revision in these expectations, based on the demonstration perhaps that high employment has been sustained for many years, would permit a rise in the share of labor in the national income.

3. Do changes in wage-price relations constitute a fruitful method of attack upon short-run or cyclical fluctuations in income and employment? Professor Mason has underlined the difficulties of defining standards for a cyclical wage-price policy. I should go even further and contend that wage-price policy cannot constitute an effective anti-cyclical device. This position would not deny that some wage-price structures are more conducive to short-period stability than others.

In addition to the specific limitations suggested by Professor Mason—such as the difficulties of forecasting and the formulation of administrable standards—there is the fundamental fact that most wage-price setting is based upon long-term horizons. Public policy may be directed, nonetheless, toward long-term or structural wage-price adjustments which are conducive to stability.

4. Each major decision-making unit in our economy—labor, management, and government—is able typically to affect only one of the critical variables determining wage-price structures. No single group has an overall view or instruments of a general attack on wage-price relationships.

Professor Reynolds has properly emphasized that the union is organized to affect the money wage rate. It cannot *directly* affect any other variable in the level and structure of wages and prices. The thinking of labor leaders is consequently oriented toward what can be done to the money wage rate since they cannot directly affect prices or the money supply.

The business enterprise operates to affect wage-price relations primarily through the price-product-output axis. The business enterprise may have some discretion over wage rates under non-union conditions, but the business enterprise normally must accept wages based upon its place in the structure of wages in the country. Hence, the enterprise is more frequently oriented toward changes in prices or product or output. Under highly competitive conditions the enterprise may be limited to output reactions.

The government has traditionally been oriented toward the money supply in its influence on the level of money wages and prices. The direct action of the government in the monetary field has had little direct influence on the margin between wages and prices, that is, the break-even point.

These separate interests and separate instruments of control have precluded any comprehensive devices for fixing wage-price relationships.

5. There seems to me to be no escape from the conclusion that in a world of powerful economic groups—unions, managements, farmers—there must be attempts at coordination of the interests of these groups. Political compromise between the groups, to achieve political stability, is a requisite to economic stability. Economic stability during the war was built upon political compromise, and post-war inflation

was erected upon a bitter post-war political struggle. Unless these three groups can reach political compromises, no economic stability is possible in the modern economic world.

One need not be optimistic about the prospects of these interest groups co-operating for the public interest. Their special interests are not to be identified with the public interest. Yet political and economic stability require the Administration in power to take an active part in developing working compromises among these major interest groups. There must be created a mechanism for these discussions. Some advisory board to the President, and to the Council of Economic Advisors is in order. There is no other way to effectuate a working compromise in a society of dominant interest groups.

Discussions of wage-price relations, in summary, must recognize that wages and prices in the main are set with long-run time horizons. There is no escape from the development of mechanisms for political and economic compromises among our major interest groups.

EUGENE FORSEY

Director of Research, The Canadian Congress of Labour

The two admirable papers to which we have just listened really leave me with very little to say. I find myself, perhaps disappointingly, in substantial agreement with practically everything in them. I confess I had hoped that one or both would discuss some of the theoretical problems of wage-price policy raised in Professor M. W. Reder's article in the February, 1948 number of the *Canadian Journal of Economics and Political Science*. But I am not really sorry they didn't, as I fear my mathematical equipment would have been altogether unequal to the strain. In the circumstances, all I can do is to raise a few questions and offer a few comments on points in both papers which particularly interested me.

The thing that struck me most was that neither paper professed to offer a highway through this subject such that wayfaring trade unionists might not err therein. Time was when economists knew exactly what unions should do—generally the opposite of what they were doing—and were ready to tell them so, in no uncertain terms. "Theirs the Sinai forehead's cloven brilliance, Right arm's rod-sweep, tongue's imperial fiat!" But now economists are much more humble. The unions have had a disconcerting habit of paying very little attention, and managing to emerge with surprisingly little damage to them-

selves or the economy. I suspect they will pay much more attention to the more modest and realistic propositions of papers like these.

The second thing that struck me was that both papers implied that unions in the future will have to rely much more heavily on political action to win their major objectives. Professor Mason, very near the beginning of his paper, noted the contrast between Britain, where "union influence in the market and in government has been strong enough to control prices while permitting wage rates to increase," and the United States, where, "despite three rounds of wage-rate increases, with a fourth already under way, the upward movement of prices has produced a slight decline in real wages." Professor Reynolds, near the end of his paper, concluded that "trade unions are in no better position than individual business concerns to underwrite the general level of employment," and suggested the necessity of relying on government action. The Canadian Congress of Labour reached very much the same conclusions five years ago, when it decided to endorse the Co-operative Commonwealth Federation, the Canadian equivalent of the British Labour party. It has been backing that party with increasing vigour ever since. There may be some connection between this and the facts that in Canada price decontrol has been much slower and somewhat less complete than in the United States, and that in the last two-and-a-half years average real hourly earnings in manufacturing have risen slightly, instead of falling slightly as in the United States.

The importance of political action, and of farmer-labour co-operation in such action, is, of course, underlined in Professor Reynolds' suggestion that "greater cyclical stability of food prices would probably do more than anything else to moderate the secular rise in wage and price levels." I feel no doubt he is right in this, though I was a little surprised by his view that "the rate of increase in the money wage level is geared to retail food and clothing prices," and "seems certain, therefore, to outstrip any possible gains in labor productivity."¹ This seems to me rather sweeping, in marked contrast to the rest of the paper.

I am inclined to question also Professor Reynolds' view that the politics of collective bargaining makes for "a substantially uniform rate of wage increase among different industries." I do not think this is true in Canada, though I do not suggest that the variations there are necessarily the result of "monopolistic behavior" by the

¹ This statement was subsequently revised by Professor Reynolds. (Editor)

unions. It seems to me highly undesirable that there should be "a substantially uniform rate of wage increase among different industries," and I think the policy of our organization, which does try to get some agreement among our unions on their wage programs, is to move away from a "pattern" of substantially uniform increases towards a pattern of substantially uniform standards.

The most important practical conclusion of Professor Mason's paper is, perhaps, his view that the biggest problem for wage-price policy in a stabilization program "is the decision as to what degree of inflation can be tolerated."

Both papers are full of tempting, even tantalizing, ideas, to which no brief comment could do justice. They should provide people in my position with texts for almost innumerable sermons to those we serve, to our opponents, and to the public bodies before which we are called upon to appear.

CLARK KERR

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The fears of Beveridge have replaced the fears of Keynes in a single decade; the spectre of eternal inflation has superseded the spectre of eternal under-employment. Both Professor Mason and Professor Reynolds view the new eternal problem to be the avoidance of secular inflation, rather than the older secular stagnation. Full employment with price stability remains, however, the economists' Utopia.

If the long-run problem in fact turns out to be the avoidance of a constantly rising price level, rather than the support of economic activity at acceptable levels, I should like to suggest that we may come to rely (1) rather less on public and rather more on private governments than is commonly supposed and (2) rather less on morality and rather more on institutional stability than is customarily suggested.

Professor Mason appears quite sound in questioning the full effectiveness of the federal government in stemming inflationary tendencies under conditions of full employment. Public government, however, may have its efforts supplemented, as well as negated, by the private governments of industry and organized labor. Corporations and employers' associations, on the one side, and unions, on the other, have important impacts on wage movements. Like the federal

government, they can and do have policies which they can and do enforce. Sometimes their effective power, in restricted areas, matches or surpasses that of the federal government itself.

Power tends to balance power in a free society. Employers and unions each try to surpass, or at least match, the influence of the other side. Employers, through formal and informal arrangements, have been developing a more unified approach, as have workers through unions. Where strong forces face each other over the bargaining table, wage structures apparently become less flexible upward as well as downward. In San Francisco, where employer associations are as fully developed and employees as highly organized as in any other metropolitan center, wage rates in the past five years have risen only two-thirds to three-fourths as much as in the United States generally. The customary patterns of wage increases have been at lower levels and more uniformly followed. Few employers by choice, in the face of a united front of employers generally, or by necessity, with the whip-saw tactics of unions effectively blocked, have gone above the patterns. Had San Francisco not been an island of relatively centralized decision-making in a sea of relatively disjointed actions, the retarding effects of balanced power on wage advances might have been additionally evident. It has been in countries like Norway and Britain, where the coalescence of sellers and of buyers of labor has reached an advanced stage, that wage and price increases have been particularly modified in recent years.

A single national bargain, as suggested by Professor Slichter, may not be required, nor in the short-run is it realistic to expect it, in order to achieve some of the stabilizing results of balancing power over larger areas. The offsetting of forces, industry by industry and area by area, might have appreciable effects. This equalization of power has costs as well as advantages. One evident and very real risk is joint action against the consumer which raises wages and prices, rather than having a stabilizing effect.

The Council of Economic Advisors, like Beveridge, takes heart in the expectation that the large pressure groups of industry and labor will guide themselves by their General Will as much as by their Individual Will, and not seek every immediate economic advantage which full employment makes available. This moral rectitude, to the extent it evidences itself, may be buttressed by lassitude.

The private governments of industry and labor are run by people. These people do not always act like single economic men maximizing

short-run profits, wage-bills or what-not. It is more important to explain why unions and corporations do not always behave like disembodied unitary monopolists maximizing some measurable economic sum over some specific planning period, than to detail how they would behave if they did behave that way—since they do not. It is important to inquire how bureaucrats behave—hired personnel who represent (to some extent) members or stockholders but are not themselves solely members or stockholders. The security of their institutions, the permanence of their own tenure, the easing of administrative tasks, the esteem of other bureaucrats, as well as a satisfactory degree of response to the wishes of the members or stockholders, are of significance to them. The wage structure of the nation, as Professor Reynolds notes, does not, for example, look like it would, if all monopolistic power of unions had been exploited. Unions are more likely to secure the minimum they require for political purposes than the maximum they could obtain for economic reasons.

It is true that upward movements are more rewarding to the leaders on both sides than are downward movements—both of wages and prices—and, consequently, the former are the more likely. But the bureaucrats on both sides may become more bureaucratic. We have a young labor movement in this country with competition for leadership and rival unionism. As time passes, however, jurisdictions are less contested, centralization of influence is more complete, and leadership is increasingly self-perpetuated. The union leaders of the future, thus, may be under less pressure to get maximum wage gains while the sun of full employment shines. The race between the business agent raising money wage rates and the engineer raising man-hour output may be more equal when the business agent does not have to run so often or so fast. Corporation officials also may become less aggressive in pursuing the profit dollar and more attentive to criticism and timid about retribution. Consequently, the rate of the upward spiral of wages and prices may become retarded.

The greater concentration of power and the intensification of bureaucratic tendencies may seem a heavy price to pay for the dampening of inflationary tendencies in a full-employment economy. But there are few cost-free solutions, and these particular developments may be inevitable in any event. Should the eternal problem turn out to be eternal inflation, then these developments may help ameliorate it, but simultaneously help elevate a new set of eternal problems—the preservation of individual freedom and the achievement of efficient

utilization of resources in a highly organized and bureaucratic economic system. In the meantime, however, the real eternal problem may turn out to be not inflation but rather what it was conceived to be a decade ago—under-employment or an alternation between the two.

W. S. WOYTINSKY

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Dr. Reynolds is right, in my opinion, when he stresses that minor changes in wage rates are unlikely to affect the employment function appreciably, but I cannot agree with him when he denies that wage policy has any influence on employment. The conclusion of his paper implies that there is no difference between sound and unsound wage policies and that the volume of economic activities in a nation is in no way affected by changes in wage rates.

Contrary to this conclusion, I think that changes in wages can influence the volume of employment, both directly by changing the cost-to-price ratio and indirectly by influencing the general price level. The impact of wage policy on the general price level is particularly important. Some patterns of wage development are obviously unsound and lead to economic disaster either via inflation or via deflation. Suppose, for example, that a nation decides to double all wage rates each year. Such a wage policy would obviously result in an inflationary spiral with all its consequences. Sooner or later it would bring an economic collapse and mass unemployment. At the other extreme, suppose that a nation decides to freeze all existing wage rates for a period of ten years. Such a policy would exercise a pernicious deflationary influence on the economic system and slow down technological progress.

Since certain extreme patterns of wage policy are obviously harmful to the economic system, somewhere between them there must be a definite range of sound wage policies.

It can be argued, for example, that changes in wage rates should be kept within limits that contribute to the stability of the general price level without destroying the flexibility of the whole economic system. Even if all wage rates should move in the same direction—upward—enough leeway must be left for differences in their rates of increase. On the other hand, there are serious advantages in manipulating changes of wages so that their general level keeps pace with the increasing over-all productivity of labor. If, for example,

a 30 per cent advance is anticipated in productivity of labor in the coming 10 years, it may appear advisable to let wages rise at the same rate. Since a decade is likely to include some fat years and some lean years, the rise should be more than 3 per cent annually when business is good and less than 3 per cent during setbacks. Tentatively, an over-all rise of 5 per cent in fat years and a no-rise-and-no-cut policy in lean years may be considered as sound. The 5 per cent rate may prove to be too high (or too low). The formula can be modified and amplified in different ways. But I am convinced that a sensible formula can be worked out. The task of labor economists is to find such a formula and to help labor and management to agree on it.

It seems to me also that Dr. Reynolds underestimates the role of mobility of labor in determining wages. Mobility is still a powerful factor. It does not appear in average (per capita) earnings but manifests itself in the structure of earnings. When decile earnings are computed by state and industry, it is found that the relative ranges in the ninth and eighth deciles are much narrower than in the second and third deciles. The ninth decile refers to skilled and fairly mobile labor; the lower deciles are typical of common labor tied to a local agricultural labor market.

I agree with Dr. Reynolds' statement that collective bargaining leads to a greater uniformity of wages. Although the "follow-the-leader" principle is often denied both by union officials and business executives, one of the strongest arguments of a union demanding a raise is that its industry pays lower wages than other industries in the community. Similarly, one of the strongest arguments of a concern turning down the demand of workers is that it pays higher wages than other employers.

The central concept in Dr. Mason's paper and his subtle critique of the economic philosophy of the President's Advisers is the wage-price ratio. A wage-price policy presumes the possibility of a statistical measurement of this ratio. However, the "real wage" computed by dividing average money earnings of workers by the cost-of-living index does not always serve this purpose. In a period of extensive saving—as in a war economy—total earnings of workers equal their consumption expenditures plus savings. Deflated by the cost-of-living index, this sum will amount to "real consumption" plus "real savings." The first item is "real" since it represents the aggregate of bread, meat, butter, housing facilities, transportation services and so forth. In a war economy as in peacetime, this aggregate is primarily

determined by the volume of production. The second item is nothing but a title to a share of a future social dividend, a promise of material remuneration in the future. Its value depends on rationing, price control and many other factors. After the end of the war, the real consumption of workers in this country rose steadily, but it could not rise rapidly enough to offset the fall of savings and the flow of wartime savings back into consumption. Hence the repeal of price control was followed by a race of prices and wages, with wages trailing prices in the early phase of the postwar economy and catching up in the later phase. Prices are bound to outrun wages as long as the influx of purchasing power (other than current earnings) outruns the growth of production.

A better measurement of the wage-price relationship is the share of wages in the gross national product. Roughly, this measure can be replaced by the percentage share of employee remuneration in the national income. Since this relative share increases in depression and declines in prosperity, its fluctuations tend to offset the fluctuations in the volume of investment. This pattern of short-run fluctuation of the wage-price relationship determines a fairly narrow margin for increasing the wage-price ratio under the conditions of full employment. If the employees' share in national income were brought back to the 1932 or 1933 level and stabilized on this level, this would hardly contribute to full employment. More likely this would bring the volume of activity in the economic system to a level close to that of 1932 and 1933.

Chapter 4

DISPUTES THAT CREATE A PUBLIC EMERGENCY¹

¹ The chairman of this session was Paul N. Guthrie, Professor of Economics, University of North Carolina.

IS COMPULSORY ARBITRATION INEVITABLE?

GEORGE W. TAYLOR

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OUT OF THE STRIKE experiences of the past decade has come a widespread realization that certain stoppages of production—those which threaten the public health and safety—cannot be used to resolve labor disputes. Because of this practical limitation on the right to strike, an inadequacy of collective bargaining theory has become apparent.

The Function of the Strike

The essence of collective bargaining is a meeting of minds. An agreement as to conditions of employment has to be arrived at as a result of either peaceful negotiations or a work stoppage. Arrangements are made by union representatives on behalf of the employees as a group. According to union standards, unless employment terms are acceptable to a majority of the employees, no jobs are to operate. Defense of the group right to determine whether any jobs will be operated has been so vigorous that, in recent years at least, most employers have not attempted to operate their facilities once a strike has been called. The right to strike, in accordance with the definition long sought by the unions, involves a complete shut-down. This is not compatible with public needs in the emergency disputes.

So much attention has been given to the *right* to strike that the *function* of the strike has not been precisely perceived. In a collective bargaining system, the rights to strike and to lockout serve as the motive power which induces a modification of extreme positions and then a meeting of minds. The acceptability of certain terms of employment is determined in relation to the losses of a work stoppage that can be avoided by an agreement. In collective bargaining, economic power provides the final arbitrament.

When the rights to strike and to lockout are withdrawn, as during a war or under compulsory arbitration, a most important inducement to agree is removed. The penalties for failing to agree—stoppage of production and employment—are waived. Even more devastating consequences result. Each party is reluctant to make any "concessions"

around the bargaining table. That might "prejudice" its case before whatever Board is set up to deal with labor disputes. In addition, the number of issues is kept large and formidable. Demands that customarily "wash out" in negotiations are carefully preserved for submission to the Board. Why not? There is everything to gain and nothing to lose by trying to get one's unusual demands approved without cost.

The experience of the War Labor Board in World War II, as well as scattered returns from those states which recently passed anti-strike legislation applicable to public utility industries, strongly indicate that possession of the rights to strike and to lockout is essential if labor and management are to settle their differences by their own agreement.

The strike itself is an instrument of persuasion or of coercion, depending upon one's point of view, which is counted upon in the collective bargaining system to produce a meeting of minds in the most persistent disputes. However reluctantly, employees will choose to take up their tools and resume production at the terms finally agreed upon as a strike settlement. With whatever misgivings, management will open up the plant at those same terms.

Arbitrament by economic power, which is implicit in collective bargaining, does not insure that conditions of employment will be "fair and equitable" by anyone's standards. It does give assurance that working terms will not be imposed by the government upon either employees or employers. The system obviously involves costs, but they must be weighed against the advantages of the meeting-of-minds criterion. To be sure, if collective bargaining is to operate effectively, the actual resort to strikes and to lockouts must be the exception and not the rule. At the same time, stoppages actually undertaken must be allowed to run their course. Only then can they fulfill their collective bargaining function of bringing about a meeting of minds.

The strike cannot perform its collective bargaining function in public emergency disputes. A work stoppage does not exert pressure primarily upon the disputants to come to terms. The parties can hold out longer than the public or the government. In consequence, a strike which creates a public emergency exerts primary pressure upon the government to intervene and also to specify the terms upon which production is to be resumed. The use of such work stoppages as a technique is, at least, bad workmanship by any union representatives

who want to retain collective bargaining. They and the employers with whom they deal are faced with the necessity of devising means other than the strike for inducing a meeting of minds if they would keep industrial relations safely in their own hands.

In public emergency disputes, then, the ultimate test of economic power cannot, in fact, be used to motivate a meeting of minds. Out of this situation, a formidable dilemma arises. Is it possible to find substitutes for the strike that will serve effectively to induce agreements between unions and management in such cases? Or is it necessary to adopt an entirely new concept about the setting of employment terms—thats they have to be imposed and not agreed to? Here is the crux of the problem in public emergency disputes.

Compulsory Arbitration

Those favoring compulsory arbitration of public emergency disputes would scrap collective bargaining in that one area. The meeting-of-minds criterion of fairness and equity would be supplanted by a system in which a government agency decides employment terms for employees and employers alike.

Nor can these comments be effectively rebutted by insisting that compulsory arbitration would become operative only if the parties failed to agree. Theoretically, avoidance of compulsory arbitration might even be looked upon as an inducer of agreements which serves the same function as a strike in collective bargaining. The evidence strongly indicates, however, that the mere provision for ultimate compulsory arbitration in itself discourages the making of those offers and counter-offers without which there is no negotiation. Why should the employer make any offer which the union may use not as a starting point for agreement but as a springboard for arbitration? Why should the union accept any employer offer when, in compulsory arbitration, it would not likely get less and might get more? Why shouldn't a union make and hold to a large number of so-called "fringe" demands? If they are dismissed in arbitration, nothing has been lost. If they are approved, much has been gained. Negotiating tactics are almost certain to be entirely different when compulsory arbitration, and not a strike, is the last step. The reason: Under collective bargaining a dispute can only be settled by a meeting of minds; in compulsory arbitration this criterion is removed.

If one concludes that regular collective bargaining won't suffice in public emergency disputes, isn't it inevitable that a new system for

determining conditions of employment like compulsory arbitration be introduced? Is there any real alternative to government determination of employment terms in such cases or to the institution of government sanctions against employees and employers to enforce imposed terms? Despite the difficulty of the problem, it is my firm conviction that compulsory arbitration is not inevitable. It is unthinkable in this country. And, fortunately, there are alternatives to compulsory arbitration for dealing with public emergency disputes which will, in my judgment, prove to be more satisfactory and more effective.

Before discussing those alternatives, it is important to note why compulsory arbitration does not provide the easy answer. To begin with, it gives no guarantee of a continuity of production. Compulsory arbitration doesn't eliminate strikes; it makes strikes illegal. Compulsory arbitration would not even diminish the number of crises that have to be contemplated under the alternative programs to be discussed presently. Compulsion might even make the occasional crises more difficult to resolve, since maintaining the position of the government would require the effectuation of an arbitration award regardless of depth of resentment against it. This kind of compulsion in labor disputes is entirely incompatible with our ideas about the way men should live and work together. On less idealistic grounds, compulsion won't effectively meet the problem of avoiding work stoppages that create public emergencies.

Alternatives to Compulsory Arbitration

The shortcomings of collective bargaining in settling public emergency disputes do not call for any pell-mell, thoughtless rush to compulsory arbitration. A further development of collective bargaining to deal with this particular problem is the real need. The basic challenge is whether or not industrial relations in public emergency disputes can be grounded upon a meeting of minds even though a test of economic strength is not available as the final arbitrament.

The needed development of collective bargaining can be facilitated, I believe, by thinking of the public emergency labor dispute as one in which the strike cannot perform its collective bargaining function. Some industry-wide strikes have compelling public emergency characteristics; others do not. On the other hand, some local stoppages may be of vital importance. It would appear, from past experience, that a rather extensive shut-down of telephone service, for example, is not nearly as crucial as a stoppage in a local plant making gas for

domestic use, which creates almost immediate peril. As a matter of public policy, it should be made clear that, wherever possible and to the fullest feasible extent, a strike called will be permitted to run its course. Nor should government intervention be undertaken to avoid mere public inconvenience. That is one of the costs of maintaining collective bargaining. It is not an excessive cost when weighed against the costs of alternative systems. Nor should there be any certainty about government intervention by precisely defining industries or circumstances under which action would be taken. Even the hope of government intervention, in particular cases, may deter agreements.

Substantial progress in meeting the problem of public emergency disputes can be made by the acceptance of two principles: (1) Strikes will be permitted to perform their collective bargaining function to the fullest possible extent, even though public inconvenience results, and (2) whether or not the government will intervene, and when, should, by and large, be determined on the facts of each case and not by any prescribed formula. Such policies would lessen the number of crises which might arise.

Against this background, three alternatives to the use of compulsory arbitration in settling public emergency disputes without work stoppages will be discussed. Each of them utilizes, in varying degrees, the collective bargaining principle of a meeting of the minds. They are (1) voluntary arbitration, (2) procedural substitutes for the strike as inducers of agreement, and (3) plant seizures by the government as a basis for continued mediation. Each of these will be briefly discussed and evaluated. It is suggested that, if the possibilities of these devices are fully developed, there would be fewer crises than with compulsory arbitration. The crises that would occur, moreover, could be more expeditiously dealt with.

Voluntary Arbitration

In public emergency disputes, conferees who have failed to agree upon a direct settlement of their differences have a peculiar responsibility to attempt to agree upon a stipulation under which their differences will be submitted to voluntary arbitration. Every impasse which is overcome by resort to voluntary arbitration narrows the extent of the general problem under discussion. Here is an improvement of the collective bargaining process which provides an incomparably better approach than compulsory arbitration. A much better understanding of voluntary arbitration is called for.

Recognition of the availability of voluntary arbitration involves no enervation of collective bargaining as in the case of compulsory arbitration. As indicated previously, a principal defect of compulsory arbitration arises from its certain application to any unspecified future disputes that may arise. What is to be arbitrated is an unknown. In voluntary arbitration, there is an agreement covering a clearly specified dispute after it has arisen. The scope and the risks of arbitration can, therefore, be limited in the stipulation. An arbitrator in whom the parties have confidence can be named by them. Of even greater importance, acceptance of an award does not involve government sanctions. Acceptance is a matter of the parties keeping their word about abiding by a decision made under a procedure which they have set up themselves. It is in the American tradition to accept losses under such circumstances.

Within the past ten years, voluntary arbitration has been extensively adopted as the sound way to settle disputes arising under the terms of existing agreements. With the labor contract itself as a point of reference, or as a guide for disposing of those disputes, such arbitration has been adjudged as not unduly risky and hence as a procedure preferable to work stoppages. Unions and management both have been generally unwilling to permit arbitrators to decide the actual terms of their labor contract. The results are too unpredictable, and the stakes are too great. Strikes have been generally preferred to arbitration in these cases.

As respects public emergency disputes, the choice is not a simple one between voluntary arbitration and a strike. In the critical cases, voluntary arbitration has to be weighed against the consequences of that form of government intervention which, at a given time, is most likely to result from a strike. The choice may still be against arbitration. But not because that will prevent "outsiders" from having a considerable influence in working out the terms of a new labor contract. Only through voluntary arbitration can the "outsider" be appointed by the parties themselves and be subject to their joint instructions. For these reasons, voluntary arbitration is in the collective bargaining tradition. There must be some cases where both parties would prefer voluntary arbitration to government intervention. There would probably be many such cases if the voluntary arbitration process were better understood.

The lack of confidence in voluntary arbitration of disputes over contract terms has arisen from experience with what may be termed

open-end arbitration. Since the arbitrator has been asked simply to decide the case "as he sees it," decisions have tended to be personal in nature with all the attendant risks. But, the arbitration need not be "open-end." The parties who set up the procedure can give the arbitrator instructions and guides. Where this has been accomplished, voluntary arbitration has often produced excellent results.

There has been another kind of experience. In some industries affected with the public interest, notably the transit industry, the parties frequently agree in a current labor contract that any differences which may later arise over a renewal agreement will be arbitrated. The results of this kind of voluntary arbitration have been seriously questioned, but the basic cause of the difficulty has not been generally perceived. Under an agreement to arbitrate any and all differences that might arise in the future, there are no limits to the subjects to be submitted to an outsider and no assurance that the issues will be clearly defined. Nor is there any likelihood of giving instructions to the arbitrator about the guides to be followed by him.

The risks of voluntary arbitration have to be much more limited than in either the open-end type or the prior commitment to arbitrate all disputes if the process is to find more general acceptance. The possibilities inherent in voluntary arbitration lie in the agreement to arbitrate specific issues which is made only after the parties have failed to resolve those issues in negotiations. Specific issues may very well be adjudged to be arbitrable when they are precisely defined, are related to particular criteria to be used in deciding them, and are made determinable by a board of arbitration whose members are mutually acceptable.

The road to be travelled was carefully and helpfully surveyed by the participants in the President's National Labor-Management Conference of 1945. In the report of that Conference it was unanimously agreed that:

If direct negotiations and conciliation have not been successful, voluntary arbitration may be considered by the parties. However, before voluntary arbitration is agreed to as a means of settling unsettled issues, the parties themselves should agree on the precise issues, the terms of submission, and the principles or factors by which the arbitrator shall be governed.

For the first time, this report focused attention upon the stipulation to arbitrate as the key to sound development of voluntary arbitration.

No one should minimize the difficulties faced by negotiators in con-

summing a stipulation for voluntary arbitration along the lines just referred to. Skeptics will say: "If the parties could agree on those matters, they would agree directly on the items in dispute." There is substance to that point of view which does not, however, give a complete picture. It is a fact that, in an increasing number of instances, parties have found it possible to agree upon a stipulation to arbitrate, and have thus avoided a strike and the threat of government intervention, even though they were unable to come to a direct meeting of minds as respects the issues in dispute. Voluntary arbitration has to be looked upon as a problem of collective bargaining and not as a substitute for collective bargaining. If it is fully recognized that a failure of negotiations in public emergency disputes invariably carries a choice between voluntary arbitration and government intervention, then the parties to such disputes may see an important self-interest in utilizing the voluntary arbitration process to a much greater extent than ever before. One of the likely alternatives to compulsory arbitration of public emergency disputes is voluntary arbitration of them.

Procedural Substitutes for the Strike

What if the parties fail to agree on voluntary arbitration? The crises which public emergency disputes create are so serious that the country cannot count upon the ability and the willingness of labor and management to utilize voluntary arbitration. At best, such a refinement of accepted collective bargaining conduct is certain to be slow. So attention also needs to be directed to various procedural substitutes for the strike as means of facilitating or inducing agreement.

As noted at the outset, the principal function of the strike is to exert pressures to bring about a meeting of minds. Since the strike cannot perform its function in public emergency disputes, perhaps effective procedural means other than the strike can be devised to exert pressures upon disputants to reconcile their differences. The requirement of the Taft-Hartley Act that demands for contract changes must be made to give sufficient time for negotiations and mediation is one example of a facilitating procedure.

Legislative requirements upon disputants to follow certain specified procedures in an effort to reach agreement will inevitably evoke strong controversy. They involve restrictions upon union latitude in calling strikes. Heated differences will also arise over the extent to which required procedures minimize the power of either side to achieve its purposes. It is conceivable that procedural requirements may provide

an inexorable pressure for an agreement on terms different than would be agreed upon in the face of a forcible stoppage of production.

For these reasons, procedural substitutes for the strike will be most likely to succeed when they are devised by agreement between the unions and management. On the record are two notable examples of this approach to public emergency disputes. As I understand it, the procedural requirements for the peaceful settlement of labor disputes in the railroad industry were developed essentially by labor and management. The procedures have consequently had a high degree of success in avoiding strikes. It can almost be said that any procedures for the peaceful settlement of public emergency disputes will work if the parties themselves are determined that they will work. And the parties are apt to be solidly behind a program only if it is of their own making.

The machinery of the War Labor Board in World War II was another agreed-upon procedure that served with relative success as a substitute for the strike in public emergency disputes. Throughout most of the war, virtually every labor dispute constituted a national emergency, so desperate was the need for production. Except as respects facilities seized and operated by the government, it was never illegal for employees to engage in strike action during World War II. But unions and management by and large used the Board instead of work stoppages as a final arbitrament. It was a voluntarily accepted procedure because of the tripartite composition of the Board and because labor and management representatives at all times retained the right to withdraw and thus force a change in national policy.

In contrast to the agree-upon procedures just mentioned, certain sections of the Taft-Hartley Act are apparently designed to induce a meeting of minds of negotiators in public emergency disputes (industry-wide in nature) without recourse to strikes, but without the acquiescence of those directly affected by the required procedures. At any event, labor and management could conceivably feel impelled to work out an agreement to avoid being caught in the emergency dispute procedure of that Act. These steps, which would not have to be taken if an agreement is reached, include appearance before a board of inquiry, issuance of an injunction, and an employee vote on the employer's last offer. It is difficult to see how these steps intrinsically help to bring about a meeting of minds once they are taken.

Whether or not these procedures of the Taft-Hartley Act have actually been of material assistance to a negotiated understanding is

debatable. Yet it is on this criterion that they must be judged. Only by an agreement of the parties can the dispute finally be resolved, even under the Taft-Hartley Act. The ultimate right to strike is retained and at no point does the government directly evaluate the contesting claims of the disputants.

One of the required procedures of the Taft-Hartley Act is uniquely inept. If a labor dispute persists, the President is finally instructed to report the facts of the case to Congress. Unless the contemplated consequences of Congressional treatment are a sufficient threat to bring about a last-minute agreement, the result is not only a critical national emergency but one in which the President is deprived of any power to take action to save the nation. In the face of national peril, the President should, of course, have a wide latitude to take such steps as are necessary to preserve national health and safety.

Because procedural substitutes for a strike are useful only if they facilitate agreement-making, there is an urgent need for a fundamental understanding between labor and management as respects the steps to be followed in public emergency disputes. A successful labor-management conference to deal with this problem would be of incalculable value to the preservation of collective bargaining. Nor should the Conference idea be lightly dismissed because of the lack of success of the 1945 National Conference.

In the absence of a labor-management recommendation, there is little doubt that the President must be empowered to secure an injunction so as to take effective steps against a work stoppage which would jeopardize public health and safety. Otherwise the government would be powerless to invoke measures to protect the national interest. But, once it is issued, the injunction does no more than give time to work out a negotiated settlement. The ways by which this may be facilitated vary with every case. It follows that required negotiating procedures should not be specific. Such devices as the vote on the employer's last offer have already been thoroughly discredited.

A likely program would be the setting up of a special board, for each particular case, with the widest possible latitude to take such steps as will, in its judgment, aid in the consummation of an agreement. Whether or not a fact-finding report or a recommended settlement should be made would depend upon whether either is likely to help in getting an agreement. It is certainly incongruous to take such steps if they would widen the gap between labor and management.

One possible action by such a board might well be considered more

fully than heretofore. Recommendations of substantive terms of employment as a "fair" basis of settlement, if unacceptable to either party, cause the government to "take sides" in the labor dispute and may make settlement more difficult. There are cases, however, in which voluntary arbitration, under specific terms proposed by the board, might be proposed. The precise issues could be stated along with criteria applicable to their arbitrament and possibly with suggestions of the names of arbitrators. One of the most feasible ways for dealing with public emergency disputes might well be through a recommendation of an acceptable formula for voluntary arbitration.

Another way for dealing with the public emergency labor dispute, and in the collective bargaining tradition, is to devise special procedures to facilitate or to induce disputants to come peacefully to a meeting of minds. Like voluntary arbitration, this alternative to compulsory arbitration depends, in the last analysis, upon the ability and the willingness of labor and management to arrive at a meeting of minds about the kind of procedure that should be used to compose their differences.

If labor and management agree upon the peaceful procedures that should be used, as they did in the railway industry and as respects the operation of the War Labor Board, then those procedures are virtually certain to be relatively successful. It is this fact that underlies a continuing interest in a labor-management conference to deal with the public emergency dispute. In the absence of a labor-management recommendation, the only workable procedures will almost certainly include the issuance of an injunction, when the President finds that essential, to give added time for negotiation and mediation. And, if this approach is to work, any government agency which takes over the task of mediation must not be fettered by inflexible rules. It must have wide latitude in taking such steps as will bring about a meeting of minds.

Plant Seizures by the Government as a Basis for Further Negotiations and Mediation

There is one last device, short of compulsory arbitration, which may be, and has been, used to get public emergency labor disputes settled by agreement of the parties but without an interruption of production. Plant seizure by the government may afford a basis for continued negotiation and mediation without an interruption to production. As will be noted presently, this approach carries an imminent risk that

basic collective bargaining rights of employees and employers may be impaired. It still falls far short of compulsory arbitration under which these rights may be eradicated.

A strike vote evidences a group unwillingness of the employees to work at terms offered by the employer. If the public interest would be irreparably harmed by resort to a work stoppage to resolve the difference, as in time of war or national peril, it has been reasoned that men may properly be requested temporarily to work at unsatisfactory terms as long as the government is the employer. Such employment at the contested terms would not be for the profit and benefit of the private employer.

Although productive facilities have occasionally been seized by the government in times of great emergency, there has never been a disposition to require individuals to work at contested terms of employment—that would fall within the recognized concept of involuntary servitude. But when it has been said, as in the War Labor Disputes Act, that workers cannot strike “against the government,” there has been a negation of the claimed right of employees as a group to decide whether or not all employees would work. After government seizure of a plant, a return of strikers to employment has been conceived as a matter of individual choice and not a group choice.

The results have varied with the cases. Even where the employees unanimously decided “to work for the government,” they were assured that, as an employer, the government would give equitable consideration to underlying disputes. The government thereupon assumed negotiating responsibilities. When the employees individually refrained from resuming work, even for the government, until their claims were first disposed of, an even greater complexity ensued. A new meeting of minds became important—between the union and the government.

Through plant seizure, production stoppages may be avoided in public emergency disputes—though not assuredly. The underlying labor problem still has to be resolved in one way or another. The first obligation of the government operating agency is to attempt to mediate between the union and the employer. Success in this endeavor is the only sure way to return the facilities to private operation. It is concluded, therefore, that government seizure need not vitiate the collective bargaining criterion of the meeting of minds although the reasons for agreeing may be peculiar to this situation.

If the employees individually refrain from work until their claims have been disposed of, and if a resumption of production is of over-

whelming importance, the government operating agency may have no alternative but to consummate a labor agreement with the union. The so-called Krug-Lewis agreement for the bituminous coal industry made in 1944 is an example of this kind of bargaining. When this kind of settlement is made, employees as a group are not required to work under unsatisfactory terms, but the position of the employers is most unenviable. Only by embracing a settlement to which they were not a party can they secure control of their plants.

A general defect of the plant seizure formula is that the executive department of the government becomes a direct party to the labor dispute. Employees are individually requested to work at terms of employment which they have jointly appraised as unacceptable. According to established union standards, the government thus acts "as a strike-breaker." At the same time the government must take a heavy responsibility for successfully mediating the dispute. If it fails in this endeavor, it may have to deprive the employer of his collective bargaining rights, since a government-union agreement may be the only way to insure uninterrupted production.

In certain situations, as in wartime, the executive branch of the government may be under strong compulsion to seize and to operate production facilities. These are times when the public need for uninterrupted production overshadows any of the usual rights of management or of labor. But the right of the executive to seize and to operate productive facilities should be looked upon as a reserve power usable only to preserve the national interest in times of peril. Seizure certainly should not be a regularly specified step for dealing with public emergency disputes. And seizure is a feasible step to take only if there is a reasonable assurance that individual employees will choose to work for the government while their complaints are being adjusted.

Conclusion

Compulsory arbitration provides no real answer to the problem of public emergency disputes in which, unlike other labor disputes, a stoppage of production is, in fact, not available to bring about a meeting of minds between labor and management representatives. No program for the imposition of unacceptable conditions of employment is complete without sanctions to be used, if necessary, to make compulsory arbitration a dreadful sacrifice of cherished notions about the employees work and to make employers manage. Implicit in compulsory men should live and work together. And for what? Compulsory

arbitration would not even insure the sought-for continuity of production. Strikes would still occur, and they would be more difficult than ever to resolve. It should be added, moreover, that working and managing at unacceptable conditions of employment would surely bring an appalling deterioration of effort in day-to-day relationships that would spell the end of economic progress in affected plants.

Some program other than compulsory arbitration is clearly called for to meet the problems created by public emergency disputes. The heart of any constructive program is the cooperation of labor and management in developing substitutes for strike action and the acquiescence of these parties in various procedures that will assist disputants to arrive at a meeting of minds. Specifically, there is a need for these parties (1) more fully to utilize the potentialities of voluntary arbitration, and (2) to join in an effort to evolve agreed-upon procedures that will be effective substitutes for strike action. Labor and management thus have the power to forestall any drift or drive toward imposed procedures or terms. In the absence of their recommendation, there is no alternative to government-prescribed procedures for working out public emergency disputes without dangerous work stoppages. They will center about (1) injunctions secured by the President against strike action, to allow time for settling an issue, and (2) mediation machinery designed to effect a settlement. As a reserve power, to be used to avoid pressing peril, is the possibility of government seizure and operation.

The more or less voluntary approaches suggested are not "sure-fire"—but neither is compulsory arbitration. Under either, there are certain to be crises where work is interrupted despite great peril to the public—and probably as many by either route. They have to be disposed of as matters of crisis government. There is neither need nor gain in sacrificing collective bargaining principles in a vain attempt to avoid public emergency disputes "once and for all" by compulsory arbitration. It can't be done.

EMERGENCY DISPUTES UNDER THE RAILWAY LABOR ACT¹

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THE RAILWAY INDUSTRY has traditionally served as a laboratory for collective bargaining legislation. Not only the Amended Railway Labor Act of 1934, but the Norris-LaGuardia Act, the Wagner Act and the Taft-Hartley Act have their roots in railway labor legislation enacted as early as 1898.²

If, however, the railway industry has served as a laboratory for general industrial relations legislation, one cannot also say that either students of industrial relations or legislators have paid too much heed to the actual record of railway labor legislation before applying its principles to industry generally. This hiatus between belief and fact appeared to reach a climax on that memorable day in May, 1946 when, with the nation's railroads shut down throughout the country, Congress passed a bill (later successfully vetoed) which would have applied the emergency disputes procedure of the Railway Labor Act to all industry.³

Yet that did not prove to be the climax after all. The so-called national emergency provisions of the Taft-Hartley Act are closely modeled on the emergency provisions of the Railway Labor Act, the main difference being the inclusion of penalties which are not found in the railway law. And now we find economists, newspaper editors, labor leaders and industrial relations students urging the substitution of the principles of the Railway Labor Act for that of the Taft-Hartley Law.

¹ This paper is based primarily on the author's book, *The "Model" Labor Law*, now in the hands of the publishers.

² The Erdman Act of 1898 not only provided for mediation and voluntary arbitration machinery similar to that now contained in the Railway Labor Act, but also outlawed discrimination against workers for union membership and forbade enforcement of "yellow dog" contracts in federal courts. The section containing the last two provisions was declared unconstitutional in 1908 (*Adair v. United States*, 208 U.S. 161).

³ For a discussion of this and similar proposed legislation, see the author's debate with Mr. Donald Richberg, *Political Science Quarterly*, June, 1946, pp. 189-221.

My view is that the Railway Labor Act, far from being a "model" law, should be thoroughly recast. This opinion is based on a study which covers not only the Act's disputes procedure, but also its procedures for settling grievances, for determining representation questions, and for preventing unfair labor practices, all of which I regard as decidedly inferior to comparable legislation.⁴ In this paper, however, attention will be confined to the emergency disputes procedure, its record, and the implications of that record.

The Disputes Procedure of the Railway Labor Act

The disputes procedure of the Railway Labor Act has been intact since 1926, except for minor modifications and the substitution of the three-man National Mediation Board for the five-man United States Board of Mediation in 1934.⁵ Briefly, this machinery makes it the duty of the parties to exert every reasonable effort to "make and maintain agreements concerning rates of pay (and) . . . working conditions" and to attempt to adjust differences by peaceful methods. If the parties cannot agree, they may request assistance from the Mediation Board, or that agency may proffer its services. If mediation does not end the dispute, the law requires the Mediation Board to suggest arbitration, for which the Act provides a detailed procedure. If either or both parties reject arbitration, as is their right, and if the dispute is such as "substantially to interrupt interstate commerce," the Mediation Board may notify the President, who can create an ad hoc emergency board to investigate the causes of the dispute and make recommendations thereon. During the pendency of these various proceedings and until thirty days after the report of the emergency board, neither party may alter terms and conditions except by mutual agreement. The parties, however, have no legal obligation to accept the recommendations of the emergency board and no penalties are provided in case the unions violate the procedure of the Act, although the carriers may be penalized for so doing.

This procedure (excluding the managerial penalties) was agreed to by railroad management and labor prior to its enactment by Congress in 1926. In actuality, except for the emergency board provision, Congress merely wrote into law what had been accepted practice on the railroads since the turn of the century. And the emergency board provision, which was the only new feature of the 1926 Act, was in-

⁴ My reasons are found in my forthcoming book.

⁵ The 1934 amendments were primarily concerned with other phases of the Act.

tended to take care of such extraordinary situations as the 1916 eight-hour⁶ controversy, which in the past had required direct Presidential and Congressional intervention.

Emergency Railway Disputes, 1926-1948

Between 1926 and 1934 when the Act was amended, only two minor strikes occurred and only ten emergency boards were appointed. In at least one case, a board's recommendation was disregarded by a carrier, but no strike occurred although the resulting grievances did cause a stoppage in 1936.⁷

Five of the ten boards appointed during this period were created in the fiscal year 1933-34. The fact that as many boards were appointed during the last year of the unamended Act's incumbency as in the previous seven is attributable to the increased organizing activity begun in that period and the disputes resulting therefrom; and also to the greater willingness of President Roosevelt as compared to his predecessors to appoint emergency boards. Of the ten emergency boards appointed prior to July, 1934, nine involved relatively minor cases concerning small segments of the railroad system and only one involved a regional case of major importance.

Between 1933 and 1935 the federal co-ordinator of transportation overshadowed both the United States Board of Mediation and its successor agency, the National Mediation Board, and to a considerable degree usurped the functions of both. Nationwide negotiations between carriers and unions were mediated by the federal co-ordinator and frequently by the President himself. In a period of turmoil in industrial relations, the major disputes were thus handled outside the framework of the Railway Labor Act.

In 1937 the railway unions negotiated a general wage increase with the carriers with the help of mediation by the National Mediation Board. The following year, as a result of the recession, the carriers made a demand for a 15 per cent nationwide wage reduction. The case went to an emergency board, which recommended that the demand be denied. The carriers acquiesced in the settlement. This was the last major dispute prior to 1941.

To recapitulate: between 1935 and 1941 there were 16 emergency boards appointed and only eight railroad strikes. Of the total of 26

⁶ This was the controversy over the eight-hour demand of the operating unions which led to the passage of the Adamson Act by special request of President Wilson.

⁷ This involved the Louisiana and Arkansas Railroad.

appointed since 1926, only two emergency boards were concerned with major disputes: the 1928 regional case and the 1938 nationwide reduction case. Thus the emergency board procedure was not a significant feature in maintaining industrial peace on the railroads between 1926 and 1941. Rather, the emergency board procedure, which had been conceived of as a tool of last resort for utilization when serious interruptions of interstate commerce were threatened, was by 1941 used in relatively minor disputes.

Moreover, it was in the period 1933 to 1941 that the Railway Labor Act achieved its reputation as a "model law." This reputation was based on an alleged relationship between railway labor peace and the procedures of the Railway Labor Act, compared with strife in industry generally where the act did not apply. A more sophisticated analysis would point to the absence of great organizing drives and new unionism on the railroads at a time when industry generally was involved in the difficult task of adjusting to unionism for the first time.

Emergency Disputes, 1941-1948

The tone of wartime labor relations on the railroads was set by the 1941 dispute in which all the standard railway unions demanded substantial increases and an emergency board was appointed to hear the case on a national basis. The recommendations of the board did not meet the unions' desires. They appealed to President Roosevelt. He reassembled the board and, in effect, put pressure upon the carriers and the board to grant further increases, which was done.

Since the 1941 case, similar developments in emergency cases have been common. The 1943 Diesel dispute, the 1943-44 national operating case, the Illinois Central case of 1945, the 1946 and the 1947 wage cases were the most important of those which featured union repudiation of emergency board decisions, threatened or actual strikes, and usually government seizure, culminating on several occasions with more favorable terms to the unions than were recommended by the emergency boards. Further union repudiations of emergency board recommendations were involved in the 1943 nonoperating case, the Pacific Electric case, and the Chicago-Milwaukee Interurban case, but these were complicated by rulings of the Office of Economic Stabilization.⁸

⁸ A history of these cases is found in the aforementioned book as well as in my article, "The Railway Labor Act and Railway Labor Disputes in Wartime," *American Economic Review*, June, 1946, pp. 324-343.

In addition to the railway industry, the jurisdiction of the Railway Labor Act has, since 1936, extended over air transport. There have been three emergency boards appointed for that industry.⁹ The first involved the dispute over four-engine aircraft pay rates between several airlines and the Air Line Pilots' Association. Its report was repudiated by the pilots, who struck Trans World Airline in October, 1946. The strike was settled by an agreement to arbitrate which won the union more favorable terms.¹⁰

The second airline emergency board was appointed after the International Association of Machinists grounded Northwest Airlines by a strike of mechanics on July 3, 1946. The board recommended denial of most of the union's demands, whereupon the union, by what it termed "energetic bargaining," succeeded in obtaining a substantial portion of these demands anyway.

The final airline emergency board was appointed some months after a strike of clerks, mechanics and pilots employed by National Airlines had occurred in January, 1948. The company promptly hired replacements and appeared to have broken the strike. The National Mediation Board declined in January, 1948, to recommend appointment of an emergency board, because it did not consider that the dispute substantially interrupted interstate commerce. Then suddenly on May 15th, with the airline operating its full schedules, President Truman appointed an emergency board to look into the pilots' case and later extended its jurisdiction to look into the case of the mechanics and clerks also. On the basis of what I regard as a complete misinterpretation of the Railway Labor Act, the emergency board found that unions or employees have no duty to wait thirty days after the procedures of the Act have been exhausted before striking, which at least one of the unions had done in this case. The emergency board therefore exonerated the unions of improper conduct and placed full blame on the carriers. With mounting pressure from this and other sources, the carrier soon settled with its clerks and mechanics, and recently also with the pilots as well.

Between July 1, 1941 and June 30, 1947, the last date for which data are available, 23 cases were referred to emergency boards by the regular procedure of the act and 44 were so referred by the wartime National Railway Labor Panel. This period marked the first wide-

⁹ Excluding two or three appointed during the war for stabilization cases.

¹⁰ For a history of this dispute see my article, "Collective Bargaining by Airline Pilots," *Quarterly Journal of Economics*, August, 1947, pp. 533-576.

spread use of emergency boards for really national disputes. The results, as indicated by this too brief summary, were something of a failure. The vital question is whether this failure was a product of the unusual times (i.e., war conditions, bad administration, etc.) or whether the failure is inherent in the Act's procedure. I believe that the evidence supports the latter view.

Analysis of Emergency Board Procedure

Much of the blame for the failure of Emergency Board procedure since 1941 has been placed on activities of the Office of Economic Stabilization, which modified emergency board awards in three relatively important cases. It is certainly true that the Office of Economic Stabilization acted in these cases without a proper consideration of the delicate tensions inherent in labor relations. It should also be noted, however, that what the railway employees wanted, and later did secure by getting their stabilization machinery entirely separated from the Economic Stabilization Office, was special treatment under wage stabilization similar to the special treatment that they receive under collective bargaining and social insurance legislation.

It should also be noted that the Office of Economic Stabilization and the War Labor Board modified downward or totally disapproved thousands of voluntary wage applications and dispute case settlements submitted by employers and unions, where such applications proposed adjustments deemed incompatible with the wage stabilization program. Many of these applications were the results of agreements achieved by mediation by the United States Conciliation Service or by state mediation bodies. These disapprovals caused considerable unrest and dissatisfaction among the affected employees. Nevertheless, they were considered necessary to combat inflation, and they did not result in charges that "procedures" under various federal and state mediation services were being improperly interfered with. Again the basic question was whether railway labor was to receive the same type of special privileges under wage stabilization that it had already received under adjustment machinery and social insurance.¹¹

It should be emphasized, moreover, that the Economic Stabilization Office did not initiate the rejection of recommendations of emergency

¹¹ In regard to social insurance, see R. B. Robbins, "Railroad Social Insurance: Favored Treatment Versus Social Insurance," *National Economic Problems*, No. 405 (New York American Enterprise Association, 1945); and J. M. Elkin, "The 1946 Amendments to The Railroad Retirement and Railroad Unemployment Insurance Acts," *Social Security Bulletin*, December, 1946, pp. 23-29.

boards, nor did it devise any new method of settling disputes under the Railway Labor Act. The 1941 wage movement set the pattern for the adjustment of railway labor disputes after that date. The railway unions themselves rejected the award of the 1941 emergency board, and because of their economic and political power, they were able to obtain the aid of President Roosevelt in putting pressure on the carriers to grant additional compensation over and above what the board had recommended. Subsequent cases were handled in a like manner, thus providing considerable evidence that the procedures of the Railway Labor Act are effective in maintaining labor peace only so long as they provide results satisfactory to the unions.¹² When the contrary occurs, as it so often has recently, it appears that the awards of emergency boards are simply rejected and the unions make use of their political power to achieve their ends.

These developments should not be surprising. The Railway Labor Act was conceived by the railway unions and its adoption into law—particularly the 1934 amendments—stands as testimony to their political power. What could be more logical than the further use of political power by these unions to achieve their desired ends whenever the procedures of the Act fail to do so?

As a matter of fact, governmental labor machinery, whether “pro-labor” like the Railway Labor Act, or “anti-labor” like the Taft-Hartley Act, is not only generally the consequence of organized labor’s political power, but it insures continued labor activity in the political field. Labor leaders cannot afford many adverse decisions from government tribunals without seriously endangering their positions within the union. They have been selected to produce results. If they fail, their constituents will replace them with aspirants who promise success where their predecessors have failed. Hence, labor leaders must seek to prevent the appointment of unfriendly or even neutral persons to key administrative posts, and they must keep up an unending pressure on government labor agencies. In short, union leaders must develop political machines capable of decisive action in enough instances so as to command the respect of elected and appointed officials. These facts have been as well known to the conservative leaders of the railway unions for 25 years as they have been to the leaders of

¹² This is not to imply that if the railway unions were to demand a 30 per cent increase, they would reject an emergency board recommendation of any less. As those familiar with the bargaining process know, however, a recommendation of 18½ per cent may be very satisfactory to a union demanding 30 per cent, whereas a 10 per cent recommendation may be unsatisfactory.

the CIO Political Action Committee since the formation of that organization.

Not only has the emergency board procedure not been instrumental in achieving industrial peace on the railroads, but, in fact, it has probably hindered both collective bargaining and voluntary arbitration. Both Mr. William H. Davis and Dr. George W. Taylor, the former chairmen of the National War Labor Board, have repeatedly pointed out that many unions and employers refused to bargain in good faith during the war because they believed that they could obtain more from the War Labor Board than they could by bargaining; or, at least, they could be relieved of the responsibility of making concessions if they went to the WLB. The existence of the emergency board procedure has the same influence in railroad disputes. It permits union leaders to escape censure or onus from their constituents or intra-union political opponents for the outcome of a dispute. It also permits carriers to deny responsibility for increased costs when seeking rate increases before the Interstate Commerce Commission or the Civil Aeronautics Board by alleging that higher wage costs were "forced" on them. And at the same time, the emergency board procedure, unlike arbitration, allows either party to reject a recommendation if more is to be gained by that course.

This could be put another way. Except in rare instances, there is no bargaining under the Railway Labor Act in major cases. Rather the parties go through the motions till an emergency board is appointed. Then if one side rejects an emergency board award, a real emergency can arise which must be handled outside the framework of the already exhausted procedures of the Railway Labor Act.

The effect of emergency board procedure on arbitration is similar. As Professor Slichter has pointed out: "It is easier for the representatives on one side or the other to . . . refuse to arbitrate if an immediate result is not a strike or a lockout but the appointment of an Emergency Board which has no authority to make a binding award."¹³ This is precisely what has happened under the Railway Labor Act. Between 1934 and 1947 only 88 cases were submitted to arbitration boards and only three of these were cases involving nationwide railway labor disputes. This despite the fact that the Act contains detailed and generally well conceived machinery for voluntary arbitration. What has happened is that minor disputes have been settled

¹³ S. H. Slichter, "The Great Question in Industrial Relations," *New York Times Magazine*, April 27, 1947, p. 5.

mainly by the parties or by mediation, which is all to the good; but major cases which the parties were unable to settle themselves have gone to non-binding emergency boards as the easiest way out.

It is important to stress here the basic differences between arbitration and emergency board procedure. The proponents of the act consider the emergency board procedure as merely an extension of arbitration, or even as arbitration in everything but name. Thus Dr. William M. Leiserson states:

Such emergency boards have become known as fact-finding boards, but this is a misnomer. They are really arbitration boards who hear the parties, decide the issues, and publish the facts to support their decisions, but these are treated as recommendations, not awards binding on the parties. Pressure of public opinion is relied on to secure compliance, a process which makes it essential to center public attention on the awards and not on the facts as these might lead people to draw different conclusions from those of the board. Also, unless the number of such boards is strictly limited, the many decisions scatter the attention of the public and the expected pressure does not materialize.¹⁴

Contrast this view with that of the spokesmen for the nonoperating unions in the recent 1948 wage case who termed the emergency board's report a "basis for negotiation!" To term emergency boards "arbitration" boards is as much a misnomer as to term them "fact-finding" boards, because public opinion usually is not nearly as effective as proponents of this view believe. It is correct that one reason why public opinion has not turned the emergency board procedure into an effective, binding-award-making mechanism is that far too many boards have been appointed. This was true between 1926 and 1934, as well as later when Presidents Roosevelt and Truman, partially because of the necessities of war, commenced appointing "emergency" boards to hear the most trivial disputes. Yet, the ease with which many unions disregarded the recommendations of these boards during the war years when a railroad strike was unthinkable, indicates that public opinion cannot bind participants.

It is, moreover, not practical to assume that any strict limit can be kept on the number of emergency boards which are to be appointed. As long as emergency board procedure is available, one side or the other will create the "emergencies" if the possibility of gaining a better

¹⁴ W. M. Leiserson, "Public Policy in Labor Relations," *American Economic Review*, May, 1946, p. 345 (Papers and Proceedings of the Fifty-eighth Annual Meeting of the American Economic Association, Cleveland, January 24-27, 1946).

settlement exists. When that occurs, the pressure on the President, or whoever must appoint such boards, from well-meaning citizens and newspaper headlines to prevent the "emergency," plus added pressure from labor or industry to aid the emergency creator, usually results in the appointment of a board, the establishment of a precedent, and an ever-increasing number of "emergencies" and boards. In addition to railway labor experience, ample evidence to support this analysis is found in our war labor history and in the 1945-46 Truman "fact-finding" board period, as well as in the experience of other countries which have utilized similar machinery.¹⁵

It may be emphasized at this point that even if the Railway Labor Act were as successful as the myth of the model law would lead us to believe, this is no reason to expect that it would be equally successful in other industries. The experience of the Railway Labor Act in the air transport industry is a case in point. Neither labor nor industry in air transport developed the experience which resulted in the Railway Labor Act's procedures, and they are, therefore, even less concerned with their observance than their railroad counterparts. Prominent persons in both air transport labor and industry have, in discussions with me, raised serious question as to the advisability of the Act's procedure or their inclusion thereunder. One could expect similar, and perhaps more intensive, feeling if the Railway Labor Act were extended to still other industries.

I shall not go into detail as to the reasons why labor relations have remained at least as peaceful on the railroads as in industry generally, or why they are less peaceful today than in 1940. Suffice it to point out that labor peace or unrest in any industry is attributable to a variety of social and economic conditions of which legislation is only one and often, if not usually, not the most important. The important point here is that, instead of being a major element in promoting labor peace on the railroads, the emergency board procedure has actually retarded both collective bargaining and the use of voluntary arbitration machinery; and that, moreover, such a development is almost inevitable once emergency board legislation is placed upon the books.

Final Comment

Emergency board procedure was conceived as a last resort substitute for compulsory arbitration in settling critical cases which threatened

¹⁵ See B. M. Stewart and W. J. Couper, *Fact Finding in Industrial Disputes*. (Industrial Relations Counselors, Inc., 1946.)

"substantially to interrupt interstate commerce." At an early date, however, and increasingly ever since, it has been utilized in relatively minor disputes. The politics of the situation make such a development virtually inevitable. Moreover, since 1941, the emergency board procedure has failed to settle a single critical case.

What should be done about this situation? In my opinion, Section 10 of the Railway Labor Act with its provision for emergency boards should be abolished. So long as Section 10 is on the books, collective bargaining and voluntary arbitration will not be fully utilized. The choice today, as Dr. Taylor so correctly noted, is between voluntary arbitration and compulsory arbitration. So long as the emergency board procedure remains on the books, voluntary arbitration will be by-passed. What I now propose is that the parties have one last chance to prove their responsibility and to make free collective bargaining work.¹⁶

If the parties do not then solve their differences with voluntary machinery, they will have served notice that they cannot make free collective bargaining work and substitute emergency machinery must be devised. Since all emergency machinery means, sooner or later, the end of collective bargaining, such machinery should provide for compulsory settlement by whatever method thought best.

Emergency machinery like that of the Railway Labor Act not only makes collective bargaining unworkable, but provides no adequate substitute for bargaining which can give reasonable protection to the public.

¹⁶ At the meetings, I proposed a method of compulsory arbitration which I now am persuaded is impractical. I still am not optimistic about the future of collective bargaining on the railroads, but, believing, as I do, that compulsion is a very last resort, I am willing to grant a last chance to the parties to work out their difficulties.

DISCUSSION ¹

HENRY MAYER

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The conservative, but respected, *New York Times* said editorially only two or three years ago that compulsory arbitration has within it implications of involuntary servitude and runs counter to our fundamental democratic principles of freedom.

Most of us remember the piquant comment of that fountain of charm and wisdom, the venerable and perceptive William H. Davis, in 1945, that creation is the product of persuasion, except in the case of rape and that we had had altogether too much rape. But few of us recall that in 1919 the then Chief Justice William H. Taft said, "Government of the relations between capital and labor by injunction is a solecism. It is an absurdity."

The President's Labor-Management Conference of 1945, the National Association of Manufacturers, the U. S. Chamber of Commerce, the C.I.O., the A.F.L., the Railroad Brotherhoods, even the Watchdog Committee created under the Taft-Hartley Law, and most of the Press, which still insists that it reflects public opinion, all have registered unqualified opposition to compulsory arbitration.

Nevertheless legislation was suggested in 1946, and is again being thrown into the hoppers, to impose interdictions on only one class of workers—and simply because they happen to work in essential but private industries. Professor Northrup even suggests the wholly impractical remedy that it be applied solely to a group within a class by a species of gerrymandering.

The difficulty with the easy solution of compulsory arbitration and government seizure, coupled with injunctions, or government injunction without seizure (which is tantamount to compulsory arbitration) is that they pose many questions of much graver import than any labor controversy.

When does a strike become so cataclysmic as to warrant Presidential intervention? Does not the government assume a measure of responsibility for the results of arbitrations conducted under its aegis? Are these Boards to be ad hoc groups or permanent agencies, and will their

¹ Professor I. Leo Sharfman, University of Michigan, did not submit a manuscript.

predilections depend upon the politics of the particular administration in power? Are standards to be set for the guidance of arbitrators, and shall court review be permitted—both having concomitant elements of technicalities and delays which run counter to the whole theory that labor controversies should be settled expeditiously? Should compulsory arbitration be injected, in any event, when private industry is involved? Does not the element of private profit alter the situation completely?

Professor Northrup's startling suggestion that emergency boards under the Railway Labor Act be scrapped and be replaced by compulsory arbitration in a limited and circumscribed number of cases would be the foot in the door leading to the nationalization of the railroads.² It would precipitate more strikes. The very reasons which impel railway labor leaders to resort to the emergency board procedures would be even more compelling if compulsory arbitration were introduced, since they would then be relieved of entire responsibility with respect to the ultimate results. It is important to note in this connection that over a span of more than ten years railway workers have lost only 0.4 per cent of man days by reason of strikes, whereas workers in industry generally have lost almost 4 per cent. The injection of compulsory arbitration would make a shambles of what has been a relatively orderly and fair industrial relationship.

No group of workers regards arbitrators as the paragons of perfection when awards fall short of their minimum goals. If awards were consistently against Labor—and they might be—depending upon the economic and political atmosphere at the time—disgruntled workers and the public would insist that private industry is benefiting unduly as a result of government intervention. We heard the reverse of that very complaint from industry on several occasions in the last 16 years. Public utility workers, including even railway workers, despite their recent pronouncements to the contrary, do not want their respective industries socialized. If the government should continue to throw its great weight into the balance during tense and difficult strikes, these workers might conceivably make insistent demands for a change in our scheme of things.

Proponents of compulsory arbitration must then be prepared to go the whole way. If an industry is of such an essential nature that interference with its operation becomes a grave and present danger to the health and safety of the nation, then that industry is operating within

² Professor Northrup subsequently revised his position. (Editor)

the public domain. Since our dynamic economy develops annual crises, government intervention might very well become a recurring thing. You may then hear suggestions not only from working groups but from many other segments of the general public that the government might just as well initiate steps to move in completely. It now moves in sporadically, and only for the purpose of depriving workers of the right to strike and of their freedom to make voluntary agreements with their employers.

The device of constituting the government a temporary receiver or custodian of utilities through the injunctive process, pending the settlement of a labor dispute, is highly questionable from a legal point of view. It makes a mockery of the voluntarism which is a prerequisite to long-range sound labor relationship. It is also a form of compulsory arbitration.

Mr. Justices Frankfurter, Jackson, Murphy, Rutledge, Douglas and Black indicated in the miners' case that they would certainly not go along with anything short of actual government ownership and operation. Judge Goldsborough's injunction against the railroad unions might very well be set aside by the U. S. Supreme Court. In any event, that injunction imposed compulsory arbitration on railway workers and effectively destroyed their right, so clearly enunciated in the Railway Labor Act, to reject the awards of emergency boards.

Professor Northrup refers to the alleged political power and pressures of the railroad unions. He ignores completely the influences of other and more potent forces which have had so great an impact on our economy since 1941. The war, the post-war period, the imposition of controls and the removal of controls made the wage position of the railway workers anything but static during the last seven years. Certainly the N.A.M., the Chamber of Commerce, the Republican Party and the Press had something to do with the creation of conditions which caused the railway workers to fight so vigorously in their efforts to maintain a relatively decent standard of living. "In a democracy," said Mr. Justice Brandeis in the case of *Gilbert v. Minnesota*, "harmony in national life is the result of a struggle between contending forces."

I am in wholehearted accord with Dr. Taylor's position regarding compulsory arbitration. However, his implicit suggestion that strikes be prohibited when they threaten public health and safety is in reality another form of compulsion which constitutes as great a challenge to

our fundamental freedoms as does compulsory arbitration. We should, of course, set up procedures and do everything possible to bring about the resolution of disputes between contending parties in essential industries. We should likewise endeavor to eliminate or reduce the causes which precipitate such controversies. We must not embark on the explosively dangerous experiment of prohibiting strikes in any private industry, particularly since the definition of public utility workers can be made broad enough to include not only miners and railway workers, but also telephone, gas, electric, transit, building trades, and refrigerating workers, the makers of heating appliances, teamsters, etc. With millions of workers effectively prohibited from striking through the dishonest expedient of having the government move in temporarily, the strike instrumentality would gradually become as dead as it was in Fascist Germany, Italy and Japan, and as it now is in Communist Russia.

Dr. Taylor's proposal for the elimination of certain strikes is akin to the suggestion that has frequently been made by men of outstanding authority and ability that public utility workers should be obliged to deposit their right to strike in escrow and, in exchange therefor, they should receive preferential treatment with respect to wages, hours, vacations, etc. I have often wondered just how and when the exchange would be effectuated. My own experiences have taught me that these are just pious expressions which rarely become realities in practice. It is noteworthy that Professor Northrup bridles at the idea that railway workers should have received exceptional benefits as a class under the Railway Labor Act and otherwise.

Dr. Taylor's recommendations regarding the delimitations of arbitrations and the setting up of standards and guides demonstrate an understandable preoccupation with the difficulties and problems of arbitrators. However, I think we should be much more concerned about the interests of the parties to the controversies. The injection of circumscriptions around arbitration of labor disputes creates the kind of handicaps and obstacles which would make the resolution of labor controversies much more difficult.

It might become necessary to have a series of arbitrations before the ultimate questions could be resolved. Much more serious and important is the factor of court review and judicial intervention. In New York, for instance, there has developed in recent years a disposition on the part of courts to raise technical questions with respect to the powers of an arbitrator. The courts have gone so far as to arrogate

to themselves the right of determining whether or not a party seeking arbitration has set forth sufficient evidence in the way of facts to demonstrate that a controversial issue existed.

It seems inconsistent to suggest that stoppages of production which threaten the public health and safety cannot be used to resolve labor disputes and, at the same time, to propose that the parties to such disputes should be confined within the bounds of limited arbitration. If the parties themselves could agree to arbitrate all types of disputes, or if the parties themselves could agree to have an arbitrator write their agreement, why should that not be accepted with a sense of relief by the public generally, even though the arbitrator may have been given a difficult assignment? Willingness to permit an outside arbitrator ample latitude is frequently an indication of well-balanced and mature employer-employee relations. The transit industry is a good example.

The public can often be a strong lever if provided with the fulcrum of public necessity. I would, therefore, suggest that the Railway Labor Act be extended to cover those industries which are of such an essential nature as to warrant the setting up of cooling-off periods, procedural steps and government intervention short of government seizure. I think there ought to be a Communications Labor Act, for instance. I think there ought to be a Public Utilities Labor Act.

However, I do not believe that we have wrestled enough with the Devil—and I hasten to add that I do not necessarily mean John L. Lewis or any other labor leader or any employer, but the problem itself—to accept anything as dangerously pat as compulsory arbitration or government seizure and injunction.

If we should be confronted with situations which are so serious as to imperil the public health and safety, then government seizure should actually be more than a mere pro forma, token affair. The compulsions ought not to be as one-sided as to warrant the inference that the public is interested only in depriving workers of their right to strike. Where such seizure takes place, certainly the expense of government operation should be paid by the owners of the business; the owners should not be permitted to profit while the government is in possession, if that can be done within constitutional bounds. If both parties to a controversy of this nature realized that government seizure had serious potentialities affecting both the employer and the employees, the parties to such controversies would find it much more expedient to resolve their own difficulties rather than to have the flag of the U. S. Govern-

ment run up over the property involved. And our flag would not become merely a strike-breaking banner.

Set up impulsions and sanctions to compel agreement, yes. But they ought to be two-sided. By starting with the premise that the end result should be prohibition of strikes, we discourage the creation of proper procedures to bring about resolution of the difficulties, and we make little effort to eliminate the causes which precipitated them. It is so much easier to say to a class of workers: "Thou Shalt Not Strike!"

It was Goethe who said, at the very time that our country was being founded, "Man is easily accustomed to slavery and learns quickly to be obedient when his freedom is taken from him." When that philosophy was applied by Hitler, Mussolini and Stalin the lights of the world, yours and mine, began to go out. We are now making yeoman efforts to turn them on again in many dark corners of the world. Let us not be guilty of a short circuit in our own country.

DANIEL P. LOOMIS

Chairman, Association of Western Railways

I have listened with great interest to the discussion here today, and to the papers presented by Professor Northrup and Professor Taylor. The problems under consideration are not new in the railroad industry. We have lived with them for many years.

As far back as 1886, the Congress actually passed a bill for compulsory arbitration of railway labor disputes, but the bill was vetoed by President Cleveland. The first Railway Labor Act was adopted in 1888, just one year after the passage of the Interstate Commerce Act. In 1916, by the passage of the Adamson Act, Congress itself actually compulsorily arbitrated a railway labor dispute. Again in 1922, during the strike of the railway shopmen, President Harding proposed to a joint session of Congress that decisions of the United States Railroad Labor Board should be made "enforceable and effective upon carriers and employees alike."

We in the railroad industry have discussed the pros and cons of compulsory arbitration from every angle. One school of thought is that the railroads should have compulsory arbitration now since we cannot generally afford to decline the recommendations of an emergency board unless they are so palpably unjust that the public will rally to support the position of the railroads. The employees all too frequently reject such recommendations and rely on political pressure to

get more for them. Therefore, that school of thought argues, the law may as well be amended to make the reports binding on railroads and employees alike.

The other school of thought feels that compulsory arbitration is against our concepts of Americanism, that it is a long step toward a socialist state, and that the United States should not adopt a system of compulsion by law. They argue that we have lived through these situations for many years and that it is better to struggle with them than to adopt compulsory process.

There would not be nearly so much trouble if it were reasonably clear that political pressure would not result in the government seeking to obtain further concessions for the unions, that the government would back up reports of emergency boards except where they were so obviously unfair as to result in grave injustice. There has been far too much of an attitude of "Well, now we have the Report. Let's go to Washington and see what more we can get." The employees, and the public, too, have been led to believe that a strike ballot is merely a procedural step toward getting an emergency board or getting into the White House. They seldom, if ever, get a chance to vote on the question of acceptance of a board's report. Once they realized that a strike ballot really meant a strike, I think there would be fewer strike votes.

In 1943, when there was a threatened strike, the railroads and certain unions agreed to accept President Roosevelt as arbitrator. Other unions refused, but as soon as it became clear that they could not get more, an agreement was reached. About two years ago there was a strike on the Southern Pacific. No one interfered that time, and the strike was over in six hours and a settlement reached.

There is another possibility which might solve the problem, and that is to prohibit strikes to obtain concessions in favor of the unions which have not been recommended by an emergency board and prohibit lock-outs to obtain concessions to the railroads which have not been recommended by an emergency board. This does not go as far as compulsory arbitration. If the railroads should not comply with a board report, the employees would be free to strike, but it would prevent them from striking to get something not recommended by the board. They could try again and start a new case, but they could not strike. Before either side could resort to force or a trial of economic strength, they would have to establish before an impartial public board the justice of the concessions they were seeking.

JOSEPH L. MILLER

Consultant, Washington, D. C.

Dr. Taylor suggested that government seizure and operation of struck plants might be one of the answers to the problem of public emergency disputes. I agree. On the basis of our experience with seizures during the last war, however, I would urge two things:

1. That seizure never be made an integral or invariable part of the settlement pattern.

2. That government operation, after seizure, should not *penalize* either party to the dispute, but, on the other hand, might well be made as *unpleasant* as possible to both.

Seizure should be a tool at the disposal of the mediator—a tool to be used to gain time, but a tool to be used sparingly. (I speak, of course, about seizures to forestall strikes or bring strikes to a close. Wartime seizures to enforce government orders or to correct managerial deficiencies, such as inefficiency, are of an entirely different kind and call for entirely different treatment.) Too many times during the latter stages of the war, and immediately thereafter, seizure was the easy answer. Government officials found it the easy answer to the public cry to “do something” about a strike. Sometimes management and sometimes labor wanted seizures to “bail them out” when they had taken an untenable position. Sometimes management and sometimes labor thought they had something tangible to gain by seizure. President Truman wisely put an end to almost indiscriminate seizures when, in 1946, he steadfastly refused to take over General Motors in the face of a flood of political pressure. On the other hand, he did not hesitate to seize and operate the railroads twice after that time. *Indiscriminate seizure would be a long step toward socialization of industry.*

I spoke of management or labor urging seizure for tangible gain. During and after the war I saw instances of each. Needless to say, none of the government agencies in charge of a seizure was equipped to install either a complete new management or a complete new labor force in a seized plant. The usual procedure was to delegate to the regular management, with more or less government supervision, the authority of the government to operate the plant; and to call back the regular labor force. The more government supervision there was, the better labor liked it. The less there was, the better management liked it. Labor had a way of obtaining gains from the government supervisors that never could have been obtained from the regular management. On the other hand, management, when clothed with the author-

ity of government and with a labor force deprived of the right to strike, did not hesitate, sometimes, to take advantage of a very advantageous position. A plant manager wearing Admiral Nimitz' cocked hat or General Marshall's brass could get away with a great deal—and sometimes did! Likewise, a union official could—and sometimes did—talk pretty fast to an inexperienced young lieutenant (jg) who was supervising the labor relations in a seized plant.

As I said before, seizure fundamentally is—or should be—a time-gaining tool. Its purpose should be to give the mediator more time, while the public is protected against loss of production or service. Therefore, I suggest, from a practical viewpoint, the less both sides like a seizure, the better a seizure is; for if both sides don't like it, they will tend to settle their differences more quickly. Neither side should be penalized, but neither should like it. There are many ways of arriving at this end. Management, for instance, might well be required to bear the modest cost of a seizure. A seized plant is a government plant and should bear the physical manifestations of such. On the other side, a strict status quo ante bellum should be maintained as regards employees. No wage adjustments should be made; no benefits of any kind should be added; it should be emphasized continuously that any betterment must await the return to private ownership and management.

Chapter 5

DEVELOPMENTS IN SOCIAL SECURITY¹

¹ The chairman of this session was John J. Corson, *The Washington Post*.

CONCEPTS IN OLD-AGE AND SURVIVORS' INSURANCE

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WHEN THE COMMITTEE on Economic Security began its study of old-age insurance in September, 1934, there was little basis for the development of an American pattern in this area of social insurance. The two principal sources of ideas for an American scheme were foreign social insurance experience arising under conditions and customs quite distinct from our own, and industrial pension programs of widely varying types. Our first attempt at blending the elements of these two parent sources was not too successful. By 1939, sufficient time had elapsed to hammer out a more workable set of concepts. Now, ten years later, after continuing analysis by many persons both within and outside of government, a body of principles can be presented with some assurance that they are appropriate to American conditions and needs in constructing a system of old-age and survivors' insurance.

The concepts which follow are outlined in summary form. A thorough discussion of many would require pages of analysis and argument. Some are discussed at length in the recent report of the Advisory Council on Social Security to the Senate Finance Committee of which the writer was a member. Others must await the availability of time and space—even more than that absorbed by a Congressional advisory council—to receive adequate elucidation.

General

1. The function of social insurance is to provide, through government, a means whereby gainfully employed persons can join together to prevent dependency arising from contingencies beyond their control.
2. As a mechanism sanctioned by government and serving a social purpose, social insurance gives weight to the concept of imputed need in the determination of benefit eligibility and amount.
3. As a mechanism applying the principles of insurance, social insurance requires that the determination of the benefit rights of the individual be in some degree on the basis of direct or indirect con-

tribution to the financing of the system prior to the onset of the contingency.

4. Old-age insurance is intended to meet the contingency of the elimination or reduction of income through reduced employment related to superannuation. Since the incidence of superannuation is difficult to determine, an arbitrary attained age is established as the minimum at which superannuation is presumed to exist.

5. Survivors' insurance is intended to meet the contingency of the elimination of income, otherwise sustaining the members of the family unit, on the death of the customary supporting member of the unit. Since premature death automatically eliminates eligibility for old-age insurance benefits, and at the same time, may create an immediate or delayed contingency of dependency in the family unit, survivors' insurance is an appropriate adjunct to old-age insurance.

Benefits

1. Benefits payable under an old-age and survivors' insurance system may be determined as a flat amount or as an amount varying with the previous contributions or the average covered wages of the beneficiary. The variation of the benefit in some degree with contributions or average covered wages is a sound policy because:

(a) Benefits tend to bear a closer relationship to customary expenditures for living in the community in which the beneficiary is resident.

(b) There exists an element of reward to the worker of higher economic contribution by a higher level of protection for himself and his family, and this assures that the social insurance system will reflect and enhance the system of economic motivations inherent in an enterprise economy.

(c) Such differentials in benefits are a partial reflection of the natural assumptions of equity in the minds of the covered workers, especially when employee contributions are required.

(d) By adjustment of the graduation of differentials, the redistribution of funds in the system as collected, on the one hand, from employees, employers and the government, and as paid in benefits, on the other hand, to beneficiaries of varying previous incomes can be planned in accordance with sound social policy, without rigid application either of the principle of equality of need or of the principle of precise equity.

2. Since any system of old-age and survivors' insurance must be

initiated when many participants are in middle or later life, it is essential, in order to provide adequate benefits, to relate benefits more closely to *average* wages during the period of coverage than to *total* wages during that period against which contributions are made. The use of average wages as a basis for the computation of benefits allows more effective use of the method of graduated benefits.

3. While the limitation of the period for which wages are averaged as a basis for benefits might in some cases increase the correlation between benefits and customary living costs, it would increase markedly the actuarial risks of the system, especially in a period of major changes in wage and employment levels. A limitation to the closing years of coverage would, for most beneficiaries, increase benefits in a time of rising wages and full employment or, vice versa, reduce benefits in a time of falling wages and reduced employment. Such a limitation would involve less actuarial risk in a currently financed old-age insurance system than a limitation of the period (for which wages are averaged as a basis of benefits) to one including only the highest earning years. In general, the ratio of benefits to average life-span wages can be so adjusted as to provide satisfactory levels of benefits without the limitation of the period of the wage base.

4. Old-age and survivors' insurance has as its purpose the protection of the family unit. Benefit levels should therefore be related to the presence of a wife, children, or other dependent persons at the onset of the contingency. Since the covered wage earner is no longer available for normal employment, the supplementation of the basic benefit by allowances for family dependents does not involve the problem of assuring an incentive for the worker's return to normal employment, as in unemployment and temporary disability insurance.

5. It is sound social policy to assume that superannuation normally occurs at an earlier age in women than in men and that a wife is younger than her husband in the normal family unit. There should be no discrimination between married and unmarried women in the establishment of the minimum age for eligibility for superannuation benefits.

6. Although there may be times in the business cycle when the displacement of superannuated workers from the labor market might seem desirable, the essential purpose of social insurance is to afford security and not to regulate the supply of labor. Rather, in the face of the normal need for production to support the national economy and the normal need of the worker, when able, for the continuing satisfac-

tions of gainful employment, beneficiaries under old-age insurance should be encouraged to remain in the labor market when appropriate work is available. Since the contingency of dependency in the individual case is likely to be reduced by any earnings secured, the amount of the benefit, above a modest sum, should be reduced by an amount equivalent to the earnings received. The relatively small number of beneficiaries remaining in the labor market after attainment of age 70 suggests the elimination of any offset in benefits due to earnings for persons of this age or older.

7. The minimum benefit under old-age and survivors' insurance should be determined as the least amount payable with some justification because of prior contribution, and with some expectation of enhancing, without disproportionate administrative cost, the security of the beneficiary. It is not necessary for the minimum benefit under the insurance system to be sufficient to provide a minimum living standard, since supplementation should be available under appropriate forms of public assistance.

8. The maximum benefit under old-age and survivors' insurance should be determined as the amount beyond which protection should be secured through individual, voluntary action without resort to the government's powers and facilities for the redistribution of income for a socially determined purpose. It is appropriate, however, that the maximum level of benefits should be sufficient in most cases to warrant the maximum level of contributions paid by the covered worker alone, since the necessary subsidization of benefits to workers of lower wages or shorter service should be derived from employer or government contributions.

9. Between the minimum and maximum benefit levels provided by the system, the amounts of benefits should be graduated in a smooth progression with a declining rate of increase as related to average covered wages, in order to give greater weight to the factor of imputed need at the lower levels than at the higher levels in the scale.

10. The benefit scale under contributory old-age and survivors' insurance should be so constructed that a covered worker who is normally self-sufficient will be assured protection for himself and his family well above the level of customary assistance grants.

11. For greatest effectiveness, an old-age and survivors' insurance system should on its inauguration provide protection to workers following the shortest period of participation in covered employment sufficient to evidence a normal status of gainful worker. While con-

siderations of equity might argue for a longer period of contribution, the social advantages of early provision of protection by social insurance, rather than by public assistance, warrants assumption of the costs of early benefits of normal relationship to customary earnings. For the same reason, the payment of the full scale of benefits in the individual case should not be delayed by the requirement of a protracted period of coverage under the system.

Coverage and Contributions

1. A system of old-age and survivors' insurance should be extended to all gainfully occupied workers receiving a measurable compensation for personal services, whether such compensation is in the form of wages, gross rents, gross interest, or gross profits. The contingency of dependent old age is not confined to workers normally employed by another, nor does the administrative test of its occurrence necessarily involve an unsatisfied quest for employment by another. In the absence of administrative obstacles, a common base of protection through social insurance for all gainfully occupied citizens is in the public interest. Partial coverage not only leads to inequities in benefit payments relative to contributions but reduces mobility between covered and uncovered occupations.

2. Contributions to old-age and survivors' insurance should be made in equal amounts by the employer and employee as a determined proportion of wages or other earnings for personal services rendered. The level of contributions should be determined by the financial requirements of the insurance system, but should be in sufficient amount at all times to indicate clearly to covered workers a reasonable degree of participation in meeting the costs of the protection afforded. The equality of contributions as between employers and employees is justified by the common interest of both parties in the employment contract, in sound protection at time of superannuation, and by long acceptance of joint responsibility for financing such protection. Further, joint responsibility in the financing of social insurance is proper and desirable in strengthening the fabric of a democratic society.

3. In the case of self-employed workers, a reasonable approximation of net compensation for personal services should be sufficient for determination of contributions to the system, since the balance of interest on the part of the insured worker in the levels of contribution and benefit is such as to discourage, in most cases, excessive departure from a justifiable level of protection. A further safeguard against

inequitable treatment in the setting of a contribution rate for the self-employed worker is the establishment of the rate as three-fourths of the total joint contribution paid in the case of an employed worker.

Finance

1. The costs of an old-age and survivors' insurance system should be met by the joint contributions of the covered workers and their employers (if employed), supplemented by appropriations by the government. The funds collected should be conserved in trust, to be used solely for the operation of the system.

2. At the time an old-age and survivors' insurance system has attained maturity (i.e. a balance of covered workers and beneficiaries of all ages, eligible to normal benefits), it is sound policy to finance the system by approximately equal contributions by workers, employers, and the government. The contribution of the government is justified by the social advantage of general contributory protection against dependency, as well as the savings to the government through the maintenance of such protection as contrasted to public assistance alone. Further, it is proper that the relatively liberal benefits afforded to workers of lower wages under a graduated scale of benefits, or to those of shorter coverage in the early years of a system, be financed in part by funds appropriated from general taxes rather than by further increments in the rates of contribution. Higher paid workers, covered throughout their working lives, should not be required to contribute more than the actuarial cost of the benefits to which they are eligible.

3. It is appropriate to delay contribution by the government to the old-age and survivors' insurance system until the rates of contribution of employers and employees have risen to levels reasonably compatible with the protection currently afforded beneficiaries. Earlier government contribution may well operate to produce a contingency reserve of excessive size.

4. A proper goal in planning the financing of old-age and survivors' insurance is to balance the volume of contributions and benefits from year to year except for the accumulation of a contingency reserve. The reserve should serve the purpose of compensating for alterations in the volume of contributions and benefits at successive stages of the business cycle, as well as minor errors in the actuarial estimation of costs.

5. The size of the contingency reserve should be determined by con-

siderations of sound operation of the social insurance system without frequent resort to legislative revision of contribution rates and benefit scales, and without avoidable interference with the fiscal program of the government.

6. The investment of the contingency reserve should be in the securities of the government, not only for maximum safety, but to permit its use in the basic pool of credit supporting and supported by the national income of the country.

SOCIAL SECURITY DEVELOPMENTS IN CANADA

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THE PURPOSE of this paper is to report briefly on current developments on social security in Canada, to bring out trends and issues, and to outline a few special characteristics of the Canadian movement which may be worthy of note by students of the subject in the United States. It is necessary first to sketch the factual background.

The Background

Canada now has a pattern of public social services which is quite extensive, but the system is incomplete and in many respects illogical and underdeveloped. It is the product of gradual development over the last 30 or 40 years, since a young country first came to realize the need for special measures to cope with emerging social problems. It is not a "planned" system, for it never has had such wholesale overhauling and expansion as occurred in the United States or New Zealand with their Social Security acts, in Great Britain with the great reforms of the last two years, or in Australia with recent dramatic changes. The situation is now ripe for such a revolution in the Canadian social services. Public opinion favors it, all political parties support it at least in principle, and the practical problem of how to do the job is probably close at hand.

Responsibility for the administration and finance of the present system is divided between the three levels of government, Dominion, provincial, and local. Progressively responsibility for the social services has been shoved upwards from the local municipalities, some 4,000 in number, to the nine provinces, and still further to the national government. This has occurred in spite of the fact that the Canadian constitution, as expressed in the British North America Act of 1867, in other documents, and in the traditions of government, clearly assigns jurisdiction over social welfare mainly to the provinces and their legislative creatures, the municipalities. In all provinces except Quebec and Prince Edward Island, there have been for many years statutory provisions of a poor-law nature which place upon the local

governments some degree of responsibility for relief of destitute persons. In practice these provisions meant very little until the 1930's. Then, with mass unemployment, the local governments were besieged with requests for relief. They turned to the provinces for financial assistance and the provinces turned to the federal government. The result was a great emergency system of unemployment relief, administered mainly by the municipalities along poor-law lines, but financed largely by the Dominion and the provinces through grants-in-aid. Dominion grants ceased in 1941 but three provinces, British Columbia, Saskatchewan, and Ontario, have continued to assist their municipalities, and provisions for local relief (at least of unemployable persons and their dependents) are now common (although spotty) in most provinces.

Most of the other elements of the Canadian system grew up after World War I, with a number of important additions during the 1930's and the recent years of war and reconstruction. These other elements may be summarized as follows:

1. *Medical Care for Needy Persons.* This is generally associated with local relief. In three provinces, British Columbia, Saskatchewan, and Ontario, local relief recipients, as well as recipients of old-age pensions and mothers' allowances, are given medical care by doctors of their own choice with the costs being divided between the provincial and local governments. The costs of hospitalization for needy persons are commonly shared between the provinces and municipalities.

2. *Categorical Schemes of Public Assistance.* Beginning with Manitoba in 1916, all the provinces except Prince Edward Island have established mothers' allowances to provide cash grants on a needs basis for mothers and children lacking the support of a male bread-winner. These schemes are administered and financed by the provincial governments except in the case of Alberta, whose municipalities meet part of the cost. Old-age pensions for needy persons over 70 years of age and blind pensions for sightless persons over 21 years of age are payable at a maximum rate of \$30 in all provinces, under a joint Dominion-provincial scheme dating from 1927 whereby the Dominion meets 75 per cent of the costs and the provinces the remainder. Most of the provincial governments supplement the federally authorized grants by varying amounts ranging up to \$10 per month.

3. *Public Health.* The usual functions of preventive medicine are generally carried on by local health agencies under the supervision of provincial departments, frequently with the assistance of grants. Many

of the local agencies are now organized as county or district health units embracing a number of municipalities. Tuberculosis control, venereal disease control, cancer control, and other specialized functions are commonly administered and financed by the provincial health departments. In 1948 a new system of health grants to the provinces (and through them to the local units) involving commitments at the rate of \$30 million a year for five years was inaugurated by the Dominion. These grants are designed to support provincial and local programs dealing with general public health, tuberculosis, venereal disease, mental hygiene, crippled children, cancer control, professional training, and hospital construction, and promise to give a tremendous stimulus to the health services throughout the country.

4. *Public Medical Care.* The movement for "health insurance," or more properly public medical care, has been held back like other aspects of social security by acute controversy between the Dominion and the provinces regarding their respective jurisdictions and financial responsibilities. However, several provinces have passed legislation on the subject and in two of them, Saskatchewan and British Columbia, hospital insurance covering the whole population is now in effect. The new Dominion grants of 1948 provide for provincial surveys as a basis for health insurance planning.

5. *Workmen's Compensation.* All the provinces except Prince Edward Island have workmen's compensation systems covering the bulk of wage earners. These schemes, which are generally modelled on the excellent Ontario act of 1915, are of the pooled-fund type and are supported entirely (with one exception) by levies on employers varied in accordance with accident experience.

6. *Unemployment Insurance.* Since 1941 there has been a national system of unemployment insurance supported by contributions from employers, wage earners, and the Dominion government. Benefits are graded in accordance with the wage class to which the employee belongs and are payable for a maximum period of one year up to the amount of \$18.30 per week. The system is administered, along with a national network of employment offices which was taken over from the provinces in 1941, by an independent federal agency, the Unemployment Insurance Commission.

7. *Family Allowances.* In 1944, the Dominion government introduced a scheme of cash allowances to families of virtually all children under 16 years of age who attend school. The rates range from \$5 per month for those under six years of age to \$8 for those aged 13 to 15,

and the full costs, amounting to about \$270 million annually at present, are met by the Dominion government from tax funds. The program is administered by the federal Department of National Health and Welfare, established in 1944, and is very simple since there is no means or income test involved in establishing eligibility.

8. *Veterans' Services.* There is a most extensive system of veterans' services administered and financed by the Dominion through the Department of Veterans' Affairs. This includes war pensions, a wide range of rehabilitation benefits (including generous educational allowances), medical care for disabilities associated with war service, and war veterans' allowances on a means-test basis for certain categories of needy veterans. In effect, this is a very broad health and welfare program for the benefit of veterans of two wars, approximately 1,500,000 in number.

9. *Related Services.* The provincial governments generally operate mental hospitals and certain other institutions. They share the responsibility of administration and finance with the local governments for child welfare service. Public recreation is operated on the local level, commonly with provincial grants and, indeed, with some Dominion support under the National Physical Fitness Act of 1943. War and post-war emergency schemes of low-cost housing are in effect, to a limited extent, under the auspices of the Dominion government and of some of the larger cities. Private social services staffed by trained social workers, similar to those of American cities, are fairly well developed in the larger communities.

This brief review of the Canadian system of social security will have shown that it has some very serious gaps and inadequacies. Three major gaps are:

- (a) a social insurance system to provide cash benefits for the aged, for wage earners absent from work on account of illness, for the chronically handicapped or disabled, and for the widows and children of deceased family heads;
- (b) a system of public medical care covering the whole population;
- and
- (c) an adequate program of general assistance for the economic support of those who fall through the social insurance net.

Not until Canada adds such measures will the country have a social security system which is reasonably complete and which complies with good modern standards. For some years (indeed, since the middle of the 1930's) it has been broadly recognized in Canada that the social

security structure must be very much rebuilt and strengthened. The major obstacle standing in the way has been the Canadian constitution, which gives primary jurisdiction over the social services to the provincial governments. The Dominion government has made it clear on various occasions that it would willingly assume broader jurisdiction over social security. But the provinces, or at least some of them, have been unwilling to accept the related proposals for redistribution of functions and tax fields which have emanated from Ottawa, and progress in social security has been seriously held up by a constitutional and political controversy which goes far beyond this particular subject.

The issue lay dormant during the war years, when the nation's resources were concentrated on the military struggle and when interest in social security naturally lagged. On completion of the war in 1945 the Dominion brought up new proposals for resolution of the Dominion-provincial conflict. These called for agreement along three major lines: redistribution of taxation, public investment, and social security. The Dominion proposed that the provinces should withdraw from the lucrative fields of the income, corporation, and succession taxes, to be reimbursed by means of federal subsidies on a per-capita-of-population basis. In addition, the Dominion offered to subsidize provincial public investment projects of an anti-depression nature, and to contribute generously towards the financing of social security measures. The social security plan provided for universal pensions without means test at the rate of \$30 per month for all persons over 70 years of age to be paid by the Dominion from tax funds, along with a means-test scheme for those aged 65 to 69 to be financed jointly by the Dominion and the provinces and to be administered by the latter. A second major item was a national health scheme including federal grants towards public health and hospital construction and a general system of medical care for the whole population in the form of a series of provincial schemes, with about 60 per cent of total costs being contributed by the Dominion. The third major item was to be a system of unemployment assistance for the benefit of employable persons ineligible for unemployment insurance benefits, this system to be financed entirely by the Dominion and to be administered by the National Employment Service.

Conferences between the Dominion and the provinces in 1945 and 1946 broke up in disagreement without the social security part of the program receiving more than perfunctory consideration. There fol-

lowed tax agreements which were negotiated individually with all the provinces except Ontario and Quebec. These seven provinces agreed to retire from the income, corporation, and succession tax fields in return for federal subsidies. The Dominion has made no further move on social security policy except to authorize in May of 1948 health grants of \$30 million per year on substantially the same lines as proposed in 1945. Thus in the post-war period, as in the 1930's, progress on social security has been gravely held back by the constitutional issue.

Trends and Characteristics

From this factual background we may turn now to note certain trends and distinctive characteristics of the social security movement in Canada. Six main points deserve attention.

1. The upward thrust of responsibility for the social services from the local, through the provincial, to the national level of government is the first point to mention. Total expenditures on public health, welfare, and social insurance programs (including federal health and welfare services for veterans) were approximately as follows in 1947:

<i>Source</i>	<i>\$ Millions</i>	<i>Per Cent</i>
Dominion *	525	76
Provincial	115	15
Municipal	51	9
Total	691	100
Unemployment Insurance (employers' and workers' contributions) *	62	
Workmen's Compensation (employers' contributions) *	49	
Grand Total	802	

* Contributions, including those of the Dominion government for unemployment insurance, have been used here rather than actual expenditures for benefits and administration, which were substantially lower.

In spite of the traditions of local responsibility and the constitutional allocation of social welfare to the provinces, the Dominion has come to assume much the largest share of financial responsibility, notably on account of the great new post-war programs of veterans' services and family allowances. The local governments now meet a surprisingly small share of the total costs.

2. Four major programs, Unemployment Insurance, the Employment Service, Family Allowances, and Veterans' services, constitute

the backbone of the federally-operated part of the system. A constitutional amendment of the British North America Act was obtained in 1940 to permit Dominion legislation on unemployment insurance. Thus Canada has avoided the problems of federal-state collaboration in connection with unemployment insurance and employment service which have been prominent in the United States. As for the system of Family Allowances, it has been called by some Canadians the "keystone of social security." Although the present grants are not large enough to permit the abolition of dependent's benefits in connection with unemployment insurance and other schemes, it is quite possible that in the future the amounts may be increased so as to make unnecessary the complexities of dependent's benefits in social insurance. Family allowances already afford an economic underpinning of family standards of living throughout Canada which is very important for the lower-income groups.

3. Employers and workers at present contribute a much smaller share of total social security costs than in the United States, Great Britain, or other countries. The figures for 1947 which were given above show that their total contributions (towards unemployment insurance and workmen's compensation) were only \$111 million out of a total expenditure through public agencies of about \$802 million. The limited development of social insurance to date is, of course, the major explanation of this phenomenon. But a pattern has been established which, for reasons which will appear later, may be largely perpetuated.

4. There is a definite commitment, both in theory and in practice, to the development of public medical care on a province-by-province basis. The first approaches have been through the systems of compulsory hospital insurance now in effect in Saskatchewan and British Columbia. Saskatchewan has actually moved forward beyond this to provide for complete medical care in one district and for the spread of the scheme to other districts as the residents are prepared to meet the costs.

5. There is close association of health and welfare in planning and in administration at the national level and in five of the nine provinces through combined departments of health and welfare—by contrast with the United States where health and welfare functions are usually administered by separate agencies.

6. To a much greater extent than in the United States or Great Britain, there are public subsidies to private agencies. This is particu-

larly true in Quebec, where general hospitals, mental hospitals, orphanages, institutions for the aged, reform schools, and other agencies are operated by Catholic religious orders and are heavily subsidized by grants from the provincial and municipal governments. The children's aid societies of Ontario and other provinces are also supported mainly by public funds, although they are directed by private boards.

If to these outstanding characteristics of the present system we add some important items of recent Canadian thinking, we shall see that the form of social security which is emerging in Canada is likely to be quite different in major respects from patterns which have developed in the United States, in Great Britain, or in most other countries. Distinctive Canadian ideas on policy have been expressed in a series of official reports, notably those prepared for the Dominion government by Dr. L. C. Marsh and Dr. J. J. Heagerty in 1943 and the Dominion Proposals of 1945, in reports of the Canadian Welfare Council and other non-official bodies, and in books and papers by various individuals.

1. There is broad agreement that additional measures of social insurance should be organized and administered by the national government, like unemployment insurance—except in the case of public medical care which should be operated by the provincial governments. However, the plans of medical care proposed in the Heagerty Report of 1943 and in the Dominion Proposals of 1945 contemplated Dominion collection of contributions from insured persons, with these funds to be distributed to the provincial administrative agencies along with generous grants from federal tax sources.

2. There has been much stress on universal coverage as a social security objective. The Family Allowances program covers the whole population irrespective of occupation or income status of family heads. The Marsh Report of 1943 proposed "universal pensions" for workers, farmers, and the self-employed and their families. The Canadian Welfare Council in its important statement of March, 1946, entitled "Dominion-Provincial Relations and Social Security," also favors social insurance coverage of the whole population. The health plans of several provincial governments point in the same direction. Canada's rural population is relatively large and is very important politically, and it is generally accepted that social security measures should protect farmers and their families as well as the wage-earning groups of the cities.

3. The stress on universal coverage has naturally led to a disposition

to propose methods of raising social insurance funds by other means than the traditional employer-employee contributions, although, of course, these are not ruled out in cases where they are particularly appropriate, such as unemployment insurance. Considerable support has been given to the idea that the government should meet all social security costs through tax funds or, alternatively, by a special income-tax levy earmarked for social security. This was definitely contemplated by the Dominion government in its proposals of 1945. Considerable thought has also been given at Ottawa to the raising of funds by means of special social security contributions to be graduated in accordance with incomes and to be collected through the national income-tax machinery, although they would be separate and distinct from income tax. In Saskatchewan and British Columbia special hospital insurance premiums have been levied against all self-supporting single adults and family heads, with a flat rate for single persons and larger amounts, up to a uniform maximum, for families of various sizes. The poll-tax approach to individual contributions for public medical care was proposed by the Heagerty Committee in 1943. The net effect of these efforts to plan for appropriate contributions from the farmers and the self-employed as well as from wage earners may well be to lessen the demands to be made upon employers. Thus, except for unemployment insurance, temporary disability benefits, and workmen's compensation, which are applicable only to wage earners, it is quite possible that a two-way pattern of contributions from insured persons and from government may emerge.

4. Flat-rate benefits for the prospective new social insurance schemes have generally been favored in the authoritative statements which have been made thus far, with individual contributions to be graded in accordance with incomes. Benefits adjusted to the beneficiary's background of wage experience are now payable under unemployment insurance and workmen's compensation. But there is a considerable disposition on the part of the few government officials and others who have given much attention to these matters to propose flat-rate benefits (with suitable additions, of course, for dependents) in the case of superannuation, survivors, and permanent disability schemes. The argument supporting such a policy is essentially the same as that of Sir William Beveridge, that social security should guarantee only a minimum scale of living for insured persons.

5. There has been considerable commitment to the idea of unemployment assistance nationally administered and financed to meet the

needs of destitute employable persons who have exhausted their rights to unemployment insurance or who are ineligible for other reasons. Such a plan has been proposed in a series of Dominion reports, most recently in the proposals of 1945. The idea was picked up during the 1930's from the British unemployment assistance system, when it seemed to be a good model to follow because it would take off the shoulders of the provinces the heavy burden of relief for the unemployed which was then an issue. However, the plan has been much criticized by the Canadian Welfare Council and other groups outside of government and it is doubtful whether it now has sufficient support inside Dominion government circles to be adopted. The obvious alternative, as proposed by the Canadian Welfare Council, is a system of federal grants-in-aid to the provinces to assist them and the local governments with their general assistance programs—which would be necessary for unemployables, even if the proposed federal plan for employables were adopted.

6. There has been great hesitancy at Ottawa about the use of grants-in-aid to the provinces on an extensive scale. Depression experience with unemployment relief grants, which amounted to \$400 million over a ten-year period, was very unsatisfactory. Some of the provinces resisted mild federal efforts to impose standards and supervise relief administration, and the Dominion authorities were far from satisfied with the results obtained from the grants. The Royal Commission on Provincial-Dominion Relations (the Rowell-Sirois Commission), which examined the whole system of Canadian federalism from 1937 to 1939, concluded that grants-in-aid would not work well in the Canadian federation, whatever had been the experience in the United States and other countries. A major reason for their conclusion was that the two large provinces of Ontario and Quebec were so powerful politically vis-a-vis the Dominion government that the Dominion could not successfully impose standards of administration for the grant-aided services and supervise expenditure effectively. The Dominion government has by no means accepted this view completely for it has put forward various plans (as in the Heagerty Report of 1943 and in its proposals of 1945) which involved grants-in-aid on a large scale; and in May of this year it authorized the health grants which have been mentioned above. But the Rowell-Sirois thinking about grants is still influential in Ottawa and there is a marked federal disposition to use grants sparingly and to be very cautious about setting and enforcing standards for grant-aided services.

Outstanding Issues

It is clear that Canada has many difficult problems to face as the nation proceeds further to develop a social security program. The preceding discussion will have suggested a number of these. Some of the main issues may be summarized as follows:

1. The central problem is obviously how to build an adequate social security system within the Canadian scheme of federalism. As we have seen, there is a big gap in Canada's provisions for social insurance. But contributory social insurance measures lie outside the legislative jurisdiction of the Dominion government; while it is neither administratively proper nor financially easy for the various provinces to legislate on this subject. How can the dilemma be overcome?

The Dominion plan of 1945 endeavored to avoid the constitutional issue by proposing universal pensions for the aged to be financed entirely by the federal government out of tax funds including, perhaps, the revenue from an earmarked income tax item. This plan has been very much criticized for a variety of reasons. But perhaps some other devices which are more satisfactory can be worked out which will not be in conflict with the constitution.

Still another approach would be amendment of the British North America Act, as was done in 1940 to authorize the federal scheme of unemployment insurance. This approach has been recommended by the Canadian Welfare Council and other groups. All that is needed technically is for the Dominion government to ask the British House of Commons to change the British North America Act, which is an Act of the Imperial Parliament. Such a request would be accepted as a matter of routine. But it is dangerous politically for any Dominion administration to propose such a change without the concurrence of the provincial governments, or at least a majority of them, including those of the two powerful provinces of Ontario and Quebec. In view of the recent background of acute controversy regarding Dominion-provincial relations, it is a matter of considerable uncertainty whether the approval of these two provinces could be obtained—although the writer believes that there is a good chance of this.

The third possible approach would be for the Dominion to adopt social insurance legislation which would become effective only in those provinces which passed enabling acts. This device has been seriously discussed during the last several years of impasse on social security policy. If it should be adopted, it would no doubt take some time

for all the provinces to agree to comply with the terms of federal legislation.

The situation is not really as difficult as the preceding argument would suggest. There is certainly great disposition in all parts of Canada to move forward on social security and a lot of impatience with the constitutional obstacle. A Dominion government which felt politically secure enough to tackle the problem vigorously should be able, in the writer's opinion, to overcome the constitutional obstacle by one or another of the devices which have been mentioned.

2. There are many political, financial, and technical problems of social insurance, medical care, and public assistance which have to be faced. It is not necessary to list these in detail for most of them are common to social security planning in all countries. There are the usual issues of scale of benefits, amounts and distribution of contributions, conditions of eligibility, regional variations, effects on public finance, and possible economic repercussions. In addition, the peculiarities of the Canadian scene and the breadth of Canadian objectives as they have emerged in recent thinking suggest that Canada may have to enter almost uncharted territory at various points. For example, if the contribution system is to be related closely to the income tax, difficult technical issues will arise which the experience of other countries will not help to illumine very much.

3. There is a major conflict between the proponents of a national system of unemployment assistance and of federal grants towards public and local assistance. This is, perhaps, the chief point on which there has been a sharp difference in thinking among technically informed people.

4. The building of a system of public medical care is beset with difficulties. There appears to be less apprehension about health insurance on the part of the medical profession than in the United States, but there is still a great deal. The Canadian Medical Association and various provincial bodies have said that they support health insurance "in principle." But they are most insistent upon a high degree of medical control in administration, and it probably will be difficult to reconcile their interests and those of the general public. As we have seen, public medical care is emerging on a province-by-province basis, and a good many errors are likely to be made as one province after another struggles with the problem.

5. There are difficult issues of administration in prospect which thus far have received quite inadequate attention. Administrative re-

organization at all levels of government will be needed. How well the common pattern of combined Health and Welfare departments at national and provincial levels will stand up is one of the interesting questions. On the local level a great deal has already been done to improve organization by the formation of county or district health units. Similar units for welfare administration are urgently needed if public assistance, child welfare, vocational rehabilitation, and other essential services are to be brought properly to people living in small towns and rural districts.

Administration of grants-in-aid by the Dominion government and by the provinces is full of potential difficulties and it will call for a great deal more skill than has been shown as yet. Grants are essential in Canada as a major instrument of social security. But the Dominion government does not have the experience in the delicate business of administering grants to the provinces which would enable it to use this great instrument with optimum effect. Unusually skillful administration of Dominion grants is desirable in Canada because of the characteristics of the Canadian federal system which have already been mentioned.

There is an acute shortage of personnel with adequate experience and training for the operation of large scale social security measures. However, the situation in this respect is much better now than it was before the war. The seven Canadian Schools of Social Work have been greatly strengthened (with the assistance of special grants from the Dominion government) and they are turning to the preparation of personnel for social security administration. What they and other university departments do will no doubt be too little and too late, if vigorous advances in social security are made during the next two or three years. But there is a good deal of potential leadership among their recent graduates and there is at least a small corps of able and moderately experienced older personnel to carry the responsibilities of upper administration.

Conclusion

Finally, it should be said that there are strong forces at work in Canada for completion of the unfinished job of social security. A mild depression bringing to an end the lengthy post-war boom would probably release these forces so much as to force action by any political party in national office. The system of social security which is emerging in Canada is similar in certain respects to that of the United States.

Clearly there must be, as in the United States, a pattern of Dominion-provincial-local collaboration with grants-in-aid being channeled down from the central government to the lower levels. But there are also very significant differences. Canadian thinking and planning has also been influenced by European, British, and Australasian experience. There is a disposition to borrow from various "models from abroad" in the hope, among other things, that some of the problems which have arisen in the United States (such as those of the complex old-age and survivors' insurance system and the federal-state unemployment insurance scheme) may be avoided. There is also a vigorous disposition to independent thinking on social security, with a view to the development in Canada of measures which are appropriate to the special circumstances of the country. If these tendencies work themselves out, it may well be that we shall have in Canada during the next decade or so certain social security measures which differ materially from those of our great neighbor, the United States, and which will be worthy of observation and comparative study by our friends to the South.

DISCUSSION ¹

WILBUR J. COHEN

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The paper presented by Mr. Cassidy on Canadian experience indicates that there are some areas in which we can learn from Canada and some areas in which Canada has learned from us.

Two points stand out particularly. First, Canada has a uniform national system of unemployment insurance, financed on a tripartite basis from employer, employee, and the government, with basic benefits increased by the number of an unemployed person's dependents, without any complex system of "experience rating" or any restrictive or anti-social disqualification provisions. The Canadian system has thereby avoided the inequities and complexities of the United States federal-state system of unemployment insurance.

The second point worthy of note is that the Canadian Medical Association has endorsed the principle of compulsory contributions for health insurance. In appraising the various arguments made against compulsory health insurance, it is significant that the Canadian Medical Association, unlike its counterpart in the United States, believes that a system of health insurance on a nation-wide basis can be framed to the mutual advantage of the doctor, the patient and the Nation.

Professor Brown's excellent paper is a summary of the basic principles developed in this country after nearly 15 years of experience. While there are some individuals and a few organizations who would dissent from endorsing some of the principles, the amazing fact is the extent to which the principles now are supported by large and important groups representing labor, management, and the public.

The big difficulty comes in converting the general principles into specific statutory provisions. In the field of extension of coverage, practically every one of the groups desiring coverage wishes some special consideration. Some state and local governmental employees want assurance that the social security system will not be extended to those groups which have their own existing plans. Some religious groups want coverage but only on a voluntary basis. These problems

¹ No manuscript was received from Harry Becker, Director, Social Security Department, U.A.W.—C.I.O.

are complex and controversial and have resulted in delay in enacting into law a sound and generally agreed upon principle.

In the field of benefits, there are many differences of opinion among those subscribing to the same broad set of basic principles. Should the minimum in a system of contributory social insurance with limited coverage be \$10 a month, \$25, or \$75? Should the maximum be \$85, \$120, \$150, or \$200? Should the retirement test be earnings of \$15 a month, \$40 or \$75? These and numerous other similar questions are ones in which there are reasonable grounds for differences even as among friends.

The extent to which there is agreement as to the basic principles in old-age and survivors' insurance stands out in sharp contrast with the lack of general agreement in the other fields of social insurance. While labor and management, for instance, are very close together in their basic views on old-age and survivors' insurance, there is no such basic agreement in the fields of disability, unemployment, and health insurance. The lack of any such agreement has been a large factor in the failure to obtain governmental action in these fields. Here is an area in which the Industrial Relations Research Association can make a great contribution.

In my opinion, the failure to arrive at an agreement in these areas with respect to governmental programs has resulted, in large part, in the demand by unions for the benefits through collective bargaining. While I favor the establishment of voluntary plans such as those arrived at by collective bargaining or through consumer or similar auspices, such plans should be supplementary to a basic national plan and not a substitute for it. By failing to agree on provisions for a governmental program, management probably will have to bear the initial cost in any case in the basic national industries where union health and welfare plans will be set up under collective bargaining. The other non-unionized industries and trades will be left free from such costs and, even more important, employees and their families in those cases will be left unprotected against the major economic hazards.

In my opinion, this would be short-sighted for all of us. If we are to remove the scourge of insecurity, we must establish a comprehensive system of social insurance, covering all persons who work for a living against all the major risks with no gaps or overlaps and with maximum protection at the minimum cost. The Federal Government and the major labor organizations have proposed such programs.

Management has generally opposed these proposals or has kept silent on some of them.

Perhaps it is too late already to remedy this defect. I think not. Some progressive-minded employers have endorsed the principle of a nation-wide system of prepaid medical care. A number of employers were members of the 1948 Senate Advisory Council on Social Security which recommended basic changes in our present unemployment insurance legislation and the establishment of a federal system of insurance covering the risk of permanent total disability. More frequent discussion of all of our social insurance problems under such favorable auspices might result in more general agreement and more effective action to bolster our social security system.

In revising, extending, and improving our social insurance system, I should like to stress two points which seem important to me. The system must be constructed in such a way so as to (1) not have anti-social results, and (2) provide contributions and benefits which will be applied similarly to persons in similar circumstances throughout the Nation, but with decentralized administration.

I can best illustrate what I mean by reference to our present 51 different systems of unemployment insurance. The disqualifications in many of our present state laws are definitely anti-social and in conflict with what management, labor and the government publicly proclaim as the very basis of our free enterprise system. In many states individuals who exercise their freedom to take better-paying jobs, or jobs utilizing a higher skill, are discriminated against by being denied benefits in case they lose their new jobs. In many cases women are denied their unemployment benefits when they become unemployed and are actually looking for work—for example, when a woman's unemployment is due to the fact she left her job because of the sickness of her husband or child, or because she moved to a different city with her husband. During the past few years there have been a great many cases in which the various provisions in the state unemployment insurance laws relating to "suitable work," "voluntary leaving," "availability for work," and "good cause" in connection with refusal of "suitable work" have been so interpreted as to result in absurd and anti-social results. In some cases benefit rights are not merely temporarily postponed but are cancelled.

There is no doubt that a basic overhauling of unemployment insurance is in order if we are to make our unemployment insurance system not only a real first line of defense against unemployment but also a

social measure designed to reaffirm those forces in our economic and social life which strengthen family ties, encourage mobility of labor, and do not penalize an individual who takes a chance on trying to better himself and thereby, in the long run, make a greater contribution to society as a whole.

In my opinion, unemployment insurance is a form of "social" insurance which must be related to other proposals for a comprehensive social insurance program. There has been a tendency in this country to isolate unemployment insurance from the main stream of thinking on social insurance. A virtual quarantine has been placed around unemployment insurance in order to prevent it from taking on the basic elements of the "social" part of social insurance and from effectively revising it to truly carry out the "insurance" aspects of social insurance.

In this country, as in all countries that have adopted social security measures over a period of time, development of an adequate, comprehensive system is an evolutionary process. The Social Security Act, building upon and extending earlier legislative provisions enacted at different times and dealing with different groups of the population, represented the first concerted attack on problems recognized as transcending individual or community efforts at solution. Our present system is still incomplete in the coverage of both risks and persons, and the extent of protection for persons insured against similar economic risks varies greatly.

Our present programs of social insurance should be broadened into a comprehensive system that will underwrite the basic minimum security and well-being of the people of the nation. The objective of such a program is twofold. It should enable the great majority of all individuals and families to maintain their independence when they meet with the common economic hazards against which they have little or no individual defense. It should also assure that the services necessary for the health and welfare of the people of our country are available for their use.

In our contributory social insurance program we have a tested and successful system that can be used to compensate all the major risks of wage loss—sickness and extended disability, unemployment, old age, and death, as well as the costs of medical care. A comprehensive social insurance system would afford protection to all to whom these risks apply. It would have the simplicity and economy attainable through the use of a single set of records, a single contribution, and a

single set of local offices to administer all types of cash benefits. This basic program, covering all major risks to economic independence and all workers and their dependents threatened by such risks, would include insurance against wage loss in periods of disability and against costs of medical care, for which no general provision now exists in the United States, as well as old-age and survivors' insurance and unemployment insurance. Cash benefits would be related to past earnings and additional benefits provided for dependents. The program would be designed to eliminate existing gaps in the coverage of both persons and risks, to remove present inequities in the protection of workers and their families and in the financial burdens of employers, and to provide a consistent relationship, not only among the insurance provisions for the various risks covered but also between the provisions of the basic system and those of supplementary special systems now in effect for particular groups. As compared with separate programs to meet particular risks, such a system would reduce administrative costs and reporting burdens and simplify arrangements as they affect workers, employers, and public agencies.

Some will say that the costs of providing such a comprehensive system of security will be too much for our economy to bear. I believe that a sound system of social security can be devised which will be within our ability to pay. It should be borne in mind that the costs of insecurity are now being borne by all of us in a somewhat haphazard manner. A sound social security program makes these costs more bearable by distributing them more systematically and equitably.

Evidence throughout the world indicates that there is a movement toward simplifying and unifying the various social security programs and at the same time making them more comprehensive. In this country Congress has recognized the value of a coordinated national social insurance program by placing all responsibility for the railroad social security program under the Railroad Retirement Board. Through this single agency there is administered the program for old-age, survivors', permanent disability, temporary disability, maternity and unemployment insurance benefits, and an employment service.

Whatever method is adopted for achieving a comprehensive social security system, there should continue to be close interrelationships among all of the social security programs. In the formulation of legislative policy, the interpretation of statutory language, and the

administration of the law, there is need for common thinking and the synthesis of ideas and experience.

Coverage of old-age and survivors' insurance, unemployment insurance, and temporary disability insurance are largely the same and should move in the direction of uniformity of coverage. As programs for permanent disability insurance and health insurance are added to the social security program, the same wage records, and central, area, and local office staffs, can be utilized, thus assuring simplicity and economy in the administration of all programs. Close administrative relationships also exist among the social insurance programs in the exchange of information on new employers, in the preparation of benchmark data for estimates in employment and wages, and in the use of old-age and survivors' insurance wage records for unemployment insurance. Only by close and effective coordination of the entire field of social insurance can the social security program make its maximum contribution to individual and family security as well as to the stability of business and the economy in general.

Numerous proposals have been made for changes in social security which require coordinated study and review. Among these proposals are the following: the development of industry-wide health, welfare and retirement plans; the recommendation of the American Legion for pensions to all war veterans and their families; the development of voluntary cash sickness and health insurance plans; the liberalization of the Civil Service, Railroad, and other governmental retirement and pension plans; the extension of social welfare services; the adoption of family allowances in Canada and many other countries; the provision for "contracting out" in state temporary disability insurance plans; and changes in federal grants-in-aid to the states.

A comprehensive contributory social insurance system supplemented by a comprehensive public assistance system would be of value to management, to labor, and to the community as a whole. No one of these three partners can establish a sound and comprehensive system without the effective cooperation of the other two.

NELSON H. CRUIKSHANK

Director, Social Insurance Activities, American Federation of Labor

We are all indebted to Dr. Brown for his very excellent statement of the principles and philosophy of social insurance as it has developed in America. I know of no more concise presentation of these basic

principles or of the appropriate standards for developing a sound system than he has presented to us tonight. In fact, they are so extraordinarily well stated that it is superfluous to comment on them. However, I shall endeavor to speak to them from the point of view of organized labor.

In the main I shall confine my remarks to the application of these principles and standards to the old-age and survivors' insurance program. This will enable us to narrow the discussion to the problem of developing a federal social insurance program as old-age and survivors' insurance is now the only general social insurance system we have in the United States. There are, as you know, separate systems for employees of the Federal Government and for railroad workers. There is also what is called a federal-state program of unemployment compensation, but as presently operated this system, in a very real sense, is not a social insurance system.

The principles that Dr. Brown has presented are extremely important for us to consider because the immediate issue in social security is the issue of the relief approach as opposed to the insurance approach for underwriting the risks inherent in modern industrial society. This is not a hypothetical or imaginary issue as, unfortunately, the trend in the last few years has been toward relief whereas the original purpose of our Social Security Act was to avoid the necessity of governmental relief or public assistance. I submit the following three points in support of my contention:

1. Congress has refused consistently to allow the automatic increase in contribution rates as provided in the Social Security Act of 1935.

2. For nine years the only liberalization in social security has been through the grant-in-aid program to make possible increases in the state public assistance programs. The action of the 80th Congress was outstanding in this respect and it underscored its tendency toward relief by removing about three-quarters of a million workers from coverage of old-age and survivors' insurance through the adoption of the Gearhart Resolution over the President's veto.

3. Efforts to extend social insurance to meet the costs of medical care through a health insurance system were blocked by those who would make health services available through grants-in-aid to the states to benefit the "medically indigent." They never succeeded in defining to anyone's satisfaction what they meant by "medically indigent," but the emphasis on the relief approach was effective in Congress.

In considering the application of the standards set forth in Dr. Brown's paper, we look first to the principle of relating benefits to contributions. From the point of view of labor this same principle is stated in another way. It represents a relating of benefits to the wage loss resulting from a contingency—whether that contingency is the result of dependent old age, death of the family bread-winner, or disability.

We agree that there should not be a too strict relation between benefits and past earnings. We agree that benefits should be weighted in favor of the worker with a low earning record. At this point *social* insurance differs from other insurances. However, in our opinion, the present law goes too far in favoring the low-paid workers. For example, on the basis of 20 years of coverage, the worker who has had an average earning of \$50.00 per month recovers in primary benefits 48 per cent of his wage loss; whereas, the worker who has averaged \$250.00 per month earnings recovers only 19.2 per cent. The worker who has averaged \$350.00 per month receives benefits amounting to only 13.7 per cent of his average wage. On the basis of 40 years coverage, the range for workers with the average wages I have cited is from 56 to 16 per cent.

Part of this disparity is accidental. The heavy weighting in favor of the low-paid workers—or more accurately the low ratio of benefits to earnings for the high-paid worker—results from the present limitation of \$250.00 per month in calculating benefits.

This relating of benefits to the record of past earnings is not exclusively an American contribution to the social insurance idea. It is one, however, which fits into our whole American concept in such a way that it can be truly said that our adherence to it represents a significant, if not unique, American contribution. In contrast, other countries are moving toward flat benefit rates, family allowances and other devices. Our insistence on this relationship is comparable to our attitude toward wages. American labor does not accept family allowances in lieu of wages. Labor in this country has adhered to a policy of relating wages to skill and to the social contribution of the labor product.

These principles which Dr. Brown has so clearly stated are basic to any system. It would not be necessary to depart from them in order to broaden the coverage and increase the benefit levels as the American Federation of Labor proposes. In fact, our proposals would

be in the direction of implementing the principles that have been set forth.

Dr. Cassidy spoke of the gaps in the Canadian system. He certainly need not be apologetic on that subject speaking to a U. S. audience. There are great gaps in our social insurance system. For example, we have no program covering disability except disabilities that are work-connected and compensatory under workmen's compensation laws of the states. These represent only about 10 per cent of the disabilities affecting wage earners.

In approaching the problem of providing protection against disabilities, you may be interested to know that this year the American Federation of Labor took a different position from that which it has taken in the past. We now propose to provide for temporary as well as permanent disability through a Federal system administered by the old-age and survivors' insurance agency. We have considered the feasibility of providing for temporary disability through the state unemployment compensation programs, but we are convinced that these programs have so far departed from sound principles of social insurance that it is impractical to attempt to extend them to meet other needs.

Chapter 6

COLLECTIVE BARGAINING AND MANAGEMENT RIGHTS¹

The chairman of this session was Sumner H. Slichter, Lamont University Professor, Harvard University.

THE SHIFTING DISTRIBUTION OF THE RIGHTS TO MANAGE

LEO C. BROWN, S. J.
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THE VIEWS of labor and business representatives on management's right to manage were sharply contrasted at the President's National Labor-Management Conference in 1945. They had been asked to consider:

The extent to which industrial disputes can be minimized by full and genuine acceptance by organized labor of the inherent right and responsibilities of management to direct the operation of an enterprise.¹

Union representatives at the Conference readily conceded that "the functions and responsibilities of management must be preserved if business and industry is to be efficient, progressive, and provide more good jobs." But they would not agree to specify and classify the functions and responsibilities of management. They said:

It would be extremely unwise to build a fence around the rights and responsibilities of management on the one hand and the unions on the other. The experience of many years shows that with the growth of mutual understanding the responsibilities of one of the parties today may well become the joint responsibility of both parties tomorrow.²

The management people concluded that "the labor members are convinced that the field of collective bargaining will, in all probability, continue to expand into the field of management."

This disagreement suggests the following questions:

1. Do the attitudes of representatives at the Conference reflect the thinking of the parties themselves?
2. Will unions continue to encroach upon the management function?
3. Should public policy define the respective rights and responsibilities of unions and management and limit the areas of collective bargaining?

¹ *The President's National Labor-Management Conference, November 5-30, 1945*, U.S. Department of Labor, Division of Standards, Bulletin No. 77, 1946, p. 57.

² *Ibid.*, p. 61.

Discussion of these questions may be clarified by distinguishing two types of union challenge to management control: (1) extension of the collective agreement, (2) actual participation in management.

Expansion of the collective agreement is essentially a negative and extrinsic encroachment on management. The process of contracting about more items leaves to management fewer matters to decide independently. The quality of management's freedom is unimpaired, but the freedom is exercised in a narrower area. The expanded agreement may give the union greater control over industry, but it confers no positive responsibility for the conduct of business. Labor's demands may be the determining factors of important business decisions, but only as external and limiting conditions. The ultimate decisions rest with management. The union remains an agency which is largely external and foreign to the enterprise.

By participation in management, we mean a situation in which the union shares a continuing and positive responsibility with management for policy formation or execution. We mean any arrangement where the union has citizenship and representation within the business municipality, and where an increase in its influence is accompanied by an increase of positive responsibility for business. Such formal participation by unions in management has been and continues to be exceedingly rare. Union influence normally has been exercised through the collective agreement.

Labor's Attitude

By and large labor leaders at all levels of authority and in a wide variety of organizations expect the area of collective bargaining gradually to increase. Typical responses were:³

1. We do not want to manage business. But we must protect the interests of our members. If those interests require us to bargain about when and how companies will close plants, we will bargain about shut-downs.

2. Interests of union members are not limited to wages or the length of the working day or the hours when work will be performed. We can't draw a line and say we will bargain about these things and leave all other things to management.

³ The remarks in this and the following section represent the result of more than 200 interviews during the past year divided about equally among representatives of business and labor and extending from the midwest to the Atlantic seaboard. Because industrial relations are highly complex and dynamic, views of the individuals interviewed reflected widely diverse experiences. Obviously this report distorts these views by compression and oversimplification.

3. As unions grow in strength and maturity they will try to control more of the economic decisions which affect their welfare. Unions which are genuinely interested in the welfare of their members will manifest increasing interest in a wider area of management's decisions.

In general, these same representatives revealed little enthusiasm for union participation in management. The following are responses typical of the large majority :

1. No responsible union official wants to inject unions into the management of business. The direction of an enterprise requires authority, and authority cannot be divided. Management can't become a debating society.

2. Unions have succeeded in the past because they left management free to run the business. By increasing their demands on management they make management more efficient. That is really the union's function. Keep the pressure on and you keep management efficient.

3. Union participation or union cooperation or whatever you may call it is dangerous for the union. Should unemployment or any other adverse situation occur, union members would blame union officials for the result if they had cooperated with the management. Union-management cooperation is a good way of cooperating with the union which wants your membership.

4. The participation of union officials in management develops management-mindedness. Union officers who become management-minded don't last as union officers.

Two exceptions to the above statements should be noted: (1) A few officials think that unions should have some control over the efficiency of plants; (2) another few want unions to participate in decisions which affect whole industries. The view that unions should have greater control of efficiency appears chiefly where piecework is the usual method of compensation and where unions have better technical resources than many of the plants which they have organized. All of us are familiar with garment workers' contracts which give unions much control over efficiency. But a similar sentiment appears in some large establishments. At one large plant on the eastern seaboard the union's officers are prepared to force introduction of a share-the-production plan. Study of operations for the past year has convinced them that the union's contribution to efficiency would improve the competitive position of the company and might yield substantial "efficiency earnings."

The second exception to the conclusion stated earlier (that union officials want no share in management) is perhaps more significant. A small, but influential, minority of union officers, especially in the mass production industries, are searching for some method through which unions may participate immediately and directly in decisions which affect whole industries. They assert that the present system of collective bargaining is inadequate for coping with many basic economic problems. They point out that neither local unions nor managements of individual enterprises have any real control of many important elements which affect their common welfare: each local union and each company is somewhat like the plasterer with respect to the whole building. The market for the product is determined by the cost of the building; but the plasterer, able to adjust his own wage-rate only, has no control over the cost of the edifice. Because it lacks control over cost of the final product, each of the many co-factors, in isolated decisions, may act as though it had no effect upon cost. At best (they assert) the present method of bargaining keeps unions at the fringes of basic problems; at worst, the cumulative result of the isolated independent bargains may run counter to the interests of all bargainers.

The views of labor men who discussed this matter differed considerably from industry to industry. Several proposed establishment of industry councils, but no two described them alike. Some conceived of them as devices through which the unions and managements of one industry could jointly discuss problems of that industry. Others thought of them as arrangements by which unions and managements of several related industries could arrive at common decisions. Others wanted "national collective bargaining" by which they meant joint conferences at which labor, management, and farm groups could achieve areas of agreement about national economic problems. In general, these officials seem to be suggesting a two-level union activity. In addition to normal collective bargaining at plant levels, they want collective policy-determination at the industry—or even inter-industry—level. They are seeking some mechanism by which union members can participate more immediately and more effectively in the control of forces which affect the economy.

Management's Attitudes

Conversations with management representatives yielded less easily summarized responses. In general, they would limit collective bar-

gaining to wages, hours, job tenure, and job conditions. In all matters not covered by contract, or in which review of initial decisions is not established, they feel that management should be unfettered.

Likewise, practically all executives of large corporations and most executives of small corporations oppose any *formal* participation by union in management. They say:

The local labor officials would be the men most likely to engage in any program of participation. Such men are largely uninformed about industrial economics and unskilled in management techniques. They could contribute little toward policy formation or its execution. They would introduce discord and delay. Their objectives generally would be opposed to those of management.

However, if we speak of *informal* participation by labor in management, attitudes of executives, even of large corporations, differ widely. Many executives have been influenced directly or indirectly by the wartime success of labor-management committees and by the studies of Elton Mayo and similar writers. There is a heightened appreciation of the fact that the workman is both a person and a social being and that the "whole man" goes to work. They realize that the job must yield both personal and social satisfactions to the whole man. They are coming to look upon workmen as experts about their own jobs. There is increased effort to tap the knowledge and inventive capacities of these experts and to let them share in the planning of work. However, many business executives draw a sharp line between the union and their employees. For them the union is a foreigner within the gates. Employees are part of the family. While striving to develop or improve two-way communication with employees, these executives try to make it strictly a family affair. The union is not merely ignored; it is deliberately and studiously by-passed.

Other executives are convinced that the union must be fitted into any successful communication system. They keep the union informed about changes in policy. When possible, they give it advance notice about new processes or machinery, changes in production-schedules, and shifts of operation from one plant to another. They seek the union's aid in eliminating absenteeism, waste, and general inefficiency. They encourage joint discussion of mutual problems beyond the scope of the contract. Theoretically, the union's function in such discussions is advisory. But the line between consultation and participation is indistinct. If the discussions are not pointless, the union's argu-

ments influence decisions. How great the influence is, may go unrecognized by management itself.

At the lower levels of some organizations this informal participation by the union was found to be well established. One executive said:

Why should I fight with the union over selection of supervisory personnel. For the past four years I have discussed promotions with the stewards' committee of the plant. I have accepted every nomination they made and all were excellent.

Another executive said:

Recently we had to curtail operations. The fact was as obvious to the men as to us. In working out revised schedules, we called the stewards' committee into consultation. The plan they suggested was better than any we had thought of. It had the added advantage of being acceptable to the men because it incorporated their ideas of a fair distribution of work.

At another plant a union official makes the time studies, and management rarely uses its right of review. At another, the union has practically complete control over disciplinary sanctions. Penalties are imposed by management, but union recommendations normally are followed. In both cases just mentioned the union owes its influence less to bargaining strength than to consistent good judgment.

I said earlier that practically all executives of large organizations and most executives of smaller organizations are opposed to any formal participation in management by unions. Exceptions among smaller companies are of some importance. A small minority of companies whose managers are also major stockholders are not opposed to formal and organized employee-participation in management. In fact, some companies with successful profit-sharing or employee-participation plans insist that labor-management cooperation is not only their larger objective, it is a prime condition and essential explanation of the success which they enjoy. Cooperation, they maintain, cannot be achieved through an arbitrary division of rights, interests, or authority; it requires a far-reaching employee-participation—participation in profits, in management, and, among some companies, by degrees in ownership. One such manager said: "Labor pays for the mistakes of management. Why shouldn't it have a voice in determining policies?" Some of these companies had independent unions; some had unions with international affiliations. In all cases emphasis was on *employee-participation* rather than *union-participa-*

tion. But all managers in this group were careful to point out that this emphasis did not mean exclusion of the union. They recognize that successful employee-participation must have its channel of expression and means of representation, and that the employees must be left completely free to choose whatever form of representation they wish. Any attempt to introduce conflict between the employee and his union would destroy the complete confidence which is necessary for successful cooperation.

I do not want to be misunderstood. The managers who would welcome an increase of formal participation by labor in management probably employ less than one per cent of all employees in manufacturing. They are important because they represent within the ranks of management a group which insists that production is a cooperative process and that successful cooperation requires elimination of artificial barriers between rights and responsibilities of management and rights and responsibilities of labor.

Some General Impressions

Reflection upon the interviews with labor and management representatives leads to impressions rather than logical conclusions. Very few labor representatives want any share in management. They are sincere in their statements that management must be left free to direct enterprise. The overwhelming majority of management people, for their part, are ready to resist further encroachment upon the management function. If we looked merely at the statements of representatives, we might conclude that the present division of responsibilities between labor and management would change but slowly, if at all. However, if we consider the dynamics of collective bargaining, that conclusion is wholly unwarranted. Labor unions, in the pursuit of the interests of their members, are ready to expand the area of collective bargaining. They are becoming increasingly conscious that the interests of labor cannot be confined to fixing wages, hours, and working conditions. They are becoming more interested in a wide variety of management policies. This widening interest will tend inevitably to an expansion of collective bargaining. As this external pressure grows, management, partly in defense of its sovereignty, will strive to convince unions that employees' interests are fully considered in the formulation of its policies. Informal contacts with unions will increase and the area in which unions hold an advisory position will expand. While participation in management through the

device of consultation is wholly informal, it will become increasingly more effective.

Moreover, there exists in many organizations a wide variety of arrangements by which unions now exert considerable influence upon management decisions. These arrangements are giving more union representatives both knowledge of and sympathy toward management's problems. As their experience grows, union representatives will be able to make increasingly important contributions. On the one hand, habit and custom will of itself tend to formalize the union's participation. On the other, the development of labor representatives better informed about and more skilled in the problems of business will make management less apprehensive about formalizing well-established informal participation.

Further, more top union leaders are becoming convinced that they have a contribution to make in the determination of policies which affect individual industries and relationships between industries. As this conviction grows, some means will be found for giving it effective expression.

The Public Interest

If these impressions correctly reflect tendencies and trends in labor-management relations, are they cause for public concern? Should public policy attempt to arrest their development by defining what rights and responsibilities belong to management alone? Should it set limits to collective bargaining?

If further expansion of collective bargaining will mean only that unions will use their greatly increased power to impose extrinsic conditions or controls on business decisions, without any increase in their responsibility for enterprise; if it means that, in addition to economic power, unions will use political pressure to circumscribe management with burdening legislation, we may have reason to be apprehensive. The end result of such a process can only be detailed public regulation of business. If, however, the expansion of collective bargaining is accompanied by a growth of real union-partnership in business, I find less cause for public concern.

Objections to union-partnership in business or union-participation in its management usually reflect one of two types of thinking: (1) considerations which are drawn from ethical convictions, (2) reactions to concrete business experience.

Many who argue from an ethico-legal viewpoint identify manage-

ment with ownership or with the interests of ownership, and assert an inherent right of ownership to determine the policies of enterprise. They tend to reduce the employer-employee relationship to an exchange. The relationship between a railroad company and its employees, for example, is considered in about the same fashion as the relationship between the company and a passenger. For service, the company pays the employees money; for money, the company gives the passenger service. The two relations are equally transient and equally complete.

When the comparison is put in such simple terms, it is obviously a caricature of the employer-employee relationship. A business enterprise is a continuing association in which many interests—interests of labor, of management, and of investors—are intertwined. While these interests at times may diverge, the associated factors, nevertheless, are joined in a common purpose. The business enterprise exists (and prospers) because it performs a service for the community. Whether the fact is recognized or not, success of the enterprise is important to the employees as well as to the employer; responsibility for service to the community rests with the employees as much as it does with the management.

The process of production is essentially and necessarily cooperative. Labor, no matter how skilled, produces little without complicated machines made available by investors. Engineers do not bring their locomotives to work. But the investors, with their machines, are equally dependent upon labor. Wheels begin to turn and traffic is moved only when a competent hand takes hold of the throttle. The cooperative nature of production is emphasized whenever we attempt to appraise the value of the contributions of any of the economic factors. In the final product the contributions of the factors are always indistinguishable. Production requires the continuing association and constant cooperation of all the economic factors. If by a society we mean a stable association of persons for a common purpose through cooperative activity, we must regard a business enterprise as an industrial society, and a group of related industrial enterprises as an industrial community.

The proposition that the right to govern any society is inherent in one element of that society is difficult to defend.⁴ The arrangements which give ownership exclusive direction of enterprise are funda-

⁴ See Paul V. Kennedy, "Labor's Participation in Management," *Review of Social Economy*, January, 1947, pp. 49-59.

mentally contractual, but they grew out of the domestic economy of the past. The name of our science (*oikonomia*) reminds us that the household about which Aristotle wrote was the unit of production. Throughout large segments of industry it remained the unit of production until well into the past century. The structures of domestic economy and domestic society were identical, and the control of production rested with the head of the household. The statute law of master and servant, with its emphasis on control by the employer and corresponding subservience of the employee, was influenced by this domestic economy with its familial relationships. It preserved many of the correlative obligations of "famulus" for centuries after the breakdown of feudalism; it restricted the freedom of the servant in quitting the master, and the freedom of the master in discharging the servant. But today the household is merely the unit of consumption. Modern productive society was long ago stripped of all of the elements of "famulus." The responsibility which management admits today for the welfare of employees has no relationship to the paternalism of the domestic economy. In fact, it is an extra-legal responsibility. Law obliges management to seek only the interests of the stockholders. Labor now is not a domestic or apprentice within the household or an occasional journeyman employed by a village master. It is a mature and organized partner in production. It rivals management both in economic and political power. This change in the structure of the economy may have made it not only right but inevitable that some corresponding change will occur in the structure of industrial government.

Business practice itself illustrates the fact that control of industry by representatives of common-stockholders is a contractual arrangement. Business capital may be supplied by bondholders, preferred-stockholders, common-stockholders, or banks. But bondholders and preferred-stockholders normally have no voice in the direction of a business. There is nothing unreasonable in assuming that other contractual relationships might be devised which would give bondholders and preferred-stockholders some participation in governing the business in which they invest.

A bank, like a union, theoretically has no part in the government of a business to which it lends its funds, but, like a union, it may exert an external and contractual influence upon the business by dictating conditions under which its association with the enterprise will continue. When its stake in a particular enterprise appears to be

endangered, a bank may insist upon participation in the actual government of the business. Rarely has the effort of the bank to protect its interests been challenged as an unreasonable encroachment upon the rights of enterprise. But the bank is much less an immediate member of the industrial society than the union. By analogy, an attempt by labor to safeguard its interests in the enterprise could not be challenged on the grounds of unreasonableness or injustice.

Objections on ethical-legal grounds to union-participation in management are rarely raised by managers themselves. Their opposition is based upon concrete business experience. By and large, they think union-participation impractical, if not impossible. Among more frequently recurring objections are: (1) Labor representatives, especially local officials who have closest association with enterprise, lack the experience and training which would qualify them to make business decisions. (2) The management function, by its very nature, is indivisible. Labor representatives would have objectives which differ from those of existing management; they would destroy that unity which is essential to authority and execution. (3) Labor-participation would be union-participation, and union-participation through national officers would be absentee-control of business.

All of these objections have merit. If we are thinking of an abrupt and revolutionary change which tomorrow would make local-union officials responsible for major business decisions, it is obviously true that most of them would be unprepared and unqualified. But social change, rapid as it has been, does not occur that way. The Wright Brothers did not design and could not have flown jet-propelled planes. But they made significant initial contributions to the science of heavier-than-air flight. Labor officials, as a group, are men of limited business experience, but most of them are well-informed in those areas in which labor's participation in management would normally originate. They know, or have ready access to information about, plant-operations and methods. A gradual widening of opportunity for labor to participate either in the formulation or execution of business policies would develop among labor representatives better information about and sympathy toward, as well as experience in dealing with, a wider range of business policies. Responsibility might develop talents which, because now latent, are wholly unsuspected. Many contemporary managers were recruited from the ranks. There is no reason for believing that their selection exhausted all potential executive ability.

It is unquestionably true that management as a function requires

unified authority. If labor's participation is viewed as creating or requiring joint councils which would engage in debate on decisions at all levels of authority, only chaos would result. But labor's responsibility for business decisions need not take this form. It might, conceivably, consist of some representation in choosing top management personnel; it might consist of representation in the group which formulates the broader policies and objectives of management. Labor-participation in management in this, or any form, might be narrow in outlook, selfish in purpose, and wholly destructive in result; but there is nothing in the nature of things that requires it to be such. When a bank protects its interests in an enterprise, its participation may be equally selfish and equally narrow and equally damaging. But when a bank nominates capable people to boards of directors, their suggestions may be highly constructive and highly beneficial to all interests concerned. Conceivably a union's participation might be equally constructive.

Union-participation in management, as has been asserted, could become absentee-control of business. International unions show different degrees of ability to adapt their policies to the needs of individual concerns, which have been organized. Union policies emanating from a centralized union authority could be as restrictive as policies originating with a centralized management. They could be equally destructive of opportunity for that type of employee-participation which releases the untapped inventiveness of the individual and the spontaneous cooperation of the social group. Perhaps experience might develop a two-level type of participation in management: one at the plant-level which gives individual employees opportunity to share in the planning of their work; one at the enterprise-level which gives unions some voice in formulating policies.

Conclusions

Labor-management relations are changing, shifting, and evolving. The change has been more rapid in the past 10 years than in the previous 30. It has been more rapid in that 30 than in the previous century. Effort to arrest this development by erecting arbitrary barriers to the respective rights and functions of management on the one hand and labor on the other would be futile and unsound. Equally futile and unsound are attempts carefully to blueprint the forms and shape the molds into which industrial relationships will be forced. We cannot prefabricate dynamic structures any more than we can shrink a grow-

ing boy to fit his trousers. We can, however, try to insist upon the basically cooperative and social aspects of enterprise. We can recognize the philosophy of class conflict whatever its source. Management can assert the necessity of class conflict by erecting an arbitrary and artificial wall between the interests and responsibilities of management and the interests and responsibilities of labor. Unions can affirm the necessity of class conflict by acting as though a sincere interest in the individual enterprise is incompatible with loyalty to the union. We can try to create a system of industrial democracy which gives the ordinary workman—the whole man who comes to work—opportunity for that fuller participation on the job which will release the unrealized inventive capacities and underutilized cooperative capabilities of the work-force; we can try to create a system which will give the organized work-force an opportunity to assume, more immediately, some responsibility for the enterprise and its relations to the economy.

MANAGEMENT RIGHTS AND THE COLLECTIVE AGREEMENT¹

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THE SPREAD of unionism in this country, with the concomitant increase in the number of collective agreements, and the legislative formulation of public policy with respect to labor-management relations, have brought into prominence a number of troublesome questions. What is the proper scope of collective bargaining? What constitutes "refusal to bargain collectively"? What do we mean by collective bargaining anyway? What are the prerogatives of management and labor, and to what extent are they, or should they be, modified by the collective agreement? What are the rights of the parties under the collective agreement? What is the significance and desirability of a "management's rights" clause in the agreement? What is the meaning of the arbitration clause, and what is the role of the arbitrator?

The present paper makes no attempt to meet these broad issues in frontal fashion. The objective is a much more limited one: that of focussing attention upon the meaning of the collective agreement. Whatever our view as to the meaning of the agreement, it is bound to color our approach to many of these broader questions. It is the purpose of this paper to present a thesis with respect to the meaning of the agreement and, secondarily, to suggest some of the implications that seem to follow if the thesis be accepted.

Some Views as to the Meaning of the Agreement

Even a casual inspection of the literature will disclose the existence of widely divergent views of the meaning of the collective agreement. Perhaps no two individuals would agree exactly on this point, and it is impossible to set forth all the various attitudes that have been expressed or implied. It is possible, however, to look at the extremes, and thereby to identify the range.

Perhaps at one extreme is the view that looks upon the agreement

¹ Grateful acknowledgment is made to Dr. Ruth G. Gilbert, who, in numerous conversations and through her unpublished doctoral dissertation (*An Analysis of the Scope of Private Industrial Arbitration*, M.I.T., 1946), contributed materially to many of the points set forth in the present paper.

as a limiting document, as a document which, taken in very literal terms, contains *all* of the restrictions placed upon management. Under this approach, management retains or assumes, completely unfettered except by such legislation as may be pertinent, freedom to exercise its judgment and to act in any way on all matters which are not expressly delimited by the written agreement. Such a view seems to be in the minds of Hill and Hook when they say: "All the preexisting rights and privileges of an employer are reserved to him except as they have been specifically surrendered or limited in a collective-bargaining agreement."² An even more explicit statement of a similar view is contained in an arbitration decision of a few years ago: "According to the common law applicable to the relationship between an employer and his employees and their union, an employer may operate his establishment as he deems advisable except for such limitations as are imposed by statute or are agreed upon as a part of a collective bargaining agreement."³

A diametrically opposed view of the meaning of the agreement is also to be found. It is argued, expressly or implicitly, that, once a collective bargaining relation has been established, neither party can act unilaterally on any matter concerned with wages, hours, and conditions of employment. Put in other terms, it is argued that any change must be preceded by negotiation and agreement or, in a milder version, by "consultation" between the parties. Such a view, as many arbitrators can testify, is frequently advanced by union representatives in arbitration proceedings. Moreover, the National Labor Relations Board has at least come close to espousing a similar view in some of its decisions.⁴ In one of these cases, the Trial Examiner stated: "In short, after the advent of the collective bargaining representative, not only does unilateral action by the employer taken without consultation with the bargaining agent, on any matter relating to rates of pay, wages, hours of employment, or other conditions of employment, become proscribed, but . . ."⁵ This pronouncement was not disavowed by the majority of the Board.

In my opinion, neither of these views is tenable, in the light either

² Lee H. Hill and Charles R. Hook, Jr., *Management at the Bargaining Table* (McGraw-Hill, 1945), p. 74.

³ 15 LRR 729 (1945).

⁴ See, for example, the decisions in the cases involving J. H. Allison and Co. (70 NLRB 377) and Timken Roller Bearing Co. (70 NLRB 500). In the latter case, enforcement of the Board's order was denied by the Sixth Circuit Court of Appeals.

⁵ 70 NLRB 520 (1946).

of an appropriate philosophy of the collective bargaining relation or of practical realities.

The first view, if taken literally, would open the door to management, if it were so inclined, to evade or modify significantly the provisions of the agreement. Suppose, for example, that, with the agreement silent on the matter of paid lunch periods, a company which has just signed an agreement calling for a general wage increase of five cents an hour unilaterally discontinues a paid lunch period of half an hour which has prevailed for years. Neil Chamberlain refers to an instance in which a company, following the negotiation of an agreement, abandoned a seniority system to which it had previously adhered.⁶ It can hardly be argued seriously that incidents of this sort, or the concept of the agreement that would justify their occurrence, are in accord with a sensible or equitable view of the nature of the collective agreement.

The second view—that no action can be taken until after joint negotiation or consultation in each particular case—seems equally to lead to the negation of the purpose of an agreement. The consummation of an agreement reflects in part the desire of the parties for a stabilization of applicable principles over a period of time, and the collective agreement ordinarily specifies the period of time during which these principles shall prevail. If each projected action following the signing of the agreement must be negotiated anew, what then is the purpose of the agreement? Moreover, it requires little reflection to recognize that, under the concept of the agreement now being considered, either party could, if it chose, hamstring any effective action by unilateral stubbornness. Again the conclusion seems inevitable that this view of the meaning of the collective agreement is neither fruitful nor in keeping with ordinary notions of what constitutes an agreement.

A Positive Approach to the Meaning of the Agreement

We may perhaps be able to approach a more satisfactory concept of the meaning of the collective agreement if we look for a moment at certain facts relating to the negotiation of agreements.

The first point to be noted is that no agreement is negotiated in a vacuum. Most frequently, both company and union have been in operation for some time, although their previous dealings with each other may have been of shorter duration or non-existent. In the course

⁶ "The Nature and Scope of Collective Bargaining," *Quarterly Journal of Economics*, May, 1944, p. 375 fn. Further reference to this incident appears below.

of their operations, certain modes of procedure have inevitably developed. To a greater or lesser extent, these modes of procedure are known. Some of them are so well known that they are given little or no conscious thought. Some of them are so well known and accepted that they may be considered as part of the *mores* of the working environment. Even in those instances in which a company may be just starting operations, modes of procedure which have been developed in the industry or the community cannot be wholly ignored and may, in fact, be unconsciously accepted.⁷ In any event, it would be unrealistic to look upon the task of the negotiators as that of building a whole, brave new world, starting from scratch.

The second point to be noted is the multiplicity of the factors affecting "conditions of employment," however the term may be defined. If anyone doubts this, let him try to set down fully all of the parameters which combine to determine his own conditions of employment. The task of specifying precisely all of the factors is, if not impossible, at least encyclopedic, and no sensible negotiators would attempt it.

With these points in mind, we may take a fresh look at the meaning of the agreement. The negotiators start from a situation in which a vast number of modes of procedure are already in existence. Their goal is not to crystallize or modify all of these modes of procedure in a written document. At the conclusion of negotiations there emerges a written document, containing a finite number of provisions. What is the significance of these provisions?

Broadly speaking, these provisions fall into two categories. In the first place, there are provisions which are designed to solidify and make explicit the continuation of certain existing modes of procedure on matters which one or both of the parties consider of such importance that precise specification is desirable. In this category would fall, for example, a detailed list of wage rates, even though no change from the previous agreement were involved, or provisions of the nature of "The company will continue to provide safety equipment without cost to the employee." In the second category fall provisions which are designed to modify existing modes of procedure: a new wage scale, a new application of seniority in cases of promotion, a new procedure with respect to discharge.

⁷ "So thoroughly has the Collective Bargaining been recognized in the building trades, that county court judges now usually hold that the 'working rules' of the district are implied as part of the wage-contract, if no express stipulation has been made on the points therein dealt with." Sidney and Beatrice Webb, *Industrial Democracy* (Longmans, Green, 1920), p. 178.

But when all of the provisions are written, it will be found that many matters which affect conditions of employment are not specifically referred to. Does this mean that these matters are of no concern to the parties, or that the agreement has no meaning with respect to them? I think not. On some of these matters, the parties are satisfied with existing modes of procedure, consciously or unconsciously. On others, one party or the other may be dissatisfied but may be unable to devise better modes. On still others, one party may have preferred an alternative but may have been unable to secure agreement from the other party, or may have been unwilling to pay the price necessary for acceptance. In any event, the omission of specific reference is significant.

Put in its simplest terms, the argument here advanced may be stated thus: The agreement, no matter how short, does provide a guide to modes of procedure and to the rights of the parties on *all* matters affecting the conditions of employment. Where explicit provisions are made, the question is relatively simple. But even where the agreement is silent, the parties have, by their silence, given assent to a continuation of the existing modes of procedure.

At this point, attention must be given to the meaning of "modes of procedure." The term is used in a dynamic rather than a static sense. To illustrate: Suppose that a company has consistently set new piece rates when changes in methods have affected particular operations. An agreement is signed which is silent on the matter of setting piece rates. In this case, the silence of the agreement presumes a continuation of the previous mode of procedure, with no requirement that the consent of the union be secured before a new rate is set. Conversely, if the previous mode of procedure involved prior agreement on the setting of rates, the silence of the agreement implies a continuation of joint determination. The continuation, be it emphasized, is that of the mode of procedure and not that of the specific rates. Similar considerations would apply to such divergent matters as the determination of merit increases or of price policy.⁸

It must be recognized, of course, that even if the thesis here presented be accepted, the practical difficulties of interpreting the meaning of the agreement are by no means at an end. Even with respect to written provisions of an agreement, the parties or arbitrators find considerable difficulty in arriving at interpretation. With respect to the unwritten implications, still further difficulties may be expected. In

⁸ The matter of merit increases was involved in the Allison case (fn. 4 above).

many instances, existing modes of procedure are ill-defined or inconsistent, and factual determination encounters formidable obstacles. Some types of action are taken so infrequently that the existence of a mode of procedure may be debated. Some types of action may be so new that a mode of procedure has not developed. The argument here advanced offers no automatic panacea for the quick resolution of difficulties such as these. It is submitted merely as a framework of approach to questions involved in the interpretation of the meaning of the collective agreement.

While I am not aware of any previous attempts in the printed literature to formulate precisely the position here taken, the general idea is not new. Many arbitrators, explicitly or implicitly, have rested their decisions upon a similar line of reasoning.⁹ There is considerable evidence that, in many industrial situations, the parties have adopted a similar view of the meaning of the agreement.¹⁰ In a somewhat different connection, the National War Labor Board fell back upon an essentially similar approach in dealing with cases involving the relation of bonuses to the wage structure. In other words, there is evidence that the approach is not innately repugnant to practitioners of various sorts.

Management Rights under the Agreement

We are now in a position to tackle more directly the question of the rights of management when a collective agreement is in effect.¹¹ Put briefly, the rights of management are of two sorts. In the first place, there are those rights which may be explicitly set forth in the written agreement. In the second place, there are those rights which management has exercised in the past, and with respect to which no limitation is contained in the agreement.

Superficially, this position may seem to bear a strong resemblance to the view that was earlier described as an extreme view and was

⁹ See, for example, Thomas Kennedy, *Effective Labor Arbitration* (University of Pennsylvania Press, 1948), p. 64: "The logic behind this procedure [in the full-fashioned hosiery industry] is that all matters cannot be covered in the Agreement without making it too cumbersome and, therefore, it is understood that the continuance of customary practices is intended throughout the life of the Agreement in those matters which are not specifically covered by it."

¹⁰ For a discussion relating to coal mining, see H. S. Gilbertson, "Management and Collective Bargaining," *Harvard Business Review*, Summer, 1938, pp. 388-391.

¹¹ Statutory restrictions, such as those contained in minimum wage or anti-discrimination legislation, are ignored in this discussion; so also are any prerequisites associated with the ownership of property.

rejected. Actually, however, there are important and far-reaching differences. The proposed approach contains no suggestion of "prerogatives" or "inalienable rights." Those rights which management retains are simply those which it has *exercised* in the past and which the union and the employees may reasonably expect will continue to be exercised in the absence of specific limitation. Moreover, there is no suggestion that on those matters on which the agreement is silent, management is free to proceed as it chooses. Management has, in essence, bound itself by its past actions and, if a freer hand is desired, it is incumbent upon management to initiate and carry through into the written agreement the provisions which will permit it to follow the desired mode of procedure.

Viewed in the light of the preceding discussion, so-called "management rights" clauses in the agreement are easy to appraise. If they merely re-affirm modes of procedure which management has clearly followed in the past, they are unnecessary and superfluous. (In this connection, management may want to consider the possible emotional reactions to an insistence upon a reaffirmation of management rights, and the price that may be exacted to assuage emotions.) If management rights clauses clarify or make explicit what have been vague and uncertain modes of procedure, or if they set forth new modes of procedure, they are significant. It may be added that, as a practical matter, clauses which clarify existing modes of procedure or substitute new ones are more likely to find their appropriate place further along in the written agreement where substantive matters are discussed, rather than near the beginning whither it has become customary to relegate the more general "rights" clauses.

Before we leave the question of management rights under the agreement, one further point must be made. We have said that management has retained certain rights even though they are not specifically set forth in writing—those rights which it exercised prior to the agreement. But, by the same token, management cannot rely upon its exercise of previous modes of procedure if new modes of procedure are included in the written agreement. The written agreement supersedes past practice.¹² If management has concluded an agreement, and if

¹² "Even if there is a lack of uniformity throughout the industry, but a certain method has been customary at the plant in which the grievance arises, the Impartial Chairman is likely to decide in line with that practice. This will not be true of course if the custom is contrary to the provisions of the Agreement or previous decisions. In such cases the local custom, no matter how well established, must give way." Kennedy, *op. cit.*, p. 64.

therein it has agreed to alter certain previous modes of procedure, it cannot then take refuge in past procedures or "business necessities." In the usual case, moreover, the clauses of the agreement are not unrelated, and the relations are important. Accordingly, management—or the union—is wise to scrutinize carefully the totality of the agreement. A provision which, taken by itself, may seem innocuous may, when taken in relation to other clauses, assume a stature that hinders the effective functioning of one party or the other.

The Role of the Arbitrator under the Agreement

If the argument up to this point is accepted, little need be said concerning the role of the arbitrator under the agreement. Unless, either orally or in the written agreement itself, he is instructed otherwise, his duty is and can only be to interpret the agreement. In the absence of specific instructions from both parties, he exceeds the bounds of his office if he substitutes his judgment for the apparent judgment of the parties. Whatever itch he may feel to "help the parties out," he must bear his frustration manfully.

If, as has been argued, the agreement is a determinant or guide for all matters affecting conditions of employment, it would seem to follow that all matters are "arbitrable," if arbitration is included as the terminal point in the settlement of disputes.¹³ In many agreements, there is inserted language intended to limit the type of case which may proceed to arbitration. A not untypical clause of this sort runs as follows:

Questions involving changes in the terms and provisions of this agreement shall not be subject to the foregoing grievance procedure or to arbitration hereunder.

But does not this clause beg all of the important questions? Who determines whether changes in the terms are involved? Is it the company, the union, or the arbitrator? If it is the company or the union, what happens to the no-strike, no-lockout clause if the other party is unwilling to concur in the determination? If the case reaches arbitration, and if it is found that the request of the party bringing the case cannot be sustained under the terms of the agreement, the arbitrator

¹³ Where no specific provision is made for arbitration by a third party, something closely akin to arbitration occurs none the less. In effect, one party or the other acts as arbitrator. Difficulties may arise when there is no meeting of minds as to which party is to serve as unilateral arbitrator.

will, or should, deny the request—not because it is not arbitrable, but because it is not in keeping with the agreement.

Similar considerations apply to clauses which require the arbitrator to make a prior determination of the arbitrability of a dispute before proceeding to a hearing on the merits. In most, if not in all, cases, the question of “arbitrability” is inseparable from the merits of the case. In the vast majority of cases where such a clause is invoked, the arbitrator is treated to a repetition of the same material on two occasions. In the final analysis, the dispute is disposed of, not on the grounds of its arbitrability, but on the merits as related to the agreement.

Collective Bargaining and Grievance Adjustment

We may turn now to a brief discussion of another, but related, matter. In recent years, questions have been raised with respect to the duty of the parties to “bargain collectively” during the existence of an agreement or the desirability of such continued bargaining.¹⁴ Alternatively, the issues have been set forth as a distinction between collective bargaining and grievance proceedings, or between the “legislative” and “judicial” phases of industrial government.¹⁵

If we focus attention purely upon the rights of the parties, the resolution of these issues would seem to be clear. Once an agreement has been concluded, and the duration of the agreement settled, the rights of the parties are fixed for the duration. Either party is entitled, if it so desires, to stand upon its rights and resist any effort of the other party to change the terms of the agreement. Put in another way, the agreement has determined the rights of each party, and the parties are entitled only to a judicial determination of their rights and not to an enlargement thereof.

This formulation, of course, is a technical approach. It ignores at least two practical aspects which, in the interest of workable arrangements, cannot be passed over lightly.

In the first place, the formulation ignores many of the facts of life as they are found in day-to-day relations. New problems continually arise, and many of them may not have been foreseen when the agree-

¹⁴ The relation of these questions to the Wagner and Taft-Hartley Acts and the relevant decisions of the National Labor Relations Board in themselves provide a subject for study. For reasons of space, they will not be considered here.

¹⁵ Cf. Neil Chamberlain, “Grievance Proceedings and Collective Bargaining” in *Insights into Labor Issues*, Lester and Shister, editors (Macmillan, 1948), pp. 62 ff.

ment was signed. While, in one fashion or another, the agreement must be construed to provide a guide in the handling of these problems, the methods called for under the agreement may not be the most appropriate or most satisfactory. Under such circumstances, it may well be to the interest of both parties to work out new arrangements, perhaps inconsistent with the agreement—to amend the agreement to secure a better fit. Similarly, even in the absence of new problems, the agreement in practice may prove not well suited to the handling of particular situations. It would be unfortunate if either party clung so tenaciously to its technical rights as not to be amenable to suggestions for change—to continued “collective bargaining.” At the same time, it must be recognized that if a party feels it must stand upon its rights, there is nothing in the concept of the agreement which compels it to relinquish this privilege.

A second practical qualification to the rigid technical view of the agreement arises from the fact that no agreement can be so definitive that questions involving judicial interpretation of the agreement and those involving modification of the agreement are easily segregated. However desirable it may seem to emphasize such segregation (e.g., by having the two sets of problems handled by different groups of individuals), the goal would appear to be incapable of realization in practice.¹⁶ In fact, in many cases the primary, if not the sole, issue in dispute is precisely this: Is the request of the initiating party supported by the agreement, or must changes in the agreement be negotiated if the request is to be granted? Only after this issue is settled can it be decided whether the dispute should have been processed as a judicial determination or as an attempt at legislative amendment.

The Scope of Collective Bargaining

In the space that remains, there is room only for a few random comments on “the scope of collective bargaining” and the related offense of “refusal to bargain collectively.” As has already been indicated, no attempt will be made to encompass these questions in thoroughgoing fashion. Such comments as follow are merely those which

¹⁶ “No way has yet been found to confine disputes to subjects concerned directly with the interpretation of the clauses of the agreement or the application of its wage schedules. And if a controversy arises over some subject not touched upon in the agreement, the parties will be compelled, in practice, to deal with it through the adjustment machinery, if the agreement itself is not to be endangered by resort to coercion.” David A. McCabe, “Machinery for the Adjustment of Disputes under New Collective Agreements,” *Law and Contemporary Problems*, Spring, 1938, p. 262.

seem to stem from the concept of the collective agreement which has been presented.

The first comment to be made is that, as a guide to the appropriate scope of collective bargaining, the concept of "fields of joint concern" has little or no value if the use of the concept is intended to indicate limits to the scope of bargaining. Clearly the employer is concerned with all of the factors which affect the conditions of employment, from wage rates to price policy. Is it any less clear that the employee—and presumably his representatives—is equally concerned with these same factors, even though at any given moment he may not desire, or may be unwilling or unable, to attempt to participate in the determination of particular policies?

The second comment is closely allied to the first. Even if "joint concern" be accorded a place of importance in the determination of the scope of bargaining, the presence or absence of formal clauses in written agreements cannot be held to be conclusive evidence of the presence or absence of joint concern.¹⁷ If we accept the concept of the agreement as embodying more than the written words, it matters little whether or not specific written reference is made to a particular topic.

The final comment relates to the distinction between the necessity for bargaining before an agreement is concluded and the necessity for bargaining during the effective period of an agreement. Whatever one's views concerning the appropriate scope of bargaining prior to the concluding of an agreement, and whatever one's views concerning the wisdom of continuous and flexible modification of the agreement, it seems impossible to argue that, once an agreement has been concluded, either party should be *compelled* to renegotiate on any point, regardless of its proximate or indirect relation to "conditions of employment," simply because the other party wishes to. After all, a bargain is a bargain.

¹⁷ Here I must register a dissent to Chamberlain's discussion of the seniority case referred to above. He states: "Since seniority provisions have become generally accepted as a field of joint concern, acceptance of the principle of collective bargaining should have led the company to discuss possible changes in its seniority plan." (*Quarterly Journal of Economics*, May, 1944, fn. 4, p. 375.) I agree with his conclusion, but not with his reason. I should prefer to say that the *agreement* precluded unilateral changes in the seniority arrangements.

DISCUSSION

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I appreciate very much the opportunity to participate in the panel discussion this morning. The importance and timeliness of the subject discussed in the two papers we have just heard cannot be overemphasized. Misunderstanding and confusion of the concept of collective bargaining and its true relation to management functions has been one of the greatest single obstacles to more effective labor-management cooperation.

I am convinced that in the two papers we have just heard, both Professor Brown and Father Brown have made an outstanding contribution toward a greater understanding of this problem. Both of them have put their fingers upon crucial issues which must be resolved if constructive and substantial progress is to be made toward effective cooperation of labor and management.

Most employers would readily admit that the man on the job has a greater contribution to make in terms of his intimate knowledge of that job, the performance of the tools used on the job, the flow of raw material, and of many other factors not immediately recognized by management or industrial engineers. They would readily agree, as Father Brown has so aptly pointed out, that workmen are experts about their jobs and that industry is more anxious than ever before to tap the knowledge and inventive capacities of individual employees. Why have tangible developments in this field been so long delayed? What are the obstacles or the barriers which seem to impede our progress toward more effective utilization of the know-how, skill, and experience, both of labor on the job and labor union leadership?

Professor Douglass Brown has clearly pointed out the tendency of collective bargaining to impinge upon the field of what has been traditionally considered management's function to manage and the extent to which the role of the arbitrator has all too frequently supported and given impetus to this trend. As Professor Brown has so well stated, the attempt to expand the scope of collective bargaining itself on the

grounds that it may properly concern itself with "fields of joint concern" has tended to make collective bargaining practically an open-end proposition. The approach to labor-management cooperation through the evolution or extension of collective bargaining has, in the past, been productive of much misunderstanding and misdirected effort, and, in my opinion, has been largely responsible for the fact that, up to this time, there has been little real progress toward effective labor-management cooperation.

I think Father Leo Brown, in his paper, has clearly indicated the second major obstacle to constructive relationships between labor and management, and that is the mistrust on the part of industry of the motives and ultimate objectives of those who urge the formal organization of labor-management cooperation in industry. The emphasis on the part of some leaders of organized labor upon joint labor-management industry councils and, what Father Brown has referred to as, union participation in the determination "of policies of industries as a whole and of relations between industries" is not calculated to enlist the enthusiastic cooperation of management in the subject of labor-management cooperation. In other countries and at other times these goals have been completely realized, and the full experience of these programs is available for study and appraisal under the subject of the corporate state.

I think that Professor Leo Brown's attempt to draw an analogy between a business enterprise and a political unit, such as a municipal, state or federal government, is extremely dubious. The two types of organizations vary so in method of operation and purpose that attempts to carry over concepts of political democracy into the operation of a business organization are not very realistic or very helpful. The attempt to describe the evolution of industrial democracy in terms of political democracy would result in the very thing which Father Brown states that labor leaders do not desire—that is, a division of responsibility and authority, which would turn the conduct of a business enterprise into a congress or a debating society. If his thesis that industrial enterprises are essentially industrial municipalities were to be accepted as the basis of the evolution of labor-management cooperation in this country, it would inevitably radically alter the form not only of our economy, but of our system of government.

What we need is a clear, common-sense understanding that collective bargaining is one thing and labor-management cooperation something else. Personally, I am convinced that beyond the field and out-

side the limits of collective bargaining there is ready and waiting a broad field wherein labor and management, in a spirit of understanding and good will, can cooperate to achieve the maximum results expected by society of our industrial system. I am in full agreement with Father Brown that, for the most part, the leaders of organized labor do not really wish to inject the labor unions into the management of a business and that, as one labor leader quoted by him put it, "the direction of an enterprise requires authority and authority cannot be divided. Management can't become a debating society."

I concur fully with Professor Douglass Brown when he says that, entirely apart from the specific provisions of a labor agreement, new problems are continually arising which, in one fashion or another, influence or alter the circumstances dealt with in the contract and which it might well be to the interest of both parties to discuss.

Even beyond this, many employers, as Father Brown pointed out, are convinced that where there is a labor union, it must be brought into any successful system of employee communications, and that the management must take the initiative "in keeping the union informed well in advance of changes in policy such as introduction of new processes and machinery, changes in production schedules, shift of operation from one plant to another. They seek union aid in eliminating waste, absenteeism and general inefficiency. They encourage joint discussion of mutual problems beyond the scope of the contract."

This is a field in which admittedly the initiative lies pretty much with management. One of the most encouraging signs on the industrial relations horizon is the increasing number of employers who are exercising initiative and leadership in this vital area. For example, this approach to labor-management cooperation has been admirably set forth in a recent book, *Beyond Collective Bargaining*, written by Alexander Heron, Vice President of Crown-Zellerbach Corporation.

Desired progress in the field of labor-management cooperation cannot be achieved through unlimited expansion of the area of collective bargaining, nor as suggested by Father Brown, through an expanded concept of the management function. Labor must be prepared to recognize and accept the fact that collective bargaining has its limits. It is true that organized labor has acquired enormous economic power, but, as Dr. George Taylor, of the University of Pennsylvania, has so pointedly observed, this kind of cooperation in labor-management relations cannot be forced. It can be won only by trial, experience, and

the growth of a mutual understanding and confidence. The approach to labor-management cooperation along the road of expanding the functions and area of collective bargaining would surely prove a dead end.

Labor asks that where employees have freely selected unions to represent them, management wholeheartedly accept the concept of collective bargaining. Management, in turn, and rightly so, can expect labor to accept, without reservation, the fact of management responsibility for the continued operation of the business. Moreover, to the extent that labor unions are willing to cooperate and contribute toward the common goal of increased productivity, increased efficiency and lower costs, this cooperation should be extended and effectuated within the framework of sound managerial principles generally recognized as essential to the conduct of a business enterprise. This means, I believe, that labor must forego its goals of joint labor-management councils and joint labor-management determination of policy at top levels.

Labor cannot demand that, as a condition of its cooperation, management share with it authority and responsibility. If that in truth be the goal of those who urge labor-management cooperation, or if it is the true objective of the trend of expanded collective bargaining, then in all candor the true objective should be honestly stated as the industrial syndicate, or the socialization of industry, leading eventually to some form of the corporate state. Certainly these objectives should not be urged either as collective bargaining or as labor-management cooperation.

I am convinced that educators and researchers in the field of industrial relations have a splendid opportunity to make a constructive contribution in this field. The very future of collective bargaining, in my opinion, depends in large measure on our success in solving relations in what are now non-bargaining areas.

The only sound basis for the continued progress of either collective bargaining or labor-management cooperation is within the framework of a free, competitive enterprise system, where the ultimate responsibility and authority for the direction and guidance of the individual enterprise is undivided and accountable. Within this framework and with this clear understanding on the part of industry, labor and the public, there is no limit to the goals which the American economy can attain.

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The problem of management rights is an old one, dressed up in new clothes. The raising of the issue of management rights today by employers is the current manifestation of the age-old conflict between labor and management, which is characterized by the attempt of management to retain as much freedom of action as possible, and the attempt of unions to tie the hands of employers and extend union control over the employment bargain. However, there are many factors that affect the employment bargain and therefore the whole collective bargaining relationship. To properly appreciate the "in-fighting" of labor-management relations, it is necessary to stand off and look at the struggle as a whole. What I should like to do in my discussion is to present the elements of an approach to labor-management relations which is not so frequently used but which has the merit of placing this issue of management rights in the proper perspective.

I am in substantial agreement with Professor Brown's technical interpretation of the collective agreement. I am delighted that he has taken into account various practical objections to a technical approach to the rights of the parties under the collective agreement. It is with respect to certain broad problems he mentioned that I should like to deal. In doing so, Father Brown's paper is involved.

I agree with Father Brown that it is not possible to draw a sharp line between those rights or functions which are to be exercised exclusively by management and those which are to be subject to collective bargaining. I disagree, however, as to why such an attempt is meaningless. Father Brown does not favor it because he feels that such an effort assumes the necessity of class conflict whereas he believes that, in reality, the interests of management and labor do not conflict but are identical. My feeling is that the dynamic and evolving character of collective bargaining relationships makes such line-drawing only a quaint pastime, with no real significance to those interested in the development of mature labor-management relations.

As a matter of fact, the view that the interests of labor and management are identical and that labor and management participate in a common function and share common responsibilities is much more disquieting than the attempt to separate, in a final manner, management functions and joint functions. It is misleading to erect a logical community of interests for labor and management when basically there is a conflict of interests. The union is organized to secure the

protection of the workers' interests within industrial society. Believing that there is a basic difference between the interests of labor and management does not assume the necessity of class conflict; the implication that it does is unwarranted. There is a conflict of interests, but not a class struggle. American labor unions do not operate upon the principle of class struggle in the traditional sense.

The nature of this conflict of interests briefly is this. If one could really define management's function, it would be in terms of concern over efficiency, production, and the success of the enterprise. That is to say, the employer's business is to attend to the increase of efficiency. This is the basic concern of management. Workers are basically interested in the manner in which they will share in the proceeds of production, i.e., with distribution. The union is a combination or organization to get a larger return. Its major concern is the distribution of the total product and, more specifically, the extent to which the workmen are to share in such total product. This combination can operate only by placing obstacles in the way of free action of employers. Its policies are necessarily restrictive, aimed at preserving the union in its capacity of bargaining over the sharing of the total product. Conflict is found at those points where the union feels management is weakening the solidarity of the union, and where management feels the union is restricting efficiency. Here will be found the two conflicting principles of efficiency and restriction.

Open conflict can be avoided in three ways: domination by the employer, as in the steel industry from 1901 to 1937; domination by the union, as in the iron industry prior to the Homestead strike; or equal dominion of the two interests, as provided by real collective bargaining in any number of industries today. The first two methods do not solve the problem; they suppress it. The third meets it in the same way that similar conflicts are met in the region of politics, namely, by a constitutional form of organization representing the interests affected, with mutual veto, and therefore with progressive compromises as conflicts arise.

There is danger in advocating a logical community of interests for labor and management. Following such an argument to its conclusion results in the assimilation or integration of unions into the business enterprise as an adjunct of management, stripping the union of its separate identity and the ability to pursue its own ends. There no longer would be equal dominion of interests, since the union would be crimped and bent like a copper wire to fit into things as shown on

the builder's blueprint. There would be no equal representation and very little collective bargaining. The union would cease to be a union; it would become a society for technical education or for sharing profits, or it would be merely an administrative aide or assistant to management, bent on pursuing not its own interests but those of business enterprise.

Father Brown regards business enterprise as a true society, with the right to govern residing exclusively in no particular group in that society. I certainly agree. That is true of any society, be it the church, the unions, industry or government. A dynamic, democratic society depends for its vitality and continued existence upon competition, particularly competition of ideas. In our political government, it is the competition of group interests that keeps our society a going concern. But certainly we do not believe or expect that each group in society conduct itself, make decisions, and advance demands of various kinds in terms of what the public interest or welfare requires! Each group is basically concerned with its own interests and operates to secure those interests. True, each group may seek to convince others that its own self-interest is in the interest of the general public. Competing group self-interests have traditionally tried to gain favor in the eyes of the public by identifying their particular self-interests with the public interest, or the good of all. That is strategy, not a basic truth. People do not act on the principle of a community of interests. Did farmers vote for Truman because they felt repeal of the Taft-Hartley Act was good for the general welfare and therefore good for them, or did they vote for him because they were enjoying high farm prices?

The point is that there are always competing interest groups in society; yet society remains a going concern. Decisions are made as a result of pressuring or bargaining; competing interests are reconciled through compromises. For this reason, the democratic process is slow, often almost breaking down. It was not meant to promote efficiency. It was designed primarily to guarantee that the individual or group can exist as a distinct entity and be allowed to make a unique contribution. Undoubtedly, an autocratic system has the superficial advantage because it is more efficient. It is efficient precisely because it is not democratic, thus precluding competition of ideas, of possible alternative policies and programs. Could anyone successfully defend the proposition that basically an autocratic system is as vital and dynamic as a democratic society? Or as sure of its continuation as a going concern?

As in the case of political government, so it is with industrial government. Collective bargaining is the agency for carrying into industrial society the principles of democratic participation found in other spheres of social activity.

It must be remembered that collective bargaining means more than merely negotiating the collective agreement once every year or two years. Collective bargaining is a continuing process, involving administration and interpretation of the agreement. Further, collective bargaining depends for success or failure upon the ability of unions and management to handle the day-to-day problems that constantly arise. Collective bargaining requires not only an organization for negotiating periodically, but a continuing organization, day in and day out. Moreover, it is unrealistic to suppose that between contract negotiation periods the unions feel they have no further rights or functions or interests to serve. It would be unjust and unwise to try to persuade them that they do not, although such an attempt has been made in much writing on the union challenge to management control. Professor Brown, however, raised a similar objection to a strictly technical approach to the rights of the parties under the collective agreement.

My final point then is a reaffirmation of collective bargaining as the means of solving labor-management controversies, including the issue of management rights. Father Brown has sought to clarify the question of union encroachment on management functions by creating a dichotomous situation. He distinguishes two types of union challenge: (1) extension of collective bargaining, and (2) actual participation in management. He does this because he is erecting a community of interests for labor and management and therefore must give unions a continuing and positive responsibility for business. Collective bargaining he regards as an extrinsic and negative encroachment on management. Formal or informal participation in management he regards as a positive, responsible encroachment. My question is, precisely how would unions acquire participation in management? Whatever form such participation might assume, what will bring it about? And once established, how will decisions be made? How will conflicts be resolved? Would it not be through collective bargaining? It would have to be if there were participation by a real union. What then is the difference between type 1 and 2 of union challenges to management? The answer, as it appears to me, is that there is none.

Whatever may be the extent of union invasion of the rights of man-

agement, it has come through collective bargaining. The significance of the union officials' remarks as reported by Father Brown lies in the indication that the union, through collective bargaining, wants to share in that aspect of management control which pertains to the job and wage bargain. Here is the feeling that the union is the proper agency for securing the interests of the workers in industrial society, and that the means of doing so is through collective bargaining with employers. However, the union technique of restricting the freedom of the employer in employment bargains and forcing upon him cooperation in the administration of job opportunities does not extend to cooperation in assuming the risk of business. Such remarks point, in my mind, to the fact that collective bargaining is the only feasible solution to the problems which may be involved in this matter. Collective bargaining is a two-way street; it is up to management to look after its own interests. Management must use collective bargaining to safeguard what it feels to be the necessary degree of freedom of action. I have confidence in management's ability to hold its own in collective bargaining with unions.

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Increasingly, of recent years, thoughtful men have been seeking solutions to problems lying in the area of this morning's discussion. The problems are indeed challenging ones—encompassing as they do the entire range of management-union relations. And the suggested solutions have been interesting and varied. The papers which have been presented by Father Leo C. Brown and Professor Douglass V. Brown add significantly to the growing body of thought in this area of collective bargaining and management rights.

As I survey this growing body of thought, I become ever more aware of the necessity for the development of sound theoretical foundations upon which more careful and meaningful analyses of specific problems might be based. Only through such development can we hope to arrive at adequate solutions to the problems with which we are here attempting to deal.

I propose to use the time allotted to me this morning to present and

briefly to comment upon what in my judgment are some of the more crucial theoretical issues underlying the topic of the present discussion. These are the issues which I am convinced must first be resolved before real progress can be made in dealing with matters of more immediate concern.

First, we need an adequate theory of management. What is management, and who are the managers? These and similar questions must be answered. An adequate theory of management must make possible a differentiation between that which is management and that which is not, between the managers on the one hand and the non-managers (as I prefer to call them) on the other. When such a differentiation is made, it will be possible to say that anyone who performs an act of management is a manager and that anyone who does not is a non-manager.

The need for clear thinking with respect to the concept *management* is strikingly illustrated in the case of decision-making. It is generally assumed that managers are the decision-makers, that anyone who participates in decision-making is participating in management. Such is certainly not the case. No worker is a complete automaton; at least some discretion (and more than is generally believed) is exercised even by those at the lowest level of the organizational hierarchy. Likewise, members of the staffs of top executives participate in decision-making but are not themselves managers. Furthermore, I believe it impossible to distinguish between managers and non-managers on the basis of the importance of the decisions which they make. Management, I am sure, is not decision-making, although managers (as well as others) make decisions.

In my judgment, the work of a manager involves the coordination, through the use of formal authority, of the specialized service contributions of responsible subordinates in the joint attainment of a designated objective. Each manager, in turn, is responsible to his formal superior for the attainment of the designated objective. These observations lead me to the second theoretical issue of importance, namely, do the activities of union leaders or members involve participation in management?

It is important to see that these individuals are either managers or they are not managers. They are managers only if they possess formal authority with respect to organizationally responsible subordinates and if they in turn are formally responsible to an organizational superior.

These conditions seldom characterize the relationships of union leaders or members to the organizational unit with which they deal.

This is not to say, however, that unions cannot participate in those decisions which are made by managers. Decision-making involves three steps: (1) discovering relevant alternatives, (2) determining upon the consequences related to each alternative, and (3) making a choice. Non-managerial personnel, union or nonunion, can make important contributions in the first two steps. They can bring to the attention of management relevant alternatives and consequences of which management is not aware. But they cannot make the final choice. That choice can be made only by the manager who can be held organizationally responsible for it. And, in this connection, organizational responsibility needs to be distinguished from moral responsibility. When one uses the phrase "responsibility of unions," it is important that his meaning be made clear, for enforcement of responsibility is often a crucial question.

But, it might be argued, through collective bargaining unions do arrive at decisions and impose them on the organizational units with which they deal. Does this not represent participation in management? This question raises the third issue of importance; namely, how can the collective bargaining relationship between unions and enterprises best be characterized?

In my judgment, unions are control or regulatory agencies. They are not a part of the formal organization of the enterprise. They are external to the enterprise. They affect management by limiting managerial discretion with respect to given matters, by completely eliminating managerial discretion in certain matters, or by imposing specific courses of action on management. None of these acts is characteristic of the work of a manager, as I have set it out above. In this respect, unions bear the same relationship to enterprises as do governmental agencies, other parties to contract, all monopolistic and monopsonistic economic groups, arbitrators, business associations, and the general social order. If unions, through collective bargaining, participate in, and therefore are a part of, management, then so are all of these other groups which at one time or another control or regulate enterprises. If one were to attempt a definition of management broad enough to include all control agencies, the result would be a concept of management so lacking in content and sharpness to be of no theoretical or practical value.

The basic thesis of Professor Brown's paper is relevant to this point. He is concerned with the meaning of the collective agreement—the agreement which defines the scope of the control or regulation to be exercised by the union with respect to the enterprise (and, at times, that to be exercised by the enterprise with respect to the union).

The fourth issue of importance relates to the degree of control to be permitted to unions. I am of the opinion that it is impossible to lay down generally applicable lines of demarcation between those activities over which unions may exercise control and those over which they may not. The underlying relevant factors vary to such an extent from one case to another and from time to time that such an attempt seems futile and meaningless. Basic criteria are needed to make possible an evaluation of the full implications of any given extension of union control.

Father Brown is correct in emphasizing the fact that a business enterprise is able to exist because it performs a service for the community. In the performance of this community service, the service-contributions of both managers and non-managers are essential. Both groups have important and distinct functions to perform. Neither group can function effectively if it is excessively circumscribed in the performance of its specialized task.

But what involves excessive circumscription? For example, how much discretion must management have and with respect to which matters if it is to be able efficiently to manage an enterprise? To my knowledge, no one has yet dealt adequately with this question. And yet, appraisals of the implications of extensions of union control await upon the development of useful evaluative criteria. Here lies an extremely important area for basic research.

This listing of four crucial theoretical issues is not intended to be complete, nor have the brief discussions of them been intended to be adequate. My purpose has been to emphasize the importance of fundamental thinking to an understanding of the question of collective bargaining and management rights. Too much of what has recently been written and said about the question has dealt with surface issues, resulting in conclusions which have often been unimportant or incorrect. It is to be hoped that a future probing of the fundamental issues will make possible clearer understanding and therefore wiser choices of policy.

CHARLES WIEDEMANN

International Association of Machinists

I shall resist the temptation of a direct approach to the heart of the topic of the moment and shall try to achieve a positive position by subtle means.

The papers presented by the Professors Brown show evidence of careful and laborious preparation, setting forth clearly and copiously composite views dealing with management rights and collective bargaining. They have been of little help to one who is supposed to develop an issue because they were careful not to take sides. Their observations and conclusions appear to parallel the writings of learned, but not always practical, pollsters, news commentators, and other educators on this subject. Since neither has developed new thoughts or unique conclusions in the collective bargaining area, my immediate reaction was one of a "so what" attitude. I did detect, however, something that is common not only to them, but also to others in the collective bargaining field, including many labor representatives.

They have consciously or subconsciously subscribed to the theory that management has some divine rights that are called prerogatives, and that labor, through collective bargaining channels, is usurping these rights.

Rather than to attempt an analysis of management rights in collective bargaining, I would prefer to deal with the subject from the standpoint of labor's rights. In this wise, we might properly narrow or expand each field.

Our economy operates in three spheres: the business or management sphere, the labor or worker sphere, and the public sphere. If we could treat each sphere as a separate entity and govern each by fixed rules of ethics, there would be few problems. Unfortunately, however, these spheres overlap, and it is exceedingly difficult to draw a line of demarcation that would identify and satisfy each group within its own sphere.

If we add one dependent for each to the 60 million people employed, we have 120 million people allied within the worker sphere. It is difficult to distinguish the public from the working people because such a preponderant majority of our 140 odd million can readily be considered as "the people at large" or the public itself. Can we, in the light of such evidence, continue our outmoded customs that the small minority must be catered to and that labor must, at all costs, be shown its proper place? I think not!

Labor plays by far the most important role in our economy not only because of its inventive genius and mass production but also because of its mass consumption. Without its employed physical, mental, and skilled capacities, we might yet be harnessed to a feudal state or the barter and exchange system of old. We would not enjoy a virile economy—any depression will attest to that.

Actually, the unionization of the working people has not as its objective the seizure of management rights; rather, it is a movement for a *recovery* of its own rights that past customs have decreed otherwise. Present laws dealing with collective bargaining and their interpretation by the courts have indicated a very broad labor field in the collective area; much broader, in fact, than even labor realizes, and, unfortunately, broader than management is willing to concede. The courts' interpretation of the Wage and Hour Law regarding overtime payment and the recent Supreme Court denial of a circuit court decision that makes merit increases a collective bargaining issue are significant trends in the ever-widening possibilities for labor to recover its rights.

During the last ten years labor has awakened to the fact that rights decreed by custom to others could be restored properly under the laws of the land. Thus there will be a continuous pressure movement that will not be satisfied until labor gets everything it is entitled to, at least, under the law.

During this evolutionary period the working people will not only regain their inherent economic rights, but in the process will forestall the power of business to continue to plot paternalistic patterns for the workers to live by.

Management has a responsibility—to manage a business in such a way that profits are possible and jobs are secure. Labor likewise has a responsibility—to direct its working forces into channels that will achieve this end.

Until each has determined what its relative share of profits shall be on an equitable basis, there will be widely divergent opinions in the collective bargaining field regarding their respective jurisdictions. If we could discard preconceived notions that stem from outmoded customs regarding the propriety of both parties in the matter of prerogatives, it is my opinion that industrial peace would result. If not, who can predict with accuracy what the metamorphosis will bring about?

I suggest that management gracefully withdraw into a managerial capacity, concerned only with sales, distribution, and technological

processes. Let labor through its collective agencies handle problems dealing with the human and social aspects of our economy.

Labor organizations are closely parallel to religious organizations, and each represents a common philosophy. The worker seeks to express this philosophy through his labor organization by achieving the security in life that religion gives him after death.

Chapter 7

THE ROLE OF VARIOUS DISCIPLINES IN INDUSTRIAL RELATIONS RESEARCH¹

¹ The chairman of this session was E. Wight Bakke, Director, Labor and Management Center, Yale University.

THE CONTRIBUTION OF PSYCHOLOGY TO INDUSTRIAL RELATIONS RESEARCH

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THE INTEREST of scientific psychology in industrial relations research goes back to the early years of this century. Hugo Münsterberg first explicitly pictured the problems and the challenge to psychologists in his book *Psychology and Industrial Efficiency*, published in 1913. Since that time, industrial psychology has steadily grown and expanded its horizons.

In recent years, with the widespread intensification of interest in industrial relations problems, psychologists along with their fellow social scientists have accelerated the pace of their activities in this field. They have been aided by the steady abatement of the older predominant emphasis on exclusively economic interpretations of labor relations. Nowadays the urgent need for more balanced study of the human factors in the problems is recognized in all quarters.

Psychological contributions to industrial relations research are great or small depending upon one's definition of "industrial relations." The most extensive work by psychologists has been the development of technical personnel procedures. If these are viewed as an important part of industrial relations, then most of this paper might well be devoted to employment testing, rating scales, job evaluation, and similar techniques. I assume, however, that this gathering is much more concerned with group relations between labor and management—that is, with the "social psychology of industry." It is these phases of industrial relations that I shall keep principally in view. I do this with the clear reminder, however, that I am thus slighting extensive research activities that many of my psychological colleagues would insist constitute their most significant contribution. I shall not, of course, ignore these technical employment studies; they have important bearing on other industrial relations problems.

Perhaps it is inevitable that psychologists have contributed less to the bafflingly difficult problems of motivation and group dynamics than to the selection of employees and the improvement of job efficiency. Rigorous research methods are readily applied to constructing

a battery of serviceable employment tests ; demonstrating the superiority of a particular union-management policy is quite another matter.

This contrast is a particularly troublesome one for psychologists—at any rate for the religiously “scientific” psychologists. Psychology has prided itself on being a science—a laboratory, experimental, precise science. Its practitioners are happiest when they can read objective response measurements from a handsome, brass recording instrument, or can rotate the axis of a correlation matrix to arrive at a “primary ability.” This predilection for the “scientific” has led most psychologists to avoid the large, intricate and amorphous questions so typical of interpersonal and intergroup relations in the real world.

Along with the insistence on being scientific, however, psychologists have also continued to speculate and theorize in ways that valuably enhance man’s understanding of man. In appraising the contributions of psychology to social research, the influence of these psychological theorists and their “schools” deserves a high place. Directly or indirectly, every industrial relations research man cannot but owe some of his hunches, hypotheses, and interpretations to their thinking. Among the most influential systems are those of Freud, McDougall, Watson, the Gestalt group and Kurt Lewin.

Put in terms of practical advice, I would suggest that the thoughtful industrial relations research investigator will profit more from reading extensively in the literature of these schools than in searching out the specific scientific contributions of psychologists working on industrial relations problems. Fortunately, the two are not alternatives. While my paper deals principally with the more restricted contributions, we shall return, at the close, to add some reflections on the role of psychological theory.

In order to depict the more concrete ways in which psychology plays a role in industrial relations research, I propose considering briefly seven representative sets of problems to which psychologists have addressed themselves.

Matching Men and Jobs

First are problems of matching men and jobs. Psychologists have devoted a greater part of their efforts to this area than to any other in industry. Considerable practical success has been achieved in improving employment selection and placement—on the basis of careful job analyses, through the use of properly validated tests, and by means of well-planned application forms, rating scales, and interviewing

procedures. Work along these lines is currently enjoying an unprecedented burst of popularity, following the widely publicized use of these methods in the armed services.

Have these "personnel" applications of psychology significance for broader industrial relations research? The answer is clearly affirmative. It is necessary only to mention, for example, that unsuitable job placement may be a potent factor in causing employee discontent, as evidenced in certain labor turnover studies and in clinical reports on so-called "problem employees."

Measurement studies of jobs and workers likewise suggest varied industrial relations research projects that have been little worked on, and usually inadequately, because of the non-use of psychological tools. For example:

Is there a general disparity between the distribution of mental ability and intellectual achievement in the population and the distribution of job requirements and opportunities to use abilities? (The answer may have profound implications regarding the occurrence of industrial unrest and the changes necessary in industry if work is to be more personally satisfying.)

What relation do wage differentials among jobs bear to the job characteristics and to the qualifications of persons in the different positions?

What effects do specified changes in labor policies have on the calibre of applicants attracted? What effects on individual production in relation to workers' abilities?

What is the effect of a seniority promotion system on the fitness of workers in higher-grade jobs compared to a situation where promotion is supposedly on the basis of merit?

Do any ascertainable abilities and traits characterize workers who adapt satisfactorily to routine, repetitive jobs? (Easy answers are sprinkled through the literature but there are few careful studies and no clear conclusions.)

How do the abilities of workers who become first-level supervisors compare with those who become union shop stewards or committeemen?

Scores of similar questions will doubtless occur to you—questions the answers to which turn on the use of psychological measurements of jobs and men. Industry has barely begun to use its employment techniques for broad-gauge research rather than confining them to the immediate day-to-day job of the employment office.

Methods and Conditions of Work

A second set of problems has to do with methods and conditions of work. The problems are those of increasing the efficiency and agreeableness of work as determined by training, hours of work and rest periods, methods and intensity of work, surrounding conditions, and adaptation of machines and equipment to workers. It will serve our present purpose merely to point to a few research activities comprehended within this wide-ranging assortment of problems.

Thus psychologists, along with physiologists and engineers, have helped establish tentative standards for illumination and ventilation. They have shown the effects of music and of conversation in alleviating monotony. They have demonstrated that rest periods and shorter hours, within limits, lead to increased output on many jobs. They have carried on detailed analyses of work methods and conditions that have made it possible to reduce accident rates. Great numbers of experiments on learning have served as a basis for more efficient training procedures. Studies of machine design and work methods in relation to the psycho-physical qualities of people have pointed the way to mechanical changes in the interests both of production and human well-being.

Research of this kind contains intriguing potentialities for extension. For example, we need continuing, careful investigations to ascertain whether minute subdivisions of operations may have gone too far in certain specialized mass production industries. Perhaps work simplification has overshot its mark not only from the standpoint of causing deep-seated frustration and unrest but possibly also in terms of output and unit costs. Experiments on the rotation of workers from job to job should be carried further than they have been—and likewise experiments on the effects of rest periods spent in varied ways, including favorable opportunities for congenial social relations during relief periods. Another series of studies should explore the potential accomplishments of joint union-management attacks on problems of the kind under discussion. For the purposes of these studies, as in the case of employment techniques, research tools are available and numerous illustrative investigations point the way to opportunities for further rewarding work. The potential psychological contributions have only begun to be actualized.

Attitude Studies—Labor and Management

Our remaining illustrations of psychology's role in industrial relations research lie more definitely in the *social* psychological sphere. They represent the more recent developments of psychological work in relation to industry.

A major subdivision of these studies, to which we now turn, deals with labor attitudes and motivations—and those of management. The investigations have to do with incentives, morale and unrest, the psychological roots of labor-management conflict and cooperation.

Almost all of the distinctly psychological work on these problems has made use of questionnaires, interviews, and scales to ascertain people's feelings and attitudes. Objective records of workers' behavior constitute important additional sources of information, however, as seen in analytical studies of labor turnover, absenteeism, grievance files, measures of quantity and quality of output, and in firsthand observations of wasted time on the job, participation in union activities, and kinds of leisure time pursuits. We shall limit our observations here, however, to the verbal inquiry procedures.

The verbal survey methods for studying attitudes have undergone considerable development over recent years. At their best, they are now among the most useful tools of social research. During these last years, the methods have been extensively employed in industrial relations work. Psychologists and others using similar techniques have been called in by scores of companies to assess the state of employee "morale," and to ascertain "what's on the worker's mind."

The studies employ a wide variety of specific techniques—formal and informal questioning; oral, written and, at times, pictorial and projective techniques; short answer and detailed spontaneous responses; individual interviews and group interviews; scaled or unscaled items; single questions versus sets of interlocking questions, and many other variations. The studies also differ greatly in content—from those that aim at opinions on one definite topic, for example, a company pension plan, to those that seek a comprehensive picture of feelings regarding everything that may be significant in employee morale and job satisfaction. The questioning may aim merely to ascertain the direction of people's feeling or it may, more ambitiously, try to determine additional important facts—for example, how intensely the attitudes are held and how urgently they impel the individual to action; how the attitudes relate to one another and whether a general

index of job satisfaction or morale is justified; how fixed the attitudes are and how easily they may change under the impact of new conditions and new information or propaganda; how fully they are integrated into an organized structure of thought and emotion; how *personally* they are felt; how realistic or well informed the views are, etc.

Attitude surveys are considered a valuable aid to management. They serve an immediate, practically useful purpose in telling company executives whether employees are generally satisfied and loyal or dissatisfied and in respect to what. This knowledge calls attention to the troubles and the departments where remedial action is needed. It enables an alert management to catch incipient grievances before they become explosive; to detect weaknesses in morale in time to take constructive action.

In addition to attitude inquiries within particular companies, a number of surveys have been conducted among working people on a community-wide or nation-wide basis. These surveys significantly extend the findings of the company studies in two important respects: (a) They provide a more representative sample of all working people. Surveys in selected companies obviously cannot be considered a sound basis for generalization about industry as a whole. (b) They often include enlightening questions of a kind not covered in company studies conducted in their own plants. I refer especially to questions eliciting views toward unions, political action, and social and economic changes. For obvious reasons managements do not ask these questions. Yet they reveal information invaluable as a supplement to the management-type inquiry. An example or two will illustrate the point:

A national cross-section of factory workers was asked: "Who would you say is more interested in the personal welfare of the workingman—the heads of your company or the union heads?" Among all factory workers, the vote was almost two to one for union heads as against company officials; among union members, it was four to one.

In another survey, this question occurred: "Do you think it would be a good idea or a bad idea for workers in a company to have someone they elect represent them on the Board of Directors or some management council?" Factory workers voted: Good idea 75 per cent; bad idea 9 per cent.

The foregoing emphasis on workers' attitudes must not be taken as an indication that the attitudes and motivations of union leaders, employers, and all levels of management are not equally in need of

study. While less has been done in applying refined interview and questionnaire methods to the surveying of business and labor leaders, the procedures are appropriate and, in fact, have been used in a number of suggestive investigations.

In some of these polls, identical or parallel questions regarding social attitudes have been put to business executives and labor leaders and also, at times, to samples of workers. These studies make possible direct comparisons of views in a manner that helps define areas of agreement and disagreement among the respondents. When the surveys are repeated, they likewise serve to show changes occurring in the several groups, whether they are drawing closer together or diverging, and the correlations of the changes with possible explanatory occurrences.

The potential range of research applications of attitude measurement in industrial relations is literally limitless. The question of attitudes and motivations obtrudes itself unavoidably into studies of management and labor. The psychologist offers no highly scientific or fool-proof techniques to meet the need; he does possess somewhat refined procedures that represent definite improvements over "common sense" questioning and reporting.

A few typical research questions on which attitude survey methods are proving useful or to which they can be applied are these:

How are attitudes formed, and changed, which make for effectiveness and personal satisfactions within an organization? What are the "principles" of organizing and managing human activity to produce these results? (A leading example of this type of research is the program currently under way at the Survey Research Center of the University of Michigan.)

How do working people respond to the competing influences of appeals from employers and union leadership, each striving to win a larger measure of their loyalty and support? How are their resultant attitudes affected by differences in personal background and experience and by their different group identifications and the social pressures operating on them in the present?

What attitudes do top company policy makers have toward public opinion and the need for adjusting to it in determining their labor policies?

Do engineers and production executives manifest social attitudes different from those of commercial and financial leaders, as Veblen and others have argued? If so, what are the differences and how do they affect labor policies?

Labor unions, too, may be expected to make more use of attitude research. For example, surveys may secure information as a basis for organizing campaigns, say among white collar and professional employees. Or, within their present membership, studies may be conducted to ascertain needs and desires and to indicate union moves that are likely to be popular or unpopular.

Are wages and job security as all-important to workers' attitudes as often asserted? Or are wages greatly over-rated, as a number of my fellow psychologists have argued (fallaciously, in my opinion)? How significant are intangible, "non-economic" factors such as pride in work, enjoyment of congenial companionship on the job, the respect of the boss?

What can intensive attitude studies show as to the psychological forces making for radical change in the way industry is run—and making for resistance to such change?

It would be inexcusable to leave the impression that attitude researchers have been concerned solely with better techniques for data collection. The analysis and interpretation of the data are frequently a more pressing preoccupation. The feelings expressed in interviews and questionnaires often mean something quite different from what appears on their face. Both thorough statistical analysis and penetrating psychological insight are required for sound interpretations; the "facts" do not speak for themselves. True attitude research is not mere "nose-counting" or opinion polling; like other worthwhile research, it must be guided by intelligent hypotheses and the research plan must be appropriately designed to test these hypotheses.

A case in point is this: In Department A of a plant, 36 per cent of the workers complained about physical conditions of work while in Department B the figure was 12 per cent. Yet it was apparent to everyone who knew both departments that the conditions were decidedly superior in the department with the more unfavorable attitudes. Obviously, the replies required "interpretation." It turned out that the employees in Department B were more dissatisfied about almost everything, the key causal factor being a heartily disliked supervisor. But without this supplementary information the attitudes toward other job characteristics would readily lead to wrong conclusions.

You have probably all encountered the conclusion drawn by some psychologists that wages are relatively unimportant in job satisfaction, that their influence has been falsely stressed by labor leaders and busi-

ness executives alike. Certain of the analyses on which this conclusion is based do not at all warrant the generalization. In fact this entire problem of the relative importance of wages and other factors in job satisfaction is in a sad state of contradictory results and confused misinterpretations. In this particular matter the contribution of psychology is not only the positive one of suggesting promising initial gropings toward needed analytical procedures but also the negative one of announcing careless and unguarded generalizations masquerading as scientific conclusions.

In my opinion the psychologist's contribution in the attitude-opinion area should consist as much, at present, in warning against over-enthusiasm, over-simplified thinking, and too hasty general conclusions, as in offering procedures for ascertaining attitudes. While it is valuable to continue and extend the use of attitude surveys in industrial relations research, the work should go forward with most circumspect interpretations of findings. Attitude inquiry procedures should be treated as more akin to complicated clinical examination than to a yardstick.

Psychological interest in problems of industrial motivation and attitudes reaches far beyond the analyses of the questionnaire and interview results. With or without such material as a starting place, psychologists have labored over such problems as why men work, why they join unions, what types of incentives are effective, what motives make for cooperation and what ones for conflicting relations. A significant body of psychological literature has grown up that focuses on these issues.

It would be foolish to dismiss these theoretical discussions as worthless, arm-chair speculations. They are based on great stores of relevant information about people and human relations and about the concrete background of industrial situations. What they lack in systematic, objective, precise observations may be more than compensated for by the breadth and depth of the knowledge brought to bear on the problems. They make use of whatever evidence is available—from personal experience and casual observation as well as from scientific studies; from studies of children as well as adults, of abnormal as well as normal personalities, of other cultures and historic periods as well as our own. Even the most rigorously scientific investigations remain narrow and barren unless they are interpreted in a frame of reference provided by broad social-psychological views of the motivations and inter-personal processes that operate within our industrial society.

Clinical Studies

A fourth direction of psychological work refers to studies of individual adjustment in industry. This is the approach of the clinical psychologist, the psychiatrist, the mental hygienist. It is concerned with the personality problems, the personal adaptations, and the effectiveness of the individual, whether a wage-earning employee, salaried executive, union official, or owner of the business. I need scarcely remind you how popular and increasingly important the detailed and intimate analyses of individual personalities has become. Many business executives are convinced that this is a promising means of solving their own mental difficulties, improving the personalities of their partners and subordinate executives, rehabilitating "problem employees," and bettering morale generally by emotional re-education of dissatisfied employees. If it were feasible, I am sure they would like nothing better than to turn a psychologist or psychiatrist loose also on the union leaders with whom they deal.

It is comfortable and tempting for management to think of employees' dissatisfaction and labor leaders' demands as symptoms of subjective disorders that require psychotherapy rather than viewing the discontent as due to conditions of employment and working life that call for objective remedies. Not a few clinical psychologists have come to recognize this tendency to overstress the subjective and are striving to steer a reasonable middle course between curing individuals and curing conditions.

While the purpose of personal adjustment work in industry is primarily that of direct help to individuals and thus to the organization, research information may emerge at the same time. As cases accumulate, it will be fascinating to have a collection of instances where clinical psychologists employed as management consultants have succeeded or failed in building team-work and improved industrial relations through producing personality changes in top executives. Not less interesting will be the research observations showing the comparative part played in employee morale by objective conditions and by personality factors. In a few instances, extensive research programs have already utilized the clinical method on problems of direct interest to industrial relations. Notable first studies have been conducted, for example, by the British Industrial Health Research Board to ascertain the extent and significance of neurotic illness among factory workers.

It requires little stretch of the research imagination to picture a great expansion of activities along these lines. We shall doubtless continue to hear over-enthusiastic claims that will need to be sharply discounted. Long before the current wave of interest in this type of psychology, some investigators would have had us believe that industrial unrest and labor disputes could all be cured by proper doses of psychology or psychiatric treatment in the right places. Exaggerated claims aside, however, I believe that everyone interested in industrial relations research will do well to keep abreast of the contributions clinical psychology is making—contributions both of specific knowledge derived from industrial studies and likewise more general achievements, yielding deeper insights into personal and group relationships.

Group Dynamics

Closely related to both attitude surveys and clinical analyses are the lively developments of the past two decades in *studies of social groups in industry*. Psychological research in this field has emphasized interpersonal relations within small groups—and especially the processes of interaction and change within the groups. Problems of leadership and supervision come in for attention as part of the group process. Work along these lines is coming to be known as the study of “group dynamics” and is especially linked with the name of Kurt Lewin though, of course, many others have contributed as well—particularly, perhaps, Moreno and his school of “sociometry.”

It is difficult to specify even approximate limits to the scope of group studies in industry. Potentially indeed, they may come to include a very large part of industrial relations research. To date, however, they have tended to be characterized by certain special interests and viewpoints. We shall confine ourselves to these.

The most general feature of this approach is its concentration on the structure and functioning of the small group, the roles which individuals play within the group, their interactions as group members, and the ways in which changes in the group occur in response to new conditions and to influences affecting any part of the group. In studying these matters efforts are made to observe and record each aspect of social process and members' behavior within the group.

A familiar illustration, which antedated the more distinctively psychological contributions, is the detailed study of small work-groups in the Western Electric Hawthorne investigations. You will recall the

prominent place the Hawthorne investigators were led to assign to informal social relationships in industry—and the consequent need for management's understanding of the group process and guiding personnel practices accordingly.

Psychologists, along with their fellow social scientists, are pushing forward the systematic study of group relationships on many fronts, including work in industry. One major branch of the research tries to analyze conditions for productive and satisfying participation by group members in carrying on the group's activities. These inquiries are finding strong support for the democratic, permissive type of group leadership and for the beneficial effects of group decisions in which all members feel themselves personally involved.

Following the implications of such concepts, efforts are under way to find effective methods for training supervisors and higher-level managers in the use of democratic leadership procedures. How far this can be pushed within industry that is essentially undemocratic in its organization, with control exercised from above, remains to be seen. The researchers seem reluctant to face this fundamental paradox; problems of conflicting interests and power relations are avoided or explained away. At any rate, it may be noted that the form of industrial democracy the experimenters deal with has been sufficiently fenced in to make it acceptable to a number of top management circles.

Whatever questions one may raise about the social orientation and longer-run outcome of this type of thinking, however, it is undeniable that it has opened up stimulating research explorations. Whether or not the group functioning that is studied is truly "democratic," the research does produce evidence to show the valuable results achieved by encouraging participation and collaboration within working groups; it does significantly augment our knowledge regarding the challenging possibilities of developing group leaders who get results by non-dominating procedures. An interesting feature of the development is the use of socio-drama or role-playing techniques for training leaders.

Future studies, it may be hoped, will delve into the influence of the larger social and industrial context on the processes within the smaller groups. Other studies, even more momentous in outcome, will need to trace the natural course of the so-called democratic group process in industry over longer periods of time. Will the active participation in decisions, if taken in earnest, peacefully remain within the boundaries imposed from above or does it lead on to expectations

of complete participation at all levels—and just how far will such “dangerous” experimentation be allowed to go?

Studies in industrial group dynamics will also surely be extended to the analysis of conflict and accommodation processes in collective bargaining conferences, grievance settlements, arbitration procedures and all other forms of union-management dealings. Social psychology is now hesitating (only momentarily, I think) at the edges of this vast territory of research opportunities.

In another direction, psychological studies are already beginning to explore the social dynamics of large organizations like corporations and labor unions. What are the ways in which authority is exercised? What are the limiting and controlling influences, formal and informal? How is responsibility accepted or evaded? In pursuing these questions, investigations proceed to examine the relative effectiveness of different organizational structures under varying conditions and to inquire into the patterns of actual operations as contrasted with blueprint specifications.

One further note is warranted, before turning from group dynamics, to call attention to a research group in England that most interestingly combines the last two types of work we have been discussing—the clinical or psychiatric and the group relations approach. This “Tavistock Institute” emphasizes what it calls “group therapy.” Its point of view is psychoanalytic, but it concentrates its research not on the problem of treating individuals but on finding methods for ministering to disordered *social relations*. A number of its investigations are conducted in British industry. The research staff works intimately with groups over long periods—striving never to be intruders nor to impose solutions upon people, but conscientiously playing a collaborative role in which the guiding rule is to help people solve their problems for themselves. Research participation and therapy are inseparably joined.

Employer-Employee Communications

The sixth of our seven illustrative fields of psychological research on industrial relations is that of employer-employee communications. Psychologists have not remained unaffected by management’s lively interest in this hoped-for answer to their labor relations troubles. Psychological knowledge and techniques have been brought to bear on the problems of measuring the effectiveness of present communications and analyzing ways in which they can be improved.

The principal research has made use of attitude survey methods to determine who reads or listens to given messages, what changes in ideas and feelings result, what types of message and manner of presentation would better produce desired results. The procedures of attitude-opinion inquiries and their values have already been discussed. Along with these, in communications research, goes the use of "content analysis."

The study of content or subject matter makes use of clearly defined objective classifications of the elements in the communications under study, both their form and their meaning, in order that this content can be systematically considered in relation to its purposes and its impact on people. Conclusions may indicate that simpler wording is necessary, that altogether different appeals should be employed, that certain ideas are having a boomerang effect leading to precisely the opposite views from those intended, etc.

Combining opinion and content studies, investigations have been conducted to ascertain whether employees read, understand, believe, and remember material in the company's financial statements. Or, an analysis is made to determine the popular and unpopular features in the employees' magazine—and what accounts for these reactions. More general studies may inquire into the relative influence exerted by all the different means of communication—printed materials, loud speaker system, bulletin board, foremen's statements, talks by major executives, and other procedures for circulating desired ideas.

More difficult and challenging studies in this area deal with the problem of how well labor and management leaders and rank-and-file working people understand one another, whether better communications can lead to fuller understanding and, crucially, whether and under what conditions the more accurate understanding produces more amicable relationships. There is an easy over-simplification ordinarily voiced to the effect that if people only understand each other's aims, attitudes and activities, they will adjust to one another and live peacefully together. We need a great deal of research on that question—in international relations and as between various other groups in our society as well as in the labor-management sphere.

These few comments are perhaps sufficient to suggest the large place for psychological research on communications both in the specific service of management and unions and in broader application to determining the role and limitations of communications in solving industrial relations problems.

Public Opinion

The final set of studies we shall mention are investigations of *public opinion outside of labor and management circles*. Despite what happened last November 2, public opinion research is still a tool of great value when properly used. The jolt of the election experience has doubtless increased the care with which opinion survey methods will henceforth be employed.

We dealt earlier with attitude studies among workers and employers. At this point I wish simply to underscore the fact that views affecting labor-management relations exist in all sections of the population and that the psychologist properly concerns himself with the content and intensity of these attitudes as well, with the way in which they are formed and changed, and with the influence they exert on labor-management affairs through informal public pressures, organized community activities and governmental controls.

We have studies, for example, of what the various middle class groups think about organized labor, about corporations and about relations between the two. How did they come to feel as they do? What deeper, more general, attitudes underly their specific reactions on labor relations issues? Not only in samples of the public as a whole but more particularly among community leaders and grass-roots opinion influencers do such questions need to be answered.

Obviously the appropriate research methods here are those already referred to—attitude and opinion studies and experimentation and analysis in the field of communications. The only reason for treating this research as a separate topic is that it appears to be an important and rather neglected part of industrial relations study. The role of the social psychologist in this situation may be chiefly that of directing greater attention to the problems.

The Place of Psychological Theory in Industrial Relations Research

In closing, I want to say a few words about the place of psychological theory in industrial relations research. Industrial relations thinking has been carried on for the most part within a framework provided by economic theory plus the common sense ideas of the practical man. Psychology brings somewhat different conceptual tools and orientation that should prove suggestive in evoking new research ideas and in guarding against over-simplifications arising from neglect of significant factors.

The most clearly relevant body of theory is that pertaining to

motivation and personality. But there is important place too for psychological formulations dealing with learning, perceptual and thought processes, individual variability, and, in an integrated way, with the interrelations of these and other key concepts.

In general, psychological theory directs our research to the *individual persons* who enter into labor relations. Always, of course, the individual is a *social* animal, molded by the culture and the group influences affecting him throughout his lifetime; and social, too, in that he reacts constantly in the present within a never-absent complex field of social forces. Man must be studied as a group member, a component of interpersonal and institutional relationships. Nevertheless, with this understanding of his social nature, we still can and do focus on the *individual*.

This does not limit one's study to an occasional single person; we may well study many individuals representative of large groups. There is no implication that research formulation in terms of individuals means an interest in the uniqueness of persons; in labor relations we are usually concerned with behavior, attitudes, and beliefs common to many persons.

In studying individuals we employ a variety of interrelated, analytical concepts. I refer to such ideas as those of tensions and goal-directed motivation, and the classification of these into broad categories defined by reference to the conditions that bring relief, satisfaction, or diminution in tension—the conditions of gratification or deprivation. One can build upon this base in terms of such theoretical constructs as the sentiments and attitudes toward particular objects, notably the attitudes towards self or ego, and the intricate types of process by which the individual preserves his favorable self-feelings in the face of personal frustrations, insecurity and guilt (the Freudian mechanisms). I have no intention either to elaborate upon or to criticize such views at this time. I mention them simply to ask whether they, or alternate and supplementary formulations if you prefer, do contribute to our research.

As a minimum, it seems reasonable to claim that a theoretical approach directs attention to variables that might otherwise be slighted or ignored. An example is the need for avoiding one-sided emphasis on strictly economic factors in analyzing collective bargaining processes and industrial disputes. A similar illustration would be the avoidance of attaching undue weight to some one motive or some one set of job attitudes in explaining industrial unrest in groups of

workers, contrasted with an appreciation of the multiple determination of the reactions under study. Another case in point is the necessity, in studies of democratic participation and organizational relationships, of seeing the larger social context affecting group members, in order to guard against the neglect of broad social, political and economic influences in the world outside the situation directly under study.

This last point is a specific instance of a quite general application of social-psychological theory to the guidance of research on labor-management relations. Investigations of the parties in industrial conflict and the interactions between them must study personal motivations and beliefs, not only as they grow out of the circumscribed situation but always with an eye also on the entire psychological world of the managers, employees, union officials and others involved. The "psychological world" includes prominently the entire pattern of beliefs and expectations of the groups within which the individuals are caught up and to the standards of which they conform. People react to situations and relationships as they perceive them, not according to objective reality. Consequently it is essential to study the personality makeup and the social background of persons as well as the immediate influences playing upon them, since all of these determine the perceived meanings and corresponding behavior.

Thus, for example, what is labeled "irrational behavior" on the part of employers or employees is often behavior that *appears* irrational because the investigator views it in a too narrow frame of reference; it derives its rational basis from a larger world than that apprehended within the scope of his study.

Without further elaboration, these few comments regarding the need for psychological theory may serve, at least, to register the conviction that psychologists must be looked to for something more than neat research techniques and occasional specific findings bearing on labor relations. They must also cooperate with other social disciplines in providing useful theory. Our goal, in fact, must be the development of a systematic psychology of social relations, applicable to industrial problems as to all other spheres of human interaction.

THE ROLE OF POLITICAL SCIENCE IN INDUSTRIAL RELATIONS RESEARCH

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IT SOMETIMES SEEMS to me that, in the company of economists, the political scientist is impelled to enact the role of a sordid realist, emphasizing what to them appear to be the non-rational factors of power, opinion, and institutions in the discussion of public policy; whereas in the company of "practical" politicians, administrators, or observers the political scientist appears as a secular preacher or moral philosopher, insisting that political reality consists of more than power in the narrow sense of the processes and techniques whereby one individual or group imposes its will on others. It is perhaps unnecessary to apologize for being two-faced in this respect, because if there is any group of social scientists who spend most of their time applying conceptual tools of analysis outside their own academic specialty, it is the labor economists. In present company, therefore, I take it I am among realists and should put on my philosopher's hat.

In characterizing the contributions of political science to the study of labor and industrial relations as primarily conceptual or philosophical, I am not asserting any higher or autonomous status for my own discipline. I believe that in different areas of public policy the interests of individual economists and political scientists should bring them continually closer together. Economists tend to emphasize the effects of alternative policies upon production and distribution of goods and services, and on the employment of human and natural resources; while political scientists seek to analyze policy decisions in terms of the limitations imposed by the policy-making process, the effects of policies upon the distribution and equilibrium of power in society, and administrative policy and organization. In the field of industrial relations, perhaps no more than a minority of political scientists will ever do much direct research, for their research training and job opportunities tend to lead them toward government and the professions rather than unions or business. But political science and labor relations have much in common, conceptually and practically.

As the functions of government deepen or expand in the field of industrial relations, and as the government of trade unions acquires more and more of the aspects of a public association instead of a private club, both the scope and frequency of contact should increase greatly. There is no conflict of jurisdictional interest. Neither group has imperialistic designs; both maintain open shops. Our problems are not of jurisdiction but of communication. The difficulty is that most students of industrial relations are practicing political scientists who, with outstanding exceptions like President Witte, disdain to enter the open house of political science. Our Association did not make the Webbs, Commons, Hoxie, Perlman, Slichter, or Ross take out membership cards when they used political ideas in their research. Many of us, however, have asked such questions as: In what sense do studies employing political concepts improve our understanding of labor problems? How does their application to labor relations improve orthodox concepts and methods of political analysis? What kind of studies ought to be made in the field of labor and industrial relations that would still further advance our knowledge and deepen our understanding of politics?

We may define politics as the management, coordination, or adjustment of conflicting and competing social interests in the name of the "common weal." Other definitions are the distribution and use of power in society, the act of human or social control, the exercise of leadership in the State, the relations between rulers and ruled, the process of introducing an uncertain and temporary stability in the relations of men in the continuing flux of events, the application of systematic intelligence through legislative and administrative processes to the realization of human needs and aspirations. The scope of politics is usually delimited by confining observations of power relations to those that impinge upon the machinery of government, that is, the structure of authority in the community that asserts a monopoly of legal violence. Power relations occur in practically all forms of human association, but it is in the conflict and adjustment of various authority and loyalty systems that the distinctive quality of "the political" arises. Government consists of the collective processes through which socio-economic conflicts of interest and loyalty are expected to be settled at any given time by giving authoritative definition to the "common weal."¹

¹ Charles E. Merriam, *Political Power* (McGraw-Hill, 1934); *Prologue to Politics* (University of Chicago Press, 1939), Chapter 4.

Some Political Presuppositions in Industrial Relations

What perspective does this concept of "the political" bring to the study of labor and industrial relations? Perhaps it will be most helpful to express such a perspective by discussing three assumptions or postulates underlying some of the current political thinking in the industrial relations profession. The first postulate is that trade union behavior is to be explained by reference to its character as a "political" institution, which apparently is often taken to mean the power-seeking and power-maximizing drives of union leaders. This constitutes an extremely narrow view of politics. It is a serious over-simplification to think of political behavior solely in terms of leaders' egocentric calculations of maximizing power for themselves, regardless of the welfare and interests of members and followers in the political association. This perhaps is the exceptional case into which political organization may degenerate. The general model of political behavior is a complex of four variables: (1) a set of institutional beliefs and values, (2) a control system of organization, representation, and executive leadership, (3) a membership-electorate whose loyalties and expectations impose broad limits upon, and in crisis situations must be identified with, the personalities or programs of their representatives, and (4) a series of changing external influences in the midst of which policies compatible with the group values and the stability of the larger political order must be formulated. It is in the context of the precarious coordination or balancing of these "factors of decision" that the activities of union leadership is properly interpreted in power terms, as opposed to explanation by reference to the simple idea of individual drives for power. This is the missing link, the "political" factor that the economist tends to omit from his table of determinants of trade union growth and development.²

There is a second assumption in the political thinking of professional industrial relations people that need examination, namely, that all political thinking is mere rationalization of group interest or of the power position of a particular individual or social class. We are all familiar with the tremendous influence of Marxian propaganda when,

² John T. Dunlop, "The Development of Labor Organization: A Theoretical Framework," in Lester & Shister, *Insights Into Labor Issues* (Macmillan, 1948), pp. 174-176. Arthur M. Ross, *Trade Union Wage Policy* (University of California Press, 1948), chs. 2-3, develops this political approach very adequately, except that, by concentrating on the dramatic decisions of wage and union security policy, he underestimates the long-run efforts of the union as a law-making agency, slowly establishing customary, collective rights of workers in control of their jobs.

combined with widespread economic misery and the undermining of the existing symbols of legitimate authority, masses of individuals seek desperately to identify themselves with some necessary or inevitable process of social development. Both labor-minded and management-minded people, while rejecting Marxism, tend at the same time tacitly to accept the Marxian assumption that economic interest determines political action. This is a case of sociological fallacy that scientific method in the social sciences consists in isolating the elements of social reality by empirical analysis, and then expressing the relations between these "elements" in the form of "laws" or tendencies of social evolution. By a peculiar inversion of the meaning of science, it then becomes to such persons a moral sanction for actively trying to make human behavior conform to such "laws."

Scientific method in politics starts by rejecting this view of theory, and adopts a radical scepticism with respect to both ideological absolutism and ideological relativism. This in no sense involves the rejection of intelligence or rationality. Recognizing that reason and scientific method have a natural origin, and that intelligence is put to use in the service of human interests, beliefs, and ideals, the record of political history shows clearly that the uses of theory may be either good or bad, progressive or retrogressive. As political and social scientists we have to distinguish between reason on the scientific and philosophical level, and reason in the service of a cause. When we seek to apply political theories in pursuit of goals we assume to be good, we lose the right to claim that our theories have scientific sanction as necessary or determining causes; the theories themselves become facts in the flux of events that may be utilized either to serve humanity or to serve the purposes of Lucifer and Mephistopheles.³ On the level of action this standard condemns alike theories that lay claim to complete scientific truth, or assert that since all theories are equally valid (or invalid) because of their class or group origin, the pragmatic test of power is controlling.

The political relativism of students of industrial relations was highlighted recently by the appearance of a challenging book by a vice-president of the Industrial Relations Research Association, expressing the view that the *appropriate* political philosophy and program for organized labor in the United States in the middle of the twentieth

³ George H. Sabine, "What Is Political Theory?" *Journal of Politics*, Vol. 1 (1939), pp. 1-16; Reinhold Niebuhr, *The Children of Light and the Children of Darkness* (Scribner, 1946); H. J. Morgenthau, *Scientific Man and Power Politics* (University of Chicago Press, 1946), ch. 2.

century is industrial syndicalism.⁴ I am in no sense suggesting that Mr. Mills should not engage in political theorizing, nor would I deny that in certain respects the practical philosophy of organized labor is syndicalistic. Mr. Mills, however, did not set out to show to what extent syndicalism already exists in trade union thinking and behavior, and it most certainly does not emerge from his data. To present such a view to the labor movement seriously in the year 1948 as having the sanction of scientific investigation seems to me to lose sight completely of the distinction between the use of theory in the search for truth and understanding, and in the use of theory as propaganda. Fortunately, most members of the Association are well aware of the long history of competing theories and programs that intellectuals have offered to the labor movement in the past, so perhaps we will not be diverted too long from the important problem of trying to improve on the political wisdom of Samuel Gompers in adapting labor's political philosophy to the circumstances of the time, place, and visibly emerging future.

A Political Perspective for Industrial Relations Research

Finally, the assumption needs to be challenged that the labor movement and industrial relations can be easily understood by applying clear and simple political ideas. A wise Englishman named Lewis wrote a book in 1832 "On the Use and Abuse of Political Terms," but over a hundred years later we still go on talking about authority, freedom, order, revolution, justice, representation, rights, and democracy, disregarding the special meanings he proposed. This is not to say that we have stood still; we seek to test hypotheses of human behavior now instead of simply elaborating the intellectual content of ideas. Ten years ago an operational definition of politics gained vogue as the "study of who gets what, when and how." This was a quick way of describing the job of political analysis as one of clarifying the social background of and the turnover among the power-holders. Today the popular phrase seems to be "the dynamics of the decision-making process," indicating the current emphasis upon specifying the ways in which economic, organization, and ideological factors typically condition the judgment of group leaders in assessing policy alternatives.

⁴ C. Wright Mills, *The New Men of Power* (Harcourt Brace, 1948), ch. 14. Professor Mills' views should be compared with those of Henry Simons in "Reflections on Syndicalism," 42 *Journal of Political Economy* 1 (1944); P. H. Douglas, "Proletarian Political Theories," in Merriam and Barnes, *Political Theories: Recent Times* (Macmillan, 1924), ch. 6; G. D. H. Cole, *The World of Labor* (London, 1913); J. Paul-Boncour, *Le Federalisme Economique* (Paris, 1901).

In a few years this will in turn probably be replaced by another definition attracting the productive energies of researchers. The important thing is to be clear about what we mean by "political," and that this involves more than devising definitions. All of us, of course, would welcome the appearance of another Aristotle, who will unify and systematize our analytical categories. Pending his arrival, however, it would appear that political studies now and potentially in process in the field of labor and industrial relations would fall under the following heads, conceived as a *classification of the functions of political management*:

1. *The Intelligence Function.* These studies might be described as efforts to identify, to measure and to evaluate the social composition of authority within the specified political universe. They include analyses of the basic value systems, demands, and expectations of trade unions and management,⁵ and their compatibility with the prevailing values in the wider community; the interest groupings within the structure of unions and management that have to be reckoned with and provided for by the leadership; the policies, organization and procedures of management with respect to which it is the common objective of unions and management to modify and control by agreement or otherwise.
2. *The Personnel Function.* These studies refer to the control and distribution of jobs, rewards and preferments. It is highly developed on the management side as a technical function, but still remains almost wholly political within the unions. It involves the recruitment and selection of what Sidney Hillman used to call the "activity," or the sergeants and lieutenants down the line of union management; the assessment of ability; the establishment of incentives, status, and recognition for merit and achievement. On the political level it is closely associated with the intelligence function in that it requires the identification of significant personalities and leaders of small groups whose abilities and competitive demands for recognition have either to be given scope and opportunity within the existing political order or to be fought and eliminated as a condition of political stability and survival.
3. *The Organization Function.* These studies are what are usually conceived as political in the narrow sense. They include the legal framework of authority; the actual distribution of legislative, judicial and executive power; the relative degree of centralization and decentralization in organizational behavior; the coordination of the specialized staff and line duties; and the definition and en-

⁵ E. W. Bakke, *Mutual Survival* (Yale University Press, 1946).

forcement of responsibility. In the constructive and reformative sense, such studies lead to proposals for reassignment of duties and responsibilities to appropriate levels of knowledge and competence.

4. *The Communication Function.* Two modern terms for this kind of research are (a) internal morale or employee relations, and (b) external, public relations. In political terms it means the process of moralizing or justifying the exercise of authority. Again it is management rather than the unions who have developed research and understanding into the importance of communication, although some unions are rapidly catching up. Studies in this area include methods of reporting and accounting by organization leadership for the exercise of their trusteeship; formulation and restatement of the group programs in terms that reconcile group welfare with that of the wider community; the interpretation of membership needs and demands to employers, and vice versa; the conduct of training programs in individual technical skills, understanding the ways the organization operates together as a whole and in organizational philosophy; all of which leads up to the long-run institutionalization of policy.
5. *The Strategy or Policy-Making Function.* The four foregoing functions of leadership culminate in the job of top management, which in political science we analyze as the coordination of economic policy, propaganda, negotiation, and violence. It involves comprehension of the entire political equilibrium, both within the organization and in view of the effective power position of the organization in relation to external forces, technological, economic, ideological, and physical.⁶ It means the process of arriving at decisions of organizational action with due regard to the consequences upon the group welfare, the survival of its leaders, and the larger interest of the community in order, justice, and prosperity.

Research Areas in the Politics of Labor

There are three distinctive problems with respect to which political scientists are and should be very much concerned with research in labor and industrial relations. I referred above to the analysis of political behavior within a specified political universe. The question here is how union and management leaders in action, and students of industrial relations in their research, define the political universe. They may assume: (1) that the union or the corporation is the

⁶ The studies of Taylor and Kennedy, Drucker, Gordon, Ross, Harbison and Dubin, in elaborating the decision-making process within the large corporation and in the strategic-industry wage bargains, fall within this conception of political research.

ultimate and distinct center of power, struggling with each other for dominance; (2) they may assume that the political universe is the industry, in which case the power struggle lies between labor and management in one industry as against other industries and the national community, which is what the guild socialist or syndicalist sees; (3) they may assume that the political universe is the national or international community, from which standpoint both unions and management appear as special interests seeking to shape public policy from their own partial viewpoints. The point here is that too often the political assumptions of the study are left unspecified as they bear upon proposals of policy or reform. Only in the latter case do all agree that there is a more inclusive structure of legitimate political authority to which the authoritative settlement of controversies and the definition of the common weal must be entrusted.

Obviously, the politics of labor unions may be studied from all three viewpoints, because they are centers of power at all three levels, with cross-conflicts going on all the time; but only one position can be taken at any one time. The power struggle, and its rationalizations, will take different forms, depending upon which level or center of attention is taken as the most important. It is of the utmost importance for democratic government to understand whether union leaders accept the distinction between the labor movement and industrial government, or between private groups and official responsibility in public government, or between organized labor and the political party controlling the government. The experience of the British Labor Party and its relations with the Trades Union Congress on such matters as the closed shop and union responsibilities in the nationalized industries is significant in this connection. In this country, one of the shibboleths of union leaders is the demand for direct labor representation on corporation boards of directors, industry-wide economic councils, and government boards administering policies of vital interest to labor. The experience of the National War Labor Board is still wholly controversial with respect to any accepted understandings as to the conditions that should prevail if the principle of labor or group representation is to work in the public interest. The Urbana group is working on this problem, I understand, on contract with the National Security Resources Board. It has a great opportunity, and responsibility.

The second area of major interest to political scientists in industrial relations research is the clarification of the well-known distinction between policy and administration in the government of trade unions.

We are aware of a great deal of complaint with respect to the centralization of power in unions, and the so-called usurpation of legislative functions belonging to the representative organs by the permanent officials or union bureaucracy. Robert F. Hoxie offered the suggestion that democracy in industry was the result of the conflict between the highly centralized organizations of management and unions. My impression of the research literature in this area is that it is largely devoted to analyzing union constitutional provisions and explaining the necessity for centralization rather than describing the detailed interaction of policy and administration in the management of union affairs. To my knowledge there are almost no studies in the union field comparable to those of R. A. Gordon and Peter Drucker on the business management side. The great obstacle, of course, is the problem of personal identification of researchers over a long period of time with the existing political order within unions as a precondition of gaining access to necessary materials, after which there arises a natural personal reluctance to publish the whole truth or even a balanced picture, with its attendant consequences. But if the research staff of *Fortune* Magazine can get as much useful material on the Carpenters and Steelworkers as they have on a short-time basis, presumably the Industrial Relations Centers and Institutes over the country should be able to do better, perhaps under some such auspices as the National Planning Association was able to organize in its series of local collective bargaining studies.

The third area of political interest is the interplay and impact of legislative committees, administrative agencies, interest groups, and political leadership in the development of national labor policy. We all know that the Norris-LaGuardia Act of 1932, the majority rule provisions of the Wagner Act, and the ingenious amendments to the Wagner Act's unfair labor practice provisions by the Taft-Hartley law were primarily the work of lawyers working inside and outside the government. It is necessary only to mention the work of Frankfurter and Green at Harvard, the staffs of Biddle and Garrison under the first N.L.R.B. in 1934-35, and the career of a member of the N.L.R.B. from 1941 to 1947. These men developed theories of administrative action which, when embodied into legislation, had both foreseen and unforeseen effects upon the labor organizations whose political influence was in one way or another responsible for the enactment of legislation. I dramatize the role of the lawyers here only in order to point up what seems to me to be an almost unnoticed factor

on the technical, administrative level which has influenced the evolution of national labor policy. How much systematic attention has been paid to the relationships between the legislative committees, the development of administrative policies by the N.L.R.B. from 1935 to 1947, their impact upon the structure of A.F.L. and C.I.O., and the corresponding effects upon the structure and political attitudes of industrial management? In my limited contacts with the political and social scientists working on farm policy and rural life with the agricultural economists at Chicago, it seems to me that they have a more realistic conception of the process by which agricultural policy is produced through the interplay of legislative committees, the farm organizations, and the administrative subdivisions in the Department of Agriculture, than have students of industrial relations in their field. The dynamics of union organization have been studied for years, but the relations of these materials to the political and legislative process have never been brought together adequately from any political perspective except the idealized viewpoint of organized labor.

In conclusion, I can assure you that there is recognition among political scientists of the importance of the work of labor economists and the formation of the Industrial Relations Research Association. Through the stimulus of Phillips Bradley, the Executive Council of the Political Science Association last year created a standing committee on Government and Labor Relations to provide a point of communication for interested researchers within the Association. On behalf of that committee, I should like to say that we look forward to years of productive collaboration in encouraging and carrying on research in the politics of labor.

THE CONTRIBUTION OF SOCIOLOGY TO STUDIES OF INDUSTRIAL RELATIONS

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WHATEVER the theoretical orientations of American sociology have been over the last forty years, its main anchors into social practice have been the social worker and the county agent. It has been minutely concerned with "social problems" of the city and with various problems of the rural community; historically its institutional tie-in has been through jails and juvenile courts, probation officers, and welfare agencies. Along with these, there has been one continuous link with a going power structure, the Department of Agriculture. The field of rural sociology, as one specialty, and that of social pathology, as perhaps the dominant tradition of the academic field, have contained the two practical strains of the sociological discipline.

Social pathologists have been worried by a series of immediate, fragmentary "social problems" of various milieux, rather than the clashing interests rising from the shifting social structure as a whole. They have approached problems of rural rape and broken homes, homeless men and public housing on a low level of generality, displaying their results informationally, without theoretic or systematic form. Text-book integration is the only integration so far achieved for the scatter of "situations" they have examined.

The general perspective within which this practical work has gone on may be understood in terms of the typical ways of defining the problems handled, which include: deviations from middle class, small-town norms of behavior, the pathological often being detected by criteria that are rural in orientation and extraction; the lack of nationalist assimilation of immigrants, as one favorite case of the individual's lack of adjustment to his milieu; cultural lag, a term enabling social pathologists to disguise their optimistic, liberal evaluations in the temporal sequence of United States history; and so on.

The ideal man of the social pathologists is "socialized," which means that he is the ethical opposite of "selfish." Being socialized, he thinks of others and is kindly disposed towards them; he does not brood or

mope; on the contrary, he is somewhat extravert, eagerly participating in his community's routines. If not an outright joiner, he certainly gets around and into many community organizations. This "adjusted man" conforms happily to conventional morality and motives and participates in the gradual progress of respectable institutions. His mother and father were not divorced, nor was his home ever broken. He is successful, at least in a modest way, since he is ambitious; but he does not dwell upon matters too far above his means, lest he become a "fantasy thinker," and, as a proper "little man," he does not scramble after the big money. The less abstract the traits imputed by the pathologists to the adjusted man, the more they satisfy the norms of the smaller, independent middle class verbally living out Protestant ideals in the small towns of middle America.¹

Over the last decade, among a few sociologists, interest in a new practicality has risen, which involves not only a new intellectual focus but the rise of new social institutions—the industrial relations centers of which sociologists are usually considered a necessary part. This new practicality is not concerned with the broken-up human results of the social process lying near the bottom of society: the bad boy, the loose woman, the un-Americanized immigrant. On the contrary, it is tied in with the top levels of society, in particular with enlightened circles of business executives. For the first time in the history of the discipline, sociologists have become linked by professional tasks and social contacts, with private and public powers well above the level of the social work agency. Now alongside the old, there are the new practitioners who study workers who are restless and without morale, and managers who do not understand the art of managing human relations, in particular, relations with restless workers lacking sound morale.²

The old practice with its Christian, rural roots and its charitable, scientific focus has by no means been superseded. The new tendency is still quite small in the field; yet it is growing rapidly. The roster of projects in the official sociological organ lists for Industrial Sociology 13 in 1946 (three per cent of all projects), 34 (five per cent) in 1947,

¹ These two paragraphs are summarized from Mills, "The Professional Ideology of Social Pathologists," *American Journal of Sociology*, September, 1943, pp. 165–180.

² There are at least two further practical applications, centering around polling techniques, performed by members of sociology departments during the last ten years: those serving the communication and advertising industries, and those engaged by war-time government, especially the War Department. These will not be considered in this paper.

and 48 (six per cent) in 1948.³ I am not concerned here with academic fences but with the sizable literature that has come to be known and which calls itself "Industrial Sociology," or more precisely, "Human Relations in Industry," and with "labor research centers" insofar as they employ in whole or in part such vocabulary, whether it is used by sociologists or other personnel.⁴ In particular I will focus upon the so-called Mayo school, the oldest, best known, and apparently the school from which other tendencies now arise.⁵

The Social Context of the New Focus

The new tendency is an academic response to several great shifts that have been going on in American society, particularly in its higher business circles. These shifts have resulted in a greatly increased demand (1) for technical intelligentsia of all sorts and (2) for new legitimations, new symbols of justification, for business as a set of giant corporations and as a system of power. On both fronts—that of personnel and that of ideology—educational institutions have been linked, directly and indirectly, from grammar school to graduate center, to the changing business needs of our time.

The enormous scale and complexity of modern business; its obviously great and concentrated power; the rise over the past dozen years of successively competing centers of loyalty, the unions; the enlargement of the liberal state; and the hostile atmosphere surrounding business during the late slump—these developments have caused a shift in certain sectors of the business world which I have called the shift from economically practical to politically sophisticated conservatism.⁶

The old practical conservatives, with their laissez-faire, utopian capitalism, have never really accepted labor unions as part of the U. S.

³ *American Sociological Review*, August, 1948, p. 461.

⁴ The central work of the field still seems to be the Harvard Studies. The following volumes have been basic to my understanding of this school. My analysis, given below, pertains to these volumes, and to other volumes only insofar as they might employ the same concepts: E. Mayo, *The Social Problems of an Industrial Civilization* (Division of Research, Harvard Business School, 1945); F. J. Roethlisberger, *Management and Morale* (Harvard University Press, Fifth Printing, 1946); T. N. Whitehead, *Leadership in a Free Society* (Harvard University Press, Third Printing, 1944); F. J. Roethlisberger and W. J. Dickson, *Management and the Worker* (Harvard University Press, Seventh Printing, 1946).

⁵ See, e.g., V. W. Bladen, "Economics and Human Relations," *Canadian Journal of Economics and Political Science*, August 1948, pp. 301-311. Mr. Bladen is explicitly aware of the moral problems of this school, although his solution seems to me unsatisfactory.

⁶ This distinction is developed in Mills, *The New Men of Power* (Harcourt, Brace, 1948).

political economy; whenever possible they have urged that they be broken up. Their public target has been freedom for private gains, here and now. Perhaps this ideology is still dominant among most small businessmen, especially retailers, but it has some powerful exponents among the largest as well. General Motors, for example, seems to me a conspicuous case of a large business still "practical" in its conservatism. The historical point is that business has not until recently needed any newly created ideologies; the content of its ideology has been the content of American public ideas.

But practical conservatism has been ideologically bankrupt since the late slump, despite its insurgency connected with prosperity, the 80th Congress, and Mr. Robert Taft, one of its principal relics. Many sophisticated conservatives, in and out of the corporations, have been well aware of this bankruptcy, and even strongly opposed to the Taft-Hartley law. The '48 election, with its victory of administrative liberalism, confirmed their point, in such a way as to portend a great future for sophisticated conservatism.

It is when new power arises that has not been legitimated, or has not been able to cloak itself in the established symbols of justification, that there is a need for new ideologies. The sophisticated conservatives, who are characterized by their stealing of liberal symbols for conservative purposes, may be traced back at least to the turn of this century, but they have come to the fore only in the atmosphere of the great slump, with the Wagner Act as its legal symbol and going framework. In contrast with the practical rank-and-file of the right, the sophisticated conservatives are very alert to the political conditions of profit-making in an economy where powerful labor unions confront powerful business combinations within the administrative framework of the enlarged liberal state. They are alert to the need for new symbols of justification for their power in a time when unions and government are competing so successfully for the loyalties of the underlying population.

Ideologically, studies of "human relations in industry" are, I believe, part of the attempt to work up new symbols of justification, part of the effort to sophisticate business rhetoric and business outlook. Yet, insofar as these studies form part of this new line, they are beset by difficulties; already, according to some in higher business circles, businessmen, in their eagerness and need, have so *banalized* "human relations" on the propaganda front that the professors, still new to the task, will have serious difficulty in getting wide acceptance of

their research-tested justifications, whatever their scholarly appurtenances.

1. *The Managers' Interest.* Two levels of business interests might be served by professorial, human relations studies: (a) the pecuniary and (b) the political. To understand these two areas of practicality and what gains are looked for in each, we must read the business journals and the newspapers before we examine the studies themselves.

"Apparently," A. E. Dodd, President of the American Management Association, says, "management has come to realize that if it spends as much time and energy developing the full potential of individual employees as it has devoted in the past to utilization of technical knowledge and machinery, it will realize tremendous sources of productive power" and, in paraphrase, that ". . . top operating executives in widely diversified enterprises are stating flatly that a knowledge of human relations is one of the most important, if not the prime requisite to management at all levels."⁷

"Labor-management cooperation based upon better mutual understanding of human relations," one report states, "considers the workers as individual human beings in accordance with the American democratic tradition," that is to say, not "as indistinguishable masses subject to the arbitrary control of union or Government dictators."⁸

If we read carefully the business reception of human relations studies, we find that "scientific" has acquired the odd meaning of antonym to "militant"⁹ and synonym for sound and sincere "adjustment" and "cooperation" between human managers and human employees.

On the political side, which often seems paramount to business man interest in these studies, many business spokesmen appear most alert, according to reports, to the idea "that the future of the free enterprise system is at stake, in view of its world wide competition from Socialism and Communism."¹⁰ "Better human relations in industry mean improved labor efficiency; but this is not all. The attitude of the

⁷ *New York Times*, September 22, 1946 (Business Section, p. 1), "Business Studies Human Relations."

⁸ *New York Times*, May 18, 1947 (Business Section, pp. 1 and 9), "Study of Human Relations Viewed As Industrial Key." See also, *New York Times*, April 21, 1946 (Business Section, pp. 1 and 5), "Research in Human Relationship Seen Needed for Reconversion."

⁹ See *New York Times*, August 21, 1947, "Less Force Urged in Labor Dealings."

¹⁰ *New York Times*, April 21, 1946 (Business Section, p. 1), "Research in Human Relationship Seen Needed for Reconversion."

workers toward their job, their boss . . . [etc.] has a profound effect upon community opinion.”¹¹ “. . . the social sciences hope to prevent disease in and [to] indefinitely prolong the life of the American system of free enterprise or democratic capitalism.”¹²

It is reported that the vice president of one of our leading corporations has proposed that “a course in human relations be made a requisite for a baccalaureate degree,” contending that “a mandatory human relations course in colleges and universities is the surest way to aid American business expand its program for more enlightened action in this field . . . greater efforts are necessary if communism is to be overcome in its battle for American workers.”¹³

The whole reception reached its peak in a statement that “the theory” that “human relations constitute the major problem confronting American business and industry today,” was supported by a survey showing that “tenants find much more cause for complaint in the failure of human relations . . . than in physical factors such as heat, hot water, etc.”¹⁴

Regardless of the intent of the students of human relations, the content of their work, or the practical uses to which it may have been put, it remains a fact that such quotations do describe the general context of expectations into which these studies have been born; and it seems to me that the ideological shift from practical to sophisticated conservatism gives us an insight into the enthusiasms generated in business spokesmen by this new turn of social science. The managers looking to this new field of human relations hope to lower production costs, ease tensions inside their plants, as revealed by high turnover, expensive absenteeism, and unsound disgruntlement, and find new symbols of justification for the concentrated power which they exercise in the economic as well as other orders of modern society.

2. *The Professors' Involvement.* What about the professors?—What are their involvements in the new practicality? In contrast with the managers they are not primarily concerned with the pecuniary, the managerial, or the political aspects of practicality. Such results are to them primarily means to other ends which center around their

¹¹ *New York Times*, May 18, 1947 (Business Section, p. 9), “Study of Human Relations Viewed as Industrial Key.”

¹² *New York Times*, May 20, 1946, p. 2, “Hunt Is Sharpened for Labor Peace.”

¹³ *New York Times*, November 9, 1947 (Business Section), “Human Relations Study Is Pressed.”

¹⁴ *New York Times*, July 22, 1946, p. 23, “How Tenants Feel About Landlords.”

"careers." It is true that professors certainly welcome the small increases to their small salaries that may come with the new research activity. They may or may not feel gratified to be helping managers administer their plants more profitably and with less trouble; they may or may not be powerfully lifted by building new and more civilized, i.e. more acceptable, ideologies for established powers. But insofar as they remain scholars, their extra-intellectual aims center around furthering their careers.

From this point of view, the professors' participation in these new studies is, in part, a response to the new job opportunities arising from the increased scale and intensified bureaucratic character of modern business and government, and from the institutionalization of the relations between business corporations and labor unions. Bureaucratization brings with it an increased demand for experts and the formation of career patterns outside the academies; social scientists, responding to this demand, more or less happily become business and government officials, on higher or on lower levels. The centers of higher learning themselves reflect this outside demand for scholars by tending increasingly to produce seemingly a-political technicians, as against free intellectuals who live for ideas and not merely off ideas.¹⁵ In this country, labor struggles have been institutionalized in such a way that the intellectuals become "experts" and serve on War Labor Boards, rather than write for radical or conservative publics and struggle for the public dissemination of theoretical ideas. In this connection, modern war is the health of the expert, particularly the expert in the rhetoric of liberal justifications.

For those who remain academic, however, a new sort of career, different from that of the old-fashioned professor, has become available: the career of "the new entrepreneur."¹⁶ This type of man, more inclusive than the human relations researcher who exemplifies it, is able to further his career in the university by securing prestige and even small-scale powers outside it. Above all, he is able to set up on the campus a respectably-financed institute that brings the academic community into live contact with men of affairs—thus often becoming a leader in university affairs among his more cloistered colleagues.

In the 20th century the academic profession in America has by and large failed to make ambitious men contented with their academic

¹⁵ On this problem see Mills, "The Powerless People: The Role of the Intellectual in Society," *Politics*, April, 1944, pp. 68-72.

¹⁶ For this concept see Mills, "The Competitive Personality," *Partisan Review*, September-October, 1946, pp. 433-441.

careers. The profession carries little status in relation to the educational sacrifice often involved; the pay and hence the style of life are often miserable; and discontent for many scholars is heightened by their awareness that their brightness far exceeds that of men who have attained power and prestige available in other fields. For such unhappy professors the new developments in industrial relations research and administration offer quite gratifying opportunities to become, so to speak, executives without having to become Deans.

And yet there is evidence, here and there, even among the younger men in a hurry, that these new careers, while lifting them out of the academic rut, may have dropped them into something in its way at least as unsatisfactory. At any rate there is worry about it all, and the new academic entrepreneurs often seem unaware of just what their new goals may be; often indeed, they do not seem to have firmly in mind even the terms in which success in achieving these hazy goals may be defined. This is the source of their anxiety and the frenzied style of many of them.

The scholarly community in America is quite open to the new practicality in which it has become involved. Both in and out of the academy, men at the centers of learning become experts inside administrative machines. This undoubtedly effects a narrowing of their attention and of the scope of such political thinking as they might do. As a group, American social scientists have seldom, if ever, been politically engaged; the trend towards the technician's role has, by strengthening their a-political professional ideology, reduced, if that is possible, their political involvement, and often, by atrophy, their ability even to grasp political problems. That is why one often encounters middle-ranking journalists who are more politically alert than top sociologists, economists, and, especially, political scientists.

Our university system seldom, if ever, provides political training: how to gauge what is going on in the general struggle for power in modern society. Social scientists have had little or no real contacts with such insurgent sections of the community as exist; there is no left-wing press with which the average academic man in the course of his career could come into live contact. There is no movement which would support or give prestige, not to speak of jobs, to the political intellectual; and the academic community has few if any roots in labor circles.

This vacuum means that the American scholar's situation allows him to take up the new practicality—in effect to become a political

tool—without any shift of political ideology and with little political guilt. Thus it would be naive, as well as inappropriate, to suggest that anyone were “selling out,” for that phrase can only be used with accuracy and taste when there is something knowingly sold out.

3. *The Unionists.* In the drama of the human relations studies, the manager and the scholar have carried on the dialogue—a discussion between elites, about the worker, who is the prime human object of human relations research. The worker occasionally enters the scene only insofar as the managers and the scholars decide that they ought to open a channel of communication to him.

But how about unions?—that is to say, union leaders? This new elite has in general been quite chary of the new developments, although there are, of course, among union leaders liberal spokesmen who are collaborating with academic and business spokesmen. Yet on the whole, unionists feel vaguely that what ought to be studied are inhuman relations in industry; they sense in the new scholar-manager developments a kind of sociological Taylorization; remembering scientific management, they fear that scientific talk of treating each employee as a human being may be a fancy way of trying to undermine the practical solidarity of the ranks of labor for which they have worked so hard—that is to say, the loyalty and trust of workers to the union and to its leaders. They think of human relations “counselors” as competitors to shop stewards, and even sometimes as a new and respectable type of labor spy. There are other feelings among union leaders, to be sure, but on the whole, they range from the mildly skeptical through the fearful to the contemptuous.

The Political Framework of Human Relations Studies

If all this had to do merely with the external context in which human relations research goes on, then we might, as scientists, take it with appropriate composure. There is, however, reason to suspect that the social context and ideological uses of this work have entered into its intellectual content.

What is needed in “industrial sociology” is not an immediate continuation of empirical studies, but a systematic examination of the latent assumptions on which these studies rest, with a view to isolating their key themes and to characterizing the moral and political perspectives thus revealed.¹⁷ This is needed not only so that we may

¹⁷ Cf. Herbert Blumer, “Sociological Theory in Industrial Relations,” *American Sociological Review*, June, 1947, pp. 271–278; Daniel Bell, “Adjusting Men to Machines,” *Commentary*, January, 1947, pp. 79–88, as relevant criticisms.

know what these studies are really about, but in order to enable us to broaden our range of alternative approaches to industrial phenomena.¹⁸ I do not offer this suggestion loosely, but with specific questions and a specific procedure in mind. Nothing here can be said dogmatically; it can only be suggested in the form of questions for an investigation along the lines of the sociology of knowledge.¹⁹

1. *The perspective of a managerial elite.* Problems are set up by criteria within some perspective. What are the criteria by which problems are set up in this literature? From what perspective do they make sense?

One of the most explicit general statements runs like this: "There is no reason to suppose that our fate will be otherwise, [than the breaking down of society into mutually hostile groups] if we do not at once state explicitly the problem and struggle to develop a better *elite* than we can at present show in public, private, or academic life."²⁰ Now what human materials do the investigators have in mind for this elite? Without raising the question of the self-image of the investigators,²¹ there is evidence that the new elite is to be comprised of business managers.

Apart from college students, the public for which the work has been developed has in the first instance been composed of business managers.²² It is known that the public of the thinker is often an

¹⁸ Compare Mills, "Methodological Consequences of the Sociology of Knowledge," *American Journal of Sociology*, November, 1940.

¹⁹ None of these questions, which for literary convenience I shall state as assertions, can be definitively answered without a thorough and detailed content analysis of this literature as a whole. In a content analysis, a systematic count of key phrases and ideas would be necessary. In this paper, the quotations given are merely examples. I merely suggest a few of the questions which I think should be asked and a few of the codes that might be useful in the work proposed.

²⁰ Mayo, p. 119.

²¹ See, however, Roethlisberger, Chapter IX, pp. 160-174, as a source of self-image materials. Note especially the administrative, non-political perspective. In a situation charged with power tensions, to urge thinking "in terms of the administrative context" (p. 162) of business about concrete problems is, of course, to narrow one's focus in such a way as to assume the existent structure rather than to study it creatively. See also Roethlisberger, pp. 87, 193, and Mayo, p. 32: "... it is evident that our high administrators have, in these days, accepted responsibility for training workers in new technical skills; it is equally evident that no one has accepted responsibility for training them in new (adaptive) social skills. In the universities the acceptance of responsibility, apparently, presents a terrifying prospect to certain of the more timid academics."

²² Roethlisberger, pp. viii-ix, in which the source of funds and a sympathetic audience for the ideas are stated to have been cooperating businesses and businessmen. Cf. also p. xxii, and Chapter VIII, in which businessmen are introduced to social scientists.

important factor in the social determination of his ideas.²³ To what extent has the managerial public of this work been a determinant of its latent structure, its level of generality, its specific problems, its explanatory models, and the advice to which it has given birth?

Management's purpose or interest, as revealed in this literature, is often stated as a technical one: it is the engineer's perspective of producing and distributing goods; or management's purpose is generalized for the whole of those involved in industry. "The first human problem of any business organization is *how to secure the cooperation of people in attaining its collective purpose.*"²⁴ When the problems, set by these purposes, are concrete, they seem always to be stated from the managerial standpoint, from the top; and when they are generalized they seem more easily translatable into management purposes than into any other.²⁵ Thus management's aims seem to be rather "fetishized" and hence more readily assumed as unalterably given: How to further the progress of the Company and the success of its purposes.

In contrast, latent images of the employees are revealed in such statements as, "the administrator handling a dissatisfied employee . . . the psychiatrist handling a mild case of obsession . . . the social worker handling a client . . ." ²⁶ In the communications between the two, "orders are transmitted downward" while "relevant information regarding situations at the work level is transmitted upward." Those on the bottom should "understand the economic objectives of the top," while those on top should "understand the feelings and sentiments of the bottom."²⁷ In line with this, there seems to be a technicalization of the manager, and a sentimentalization of the employee.²⁸ In this connection, Veblen's distinction between industry and business seems to be absent from this literature—in fact, without explicit considera-

²³ For analysis of the mechanisms involved, see Mills, "Language, Logic and Culture," *American Sociological Review*, October, 1939.

²⁴ Roethlisberger, p. 110.

²⁵ Roethlisberger, p. 126: "We see that it is important that no one group has a code of behavior too much at variance with the economic objectives of the company as a whole." Scientifically speaking, why?

²⁶ Roethlisberger, p. 176.

²⁷ Roethlisberger, pp. 192-193. See also p. 111. One might ask why shouldn't the bottom understand the sentiments and feelings of the top? And the top understand the demands and economic objectives of the bottom?

²⁸ The top is seen as communicating with the bottom "in terms of the logical jargon and cold discriminations of the technical specialist . . . the bottom . . . is trying to communicate with the top through its own peculiar language of social sentiments and feelings." Roethlisberger, p. 63.

tion, denied.²⁹ The problem is thus put in terms of technological advancement, as a problem of the engineer and the human being, rather than in terms of human beings in power and economic relations. The issue between manager and worker is thus seen as a vast misunderstanding, which perhaps accounts for the great emphasis upon "open channels of communication."

2. *Cooperation and collaboration.* The proposed answer to problems of management-worker relations is often put in terms of such words as "cooperate" and "collaborate." These are usually used quite formally; when they are used concretely, they seem to refer to workers much more frequently or even to the exclusion of managers and supervisors.³⁰ To what extent are these apparently neutral terms really ways of referring to workers' acceptance of managerial orders? In a discussion of productive output, it is recognized that workers form solidarity measures against "rate buster," "chiseler," "squealer," and "officious" colleague, that is to say, against company interests.³¹ These would seem to be prime examples of "spontaneous cooperation"; yet immediately following this, in a discussion of "what makes workers not want to cooperate," it is stated that "the heart of the problem of effective collaboration . . . is the social condition under which it is more likely for the employee group to separate itself out in opposition to the remainder of the groups making up the total organization."³²

What is the value content of these key terms? It would seem off-hand that, not questioning the managerial aim, the human relations experts employ such terms in their effort to further it: ". . . problems of absenteeism, labor turnover, 'wild-cat' strikes, show that we do not know how to ensure spontaneity of cooperation; that is, teamwork."³³ This assertion would seem to indicate that "we" in connection with "cooperation" means managers, and that "cooperation" in this literature means cooperation of workers for managerially approved ends. In one context it is explicitly recognized that informal collaboration can be either for or against the formal purposes of management, but

²⁹ Whitehead, p. 232: ". . . the business activities of society . . . are the direct result of applied science and of technological advance."

³⁰ Cf. Roethlisberger, p. 139: "In business today there are people who are exceedingly skillful in handling human relations. They are key men in the direction of group effort. Their importance to the organizations they serve lies primarily in their ability to secure the cooperation of individuals in attaining the technological purposes of the group." See also pp. 156-7.

³¹ Roethlisberger, p. 22.

³² Roethlisberger, p. 24. See also pp. 58-59.

³³ Mayo, p. 10.

collaboration in the interests of management is stated to be "on a much higher level."⁸⁴

3. *The facts of labor unions.* One of the most curious omissions of this literature is the almost complete absence of a discussion of labor unions. In a 15-year study of human relations in a giant industry, executed mainly during the Thirties, a decade during which union membership increased approximately 250 per cent, one finds no comment on unions.

Unions do not seem to be viewed as part of the industrial scene; even "collective bargaining" may be referred to without mention of unions.⁸⁵ Managers confront human employees as individuals and in informal grouplets, but no descriptive consideration is given the informal and formal groups which unions have formed in the heart of American industry. To borrow Mayo's language for a use to which he never puts it—unions in the last 20 years have secured the collaboration of at least one third of the U. S. wage and salary workers; surely this is an outstanding fact of cooperation in industrial life. But although these students are quite concerned with how effective loyalties are secured, they never study unions as centers for workers' loyalties, nor shop stewards as human relations agents, filling, in one way or another, the very social voids these students see problematically in the vast secondary worlds of work. To what extent, in practice, do shop stewards fulfill the role reserved in these books for managerial personnel trained in the art of securing collaboration?⁸⁶ Why isn't the problem of the union organizer posed, in the manifest scientific spirit

⁸⁴ Roethlisberger and Dickson, pp. 560-61: In the Relay Assembly Test Room an informal organization developed "which not only satisfied the wishes of its members but also worked in harmony with the aims of management"; in the Bank Wiring Observation Room, however, the informal organization is characterized as "a set of practices and beliefs which its members had in common . . . which at many points worked against the economic purposes of the company." Without commenting on the sentiments latent in these different wordings, we note that the paragraph ends: ". . . collaboration in the Relay Assembly Test Room was at a much higher level than in the Bank Wiring Observation Room."

⁸⁵ Roethlisberger, pp. 109-110: "Customarily we think of them [human problems of a business] in terms of the development of personnel functions. . . . There are problems of collective bargaining: how to give employees the opportunity of saying and doing something with regard to the conditions of their employment."

⁸⁶ See Roethlisberger, pp. 114-7, for a series of rhetorical questions revealing the absence of focus on, or the unawareness of, shop stewards. Read it with the idea in mind of how "adequate personnel administration" might be considered from a labor union standpoint as an attempted usurpation by management of one function of a shop steward system.

of this literature, in terms of his "promoting collaboration" among the workers in "the pursuit of a collective goal?"

When unions are not ignored, they are more likely to be taken as symptoms of trouble than as possible means of solving worthy problems.³⁷ In one context, unions are brought into the picture in connection with a section on "unbalance," and even then not as the object of explicit assertion but, one might almost suppose, as something of a hint as to what might happen if human relations advice were not followed. Moreover, there is little or no explicit mention of the class function of the union, nor its power function, but only of its status use.³⁸ In one of the fullest discussions, it is asserted that "in spite of many exceptions, these unions are not adequately led and have no great traditions of collaboration with management . . ." although I am not aware of any studies on this point performed by these experts. It is also stated that if managers proved "equal to the task of adapting the organism of industry on lines more satisfactory for those involved," unions might lose their members, or "insensibly change their functions and become more exclusively a means for collaboration."³⁹

4. *Status and power.* The absence of discussions or studies of unions in this literature is perhaps associated with the minimization of

³⁷ Mayo, in foreword of Roethlisberger, p. xvii: "Discussions . . . entitled . . . collective bargaining as a means of preventing industrial disputes, merely serve to mask the fact that the human capacity for spontaneous cooperation has greatly diminished . . ."

Roethlisberger, p. 25: "The matters of importance to workers which the Hawthorne researches disclosed are not settled primarily by negotiating contracts. If industry is filled with people living in a social void and without social function, a labor contract can do little to make cooperation possible."

³⁸ Roethlisberger, p. 128. "Might they get this kind of human satisfaction through their union activities—the satisfaction of belonging to a group where they will be evaluated more in terms of social conventions than in the terms of logics of efficiency? May this opportunity for social participation be as important to some of its members as the formal purpose for which a union is organized?" On power and status generally, see pp. 213–215 below.

³⁹ Whitehead, p. 155. "In the United States . . . a self-conscious class of manual workers is growing who will not think of themselves or their children as likely to occupy any other position. Under present conditions, this would almost certainly lead to a strengthening of trade unions. In spite of many exceptions, these unions are not adequately led and have no great traditions of collaboration with management, and the future history of human relations in industry might be an unhappy one. On the other hand, the executive ranks of business contain many of the best brains of the country, and it is very possible that they will prove equal to the task of adapting the organism of industry on lines more satisfactory for those involved; if this happens, trade unions may lose their members, because they find in the direct collaboration within the factory all they need in the way of personal self-expression and of adequate consideration. However, institutions die hard, and it is more likely that in such a case the unions would insensibly change their functions and become more exclusively a means for collaboration."

any explicit analysis of power. Not only is analysis of power almost absent but the facts of power are obscured and blurred in the vocabulary of the human relations experts.

In discussing power, it is possible to focus upon the *power holder*, upon the *obedient* (or the manipulated), or upon the *sanctions employed* in cases of disobedience. Little or no mention of the last of these aspects is made in these writings, and the second aspect is obscured. Power, when it does come explicitly into the picture, is handled from above⁴⁰ and the sanctions of the power holder are not stated or are even denied.⁴¹ In fact, power itself is dissolved into the problem, seen from the upper side, of securing collaboration.⁴²

Analytically, status (prestige), class (property and income), and power are three separable dimensions along which we may analyze a social structure. Why in this literature are class⁴³ and power not only minimized and made subordinate to status, but even sponged up into it?⁴⁴ As we have already noted, it is the status function and not that of power that comes up when unions are mentioned.⁴⁵ Both power and status sometimes seem to be blurred into such customary terms as "routine."⁴⁶

The only category in which power is handled explicitly is that of "the formal organization." Thus all the stress on "informal organization" (status and primary group formations) operates to the end of

⁴⁰ Roethlisberger, p. 37. "To say that one person has disciplinary authority over another is to say that the superior is under the obligation of seeing that his subordinate's conduct is in accord with certain prescribed norms."

⁴¹ Roethlisberger, p. 193. "... the administrator is the guardian or preserver of morale through the function of maintaining a condition of equilibrium which will preserve the social values existing in the cooperative system. Only in this sense does he have 'authority.'"

⁴² Barnard, *The Functions of the Executive*, p. 163 in Mayo, pp. 49-50: "... under this definition the decision as to whether an order has authority or not lies with the person to whom it is addressed, and does not ... etc." Also, Barnard, p. 175 in Mayo, p. 50: "... authority depends upon a cooperative attitude of individuals on the one hand; and the system of communication in the organization on the other."

⁴³ Roethlisberger, p. 25. "... have we not a clue as to the possible basis for labor unrest and disputes? Granted that these disputes are often stated in terms of wages, hours of work ... is it not possible that these demands are disguising, or in part are the symptomatic expression of, much more deeply rooted human situations ... [i.e.] an urge ... to tell the boss to go to hell. ... Workers who want to tell their boss to go to hell sound to me like people whose feelings of personal integrity have been seriously injured."

⁴⁴ Cf. Mills, review of Warner and Lunt, *American Sociological Review*, August, 1942.

⁴⁵ See footnote 3.

⁴⁶ Roethlisberger and Dickson, p. 555. "Some relationships fall into routine patterns, such as the relationship between superior and subordinate or between office worker and shop worker."

avoiding any explicit analysis of authority. Also, since the purposes of the formal organization are often stated in terms of technical effectiveness,⁴⁷ authority is thus tacitly legitimated in these acceptable engineering terms. We must also ask to what extent the whole emphasis upon "sociology"⁴⁸ should be considered as a retreat from political and economic conflicts of interest into the (managerial) administration of status misunderstandings?

5. *Manipulation.* Since the power dimension of social structure is not explicitly analyzed, and yet the perspective is that of the managerial elite, we should expect a theme of manipulation to come out in this literature. Authority is the exercise of power requiring a more or less voluntary obedience; manipulation does not; it is power exercised unbeknown to the manipulated.⁴⁹ But problems, both technical and moral, of manipulation are not explicitly recognized, much less analyzed; they are put in terms of and obscured by a discussion of the methods of interviewing and by a description of the program of shop counselors.

By listening patiently "to what his subordinate has to say before making any comment himself," refraining from "hasty disapprobation of his subordinate's conduct," not arguing with him, not paying "exclusive attention to the manifest content of the conversation," the experts discovered that you can encourage people "to talk freely" and that the "effect" of this talking "is not merely emotional relief but also the revelation to the critical listener . . . of the locus of the complaint."⁵⁰ Thus, they translated their interviewing program into a "new plan for the improvement of supervision . . ."⁵¹

That is how they discovered "the beginnings of a new method of human control."⁵² This social skill "shows itself as a capacity to receive communications from others, and to respond to the attitudes and ideas of others in such fashion as to promote congenial participa-

⁴⁷ Roethlisberger and Dickson, p. 558. ". . . the formal organization of the plant . . . includes the systems, policies, rules, and regulations of the plant which express what the relations of one person to another are supposed to be in order to achieve effectively the task of technical production."

⁴⁸ See the positively appraised quote from Dawson, *Beyond Politics*, pp. 35-36, in Mayo, p. 11. "Problems which were a century ago regarded as purely political became economic in the second half of the nineteenth century and during the present century have become sociological and psychological ones."

⁴⁹ For an excellent analysis, see Goldhamer and Shils, "Types of Power and Status," *American Journal of Sociology*, September, 1939; and Max Weber's essay, "Class, Status, Party," in Gerth and Mills, *From Max Weber*, pp. 180-195.

⁵⁰ Roethlisberger, pp. 41 and 42.

⁵¹ Roethlisberger and Dickson, p. 189.

⁵² Roethlisberger, p. 40. See also p. 181.

tion in a common task." This definition is alongside one of technical skill, which "manifests itself as a capacity to manipulate things in the service of human purposes."⁵³ A "skill," it is stated, "differs from general knowledge in that it is manifested at a particular point as a manipulative dexterity acquired by experience in the handling of things or people . . ." ⁵⁴ It is even mentioned that one reason for increased output among an experimental group might be that the workers "lost much of their shyness and fear, or what came to be called their 'apprehension of authority,'" ⁵⁵ since the investigators stood between the group and the management.⁵⁶ But the implications of this for an analysis of manipulation are not explored.

The technique of manipulation revealed in this literature is derived from its central conceptions of informalized human relations: to secure the spontaneous, efficient collaboration of his workers the manager must pay attention to their informal relations, and seek to gain acceptance in some way among these informal groups.⁵⁷ Yet within the authoritative structure of big industry, this would seem to make necessary an organization or even a rationalization of human relations. From the standpoint of the old "established" ⁵⁸ communities, any such arrangement is likely to appear synthetic and in fact a pseudo-gemeinschaft affair. The answer to this problem—which by the way is not explicitly posed in this literature—is an institutionalization within industry of manipulation.

In the counseling system, in which presumably this new method of human control is put into large-scale operation, "the relationship of the counselor with the line organization," it is said, "should be a non-authoritative one;" he "does not exercise authority or give advice;"

⁵³ Mayo, p. 13. Also Roethlisberger, p. 107: "... It is important for the executive to *listen* before talking. By this means he comes to understand the sentiments and situations of the person or group before he practices the art of persuasion or assurance in order to secure their loyalty, confidence, and cooperation."

⁵⁴ Mayo, p. 15.

⁵⁵ Roethlisberger and Dickson, p. 189.

⁵⁶ Roethlisberger and Dickson, p. 190: "Their improved morale, therefore, seemed to be closely associated with the different supervision in the test room." Cf. pp. 180-186: the supervision in the test room consisted of the Harvard investigators. P. 561: "It was as if the experimenters had acted as a buffer for the operators and held their work situation steady while they developed a new type of social organization."

⁵⁷ Whitehead, p. 110. "... management in industry can lead its groups to just that extent to which it is itself accepted by those groups. . . . *Change to be acceptable to a group, must come from within, and must appear as the visible need of its present activities.*"

⁵⁸ Mayo, Chapter 1.

yet it is also said that "one of the major objectives of the counseling program was to strengthen rather than weaken . . . the supervisor-employee relationship . . ." ⁵⁹ and that "this kind of non-authoritative agency serves to control and to direct those human processes within the industrial structure which are not adequately controlled by the other agencies of management." ⁶⁰

To what extent is the idea to modify the authoritative manner of the business executive's dealings with his subordinates, and to supplement them by human relations counselors in order to use the sentimental status systems of the workers, in the "logic of efficiency?" Otherwise, "social activity is driven into the ground [sic! underground?] where it forms at a lower level in opposition to the technical organization." ⁶¹

6. *Conceptions of stability.* The latent meaning of such conceptions of order as "equilibrium," "adaptive society," "state of collaboration," etc., may be considered in connection with the absence or the underplaying of the view of industry as an authoritarian order, ⁶² and in connection with the emphasis upon informality, status, and primary group structure. Despite manifest assertions to the contrary, to what extent do these terms really boil down to that of a community or a *gemeinschaft* type of integration? Are they not pre-bureaucratic notions of social order ⁶³ centered around the great bureaucracies of business corporations? In one context, it is asserted that "too frequently the human relations of industry are conceived of as essentially economic" . . . while in fact they are "essentially social;" and "custom" is held to be the framework "within which the social life of groups is carried on." ⁶⁴

In another it is claimed, rather proudly, that one of the human relations experts shows "that it is within the power of industrial ad-

⁵⁹ Roethlisberger and Dickson, p. 596. See Chapter XXVI for a description of the role of the counselor.

⁶⁰ Roethlisberger and Dickson, p. 601.

⁶¹ Roethlisberger, p. 39. Also note the unusual definition of "social" or "socialized," p. 47: "*Whenever a person is acting in accordance with the expectations and sentiments of some other person, or groups of persons, his behavior is social or socialized.*" Cf. Erich Fromm, *Escape From Freedom*, on compulsive conformism and automatism.

⁶² Whitehead, p. 5: ". . . a single factory of any size commonly exhibits the characteristics of a relatively primary structure . . . a large factory is a primary society of groups . . ."; p. 7: Many of "the human problems of industry . . . have arisen because industry thinks of its structures as secondary rather than as primary groupings."

⁶³ Whitehead, p. vii: "Orderly society is based upon routine, custom and habitual association."

⁶⁴ Roethlisberger, pp. 46-48.

ministrators to create within industry itself a partially effective substitute for the old stabilizing effect of the neighborhood.”⁶⁵ In a context in which there is rather romantic wondering about the “simple, ordered community,” in which “the social code and the desires of the individual are, for all practical purposes, identical,” and in which “the interests of the individual are subordinated, by his own eager desire, to the interests of the group,” two “symptoms of social disruption” in modern industrial society are stated: an increasing number of individuals who are “prey to unhappy and obsessive personal preoccupations,” and various groups which “are not eager to cooperate wholeheartedly with other groups.”⁶⁶ The *gemeinschaft* nature of the latent concept of order, with its implicit curtailing of “individual pre-occupation,” is more explicit in connection with individuated interest groups and the concept of a “social balance.”⁶⁷

If we take the absence of power analysis, along with the emphasis upon “community feelings,” we see that such feelings as a basis of order are quite different when they are assisted by some one who has the trust of the workers *and* the power and responsibility of protecting their interests and values (e.g. a shop steward system) than when they are assisted by someone whose responsibilities are to managers, who report to managers through “channels of communication,” and whose power to act is derived from managerial authority. Having power on such a basis, it might be that the emphasis upon status and community fit in with the proposal to create pseudo-*gemeinschaft* islands within and around the big managed framework of industry, for the purpose of being better able to manipulate the people working within and around the authoritarian framework of modern industry.⁶⁸

7. *The over-all formula.* What is the over-all formula of advice within which this literature as a whole makes the most sense? If we coded all the terms referring to managers and to workmen in this literature, would we find that managers are most frequently seen along

⁶⁵ W. B. Donham in preface to Mayo, p. ix. Also see p. viii: he “gives us instances where industrial administrators have succeeded in making factory groups so stable in their attitudes of group cooperation that men in the groups explicitly recognized that the factory has become for them the stabilizing force around which they developed satisfying lives.”

⁶⁶ Mayo, pp. 5-7.

⁶⁷ Roethlisberger, p. 112: “How can a comfortable working equilibrium be maintained between the various social groups in an industrial enterprise such that no one group in the organization will separate itself out in opposition to the remainder?”

⁶⁸ See Whitehead, Chapter XII: “The Organization of A Community,” especially pp. 172 ff.

lines of intelligent-unintelligent, rational-irrational, knowledge-ignorance; whereas workmen are seen most frequently along the lines of happy-unhappy, efficient-inefficient, good morale-bad morale? If so, how much of the advice, given and latent, can be picked up with the simple formula: to make the worker happy, efficient, and cooperative we need only make the managers intelligent, rational, knowing? Is this the latent political formula of human relations research in industry? If it is not, what else is involved? If it is, does not this formula, speaking practically, constitute a psychologizing of problems of industrial relations upon the classic formula of a natural harmony of interests, which is interfered with by the frailty of human relations as revealed especially in the unintelligence of managers and the unhappy irrationality of workmen?

To what extent is the advice, when summed up from all these studies, advice to the personnel manager to relax his authoritative manner and widen his manipulative grip by understanding employees better and countering their informal solidarities against management by controlling and exploiting these solidarities for smoother and less troublesome managerial efficiency?

All this is brought into sharper focus in the concept of morale, which I must consider in more detail.

The Concept of Morale

We want not only to develop the points of view which, when appropriately combined, will enable us adequately to define morale, but to use this model (1) in the understanding of what the industrial sociologists have actually been doing, and (2) to clarify the logically possible goals which they might pursue. In this way, we may be able to illustrate the self-correction that might come out of a detailed content analysis of industrial sociology.

Modern industrial work occurs within a hierarchy, which means that there is a line of authority and hence, from the under-side, a line of obedience. A great deal of the work is semi-routine, which means that for higher output the operations of each worker are slivered and stereotyped. If we combine these two facts—the hierarchal nature of the industrial structure and the semi-routine character of the work—we see clearly that work in a modern factory involves discipline: quick, continuous, and rather stereotyped obedience to authority. The factor of power—so coyly handled by human relations experts—is thus crucial to an adequate understanding of problems of morale.

Since I assume that factories are places where work is done, as well as social relations formed, in order to define morale I must consider both objective and subjective criteria. Subjectively, morale would seem to mean a willingness to do the work at hand, to do it with good cheer, and even to enjoy doing it. Objectively, morale would seem to mean that the work gets done effectively, that the most work is done in the least time, with the least trouble, for the least money. Morale has to do with cheerful obedience on the part of the worker, resulting in efficient prosecution of the work at hand, as judged by the management.⁶⁹

Here is a fourfold model with which we can discuss the matter.

MODEL FOR MORALE ANALYSIS

<i>Subjective</i> <i>Condition of Individual</i> ⁷¹	<i>Objective Structure of Power</i> ⁷⁰	
	<i>Participates</i>	<i>Does not</i>
Cheerful and willing	1	2
Uncheerful and unwilling	3	4

Box 1: Two kinds of morale can be found here. First, that of the self-managing craftsman. Here is the Smith-Jeffersonian, unalienated man, or, as Whitman called him, "man in the open air." However,

⁶⁹ Terms like morale and esprit de corps seem to be part of the transfer of military language to civilian life. The definition above seems to be the operational meaning of the term within the literature being considered. Cf. Mayo, p. 118: "Morale, the maintenance of cooperative living, is commonly spoken of as . . . an intangible . . . Intelligent handling of the situation . . . resulted in major changes of a definitely measurable order in Philadelphia, at Hawthorne . . . [etc.] . . . Production increased, wastage diminished, absenteeism and labor turnover diminished . . ." Roethlisberger, p. 192: "From this point of view, the problems of morale in a business break down into two parts: (1) the daily problems of maintaining internal equilibrium within the organization, that is, maintaining that kind of social organization in which individuals and groups through working together can obtain human satisfactions that will make them willing to contribute their services to the economic objective of cooperation . . ." Roethlisberger and Dickson, on p. 563: one meaning of "efficiency" is given as "morale" or "social integration." Roethlisberger, pp. 155-6: "We have not been implying that there is an inherent incompatibility between 'efficiency' and 'happiness' . . ." but that "too different sets of considerations are involved." The administrator must "secure their willingness to contribute their services to these purposes, but also he must see to it that by giving their services to these ends they will obtain social satisfactions which make them desirous for cooperating."

⁷⁰ Obviously both dichotomies can more properly be seen as scales. I simplify here. By "power" I mean here the capacity freely to oversee and decide about one's work life.

⁷¹ By "subjective condition" here I mean the gratification from and the willingness to continue in one's work.

all the assumptions of such a man have been removed by the introduction of a large-scale, hierarchical organization of work. Classic socialism can be deduced from classic democracy with strict logic by the introduction of this one factor. The second item, then, in box 1 is the "soviet" form of authority in the classic statements given out on "worker's control." It is the form of work imagined for unalienated men under the objective conditions of large-scale collective work.

Box 2 might be called pseudo-morale or manipulated morale. The people in it are "falsely conscious" in the formal sense of displaying a psychology that is not in harmony with their structural position. Of course, we have to explain the different types of people who fall into this category. No collective craftsmanship or self-direction is possible; the frame of acceptance of the work is alien to its process.

Box 3 contains the people whom we may appropriately speak of as malcontents, or as unadjusted. These people may be deficient for the work they do, or deficient in understanding their situation, or at any rate they are not making the most of it.

Box 4: These are the alienated who are not necessarily falsely conscious. People in box 2 are also alienated, but they have conformed to managed expectations, or to the conventionally upheld expectations of fellow workmen in "a Rotary Club teamwork of morale." There are also some in box 2 who inherit the psychology which goes with the industrial craftsman of box 1, even though the objective conditions have shifted.

These descriptions of types are merely beginnings. By changes in the variables cross-tabulated, and by the construction of sub-types within each box, along a range of motives, the model can be sophisticated into not only a theory of morale but into an explanatory model of alienation, false consciousness, apathy, and insurgency.⁷²

The use, it would seem to me, to which we can best put our model here is as a tool for sociology of knowledge analysis, and as a policy clarification of the work of industrial sociologists.

Management's ideal may be taken as box 2; its effort is to try to move the people from the other three boxes into box 2 and keep them there. The radical's ideal may be taken as box 1; his effort will be to have people move from the other three boxes into box 1 and retain that position. Where, in latent meaning, do the human relations studies fit into this model? Is not their ideal box 2, their big effort in develop-

⁷² Such a model is now being developed in connection with my forthcoming book, *The New Middle Class: A Study of White Collar People* (Oxford University Press, 1950.)

ing techniques of moving people from box 4 into 2 and keeping them there? That is the hypothesis, I believe, which most neatly explains the literature, although only a detailed content analysis would verify or disprove this.

By their assumption, formally and concretely, of the existing framework of industry as unalterably given, and of the aims of management as the aims of everyone involved in modern industry, they omit considerations of the left half of our model of morale, of the authoritative structure and the degree of worker participation in it. They thus see the problem of morale only in terms of boxes 2 and 4; and their aim is to study the reasons people are in box 4 rather than 2, and the techniques whereby management can move its employees from 4 to 2 and keep them there, by manipulation and by allowing them to "blow off steam," without changing the structure of the workers' life in a sort of passive psychoanalytic relation which they would install in modern industry.

What have these students "discovered" other than (1) that within the authoritative structure of modern industry ("formal organization") there are status formations ("informal organizations"); (2) that often these operate in resistance to the authorities and for the protection of the workers against the exercise of authority; (3) that therefore, for the sake of efficiency and to ward off uncollaborative tendencies (unions and worker solidarity), managers should not try to break up these formations, but rather to exploit them for their own ends ("in the collective purpose of the total organization").⁷³ This exploitation may be achieved by recognizing and studying the status formations in order to manipulate the workers involved in them rather than merely authoritatively ordering them. If this should be the case then, in the general tendency for our world to be rationalized, the human relations experts seem to be extending this tendency in an intelligent way and in the service of the managerial elite.

The Promise of Sociology

The promise of American sociology, not merely for the study of industrial relations, but in general, does not lie in a continuance of the old practicality of sociology nor in energetic acceptance of the new. If I may state it briefly, the main course of sociology runs thus: (1) Nineteenth century work, especially in Europe, was concerned with the analysis of total social structures, or the institutional orders

⁷³ Roethlisberger and Dickson, p. 553.

composing them, with great theoretical themes usually, if at all, worked out in a historical way. (2) Twentieth century work, especially in America, has been focused empirically, almost journalistically, on a great variety of inviting topics. In following this path it has lost touch with the broad focus upon historical social structures, but it has developed precise tools for observation and especially for the manipulation of empirical data. (3) Now entering its third stage, the grand problem of sociology is to get those two together, to blend into an active discipline the scope of the theoretic and historical work, associated with 19th century theorists, with the precision and analytic power associated with the empirical methods worked out in American sociology, often in connection with socially and historically trivial problems. All the promise of American sociology over the next decades lies within the possibilities of making this connection. And it may be made, indeed it must be made, in any number of specific fields of work: the legal and political orders, the comparative structures of nations, the sphere of organized religion, the realm of industrial relations.

One of the great 19th century theses, that of Marx, is that in the evolution of modern capitalism people are moved from the left side of our model to the right (structural change), and simultaneously, it would seem, that they move from the top side of the model to the bottom (psychological change); that the central line of historical development is thus from box 1 to box 4, until, with the spread of rational awareness and knowledge, collectively and with violence, if need be, they would spring, in a new synthesis, from box 4 into box 1. He was right about the structural change; mistaken and inadequate about the psychological.

The theoretical problem of industrial sociology, as it comes to a focus on the problem of morale, is a problem of exploring the four types of morale—situations outlined in our model; of examining to what extent the psychological shift from top to bottom of this model has proceeded along with the structural shift from left to right; and why there has been so feeble a tendency to move from box 4 to box 1 in the United States. In these directions, it seems to me, lies the promise, about which I have here been able to say so little, of a sociology of modern man's working life.

THE CONTRIBUTION OF THE LAW TO INDUSTRIAL RELATIONS RESEARCH

NATHAN P. FEINSINGER

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THE LAW IS "a seamless web." And so is, or should be, the aggregate of social sciences.

I have participated for a number of years, in cooperation with your distinguished President, Dr. Edwin E. Witte, in a seminar on collective bargaining with students and professors in law, economics, commerce, sociology, psychology, and philosophy. My conclusion based on this experience is somewhat similar to that expressed by my colleague, Professor James Willard Hurst, who, speaking of the recent Inter-Professions Conference on Education attended by a hundred educators in business administration, engineering, law, medicine and theology, said:

The conference supplied confirmation from . . . other disciplines that the law teachers have been touching deep-lying problems when they have been concerned, as they have for the past ten or fifteen years particularly, with (1) the policy bases of law and its relation to the going values of our society, (2) the closer integration of the study of related fields of social affairs. . . .

Role of Law

Until quite recently the law has been regarded by many, if not most, social scientists—other than lawyers—as an instrument of repression or negation, rather than as a constructive force, in the shaping of human affairs. "Don't ask him. He's a lawyer. He'll tell you a thousand reasons why it can't be done." Conversely, lawyers and even law teachers have tended to live in splendid isolation—at least isolation—from the "theorists" in the other social sciences.

Law and the other social sciences are of late seemingly locked in fond, if somewhat confused, embrace. I take it that our purpose today is to disengage ourselves long enough for those of us in one discipline to suggest what we have that might be useful to the others, particularly as related to possible cooperation in the field of industrial relations research.

What does law, what can the law, contribute to industrial relations research? What do we mean by "law" in this regard? I suppose we mean the way in which lawyers, judges, law teachers, and the legislature, all of whom are responsible for the growth of the law, look at things. There is a difference of outlook among these contributing groups, of course. Scratch a lawyer deep enough and you will find an advocate; a judge, and you will find a philosopher; a law teacher, and you will find a critic; a legislature, and you will feel the more or less current pulse of the people.

A proper appraisal of the contribution of law to research in industrial relations requires an understanding of the role played by each of these groups, particularly the lawyer and the judge, to the development of the law. The law teacher at his best is the prodder of these groups and of the legislature, while the legislature itself frequently acts to correct or amplify the views of the courts, often by adopting the views indicated by dissenting opinions.

Method of Advocacy

The device of deliberate advocacy, which has no counterpart in the other social sciences, has played a major role in the development of the law. The function of advocacy in the law is to sharpen the issues, to select the critical facts, and to argue the "proper" result. The lawyer is an "arm of the court," helping the judge to do justice in a particular case. Regardless of his personal convictions—except in rare cases—his immediate job is to present his client's case in the best possible light, leaving his adversary to do likewise for his client. His presentation of a case is necessarily one-sided, in that sense. To present his side of the case most effectively, however, he must familiarize himself with both sides of the case thoroughly. His research must meet the test of his adversary's diligence and the judgment of the court, not to mention the judgment of his client. The research of the "good" lawyer to-day includes not only a search of the statutes and decisions but of the whole body of knowledge bearing on the issues in dispute. It may not be remiss to point out that one of my distinguished law school colleagues, Professor Charles Bunn, who turned to law teaching after a highly successful career in the practice of the law, has often complained to me that he has much less time for research now than in his practice. Will Law School Deans please note.

May there not be something constructive in the art of legal advocacy, as I have described it, which can be applied to industrial re-

lations research? In most of the research in this field which I have seen, the writer departs from a premise of his own, often thinly veiled, which he assumes to be "correct." Often the research deals with a truly controversial issue, one on which two reasonable men, each with a "social conscience," may honestly disagree. There is seldom any real check against the accuracy of the research or the soundness of the result. Other researchers, at least in academic circles, are more reluctant to criticize a colleague's research, particularly in view of the philosophy of noblesse oblige which all too often permeates the academic atmosphere.

Specifically, on controversial issues of the sort I have described in the field of industrial relations, may it not be worthwhile for two or more social scientists interested in the same subject deliberately to engage in the sort of collaboration which opposing counsel employ in presenting a case to a court? Perhaps a third scientist, or a third, fourth, and fifth, for safety in numbers, might be added to the program to render judgment on the presentations, or, perhaps, to "remand the case" for further evidence or argument before rendering a judgment. If there be danger that the social-scientist advocate, like the conscientious actor, may tend to identify himself too well with his role, he might, the next time around, trade places with the judge.

Why, for example, should lawyers or law teachers, like Dodd and Teller, have a monopoly of debate on such subjects as picketing?¹ This is one of the many subjects which permit an honest and reasonable diversity of opinion, or multiple opinions, depending not only on a choice of premises of what is "good" or "bad," but on the facts and setting of a particular case. Where does "free speech" leave off—if it has any rightful connection with picketing—and "coercion" begin? What of picketing "enmeshed with violence;" or picketing which is allowable or prohibited depending on "ends" or "means?" Can one appraise picketing at all without relating it to issues which may involve a clash of basic social and economic values? Why aren't these proper subjects for research by any industrial relations student, be he a sociologist, psychologist, political scientist, or other specialist?

Again, there is a rich field of research for the political scientist, for example, in the concept of "industrial self-government" which we at the University of Wisconsin have been exploring for years; for the sociologist, in the problem of reconciling individual and group rights

¹ See the exchange between them on "Picketing as Free Speech," in 56 *Harvard Law Review* 180, 513, 532 (1942-43).

in the collective bargaining process; for the psychologist, in the functions of a grievance system; and so on. Must these subjects be left to lawyers, law teachers, judges, and the legislatures to grapple with, minus the contribution which the other social sciences can make, whether through advocacy-research or otherwise?

Value of Judicial Opinions

The legislature makes the law, and the judges interpret it. But there is a good deal of judge-made common law, and a statute, like the constitution, is what the judges say it is. Law is largely "justice" as the judges see it, with the aid of the lawyers.

We see the law as the judges see it mainly, although not exclusively, in their written opinions. A proper study of judicial opinions in the field of industrial relations, whether majority, concurring, or dissenting, will yield rich results for the sociologist, psychologist, and the political scientist, as it has for the lawyers, in the area of human values.

What is the contribution of law to industrial relations research which such a study might reveal? Take, for example, Holmes, Brandeis, and Frankfurter, whose writings have had a most profound effect on the course of labor law and labor relations in our country. To Brandeis, in particular, "justice" meant a decision reached only after careful investigation and weighing of social and economic values. To him, the liberty of the individual, protection of the small versus the big, represented the highest single value to be preserved by the judicial and legislative process when dealing with the problem of industry and labor in a democracy.

Those who won our independence believed that the final end of the State was to make men free to develop their faculties, and that in its government the deliberative forces should prevail over the arbitrary. They valued liberty both as an end and as a means. They believed liberty to be the secret of happiness and courage to be the secret of liberty.²

But liberty is not absolute:

The liberty of each individual must be limited in such a way that it leaves to others the possibility of individual liberty; the right to develop must be subject to that limitation which gives everybody else the right to develop; the restriction is merely an adjustment of the relations of one individual to another.³

² Concurring opinion in *Whitney v. California*, 274 U.S. 357, 375 (1927).

³ Statement in behalf of a minimum wage law before New York State Factory Investigating Commission, January 22, 1915.

So, industrial combatants have the right "to push their struggle to the limits of the justification of self-interest," but "above all rights rises duty to the community:"

The conditions developed in industry may be such that those engaged in it cannot continue their struggle without danger to the community. But it is not for judges to determine whether such conditions exist, nor is it their function to declare the duties which the new situation demands. This is the function of the legislature . . .⁴

But we must not look for panaceas, legislative or otherwise:

Refuse to accept as inevitable any evil . . . Refuse to tolerate any immoral practice . . . But do not believe that you can find a universal remedy for evil conditions or immoral practices in effecting a fundamental change in society . . . And do not pin too much faith in legislation. Remedial institutions are apt to . . . become instruments of oppression.

Seek for betterment within the broad lines of existing institutions. Do so by attacking evil *in situ*; and proceed from the individual to the general. Remember that progress is necessarily slow; that remedies are necessarily tentative; that because of varying conditions there must be much and constant inquiry into facts . . . and much experimentation; and that always and everywhere the intellectual, moral and spiritual development of those concerned will remain an essential—and the main factor—in real betterment.⁵

One finds Holmes equally aware of the problems of industrial democracy, but perhaps more cynical in his approach to their solutions:

One of the eternal conflicts out of which life is made up is that between the effort of every man to get the most he can for his services, and that of society, disguised under the name of capital, to get his services for the least possible return.⁶

This means, says Holmes, that labor must combine "if the battle is to be carried on in a fair and equal way." Combination in our industrial world is inevitable:

. . . It is plain from the slightest consideration of practical affairs, or the most superficial reading of industrial history, that free competition means combination, and that the organization of the world, now

⁴ Dissenting opinion in *Duplex Printing Press Co. v. Deering*, 254 U.S. 443, 488 (1921). Compare Mr. Justice Frankfurter's opinion in *Carpenters and Joiners Union of America, Local No. 213 v. Ritter's Cafe*, 315 U.S. 722 (1942).

⁵ See note 3 above.

⁶ Dissenting opinion in *Vegelahn v. Guntner*, 167 Mass. 92, 108 (1896).

going on so fast, means an ever-increasing might and scope of combination. It seems to me futile to set our faces against this tendency. Whether beneficial on the whole, as I think it, or detrimental, it is inevitable, unless the fundamental axioms of society, and even the fundamental conditions of life, are to be changed.

But Congress and the State legislatures should be free to engage in social and economic experiments, by way of protecting the rights of one competing group, in the public interest, at the expense of the common-law rights of the other, whatever he, Holmes, might personally think of the experiments:

. . . There is nothing I more deprecate than the use of the Fourteenth Amendment beyond the absolute compulsion of its words to prevent the making of social experiments that an important part of the community desires, in the insulated chambers afforded by the several States, even though the experiments may seem futile or even noxious to me and to those whose judgment I most respect.⁷

I respectfully suggest that in these few selected quotations we are presented with a framework for basic research in industrial relations suitable for any era, and adequate for all disciplines having any concern with social and economic values in our industrial democracy. Herein lies the main contribution of the law: the constant search for ways and means to preserve and promote the liberties of an individual or a group of individuals, in our modern complex industrial civilization, without excessive interference with the liberties of other individuals or groups, and with due regard to the welfare of the community as a whole. It is a search which is gathering force, but one which will never end. It is a search to which all disciplines, and all faiths, should contribute to the utmost. There is room and a need for all of us.

⁷ Dissenting opinion in *Truax v. Corrigan*, 257 U.S. 312, 343 (1921).

DISCUSSION

B. M. SELEKMAN

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It is significant that, by the testimony of these papers, none of the four disciplines—psychology, political science, sociology, or law, nor in blunt truth all of them together—can as yet offer a systematic, coherent theory of human behavior for application and testing by those of us who work in the field of industrial relations. Nor should this leave us too surprised. Instead we can all grant that it would be something of a miracle if the social sciences, in the present stage of their development, would yield an agreed theoretical structure to further concrete understanding and interpretation of human behavior in all its complexities. The task of formulating such a theory lies ahead; and industrial relations, it seems to me, affords an especially fruitful field for exploration and collaborative analysis by all the disciplines directed toward getting on with that fundamental task.

The fluidity of present-day social research is further exemplified, in my judgment, by the diverse approaches taken in these papers toward certain common threads of analysis that run through all of them. Thus the factor of “power” in modern social relationships concerns all the speakers; yet significantly they each project the very concept in strikingly contrasting formats. For Leiserson, a political scientist, coming from a discipline which is perhaps more concerned with power structures than any of the other disciplines, power has no meaning apart from the specific and diverse group relationships in which it must now be studied. He sees it neither as a primary factor in social development nor as the source of “inevitable” beyond human control, but as one instrument in varying contexts where men seek mastery of their complex modern destiny. Urging proper scientific caution, he outlines specific areas of group interaction in which the power factor may be a promising subject of research.

Kornhauser, the psychologist, sees power as one of many variables influencing human behavior. He is particularly concerned about neglect of “power” influences in the studies thus far made regarding the

patterns of response evoked in industry from small group structures, functioning under permissive, "democratic" leadership. For he feels the promise of this research has been hobbled by a tendency of the researchers to shy away from the implications of their findings against the larger authoritarian organization of modern industry.

To Mills, the sociologist, power, with status and class, constitute the chief, inseparable dimensions of a social structure. Indeed, his main criticism of the Mayo school, in its studies of human relations in industry, is that it slights and blurs "power" to concentrate upon status in the "social organization" of the factory. Similarly he grounds his own "morale model" primarily on "power." For by its combinations of the factors shaping the responses of men at work, unless the workers have complete control over their environment, there can be no true morale in industry. In situations where the facts seem to show otherwise and "good morale" appears without such complete controls, Mr. Mills' very definitions dismiss the phenomenon as a false, not a true, morale.

It would be unfair to evaluate critically this morale model which Mills offers still tentatively as an instrument of research for industrial relations; he promises further work upon it. As offered, however, it seems to me to rationalize an unexpressed syndicalist or guild socialist approach to the complex, crucial problems of industrial relations which it professes to analyze with scientific objectivity. By its sheer premises it seems to exclude most unions in this country, with their still pragmatic approaches to shop issues, from any promising role in our industrial future.

Certainly we would all agree that power is an important factor in social structures. But such general agreement still leaves the pivotal question: How shall "power" be studied empirically? Leiserson makes good suggestions regarding focal areas for research in industry, unions, and government. Kornhauser has a significant point in urging integration of research findings from studies of small bench groups into the larger context of managerial authority. Mills may yet prove those of us wrong who question whether social science is now ready to study power as a dimension of the total social structure. For my own part, I should like to suggest collective bargaining processes as focal and illuminating areas for "power" study—such as the mobilization of strength prior to and during the negotiations of new agreements, the impact of conditions affecting the "balance of power" in wage movements, the implementation of "power" in organizing cam-

paigns, and the canalizing of power to orderly procedure by grievance adjudication.

If I now select for particular discussion Mills' criticism of the Mayo contribution to industrial sociology, I hope you will bear with me. Certainly every school of interpretation in social studies finds one of its chief values in the critical evaluations it evokes. On the other hand, just because all thinking and research in our common field are still so formative, is it not incumbent upon us all to see what each "school" has to offer to our joint progress? I cannot feel that Mills has sought the insights Mayo offers for further exploration, testing, and application in our difficult advance toward understanding; rather does he condemn the whole body of findings out of hand for its "wrongful" implicit assumptions. Time will not permit me to probe in detail these scathing charges of underlying biases. I shall merely point out some errors in the facts upon which Mills predicates his criticisms.

As already indicated, Mills' major criticism of the work of Mayo and his associates rests upon his conviction that the whole research disregards the power factor in industrial relations—concretely, that the researchers paid no attention at all to trade unionism. And this neglect took place during the decade of great union growth, says Mills. Now it is true that these studies were written and published in the 1930's, when trade unionism was spreading swiftly through American industry. But it is also significantly true that the field work in the Hawthorne Plant was carried on during the years 1927–1932. These were years, of course, when trade unionism was at a very low ebb generally throughout the country. Nor did trade unions enter in any substantial way the Western Electric Company at all, nor any Bell Telephone operations, until the 1940's.

Moreover, whether we like the astounding fact or not—and I must confess that I myself found it hard to swallow for a while—it is the fact that, among twenty thousand non-directive interviews upon which so much of the findings was based, there appeared very little articulation on trade union matters among the workers. Finally, some members of the Mayo group, notably Selekmán and Warner and his co-workers, have dealt explicitly with trade union aspects of human relations in industry, with conflict as well as with cooperation, with industrial dynamics as well as with industrial statics. For some reason, however, Mills has excluded these studies from his evaluation of what he calls the Mayo school. Is a jurisdictional protest in order?

Now it can fairly be said that Mayo himself was not interested

primarily in trade unions; nor was he, for that matter, particularly interested in business corporations. For no particular industrial institution particularly interested him; he was concerned rather with the failure of modern society, whatever might be the environment in which its human constituents interact, to afford outlets for, and evocation of, the capacity for cooperation. It was the wholesale breakdown of collaboration and the necessity of developing social skills on the part of administrators, whether in government, business, or unions, to help restore the collaborative pattern in human society that was Mayo's chief concern, which shows itself through all of his work. Other scholars may see our crucial problems in other questions. But some of us may also feel that Mayo's findings offer usable clues and insights for all work in industrial relations. For instance, Golden and Ruttenberg have already shown that practical union officials, quite as much as the corporation executives whom Mills dilates upon, can apply Mayo's work with profit.

It is healthy to recognize limitations; but surely we should not overlook illuminations.

MILTON DERBER

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As Dr. Witte pointed out in his presidential address, there has been an unfortunate tendency in current industrial relations research to neglect the findings and analysis of the pioneering students of the subject—Commons, Hoxie, Perlman, the Johns Hopkins group, and others. Study of their works would quickly reveal that, although known as labor or institutional economists, they were profoundly aware of the contributions which the various non-economic disciplines, such as psychology, law, political science, and sociology, could make to our further understanding of industrial relations. Indeed, many of their most important concepts were of a non-economic character, couched, however, in their own language and not in the technical jargon of the psychologist or other specialist. It might prove extremely fruitful if these concepts were critically examined by the various specialists in the light of recent developments in their respective fields.

The writings of the institutional economists suggest, moreover, that the primary question is not what the various disciplines can contribute to the study of industrial relations, but rather how their contributions

can be integrated in a meaningful whole. Three possible courses to this end would appear to be open. The first is to continue what is predominant practice at the present time: specialization by each of the disciplines, with each group borrowing from the others on a rather haphazard and individualistic basis. In the light of experience to date, the possibilities for integration through this process are highly dubious.

A second course is the pursuance of research projects by teams of specialists from the various disciplines, thereby permitting a direct interchange of concepts, principles, and tools. This method is being tried out in a number of universities and, at the moment, appears to be the most feasible approach to the problem. But as our experience at Illinois and elsewhere indicates, the path is strewn with many difficulties and the outcome is by no means certain. One of the major difficulties is simply to get the members of the team to understand each other's language. This is time-consuming and expensive.

The third course is of a longer-run character, and its feasibility is yet to be determined. It provides for the training of students in each of the relevant disciplines so that an integrated approach to industrial relations problems can be achieved from the outset. In view of the lengthy training required for the mastery of any one field, this method poses obvious complications. It represents a challenge which may well merit the attention of the Association's Committee on Teaching.

In any event, the present meeting represents an important step in the right direction: to stimulate further thinking on the problem of integration of the social sciences in the study of industrial relations. It is to be hoped that further meetings of this character will be held.

**CONSTITUTION AND BUSINESS
REPORTS**

CONSTITUTION AND BYLAWS

1. NAME. This Association shall be known as the Industrial Relations Research Association.
2. PURPOSE. The purposes of this Association are:
 1. the encouragement of research in all aspects of the field of labor—social, political, economic, legal, and psychological—including employer and employee organization, labor relations, personnel administration, social security, and labor legislation;
 2. the promotion of full discussion and exchange of ideas regarding the planning and conduct of research in this field;
 3. the dissemination of the significant results of such research; and
 4. the improvement of the materials and methods of instruction in the field of labor.

The Association will take no partisan attitude on questions of policy in the field of labor, nor will it commit its members to any position on such questions.
3. MEMBERSHIP. In accordance with the Bylaws, membership shall be open to anyone interested in the purposes of the Association.

I. MEMBERSHIP

1. Any person interested in its purposes may, upon payment of dues, become a member of this Association.
2. There shall be the following classes of members: Regular Members paying annual dues of \$5.00; Family Members (living at the same address as another member, but not receiving the publications of the Association) paying annual dues of \$1.00; Junior Members (graduate and undergraduate students, limited to three consecutive years in each classification) paying annual dues of \$3.00; Contributing Members paying annual dues of \$25.00; and Life Members making a single payment of \$100 less any dues paid for the preceding calendar year. Persons who pay dues for 1948 shall be designated as Charter Members of their respective classifications.
3. Every member except a Family Member is entitled to receive the publications issued by the Association during his membership. Special publications may be offered to members at a discount.

II. OFFICERS

1. The Association shall have the following elective officers: a President and twelve elected members of the Executive Board. The term of office of the President shall be one year. The terms of office of the members elected to the Executive Board shall be three years, four of the twelve terms to expire each year. Each regular term of office shall coincide with a calendar year.

2. As early in each year as practicable, the Executive Board shall elect a Nominating Committee consisting of seven other members of the Association, one of whom shall be designated as chairman by the Executive Board. The names of the Nominating Committee shall be published with an invitation to the general membership that suggestions of nominees for the various offices be sent to the chairman of the Committee. The Committee shall be instructed to present to the Secretary-Treasurer of the Association on or before September 1 of each year a nominee for the presidency and two or more nominees for each other elective office to be filled, the nominees being members of the Association. The candidate for president shall be selected by an electoral college consisting of the members of the Nominating Committee and the Executive Board, with space provided on the ballot for an individual voter's alternative choice.
3. Elective officers shall be chosen through elections to be held during the last three months of the term of office of their predecessors under the rules determined by the Executive Board. Each member shall be given the opportunity to vote by mail. The results of the election shall be tabulated, certified and announced by the Secretary-Treasurer under the supervision of the Executive Board.
4. The Association shall have the following officers who shall be appointed by the Executive Board: a Secretary-Treasurer, an Editor, and a Counsel. The appointments to each of these offices shall be for three years, which may be terminated for cause by a majority vote of all voting members of the Executive Board. The Editor shall, with the advice and consent of the Executive Board, appoint for a term of three years an Editorial Board of at least five members to assist him.
5. The Executive Board shall consist of the President, the Secretary-Treasurer, the Editor, the previous year's President, and twelve elected members, provided that the Secretary-Treasurer and the Editor shall not be entitled to vote.
6. With the advice and consent of the Executive Board, the President shall appoint a Program Committee for the annual meeting, consisting of the Editor, the previous year's President, the Secretary-Treasurer, and representatives of the several areas of interest of the Association's membership. The President shall be the chairman of this Committee.

III. DUTIES OF OFFICERS

1. The President of the Association shall preside at all business meetings of the Association and at all meetings of the Executive Board and the Program Committee. In case of his disability, his duties shall devolve upon the Secretary-Treasurer pending selection of an acting president by the Executive Board to serve for the unexpired term.
2. The Secretary-Treasurer shall keep the records of the Association; receive and have the custody of the funds of the Association, subject to the rules of the Executive Board; and perform such other duties as the Executive Board may assign to him.

3. The Executive Board shall have the control and management of the funds of the Association. It may fill vacancies in the list of officers, and may adopt any rules or regulations for the conduct of its business not inconsistent with the Constitution or Bylaws or with rules adopted at the annual meeting. It shall act as a committee on time and place of the annual meetings and perform such other duties as the Association shall delegate to it. A quorum shall consist of seven voting members.

IV. LOCAL CHAPTERS

1. The Association will recognize as affiliated local chapters, by means of a certificate of recognition, a local organization formed to advance the purposes of the Association, provided the bylaws of the local group are consistent with those of the Association and require the officers of the local chapter and members of all committees to be members of the Association, and provided further that no financial obligation of the local chapter shall be a contingent obligation of the Association. Student chapters must have a faculty advisor who must be a member of the Association.
2. Any local group desiring to affiliate with the Association will send its request for affiliation, together with a copy of its bylaws and a list of its officers and committee members, and a statement of its program, to the Secretary-Treasurer, who shall present the request to the Executive Board. The Executive Board may accept or refuse the affiliation.
3. The Association will not interfere with activities of the local chapters, provided that they conform with the purposes of the Association. The affiliation of any local chapter, whose program or activities are inconsistent with the aims and purposes of the Association, may be terminated by vote of the Executive Board.

V. AMENDMENTS TO THE CONSTITUTION OR BYLAWS

1. Amendments that have been approved by the Executive Board may be adopted (a) by a majority vote of the members present at the annual business meeting of the Association or (b) by a majority of the votes cast in a mail ballot authorized by the Executive Board.
2. The Executive Board shall report to the annual business meeting any amendments proposed during the year, but not approved for adoption. Upon motion of any member present at the annual business meeting, the Executive Board may be instructed by majority vote to submit such amendment by mail ballot to the membership.

REPORT OF THE SECRETARY-TREASURER FOR 1948

THE FOLLOWING minutes contain the record of all official actions of the Executive Committee and of the annual business meeting during the first year of the Association. The minutes of the meeting of the Organizing Committee are included as a matter of historical interest.

MINUTES OF THE ORGANIZING COMMITTEE MEETING *New York City—October 25, 1947*

The meeting was held at the Columbia University Men's Faculty Club. Present: Messrs. Bladen, Clague, Haber, Jensen, Lester, McPherson, Mills, Spero, Taylor, Wolf. Absent: Mrs. Burns and Messrs. Harbison, Kerr, Paterson, Slichter, Tyson, Whyte, Wirtz, Witte, Yoder.

Most of the day was spent in drafting the Constitution and Bylaws, working from a draft that had been prepared on the basis of a study of corresponding documents of other professional associations and comments received from members of the Committee.

The statement of purposes was expanded to make clear (1) that the Association's scope of interest covers all aspects of the labor field and all the social science disciplines, (2) that its membership is intended to include persons interested in the results of research and their application as well as those who are conducting research, and (3) that it aims to be of value to persons interested primarily in teaching and is not expected to focus attention on research as exclusively as its title might imply.

It was decided not to require that new members be endorsed by a member. It was thought that such a requirement would serve little purpose and might occasionally involve troublesome "red tape."

It was decided to provide for two vice-presidents rather than one. It was thought that a dual vice-presidency would give better opportunity for full representation of all the related sciences and would avoid the development of a precedent of automatic advancement from the vice-presidency to the presidency. The vice-president who receives the larger number of votes will perform the duties of the president during the latter's absence.

It was decided that the Nominating Committee should be named by the Executive Committee rather than by the president alone, in order to protect the latter from any possible criticism.

The appointment by the president of a Program Committee was made mandatory.

The Editorial Board was given only advisory functions, with full responsibility placed in the editor, who can be replaced at any time (as can the secretary-treasurer) by concurrence of a majority of the voting members of the Executive Committee.

There was lengthy discussion regarding the selection of the Associa-

tion's name. By a process of elimination, it was finally decided that "Labor Research Association" was the least objectionable of the various suggested alternatives. (This was subsequently changed to "American Association for Labor Research" by a vote of 15 to 3 by mail ballot, in order to avoid duplication with an existing organization.) The phrase "industrial relations" was objected to as being too narrow in scope and as possibly giving some people a false impression that the Association was catering chiefly to persons in the various industrial relations institutes.

Dean Catherwood, of Cornell, met with the Committee at its invitation to discuss the possibility of joint sponsorship of the *Industrial and Labor Relations Review*. It was decided that any decision on joint sponsorship should be undertaken by the Association's officers rather than the Organizing Committee, (2) that no decision should be made at that time on the Association's publication program, and (3) that serious consideration should be given to the possibility of preparing a volume surveying the status of labor research and the needs and opportunities for future research. It was suggested that the preparation of this volume might be apportioned among several special committees and sub-committees, and that this study might serve as the central theme for the 1948 annual meeting.

The following were selected as officers of the Association to serve through 1948:

President	EDWIN E. WITTE
Vice-Presidents	C. WRIGHT MILLS W. WILLARD WIRTZ
Executive Committee	WILLIAM HABER CLARK KERR DONALD G. PATERSON SUMNER H. SLICHTER GEORGE W. TAYLOR HARRY D. WOLF
Secretary-Treasurer	WILLIAM H. MCPHERSON

It was decided not to name an editor until there had been an opportunity for new members to join the Association.

MINUTES OF THE EXECUTIVE COMMITTEE MEETINGS *Chicago—December 29–30, 1947*

The Executive Committee met on Monday, December 29 at 10:00 A.M. in Room 809, Sheraton Hotel, Chicago, and on Tuesday noon, December 30 at luncheon. Members of the Organizing Committee were also invited to attend. The following were present at one or both of these meetings: Messrs. Haber, Harbison, Jensen, Kerr, Lester, McPherson, Witte, Wirtz, Whyte, and Yoder.

Since there was not present at either of these meetings a full quorum of five voting members of the Committee, it was necessary to formalize the

decisions by receiving written concurrence from other Executive Committee members. Such concurrence was subsequently received from Messrs. Mills, Taylor and Wolf.

Professor Witte agreed to accept the presidency of the Association for 1948. Douglas MacGregor was named to the vacancy on the Executive Committee that resulted from Prof. Paterson's resignation.

The name of the Association was changed to "Industrial Relations Research Association." This was done in the belief that the term "industrial relations" is rapidly gaining acceptance as the all-inclusive term to denote the entire field, including industrial sociology and psychology, social security, and labor legislation. It was learned that the term will be so defined in the glossary to be issued soon by the Industrial Relations Center of the University of Minnesota.

A Committee on Nominations, consisting of the following five members, was elected: Wight Bakke, chairman; John Dunlop, William Hopkins, Gladys Palmer, Donald Paterson. (Wight Bakke subsequently declined the appointment. Gladys Palmer was then named chairman, and Ewan Clague was added to the committee.)

The Executive Committee approved the following appointments to the Program Committee: Richard Lester (vice-chairman), Phillips Bradley, Arnold Tolles, William Whyte, and Dale Yoder. President Witte is chairman *ex officio*.

It was suggested that the annual meeting for 1948 should include programs for six meetings extending over a two-day period and that the central topics for these meetings be selected from the following list: Social Security, the Taft-Hartley Act, Case Studies in Industrial Relations, Wage Determination Under Full Employment, Employment Stabilization, the Labor Market, and Methods and Materials in the Introductory Labor Course. It was suggested that one of the six meetings should be a luncheon meeting that would include the presidential address followed by the general business meeting.

It was decided that the first annual meeting be held in Cleveland in December in conjunction with the meetings of the American Economic Association. It was suggested that if the Sociologists do not meet in Cleveland in 1948, the Association should meet with the American Sociological Society in 1949.

It was decided that the next meeting of the Executive Committee and the first meetings of the Program Committee and Nominating Committee would be held in Minneapolis in May during the Conference sponsored by the Industrial Relations Center of the University of Minnesota and the Labor Market Research Committee of the Social Science Research Council.

The secretary-treasurer was authorized to pay all necessary bills.

It was decided not to initiate at this time any reimbursement of expenses to persons attending meetings of any IRRA Committees.

It was suggested that a committee on teaching methods and materials be named in case it should be decided not to include a program on this topic at the next annual meeting.

REPORT ON THE INTRODUCTORY MEETING

Chicago—December 30, 1947

A general meeting of persons interested in the Association was convened at 2:30 P.M., December 30, in Room 818 of the Hotel Sheraton in Chicago, during the meeting of the American Economic Association. It was attended by more than 100 persons.

The meeting was opened by President Witte, who explained the need for the establishment of the Association and the general functions that the Association expected to undertake. Mr. McPherson introduced the members of the Organizing Committee who were present and outlined the steps that had led to the establishment of the Association. The meeting was then thrown open for suggestions and comments from the floor. The major suggestions were as follows:

1. There is a need for a comprehensive annual list of research projects in progress that would have broader coverage than the one currently issued by the Committee on Labor Market Research.
2. The Association should hold joint meetings with professional societies other than the American Economic Association.
3. The Association should include management and labor people in its membership.
4. The annual program meeting should avoid papers and formal discussions and make greater use of informal discussions and round tables.
5. A Membership Committee should be appointed, with each member given special responsibility for soliciting all prospective members in his particular area of the country.
6. The annual meeting should not entirely coincide with the meetings of other professional societies but should begin a day earlier or continue a day later in order to minimize conflicting meetings.
7. The Association should print a small leaflet giving information about itself that would be of interest to prospective members.
8. A form should be filed with the internal revenue office to assure that dues payments will be credited for deduction on income tax payments.
9. Good mailing lists of prospective members should be obtainable from book publishers.

The following suggestions were presented informally to the Secretary after the close of the meeting:

1. The Association and the *Review of Industrial and Labor Relations* might make a combined offer of membership and subscription at somewhat less than the total separate charges for both.
2. Many monograph authors who do not have ready access to a university press would be glad to pay publication costs for monograph publication under the auspices of the Association. This should permit the early introduction of a monograph series without any appreciable cost to the Association.
3. Many professors in small colleges would like to join in group research projects in the field of industrial relations. The Association should

seek to bring these people into touch with groups who are conducting such projects and who might wish to have certain field work performed in the area of a particular college.

MAIL BALLOT ON CHARTER MEMBERSHIP

The original Bylaws provided that Charter Membership should apply to persons joining the Association as regular, contributing, or life members prior to February 1, 1948. Since the Association was not planning to issue any publication during 1948 and persons joining during the year would receive no tangible benefit from membership, it was suggested that Charter Membership apply to all such members joining at any time during 1948.

In January 1948, the Executive Committee by mail ballot approved this proposal and its submission by mail to the members. On February 11, ballots were mailed to the 284 members who had joined prior to February 1. The Bylaws were amended as a result of the following returns:

In favor of the amendment	173
Opposed to the amendment	9
Unmarked ballots	8
Late ballots	7
Total ballots returned	<u>197</u>

ACTIONS OF THE EXECUTIVE COMMITTEE

June 1948

A meeting of the Executive Committee was scheduled in Minneapolis on May 20, when it was expected that most of the members would be in that city for another conference. However, a quorum was not present, so that only a general discussion of problems was held with a large group of IRRA members.

To replace the Minneapolis meeting, a mail ballot of committee members was initiated by a letter from President Witte on June 24. As a result of this ballot several actions were taken.

1. The Executive Committee approved a proposal to revise the Bylaws so that undergraduate, as well as graduate, students would be eligible for junior membership. (The revision became effective when approved at the annual membership meeting, as indicated below.)
2. A special Committee on Constitutional Changes was authorized. The question of authorization of local IRRA chapters was referred to that Committee.
3. A special Committee on Research was authorized. The question of procedure for handling requests from members for information or advice on research projects was referred to that Committee. Pending the adoption of such a procedure, the secretary-treasurer was instructed to forward any request of this type to a member who is qualified to answer it.

4. The employment of a part-time clerk-stenographer in the office of the secretary-treasurer was approved.
5. Payment of premium for bonding of the secretary-treasurer was approved.

ACTIONS OF THE EXECUTIVE COMMITTEE

September 1948

Article II, Section 3 of the Bylaws provides that the Executive Committee shall determine the rules governing the annual election of officers. The committee, by mail ballot sent out on September 15, adopted the following rules:

"Ballots, together with a biographical summary of each nominee, shall be mailed to each member during the month of October. To be counted, the return ballot must be postmarked not later than November 30. New members, whose applications are received by November 25, shall be entitled to vote if their ballots are postmarked not later than November 30.

Nominees for the two vice-presidencies shall be drawn from two disciplines. Members shall be instructed to vote for not more than one from each discipline.

"Stamped return envelopes shall be distributed with the ballots. They shall provide space on the outside for the name and address of the member voting. Ballots will be valid only if the member's signature appears on the outside of the envelope and is not indicated on the ballot itself. Before the ballots are opened, a clerical employee shall check the names against the membership list. She shall then discard the envelopes before submitting the ballots to the members of the Election Committee.

"The Election Committee shall consist of the secretary-treasurer as chairman *ex officio* and two other members appointed by the president. The Committee shall have charge of the distribution and counting of the ballots. Each member of the Committee shall separately verify the tabulation of the ballots. The Committee shall, by majority vote, decide any questions regarding the validity of ballots.

"Members, at the time of balloting, shall be invited to suggest persons for nomination in the following year."

By the same ballot it was decided not to undertake any employment-exchange function at that time.

REPORT OF THE COMMITTEE ON NOMINATIONS

The Committee on Nominations submitted to the secretary-treasurer the following final report:

"We hereby nominate for office in 1949 the following persons:

For President:

Sumner H. Slichter

For Vice-presidents:

Alexander Hamilton Frey, Arthur Kornhauser, Joseph Tiffin,
Bertram F. Wilcox.

For Executive Committee (3-year term):

Clark Kerr, David J. Saposs, George W. Taylor, N. Arnold Tolles.

For Executive Committee (2-year term):

Russell S. Bauder, Vincent W. Bladen, Howard M. Teaf, Jr.,
Edgar L. Warren.

For Executive Committee (1-year term):

Joseph D. Lohman, Lois MacDonald, C. Wright Mills, William F.
Whyte.

Respectfully submitted,"

EWAN CLAGUE

JOHN T. DUNLOP

WILLIAM S. HOPKINS

DONALD G. PATERSON

GLADYS L. PALMER, *Chairman*

MINUTES OF THE EXECUTIVE COMMITTEE

Cleveland—December 28–29, 1948

The meeting was convened at 3:00 P.M. on December 28 at the Hotel Cleveland. Present: Witte, Bladen, Kerr, McPherson, Mills, Slichter.

It was decided that the next annual meeting will be held in New York on December 29–30, 1949. There was discussion of the location of future meetings. Favorable mention was made of Chicago and Washington, but no decision was reached.

The secretary-treasurer was instructed to engage a certified public accountant to audit the books through 1948 and to recommend the method to be followed in keeping the accounts of the Association.

The secretary-treasurer was authorized to employ a full-time, instead of part-time, secretary in the office of the Association.

The desirability of reimbursing IRRRA members for travel cost incurred in attending meetings of the Executive Committee and other committees was discussed. It was decided not to authorize such reimbursement at that time, without prejudice to action on this question by the new Executive Committee.

The question of whether the dues payments of new members would expire at the end of the year or run for 12 months from date of joining was discussed. It was decided that dues should be on a calendar-year basis, and that persons joining at any time during the year should receive any publications issued by the Association earlier in that year. It was further decided that each member for any year should receive the Proceedings of the annual meeting held at the end of that year, even though he may not have renewed his membership by the time the Proceedings are issued.

The question of holding a joint meeting with the American Psychological Association was discussed. It was decided that the Association would participate in a one-day joint program in Denver in September

1949, if invited to do so by the Society for the Psychological Study of Social Issues. The discussion also favored a joint meeting with the American Psychological Association at Pennsylvania State College in September 1950, but no action was taken on this proposal.

It was decided to publish a Membership Directory during 1949, preferably as a part of the Proceedings. It should include the business address of members and a statement of their current research. Members should be listed both alphabetically and by state.

It was decided that the Association would undertake to offer an "employment-exchange" service to its members on an experimental basis. It should be announced at the business meeting and in the Proceedings that persons available for employment may send to the IRRA office a brief statement covering their training, experience and publications, which information may be obtained on request by prospective employers.

The meeting reconvened at 8:00 P.M. Present: Witte, Bladen, Jensen, Kerr, Kornhauser, McPherson, Mills, Reynolds.

The report of the Committee on Research was presented by its chairman, Lloyd G. Reynolds. The report was discussed in detail. It was approved and placed on the agenda for presentation at the membership meeting.

The meeting reconvened at 5:30 P.M. on December 29. Present: Witte, Bladen, Clague, Gambatese, Jensen, Kornhauser, MacDonald, McPherson, Mills, Reynolds, Slichter, Taylor.

The report of the Committee on Constitutional Changes was presented by its chairman, Vernon H. Jensen. It was discussed in detail. The proposals for revision of the Constitution and Bylaws were approved, and they were placed on the agenda for final action by the membership at the meeting on the following day.

The following members were elected to the Committee on Nominations for 1949: E. Wight Bakke (chairman), Ewan Clague, Nathan P. Feinsinger, Vernon H. Jensen, Harold F. North, Carroll L. Shartle, and Nat Weinberg.

ANNUAL MEMBERSHIP MEETINGS

Cleveland—December 29–30, 1948

The Association completed its initial year with the holding of its first annual meeting at the Hotel Cleveland on December 29 and 30, 1948. Five program sessions were held, plus a luncheon and business session. Well in excess of one-fourth of the total membership of the Association attended these meetings. The local arrangements for these meetings were handled by the following committee appointed by President Witte: Jack G. Day (chairman), Brent Baxter, William H. Gilman, Jr., Elizabeth S. Magee, and George Maxwell. The program sessions are reported in the body of the present volume.

BUSINESS SESSION
Cleveland—December 30, 1948

The business session was held at the Hotel Cleveland following the delivery by President Witte of the Presidential Address at a luncheon meeting attended by nearly 300 members.

President Witte presented introductory comments on the origin, growth and purposes of the Association. He introduced the officers of the Association.

He then called for the report of the treasurer. This was an advance estimate of the report published at the end of this volume.

On behalf of the Executive Committee, the secretary-treasurer reported certain of its recent actions, as set forth in the preceding pages. These included the decisions regarding publication of the Proceedings and Membership Directory, auditing of the Association's accounts, inauguration of an "employment exchange" service on an experimental basis, and announcement of the membership of the Committee on Nominations.

The following report was presented on behalf of the Committee on Teaching in Industrial Relations by its chairman, N. Arnold Tolles:

At first sight, the creation of a committee on *teaching* by the Industrial Relations Research Association may seem a trifle odd. Our Committee on Research might seem to be adequate as a kind of committee of the whole. However, the word "research" in the association title was never meant to exclude a deep concern with effective teaching—whether on campus, in factories and offices, in union halls or among groups of plain citizens. Especially in the field of industrial relations, good research needs to be complemented by good teaching.

The new Committee on Teaching has just begun to formulate its program. Suggestions from individual members of the Association will be most welcome, now and at any time. At the moment, we present two lines of action by the committee: (1) the stimulating of conferences among actual teachers in the labor field, and (2) an examination of the problems of curriculum for specialized students of labor and industrial relations.

The first of these activities grows out of some experiments of the past three years in the organizing of conferences or institutes for the mutual training of teachers of economics generally and of labor problems particularly. During the year 1945, the American Economic Association focused attention on the general neglect of problems of teaching by establishing its Committee on the Undergraduate Teaching of Economics and the Training of Economists. One of the sub-committees of this group, the sub-committee on the Training of Teachers, conducted a two-week Conference on the Teaching of Economics at The American University in Washington, D. C., during August, 1946. Encouraged by the results of this first experiment, the same group proceeded to organize two separate conferences of one week each for August and September of 1947—one conference on the teaching of economics in general and another on the teaching of labor economics.

The second annual Conference on the Teaching of Labor Economics was sponsored by the New York State School of Industrial and Labor Relations at Cornell University. Fifty-three college and university teachers from 34 different

institutions participated in this latest program, August 26-31, 1948. A digest of the discussion during this six-day session is now available on request to any member of the Industrial Relations Research Association.

As parents are notoriously biased judges of their children, your chairman faces a special difficulty in making an objective appraisal of these activities. Even the favorable opinions of colleagues are suspect, since they may reflect friendship and sympathy rather than cool judgment. Nevertheless, it seems safe to say that conferences of this type have proven their value.

One test of this judgment is provided by the responses to a four-page questionnaire which was sent to each of the participants in the conference of 1948. These responses furnish a rich source of suggestion and guidance for any group which may contemplate a similar activity in the future. A detailed report of the answers has been prepared and is being studied by members of this Committee on Teaching. It seems significant that 27 of the 53 teaching members of the conference took the trouble to answer the inquiry, even though the form was mailed six weeks after they left Ithaca and even though no follow-up letter was used.

Every one of the respondents favored the scheduling of annual conferences of this kind in the future. Indeed, they all believed that their professional value would justify at least a partial defrayment of expense by the institution which employed the teacher who attended. Fifteen of the 29* respondents stated that they would prefer the national sponsorship of the Industrial Relations Research Association, as compared with 10 who selected the American Economic Association as the preferred sponsor.

Our association would seem to have a clear mandate to promote future conferences of this type and your Committee on Teaching intends to proceed immediately to encourage several such conferences or institutes during the coming year in different sections of the country. We would like to hear from any college or university which might take initiative in its own region. In return, we believe that we are in a position to furnish a considerable amount of realistic advice, based on the experiments already conducted.

The second proposal of the Committee on Teaching is to begin immediately a comprehensive examination of the aims, content and problems of the specialized programs of training in the field of industrial relations. A rich variety of specialized curricula in labor have appeared during the past few years, partly, but not wholly, represented by the various special schools and institutes in the universities. An up-to-date stock-taking and consideration of curriculum problems would appear to be helpful to all of us. The Committee proposes to begin by circulating a brief questionnaire to all colleges and universities which offer a specialized program of instruction in the labor field. These data will be used to prepare a summary statement of curriculum. Using these facts, the Committee intends to promote critical discussions of curriculum objectives and problems and to report its findings to the members of this association.

Respectfully submitted,

W. ELLISON CHALMERS
ALMA HERBST
THOMAS KENNEDY
REV. JAMES J. MCGINLEY, S.J.
CHARLES A. MYERS
N. ARNOLD TOLLES, *Chairman*

* Including 2 respondents from among the 10 "non-teaching" members of the conference, in addition to the 27 respondents who were teachers.

The following report of the Committee on Research was presented by Lloyd G. Reynolds, chairman:

The Committee on Research met on Tuesday afternoon, December 28, 1948. All members except Mr. Webbink were present. The Committee submits the following recommendations to the Executive Committee:

1. That the Committee on Research be continued, with the following major functions:
 - a. To stimulate the preparation of bulletins on types and methods of research in industrial relations. We have especially in mind the usefulness of a bulletin on studies which might be done in a particular plant or community by faculty members and students living in the community. Preparation of this and other bulletins might be carried out by ad hoc subcommittees appointed by the Executive Committee on recommendation of the Committee on Research.
 - b. To maintain contact with the work of the Labor Market Research Committee of the Social Science Research Council, in order to ensure coordination of effort and to avoid overlapping of activities.
 - c. To work out with the secretary-treasurer a feasible method of handling research inquiries addressed to him or to the President of IRRA.
 - d. To consider other research functions which the Association might perform, and to make recommendations concerning them to the Executive Committee.
2. That the proceedings of the 1948 convention of IRRA be published independently by the Association, and that the secretary-treasurer be asked to edit the proceedings.
3. That the Association look toward eventual establishment of a periodical journal or other regular publications. The questions of what publications should be issued, how they can be financed, and how they should be managed and edited will require careful exploration over a period of time. We recommend, therefore, that a Committee on Publications be appointed to explore these questions and to report to the Executive Committee as soon as may prove feasible.

Respectfully submitted,

JOHN C. DAVIS
PHILIP TAFT
J. BENTON GILLINGHAM
PAUL WEBBINK
LLOYD G. REYNOLDS, *Chairman*

A motion, made and seconded, to adopt the recommendations of the Committee was passed by unanimous vote of the members present.

Vernon H. Jensen, chairman, presented the following report of the Committee on Constitutional Changes:

The following members of the committee met and gave consideration to the several matters covered seriatim below: C. L. Christenson, Joseph Gambatese (sitting for Donald R. Horn), Arthur Kornhauser, and Vernon H. Jensen.

Robert D. Gray and Robert E. Mathews were unable to attend our meeting, but submitted their opinions on most of the matters reported on below.

Appearing before the committee was Lazare Teper who gave his views on the appropriate type of labor union participation in the councils of the Association.

The most vexing problem considered has been that of assuring the broadest and most appropriate designation of members to the Executive Board. The committee suggests the adoption of a resolution and of certain amendments to the Constitution and Bylaws dealing with the structure of the Association.

The committee proposes the adoption of the following resolution:

"Whereas, the Industrial Relations Research Association has in its membership persons representing different disciplines and fields of research, and Whereas, some of its members are engaged in research on the university or governmental level while others are engaged in research activities within labor or management organizations,

Be It Resolved that the Executive Board should include members from the several disciplines and types of research activity."

The committee recommends that the following changes be made in the Bylaws:

1. That the name "Executive Committee" be changed to "Executive Board" and that the proper changes in wording be made throughout the Bylaws by substituting the words "Executive Board" wherever the words "Executive Committee" appear.

2. That Section II, Paragraph 1 be amended so as to read: "The Association shall have the following elective officers: a President and twelve elected members of the Executive Board. The term of office of the President shall be one year. The terms of office of the members elected to the Executive Board shall be three years, four of the twelve terms to expire each year. Each regular term of office shall coincide with a calendar year." (It is to be understood that, during the first election following adoption of this amendment, the terms of office shall be set up to provide for a staggering so as to have four elected each year thereafter.)

3. That Section II, Paragraph 5 be amended by deleting the words "the Vice-Presidents" and by changing the word "six" to read "twelve."

4. That Section III, Paragraph 1 be amended by deleting the words "Vice-Presidents in the order of their election" and adding "Secretary-Treasurer pending selection of an acting president by the Executive Board to serve for the unexpired term."

5. That Section III, Paragraph 3 be amended by substituting the word "seven" for the word "five."

6. That Section II, Paragraph 2 be amended to provide for seven instead of five members on the Nominating Committee.

These additional changes in the Constitution and Bylaws are proposed:

7. That a person becoming a life member be privileged to apply to the life membership the dues paid in the previous year.

8. That the word "legal" be inserted in the Constitution following the word "economic" in Paragraph 1 under "Purpose."

9. That the suggestion to require that any new member be nominated by a present member, which would require an amendment of Section I, Paragraph 1, be rejected.

10. That the second parenthetical statement in Section I, Paragraph 2, be amended to read "(graduate and undergraduate students, limited to three consecutive years in each classification)."

11. That Section I, Paragraph 2 be amended by deleting the words "as regular, contributing, or life members."

12. That the suggestion to add an amendment to Section I of the Bylaws to provide for foreign honorary members be rejected.

13. The Committee recommends that Section IV of the Bylaws be numbered Section V, and that a new Section IV be adopted as follows:

"IV. Local Chapters

1. The Association will recognize as affiliated local chapters, by means of a certificate of recognition, a local organization formed to advance the purposes of the Association, provided the bylaws of the local group are consistent with those of the Association and require the officers of the local chapter and members of all committees to be members of the Association, and provided further that no financial obligation of the local chapter shall be a contingent obligation of the Association. Student chapters must have a faculty advisor who must be a member of the Association.
2. Any local group desiring to affiliate with the Association will send its request for affiliation, together with a copy of its bylaws and a list of its officers and committee members, and a statement of its program, to the Secretary-Treasurer, who shall present the request to the Executive Board. The Executive Board may accept or refuse the affiliation.
3. The Association will not interfere with activities of the local chapters, provided that they conform with the purposes of the Association. The affiliation of any local chapter, whose program or activities are inconsistent with the aims and purposes of the Association, may be terminated by vote of the Executive Board."

The Committee further recommends that the Executive Board appoint a special committee to study and report on the legal questions raised by providing for local chapters and also the feasibility and desirability of establishing regional organizations.

Respectfully submitted,

C. L. CHRISTENSON
JOSEPH GAMBATESE
ROBERT D. GRAY
ARTHUR KORNHAUSER
ROBERT E. MATHEWS
VERNON H. JENSEN, *Chairman*

A motion, made and seconded, to adopt all of the recommendations of the Committee, including the proposed resolution on Executive Board membership, was carried unanimously.

The following report was presented on behalf of the Committee on Elections:

We have verified the count of the 554 valid ballots, and certify that the following members have been elected to office for 1949:

President

Sumner H. Slichter

Vice-Presidents

Alexander Hamilton Frey

Arthur Kornhauser

Executive Board

Three-year term

Clark Kerr

George W. Taylor

Two-year term

Vincent W. Bladen

Edgar L. Warren

One-year term

Lois MacDonald

William F. Whyte

Respectfully submitted,

THOMAS W. HARRELL

JOHN B. PARRISH

W. H. MCPHERSON, *Chairman ex officio*

President-elect Slichter was introduced and at this point took charge of the meeting. He spoke briefly regarding the purposes and future activities of the Association.

The meeting was then adjourned.

MINUTES OF THE EXECUTIVE BOARD

Cleveland—December 30, 1948

The meeting convened at 5:00 P.M. on December 30. Present: Slichter, Bladen, Kerr, Kornhauser, MacDonald, McPherson, Witte.

President Slichter's selection of the following persons to serve on the Program Committee was approved, subject to their acceptance: Nelson H. Cruikshank, Daniel Katz, Joseph D. Lohman, Robert E. Mathews, and E. H. van Delden. President Slichter is chairman *ex officio* and the secretary-treasurer is a member *ex officio*.

It was tentatively decided that the annual meeting in 1950 would be held in Chicago, in connection with the American Sociological Society if possible.

The secretary-treasurer was instructed to seek an option on a hotel in Washington, D. C. for the 1951 meeting. Tentative plans call for joint meetings with the American Economic Association and allied organizations in Chicago in 1952 and 1958 and in New York in 1955. The collection of a joint registration fee of \$1 at the New York meeting in 1949 was approved.

It was decided to approve the affiliation of the Washington, D. C., and Cornell University local chapters, subject to formal application by them and check by the secretary-treasurer for conformance to the revised IRRA Bylaws.

It was decided, subject to reconsideration, to print 3,000 copies of the Proceedings. The secretary-treasurer was instructed to place the printing contract on the basis of competitive bids. He was further instructed to determine the cost of keeping the type set up for one year. It was decided that reprints of the principal papers should be made available to their authors at cost. Invitations to membership mailed in 1949 should include a copy of the table of contents of the Proceedings.

The Committee on Constitutional Changes was discharged with expression of appreciation for its thoughtful and constructive work. N. Arnold Tolles and Lloyd G. Reynolds were requested to continue as chairmen of the Committee on Teaching and the Committee on Research, respectively. Alexander Hamilton Frey was elected as counsel of the Association for a three-year term.

REPORT ON MEMBERSHIP AND FINANCES

At the end of 1948 the Association had 1,014 members classified as follows: 4 life members, 15 contributing members, 960 regular members, 33 junior (student) members, and 2 family members. The total differs from the 1,026 Charter Members listed in the invitational leaflet because the 1948 dues payments of 12 persons were received immediately after the end of the year.

This remarkable membership growth is a clear indication of the widespread conviction that there is a real need for such an organization. It was made possible only by the enthusiastic cooperation of the members in submitting the names of persons who might wish to join the Association. Further gains in the strength of IRRA and its financial ability to undertake additional services to its members are dependent upon the continuation of such assistance. Each member who has not already submitted a list of nominees is urged to do so. Only with such help will there be any possibility of attaining the membership goal set by President Slichter for 1949 at the Cleveland meeting.

The IRRA office maintains alphabetical and geographic membership files and an alphabetical invitation file. Each new membership nomination is checked against these files to assure that the nominee is not a member and has not already been invited.

Following is a list of the organizations to which our mailing list has been loaned, and the purpose of its use:

1. Social Science Research Council for announcement of Durand: *The Growth of the Labor Force in the U. S., 1890-1960*.
2. Industrial Relations Center, University of Minnesota, for announcement of its publications.
3. *Industrial and Labor Relations Review* for solicitation of subscriptions.
4. Matthew Bender & Co., for announcement of New York University: *First Annual Conference on Labor*.
5. Labor Relations Council, University of Pennsylvania, for announcement of its conference on labor arbitration.
6. *American Journal of Sociology* for announcement of its January 1949 issue.

The following financial report to the end of 1948 includes the month of December 1947 when the organization was known as the American Association for Labor Research. Total receipts were \$5,691.00 and disbursements were \$1,404.60, leaving a cash balance of \$4,286.40. The only financial obligations outstanding at the end of the year were as follows:

Stenographic services for December 16-31	\$ 57.20
Collector of Internal Revenue for income tax withheld	19.00
Balance due on 4,000 stamped envelopes on order	10.00
Deficit in Petty Cash Fund	21.78
Total	<u>\$107.98</u>

The receipts came entirely from membership dues, distributed as follows:

4 life members	@ \$100.00	\$ 400.00
15 contributing members	@ 25.00	375.00
960 regular members	@ 5.00	4,800.00
33 junior members	@ 3.00	99.00
2 family members	@ 1.00	2.00
3 prepayments of 1949 dues		15.00
Total		<u>\$5,691.00</u>

The expenditures are itemized as follows:

Services of part-time stenographer	\$ 573.68
Printing and stationery	431.44
Postage and envelopes	371.55
Petty Cash Fund	25.00
Collector of Internal Revenue for income tax withheld	2.50
Bank charges on Canadian checks	.43
Total	<u>\$1,404.60</u>

The Petty Cash account was as follows:

Received from Association	\$25.00	
Deficit, as of December 31, 1948	<u>21.78</u>	\$46.78
Poster for Chicago meeting	\$ 6.20	
Telegrams	1.80	
Long distance call	6.19	
Rubber stamp (return address)	1.43	
Stencils & mimeograph paper	13.16	
Room for Executive Board meetings at Hotel Cleveland	<u>18.00</u>	\$46.78

Following is the report of the Certified Public Accountant who audited the Association's accounts in accordance with an Executive Board resolution of December 28, 1948:

March 8, 1949

To the Executive Board
Industrial Relations Research Association
Urbana, Illinois

Dear Sirs:

In accordance with instructions we have audited the records of cash receipts and disbursements of the Industrial Relations Research Association as maintained in the offices at Urbana, Illinois, for the period beginning December 15, 1947, and ending December 31, 1948.

Cash receipts from member dues and contributions were test checked into the records and cash disbursements, as evidenced by the cancelled checks and supporting vouchers relating thereto, were examined and appear to have been in order. The cash balance December 31, 1948, as shown by the books was satisfactorily reconciled with the amount as certified directly to us by the depository.

As a result of our examination it is our opinion that the summary attached to and forming a part of this report correctly reflects the cash transactions of the Association for the period covered by our review.

Respectfully submitted,

(Signed) NELSON D. WAKEFIELD
Certified Public Accountant

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
 SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
 DECEMBER 15, 1947 TO DECEMBER 31, 1948

<i>Cash Receipts</i>		
Member Dues and Sustaining Contributions		\$5,691.00
<i>Cash Disbursements</i>		
Secretarial Services	\$ 573.68	
Printing and Stationery	431.44	
Postage and Envelopes	371.55	
Miscellaneous	27.93	
Total Disbursements		<u>1,404.60</u>
Excess of Receipts Over Disbursements		<u>\$4,286.40</u>
<i>Represented by:</i>		
Cash in First National Bank, Champaign, Ill.	\$4,038.40	
Cash on Hand	<u>248.00</u>	<u>\$4,286.40</u>

This statement of the auditor concludes my report for 1948.

Respectfully submitted,

WILLIAM H. McPHERSON,
Secretary-Treasurer.

I.R.R.A.

ANNUAL PROCEEDINGS

1948